

Cross-Border Trade Strategies Between Hainan and ASEAN Countries: Policy Insights Under the Dual Frameworks of RCEP and the Belt and Road Initiative

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Abstract: This paper investigates the cross-border trade strategies between Hainan and ASEAN countries under the combined frameworks of the Belt and Road Initiative (BRI) and the Regional Comprehensive Economic Partnership (RCEP). It explores how Hainan, as a Free Trade Port, can capitalize on its strategic location and the opportunities provided by these two major international agreements. By examining Hainan's policy environment, the economic potential of the region, the challenges, and opportunities of strengthening trade relations with ASEAN, this paper provides insights into how Hainan can enhance regional economic integration and strengthen its trade ties with Southeast Asia. The findings highlight the importance of collaboration, innovation, and strategic trade policies to ensure that Hainan can play a significant role in the regional trade landscape.

Keywords: Hainan; ASEAN; Cross-border trade; RCEP; Belt and Road Initiative

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1. Introduction

Hainan, China's southernmost province, has gained increasing importance as a strategic node in China's trade network, particularly with ASEAN countries. Its positioning as a Free Trade Port and its geographical proximity to Southeast Asia present unique opportunities for enhancing cross-border trade. The Belt and Road Initiative (BRI) and the Regional Comprehensive Economic Partnership (RCEP) provide robust frameworks for facilitating trade within the region. The purpose of this paper is to examine how Hainan can leverage these two frameworks to enhance its trade relations with ASEAN countries and become a key player in regional economic integration. Through an analysis of the policy environment, opportunities, challenges, and future trends, this paper aims to offer a comprehensive understanding of how Hainan's trade strategies can contribute to the broader economic goals of Asia.

2. Overview of Hainan's Role in Cross-Border Trade

Hainan's role in cross-border trade with ASEAN countries is shaped by its strategic geographic location and

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the economic initiatives undertaken to boost its connectivity with Southeast Asia. As China's only tropical island, Hainan's proximity to ASEAN makes it a natural bridge for trade, tourism, and other forms of cooperation between China and the Southeast Asian region.

Hainan's establishment as a Free Trade Port plays a crucial role in its trade strategy. The Free Trade Port policy allows for greater flexibility in customs procedures, tariffs, and regulations, making it an attractive destination for international trade. The free flow of goods and services facilitated by these policies has positioned Hainan as a key player in China's broader regional economic strategy. By capitalizing on its location at the intersection of the Pacific Ocean and the South China Sea, Hainan can enhance its economic ties with ASEAN countries, particularly in industries such as tourism, logistics, and agriculture.

The implementation of the BRI and RCEP has further bolstered Hainan's potential to expand its role as a regional trade hub. The BRI, which emphasizes infrastructure development and regional connectivity, has led to improved port facilities, transportation routes, and logistics networks, which are essential for facilitating smooth cross-border trade. The RCEP, with its provisions for tariff reduction and streamlined trade regulations, provides a solid foundation for enhancing trade between Hainan and ASEAN countries. As a result, Hainan is poised to leverage these frameworks to build stronger economic links with its neighbors in Southeast Asia.

Hainan's economic strategy aligns with China's broader "dual circulation" policy, which emphasizes expanding domestic markets while increasing foreign trade. The Free Trade Port policies, coupled with the international trade frameworks such as the BRI and RCEP, create favorable conditions for Hainan to emerge as a crucial economic hub, not only for China but for the entire ASEAN region.

3. Key Opportunities for Trade Expansion under RCEP and BRI

The RCEP agreement, signed in November 2020, marks a significant step in promoting economic integration within the Asia-Pacific region. As a member of RCEP, Hainan stands to benefit from several advantages that can enhance its trade with ASEAN countries. One of the primary benefits is the reduction of tariffs across a wide range of goods, which will lower the cost of trade and improve market access for goods from Hainan into ASEAN markets. This will open up new avenues for trade, particularly in sectors such as agriculture, manufacturing, and consumer goods.

In addition to tariff reductions, RCEP aims to simplify customs procedures and standardize trade regulations, making it easier for Hainan-based companies to export goods to ASEAN countries. This streamlined process will foster smoother cross-border trade flows and help Hainan-based businesses reach new markets with greater efficiency.

The Belt and Road Initiative, on the other hand, complements these efforts by focusing on infrastructure development to improve connectivity between China and ASEAN countries. The initiative has already led to significant investments in transportation networks, including roads, ports, and airports, that facilitate trade between China and Southeast Asia. These infrastructure improvements, along with the growing ease of doing business in Hainan, will further enhance the province's ability to serve as a trade hub.

The BRI also focuses on strengthening cooperation in areas such as finance, technology, and education. As a Free Trade Port, Hainan is well-positioned to attract investments in these sectors. The province can leverage the BRI's focus on green development and technological innovation to diversify its economic offerings, particularly in sectors such as renewable energy, smart technologies, and sustainable agriculture.

Through these opportunities, Hainan can create a competitive advantage by aligning its trade strategy with the broader goals of the BRI and RCEP, driving sustainable economic growth and enhancing its role in regional trade.

As Hainan moves forward with its trade expansion goals, its emphasis on creating value-added products, investing in technological innovation, and facilitating greater economic collaboration with ASEAN countries will serve as key drivers in the province's long-term economic development strategy.

4. Challenges in Strengthening Hainan-ASEAN Trade Relations

While the opportunities for Hainan to expand its trade with ASEAN are significant, several challenges need to be addressed. One of the key challenges is the need for greater regulatory alignment between Hainan's Free Trade Port policies and the trade regulations set by ASEAN countries under RCEP. Although both Hainan and ASEAN countries share the goal of fostering free trade, differences in customs procedures, trade standards, and regulations may create barriers to seamless trade. Hainan must work to harmonize its policies with those of ASEAN countries to ensure that cross-border trade remains efficient and consistent.

In addition to regulatory issues, logistical barriers pose another challenge. While infrastructure improvements under the BRI have contributed to enhancing transportation links, there are still areas where inefficiencies exist. For example, congestion at key ports and inadequate distribution networks in some ASEAN countries can delay the movement of goods, hindering the flow of trade. For Hainan to capitalize on its Free Trade Port status, these logistical issues must be addressed through further investment in infrastructure and improved coordination with ASEAN partners.

Another challenge is competition from other regional trade hubs, such as Singapore and Hong Kong. These cities have long-established reputations as global trade and financial centers, and Hainan will need to differentiate itself in order to attract investment and businesses. To overcome this challenge, Hainan should focus on developing its unique strengths, such as its strategic location for maritime trade, its focus on sustainable development, and its rapidly growing service sectors.

Furthermore, regional tensions or geopolitical uncertainties may impact trade relations and create challenges in maintaining stable and reliable economic partnerships. Hainan must navigate these complex issues by fostering strong diplomatic and economic ties with ASEAN countries and focusing on enhancing trust and collaboration within the framework of the BRI and RCEP.

Addressing these challenges requires a long-term vision and commitment to institutional reforms, regulatory improvements, and infrastructure investments, along with a strategic focus on the distinctive advantages Hainan offers to international businesses and investors.

5. Future Trends in Hainan's Trade with ASEAN: A Look Ahead

Looking toward the future, several emerging trends are likely to shape Hainan's trade relations with ASEAN. One of the most significant trends is the growth of digital trade and e-commerce. The rise of online shopping and digital platforms has transformed the way goods and services are traded across borders. Hainan has the potential to become a key player in facilitating cross-border e-commerce between China and ASEAN, particularly as digital infrastructure continues to improve.

As e-commerce grows, so too does the importance of digital payment systems, data protection, and cybersecurity. Hainan can position itself as a regional leader in these areas by fostering innovation and collaborating with ASEAN countries to create a secure and efficient digital trade ecosystem. This could include initiatives to standardize online trading practices, develop cross-border payment systems, and promote digital literacy.

Sustainability is another trend that is likely to shape Hainan's future trade relations with ASEAN. The BRI's

emphasis on green development and environmentally sustainable practices provides an opportunity for Hainan to lead in areas such as renewable energy, sustainable agriculture, and eco-friendly tourism. By aligning its trade strategies with these sustainable goals, Hainan can attract investment in green technologies and become a model for sustainable economic growth in the region.

Furthermore, the continued growth of the RCEP will likely result in the further integration of ASEAN economies, creating new opportunities for Hainan to collaborate on joint ventures and share best practices across industries. As the region becomes more interconnected, Hainan's role in fostering trade and economic cooperation will continue to grow, driven by its proactive policies, strong infrastructure, and regional partnerships.

The development of innovative industries, especially those related to technology and digital infrastructure, will further strengthen Hainan's position in the trade network. Future trends suggest that the province can become an important player not just in physical trade but also in the digital economy, further diversifying its economic base and improving regional trade dynamics.

6. Conclusion

Hainan's strategic location, coupled with the opportunities presented by the Belt and Road Initiative and the Regional Comprehensive Economic Partnership, positions it as a key player in fostering deeper economic integration between China and ASEAN. While challenges such as regulatory alignment, logistical issues, and competition from other trade hubs remain, the future prospects for Hainan are promising. By capitalizing on opportunities in digital trade, sustainable development, and regional cooperation, Hainan can solidify its position as a vital trade hub in Asia. As these trends continue to evolve, Hainan's role in cross-border trade with ASEAN will be integral to the region's economic future, contributing to greater prosperity and regional stability.

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