

Integrated Supervision Center of Huaihua International Inland Port: The Feasibility and Essentiality

Shu Xiaohui

Huaihua University

Tian Guang

Huaihua University

Li Yangkuo

Huaihua University

ABSTRACT

Building an integrated supervision center in Huaihua is feasible and essential because Huaihua City is at the center of the border regions of Hunan, Hubei, Chongqing, Guizhou, and Guangxi. In addition, it is a national transportation hub in China because of its distinctive geographic location, abundant resources and labor force. Due to the development of Huaihua International Inland Port, Huaihua has an excellent opportunity to be a logistics and trade center for inland areas in Central China. Given considerations in national strategies, food security, economic development and other factors, an integrated supervision center can be built in Huaihua, as it can promote the connectivity of the Wuling Mountain area and the neighboring provinces, contribute to regional economic development, and enhance China's national security and supervisory capacity. The development of Huaihua as an integrated supervision center facilitates the processing, bonded warehousing and logistics distribution of high-quality imported commodities from neighboring countries, especially ASEAN countries.

Keywords: Huaihua International Inland Port, Rural revitalization, Wuling Mountain area, Railway ports, ASEAN

INTRODUCTION

Located in western Hunan, Huaihua is at the center of the border regions of Hunan, Hubei, Chongqing, Guizhou, and Guangxi. It is a significant node in the Guiyang-Chongqing-Yichang-Changsha-Guilin circle, with no metropolitan cities within a radius of 350 kilometers. It can promote the development of the surrounding 71 counties, with 90,000 square kilometers and a population of 40 million people. Huaihua is an essential node for China's Belt and Road Initiative to connect other Asian countries and Europe to the north and ASEAN to the south. It is a significant node city on the "Guangdong-Hong Kong-Macao-Chengdu-Chongqing Axis," the "Shanghai-Kunming Corridor," and the "Erenhot-Zhanjiang Channel" in the national comprehensive three-dimensional transportation network. The national comprehensive three-dimensional transport network comprises 6 Axes, 7 Corridors and 8 Channels.

Moreover, it is the bridgehead of East-Central to Southwest China and the national integrated hub city. It has formed a three-dimensional transportation network of one airport, three high-speed railroads, four general railroads and five expressways. Huaihua is the only high-speed railway hub in China that is not a provincial capital city, and it is the first city in Hunan Province in terms of expressway mileage. Huaihua Railway Marshalling Station is the ninth-largest marshaling station in China and the largest in Southwest China, with a daily marshaling capacity of more than 12,000 trains and an annual throughput of 200 million tons. The station undertakes more than 70% of the cargo capacity of the New International Land-Sea Trade Corridor in Western China. Huaihua West Railway Marshalling Station is a leader in intelligent technology in China. The applications of the 5G+Beidou millimeter positioning system and other advanced technologies have made intelligent traffic management, train pickup and dispatching, and shunting operations possible.

Historically, during the Chinese People's War of Resistance Against Japan, Huaihua was a rear area and a strategic gateway from North, Central and East China to Southwest China. Huaihua was the military, political, economic and cultural center with its unique geographic location and strategic importance. The Battle of Xiangxi, the last battle of the Chinese People's War of Resistance Against Japan, marked the complete victory of the Chinese nation. Zhijiang Dong Autonomous County in Huaihua City is an important military fortress and the center of the war of resistance. In Zhijiang, the Chinese people accepted the surrender of the Japanese invaders. Since the late 1960s, Huaihua has been one of the critical areas for large-scale infrastructure development in national defense, science and technology, industry and transportation. It is a strategically important rear industrial base in China. However, Huaihua is part of the economically underdeveloped Wuling Mountain area (a national demonstration area for poverty alleviation). The area is economically backward, and its rural revitalization efforts remain ineffective. The people are eager to develop their economy and improve their living standards.

Under The Belt and Road Initiative, in August 2019, China's National Development and Reform Commission (NDRC) released the Master Plan of the New Western Land-Sea Corridor. The plan positions Huaihua as a vital node city on the main "Chongqing-Huaihua-Liuzhou-Beibu Gulf" corridor. It is the only node city in Hunan Province that is included in the New International Land-Sea Trade Corridor in Western China. Thus, Huaihua can connect to the Chengdu-Chongqing Economic Circle to the West and Central Asia, the Middle East, and Europe via the China-European Railway Express to the north. Also, it can be linked to ASEAN, the South China Sea and the whole world via the Beibu Gulf of Guangxi to the south. It is the most convenient international channel from Central China to ASEAN. On September 13, 2021, the Huaihua International Inland Port officially commenced construction. On May 9, 2022, Hunan adopted the Implementation Plan on Supporting the Construction of Huaihua International Inland Port for Further Integration into The Belt and Road Initiative.

The land port is set to achieve 2026 an annual cargo throughput of 10 million metric tons, an annual number of more than 1,000 scheduled trains, and a 100-billion-yuan port-related industry. Huaihua International Inland Port will be built into a first-class international inland port in Central and Western China. It will become one of China's top platforms for connecting to ASEAN. At present, three major international logistics channels have been opened. They are the rail-sea intermodal transport service linking the Beibu Gulf Port, Zhanjiang Port, and

9	Kazakhstan	10	Silk Road Economic Belt
11	Alataw Pass	12	Mongolia
13	Manzhouli	14	Amur River
15	Erenhot	16	Horgos
17	Urumqi	18	Guiyang
19	Liuzhou	20	Beibu Gulf Port
21	Huaihua	22	Nanning
23	Kunming	24	Beijing
25	North Korea	26	Sea of Japan
27	Japan	28	South Korea
29	Iran	30	Uzbekistan
31	Afghanistan	32	Pakistan
33	India	34	Indus River
35	Ganges	36	Bhutan
37	Nepal	38	Bangladesh
39	Vientiane	40	Bangkok
41	Malaysia	42	Yellow Sea
43	East China Sea	44	Myanmar
45	Thailand	46	Bay of Bengal
47	Arabian Sea	48	Mekong River
49	South China Sea	50	Caspian Sea
51	Sri Lanka	52	Singapore
53	Philippines	54	Laos
55	Cambodia	56	Maldives
57	Indonesia	58	Papua New Guinea
59	Major channel for intermodal transport of international cross-border trains : Huaihua-Chongqing-Alataw Pass/Horgos-Europe	60	Major channel for sea-rail intermodal transport : Huaihua-Beibu Gulf Port/Zhanjiang Port-ASEAN countries-Africa
61	Major channel for railway and road transport : Huaihua-Hengyang-Guangzhou	62	Major channel for intermodal transport of cross-border trains : Huaihua-Pingxiang Port-Vietnam (Hanoi)
63	Huaihua-Tehran (China-Central Asia trains)	64	Huaihua-Hamburg (China-Europe trains)
65	To America	66	To Oceania
67	To Africa	68	Turkmenistan
69	21st Century Maritime Silk Road	70	Tajikistan

Following President Xi Jinping's concept of building a new development paradigm, the Hunan Provincial Government has tried to faithfully study and implement the guiding principles of Xi's important speech and instruction on the development of Hunan. With the opportunity of the rapid growth of economic and trade cooperation between China and ASEAN and the location advantage of the Belt and Road, it creates a strategic platform for integrating into The Belt and Road and an essential hub for connecting Central and Western China to ASEAN.

Moreover, Huaihua International Inland Port will be built into a first-class international inland port in Central and Western China. By integrating the port and the city and developing the city by port, Huaihua will become a demonstration node city of a double-cycle economy, a new engine for developing the Wuling Mountain area, and a new high ground for reform and

opening up the inland region. However, the railway port in Huaihua has too few functions, and imported fruits, grains and meat can only be declared, inspected and cleared at the port of entry. It has become a significant obstacle to the construction of international inland ports.

NECESSITY ANALYSIS

Implementing President Xi Jinping's Plan to Build a New High Ground for Reform and Opening Up in the Inland Areas

President Xi Jinping stated, "Reform and opening up is crucial to the fate of contemporary China, and the realization of the Two Centenary Goals and the great rejuvenation of the Chinese nation." Xi attaches great importance to the reform and opening up of landlocked Hunan and has positioned Hunan as a high ground for reform and opening up in the inland region. Huaihua International Inland Port was established at the right time. The Hunan Provincial Government needs to build a first-class international inland port in the mountainous areas with weak industries and backward development. Then, it can gather industries and develop the city with the port, building Huaihua into an internationalized city in the central-western part of China. For this, it should implement President Xi's policy of creating a new high ground for reform and opening up in the inland areas. Huaihua's application for establishing a dedicated comprehensive supervision center is essential for opening up.

National Strategic Security and Strategic Grain Reserves in a Complex International Situation

The report of the 20th CPC National Congress points out that "China has entered a period of development in which strategic opportunities, risks, and challenges are concurrent, and uncertainties and unforeseen factors are rising. Various "black swan" and "gray rhino" events may occur at any time. "Many major issues must be resolved to guard against financial risks and ensure that food, energy, and industrial and supply chains are secure and reliable." Huaihua is located in the central node of the Indian Ocean Economic Circle and the Pacific Economic Circle. With the opening of the China-Vietnam and China-Laos railway lines, it has become an important node city of the Trans-Asian Railway connecting Central and Eastern China.

At present, Russia announced that it was terminating participation in the Black Sea Grain Initiative after the outbreak of the Russia-Ukraine war. The U.S. and Europe jointly suppressed China and interfered in Taiwan. Under such a complicated and severe international environment, China and ASEAN's economic and trade cooperation has been multiplying. At the Special Summit to Commemorate The 30th Anniversary of China-ASEAN Dialogue Relations on November 22, 2021, President Xi Jinping pledged to buy up to US\$150 billion of agricultural products from ASEAN in the next five years. On the occasion of the entry into force of the Regional Comprehensive Economic Partnership (RCEP) in 2022, the leaders of China and ASEAN member states designated 2023 as the ASEAN-China Year of Agricultural Development and Food Security Cooperation at the 25th China-ASEAN Summit.

Also, the ASEAN-China Joint Statement on Food Security Cooperation was adopted. Huaihua is the birthplace of hybrid rice. With the efforts of Academician Yuan Longping's team, a seed, moving from Huaihua to the outside world, began to change the world. It is one of the critical areas for developing large-scale infrastructure for national defense, science and technology, industry, and transportation. With national strategic security and grain reserve functions, it is a crucial node city to ensure China's national, rear supply chain and strategic grain reserve

security.

Moreover, it can help avoid the over-concentration of critical industries in coastal areas and reduce the risk of potential threats and attacks. In addition, it can promote coordinated regional development, strengthen internal and external trade links, facilitate economic transformation and enhance China's comprehensive strength. Therefore, setting up a dedicated comprehensive supervision center in Huaihua is urgent.

Construction of the Important Node of the New International Land-Sea Trade Corridor in Western China under the Belt and Road Initiative

According to the report of the 20th CPC National Congress, China will accelerate the construction of the New International Land-Sea Trade Corridor in Western China. The new journey of the new era has brought the construction of the New International Land-Sea Trade Corridor in Western China to an unprecedented level. In the document "Key Measures of Customs to Support the New International Land-Sea Trade Corridor in Western China" (No. 74 [2023] of General Administration of Customs), it is explicitly stated that it will support the construction of open platforms along the new corridor. Huaihua is a vital node city on the eastern route of the New International Land-Sea Trade Corridor in Western China, and it is the only node city in Central China. It is also the strategic gateway city of Hunan Province for interfacing with ASEAN and integrating into the New International Land-Sea Trade Corridor in Western China.

In 2022, Huaihua City in Hunan Province was incorporated into the New International Land-Sea Trade Corridor's inter-provincial consultation and cooperation mechanism in Western China. It has formed a "13+2" cooperation pattern between 12 western provinces, autonomous regions and municipalities with Hainan Province, Zhanjiang City, Guangdong Province and Huaihua City. Currently, the eastern route of the New International Land-Sea Trade Corridor in Western China, where Huaihua is based, is responsible for 70% of the logistics of rail-sea intermodal transportation. To the West, Huaihua operates two-way China-Laos and China-Vietnam freight train services. To the north, it travels to Central Asia, the Middle East, and Europe through the China-Europe Railway Express.

In the long run, it is strategically crucial for promoting regional economic integration, facilitating the implementation of The Belt and Road Initiative, and enhancing China's status and influence in the international arena. From 2013 to 2022, China's bilateral trade in goods with ASEAN increased from US\$443.6 billion to US\$975.3 billion, with an average annual growth rate of 9.1%. It was higher than the growth rate of China's imports and exports of 4.7%, and its share in China's imports and exports increased from 10.7% to 15.5%. Huaihua's application to establish a dedicated comprehensive supervision center will further strengthen cooperation between Huaihua, Hunan Province, and even the central region of China and ASEAN countries. Moreover, it will promote regional connectivity and economic integration and facilitate shared prosperity and development.

Connecting with the China-Laos Railway in the Trans-Asian Railway to Build a Central Node City

The 20th CPC National Congress report proposes that the CPC promote high-standard opening. China will steadily expand its institutional opening regarding rules, regulations, management,

and standards to accelerate its transformation into a trader of quality. Also, China will promote the high-quality development of the Belt and Road Initiative and preserve the diversity and stability of the international economic landscape and economic and trade relations. China-Laos Railway, an integral part of the Trans-Asian Railway, is the first international railroad that adopts Chinese standards, constructed and operated jointly by China and Laos.

It is directly connected to China's railroad network. It is a landmark project for China's Belt and Road Initiative, essential infrastructure for promoting the China-ASEAN Free Trade Area, and a "Golden Corridor" from Hunan to ASEAN. On December 3, 2021, President Xi Jinping held a video meeting with Thongloun Sisoulith, general secretary of the Lao People's Revolutionary Party Central Committee and Lao president. Moreover, they also attended a virtual ceremony to jointly witness the opening of the China-Laos Railway by video link.

President Xi Jinping said, "The China-Laos Railway is a landmark project for the high-quality Belt and Road cooperation. With the railway, the mountain from Kunming to Vientiane is no longer high and the road no longer long." Also, Xi called on both sides to make persistent efforts, maintain and operate the railway well, develop and construct well the areas along the line, and create a golden line for the benefit of the people of both countries. Since the opening of the China-Laos Railway, it has transported more than 20 million passengers and 24 million tons of goods, and cross-border cargo transportation has covered more than ten countries and regions.

China-Laos-Thailand cold chain transportation of fruits and vegetables made a breakthrough, with the cumulative transportation of imported tropical fruits exceeding 60,000 tons and the value of goods exceeding 1.5 billion yuan. Located at the central intersection of the Indian Ocean Economic Circle and the Pacific Ocean Economic Circle, Huaihua is the only node city of Hunan in the New International Land-Sea Trade Corridor in Western China and the hub of freight transportation to ASEAN. Huaihua led the two-way operation of China-Vietnam (Huaihua-Hanoi) and China-Laos (Huaihua-Vientiane) international freight trains. The China-Laos Railway has made Huaihua a critical node city in Central and Eastern China for trade between China and Southeast Asian countries. Establishing a dedicated comprehensive supervision center in Huaihua will significantly promote the entry of tropical agricultural products, such as fruits and grains from Southeast Asia, into large markets in Central China.

Linking the Yangtze River Economic Belt and Promoting Dual-Cycle Development of Chinese and Foreign Economies

The report of the 20th CPC National Congress emphasized the need to promote the development of the Yangtze Economic Belt and drive forward the development of the Chengdu-Chongqing economic zone. Huaihua is connected to the Chengdu-Chongqing economic zone in the West and backed by the Yangtze Economic Belt. In 2022, an agreement was signed between Hunan, Hubei and Jiangxi provinces. The agreement clarifies that it will rely on the advantages of Huaihua International Inland Port's external channel and its connection with ASEAN brands. Then, the three provinces will jointly gather cargo sources of cities on the Jiaozuo-Liuzhou Railway and Shanghai-Kunming Railway in Huaihua. Moreover, Huaihua will become the hub of freight transportation for ASEAN, led by Hunan, Hubei, and Jiangxi provinces, and will be a significant platform for high-standard opening up in Central China.

In the 20th CPC National Congress report, President Xi Jinping stated that China will accelerate

efforts to foster a new development pattern. The pattern is focused on the Chinese economy and features a positive interplay between Chinese and international economic flows. Based on this, Huaihua strives to connect all the elements and smooth the information flow channel through the unified intelligent port platform. Regional distribution centers will be established to facilitate the smooth internal circulation of the logistics channels. The three-dimensional transportation system will be improved to facilitate efficient transportation routes in the Chinese market.

Also, it will join the multimodal transportation alliance to connect the logistics channels for Chinese and foreign markets. At the same time, it will join the international freight forwarding alliance, unblocking the trade channels between China and other countries. Eventually, Huaihua will become a model node city for positive interplay between Chinese and international economic flows. By setting up a dedicated comprehensive supervision center in Huaihua, the Chinese and international economic flows will be unimpeded, and new progress will be made.

Revitalizing the Countryside in the Wuling Mountain Area, Ethnic Areas and Old Revolutionary Base Areas

The 20th CPC National Congress report underlines that China will support old revolutionary base areas and areas with large ethnic minority populations in speeding up development. There are 46 ethnic minorities in Huaihua, accounting for 41.91% of the city's total population. The numerous minority villages have nurtured the colorful and mysterious Wuxi ethnic culture. Huaihua boasts rich ICH items, represented by Chenhe Gaoqiang opera, folk songs of the Miao ethnic group, the Grand Song of the Dong ethnic group, cross-stitch skills of Huayao people, and Yuanzhou Stone Carving. It will be helpful for the export of its ICH products.

Huaihua is in the Wuling Mountain area and is known for numerous revolutionary stories about the CPC. In Zhijiang, the Chinese People accepted the surrender of the Japanese invaders at the victory of the War of Resistance Against Japan. In Tongdao Dong Autonomous County, the famous "Tongdao Meeting" was held to carry out the strategic transfer that saved the Chinese revolution, the strategic "Transfer in Tongdao" in history. There is the Hunan-Hubei-Sichuan-Guizhou revolutionary base area. In Shibadong Village, Huayuan County, Hunan Province, Xi Jinping proposed the concept of targeted poverty alleviation in line with local conditions for the first time.

The Wuling Mountain area is one of the 14 national contiguous poor areas. Therefore, it is a long way to consolidate the results of targeted poverty alleviation and realize rural revitalization. The construction of Huaihua International Inland Port has fueled the area's development and brought about unlimited opportunities. The government should implement President Xi Jinping's critical exposition on the work of agriculture, rural areas, and rural residents.

With Huaihua International Inland Port as a link, it will promote the development of export-oriented agriculture and the export of unique agricultural products in the area and drive comprehensive rural revitalization by boosting port-related industries. It will facilitate the economic development of Huaihua and the five neighboring provinces and further serve the whole country by demonstrating the effect of Huaihua International Inland Port for rural

revitalization. Huaihua will take the lead on the road to shared prosperity. Therefore, Huaihua is duty-bound to set up a dedicated comprehensive supervision center.

Building a Green Railway Port with Carbon Neutrality and Peak Carbon Emission Goals

China will work actively and prudently toward reaching peak carbon emissions and carbon neutrality, according to the 20th CPC National Congress report. It is a decision made by the CPC Central Committee with Comrade Xi Jinping at its core after integrating the balance between domestic and international situations. It is of great significance to build China into a modern socialist country in an all-around way, promoting the sustainable development of the Chinese nation and building a global community with a shared future. President Xi Jinping emphasized: "We must protect natural resources while pursuing economic development. Improving the ecological environment is increasing productivity." Huaihua has a forest cover of 71%. Huaihua and the whole Wuling Mountain area are national ecological function areas, green ecological barrier areas of Hunan Province, and the Yangtze River Economic Zone. It is one of the nine regions with healthy ecosystems in China. A good ecological environment and beautiful scenery are the most significant advantages of Huaihua.

Based on its resource endowment, it adheres to ecology priority and green development and transforms Huaihua into a pilot city of the national ecological product realization mechanism. With the principle of green and intelligent transformation and development, Huaihua International Inland Port will be built as a green inland port by strengthening the prevention and control of pollution, energy saving and emission reduction. First, it will uphold the concept of green development and incorporate biodiversity, wetland environment, soil quality and noise pollution into the criteria for green port construction. It will comprehensively upgrade the system and standards of international inland port development.

Secondly, it will intensify technological drive, create low-carbon collection and distribution modes, and vigorously promote the development of multimodal transportation. It will also increase the proportion of low-carbon transportation modes for cargo collection and distribution at the inland port. It will stimulate the low-carbon development of the entire life cycle of the international inland port.

Thirdly, the government will step up its policy support by introducing incentives and supporting measures. The government will offer preferential policies such as financial subsidies and procedural priorities for using clean energy on inbound freight trains. It will organize and research ecological pollutant detection technology for the trains and establish a supervision, inspection and management mechanism. It will advance the development of testing equipment and capacity and establish a sound system for monitoring the ecological environment. Huaihua International Inland Port will become a world-class green ecological port. Establishing a dedicated comprehensive supervision center in Huaihua is crucial in completing this process.

Filling the Vacancy of Railway Ports in Central and South China for Regional Coordinated and Balanced Development

As the 20th CPC National Congress report emphasizes, China will thoroughly implement the coordinated regional development strategy, major regional strategies, functional zoning strategy, and new urbanization strategy. China will also improve the distribution of the primary

productive forces, develop a regional economic layout and a territorial space system to complement each other's strengths and promote high-quality development. Railroad port construction has become the main focus to fulfill the instruction of President Xi Jinping to build a new high ground for reform and opening up in the inland area. From the current layout of railway ports, there are no railway ports in Hunan Province or Central and Southern China. In line with the region's need for coordinated and balanced development, it is a perfect choice to set up a dedicated comprehensive supervision center in Huaihua.



Fig. 2: Map of national (temporary) railway ports

In the keynote speech at the opening ceremony of the Second Belt and Road Forum for International Cooperation, President Xi Jinping said that China does not seek a trade surplus and wants to import more competitive quality agricultural products, manufactured goods and services to promote balanced trade. Huaihua International Inland Port must be connected to China's domestic market to develop high-quality foreign trade by promoting balanced trade. It must fully seize the opportunity to fulfill President Xi Jinping's pledge to buy up to US\$150 billion of agricultural products from ASEAN from 2021 to 2026.

The pledge was made at the Special Summit to Commemorate The 30th Anniversary of China-ASEAN Dialogue Relations. Based on this, it needs to import more quality agricultural products

from ASEAN to realize the balanced development of import and export trade. A dedicated comprehensive supervision center can be set up to enable Huaihua Customs to import fruits, grains, meat and other major agricultural products from ASEAN. It is fundamental to realize the strategic intention and achieve balanced trade.

FEASIBILITY ANALYSIS

Foundation and Achievements

At present, through one and a half years of construction, the main functional area of Huaihua International Inland Port is being completed with high quality. It has accelerated the construction of the main functional zones, such as the port logistics, international trade, and port industrial zones. Moreover, it has expedited the construction of multiple projects (the multimodal transportation center, modern logistics distribution center, bonded logistics center, ASEAN integrated service center, cross-border e-commerce incubator, RCEP cross-border trading exhibition center, and HUB warehouse center).

At the same time, it has made every effort to promote the construction of “The RCEP Peninsula International Reception Room.” It integrates the complementary functions of the Xianrenqiao High-end Business District and the main functional zones of the inland port, complemented by commercial and residential areas, education facilities, and recreational and tourism zones in a Southeast Asian style. ASEAN Town has been built to gather the headquarters of ASEAN multinational companies and financial institutions to form a cross-border trade business circle. Based on this, it has become the business “center” of Huaihua International Inland Port and the “platform” for integrating into RCEP international exchange. Moreover, it is the “living room” of the strategic gateway city for Western China’s New International Land-Sea Trade Corridor. Thus, it realizes the seamless connection between urban development and the inland port, integrating the port, industry and city.

Huaihua International Inland Port has built a base to open the inland area to the outside world. Its pivotal role of connecting to and integrating into The Belt and Road has been further highlighted, and its synergy with the strategy of strengthening the provincial capital has become more powerful and efficient. Relying on Huaihua International Inland Port, the industry and trade synergies between Huaihua and Changsha are closer, and its development synergies with China (Hunan) Pilot Free Trade Zone are prominent. Moreover, it contributes more to trade development in the neighboring regions. Overseas warehouses for ASEAN countries have been fully arranged, and distribution channels have been primarily established. Cross-border e-commerce and other new foreign trade business models have taken shape.

Scale in the Port-related Industries:

Huaihua International Inland Port fully grasps the development characteristics of international inland ports. It has constructed an industrial system with processing and manufacturing industries as the main body and modern logistics and trade service industries as the two wings. It actively cultivates the port manufacturing industry and performs targeted investment promotion campaigns around the actual economy of the port processing and manufacturing industries. It has attracted affiliates, foreign trade companies, and financial companies to settle in the port and introduced many enterprises and high-quality projects, giving full play to its leading role.

It has actively incubated port-related manufacturing projects. They primarily produce and process electronic components, energy storage equipment, agricultural machinery products, crushed rice, Chinese herbal medicine, green food, and light industries. Fruits, cassava, rubber, spices and other port-friendly industries with comparative advantages have been initially developed. Four projects have been completed, i.e., the packaging and processing base of port processing and manufacturing products, the production line of special light industrial processing of Zhushui Sculpture, Sinopharm Huaihua Pharmaceutical Logistics Zone, and Western New Special Drug Logistics Zone. Nine industrial projects have started construction, including the Smart Cold Chain Logistics Center, Central Kitchen, Huaihua ASEAN International Trade and Warehousing Expo Center, and Jia Tian Tian Rice Noodle Packaging and Processing Center. Twenty-five industrial projects have been carried out, with a total investment of 8.289 billion yuan.

Rapid Development of Business and Trade Services:

Relying on the advantage of the logistics channel of Huaihua International Inland Port, it fully utilizes modern information technology to develop international trade, cross-border e-commerce, platform economy, modern finance, professional services and other international business and trade services. Thus, it drives traditional business, trade, and services, forming new platforms, business forms, and modes through innovation, transformation, and upgrading. Cross-border e-commerce will be developed into a mainstay industry in central and western China, supporting the export-oriented real industry.

Thirty-five new foreign trade companies were registered, and 32 new freight forwarders and cross-border e-commerce enterprises for import and export services were added. Vietnam Overseas Warehouse was put into operation. The Collaborative Linkage Zone of the China Hunan (Huaihua) Pilot Free Trade Zone has been formally established, and the Cross-border E-commerce Supervision Center has been implemented. Also, the Bonded Logistics Center (Type B) has progressed fully and in an orderly manner. It has laid out warehousing and logistics facilities in China and abroad and promoted the industry's transformation.

At the same time, the cross-border e-commerce industry chain and ecological chain will be built, and the cross-border e-commerce service system of Huaihua will be constructed. Thus, it can stimulate the international railroad container transportation business of cross-border e-commerce. Also, efforts can be made to boost the cross-border e-commerce business in Huaihua and Hunan to explore the ASEAN market. Ultimately, it can diversify cargo sources for freight trains in Huaihua International Inland Port to ASEAN.

Rapid Development of Modern Logistics Industry:

Huaihua Railway Marshalling Station undertakes more than 70% of the southward cargo transportation of the New International Land-Sea Trade Corridor in Western China. Its daily unmarshalling capacity reaches over 12,000 trains, and its annual throughput reaches 200 million tons. Huaihua is a national comprehensive logistics hub and critical cold chain logistics base. With the rapid development of the logistics industry, Huaihua is comprehensively promoting international logistics, specialized logistics, supply chain management platforms, intelligent and bonded warehousing and other forms of business.

Besides, it accelerates the development of overseas markets, extends the international service

network, and creates the logistics system of the inland port with low-cost and high-quality services. Huaihua International Railway Port mainly undertakes the functions of international logistics, cross-border logistics services, international integrated port and supporting services for the supply chain. The Chinese Logistics Park primarily develops supply chain logistics, recycling logistics, emergency logistics and other professional logistics functions, realizing the professional division of labor in logistics. In 2023, the construction of the intelligent cold chain logistics center project of Huaihua International Inland Port was fully completed. Due to the establishment of secondary distribution centers such as S.F. Express branches, the import and export of agricultural products like fruits, grains, and meat are facilitated smoothly and efficiently.

Hunan (Huaihua) RCEP Economic and Trade Expo as A Charming Business Card of Huaihua's Opening Up to the World:

RCEP, the Regional Comprehensive Economic Partnership Agreement, came into effect on January 1, 2022, and Hunan is accelerating its integration into the world's largest network of free trade partners. In 2022, Hunan's imports from and exports to other RCEP member countries amounted to 229.68 billion yuan, topping the list and accounting for nearly one-third of Hunan's total foreign trade value. As the only strategic platform for Hunan to connect with ASEAN, the Hunan RCEP Economic and Trade Expo was permanently held in Huaihua, and the first Hunan (Huaihua) RCEP Economic and Trade Expo was successfully held on May 4-7, 2023.

The Expo invited more than 1,200 guests, including envoys to China from RCEP member countries, enterprise representatives, representatives of business associations, experts and scholars. It attracted more than 600 renowned enterprises and 1,000 buyers from China and abroad, including 112 enterprises from 14 RCEP member countries like Australia, New Zealand, Thailand, and Laos. One hundred and thirteen cooperative projects were signed, with a total investment of 75 billion yuan. Hunan (Huaihua) RCEP Economic and Trade Expo has become a splendid name card of Huaihua's opening up to the outside world.

Concerted Efforts to Build a New High Ground for Reform and Opening Up in the Inland Area:

Huaihua International Inland Port is constructed following the strategies of China's Belt and Road Initiative and the New International Land-Sea Trade Corridor in Western China. Moreover, the Hunan Provincial CPC Committee and Provincial Government have broken the bottleneck of policies and mechanisms to promote the project, and the Huaihua Municipal CPC Committee and Municipal People's Government have made scientific plans and innovations. It embodies the great spirit of struggle in the new era, where people with one mind will remove Mount Tai.

On May 23, 2022, the Hunan Provincial Government issued the Implementation Plan on Supporting the Construction of Huaihua International Inland Port for Deep Integration into The Belt and Road Initiative. It issued specific policies to support the construction of Huaihua International Inland Port and even the economic and social development of Huaihua City. On July 26, 2022, the Third Plenary Session of the Sixth CPC Huaihua Municipal Committee adopted the Decision on Accelerating the Construction of Huaihua International Inland Port and Fully Promoting the High-Level Openness and High-Quality Development. It represents the struggle for a new reform chapter and opening up, setting off a new tide of inland port construction. On

May 23, 2023, the Standing Committee of Huaihua Municipal People's Congress conducted several legislative debates and widely solicited opinions and suggestions on the Regulations on Accelerating the Construction of International Inland Port in Huaihua City (Draft).

The regulations are the first local regulations in Huaihua City drafted by a working group under the leadership of the Standing Committee of the Municipal People's Congress. Moreover, it accelerates the promotion of international inland port legislation, builds Huaihua into a city driven by the inland port, and pioneers' legislation for international inland port development in China. It is a strong guarantee that establishing a dedicated comprehensive supervision center in Huaihua is feasible and practicable.

Comparative Advantages of a Dedicated Comprehensive Supervision Center in Huaihua Location and Transportation Advantages:

Huaihua is a node city connecting the Silk Road Economic Belt and the Maritime Silk Road under China's Belt and Road Initiative. The core area connects the Guangdong-Hong Kong-Macao Greater Bay Area, Hanzhong City Cluster, Qianzhong City Cluster, Chengdu-Chongqing Economic Circle, Yangtze River Delta Economic Zone, and Beibu Gulf Economic Zone. More importantly, Huaihua is an essential node of the eastern route of the New International Land-Sea Trade Corridor in Western China. It is the only city in Central China to be included in the Corridor, a node city of the "South Wing" of the Yangtze River Economic Belt, a city of ecological innovation, and a center city of the border area between Hunan, Hubei, Chongqing, Guizhou, and Guangxi. Moreover, it is a vital node of the main framework identified in the Outline of the National Comprehensive Three-dimensional Transportation Network Plan.

Huaihua has been approved as a national pilot demonstration city for logistics and cold-chain circulation standardization of agricultural products. It has been approved as a demonstration project of multimodal transportation, urban green freight distribution, and a demonstration city to promote e-commerce in rural areas. At the same time, it is also the demonstration zone for undertaking industrial transfer in southern and western Hunan and a national logistics hub city for business and trade services.

On the one hand, exports from central provinces to ASEAN can be quickly consolidated and transported in Huaihua. On the other hand, products with comparative advantages can be imported from ASEAN, especially agricultural products such as fruits, grains, and fresh meat, which are suitable for railroad transportation. A national collection center can be set up in Huaihua. As a result, these products can be quickly distributed to Hunan, Hubei, Jiangxi, and even the whole country through cold chain logistics.

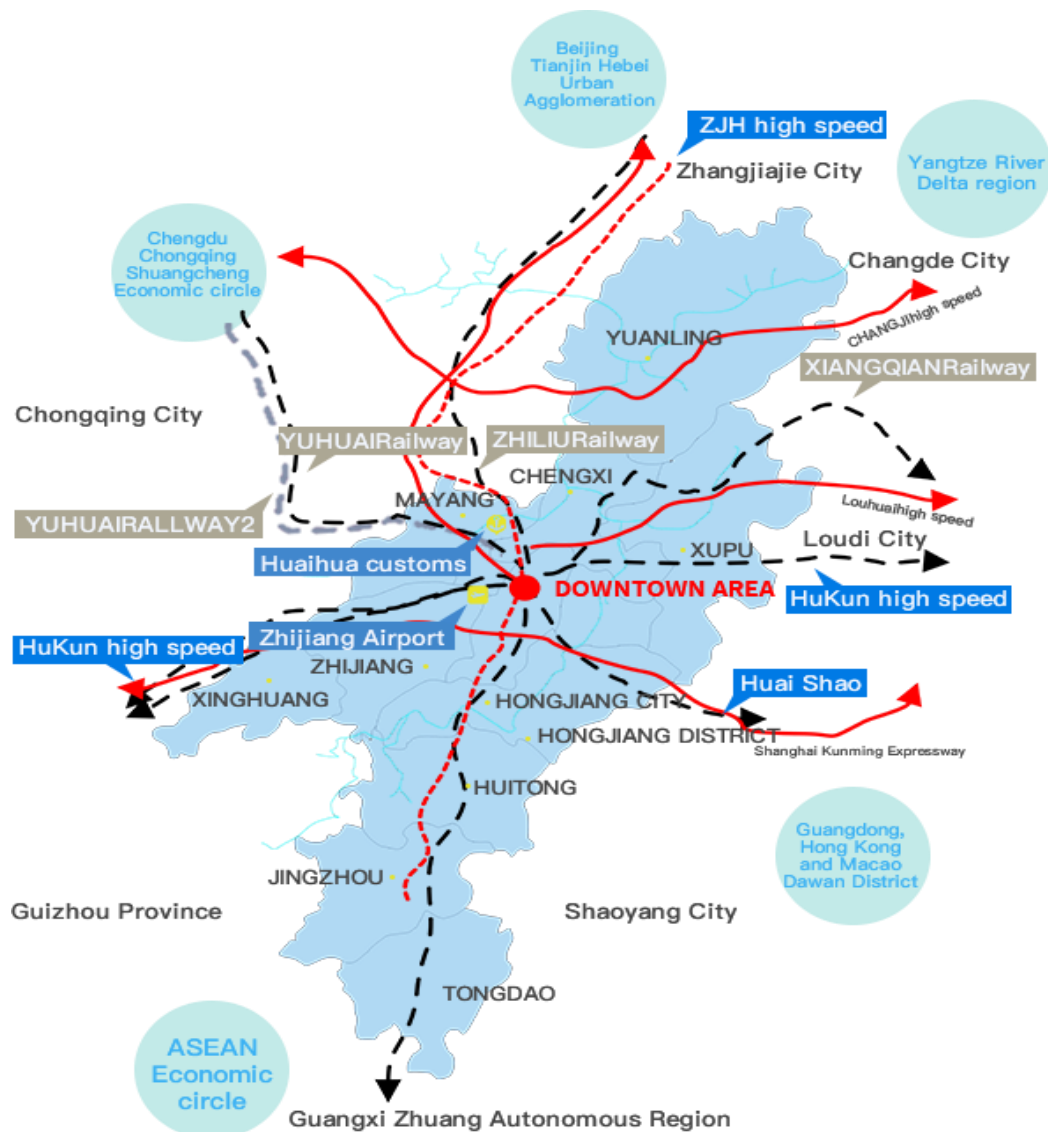


Fig. 3: Physical geography of Huaihua

Huaihua is a national comprehensive transportation and logistics hub for business and trade services. In February 2021, China launched a national comprehensive three-dimensional transportation network of “6 axes, seven corridors and eight channels.” The Guangdong - Hong Kong - Macau - Chengdu-Chongqing axis, Shanghai-Kunming corridor, and Erenhot-Zhanjiang channel intersect in Huaihua, creating a unique advantage of Huaihua’s transportation location. Huaihua has a prominent position as a railroad hub. The three ordinary railways (Shanghai-Kunming, Jiao Liu and Chongqing-Huaihua railways) and the three high-speed railways (Shanghai-Kunming, Zhangjiajie-Jishou-Huaihua and Huaihua-Shaoyang-Hengyang high-speed railways) converge in Huaihua. Huaihuaxi Railway Station is one of the nine largest marshaling yards in China.

Huaihua Railway Hub is one of the three major railroad hubs in Hunan Province. Huaihua has national highways such as Shanghai-Kunming, Hangzhou-Ruili, and Baotou-Maoming expressways and provincial highways such as Changsha-Zhijiang Expressway. The mileage of highways in Huaihua reaches 717 kilometers. In terms of water transportation, there is a high-

grade waterway of Yuanshui River, and the mileage of the grade waterway reaches 570 kilometers. In terms of aviation, Zhijiang Airport has been constructed, and in 2019, the passenger throughput exceeded 600,000 passenger trips.

As of July 2, 2023, Huaihua Zhijiang Airport had a cumulative passenger throughput of 195,500 and safeguarded 2,204 transport takeoffs and landings. Passenger throughput and flights increased by 219.1% and 97.31% year-on-year. Huaihua is built as a new high ground for reform and opening up in the inland area. Hence, it has apparent transportation advantages for establishing a dedicated comprehensive supervision center.



	Eight channels: - Suifeng River-Manzhouli channel - Beijing-Hunchun channel - Border channel - Fuzhou-Yinchuan channel - Erenhot-Zhanjiang channel - Sichuan-Tibet channel - Changsha-Pingxiang channel - Xiamen-Chengdu channel
	Six axes: - Beijing-Tianjin-Hebei-Yangtze River Delta axis - Beijing-Tianjin-Hebei-Guangdong-Hong Kong-Macau axis - Kong-Macau axis - Beijing-Tianjin-Hebei-Chengdu-Chongqing axis - Yangtze River Delta - Guangdong-Hong Kong-Macao axis - Yangtze River Delta-Chengdu-Chongqing axis

	Guangdong - Hong Kong - Macau - Chengdu-Chongqing axis
	Seven corridors: Beijing-Harbin corridor Beijing-Tibet corridor Continental Bridge corridor Western Land-Sea corridor Shanghai-Kunming corridor Chengdu-Chongqing-Kunming corridor Guangzhou-Kunming corridor

Fig. 4: Huaihua’s position in the national three-dimensional transport network

Policy Advantages:

Increasing Support of Port Policies:

The policy support system of Huaihua International Inland Port has been gradually improved. On April 19, 2022, Hunan Provincial CPC Committee and Changsha Municipal People’s Government issued Several Opinions on Implementing the Strategy of Strengthening the Provincial Capital and Supporting the High-Quality Development of Changsha Municipality and the list of policies. It supports Huaihua’s integration into the strategy of strengthening the provincial capital by relying on the inland port.

On May 12, the Hunan Provincial Government officially issued the Implementation Plan on Deeply Integrating into The Belt and Road and Supporting the Development of Huaihua International Inland Port (No. 24 [2023] of the General Office of Hunan Provincial People’s Government). For five consecutive years, 300 million yuan per year would be allocated, with 100 million yuan of financial funds and 200 million yuan of special local bonds, to support the construction of the inland port. The Third Plenary Session of the Sixth CPC Huaihua Municipal Committee requested to accelerate the construction of Huaihua International Inland Port and make every effort to promote the high-level opening and high-quality development of Huaihua. The Decision of the CPC Huaihua Municipal Committee on Accelerating the Construction of Huaihua International Inland Port and Fully Promoting High-Level Opening and High-Quality Development was deliberated and adopted. Huaihua will accelerate the construction of Huaihua International Inland Port with concerted efforts of the whole city and strive to realize the goal of building the port in two years, gaining momentum in three years, and becoming a benchmark in five years.

Huaihua has secured a 52% freight rate reduction within China Railway Guangzhou Group Co., Ltd. and a 30% reduction across bureaus from China Railway Nanchang Group Co., Ltd. Moreover, it has secured a 30% freight reduction for 20-foot containers and a 15% for 40-foot containers from Qinzhou Port to Huaihua West Railway Station. A support policy for freight transportation between ASEAN and Huaihua has been formulated, and the train platform company has included the subsidy directly in the offer. Enterprises do not need to pay the freight rates before being subsidized. Subsidies are granted to the everyday freight trains between Huaihua and Changsha. Through the superposition of policies, goods imported and exported can have zero transportation cost from the inland port to the border port.

According to Several Measures for Promoting High-Quality Development of Foreign Trade and

Export Economy in Huaihua City, imports and exports are encouraged. Twenty Measures to Accelerate the Development of the Modern Logistics Industry in Huaihua City were introduced. The government supports the construction of logistics parks (including land use, construction of standard warehouses and leasing, and interest rate subsidies).

Also, it supports the development of logistics (courier) enterprises, cold-chain logistics, road-to-rail transportation, online cargo transportation, and trucking. These include a maximum subsidy of 2 million yuan for the construction of standard warehouses, a maximum award of 1 million yuan for the construction of branded logistics enterprises, and 1 million yuan per year for the construction of logistics standardization. Since September 1, 2022, the tolls for international TEU vehicles arriving at and departing from Huaihua International Inland Port on the Hunan Expressway have been reduced by half for the highway sections within Hunan Province. The policy advantage is desirable for Huaihua to build a new high ground for reform, open up the inland area, and set up a dedicated comprehensive supervision center.

The Optimized Business Environment of Huaihua International Inland Port:

Following the requirements of the CPC Central Committee and the State Council, the CPC Huaihua Municipal Committee and Municipal People's Government have conscientiously deepened reforms to streamline administration and delegate power, improve regulation and upgrade services. In addition, the business environment at the port has been constantly optimized. The port office of Huaihua Municipal People's Government has thoroughly sorted out port charges, lowered the cost of compliance, resolutely banned unreasonable charges, and implemented a fee disclosure system. Moreover, it has accelerated the promotion and use of a single window for handling international trade affairs and personnel training.

Changsha Customs issued 18 Measures to Support the Construction of Huaihua International Inland Port. It supports Huaihua in improving the efficiency of inspection operations and customs clearance, establishing a green channel and the mechanism of on-demand declaration, inspection and clearance. In addition, it applies an appointment system for customs declaration and provides 24/7 customs clearance services. It has implemented reforms to facilitate customs clearance, adopting modes such as customs integration and customs transfer for customs clearance procedures.

At the same time, it promotes reforms such as the two-step declaration and early declaration. China Railway Guangzhou Group Co., Ltd. has launched reforms of fast customs clearance for inbound and outbound goods and handling upon arrival of export cargoes. Based on this, the efficiency of customs clearance has been significantly improved. Huaihua Customs has signed a memorandum of cooperation with Pingxiang and three other customs branches to promote the seamless intermodal transport of goods between Hunan, Hubei and Jiangxi provinces. Therefore, there is a favorable business environment for Huaihua to build a new high ground for reform, the opening up of the inland area, and a dedicated comprehensive supervision center.

Advantages of Economic Carrying Capacity of the Port:

A Solid Economic Foundation:

Huaihua vigorously develops port-related industries around the inland port. The construction of the integrated trade and processing zone and industrial bases has been accelerated. Fruit,

cassava, rubber, spices and other port-friendly industries have taken initial shape. Eight critical industrial projects started construction, including Hurricane Intelligent Cold Chain Logistics Center. Thirty-five new foreign trade companies were registered, and 32 new freight forwarders and cross-border e-commerce enterprises for import and export services were added. Vietnam Overseas Warehouse was put into operation. By 2026, the output value of port-related industries will reach 100 billion yuan. Huaihua International Inland Port will be built into a national logistics hub with business and trade services, an ASEAN cargo consolidation center and a demonstration base for international production capacity cooperation. It will drive the development and growth of exceptional and competitive industries, and the comprehensive economic strength of Huaihua City will be significantly enhanced.

Relying on the New International Land-Sea Trade Corridor strategy in Western China, the port will promote the integrated development of business, trade and logistics. It will primarily support the trade of cassava, rice, fruits, timber, frozen seafood, spices, medicinal herbs and other products. Given this, the port will actively develop the functions of international business and trade expo, intelligent logistics, trading and settlement, financial services, information services, and e-commerce. Moreover, it will integrate the new sales model with cultural exchange, trading with science and technology, domestic trade with foreign trade, offline with online, and commodity trading with city travel and shopping.

It will promote the integrated development of business, people, logistics, and information flows and upgrade the traditional business and trade system to a diversified and intelligent one. It will jointly form a functional pattern combining offline and online services of international business and trade, intelligent logistics, specialized consumption and extended services. Therefore, establishing a dedicated comprehensive supervision center allows for the rapid realization of the flow of various elements and the formation of productivity.

Continuous Improvement of Port Infrastructure:

In 2022, the total investment of the Huaihua International Inland Port project was 9.8 billion yuan. Ten projects have been completed, including the first phase of the customs supervision center. The construction of 15 projects, such as comprehensive upgrading and renovation of the port front and container consolidation center, started. The new area of logistics warehousing is 52,300 square meters. In addition, the functions of international freight transport document processing, loading and unloading inspection, storage and distribution have been continuously improved. Since 2023, several port facilities will be constructed.

A multimodal transportation zone and integrated urban and rural distribution will be built in the first year, with the West Freight Yard as the core. The works include a dedicated railroad line, a steel logistics area (trading center), a spice trading center, a transit and distribution zone, and a grain logistics area (trading center). It will also build the east gate of the international inland port, a container consolidation center, a bonded logistics center (type B), a distribution area for urban and rural integration, and the first phase of the inland port service center. The particular research and design of the railroad line at the Xiping Freight Depot will be carried out. In the second year, the second phase of the transit and distribution area, the second phase for urban and rural integration, the highway logistics port, the transshipment area for break-bulk cargoes, and the container transfer center will be improved.

Furthermore, the preliminary study and design of the water transportation terminal will be initiated. In the third year, the multimodal transportation function will be improved, and the construction of the first batch of storage areas of Xiping Freight Depot will be advanced. Meanwhile, the construction of six berths of the first phase of the water transportation terminal will be launched. Thus, the infrastructure for establishing a dedicated comprehensive supervision center is entirely feasible.

Advantages of Regional Economic Development:

Prominent Driving Effect of Huaihua Port on Foreign Trade:

In recent years, the CPC Huaihua Municipal Committee and the Huaihua Municipal People's Government have attached great importance to developing foreign trade. Huaihua is a vital node city of Western China's New International Land-Sea Trade Corridor and an ASEAN freight collection center in Hunan Province. Based on this, Huaihua accelerates the construction of the open platform centered on Huaihua International Inland Port. Besides, it actively builds smooth and efficient international logistics channels and drives the rapid development of foreign trade. In 2022, 151 trains were operated, including international freight trains to Vientiane, Laos and Hanoi, Vietnam, and rail-sea intermodal trains to Beibu Gulf Port. The import and export volume of Huaihua City was 4.67 billion yuan, a year-on-year increase of 135.6%, ranking first in the province in terms of growth rate. One hundred twenty enterprises achieved positive results in foreign trade, a year-on-year increase of 54%. Foreign trade partner countries reached 168, of which the import and export volume with ASEAN was 1.06 billion yuan.

ASEAN has become Huaihua's largest trading partner. Electronic information, apparel and clothing, bamboo and wood products have become the preferred products for foreign trade. It is planned that by 2026, the import and export volume of Huaihua will reach 26 billion yuan. Also, it will prioritize forming leading industries for foreign trade, such as electronic information, green agricultural products and their processing, garments and apparel, and chemical industries.

Opportunities for Regional Cooperation:

In 2013, the U.N. Economic and Social Commission for Asia and the Pacific (ESCAP) developed the Intergovernmental Agreement on the Asian Highway Network and the Intergovernmental Agreement on the Trans-Asian Railway to promote connectivity among countries in the Asia-Pacific region. It wants to make greater use of the Asian Highway and Trans-Asian Railway networks and other infrastructure. As such, it can further accelerate the construction of logistics and multimodal transport systems in the Asia-Pacific region. To this end, ESCAP has proposed establishing an Asia-Pacific network of inland ports. Inland ports are defined as modern logistics centers with port services such as customs clearance, inspection, and bill of lading in inland areas, which are linked to ports through the transport network.

The agreement will enable member countries to recognize inland ports in other countries (for business and investment opportunities). The agreement will provide valuable guidelines for countries to clarify the minimum requirements for inland ports and formulate policies to promote strategically essential ports. As the construction of inland ports has been in full swing in recent years, it is possible to establish a dedicated comprehensive supervision center in Huaihua to join the Asia-Pacific circle of inland ports and boost regional cooperation and trade facilitation. In that case, more business opportunities may come to Huaihua International

Inland Port.

In addition, by establishing a dedicated comprehensive supervision center in Huaihua, Huaihua will cooperate with the ASEAN Chambers of Commerce for trade and investment development. Such a partnership will bring more business opportunities and international cooperation platforms to Huaihua International Inland Port.

Feasibility Analysis of a Dedicated Comprehensive Supervision Center in Huaihua (Fruits)

In Hunan, Changsha Huanghua Airport and Zhangjiajie Hehua Airport are designated supervisory centers for imported fruits, mainly high-grade ones. With a CAGR of 2%, China's fruit market will reach 3.24 trillion yuan in 2024 (Fig. 5). Fruit consumption has a considerable development space. Fruits are mainly imported from ASEAN countries (Fig. 6). In establishing a dedicated comprehensive supervision center in Huaihua, it is planned to build a designated supervision center for imported low- and medium-grade fruits, mainly through railroads, to complement the existing port. Low- and medium-grade fruits are imported into Hunan to supply urban and rural wholesale markets through various means.

The cost of importing fruits into Hunan consists of fruit prices, tariffs, customs clearance fees and logistics fees. Among them, the fruit price is transparent and fixed. Tariffs and customs clearance fees vary depending on the customs regulations of the place of entry. Logistics costs, comprising transportation costs and labor costs, are affected by the distance of air routes and land distances. Huaihua mainly purchases imported fruits from Nanning and Changsha and occasionally imports fruits in LTL from Vietnam and Thailand. In the case of imported fruits from Vietnam, the total logistics cost is about 23,000 yuan, and railroad or rail-sea intermodal transportation can be used to reduce the cost and time.

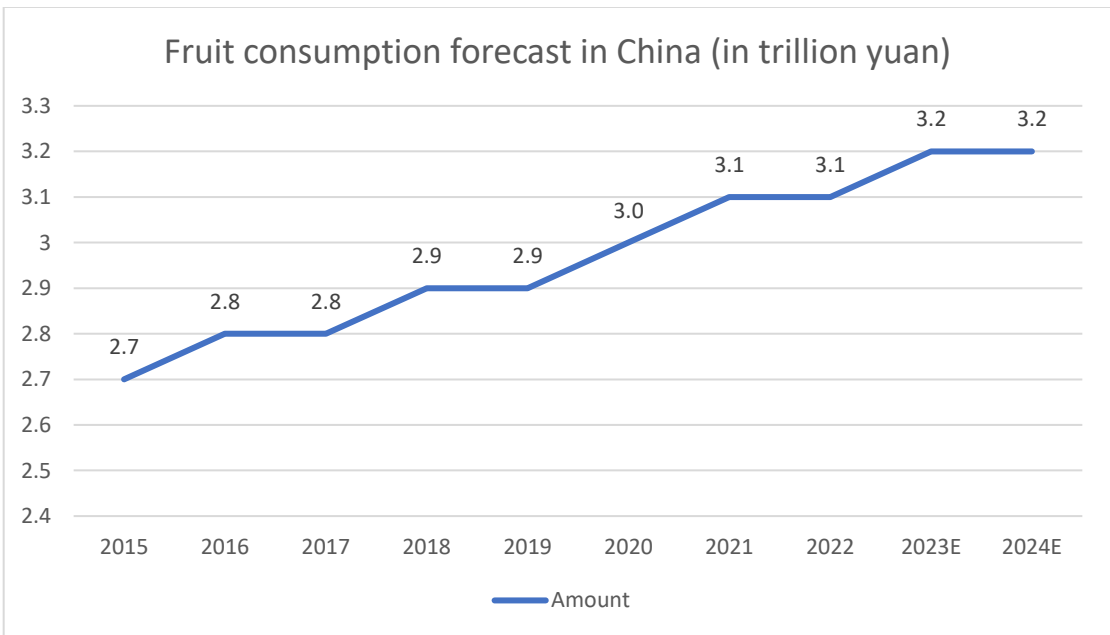


Fig. 5: Fruit consumption in China

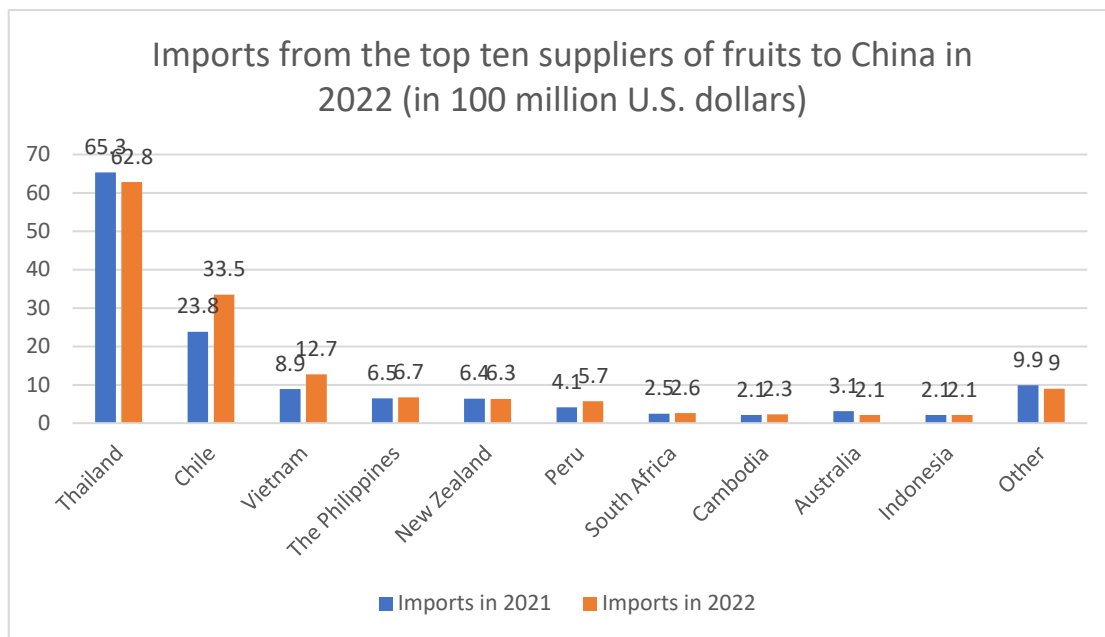


Fig 6: Top suppliers of imported fruits to China in 2022

In the middle of Hunan Province, Huaihua boasts convenient transportation, relatively close to China's main ports and border crossings. It provides favorable conditions for Huaihua to establish a dedicated comprehensive supervision center, as it facilitates the land transportation of fruits and shortens the transportation time. Next, the demand for fruits is stable and has excellent potential in the surrounding areas of Huaihua and even in Hunan, Hubei, and Jiangxi provinces. With the improvement of people's living standards and health consciousness, consumers' demand for high-quality fruits is increasing. By establishing a dedicated comprehensive supervision center, diversified fruit products can be introduced more conveniently to meet the market demand and expand the consumer market.

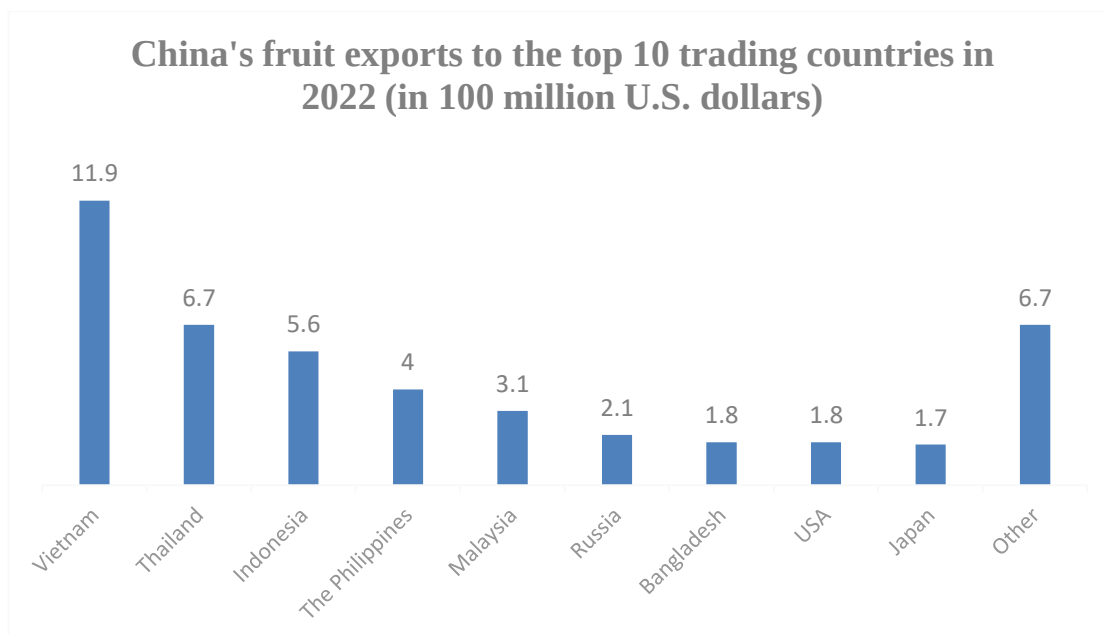


Fig. 7: China's major export markets for fruits in 2022 (in 100 million U.S. dollars)

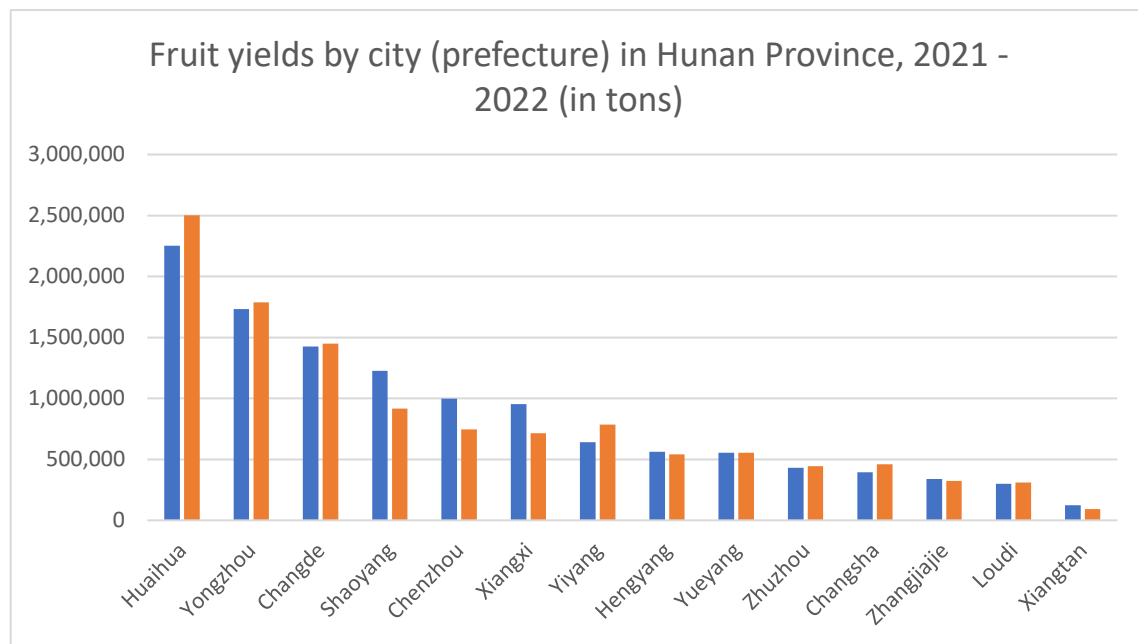


Fig. 8: Comparison of fruit yields by city (prefecture) in Hunan Province

In addition, China's leading fruit exporters are ASEAN countries (Fig. 7). As a significant agricultural base, Huaihua boasts rich fruit cultivation resources (Fig. 8). A dedicated comprehensive supervision center can realize the fast export of fruits and improve the marketing efficiency and competitiveness of agricultural products. At the same time, introducing imported fruits can stimulate the optimization and upgrading of China's fruit industry, driving agricultural restructuring and development.

Feasibility Analysis of a Dedicated Comprehensive Supervision Center in Huaihua (Grain)

Currently, China's food security has turned to the challenges of production and prices of feed grains and proteins. According to relevant statistics, although the self-sufficiency rate of food rations has reached 99%, China still needs to import grain, oil and meat, and the implicit self-sufficiency rate of food is less than 70%. Food prices have long been higher than those on the international market, with high production costs, low efficiency and insecurity. In recent years, international food prices have risen, and the international supply chain is at risk of disruption.

According to China Customs data, China's total grain imports exceeded total exports in 2016-2022, with the volume of imports peaking in 2021 (Fig. 9). In recent years, the amount of China's grain imports is more than that of its exports, represented by a trade deficit. China is facing a new situation of food imports, in which the cost of imports has increased despite the decrease in import volume. With food security and price stability challenges, the rational introduction of imported grain is crucial for guaranteeing China's food supply.

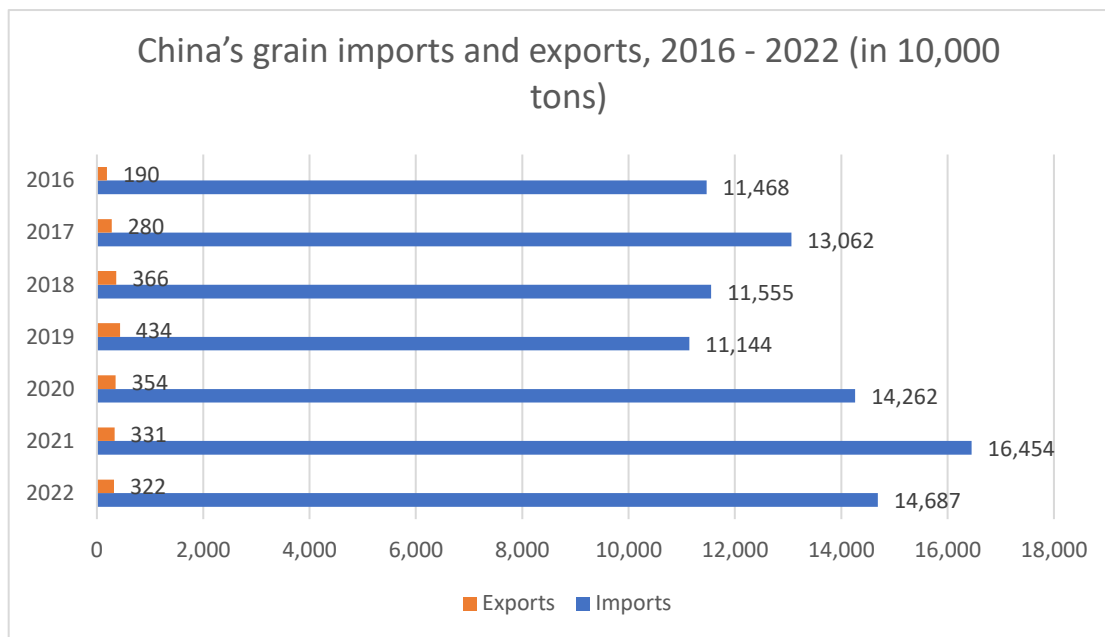


Fig. 9: China's grain imports and exports, 2016-2022

Hunan's grain production continues to grow, exceeding the planned area and producing more than 60 billion kilograms for three consecutive years. However, the structure of grain cultivation favors rice, and the per capita grain possession is lower than the national average. Hunan suffers from diverse natural disasters and environmental pollution challenges. The Russian-Ukrainian conflict and international market pressure have intensified the pressure on Hunan's grain supply and market. Hunan's grain and oil processing industries are developing rapidly, but it is still necessary to deepen the industrial development model and create a modern grain and oil industry system. It is also a pressing issue to open up external import channels and improve the capacity of grain supply.

Huaihua has significant geographical advantages in the middle of Hunan Province. Firstly, a dedicated comprehensive supervision center in Huaihua will effectively open the logistics channel between inland areas and the port and optimize the supply chain of grain import trade. Moreover, it can improve the efficiency and stability of grain imports and ensure the security of China's grain supply. Secondly, Huaihua's neighboring areas have abundant farmland resources and excellent agricultural product processing capacity.

Through a dedicated comprehensive supervision center, more high-quality imported grains can be introduced to enhance the quality and variety of grains in China and meet the demand for high-quality grains in China's domestic market. At the same time, it is also conducive to promoting farmers' income and agricultural modernization and enhancing the competitiveness of China's grain industry and international image. In addition, building a dedicated comprehensive supervision center in Huaihua will also drive the development of related industries. New development opportunities will be gained in grain logistics, transportation, warehousing, processing, and value-added services. It will increase jobs and economic growth points.

In short, a dedicated comprehensive supervision center in Huaihua is strategically significant

and feasible for developing China's grain import industry. Through the active promotion of a dedicated comprehensive supervision center in Huaihua, China's grain import trade will usher in a broader development space. At the same time, it will also contribute to agricultural modernization and food security.

Market Demand for a Dedicated Comprehensive Supervision Center in Huaihua (Meat)

Hunan Province is a large meat consumer in China, and imported meat products are in great demand in urban and rural households and the meat processing and catering industries. In Hunan Province, there are four designated meat supervision and control centers in Changsha, Xiangtan, Chenzhou and Yueyang, all of which are in eastern Hunan. Huaihua, located in southwestern Hunan with an international inland port, is at the intersections of five southwestern provinces. With its favorable geographical location, Huaihua is close to economically developed regions such as Guangdong and Guangxi.

The construction of a designated meat supervision site in Huaihua will further promote the facilitation and development of meat imports and exports. Besides, it will attract more traders and investors, drive Huaihua's and its neighboring areas' economic development, and satisfy the tourism market's demand. In this way, it can further contribute to the economic prosperity and social progress of ethnic regions. The operation of the designated supervisory site for imported meat can significantly improve the efficiency of meat customs clearance, reduce logistics costs, and support the development of meat industry aggregation.

Moreover, it plays a positive role in building a complete industrial chain integrating meat import, deep processing, cold storage and transportation, transit and express transportation. It helps to increase the scale and modernize the meat industry in Huaihua and the Wuling Mountain area. It can better serve the strategy of "Three Highlands and Four New Missions¹." Building a center for meat import, export, warehousing, logistics, and distribution in the Wuling Mountain area is vital.

China's meat consumption shows sustained growth along with economic development and the continuous improvement of people's standard of living. China has been the world's largest meat producer, consumer and importer for many years. Meat imports are an essential supplement to the supply and necessary for the trade balance between China and importing countries. In 2022, China's meat consumption was about 100 million tons, and the import volume was about 7.4 million tons.

¹ The Three Highlands refer to shaping a national advanced manufacturing industry, nurturing innovative technology with a competitive edge, and expanding opening-up and reform. The Four Missions mean realizing integrated development, assuming new responsibilities in promoting the development of China's central region and Yangzi River Economic Belt, striving to write a new chapter for Hunan to adhere to, and developing socialism with Chinese characteristics in the new era.

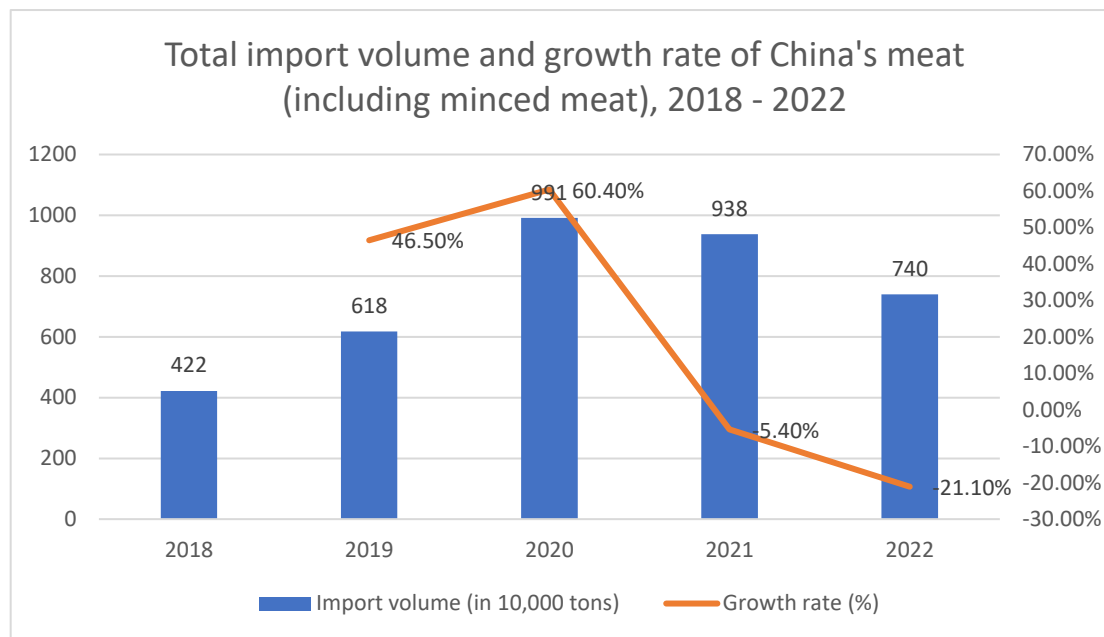


Fig. 10: Total import volume and growth rate of China's meat (including minced meat), 2018 – 2022

(Source: General Administration of Customs of the People's Republic of China, China Meat Association)

The strong consumer demand in China's domestic meat market has led to the prosperity of the world meat trade market. It also propels China's meat import, processing, finance, cold chain logistics and other related industries to form a perfect industrial chain and supply chain. Also, it provides Chinese consumers with a more secure, sufficient, high-quality and convenient supply of imported meat. The Chinese government attaches great importance to the development of the meat industry.

It has formulated policies and measures, including the Opinions on Promoting the High-Quality Development of the Livestock Industry and the Opinions on Comprehensively Promoting the Priorities of Rural Revitalization for 2022. These measures stabilize the production of hogs, beef, mutton and related meat products, advance the transformation and upgrading of the animal husbandry industry, and boost the sustainable development of the meat industry.

The Chinese market has a high demand for high-quality imported beef, mutton and poultry meat. Based on China's meat imports in January-April 2023, beef had the highest share, amounting to 32.1%; pork and poultry also held shares of 26.2% and 18%, respectively. It is different from the structure of China's meat consumption (pork accounting for more than 60% of the total). Besides, it fully reflects Chinese consumers' high demand for imported beef. The import volume of related meat products is expected to keep growing.

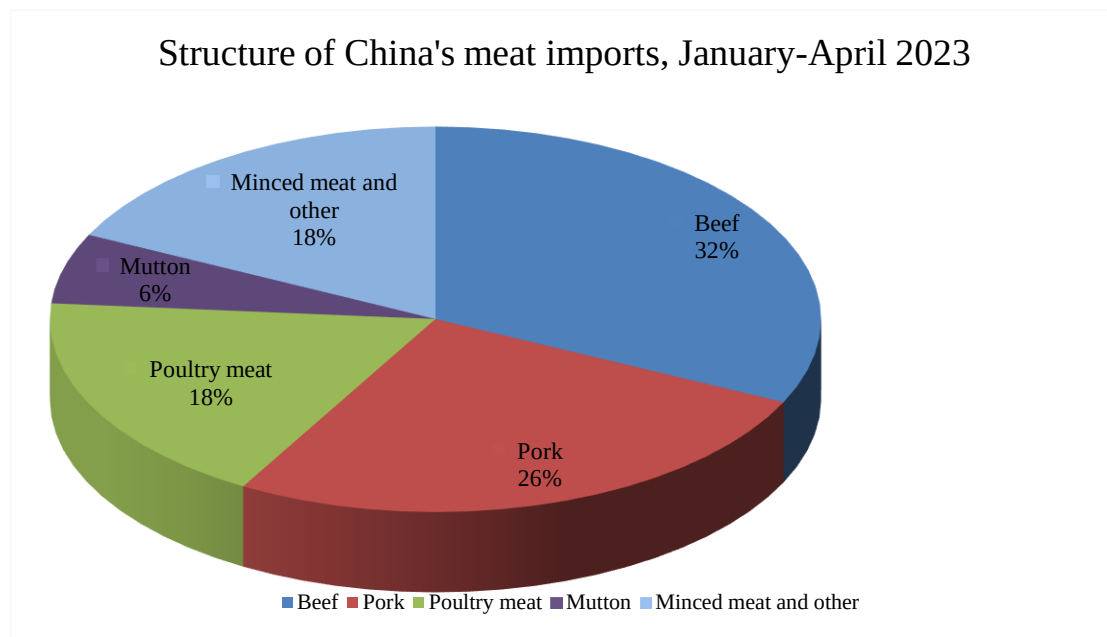


Fig. 11: Structure of China's meat imports, January-April 2023
(Source: General Administration of Customs of the People's Republic of China)

Recently, meat imports and exports in Hunan Province have steadily grown. Hunan's meat production in 2021 ranked fourth in China, mainly due to the higher domestic market demand and the rising prices in the international market. The trade cooperation between Hunan and ASEAN countries has been strengthened, and the meat export market has expanded gradually. However, imported meat requires long transportation and customs clearance procedures, resulting in high prices and unstable supply. Establishing a dedicated comprehensive supervision center in Huaihua can lower prices and increase supply to meet people's needs. At the same time, introducing more foreign commodities and technologies will help to enhance the opening-up level of Hunan, Hubei, Jiangxi, and Guizhou provinces. It can attract more investment and talented people and promote regional economic integration and development.

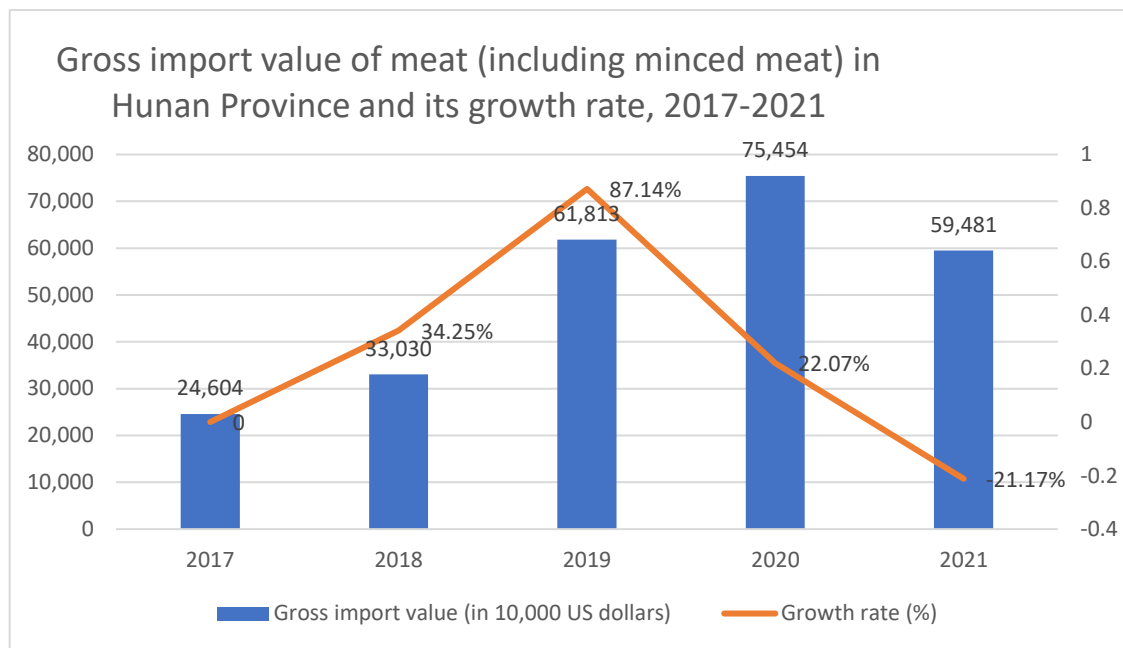


Fig. 12 Gross import value of meat (including minced meat) in Hunan Province and its growth rate, 2017-2021

(Source: Hunan Statistical Yearbook)

Risks and Prevention

While developing the dedicated comprehensive supervision center in Huaihua, it is necessary to assess and prevent all risks from various aspects. A sound risk management mechanism should be established. The risks should be flexibly dealt with in cooperation with relevant departments and organizations to achieve the development goals better and ensure sustained and stable operation and trade activities.

Policy Risk and Prevention:

Policy changes may affect the operation and development of a dedicated comprehensive supervision center. As a response to policy risks, the management of the supervision center should keep abreast of relevant policy dynamics and establish stable governmental relations. It should actively communicate with the government and participate in the policy-making process. Policy risks can also be mitigated by diversifying trade channels and reducing the dependence on a single policy.

Competitive Risk and Prevention:

Other dedicated comprehensive supervision centers or regions may have similar development plans and competitive advantages. In the face of competition, the dedicated comprehensive supervision center in Huaihua needs to enhance its competitiveness by improving service quality, reducing costs and expanding markets. Establishing cooperative relationships with other dedicated comprehensive supervision centers or regions for mutual benefit and win-win cooperation is also an option for preventing competitive risks.

Environmental Risk and Prevention:

The development of the dedicated comprehensive supervision center may affect the environment in areas such as water sources, land use, and ecosystems. To prevent

environmental risk, it is necessary to conduct environmental assessment and monitoring and take environmental protection measures to ensure the sustainable development and ecological protection of the dedicated comprehensive supervision center.

Economic Risk and Prevention:

Uncertainty in the global economic environment may impact trade and investment in Huaihua International Inland Port. In the face of economic risks, the dedicated comprehensive supervision center in Huaihua should adopt a diversified market strategy, look for new trading partners, and reduce dependence on a specific market. At the same time, the stable development of trade should be facilitated by providing flexible trade financial services and reducing trade barriers.

Ecological Risk and Prevention:

On April 15, 2021, the Biosecurity Law of the People's Republic of China came into force. The law makes explicit provisions on the unauthorized introduction, release or disposal of alien species. For possible ecological risks, on the one hand, the dedicated comprehensive supervision center will strictly implement closed-loop container management. Inbound goods will be stored at designated closed places through dedicated containers.

On the other hand, Huaihua Customs will synchronize the prevention and control of major animal and plant epidemics and diseases, prevention and control of invasive alien species, animal and plant pests monitoring and other quarantine work of inbound and outbound animals and plants. An overall outlook on national security will be established, and ecological security barriers will be built. It will set up a special team to prevent and control invasive alien species and strengthen the construction of risk prevention and control systems in conjunction with multiple departments.

Furthermore, it will promote joint prevention and control between customs and enterprises. The accuracy of the dedicated comprehensive supervision center in intercepting invasive alien species can be significantly improved. At the same time, an epidemic information team will be formed to strengthen the collection of information on overseas epidemics. Action programs and operational guidelines will be formulated to enhance monitoring and early warning.

ANALYSIS OF EXPECTED BENEFITS

Social Benefits

Firstly, the project is essential for Hunan Province to respond to China's Belt and Road Initiative. As an inland city, Huaihua is committed to developing the port economy, shipping logistics, e-commerce and new-generation information technology industries with its geographical location and policy support. It will create a logistics center and inland port economy demonstration area in the Wuling area and five neighboring provinces.

Besides, it will become a powerful driver of the "Three Highlands and Four New Missions" strategy of the CPC Hunan Provincial Party Committee and Provincial People's Government. The project will guide the adjustment of the industrial structure and layout of Hunan Province, promote trade circulation, and facilitate the rapid development of commerce, logistics and transportation industries. As a result, it will boost the economic prosperity of the areas affected by the project. The project is also conducive to building an inland high ground of openness and

logistics in Hunan Province, injecting new vitality into the regional development.

Secondly, the project will boost regional economic growth and create jobs, promote the rapid development of business, logistics and transportation industries, raise people's income levels and enhance social stability. In addition, the dedicated comprehensive supervision center will accelerate trade facilitation, simplify trade procedures, and attract more enterprises to engage in trade activities in Huaihua, stimulating regional development and economic prosperity.

The project will also facilitate trade cooperation between Hunan and ASEAN, enrich the cultural horizons of Huaihua residents, boost cultural industries, and enhance the city's international image. Finally, the project will strengthen the supervision and management of imported and exported goods, ensure their security and quality, and improve regional security and social stability. In sum, constructing a dedicated comprehensive supervision center in Huaihua will lead to positive changes and development opportunities for local economic prosperity and social benefits.

Economic Benefits

The construction of a dedicated comprehensive supervision center brings significant economic benefits to the government. First, it will provide efficient transportation modes, improve the logistics supply chain, and enhance the reliability and flexibility of the supply chain and market competitiveness. Second, constructing a dedicated comprehensive supervision center will drive trade growth and improve economic efficiency. It will simplify trade procedures, reduce time costs and promote regional economic integration. In addition, the international inland port as a modern transportation hub will attract investors, facilitate industrial development, create jobs, and optimize the industrial structure.

Meanwhile, efficient operation will reduce logistics costs and expand market scope. Finally, constructing a dedicated comprehensive supervision center will raise local financial income and tax contribution, support public services and infrastructure development, and facilitate the sustainable development of the local economy. In conclusion, a dedicated comprehensive supervision center in Huaihua will generate substantial economic benefits for the government, contributing to economic growth and regional development.

Environmental Benefits

It will actively guide and promote the development of green logistics and the transition to a sustainable and low-carbon economy. It can introduce eco-friendly technologies and equipment, optimize the organization and flow of cargo transportation, and popularize the use of clean energy. It will actively guide and promote the development of green logistics and advance sustainable development and low-carbon economic transformation. At the same time, it is committed to improving energy utilization efficiency. It can build intelligent and efficient port facilities and equipment and introduce intelligent management systems. In this way, energy consumption can be optimized, and energy waste can be decreased.

Also, advanced loading and unloading technologies and equipment can be adopted to reduce energy consumption and improve loading and unloading efficiency. It will enhance energy utilization efficiency and lead to a sustainable development path. It also emphasizes regional environmental protection. It will actively promote the management and protection of rivers

and waters and strengthen water quality monitoring and environmental management. In addition, it will rationally plan and design natural ecosystems such as wetlands and vegetation to maintain ecological balance and contribute to regional sustainability.

The dedicated comprehensive supervision center will introduce advanced environmental management concepts and technologies to enhance the environmental awareness of port operators and participants. Through exchanges and cooperation with international ports, it will share and learn from environmental protection experiences and disseminate the concept of environmental protection. Besides, cultural exchanges can strengthen the collaboration between different regions and jointly achieve the goals of environmental protection and sustainable development. Huaihua International Inland Port will play an important role in green logistics, energy efficiency, regional environmental protection, and environmental awareness, and it will contribute positively to sustainable development.

CONCLUSION AND RECOMMENDATIONS

Conclusion

With its distinctive geographic location, abundant resources and labor force, Huaihua has the potential to become a logistics and trade center for the inland region to open up to the outside world. Building a dedicated comprehensive supervision center in Huaihua is considered imperative and feasible. Furthermore, it can promote the connectivity of the Wuling Mountain area and the neighboring provinces, balance domestic and foreign trade, contribute to regional economic development, and enhance China's national security and supervisory capacity.

The application of Huaihua for a dedicated comprehensive supervision center will facilitate the processing, bonded warehousing and logistics distribution of high-quality imported commodities from neighboring countries in Huaihua. Thus, it can help to create industrial clusters in Huaihua, cultivate new trade patterns, attract enterprises to invest in Huaihua, and encourage job placement. It will give new impetus to the high-quality development of the open economy of Huaihua and the Wuling Mountain area. Further, it will be more supportive to serve the development of the Wuling Mountain area, Hunan Province and Central China.

Recommendations

Firstly, strict supervision should be strengthened when goods are transported to the dedicated comprehensive supervision center. Supported by intelligent supervision and based on the successful experience of advanced customs administrations, a "goods-in-transit supervision system" should be developed. Intelligent customs locks and satellite positioning monitoring subsystems should be used to monitor the goods in real-time and analyze the trajectory of the vehicles. Inspection should also be intensified to reduce transportation risk.

Secondly, the consciousness of enterprises' responsibilities should be strengthened. Large-scale transportation companies with standardized management should be selected, and agreements should be signed to prohibit unauthorized actions such as unsealing or handling goods. At the same time, freight companies should communicate closely with customs brokers and the operating units of the specified supervisory sites to keep track of the vehicles' conditions and minimize their deviation from the designated routes.

Thirdly, a perfect contingency plan should be formulated to deal with epidemic outbreaks. An

epidemic prevention and control system and a contingency plan should be formulated for the sudden outbreak of significant epidemics when imported goods are in transit or arrive at the dedicated comprehensive supervision center. Once found, a considerable epidemic outbreak should be reported, and the contact personnel should be isolated and pacified. The goods should be detained and sealed to avoid panic and cross-infection. Besides, the departments concerned should handle affairs properly after the epidemic is terminated.

Fourthly, relevant personnel should be regularly organized for emergency drills to enhance their emergency response capabilities. Customs staff, dedicated comprehensive supervision center employees, enterprise assistants and drivers should participate in the emergency drills by simulating unexpected situations. As a result, the staff can familiarize themselves with the emergency response process and enhance their response capabilities.

Fifthly, post-operational supervision should be strengthened, and special inspections should be carried out to prevent loopholes. Special assessments should be conducted on critical commodities and enterprises in the dedicated comprehensive supervision center to prevent unscrupulous enterprises from making profits, disrupting the implementation of policies and jeopardizing national interests. Within three years, the Customs may still inspect the import behavior, combat illegal smuggling practices, and make dynamic adjustments depending on the enterprises' credit standing.

Funding Information: This study is supported by the Hunan Social Science Foundation entitled Research on Hunan's Joint Construction of the Western Land Sea New Corridor, Project ID: 23YBX004.