Hainan's infrastructure development has concentrated on improving transportation links within the island, and with neighbouring markets, as well as developing value-added production for its primary industries. Hainan's economic planners have split the island into special sectors for industrial, agricultural and tourism development. Although the province undoubtedly benefitted in the 1980's and early 1990's from central government support, it is now much more dependent upon its own fund raising efforts. It still suffers a shortfall of RMB 1.14 billion (Cdn$ 200 million) per year, and is dependent upon assistance from Beijing to make up the balance.

Hainan's main commercial/investment conglomerate is Hainan Investment (HITIC), which has issued its own yen bonds, and the province is trying to realize other sources of capital via international money markets. **Tourism is an increasingly significant factor in the island's economy, and the successful management of this industry is a major challenge to provincial officials. In 1997, Hainan had 7.9 million visitors, including 412,800 foreigners, which resulted in tourism income of RMB 6.16 billion (Cdn$ 1.08 billion) for the island.** Sanya attracted three million Chinese and 120,000 overseas visitors.

The island's upgrading to a province brought a transfusion of domestic and foreign capital which has built expressways, ports, power stations, telecommunication systems and increased its GDP to RMB 40.47 billion (Cdn$ 7.1 billion) in 1997 from RMB 5.53 billion (Cdn$ 970 million) in 1987. The average wage rose to RMB 4,703 (Cdn$ 825) in 1997 from RMB 1,186 (Cdn$ 208) in 1987.

Hainan is the first province to establish a leaner provincial government, allowing enterprises and individuals to enjoy greater autonomy. Other innovations include long-term leases on large areas of land, equal status for all enterprises regardless of their different ownership, a simple system of registration for new firms, computerized tax collection, and entry visas upon demand at arrival.

FOREIGN INVESTMENT

Over the past ten years overseas investors have invested over Cdn$ 10 billion into Hainan island. An average of two foreign-funded enterprises have been launched daily on the island over the past decade, with Hainan ranking second nationally in terms of per capita overseas investment.

Yangpu Economic Development Zone is located in the northwest part of the island, on the Beibu Gulf. It was approved as an **economic development zone** by the State Council in 1992. In May of that year, Kumagai-Gumi (HK) signed a 70 year lease for 27.3 square km. of land, and began basic infrastructure development for an export processing zone. To date, new roads, docks and power plant have been completed, and the original management group has been expanded to include the Poly Corp., Cheong Kong, Bank of Communications, Bank of China, Industrial and Commercial Bank and Greater China (Taiwan). The Indonesian conglomerate Sinar Mas was negotiating to build a pulp plant in Yangpu, and China National Offshore Oil (CNOOC) has recently begun work on a urea plant. It is expected that these "anchor" industries will attract further investment to the zone.

Most successful investments have been those in cash