

Research on Regulatory Innovation and Legal Risk Prevention and Control Mechanism of Cross-border Service Trade in Hainan Free Trade Port

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Abstract: The article aims at the cross-border service trade of Hainan Free Trade Port, and explores its regulatory innovation and legal risk prevention and control mechanism. With the promotion of global economic integration, Hainan Free Trade Port actively explores cross-border service trade with the aim of enhancing trade competitiveness. By combing the current situation of relevant policies, supervision mode and financial supervision innovation, this paper analyzes the types and causes of legal risks, including compliance, intellectual property rights, data security and other risks, and analyzes the reasons from the aspects of differences in laws and regulations, mismatch between innovation and legal perfection. On this basis, it is proposed to build a legal risk prevention and control mechanism, including perfecting the legal system, strengthening the coordination of supervision and prevention and control, and integrating diversified prevention and control means. Hainan Free Trade Port cross-border service trade regulatory innovations are effective, while the pre-research and control of legal risks should be strengthened. It will make efforts to ensure cross-border service trade is healthy and orderly while speeding up the infrastructure construction in Hainan Free Trade Port through a scientific prevention and control mechanism.

Keywords: Hainan Free Trade Port; Cross-Border Service Trade; Regulatory Innovation; Prevention and Control of Legal Risks; Synergistic Mechanism

1. Introduction

The construction of Hainan Free Trade Port is an important part of China's overall opening-up

strategy. As an important part of the construction of Hainan free trade port, the healthy and orderly development of cross-border service trade is fundamental to improving Hainan's competitiveness in the global trade pattern [1]. Against this background, the in-depth study on the regulatory innovation and legal risk prevention & control mechanism of cross-border service trade in Hainan Free Trade Port has become a new focus in academic circles and practical application [2]. With the acceleration of global economic integration, the scale and complexity of cross-border service trade are increasing day by day [3]. In order to comply with this development trend, Hainan Free Trade Port actively promotes regulatory innovation, aiming at creating a more open and convenient trade environment [4]. However, while regulatory innovation brings opportunities, it also inevitably leads to a series of legal risks [5]. If these legal risks cannot be effectively prevented and controlled, it may not only hinder the smooth development of cross-border service trade, but also have a negative impact on the overall construction process of Hainan Free Trade Port.

In deepening the implementation of the Overall Plan for Construction of Hainan Free Trade Port, institutional innovation has become the core "engine" promoting high level opening-up. Cross-border service trade in areas including finance, digital services, cultural trade and professional services maintains good momentum for growth, but at the same time it involves many complex issues such as jurisdictional conflicts, data cross-border transmission, intellectual property protection and tax coordination and compliance review. Compared with traditional trade in goods, service trade has the characteristics of intangibility, simultaneity

and high dependence on regulatory rules, which makes the legal relationship more diversified and risk factors more concealed. In particular, as the digital economy and platform economy develop rapidly in recent years, new model of business including cloud computing services and cross-border e-commerce service outsourcing has emerged one after another, which has brought challenges to the existing regulatory framework. Thus there is an urgent need to research a regulatory model that conforms to the international high-standard economic and trade rules and takes into consideration Chinese national conditions, in order to establish a systematic, forward-looking legal risk prevention and control mechanism.

Theoretically, there are still some deficiencies in the research on regulatory innovation and legal risk prevention and control mechanism of cross-border service trade [6]. Some studies focus on a certain aspect of regulatory innovation, and fail to comprehensively and systematically consider the internal relationship between regulatory innovation and legal risk prevention and control [7]. From a practical point of view, The actual operation process: how to achieve the balance between regulatory innovation and legal risk prevention and control is also a problem facing Hainan Free Trade Port. The research on the regulatory innovation and legal risk prevention and control mechanism of cross-border service trade in Hainan Free Trade Port can not only enrich relevant theoretical system, it can also provide guidance and suggestions for practice.

2. Internal Relationship Between Regulatory Innovation And Legal Risk Prevention and Control

In the Hainan Free Trade Port cross-border service trade field, regulatory innovation and legal risk prevention and control promote each other and restrict each other. It creates new policies and measures to promote the trade in services across borders, improve efficiency and openness. However, these innovative measures often break through the traditional legal framework, thus breeding legal risks. For example, the new market access policy may lead to legal risks in the compliance of market participants.

At the same time, legal risk prevention and control plays a guiding and normative role in regulatory innovation. A reasonable legal risk

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prevention and control mechanism can ensure that regulatory innovation is carried out on a legal and compliant track. It can provide a clear legal boundary for regulatory innovation and avoid the chaos of market order caused by excessive radicalization of regulatory innovation [8]. Without effective legal risk prevention and control, regulatory innovation may fall into disorder, which will not only fail to achieve the expected goal, but also lead to a series of negative effects. Regulatory innovation puts forward a new topic for legal risk prevention and control, and legal risk prevention and control escorts regulatory innovation.

In addition, dynamic interaction and institutional coupling fully reflect the internal relation between two. In the construction of Hainan Free Trade Port, regulatory innovation is generally progress toward pilot reform, stress testing and phased implementation. Along this progressive reform path there should be a matching mechanism to assess legal risk for prior identification, in-process monitoring and ex post evaluation of potential legal disputes, compliance conflict and cross-border jurisdictional issue. The regulation and innovation mainly increase the system space of cross-border service trade that is outside sovereign jurisdictions. Through legal risk prevention and control, we need to recreate a normative order in this expanded system space. Moreover, regulatory innovation may redefine how administrative power and market autonomy are allocated, thereby impacting the distribution of legal responsibilities between government departments (and their agent legal representatives), service providers, and foreign investors. Hence, legal risk prevention and control shall not be treated only as a passive remedial tool, which need to be integrated into the entire process of regulatory innovation through compliance review, legal due diligence and multi-level dispute resolution mechanisms. Realizing coordinated development and mutually reinforcing effect between regulatory innovation and legal risk prevention and control could only be achieved by forming a closed-loop governance structure integrating policy design, implementation supervision, and legal feedback.

3. The Current Situation of Innovative Supervision of Cross-Border Service Trade In Hainan Free Trade Port

After its establishment, Hainan Free Trade Port

actively explored and innovated in the supervision of cross-border service trade, committed to creating a newly opened supervision system conforming to international high-standard economic and trade rules, so as to improve the level of trade facilitation.

In terms of regulatory policies, Hainan Free Trade Port has successively issued a series of targeted policy documents. For example, in the field of market access, policies such as relaxing restrictions on the ratio of foreign shares have been implemented, attracting more international service providers to participate. On the innovation of supervision mode, Hainan Free Trade Port vigorously promotes the "internet plus Supervision" mode. By establishing an integrated supervision information platform and integrating the supervision data of various departments, the real-time and dynamic supervision of cross-border service trade enterprises has been realized [9]. This model can not only improve the accuracy of supervision, but also reduce the cost of supervision. For example, after an enterprise submits relevant business information on the platform, the regulatory authorities can conduct timely review and supervision, and can respond quickly when problems are found. In addition, in terms of financial regulatory innovation, Hainan Free Trade Port actively carried out pilot projects for cross-border financial service innovation. Qualified financial institutions can engage in cross-border investment and financing business, which expands enterprise financing channels. Figure 1 demonstrates the comparison of some regulatory innovations in cross-border service trade in Hainan Free Trade Port.

This type of regulatory innovation has proven successful across sectors. Nevertheless, there are still several challenges to the regulatory innovation of cross-border service trade in Hainan Free Trade Port. Compared to international advanced regulatory standards, there are still gaps in the supervision of cross-border data flow and intellectual property protection. In general, in terms of the regulatory

innovation on service trade across borders by Hainan Free Trade Port, although it has made certain preliminary progress, it still needs to explore and enhance gradually.

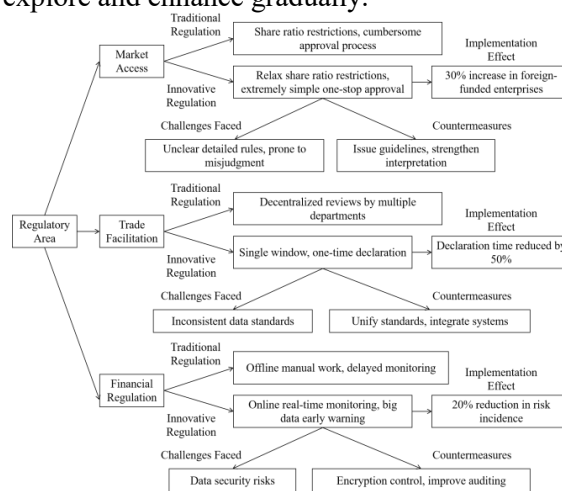


Figure 1. Comparison of Regulatory Innovations in Cross-Border Service Trade in Hainan Free Trade Port

4. Cross-Border Service Trade Legal Risk Types and Causes

In the development process of cross-border service trade in Hainan Free Trade Port, although regulatory innovation brings many opportunities, it also comes with a series of legal risks. There are various types of legal risks, the first is compliance risk. Cross-border service trade involves laws and regulations of different countries and regions. Enterprises need to meet multi-party compliance requirements at the same time, and may violate the rules if they are not careful. Secondly, intellectual property risks. With the digital development of service trade, intellectual property infringement is more likely to occur and difficult to trace, such as unauthorized use of teaching materials in online education services. Next is the safety of data security. Since cross-border service trade usually includes a lot of data that need to be transmitted across borders. Once the data is leaked, it will do damage to companies' and consumers' rights and interests. Table 1 presents the types of legal risks and examples.

Table 1. Legal Risks in Cross-Border Service Trade of Hainan Free Trade Port

Risk Type	Specific Examples	Degree of Impact	Potential Consequences	Industries with High Risk Incidence
Compliance Risk	Enterprises fail to enjoy preferential tax rates or pay incorrect taxes due to misinterpretation of tax treaties	High	Economic losses, reputation damage, facing penalties	Import-export trade, financial services
Intellectual Property Risk	A digital content enterprise uses overseas music works without	Very high	Legal proceedings, compensation for losses,	Culture and entertainment,

	authorization		damage to brand image	digital publishing
Data Security Risk	An e-commerce platform leaks user information to overseas institutions due to system vulnerabilities	Extremely high	User loss, substantial compensation, regulatory penalties	E-commerce, online travel
Contract Risk	Service outsourcing enterprises have unclear contract terms, leading to settlement disputes	Medium	Difficulties in capital recovery, breakdown of cooperative relationships	Software services, business services

The causes of these legal risks are complicated. On the one hand, the difference between international and domestic laws and regulations is the main reason. There are differences in the regulatory standards and intellectual property protection of service trade in different countries, so it is difficult for enterprises to fully grasp them. On the other hand, the pace of regulatory innovation does not match the speed of legal perfection. Hainan Free Trade Port actively promotes regulatory innovation, but the revision of relevant laws is relatively lagging behind, which leads enterprises to face legal gaps or vague areas in their innovative business. In addition, enterprises have weak legal awareness, insufficient attention to the legal risks of cross-border service trade, lack of professional legal personnel and perfect risk prevention and control system.

5. Construction of Legal Risk Prevention and Control Mechanism

It is the urgent need to establish a scientific and reasonable prevention and control mechanism in order to cope with these legal risks existing in cross-border service trade since Hainan Free Trade Port. The construction of this mechanism needs to start from perfecting the legal system, strengthening the coordination of supervision and prevention and control, and integrating diversified prevention and control means. In conjunction with its internal development need and international industry common rules, Hainan Free Trade Port précised the establishment and modification of laws and regulations relating to cross-border service trade to accelerate. For example, in emerging areas such as cross-border data flow and intellectual property protection, special laws and regulations have been introduced to clarify rights, obligations and responsibilities. At the same time, it is necessary to strengthen the cleaning and integration of existing laws and regulations, and eliminate conflicts and contradictions between laws and regulations.

Regulatory authorities should establish close cooperation with legal risk prevention and

control institutions to realize information sharing and joint law enforcement. The hidden dangers of legal risks found by the regulatory authorities in daily supervision are notified to the prevention and control institutions in time, and the prevention and control institutions provide risk assessment and response suggestions based on professional knowledge. In addition, joint meetings should be held regularly to discuss and solve major legal risks in cross-border service trade.

Trade associations should make better use of self-discipline, formulate industry norms and standards, and guide enterprises to consciously abide by laws and regulations. Strengthening international cooperation based on the "consistent trend of making progress" theory, having a share in formulating international rules, closely cooperating with other countries and regions to form bilateral or multilateral legal risk prevention and control mechanisms.

Figure 2 demonstrates the legal risk prevention and control measures and expected effect of cross-border service trade in Hainan Free Trade Port.

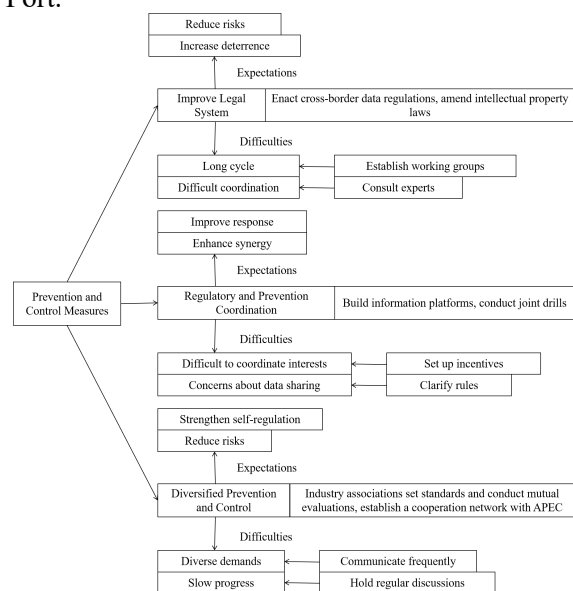


Figure2. Risk Prevention and Control in Cross-Border Service Trade in Hainan Free Trade Port.

Therefore, the above-mentioned legal risk prevention and control mechanism should be

constructed by Hainan Free Trade Port to effectively prevent and resolve cross-border service trade against legal risks in the field of such trade, so as to provide a robust guarantee for the healthy and sustainable development of cross-border service trade.

6. Conclusions

This paper analyses the innovation of regulation and prevention and control mechanism of legal risk in cross-border service trade in Hainan Free Trade Port. However, Hainan Free Trade Port has made solid progress and achieved certain results in innovation of cross-border service trade supervision. However, while regulatory innovation promotes trade development, it inevitably brings many legal risks, such as compliance risks, intellectual property risks and data security risks.

To address these legal risks, establishing an effective prevention and control mechanism is key. Specialized regulations should be introduced promptly in emerging fields to fill legal gaps, ensuring the precision and comprehensiveness of the law. The creation of a coordinated mechanism for regulation and prevention requires enhanced information sharing and joint enforcement between regulatory authorities and prevention agencies, forming a unified effort. Diversified prevention and control methods should be integrated, with industry associations fully leveraging their self-regulatory role. In terms of international cooperation, active participation in rule-making and the establishment of multilateral cooperation mechanisms are essential. Through the coordinated implementation of these measures, it is expected that legal risks can be effectively prevented and controlled, safeguarding the cross-border service trade in Hainan Free Trade Port.

Meanwhile, the regulatory innovation in Hainan Free Trade Port should adhere to the coordination principle of opening up and security. On the one hand is aligning with high-standard international economic and trade rules, benchmarking the advanced free trade port system, enhancing regulatory framework of transparency, predictability and stability. However, bottom-line thinking should be reinforced to be able to avoid systemic and regional risks. Establishing a risk-based supervision model can enhance regulatory effectiveness by stratifying enterprises and

businesses according to their risk levels while implementing differentiated supervisory measures. Meanwhile, digital technologies like big data and blockchain can also be used in regulatory processes to improve traceability, capability of real-time monitoring and evidence preservation, etc., which would further enhance the scientificity and accuracy of legal risk prevention and control.

Moreover, the State should also support and promote cross-border service trade enterprises to set up internal compliance management system and raise legal awareness so as to cultivate professionals who can make more a mends of international trade rules. In addition, a sound dispute resolution mechanism that covers various aspects such as arbitration and mediation should also be improved to provide efficient and convenient remedy methods for market entities. Only in this way can we accomplish a more systematic and sustainable system for preventing legal risks through an interactive governance model consisting of government supervision, industry self-discipline, enterprise compliance and social participation.

Future Business Development¹. Cross-border service trade in Hainan Free Trade Port will usher in broader development prospects and more complex international situation. Continuously optimizing regulatory innovation and legal risk prevention and control mechanisms, enabling them to promote and synergize with each other, the cross-border service trade of Hainan Free Trade Port is not only a focused area for stable development, its experiences will also build useful precedents for other pilot free trade zones in China. Based on this factor, it is necessary to continuously monitor changes in the international and domestic landscape, dynamically adjust, and improve relevant mechanisms to meet the development needs of the cross-border service trade.

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