

AN OVERVIEW OF HAINAN'S ECONOMIC DEVELOPMENT

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Executive Summary

1. Located in southern China, Hainan is China's sole tropical island province. It is one of the easiest and nearest entry-points to China from Southeast Asia.
2. From 1988, the central government has formulated numerous preferential policies especially for this island. Meanwhile, despite its relatively impressive economic growth since 1988 in contrast to that of the pre-reform period, Hainan remains largely undeveloped.
3. The economic development of Hainan had fluctuated during the reform period. Hainan has failed to find the right direction for its local economic growth and implement a clear development strategy since 1988.
4. Even though the growth rate of primary industry to GDP in Hainan decreased substantially from 1982 to 2008, the primary industry still accounted for nearly 30% of its regional GDP in 2008. Many local people still make a living from farming and other agriculture-related economic activities. Hainan has largely remained an agriculture-dominated economy.
5. Economically, Hainan is rich in natural resources. These natural and strategic resources help Hainan lay a solid foundation for it to develop its heavy and manufacturing industries. However, industrial growth in this region has been slow due to its historically weak industrial foundations and state policy restrictions.
6. The central government has maintained full control of the exploitation of natural resources and has taken too much resources out but contributed too little to Hainan. The local government in Hainan has very little say on processing or industrial development.

7. In addition, due to the small market and population size, and the lack of an educated and skilled labour force, foreign companies have been reluctant to invest and set up manufacturing industrial plants in Hainan.
8. Hainan has become a land of rampant real estate speculation. The real estate sector was the driving force behind local economic development in the early 1990s. The huge investment inflow into the real estate sector encouraged speculative activities and built up the land bubble in Hainan.
9. Today, the new state plan, the speculation-driven property developers and the new Chinese rich are the major contributors to the recent skyrocketing growth in housing prices in Hainan. With too much hot money flowing into the real estate sector, the emergence of a new housing bubble is a real concern.
10. Nevertheless, the development of Hainan as an International Tourism Destination has been upgraded to a national strategy. After nearly three decades of debate on its development strategy, it seems that the emphasis of the local government's strategies to boost economic development will be finally shifted to the tourism-based service sector.