



KAMARAJ IAS ACADEMY
Only IAS Academy by Grandson of "Per.uthalsivar Kamarajar"

Hainan Island: China's "Customs Split" Strategy

Published On: 20-12-2025

Subject Reference: GS Paper II (International Relations) | GS Paper III (Economy - Trade)

- **The News (Dec , 2025):** China officially launched separate customs operations for Hainan Island. It is now a "First-line open, Second-line controlled" zone—meaning goods from overseas enter Hainan duty-free, but standard customs apply when they move from the island to mainland China.
- **Apt Topic: "Institutional Opening-up and the CPTPP Bid"**
- **The 30% Value-Added Rule:** A crucial UPSC point: Goods processed in Hainan can enter the mainland duty-free if at least **30% local value-addition** occurs. This encourages manufacturing over simple re-export.
- **Strategic Intent:** This is China's "testbed" for the **CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership)**. By liberalizing Hainan, China aims to prove it can meet the high-standard transparency and data-flow requirements of the trade bloc.
- **Geopolitics:** It creates a "Hong Kong-style" hub on the mainland's doorstep, reducing dependence on traditional financial centers while countering US-led decoupling efforts.

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