

# BUSINESS

## Hainan to intensify free trade zone efforts

Province banks on special measures to retain, attract talent and further innovation drive

By YANG HAN in Boao, Hainan  
kelly@chinadailyapac.com

Hainan province needs to take special measures to attract and retain talent and promote innovation, to further its free trade zone efforts, a top academician said.

Yang Bin, vice-president of Tsinghua University, said Hainan still faces a shortage of talent, which will make it challenging for the region to promote innovation and entrepreneurship. An ecosystem needs to be formed to attract and retain talent in areas such as technology, international commerce and finance.

President Xi Jinping had in April 2018 announced that Hainan island would be transformed into a pilot international free trade zone, an indication of China's commitment to deepen reform and open wider.

"Hainan has been mapping out plans (to develop the free trade zone), with one of its focuses on talent and education ... but it takes time (to see the result) when it comes to people," Yang said during the recent Boao Forum for Asia conference.

Aiming to attract 1 million talented individuals by 2025, progress in creating a favorable environment for innovation has already been made in Hainan, with measures taken to support free housing for top-notch personnel, child education, spousal employment, medical insurance and car purchases.

In February, Sun Dahai, deputy secretary-general of the Communist Party of China Hainan Provincial Committee, said systemic innovation has been the core of Hainan's efforts.

In March, Hainan announced that employees of companies that move their headquarters to the island will enjoy the same housing policies and credit support as locals when buying a house.

Xia Feng, director of the economic research department of the China Institute for Reform and Development, said the move will make talent feel more at ease and work more wholeheartedly in Hainan.

Yang said the province should be allowed to test pilot policies with its own characteristics, rather than following universal policies that have been implemented across the country.

A case in point is to introduce course-based master's programs in addition to existing thesis-based ones, or attract students from countries and regions involved in the Belt and Road Initiative on a project basis to generate long-term benefits, he said.

"In the short term, Hainan can promote postgraduate education



Customers check out cosmetics at a duty-free shop in Sanya, Hainan province. LUO YUNFEI / CHINA NEWS SERVICE

to attract talent because it takes less time and focuses more on training," said Yang. "But in the long run, undergraduate education is more essential for talent cultivation."

In addition, Yang hopes the Tsinghua Sanya International Mathematics Forum can be a platform for academic exchanges and scientific innovation, promoting cross-disciplinary communications in areas such as fintech and artificial intelligence.

Hainan needs to find its own way of innovation, and it cannot follow the models of Beijing, Shenzhen or Hangzhou, said Yang, adding all these cities have their competitive advantages, such as higher education or technology environment.

For example, with about 100 colleges and universities, Beijing is among the cities with the biggest number of higher education institutions in China. The whole of Hainan province, on the other hand, has only 19, according to statistics released by the Ministry of Education in 2017.

"These policies do not need to be extended to the rest of the country, but they will be very helpful (to make Hainan unique)," said Yang.

Taking Boao town of Qionghai city as an example, Yang said its measures to promote healthcare innovation, including allowing the use of medicines approved by foreign countries, may be a way to help Hainan find its competitive advantage.



An international cruise ship anchored off the coast of Sanya, Hainan province. SHA XIAOFENG / FOR CHINA DAILY

Last year, Boao Super Hospital opened in the Boao Lecheng International Pilot Zone, with an aim to offer high-end medical services to the public. Besides enjoying various special preferential policies, a Boao Public Bonded Warehouse was also set up in the zone to lower the cost of imported medicines and equipment by reducing intermediate links.

Zhou Qiren, a professor and economist at Peking University's National School of Development, said Hainan should make good use of its advantages in medical services and seek opportunities in North and Southeast Asian markets. Zhou is also a member of the Business Leaders' Advisory Council set up in January for the Hainan government.

Yang said the province can unleash the potential of "silver wisdom" and attract retired professionals.

Hainan, a tropical island province located in southern China, is often dubbed China's "Hawaii" for its balmy weather and golden-sand beaches, attracting numerous elderly people from all over the country to enjoy their lives after retirement.

"In the short term, Hainan can promote postgraduate education to attract talent because it takes less time and focuses more on training. But in the long run, undergraduate education is more essential for talent cultivation."

Yang Bin, vice-president of Tsinghua University

Yang said the recently launched Foreign Investment Law, which is expected to draw more international investors to China, will also be conducive to stimulate more innovation.

"Competition is one of the best mechanisms to promote innovation, and help maintain the vitality of every company," he said.

## China's consumption upgrade to boost product, service quality

By YANG HAN and CHEN LIUBING in Boao, Hainan

China's ongoing consumption upgrade has made it imperative for companies to improve the quality of their products and services, said participants at a recent global conference.

"Improved quality and services are key to consumption upgrading," said Li Baofang, chairman of Chinese liquor firm Kweichow Moutai Co, adding that his company has been at the forefront of providing better services to customers.

Li's comments came during a panel discussion on Consumption: Upgrading or Downgrading, during the Boao Forum for Asia Annual Conference 2019 in South China's Hainan province.

Moutai closed 2018 with a net profit of 35.2 billion yuan (\$5.2 billion), up 30 percent from the same period in 2017. Its market value has exceeded 1 trillion yuan in the past two weeks, Li said, adding that the company's stock appreciation is a direct reflection of the consumption upgrade in China.

Li said Moutai will add another 6,000 metric tons of production

capacity by the end of this year to have an annual capacity of 56,000 tons. "After that we will halt capacity expansion for a long period, so as to minimize the harmful impact on the environment," he said.

Wang Junzhou, president of Chinese home appliance retailer Gome Retail Holdings, believes that companies are entering a new era where the focus is no longer restricted to bridging the market gap, but to upgrades of existing appliances.

"Smart home environment is one of the most evident changes brought by the forthcoming era of 5G," said Wang. "The smart home solution, formed by artificial intelligence, voice recognition and deep learning technologies, is a typical example of consumption upgrade."

Content upgrade is important, especially for the culture sector as well as the film and TV industry, said Wang Zhonglei, co-founder, vice-chairman and CEO of Huayi Brothers Media Corp.

China has become the world's second-largest film market, with the average annual frequency of cinema visits per person increasing significantly from 0.1 times to 2 times over the past decade, said Wang, adding



Employees wrap Moutai bottles at a Kweichow Moutai production facility in Guizhou province. YANG JUN / CHINA DAILY

the number of movies produced annually in China has risen from 100 to 1,000 during the same period.

"This was partly driven by the development of the internet as it has inculcated a passion for movies in many people, but we need to upgrade technology to support sustainable development," said Wang.

Robert Aspell, president of Cargill Asia-Pacific and managing director of Cargill Agricultural Supply Chain Asia, said the 150-year-old company started to invest in China 40 years ago, and has witnessed the country's consumption upgrading as well as industry upgrading.

**35.2 billion yuan**  
net profit of Kweichow Moutai in 2018

"Small farmers growing vegetables are doing business on WeChat now," Aspell said, adding that sustainability is important for doing business. Asia needs to keep its doors open for trade within as well as with the rest of the world, he said.

Online shopping by Chinese consumers is playing a big role in the evolution of US food company Mars Inc, said Andy Pharoah, the company's senior vice-president, adding that more than 50 percent of its pet food sales in China comes from online platforms.

"China sales account for 6 percent of our total revenue, and we hope to increase the figure to 15 percent in the near future," said Pharoah, adding that consumers are evolving with individual demands.

"Consumers are asking for much more now," said Wilfred Wong, president and executive director of Sands China, an integrated resort developer and operator in Macao

and a subsidiary of Las Vegas Sands Corp.

In Sands China's projects, casinos take up just 4 percent of the total area, with the rest being developed as hotel rooms, restaurants and entertainment facilities, said Wong, adding the industry needs to provide more personalized and one-stop services.

Considering the rapid growth of the Chinese economy, together with the per capita disposable income, it is imperative that consumption upgrade occurs, said Wang Ran, founder and CEO of CEC Capital Group, a leading private investment bank.

"Consumption downgrade is more relative as it is just about a certain period of time or a certain group of people," said Wang.

"People aged under 35 will account for 67 percent of China's consumer market by 2021," said Wang. "The Generation Z, or the post-'95s ... will bring more changes (to the market) that will lead to the emergence of new consumer experiences, scenarios and brands."

Contact the writers at  
kelly@chinadailyapac.com