

Challenges and Breakthroughs in Government Function Reform during the Construction of the Hainan Free Trade Port

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Abstract: The Hainan Free Trade Port (the “Hainan FTP”) represents a new benchmark for China’s efforts to comprehensively deepen reform and opening-up. As an integral component of this comprehensive reform, the reform of government functions is not only a concrete manifestation of institutional innovation, but also an important pathway toward advancing the modernization of national governance. This paper systematically analyzes the challenges faced by the functional reforms of customs, transportation, and fiscal authorities under the zero-tariff framework. Accordingly, it proposes that the Hainan FTP should, guided by theories of government reengineering and institutional innovation and drawing on the experiences of Singapore’s Free Trade Port(the “Singapore’s FTP”) as well as China’s Shanghai Free Trade Zone (the “Shanghai FTZ”), achieve breakthroughs in government function reform by enhancing smart customs construction, improving the transportation system, advancing fiscal and taxation reforms, and adhering to integrated institutional innovation.

Keywords: Hainan Free Trade Port; Government Function Reform; Institutional Innovation; Government Reengineering

1. Introduction

On December 18, 2025, Hainan Province officially launches island-wide independent customs operation, marking the transition of the Hainan Free Trade Port (hereinafter referred to as the “Hainan FTP”) into a substantive phase of development. While this milestone highlights the achievements of the free trade port and promotes the province’s economic and social prosperity, it also imposes new pressures that necessitate reforms in government functions. However, several challenges persist in the current reform of government functions in Hainan Province, which hinder the progress of the Hainan FTP. To advance the construction of the Hainan FTP, it is essential to address and overcome these existing obstacles in government function reform.

2. Challenges in Government Function Reform during the Construction of the Hainan FTP

To meet the construction needs of the Hainan FTP and facilitate the smooth flow of goods trade, Hainan Province has actively implemented a tariff policy centered on *zero-tariff*. However, the introduction of the zero-tariff occurred later than the establishment of most government functional departments. Coupled with the staggered rollout of related policies, this has led to a mismatch between the functional setup of some government agencies and the evolving requirements of the zero-tariff. As a result, the incompatibility between government functions and the zero-tariff policy has become a major challenge in the ongoing reform of government functions in Hainan Province. The government agencies most affected by this issue primarily include customs department, transportation department, and fiscal department.

2.1 Customs Department

Customs department primarily perform four fundamental functions: supervision, taxation, anti-smuggling, and statistics. During the construction of the Hainan FTP, the adjustment and transformation of customs department functions have become an important component of government function reform. In terms of import and export supervision, the customs authorities regulate imported goods in accordance

with the import taxation commodity catalog jointly issued by the Ministry of Finance, the General Administration of Customs, and Tax Department, while goods outside the catalog are exempt from tariffs. To ensure the free production and operation of enterprises on the island, customs department also implement low-intervention, high-efficiency precise supervision for local enterprises and institutions, simplify customs procedures for incoming goods, and waive routine supervision for zero-tariff goods. Regarding taxation, customs department is primarily responsible for comprehensive management tasks, including tax collection, tax guarantees, and the reduction or exemption of tariffs and import-related taxes. For zero-tariff goods, customs authorities establish electronic ledgers and employ intelligent management measures to safeguard the security of national fiscal revenue.

With the implementation of the zero-tariff policy in the Hainan FTP, the transformation of customs department functions in the areas of tax administration and goods supervision has become a key focus of departmental function reform. However, this transformation faces several challenges. First, from tax collector to risk controller: challenges in tax administration transformation. Following the implementation of the zero-tariff, the Hainan FTP shifts its taxation approach for goods from a *positive list management* system to a *negative list management* system, marking a fundamental change in taxation logic—from previously *restricting duty-free goods* to *restricting taxable goods*. The zero-tariff has reduced the number of goods subject to taxation, shifting the focus of tax administration from tariff collection toward risk monitoring and post-event verification. This change requires customs authorities to reconstruct their management systems and establish a new management model centered on risk prevention and intelligent supervision. In practice, however, customs authorities have not yet completed the functional transition from tax collectors to risk controllers. They continue to operate under traditional management logic, pay insufficient attention to external risk prevention, and exhibit relatively outdated awareness, which constitutes a major obstacle to deepening tax administration reform within customs.

Second, from manual inspection to intelligent risk control: challenges in supervision function transformation. Prior to the implementation of the zero-tariff policy, the trade volume of the Hainan FTP was limited, and the quantity of goods was relatively manageable. With the further implementation of zero-tariff, the volume of goods flowing through the port has increased significantly, intensifying the pressures on customs supervision and risk prevention. The traditional supervision model, relying primarily on physical inspection and manual verification, is increasingly unable to meet current trade demands. The *Overall Plan for the Construction of the Hainan Free Trade Port* emphasizes the need to enhance information technology infrastructure and technological equipment to implement intelligent and precise supervision, while also strengthening the identification of major risks and the prevention of systemic risks.^[1] This clearly defines the direction for customs function reform: the supervision model must transition from a *manual inspection* approach to an *intelligent inspection* approach and from a *pre-event supervision* approach to a *risk prevention* approach. Nevertheless, the current capacity of customs authorities in risk identification and prevention remains limited, and cross-departmental information sharing and coordination mechanisms are not yet well established. As a result, the integrated transformation toward intelligent supervision and risk prevention is difficult to advance, which hinders the transformation of customs supervisory functions.

2.2 Transportation Department

As a critical government functional department, supporting the construction of the Hainan FTP, the transportation authorities are responsible for optimizing the spatial layout of transportation infrastructure and accelerating the establishment of a modern, integrated transport system. Although the transportation department has made considerable achievements in exploring transport modalities, ensuring traffic safety, and developing infrastructure, the implementation of the zero-tariff policy has introduced certain difficulties in transforming these key functions.

In the process of promoting reforms of the transportation, safety supervision, and infrastructure management functions within the transportation authorities, the implementation of the zero-tariff has increased the complexity of these reforms, primarily in the following aspects.

First, from single-department management to cross-departmental coordination: Challenges in transforming transportation and safety supervision functions. One major challenge is the transformation of transportation functions. Following the implementation of the zero-tariff, the variety of transported goods has increased significantly, and different types of goods require different modes of transport. To address this, Hainan Province has established a multimodal transport system, integrating two or more transportation modes—including road, rail, and air—to provide seamless, end-to-end transport services. The goal is to improve transportation efficiency and reduce logistics costs. However, the effective

operation of a multimodal transport system requires seamless coordination between the transportation authorities and other departments, such as customs, commerce, and market regulation, in areas such as cargo supervision standards and transport mode selection, which is inherently challenging. Moreover, the absence of a well-established information-sharing platform across departments further hinders the coordinated implementation of the multimodal system, making the transformation of transportation functions difficult. Another challenge lies in the transformation of safety supervision functions. Prior to the implementation of the zero-tariff, the volume of goods trade in the Hainan FTP was relatively stable, safety supervision tasks were relatively straightforward, and regulatory difficulty was limited. Following the implementation of policy, both the volume and frequency of goods transportation have increased significantly, substantially raising safety risks, thereby challenging the traditional single-department regulatory model. Currently, safety supervision responsibilities are not only undertaken by the transportation authorities but also involve multiple departments, including emergency management authorities, police authorities, and market regulatory authorities. In the absence of a top-level design, different departments have varying priorities and standards for safety supervision, which not only prevents the formation of a coordinated regulatory effort but also results in overlapping responsibilities and a *multi-headed management* scenario.

Second, from builder to coordinator: Challenges in transforming infrastructure management functions. Currently, bulk goods trade between Hainan and foreign countries (or regions) is primarily conducted via ships, placing high demands on the number and capacity of the province's port and terminal facilities. However, Hainan's existing major ports are limited in number and unevenly distributed in terms of capacity. At present, only four major ports—Haikou, Sanya, Yangpu, and Basuo—serve the province. The number is relatively small, and the cargo throughput among these ports varies significantly. For example, in 2023, Haikou Port alone handled 123.69 million tons of cargo, accounting for approximately 62% of the total throughput, whereas Sanya Port handled only 1.82 million tons, less than 1% of the total.^① This imbalance reflects the insufficient role of the government in port planning and regional coordination. Specifically, port construction and planning involve joint approvals from departments such as finance, transportation, and environmental protection. However, unclear boundaries of authority and responsibility across departments, coupled with an underdeveloped coordination mechanism, have led to prolonged project timelines and low efficiency, making it difficult for infrastructure development to meet the facility scale requirements imposed by the zero-tariff.

2.3 Finance Department

The finance department oversees the financial affairs of the entire province, primarily performing duties such as managing provincial fiscal revenues and expenditures, formulating and supervising tax policies, and engaging in international exchanges and cooperation. In preparation for the island-wide independent customs operation, the finance department has continuously promoted the implementation of the zero-tariff. As of September 2025, Hainan Province has issued and implemented three zero-tariff lists, resulting in a cumulative tax reduction of 5.09 billion yuan, significantly enhancing trade facilitation. In terms of international exchanges and cooperation, to adapt to the continuous development of the zero-tariff, the finance authorities have actively carried out international exchanges and cooperation in the fiscal and taxation sector, exploring a more flexible fiscal and tax policy system and management framework that aligns with the actual development of the free trade port. By learning from the successful experiences and advanced practices of other free trade ports, finance department strives to establish a free trade port tax system with Chinese characteristics.

The implementation of the zero-tariff presents significant challenges to the transformation of the finance department's functions in budget management, tax supervision, and international exchanges and cooperation, which can be summarized in several key aspects. First, from passive accounting to proactive coordination: challenges in transforming budget management functions. According to Figure 1, since 2020, general public budget expenditures in Hainan Province have shown a continuous upward trend, while corresponding budget revenues have changed only slightly. Overall, expenditures are approximately 2.5 times higher than revenues. With the full implementation of the zero-tariff, the fiscal gap is expected to widen further. This requires the finance department to optimize revenue and expenditure management in a coordinated manner and enhance the scientific rigor of budget preparation to alleviate mounting fiscal pressure. However, the department's current capabilities in budget planning and risk prevention are limited, making it difficult to respond effectively to the increased fiscal pressure,

^① Data Source: Statistical Yearbook of Hainan Province.

thereby hindering the transformation of budget management functions.

Second, from passive taxation to proactive supervision: difficulties in transforming tax oversight functions. The zero-tariff represents a systemic adjustment of the tax structure, shifting from a framework of limited exemptions to one of limited taxation. This requires the finance department to reformulate its traditional taxation logic, redefine the applicability of the tax system based on the categories of goods included in the zero-tariff lists, and systematically reconstruct existing policies. While this adjustment provides greater convenience for enterprises, it may also be exploited by illicit actors—for instance, through falsifying eligibility for benefits or misrepresenting the use of goods to evade tax obligations—potentially resulting in substantial revenue losses and risks of tax base erosion. At present, the finance department lacks strong tax supervision and auditing capabilities, limiting its ability to deter unlawful activities and thereby hindering the effective transformation of tax oversight functions.

Third, from domestic management to international cooperation: challenges in transforming functions of external exchanges and collaboration. The zero-tariff requires the Hainan FTP's tax system to align with international standards of high-level free trade ports. This necessitates that the finance department acquire in-depth knowledge of the tax systems and regulatory standards of other free trade ports and organize professional teams to conduct systematic research. However, current weaknesses in international tax negotiation capabilities and the shortage of specialized personnel constrain the effective transformation of the department's functions in external exchanges and international cooperation.

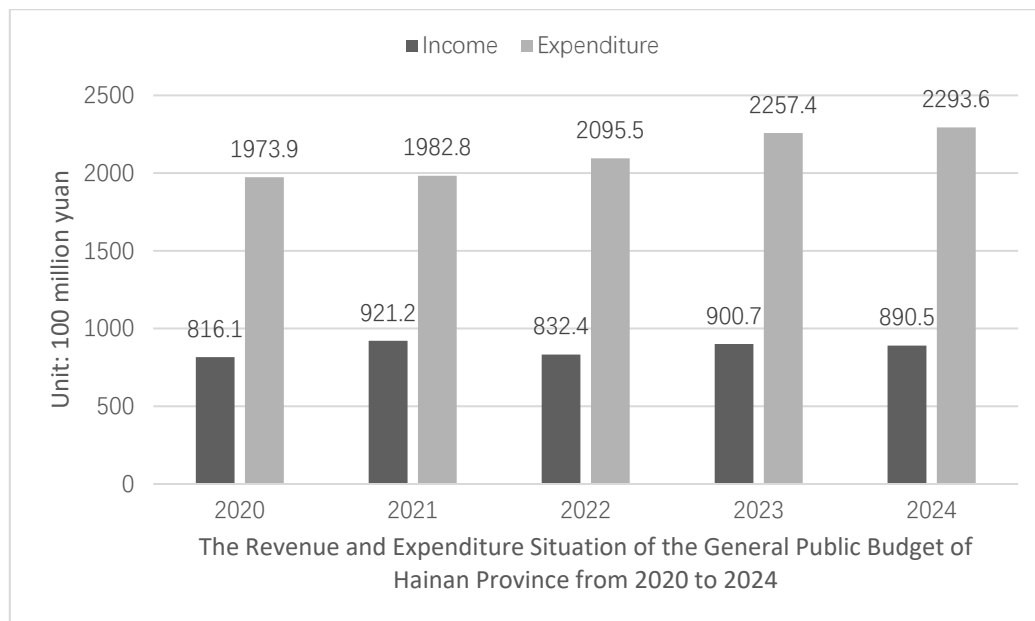


Figure 1: The Revenue and Expenditure Situation of the General Public Budget of Hainan Province from 2020 to 2024.

Data Source: Compiled from the Fiscal Revenue and Expenditure Data released by the Hainan Provincial Finance Departments.

3. Theoretical Basis and Experience Reference for the Reform of Government Functions

Mature theoretical frameworks provide legitimacy for governmental reforms and help clarify their overall direction. A review of major reform practices in governmental departments across both China and Western countries shows that most initiatives are theoretically grounded before implementation. For example, the development of digital government in countries such as the United Kingdom and the United States is based on digital governance theory, while China's establishment of government service centers and one-stop service systems draws on the theory of service-oriented government. Accordingly, the reform of governmental functions in Hainan Province should also be guided by relevant theories, including government reengineering theory and institutional innovation theory. Government reengineering refers to the fundamental transformation of public systems and public organizations to significantly enhance their effectiveness, efficiency, adaptability, and innovative capacity. This transformation is achieved through changes in organizational goals, performance mechanisms, accountability systems, power structures, and organizational culture.^[2] Institutional reform is a process

of reshaping existing structures and mechanisms. In essence, the reform of governmental functions in Hainan Province is an embodiment of government reengineering. To advance the construction of the Hainan FTP, government departments in Hainan need to undertake functional reengineering, implement the requirements of large-department reform (da-bu-zhi), and deepen institutional restructuring. This involves integrating departments with similar functions, transforming or even eliminating outdated functions within departments, with the aim of enhancing overall administrative efficiency.

At the same time, institutional innovation theory constitutes another key driving force behind the reform of governmental functions in Hainan. Institutional integration and innovation serve as the core tasks of the Hainan FTP, with the aim of enhancing the overall level of openness through systematic and integrated reforms. Institutional innovation and governmental functional reform interact with each other, forming a dynamic and mutually reinforcing cycle. On the one hand, institutional innovation provides the implementation pathway for functional reform by establishing new institutions and rules that ensure effective policy execution. On the other hand, functional reform defines the direction for institutional innovation by clarifying its objectives and providing the basis for further development. Therefore, as a new benchmark for comprehensive reform and opening-up and a vital gateway for China's external openness, the Hainan FTP must uphold institutional integration and innovation within the broader context of governmental functional reform and advance the modernization of the national governance system and governance capacity.

At the practical level, innovations in the administrative systems of several well-known free trade ports, both domestically and internationally, also provide valuable references for the functional transformation of government departments in Hainan. For example, the Singapore FTP adopts a management model that separates governmental functions from those of the governing authority: the government is primarily responsible for planning, while development tasks are carried out by specialized agencies. This clearly delineated division of responsibilities helps define the boundaries between the government, the market, and society. As a result, the Singaporean government is freed from routine administrative burdens and can devote more capacity to macro-level governance, thereby facilitating the transformation of governmental functions.

In China, the reform practices implemented in the Shanghai Free Trade Zone(FTZ) to advance the transformation of governmental functions mainly include the following: accelerating the establishment of an administrative system compatible with high-standard international investment and trade rules; giving full play to the role of the market in resource allocation and shifting the focus of governmental functions from traditional investment-driven administration toward service- and regulation-oriented governance; and actively promoting large-department reform to integrate departments with related functions so as to maximize administrative efficiency.^[3]

To better advance the development of the Hainan FTP and achieve the goal of building a high-standard free trade port at an early date, Hainan can draw on the development experience of other free trade ports to support the transformation of its own governmental functions.

4. The Breakthrough Path for the Difficulties in the Reform of Government Functions in the Construction of the Hainan FTP

4.1 Promote the Transformation of Customs Functions and Deepen the Construction of Smart Customs

To further advance the development of the Hainan FTP, Hainan province has continued to enhance its level of openness to the outside world and expand its network of international partners. At present, Hainan is actively promoting the Global Free Trade Zones (Ports) Partnership Program, has established partnerships with forty-one free trade zones and ports worldwide. The cooperation spanning multiple areas including trade and investment, cargo transportation, and the movement of people. With the rapid increase in the volume of imports and exports and the continuous expansion of trade, customs department is required to assume greater responsibilities in supervising the movement of goods and safeguarding the security of the domestic market.

To address the significant challenges associated with customs supervision of goods and risk prevention and control, two approaches may be adopted.

First, customs department should advance the transformation of their functional roles and establish a comprehensive risk-prevention and control system. They should actively shift their operational focus

toward facilitating the smooth movement of goods and strengthening risk management.

In terms of facilitating cargo clearance, customs authorities should shorten clearance time, improve clearance efficiency, and adopt differentiated management based on the category of goods. Non-regulated goods may be automatically released once security inspection is completed, exempting them from routine regulatory procedures to expedite clearance. Regulated goods, however, must undergo risk identification, and only those that meet the specified risk requirements may be cleared. Goods that fall outside the acceptable risk threshold must be detained for inspection to ensure that products entering the market comply with legal standards, thereby helping to maintain fair market competition and protect consumers' legitimate rights and interests.

In the aspect of risk prevention and control, customs authorities should build a systematic risk-management framework and strengthen their capacity for risk identification and mitigation. For example, in response to the potential trade risks associated with enterprises making false declarations to obtain preferential treatment, customs department should reinforce credit-based reviews and monitoring, promote information sharing with other departments, and establish a cross-departmental joint prevention and control mechanism to better deter unlawful activities.

Second, advancing the construction of intelligent customs to achieve precise and efficient supervision. *The 14th Five-Year Customs Development Plan* emphasizes the guiding role of innovation and sets the goal of fully establishing an intelligent customs system by 2035. Therefore, the development of intelligent customs is a crucial measure to enhance regulatory efficiency and address supervisory challenges.

Customs department need to align with digital development trends and actively implement an intelligent regulatory system, leveraging relevant technological advancements to continuously improve information management capabilities. Specifically, efforts should be made to strengthen the information-support capacity of customs and deepen the application of big data. To enhance support capabilities, customs authorities should expedite the deployment and promotion of the H2018 Customs Clearance Management System and reinforce the application of technologies such as intelligent document review, blockchain, and smart checkpoints in supervision.^[4]

At the same time, the development of mobile and remote intelligent supervision should be accelerated, utilizing image recognition, intelligent sensing, and smart video technologies to quickly identify inspected goods. New technologies should also be developed to assess the risk levels of goods, with high-risk items being detained to achieve intelligent and efficient cargo supervision. Regarding the application of big data, customs authorities should actively leverage big data throughout the regulatory process and establish a comprehensive customs big data lake. To further enhance the scientific and practical effectiveness of intelligent customs construction, customs department can convene expert seminars regularly, invite cadre members from research institutions, leading enterprises, and universities to provide guidance on technical issues such as cargo data aggregation, database development, and big data management, thereby facilitating the comprehensive advancement of intelligent customs systems.

4.2 Improve the Transportation System and Enhance the Level of Emergency Response

Facilitating the free and efficient movement of transportation is a fundamental component of the Hainan FTP. With the implementation of the zero-tariff, an increasing volume of duty-free goods is entering Hainan, resulting in a significant rise in cargo transportation and mounting transportation pressures. Moreover, within the existing transportation network, the sudden increase in the number of trucks may exceed the capacity of the current road system, potentially reach saturation and increase the likelihood of traffic accidents. To achieve the dual objectives of transportation facilitation and accident reduction, Hainan Province urgently needs to improve the planning of its transportation management system and establish corresponding monitoring mechanisms. The transportation department can adopt the following measures:

First, enhance the transportation system and improve infrastructure. The development of a comprehensive transportation system can learn from the experience of Singapore's urban transportation framework. Hainan FTP can undertake systematic and orderly planning of the province-wide transportation network, connect key logistics hubs, and develop a multi-modal transportation system integrating land, sea, and air. This includes promoting the construction of an international shipping hub and an aviation hub along the new western land-sea corridor to strengthen Hainan's transportation information network.^[5] Furthermore, different transportation methods should be applied according to the type of goods to improve efficiency.

In addition, Hainan Province should prioritize the scientific development of infrastructure. This involves two aspects: first, Hainan should comprehensively plan the layout of railways, roads, ports, and airports throughout the province to anticipate the outcomes before construction begins, thereby avoiding incomplete or redundant projects and maximizing resource utilization. Second, infrastructure sites should be located as far as possible from residential areas and nature reserves to minimize environmental impacts. When impacts are unavoidable, construction schedules should be negotiated with nearby residents and protected areas, and efforts should be made to minimize noise and environmental pollution, reducing negative externalities to the greatest extent. Finally, regular monitoring of infrastructure usage is necessary. For large-scale facilities such as roads, bridges, and ports, potential safety risks arising from aging structures should be inspected, and high-risk facilities need to be maintained or reinforced to prevent accidents that could endanger human safety.

Second, establish a transportation monitoring system to enhance emergency management capabilities. In response to the high demand for transportation of zero-tariff goods and the associated increase in truck usage leading to congestion and safety risks, transportation authorities should collaborate with other departments to build a transportation monitoring system for coordinated supervision. This system should enable real-time tracking of traffic conditions and allow immediate responses to emergencies, ensuring smooth and safe vehicle operations. Moreover, transportation department should strengthen management capabilities across the four stages of emergency management: prevention, preparedness, response, and recovery. During the prevention stage, a risk assessment and monitoring system should be established to identify potential hazards related to road safety and cargo transportation. During the preparedness stage, emergency plans should be developed and improved, and personnel should receive specialized training to respond to unexpected situations. During the response stage, inter-departmental coordination systems should be established to share resources and ensure orderly emergency handling. Finally, in the recovery stage, normal traffic order should be promptly restored after emergencies to guarantee smooth vehicle movement.

4.3 Deepen the Reform of the Fiscal and Taxation Systems and Strengthen International Exchanges and Cooperation

A sound fiscal and taxation system is one of the key indicators for evaluating the development level of a free trade port. If the Hainan FTP aims to develop into a high-level, internationally competitive port similar to Hong Kong, China or Dubai's Jebel Ali FTP, it needs to fully gain relevant experience in tax system construction. The experience should serve as stones from other hills to guide Hainan in exploring a tax system that reflects both the achievements of other free trade ports and the provincial actual development conditions, thereby establishing a tax framework with Chinese characteristics. At the same time, given that the tax reform goal of Hainan is to build an internationally competitive taxation system, Hainan Province must strengthen international exchanges and cooperation to keep pace with global trends in tax policy, thereby better integrating into the world trade system. To this end, Hainan can adopt measures in the following two areas.

The first method is to learn from international tax experience to deepen fiscal and taxation system reform. To further promote Hainan as a free trade port with Chinese characteristics and mitigate the impact of zero-tariff goods on tax regulation, Hainan province should actively capitalize on the experience of internationally renowned free trade ports such as Hong Kong, China, Singapore, and Dubai. This includes optimizing the tax structure, emphasizing the role of direct taxes in income distribution, and setting appropriate indirect taxes to ensure the effective functioning of fiscal regulation.^[6] Moreover, Hainan FTP should align with the direction of tax reform and continue to deepen the fiscal and taxation system. This process can be divided into two stages: in the short term, the exemption of ordinary stamp duties should be advanced; in the long term, consideration should be given to integrating deed tax into stamp duty, forming two stamp duty items to regulate the real estate and securities markets, thereby injecting strong momentum into the development of Hainan FTP.^[7]

The second method is to improve tax supervision and strengthen international exchanges and cooperation. Tax supervision is a crucial component of the FTP's construction. The implementation of zero-tariff may generate tax evasion or avoidance, causing significant fiscal losses. To address this problem, several measures are necessary to take. Above all, a sound tax supervision system should be established, and tax audits should be intensified. Hainan Province must enact relevant laws and regulations in accordance with the principle of *strengthening rule of law*, strictly penalize tax evasion, prevent base erosion and profit shifting, and avoid becoming a tax haven for unlawful activities.^[8] Regulatory technologies should also be reinforced, with active promotion of digital solutions in tax supervision. Digital technologies such as big data and blockchain can improve tax collection efficiency

and prevent evasion. A tax risk early-warning mechanism should be established to monitor transactions of high-risk enterprises and individuals, implement credit-based classification in the tax domain, and take appropriate legal measures against untrustworthy subjects, thus safeguarding the legitimate rights of taxpayers.

Next, international exchange and cooperation capacities must be strengthened to support the development of a high-level free trade port. Hainan should actively participate in international tax administration and cooperation, share tax-related information with other free trade ports, and contribute to the establishment of global tax supervision frameworks to ensure routine and standardized tax oversight.

Simultaneously, to accelerate alignment with international tax systems, the talent reserve and incentive mechanism should be created, and international professional talent should be introduced. Regarding talent reserves, Hainan FTP can designate specialized teams responsible for researching international tax policies and establish incentive measures to broaden promotion channels, providing rapid advancement opportunities for outstanding personnel and thereby building a sustainable talent pool. In terms of attracting international professionals, multiple preferential policies should be implemented to draw foreign talent, and mechanisms for international talent exchanges should be strengthened. Platforms facilitating exchanges between domestic researchers and foreign experts should be actively promoted, including lectures and seminars on international trade rules and tax systems, to enhance the province's capacity for global tax-related communication and cooperation.

4.4 Coordinate the Functions of Reform Departments and Adhere to Institutional Integrated Innovation

Institutional integrated innovation serves as a crucial support for advancing the high-standard and high-quality development of the Hainan FTP. It emphasizes understanding the interrelationships among various institutions and coordinating and promoting institutional innovations across different domains and matters in accordance with the requirements of systematic, integrated reforms. Government functional reform involves the transformation of the entire governmental structure. By redefining the relationship between the government, the market, and society, it drives the reorganization and optimization of government institutions, thereby not only altering the logic of power operation but also fundamentally reshaping the organizational form and management methods of the government. From this perspective, government functional reform falls within the scope of institutional innovation; therefore, deepening government functional reform must adhere to the principle of institutional integrated innovation. Since the release of *The overall plan for the construction of the Hainan Free Trade Port*, Hainan Province has placed institutional integrated innovation in a prominent position. By October 2025, the province had launched twenty-one batches comprising 173 cases of institutional integrated innovation, gradually enhancing the overall effectiveness of institutional integration and demonstrating the vitality of institutional innovation.

To further promote the high-quality development of the Hainan FTP, Hainan Province should deepen government institutional reform, coordinate functional reforms across different government departments, and persist in strengthening institutional innovation. Specific measures can be taken as follows:

Firstly, adhere to centralized leadership. Strong centralized leadership is a fundamental guarantee for the successful construction of the Hainan FTP and a key driver in deepening government reform. In this systemic endeavor to reform government functions, it is essential to ensure clear leadership in coordinating overall planning and aligning the efforts of different departments. Such centralized guidance helps remove institutional and systemic barriers and facilitates the smooth advancement of reforms in support of the FTP's development.

Secondly, strengthen top-level design. Government institutional reform in Hainan should be planned from the perspective of promoting the long-term development of Hainan FTP, adopting a holistic approach to the overall arrangement of departmental functions and allocation of authority. Regarding functional arrangement, similar or overlapping functions across different departments should be integrated to advance the *da-bu-zhi* in Hainan, addressing problems of overlapping responsibilities caused by fragmented management. In terms of power allocation, the structure of authority should be rationally configured, and departmental responsibilities clearly delineated. Institutional design should guide this process, clarifying the distinct responsibilities of government, market, and society within their respective domains, and preventing functional overreach.

Thirdly, promote internal coordination. Government functional reform is a systemic project with

highly interrelated functions, where changes in a single function can influence others, producing a ripple effect. Therefore, deepening institutional reform must emphasize coordinated advancement. The cross-departmental coordination mechanism should be established to break down institutional silos, form a synergistic reform force, and collectively contribute to the construction of the Hainan FTP.

5. Conclusion

The reform of government functions is an important support for the high-quality development of the Hainan FTP. To effectively respond to the new changes brought about by the zero-tariff, the Hainan FTP urgently needs to promote systematic transformation in aspects such as regulatory functions, transportation functions, and fiscal and taxation management functions. Research shows that by accelerating the construction of smart customs, improving the modern comprehensive transportation system, deepening the reform of the fiscal and taxation system, and strengthening the integrated innovation of systems, it is possible to effectively promote the transformation of government functions from traditional management to modern service, and further enhance the modern governance capacity and governance efficiency of the Hainan Provincial government. This will provide a solid institutional guarantee for the high-standard construction and sustainable development of the Hainan FTP.

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