



Department for
International Trade

Education development in China's Hainan Free Trade Area

Opportunities for UK education suppliers

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Introduction

China's smallest and southernmost province, Hainan has frequently been a testing ground for economic reform and opening up. In 1988, the province became the country's fifth and largest special economic zone, while in 2010, Hainan became the first region in China to grant visa-free entry to a select number of countries. In April of 2018, the Chinese government announced that the province would become China's twelfth and largest free-trade zone. The announcement was followed with a flurry of policy proposals that set out to promote trade and investment, ease restrictions on foreign and Chinese companies and establish the island as a leader in areas such as tourism, healthcare and technological innovation.

The education industry has been selected as one of Hainan's 'Twelve Key Industries' and is expected to play an important role in both developing the province's domestic talent and attracting high-quality talent from other provinces and abroad. The government has placed continued emphasis on reforming the province's education industry through relaxing investment restrictions, carrying out student exchanges, and bringing in high-quality foreign education providers. Strategies for developing other industries, such as tourism and technology innovation, have also made reference to the need for international collaboration in talent-training and joint research.

1 To better understand the opportunities in Hainan for UK education providers, the British Council and the Department for International Trade (DIT) China jointly conducted a combination of desk-based research, telephone interviews and in-person interviews with key stakeholders in Hainan and in China's Ministry of Education.

The research is divided into two phases.

Phase 1 led by the British Council focused on opportunities for the UK vocational and higher education sectors – specifically in transnational education, and was released in February 2019.

Phase 2 led by DIT China, focuses on opportunities for UK K-12 education (including early-years education), British EdTech, professional skills training, English language training and tech-transfer.

The research presented in this report analyses Hainan’s current socio-economic environment and domestic education system; the current international education environment; and recent and likely future developments in terms of policies supporting overseas institutions considering entering the Hainan market. It concludes with reviews of potential opportunities in Hainan for UK education providers.

Socio-economic and demographic overview of Hainan

Home to just 9.25 million residents, Hainan is one of China's least populated provinces. Around 2.0 million people live in the provincial capital Haikou, and a further 540,000 reside in Sanya, the province's next-largest city. Around 19.51% of the country's population fall into the 0-15 age range, accounting for about 1.8 million people. This puts the province ahead of the national average, where the 0-15 age group accounted for 16.8% of the total population in 2017. Despite the second-child rate seeing a small boost after the national implementation of the two-child policy, birth-rates have remained steady over the past ten years, sitting just under 15%, around 2% above the national average. In contrast to the 0-15 age group, the proportion of Hainan's post-compulsory education age group has seen a significant decrease in the last few years. The number of people in the 15-24 age group has dropped by almost a quarter in the last 10 years, even as the province's total population has increased. The Economist Intelligence Unit (EIU) forecasts that this group will fall further to around 1.06 million by 2023 before recovering slightly to reach 1.1 million in 2027 – around 13 per cent lower than the number in 2017.

In terms of economy, Hainan has the 4th smallest GDP in China, ahead of just Ningxia, Qinghai and Tibet. The province fares better in terms of both per-capita GDP and average disposable income where it ranks 16th out of Mainland China's 31 provincial-level administrative regions.

2

For perspective on the region's state of economic development, Hainan's current average disposable income of 24,579 RMB is roughly at the levels of Beijing in 2008, Shanghai in 2007, Guangdong in 2010, Tianjin in 2010 and Fujian in 2015.



	海南 Hainan	北京 Beijing	上海 Shanghai	广东 Guangdong	福建 Fujian	天津 Tianjin	陕西 Shanxi
GDP (Hundred Billion)	483.20 (2018)	500.7 (2003)	477.117 (2000)	461.902 (1994)	498.367 (2003)	446.274 (2006)	474.361 (2006)
Average Disposable Income (RMB)	24579 (2018)	24725 (2008)	23622.70 (2007)	23897.8 (2010)	25404 (2015)	24293 (2010)	22528 (2018)

Source: Local Branches of the National Bureau of Statistics of China

According to the Economist Intelligence Unit, around 76,000 of Hainan's residents had an annual disposable income of over RMB 100,000 (£11,500) in 2017. Around 48,000 of these reside in Haikou while a further 13,000 live in Sanya. It is therefore likely Haikou, and to a lesser extent Sanya, will make up the main market for UK education products and services for the time being.

The region's GDP in 2017 sat at around 446 billion yuan in 2017, with 55.6% coming from the tertiary sector, 22.3% from the secondary sector and 21.6% from the primary sector. The economic composition of the province's GDP illustrates the changing nature of its economy, with the proportion of GDP from the tertiary sector raising nearly 13% from ten years ago. The province's gradual shift away from an agrarian-based economy has driven a rise in urban population rates, and in 2017, 58% of the population lived in urban areas, compared to just less than 50% in 2010.

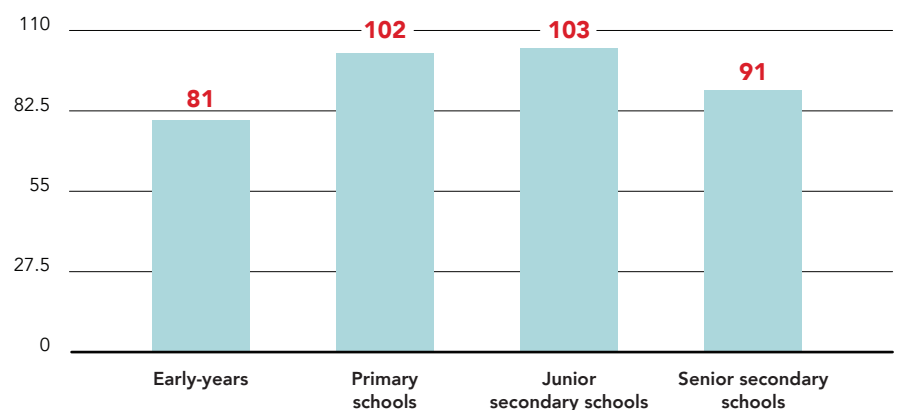
Education in Hainan

According to the most recent government statistics, the net enrolment in Hainan for both primary and junior secondary schools exceed 100%, while the net enrolment rate for senior secondary schools stands at 91.4%. The province was home to 20 ordinary higher education institutions in 2018, with an overall enrolment of 196,100. There has been considerable growth in early-years education, with enrolment rising from 47.8% in 2010 to 80.84% in 2017.

In terms of international education, there are five ongoing China-foreign TNE partnerships with three universities in Hainan and universities from the Republic of Ireland, Denmark, Russia, Austria and the USA. At the sub-degree level, the MoE lists 19 diploma-level partnerships, including three China-UK partnerships. A previous partnership between The Sanya Aviation and Tourism College and the UK's Elmwood College (who are still listed as having an ongoing partnership with Qiongtai Teachers College) was cancelled in 2017.

Net education enrolment rates in Hainan in 2018

(Source: Hainan Statistical Yearbook)



The province is home to nine international schools, made up of four international departments at public schools and five private schools, one of which (The International School of Sanya) offers programmes for students with foreign passports. In addition, two new international schools are planned to open in the coming two years. In 2019, the Beijing University Affiliated High School in Haikou will open an international department in cooperation with the University of Chicago Laboratory Schools. The next year, Harrow is set to open two branches in Haikou, offering programmes to both overseas nationals and Chinese nationals through the Harrow Innovation Leadership Academy (ILA) programme.

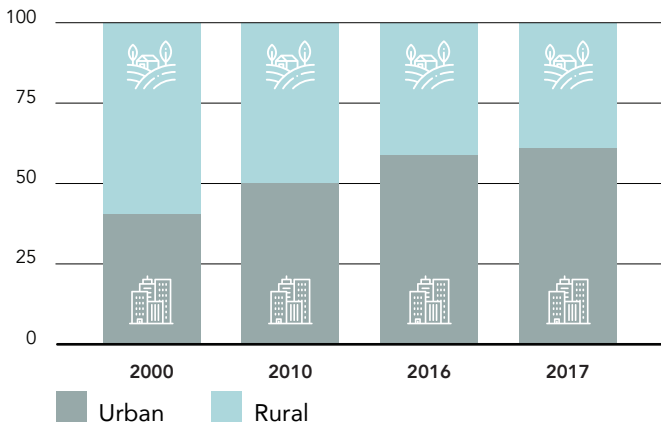
A number of smaller education chains providing early-years education and English language training are also in operation in the province, primarily in the major cities of Haikou and Sanya, although the market in these areas is relatively fragmented..

The only other major British education brand presence in the province is the recently launched University College Oxford Blockchain Research Centre at Hainan’s Resort Software Community.

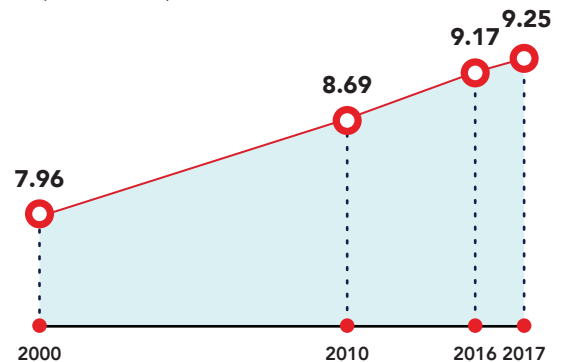
Population Overview

(Source: Hainan Statistical Yearbook)

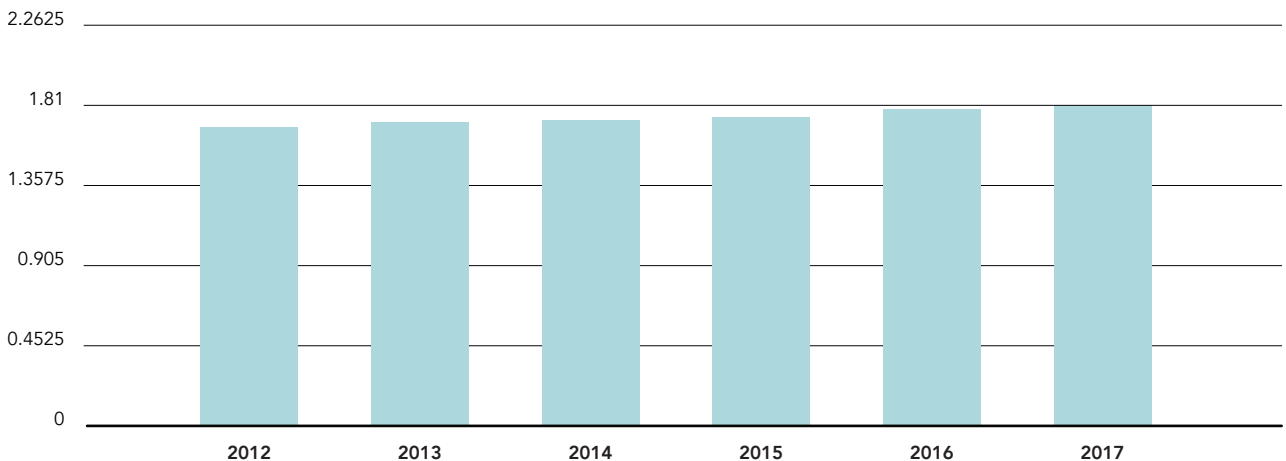
Population composition of Hainan



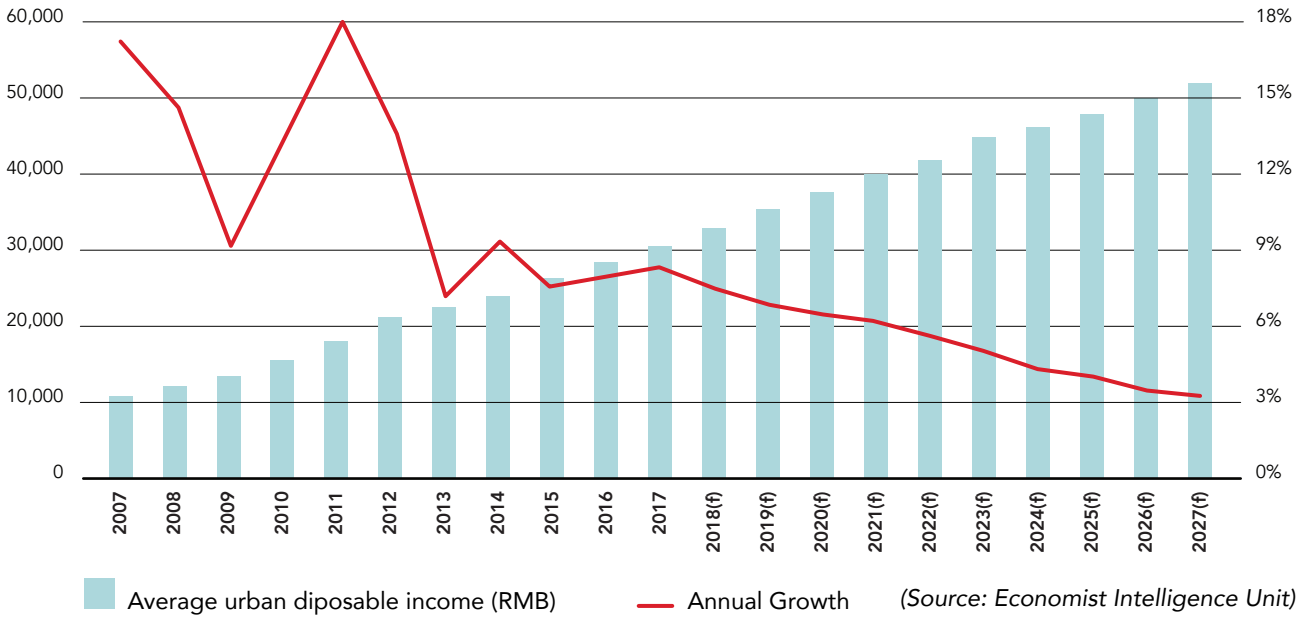
End of year population (millions)



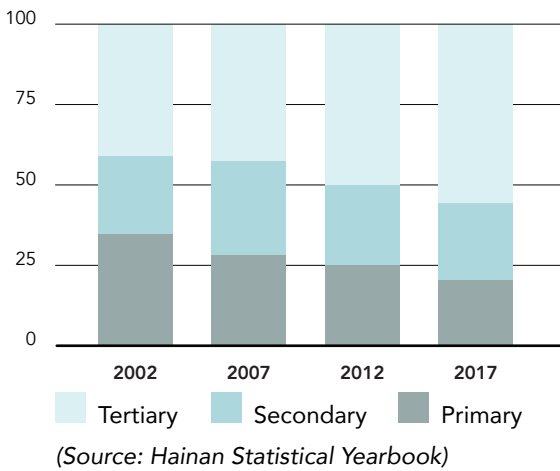
Hainan population aged 0-15 over time



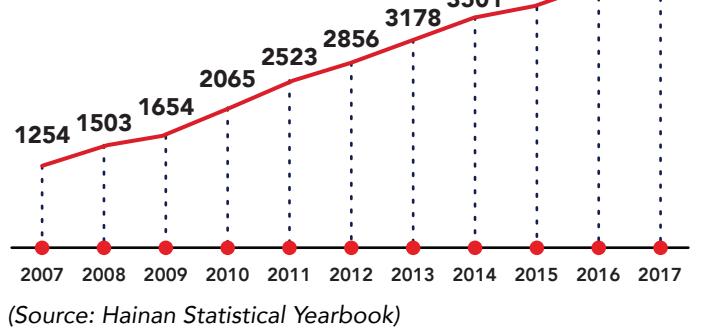
Economic overview



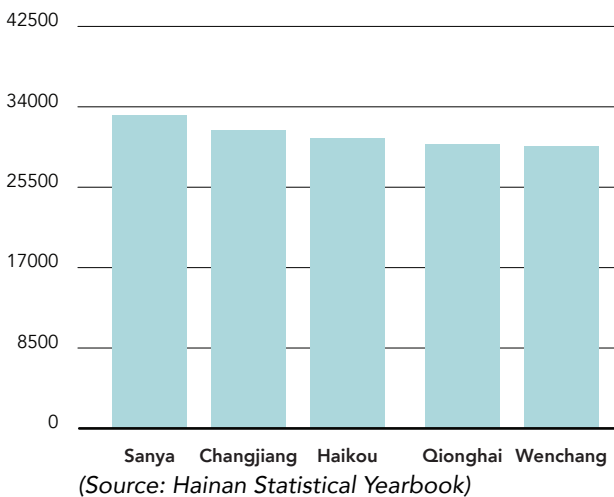
Composition of Gross Domestic Product in Various Years



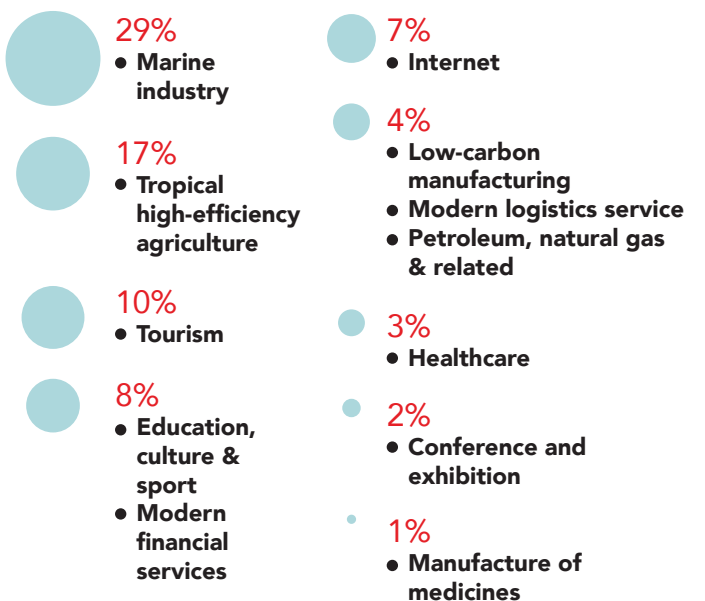
GDP Growth over past 10 years (100 million yuan)



Top 5 areas by per capita disposable income of urban households



Composition of GDP by industry



3 | Hainan's free-trade zone: A policy overview

The Hainan Pilot Free Trade Zone was first announced in April 2018, and aims to turn Hainan into the China's largest provincial free-trade zone (covering an area of 35,000 square kilometres in comparison to the combined 1,300 square kilometres of the country's other 11 free-trade zones).

Key aspects of the Free Trade Zone include relaxing restrictions on foreign investment, improving the working conditions for foreign talent and strengthening Belt and Road international cooperation. A number of policies have been released in tandem with the FTZ plans over the past several years, including The Hainan Free Trade Zone General Plan, The Action Plan for Introducing One Million Skilled Personnel to Hainan, The Action Plan for Optimising Hainan Province's Business Environment (2018-2019) and '7 Education Projects for the 100-day Investment Initiative'.

These raise a number of goals and plans which pertain to the future development of the education sector in the region, including:

- Deepening the opening up of the education sector.¹
- Formulating a negative list of cross-border service trade in Hainan Province in key areas including education.²
- Improving the convenience of working for foreign talents, including opening up green channels for foreign talent, relaxing entry and exit restrictions, issuing residence and permanent residence for foreign talents who work or start businesses in the pilot

free trade zone and setting up channels for housing, children's education and and medical and social security services.³

- Supporting scientific and technological innovation cooperation with Belt And Road countries, including scientific and cultural exchanges, joint construction of laboratories, cooperation in science and technology parks, and technology transfer.⁴
- Bringing in well-known schools to set up international schools and kindergartens, both for children of foreign nationals and for local Chinese students.⁵
- Promoting the establishment of high-quality China-foreign cooperation in running schools (CFCRS) projects.⁶
- Importing high quality foreign educational resources.⁷
- Bringing in prestigious educational training organisations to train international talent.⁸
- Exploring the construction of a technical talent evaluation system that is in line with international standards.⁹
- Bringing in well-known universities to set up campuses, graduate schools, research institutes and technology incubation and transfer institutions.¹⁰
- Allowing overseas educational institutions, to establish vocational training institutions through sole proprietorship, joint ventures or cooperation.¹¹

1 中国(海南)自由贸易试验区总体方案 (6) http://www.gov.cn/zhengce/content/2018-10/16/content_5331180.htm

2 海南省优化营商环境行动计划(2018—2019年) (26) <http://www.hainan.gov.cn/hainan/tjgw/201812/3cefd65355d84b2aa30947df8878451d.shtml>

3 中国(海南)自由贸易试验区总体方案 (21) http://www.gov.cn/zhengce/content/2018-10/16/content_5331180.htm

4 中国(海南)自由贸易试验区总体方案 (11) http://www.gov.cn/zhengce/content/2018-10/16/content_5331180.html

5 百万人才进海南行动计划(2018—2025年) (23) http://www.hainan.gov.cn/hn/yw/jrh/201805/t20180515_2626873.html ;

教育行业百日大招商7大项目 (4) http://www.hainan.gov.cn/hn/yw/zwdt/tj/201805/t20180525_2642215.html

6 教育行业百日大招商7大项目 (2) http://www.hainan.gov.cn/hn/yw/zwdt/tj/201805/t20180525_2642215.html ;

百万人才进海南行动计划(2018—2025年) (23) http://www.hainan.gov.cn/hn/yw/jrh/201805/t20180515_2626873.html

7 百万人才进海南行动计划(2018—2025年) (13) http://www.hainan.gov.cn/hn/yw/jrh/201805/t20180515_2626873.html

8 百万人才进海南行动计划(2018—2025年) (13) http://www.hainan.gov.cn/hn/yw/jrh/201805/t20180515_2626873.html

9 百万人才进海南行动计划(2018—2025年) (22) http://www.hainan.gov.cn/hn/yw/jrh/201805/t20180515_2626873.html

10 教育行业百日大招商7大项目 (1) http://www.hainan.gov.cn/hn/yw/zwdt/tj/201805/t20180525_2642215.html

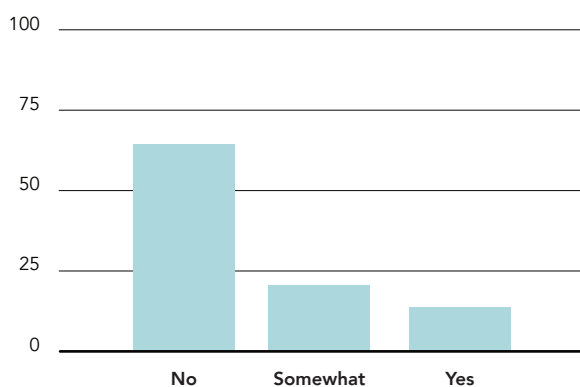
11 教育行业百日大招商7大项目 (6) http://www.hainan.gov.cn/hn/yw/zwdt/tj/201805/t20180525_2642215.html

These policies reflect a proactive attitude from policymakers to bring in foreign education institutions and a willingness to provide a more open business environment, although in terms of the latter, there have been fewer specific examples of how this would be carried out in practice. The aims of these policies is twofold; to raise the quality and status of local education at all levels and to create a more attractive environment for foreign talent to live and work in.

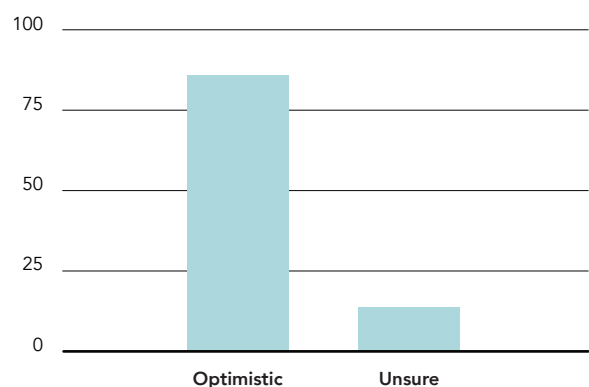
Interviews conducted with education professionals on the ground in Hainan have helped bring more clarity to the province's FTZ policies and the impact they might have on the business environment. Just under two-thirds of interviewees have not yet perceived any impact from the FTZ supportive policies, although the short time that has passed since the announcement of these policies is a likely to be a factor in this. However, over 85% of respondents said they were optimistic that the economic development plans for the FTZ would help increase the market size/customer base for international education, with the remaining 14% answering that they were unsure of the impact the FTZ would have.

One respondent referred to 'promise fatigue' and expressed frustration of previous instances where the government made promises which they later reneged on. There was also some concern about overestimating the scale of future development, with a respondent citing a number of corporate consultancies who have struggled to find work after being encouraged to move into the province. This challenge seems to be in part exacerbated by the top-down approach of the directives, with policies being formulated by senior officials who've been brought in from first-tier cities, but being carried out by less experienced local junior officials. With this in mind, the ambitious and attractive goals laid out in the FTZ plans should be viewed with the caveat that the opportunities presented rest on how fully and successfully the current FTZ plans can be realised in the coming years.

Has your business perceived any impact from the FTZ supportive policies yet?



How optimistic are you that economic development plans for the Hainan FTZ will help increase the market size/customer base for international education?



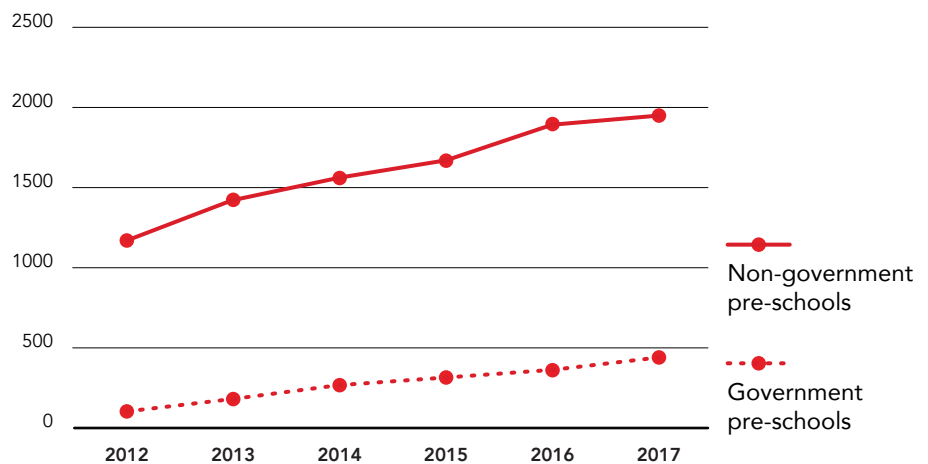
4 | Review on education sub-sectors in Hainan

Early-years

State of Sector

Much like the rest of the country, Hainan has seen significant development in the area of early-years education, followed by a slew of regulations that aim to better regulate the industry, particularly in the areas of teaching quality and fee collection. In Hainan's 'Early Years Education Action Plan: Phase 3', the local government sets out to raise Hainan's preschool enrolment rate from 80.4% to 86%, a more modest growth than the previous action plan, where enrolment increased by almost 11 percentage points.¹² Private kindergartens make up the vast majority of preschools in the province, although the growth of government kindergartens has been faster in recent years. In 2017, private kindergartens accounted for 83.7% of all kindergartens, down from 89.6% in 2012.

Growth of kindergartens



(Source: Hainan Statistical Yearbook)

The international and bilingual early-years sector in Hainan is relatively diverse, with no major player having a significant foothold in the market. International preschools are primarily concentrated in the city of Haikou, followed by Sanya. For the most part, it seems that these kindergartens offer bilingual or English language education as opposed to a true international early-years curriculum. One preschool in Haikou and two in Sanya are, however, run by local international schools, namely Maple Leaf International School, Haikou and the International School of Sanya. Both Haikou Harrow and the International School of Sanya are due to open new kindergartens in the coming year.

	City
Golden Sun Bilingual Kindergarten	Sanya
Affiliated Kindergarten of Sanya Foreign Language School	Sanya
Hainan Maple Leaf Kindergarten	Haikou
Hainan RYB International Kindergarten (Resort Software Community)	Chengmai
Jinsenianhua Kindergarten (Run by Haidan Foreign Language Experimental School)	Qionghai
Haikou Foreign Language School Affiliated to the Guangdong University of Foreign Studies*	Haikou
Huajia International Kindergarten*	Haikou
Haikou Harrow School*	Haikou
2nd Affiliated Kindergarten of Sanya Foreign Language School*	Sanya

* Not yet opened

Of the preschools who would disclose their tuition, school fees ranged from around 7,000 RMB a semester to 30-35,000 on the higher end. One of the schools we spoke to that offers an international curriculum and employs a large number of foreign teaching staff have said that their school fees are 7,000RMB a month, indicating the higher price above is a more realistic basis for what school fees a British run early-years education could or would need to set. Competitive salaries for foreign teaching staff averaged around 15,000 RMB a month.

Policy environment

Despite Hainan's new appointment as a FTZ and a number of indications that the education market will be more open to foreign investors, the current policy environment for early-years is generally in line with the rest of the country. Both the 'Early-years Education Action Plan' and the government's 2019 'Education Work Plan' have emphasised the need to promote the construction of 'inclusive' kindergartens (both private and public) that set reasonable and affordable school fees.¹³ In the 'Action Plan', a goal is set for the proportion of inclusive kindergartens to reach 80% by 2020. At the moment, private kindergartens in Haikou are permitted to be registered as either for-profit or non-profit, with the latter receiving favourable taxes and land usage rights. However, considering the current strategy of increasing the accessibility of preschool education, as well as recent national regulations banning kindergartens from seeking public listings and for-profit kindergartens from raising funds from listed companies, it seems likely that the operation of for-profit kindergartens, as well as kindergartens with high school fees, is likely to be restricted in the coming years.

A government initiative known as 'Two schools and one kindergarten for every city/county' has aimed to introduce high quality early-years, primary and secondary schools throughout the country. As of April 2019, the initiative had established 74 cooperation projects which, along with cooperation projects with reputable domestic universities and private schools, included the establishment of four international and bilingual kindergartens (two of which are still under construction).¹⁴ Therefore, although the initiative does not exclusively target international schools, it is clear that international kindergartens are included within its scope.

The 'two schools and one kindergarten' initiative was reiterated in the '7 Education Projects for the 100-day Investment Initiative' in 2018, along with a project that specifically set out to establish international kindergartens in the cities of Haikou, Sanya, Qionghai and Danzhou.¹⁵ However, while there are clear signs of government support for the construction of international preschools, there is still no concrete indication as to whether any favourable policies, such as the relaxation of profit restrictions, will be introduced.

13 中共海南省委教育工委海南省教育厅2018年工作要点 http://xxgk.hainan.gov.cn/hi/HI0108/201803/t20180319_2582823.htm

14 海南“一市(县)两校一园”教育资源引进项目汇总 http://www.hq.xinhuanet.com/news/2019-04/12/c_1124356856.htm

15 教育行业百日大招商7大项目(2) http://www.hainan.gov.cn/hn/yw/zwdt/tj/201805/t20180525_2642215.html

Opportunities and Challenges

Hainan's education strategy has created an impetus for the importation of international early-years providers and it seems likely that any British provider exploring the market would receive support from the local government. However, what impact this support would have on practical policy, such as fundraising, investment and fee-collection remains to be seen and is an important consideration for private early-years providers.

The international early-years education market is still far from saturation and kindergartens with a reputable foreign brand name are likely to be able to find a market in the province. However Haikou and Sanya, the two main markets in terms of high-income population both are home or will be home to kindergartens that target foreign passport holders and new market entrants would need to find a way to differentiate themselves from the existing competition. The markets in Danzhou and Qionghai are still relatively untapped and early-years providers setting up kindergartens in this area would likely receive government support although the high income population in these cities is markedly smaller than both Haikou and Sanya. One other area of potential opportunity is Hainan's science and technology parks, which hope to attract skilled personnel from other provinces and abroad. The Resort Software Community in Chengmai county, for example, will see the construction of an international early-years institution from RYB Education. However any entrance into these areas would currently hinge on speculation on whether or not these parks are successful in recruiting local and foreign talent.

One major consideration should be staffing, and a number of education providers in Hainan raised the challenge of both bringing over well-qualified foreign teachers. International kindergartens have found that visa applications for foreign teachers has become increasingly difficult and also remarked on the difficulty in competing with nearby Southeast Asian countries to attract talent. Difficulties were also raised in finding suitable local staff, as many highly-qualified teachers move to first and second tier cities upon graduation and those who remain in the province often have little experience with international education. These issues would likely become even more pronounced outside of Sanya and Haikou, where infrastructure is less developed. Education providers looking to find a niche in the market while avoiding staffing issues could consider other kinds of market entry, such as provision of curriculum and teacher training, which could be more sustainable in the long-term.

K-12

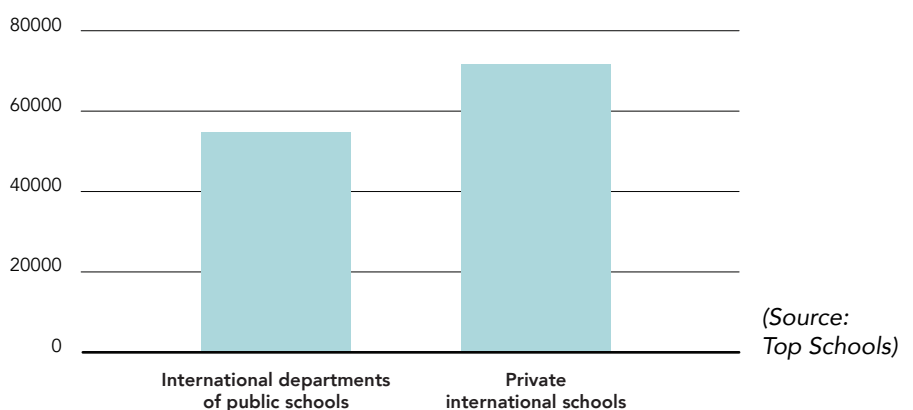
State of Sector

Hainan is home to nine international schools, four of which are international departments of public schools and five of which are private schools. The existing schools primarily teach an American curriculum, with the exception of Maple Leaf International School, which provides a Canadian curriculum, and Hainan Middle School and Agile Bilingual School, which offer British curriculums. Of these schools, only one, the International School of Sanya, provides a wholly international curriculum for students with overseas passports.

There are a number of new bilingual and international schools in development, including a new international department to be opened at the Beijing University Affiliated School in Haikou, as well two branches of Harrow, one of which will provide both programmes for both Chinese nationals and foreign nationals. The international curriculum at the Beijing University Affiliated School may be set up in cooperation with the University of Chicago Laboratory Schools, despite education authorities in most other parts of China now restricting publicly funded schools from setting up such classes. As part of the 'two schools and one kindergarten for every city/county' project, Hainan's government is currently in talks with both Wycombe Abbey and Dulwich (Dehong) International School about setting up branches in Haikou and Sanya respectively.¹⁶ These new developments, which will bring in Hainan's first international schools with connections to international schools from abroad, indicate the opening up of the international school market to foreign education brands.

A study from Top Schools found that the average annual tuition of public international departments in Hainan was RMB55,000, while the average tuition for private schools was RMB71,363. In addition, we spoke to private international schools in Hainan who disclosed their tuition as around RMB80,000 a year, with slightly higher tuition for older years and lower tuition for earlier years at certain schools. International school teacher salaries generally fell within the range of RMB15,000-20,000 a month.

Average tuition of schools in Hainan



	City	School type	Curriculum
Maple Leaf International School	Haikou	Private for Chinese nationals	Canadian
Hainan Middle School	Haikou	International department of public school	British
Hainan Overseas Chinese Middle School	Haikou	International department of public school	American
Hainan Overseas Chinese Middle School	Sanya	International department of public school	American
International School of Sanya	Sanya	Private for overseas nationals	American
Sanya Foreign Language School	Sanya	Private for Chinese nationals	American
Hainan Lu Xun High	Sanya	International department of public school	American
Agile Bilingual School	Yingzhou	Private for Chinese nationals	Cambridge
Beijing Haidian Foreign Language Shi Yan School Hainan Campus	Qionghai	Private for Chinese nationals	American
Beijing University Affiliated High School*	Haikou	International department of public school	American
Harrow School*	Haikou	Private for overseas nationals	British
Harrow ILA*	Haikou	Private for Chinese nationals	British
Beijing Limai (Sino-US) Foreign Languages School*	Chengmai	Private for Chinese nationals	American
Haikou Foreign Language School Affiliated to the Guangdong University of Foreign Studies*	Haikou	Private for Chinese nationals	Not clear
Shanghai Foreign Language School Sanya Branch*	Sanya	International department of public school	Not clear
Chengmai Foreign Language School Affiliated to Beijing Foreign Studies University*	Chengmai	Public school	Not clear

* Not yet opened

In terms of recruitment of teachers and staff, a number of schools raised the issue of hiring qualified local teachers, which was reported as often being more difficult than finding foreign members of staff. One respondent remarked that despite the less competitive salaries of Hainan's international schools, foreign staff could generally be attracted by the 'low cost of living and lack of grey skies'. In contrast, highly-qualified local teachers were more likely to be put off by the lower prestige of Hainan's education system, as well as the lower salaries and less dynamic social life in comparison to first tier cities like Beijing or Shanghai. Issues in reputation also impacted student recruitment, with one school remarking on the limited number of students who fit their target audience, elaborating that 'parents who are looking for a great school above all else will end up in one of the tier one cities in well-established, proven schools. Parents who are looking for a combination of a healthy environment will consider our kind of school.' Though it's possible that the current wave of reputable local and foreign schools moving into Hainan province will go a way in raising its reputation as a place for high quality education, the young age of Hainan's international education market is an important consideration for schools looking to establish in the province.

Despite these challenges, according to an enrolment brochure sent out, Harrow has been reported as setting an ambitious goal of recruiting 1824 students for its Hainan branch. This includes 102 students for their kindergarten, 240 primary students, 216 junior high school students and 240 senior high school students for their school for children of foreign nationals, as well as 450 primary students, 300 junior high school and 276 senior high school students for their Lide branch aimed at Chinese nationals. According to online reports, the Sanya Foreign Language School roughly caters to 600 students, while Maple Leaf International school claims to have over 3,300 students across its kindergarten, primary school and secondary school.

Policy environment

Recent government documents have illustrated a growing desire to bring international schools into Hainan, both to create a more attractive living environment for skilled personnel from abroad and to help bring up local education levels. As mentioned above, the 'Two schools and one kindergarten for every city/county' has stimulated the construction of high quality primary and secondary schools across the country, including a number of bilingual schools and international brands.

The '7 Education Projects for the 100-day Investment Initiative' in 2018 called for the establishment of international schools in the cities of Haikou, Sanya, Qionghai and Danzhou. According to the document, incoming international schools will be permitted to run under a model of 'one faculty, two brands', wherein international schools can set up both a branch for overseas nationals and a branch for Chinese nationals in the same school.¹⁷

One final document worth noting is the 'School Project Concept Plan (Hainan International Schools)', released in 2014 by the Hainan Institute for Reform and Development.¹⁸ This document listed a number of favourable policies that could be enjoyed by international schools, including favourable land usage and property taxes, funding support and the reduction of income taxes and business taxes if an international school was unable to recruit enough students in its early stages. Though this document does not pertain to the current FTZ project, it does indicate a willing stance on the government's part to create a favourable policy environment for international schools.

¹⁷ 教育行业百日大招商七大项目 (4) 4 http://www.hainan.gov.cn/hn/yw/zwdt/tj/201805/t20180525_2642215.html

¹⁸ 学校项目概念方案 (海南国际学校) <http://www.docin.com/p-108751776.html>

Opportunities and Challenges

The international K-12 market is more developed than the early-years, with one education professional on the ground describing it as 'wrapped up' in cities like Haikou and Sanya. The introduction of both Harrow School and an international department at Beijing University Affiliated School will add to the competition in Hainan and are likely to make it more difficult for less established brands in China to attract qualified students. However, these cities are home to the highest concentration of high-income earners and a well reputed British brand could still stand out among the competition, particularly in Sanya where there are no international brands running schools. As with early-years, schools interested in entering the market in Danzhou and Qionghai would likely receive government support, but greater attention would have to be given to the potential customer base for such a school.

The government's ambitious plans to bring in one million highly-skilled personnel as well as top-500 international companies could have a significant impact on the potential customer base for international education by bringing in more international workers and local workers with higher incomes. Major projects have already been announced, including as the Baidu Hainan Eco-village, which will receive investment of RMB10 billion and proposes to bring in 10,000 workers. Projects such as these stand to create new markets for international education, and there may even be opportunities for schools to directly collaborate with these projects, such as the aforementioned deal between the Hainan Resort Community and RYB education.

If more skilled talent does move to the region, British international schools are likely to have a strong advantage over local competitors, particularly if they provide a fully international curriculum, something which current government policy is encouraging. However businesses hoping to capitalise on this will need to keep a close eye on the development of the government's strategy and how successfully it is realised.

International schools should also be mindful of potential staffing plans, and professionals in Hainan's K-12 industry also mentioned the same hiring issues that were brought up by early-years providers, citing difficulties in attracting foreign teachers, applying for visas and finding well-qualified foreign staff.

One final challenge worth considering for international schools is the relative lack of experience and administrative infrastructure in regards to bringing in foreign international schools into the province. Although schools can expect a close degree of support and even favourable policies (such as those raised in the Hainan Institute for Reform and Development's 2014 'School Project Concept Plan'), the relative immaturity of the market could result in a number of roadblocks and unforeseen setbacks that could cost time, energy and resources. International schools with branches in other provinces and experience in going through the administrative process of running a school may be best placed to enter the Hainan market.

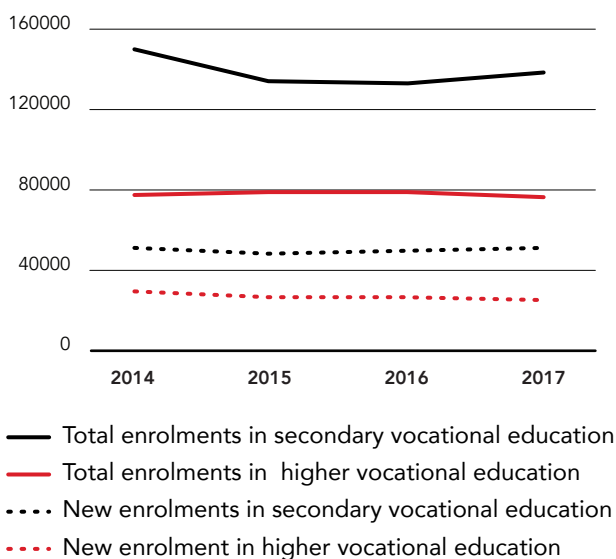
Vocational and technical skills

State of Sector

In 2017, there were 12 higher vocational colleges and 87 secondary vocational colleges in Hainan. Enrolment in higher vocational education stood at 75,150 students, of which 25,652 were new enrolments. Enrolment in secondary vocational colleges was 135,000, of which 51,149 were new enrolments. Overall, secondary vocational college enrolment has seen a slight fall in recent years (enrolment was at 146,697 in 2014), while higher enrolment has remained relatively steady.

At secondary vocational education level, there are 124 majors under 18 categories, including majors such as hospitality, cooking and nursing. Among the 18 categories, information technology, tourism services and medicine and health are the most popular three categories with largest number of majors. Computer Application, Automotive Application and Maintenance, as well as Hospitality Management are the top three majors most delivered by colleges across the province.

Enrolment in Hainan's vocational schools in 2017



Higher vocational colleges provide 14 categories of majors which align with the province's strategies to develop its key industries. These categories include:

- Agriculture/forestry/animal/husbandry/fishery
- Transportation
- Biochemistry and medicine
- Materials and energy
- Civil engineering
- Manufacturing
- Electronic information
- Environmental protection
- Finance and economics
- Tourism, culture and education
- Art and design
- Media
- Public security

The top five majors in Hainan's higher vocational colleges in terms of enrolment were accounting, cost engineering, tourism management, aviation training, automobile detection and maintenance technology. Other majors with more than 1,000 students include marketing, hotel management, financial management, computer network technology, electronic commerce, civil aviation safety technology management, international cruise crew management and affairs.

Net education enrolment rates in Hainan in 2018

Major	Number of students	Percentage of higher vocational enrolment
Accounting	4598	8.53%
Cost engineering	2425	4.50%
Tourism management	2319	4.30%
Aviation training	1825	3.39%
Automobile detection and maintenance technology	1727	3.21%

According to the MoE website, there are 19 ongoing China-foreign partnerships at the sub-degree level in Hainan. These include three with British institutions (Guildford College and Elmwood College) as well as six Australian, four Canadian, four American and two Irish.

The listed partnerships are:

Hainan College of Economics and Business and Guildford College	Tourism Management
Hainan College of Economics and Business and Guildford College	International Business
Qiongtai Teachers College and Elmwood College	Golf Facility Management
Hainan College of Software Technology and University of Western Sydney	Game Software
Hainan College of Software Technology and University of Western Sydney	Software Technology
Hainan Vocational University of Science and Technology and University of Western Sydney	Mechanical Design and Manufacturing
Hainan Vocational University of Science and Technology and University of Western Sydney	Tourism Management
Hainan College of Foreign Studies and University of Western Sydney	Hospitality Management
Hainan College of Foreign Studies and University of Western Sydney	Tourism Management
Hainan College of Vocation and Technique and Holland College	Marketing
Hainan College of Vocation and Technique and Holland College	Business Management

Hainan College of Vocation and Technique and Holland College	Sports Service and Management
Haikou University of Economics and College of the North Atlantic	Business Administration (Human Resources Management)
Haikou University of economics and The University of North Alabama	International Economics and Trade
Haikou University of economics and The University of North Alabama	Animation design and production
Sanya Polytechnic Vocational College and Berkeley College	Accounting
Sanya Polytechnic Vocational College and Berkeley College	Marketing
Haikou University of Economics and Griffith College Dublin	Accounting
Haikou University of Economics and Griffith College Dublin	Hospitality Management

Policy environment

Recent policies have attached a great deal of importance to the development of Hainan's TVET sector and the role it can play in strengthening the province's 12 major industries. The Hainan government Education Work Plan for 2018 highlighted the need to focus on cultivating talent for Hainan's 12 major industries while also calling for an improvement of standards and a deeper integration between industry and vocational institutions.¹⁹ The drive for skills training is not limited to higher education and in 2018, the government released 'Opinions on the implementation of a lifelong vocational skills training system'. This document set the ambitious goal that 'each worker will be able to receive vocational skill training at least once in each stage of their career' by 2020. The plan suggests international collaboration as a means of developing Hainan's lifelong skills education.²⁰

In mid-2018, Hainan's Education Bureau published the '7 Education Projects for the 100-day Investment Initiative', which called to support worldwide top 500 businesses and world-class training organisations from abroad in setting up vocational schools and training centres in the province.²¹ According to the document, training bodies from abroad would be permitted to 'establish vocational training institutions through sole proprietorship, joint ventures or cooperation'. The impetus for international cooperation was reiterated in late 2018, when the government called to 'actively introduce a number of well-known, high-end training institutions from outside the province or overseas to participate in vocational skills training'.²²

19 中共海南省委教育工委海南省教育厅2018年工作要点 (22) http://xxgk.hainan.gov.cn/hi/HI0108/201803/t20180319_2582823.htm

20 关于推行终身职业技能培训制度的实施意见 (3), (8) http://www.hitax.gov.cn/ssxc_1_4/30110502.html

21 教育行业百十大招商七大项目 (6) http://www.hainan.gov.cn/hn/yw/zwdt/tj/201805/t20180525_2642215.html

22 关于推行终身职业技能培训制度的实施意见 (8) http://www.hitax.gov.cn/ssxc_1_4/30110502.html

Opportunities and Challenges

Hainan's government is keen to develop the province's vocational education systems and sees a strong advantage to partnering with foreign training organisations and utilising their experience and high-quality resources. Training providers entering the market can expect a more favourable policy environment than other parts of the country, with the Free Trade Zone allowing training institutions to be fully foreign-owned. Opportunity is most clear in the province's 12 key industries, particularly in areas where existing China-foreign cooperation is lacking, such as medical training. Although there is existing cooperation in tourism and hospitality, the plans to rapidly develop this industry in the future could make it a strong area for cooperation, both with vocational colleges and in continuing education with the numerous international hotel brands operating on the ground in Sanya.

However, challenges exist for vocational training providers looking to enter Hainan's market. Despite government initiatives to promote the development of vocational training, vocational qualifications are still perceived to be less academic than degree-level qualifications. As such, courses run by international organisations in English will have a relatively limited market. Finding other ways to cooperate, such as providing staff training and localising curriculums and resources, could help TVET providers more effectively participate in the market.

In addition, there was a feeling when speaking to local education professionals in Hainan that many institutions are eager to cooperate with foreign training bodies due to directives from above, but are uncertain of what they would look for in a partnership, other than a 'well-known' foreign partner. British TVET providers who are interested in partnering with institutions in Hainan should therefore have a very clear idea from the offset of what they hope to offer and gain from a partnership, and should carry out thorough due diligence when selecting a partner.

Outside of partnerships with local academic institutions, there is also potential for skills training in the area of continuing education and through industry partnerships. As the government sets out to train talent professionals at all levels in industry, opportunities are likely to arise to work with local businesses to train talent, both through on the ground training and localisation of training resources.

Tech Transfer

The government has so far demonstrated commitment to transforming Hainan province into a national tech-hub akin to Shenzhen. Favourable policies to attract startups, including free rent, reduced tax rates, simpler visa policies and access to government funding have already caught the attention of major players in the domestic market including Baidu, Huobi and Tencent. In 2017, 267 companies benefited from an RMB500 million tech-startup fund including ZTE and Microsoft.

Science and technology also play a major role in Hainan's current development plan, and internet, healthcare, low-carbon manufacturing and pharmaceuticals have all been marked as key areas for investment and development.

The province is home to a number of technology and industry parks that aim to serve Hainan's 12 key industries, and construction of new parks has been on the rise in the past several years. The city of Sanya, for example has seen policies calling for investment to be allocated to science and technology cooperation, medical and health innovation, technology transfer, agricultural technology innovation and special scientific research trial production.

Existing and upcoming technology parks include include:

- Nanfan Scientific and Research Breeding Base
- Hainan Wenchang International Aerospace City
- Sanya Institute of Deep Sea Science and Engineering
- National New Resources Engineering Technology Research centre, Hainan branch
- Hainan International Science and Technology Industrial Park
- Qingshuiwan International Information Industrial Park
- Hainan Resort Software Community
- Hainan Boao Lecheng International Medical Tourism Pilot Zone

Since the introduction of the plans for a Hainan Free Trade Zone, numerous calls have been made for international cooperation in Hainan's science and technology parks.

In particular, 'Hainan Free Trade Zone General Plan' laid out aims to increase international cooperation in science and technology, in the areas of agriculture, deep sea science and technology and commercial space development.²³ The document called for the bringing in of resources from international research bodies and higher education institutions to create world-class innovation centres. The Free Trade Zone also has a number of policies

stipulating that medical research equipment, science and education products or scientific and technological development supplies will be exempt from import tariffs and import-related value-added tax and consumption tax.²⁴

In October 2018, the University College Oxford Blockchain Research Centre and Hainan Resort Software Community successfully reached a cooperation agreement to jointly build a blockchain research laboratory.

Opportunities and Challenges

As the government carries out its strategy to develop Hainan into a science and technology hub, the potential for collaboration in research and development also stands to rise. Institutions who specialise in areas of government focus, such as healthcare, information technology, agricultural technology and low-carbon resources in particular may find new opportunity for carrying out research collaboration and technology transfer. Collaboration would likely benefit from strong government funding, more relaxed regulations on research and technological development as well as the promise of skilled talent from China and abroad.

However, it is worth noting that though the government's technology development plans appear promising, the development of Hainan's science and technology industries is still in its early stages. For the time being, the province is relatively behind other major cities and provinces in infrastructure, and still suffers from a shortage of highly-skilled personnel and experienced industry players. Higher education institutions interested in carrying out tech-transfer should keep a close eye on the development of the government's strategies and ensure requirements and expectations for local partners are communicated clearly when carrying out collaboration discussions.

English-language training

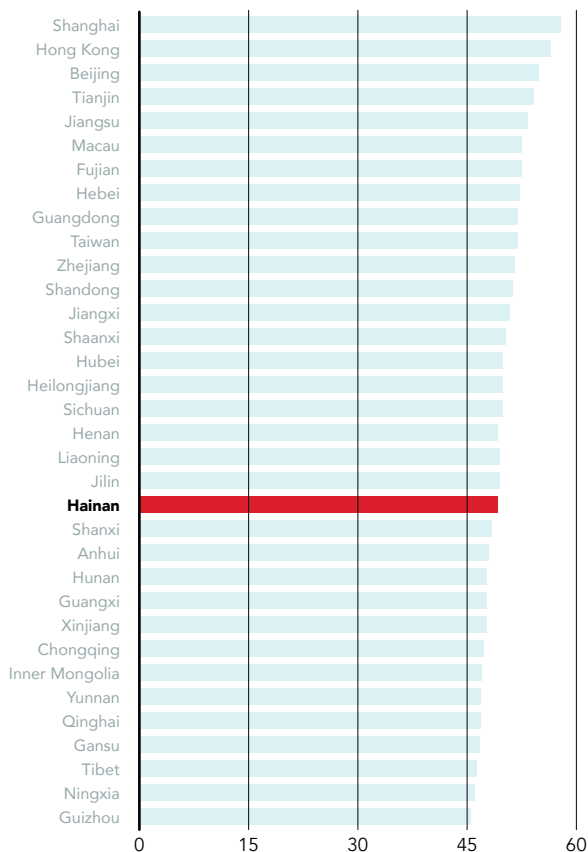
State of Sector

Both the recent Free Trade Zone announcements in 2018 and the earlier Hainan International Tourism Island Development Strategy set out ambitious goals to attract the number of international tourists to the island, but despite this growing international outlook, English levels in Hainan have remained relatively low. In 2018, Education First released an analysis of English levels in thirty-four provinces in China, and Hainan ranked 21st out of 34 with a score of 49.74, indicating 'low proficiency'. For perspective, this puts the region behind 57 countries out of the 88 which participated in the ranking. Although the recent average English scores in the province's National College Entrance Examination have not been made available, in 2012 the average student scored 54 out of 150, considerably lower than the average score in Beijing in the same year (80.9).

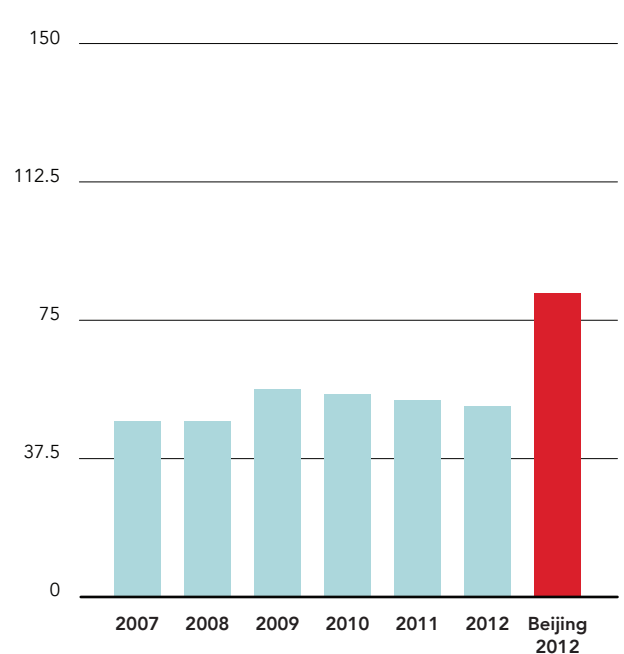
The English training market has been on the rise in Hainan, with one respondent who's been in the market for more than a decade commenting on a recent growth in the number of competitors. The English training market is largely made up of smaller brands and SMEs, although New Oriental has begun to stake its place the market in the past couple of years. The province is home to only one British Council IELTS test centre in Hainan University, Haikou. As yet, there are no international English school brands in the province, although Pearson English materials are popular in the local centres.

According to a language training centre on the ground, the tuition at English training centres ranges from around RMB30 to RMB100 per teaching hour, considerably lower than the tuition found in higher tier cities such as Shanghai or Beijing.

EF English Proficiency score by region of China (2018)



Average Gaokao English score in Hainan (out of 150 points)



Policy environment

In late December, 2018, the Hainan provincial government released an action plan to 'Comprehensively raise the foreign language levels of Hainan citizens'. The action plan lays out a number of goals including improving language proficiency in primary and secondary schools, and increasing the use of IT in foreign language training. The plan also sets out to pilot English language training in grades one and two of primary schools in Sanya and Haikou from 2019. From 2020, English language training will be piloted in grades one and two of primary schools across all cities and counties, as well as at public kindergartens. By 2025, the plan sets out to have introduced English language training province-wide for the first two years of primary school and all three years of preschool education, with an effective link between the year groups. According to the document, the government aims to improve the quality of language training at the basic education through bringing in high-quality domestic and foreign resources, encouraging private capital to establish training institutions, bringing in language teachers from abroad and sending local language teachers abroad to study and train.²⁵

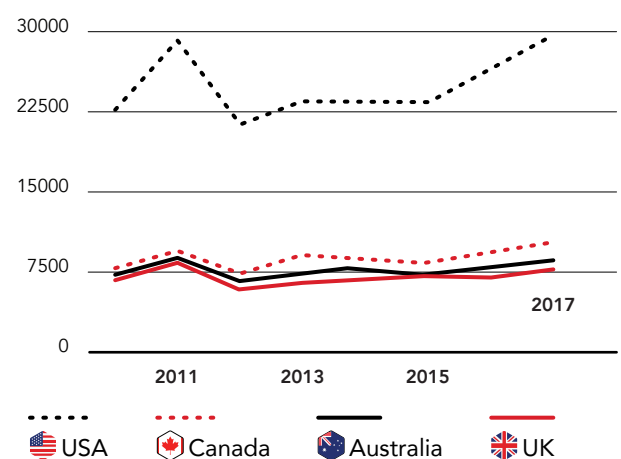
Opportunities and Challenges

As illustrated above, Hainan's local government has raised a number of areas where they would support collaboration with foreign language providers. As the province sets out to raise English levels in its schools and introduce new curriculums into earlier school years, there is potential for English training providers and education publishers from the UK to provide teacher training, both on the ground and through teacher exchanges to the UK. There is also potential for educational suppliers to introduce curriculum and language materials, such as textbooks and digital language software, in public schools. UK providers are in particular likely to have an advantage in this area as many of the public schools focus on British English. During an interview, one owner of a private English centre noted that they were looking for high-quality curriculums, textbooks and other materials, indicating there is also room in the private sector for British exports.

The province's ambitious goals to become a major international tourism centre also presents new opportunities for English training in the hospitality and tourism sectors, although this is dependent on how international tourist numbers develop in the coming years. Though Hainan did see an

impressive growth in tourist numbers from 341,576 to 635,667 between 2016 and 2017, this was largely due to a growth in Russian, Indonesian, Korean and Malaysian tourist numbers. While Hainan saw an additional 284,810 in international tourists from these countries, tourist numbers from other countries, including predominantly English speaking countries, saw more modest growth. Nevertheless, should tourist numbers see faster growth in the future, new opportunities could arise in collaborating the local tourism industry to train a more language proficient workforce.

Growth of tourist numbers from predominantly English-speaking countries



(Source: Hainan Statistical Yearbook)

EdTech

State of Sector

The development of Hainan's technological infrastructure has allowed technology to play an increasingly prominent role in the education system and plans for future education development. According to a Hainan government update on the implementation of its latest five-year plan, the penetration rate of fixed broadband households had reached 76% in 2018, while the penetration rate of mobile broadband users had reached 88%.²⁶ In 2018, Hainan's local government stated its aims to bring campus network rates to 95%, ensure 100% of schools were equipped with a multimedia classroom, and work to universalise wireless technology and smart equipment in schools.²⁷

A number of domestic EdTech companies operate in the province, developing a number of education technologies including:

- Computers
- Multi-media equipment
- Fiber-optics
- Intelligent teaching aids
- Online teaching platforms
- Remote synchronised learning classrooms
- Massive online open courses

International EdTech has a less prominent presence, although the BBC micro:bit, a teaching tool for coding and computing, has risen in popularity due to the inclusion of programming in public primary education.

Policy environment

Hainan's 'Thirteenth Five-year Education Development Plan' brought up a number of ways to encourage the application of information technology in its education system. Proposals included encouraging the establishment of school computer equipment manufacturers, strengthening the development and application of quality digital education resources for vocational education (including VR technology) and strengthening digital learning management systems.²⁸ Similarly, the 2018 action plan 'Comprehensively raise the foreign language levels of Hainan citizens' called for the development of information technology in language education in the province.²⁹

As mentioned in the previous section, many efforts have been made to optimise the business environment for tech companies, including offering supportive policies to start ups and providing funding for technology development. Hainan's government has also recently announced that they will begin construction on an Intellectual Property Court that will aim to strengthen protection of intellectual property in the province and reduce instances of IP infringement.

²⁶ 海南“十三五”规划实施情况中期评估报告 http://www.hainan.gov.cn/hn/yw/zwdt/tj/201810/t20181013_2810475.html

²⁷ 海南省2018年教育信息化和网络安全工作要点 (3.2) http://www.edu.cn/xxh/focus/zc/201807/t20180704_1615059.shtml

²⁸ 海南省教育事业发展“十三五”规划 (8.2) http://xxgk.hainan.gov.cn/hi/H10108/201704/t20170426_2303176.htm

²⁹ 海南省全面提升公民外语水平行动方案 (2.3) http://www.sohu.com/a/288345977_120026375

Opportunities and Challenges

Hainan's most recent education development plan, as well as nationwide policies on the modernisation and informationisation of education have made it clear that the coming years will see a growing trend of the integration of technology into the education system. Businesses offering EdTech products and services are likely to find opportunities to work with schools, although China's own EdTech market has become increasingly sophisticated and foreign providers could face considerable competition from local EdTech providers. Finding niche areas where they can capitalise on the British brand, or fill market needs that are unmet by local providers will be the best way forward for UK EdTech companies hoping to enter the market.

EdTech for English language learning is the most obvious market for British providers and the government has already expressed a desire to develop digital language products in language education. An education professional involved in the English language market in Hainan remarked that locals in Hainan have begun to recognise the value of online language learning, but that there is currently a need for high quality online language products and services. This need is likely to be most pressing in the early stages of the Free Trade Zone, where a relative shortage of qualified local and international personnel will be insufficient to meet the government's demands for internationalisation. There is potential opportunity for British providers in this area, particularly as the British brand gives UK companies a unique competitive advantage over other local and international providers.

Another area for British market entry that was raised by a local specialist at a Hainan university was EdTech products related to computing and coding. The BBC's micro:bit has already enjoyed some success in the market, but with a growing emphasis on 21st century skills, such as coding in compulsory education, schools and institutions are looking for more relevant EdTech products.

5 | Summary of Opportunities, Challenges and Advantages

Opportunities

Early-years	<ul style="list-style-type: none"> • Curriculum provision and teacher training • Preschools that capitalise on the British brand • Early-years institutes in new development zones and cities outside of Sanya and Haikou
K-12	<ul style="list-style-type: none"> • Provision of British curriculums • Schools which cater to both Chinese nationals and foreign passport holders • K-12 institutes in new development zones and cities outside of Sanya and Haikou
Vocational and technical skills	<ul style="list-style-type: none"> • Provision of programmes that cater to Hainan's 12 key industries, with healthcare and hospitality showing particular potential • Staff training and localisation of resources and curriculums • Industry cooperation and continuing education
English language	<ul style="list-style-type: none"> • Provision of training to public school staff • Export of English curriculums and textbooks • Digital English language products and online education
Technology transfer	<ul style="list-style-type: none"> • Collaboration with the numerous technology cities and centres throughout the province • Technology transfer in the areas of healthcare, information technology, agricultural technology and low-carbon resources • Technology transfer with local and foreign tech companies setting up in the province
EdTech	<ul style="list-style-type: none"> • Digital English language products • Creative products that teach coding and computing

In addition to those discussed above, a number of overarching challenges and advantages to the Hainan market which cross over a number of sectors have been identified and are worth being taken into consideration by businesses interested in market entry.

Challenges

Uneven Development

Currently Haikou and Sanya are the significantly more developed in terms of infrastructure and human resources and businesses operating outside these cities should prepare for unforeseen challenges that they may not encounter in China's first and second tier cities.

Conditional Opportunities

Many of the opportunities explored above hinge on how successfully the government is able to implement its Free Trade Zone plans. Keeping a close eye on to what extent the island is able to attract businesses and skilled personnel in the next few years will be essential to minimise risk.

Financial Challenges

Average incomes are relatively low, and international prices can be prohibitive for large parts of the local market.

Hainan's Labour Market

The average education level is lower than other provinces and many top-performing students continue education and seek employment in other parts of the country. Finding and retaining local staff with the relevant experience and skills can be a challenge.

Foreign Talent

While the environment is appealing, the inability to find work for partners and a lack of solid options for children's education at middle-school and high-school make keeping foreign talent extremely difficult.

First Mover Disadvantage

With a lack of experience on the island, organisations that lead the way risk expending considerable time, energy and resources.

Experience and Expectations

The majority of government officials on the island, or government schools and universities, have limited experience with international partners. Expectations for foreign partners can be high, but institutions and officials are also sometimes unsure about what they want out of a partner other than a highly-regarded brand name.

Advantages

Demand for International Collaboration



There is a strong demand for international education and an impetus from the government for businesses, schools and universities to increase levels of international collaboration. The British brand is highly-regarded in Hainan, and more than 90% of professionals we spoke to felt that the UK brand name would have a competitive advantage in Hainan's education market.

Do you think having a UK brand name will have a competitive advantage in Hainan's international education market?



Government Support



The government has made it clear that it recognises that value of international education and is willing to provide support international players who enter the market.

Favourable Policies



Several favourable policies have already been announced that stand to benefit international schools and training organisations. These could create a business environment that is more attractive to business than the other parts of the mainland.

Competition



Hainan's international education market is currently far from saturated. Many competitors in the market are local businesses and British businesses would find it easy to stand out in the current market.

New Markets



Plans for bringing in top-500 companies, ambitious plans to attract skilled personnel from China and abroad and the development of new centres of innovation has the potential to open up markets in new areas across the province.



This report was researched and written by
Venture Education

Venture Education is a Beijing-based consultancy that empowers UK education in China. We do this through research, projects and consultancy. Our team is a mixture of former teachers, university lecturers, education professionals, research analysts and project leaders from the UK and China. We are always open to new projects, we love to make ideas happen, and we care about what we do.

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