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Business Council
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DEVELOPING YOUR INTERNATIONAL TRADE POTENTIAL

Opportunities for UK Businesses in China's Regional Cities

Latest Update

Fast track to the world ^{UK}

Foreword



Lord Davies of Abersoch
Minister of State for
Trade & Investment

The global downturn has brought the importance of emerging economies as an engine of world growth into sharp focus. It is only their continuing development that will prevent the world economy from slumping into a deeper recession this year. As the world's third largest economy, and one of the fastest growing, the indispensable role of China in driving global growth is unquestionable.

China won't escape from the downturn, but while most economies are expected to contract this year, even pessimistic projections suggest China's growth will be over 6 per cent in 2009, a rate which the majority of developed countries would relish even in the most prosperous of times.

For a decade now, UK-China trade has grown at double-digit rates. China is the UK's fastest growing major trading partner and a target was set by the leaders of both countries at the UK-China Summit in February 2009, to double UK exports to China by 2010. On top of this, British businesses are now the biggest European investors in China.

That is an excellent basis on which to strengthen further our excellent trade relations. Both countries are taking steps to secure the new business partnerships that will help forge the links, ideas, research and technologies so essential to generate jobs, skills and prosperity across our economies.

British companies have expertise in advanced engineering, energy, ICT, life sciences, financial services, infrastructure and environmental technologies to name but a few sectors.

These capabilities make the UK well positioned to offer the knowledge and innovation to help China reach its goals.

China may now be the world's third largest economy but it still has huge potential for further growth. The opportunities for business in China are not just in the well-known Chinese business centres of Beijing, Shanghai, Guangzhou and Shenzhen, but also further afield in numerous emerging regional centres. Many of these areas have been further bolstered by China's development strategy, which is directly aimed at developing many of these 'regional cities', and much of the RMB4 trillion stimulus package announced by the Chinese government has been earmarked for these areas.

The British economy will benefit considerably if we can harness our strengths to the many opportunities throughout China. Acting now will give UK companies 'first-mover' advantage: many of these markets are currently underdeveloped and looking to acquire international goods, equipment and expertise.

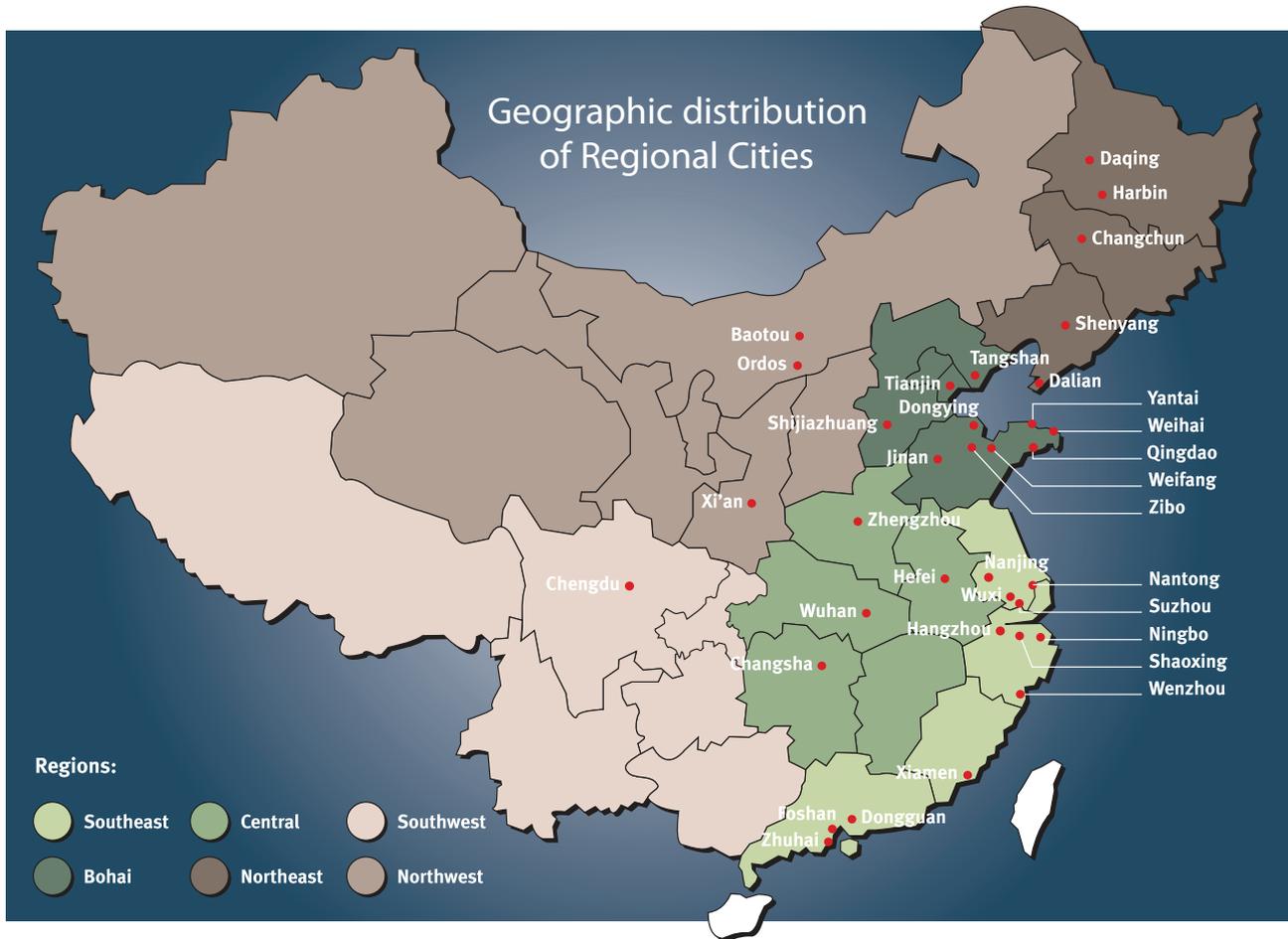
Expert information and advice is available to assist British companies to identify the opportunities. UK Trade & Investment's report 'Opportunities for UK Businesses in China's Regional Cities' identifies and profiles 35 Chinese regional cities and maps the wide range of opportunities these areas offer British expertise. The breadth of China may seem daunting to those new to the market, but this report provides an invaluable guide to which regional cities in China offer the greatest business potential to UK companies.

In addition, UK Trade & Investment and the China-Britain Business Council are available, and well placed, to guide British businesses in the right direction across China with advice, information and services both in the UK and in China.

I urge all British companies to take full advantage.

"UK companies need to focus more on the wealth of opportunities beyond the traditional business locations in China. Get informed, be open-minded and seize the opportunities"

Opportunities for UK Businesses in China's Regional Cities



Opportunities for UK Businesses in China's Regional Cities – Report findings

UK Trade & Investment's report *'Opportunities for UK Businesses in China's Regional Cities'* was conducted by the China-Britain Business Council (CBBC) and the Centre for International Business at the University of Leeds. Over 270 cities with a population of over one million were examined and the report identifies 35 as most attractive for UK business. Combined, these 35 regional cities account for around 16 per cent of China's population and 36 per cent of China's Gross Domestic Product (GDP).

The majority of regional cities are located in the economically advanced regions of the Bohai Rim, the Yangtze River Delta and the Pearl River Delta, and a number of inter-connected 'city clusters' are developing. The remaining cities are more widely distributed through the country.

Each one of the 35 featured cities offers UK companies particular opportunities as well as challenges in a wide range of sectors. They do, however, share certain key characteristics, including rapid economic growth, lower input costs, large and developing consumer and industrial markets, and strong local government support and policy momentum in regional economic development.

"What the research shows is not only that there is huge scope for business but that the opportunities closely align with the UK's pre-eminent worldwide expertise. UK businesses should take full advantage: if they don't, others will."

Stephen Phillips, Chief Executive of the China-Britain Business Council

The Opportunities for UK Businesses in China's Regional Cities Report:

The 'Opportunities for UK Businesses in China's Regional Cities' report can be downloaded in full at www.uktradeinvest.gov.uk/ukti/chinacities

As well as the findings of the research, this gives profiles of the 35 cities short-listed by the research as offering the best opportunities for UK companies, and also gives details of opportunities in 7 key UK sectors.

ADVANCED ENGINEERING

The majority of China's manufacturing industry is resource-intensive and normally falls within the middle and lower end of the value chain. As a result, China now faces environmental challenges and resource shortages and has responded by seeking to move away from resource-intensive manufacturing. The need for this shift has been made more crucial by the effects of the recent drop in demand for China's exports. As a result wide-scale industrial upgrading is taking place in numerous spheres, creating significant opportunities for UK engineering companies.

Specific Opportunities	Cities Highlighted
<ul style="list-style-type: none"> ■ Design and technical consultancy ■ Project management-based consultancy ■ Sector-specific software for design and management ■ Key component manufacture ■ Tooling and machinery ■ Training ■ Aerospace ■ Automotive industries ■ Shipbuilding 	<p>Common features: High gross industrial output of technology-intensive manufacturers; good stock of science and technology personnel in engineering-oriented state-owned enterprises and institutions.</p> <ul style="list-style-type: none"> ■ Shenyang, Harbin, Xi'an and Chengdu form China's aviation industrial base. ■ Changchun, Tianjin, Hefei, Zhengzhou, Nanjing, Suzhou, Hangzhou, Wuxi, Ningbo, Wuhan and Xi'an have developed automobile and components manufacturing clusters. ■ Dalian, Qingdao, Weihai and Ningbo have industrial clusters for shipbuilding. ■ Changsha and Wuhan have concentrations of heavy machinery manufacturing capability. ■ Baotou, Dalian, Qingdao, Wuhan, Hangzhou and Jinan have Iron and steel manufacturing and processing industries.

ENERGY

The ongoing growth of China's economy has fuelled demand for energy in all its forms. However, growing concerns over climate change and reliance on oil imports have prompted the Chinese government to prioritise the development of energy efficiency and the diversification of energy sources. Along with the fiscal stimulus package the Chinese government has an array of measures to boost certain key sectors. These include the planned building of new oil refineries and, according to reports, an additional 25,000 kilometres of oil and gas pipelines by 2010.

Specific Opportunities	Cities Highlighted
<ul style="list-style-type: none"> ■ Clean coal ■ Oil and gas-enhanced recovery technologies ■ Offshore deepwater oil and gas exploration and production ■ Design and manufacture of components for nuclear plant technology ■ Consulting and safety training for nuclear plants ■ Windpower component manufacture, training, technology licensing ■ Finance and consultancy services ■ Renewable energy 	<p>Common Features: Access to natural resources and strong government policy to develop clean and efficient energy.</p> <ul style="list-style-type: none"> ■ Baotou, Ordos, Tangshan, Shenyang, Changchun and Zhengzhou have established mining industries ■ Daqing, Dongying and Chengdu have large oil and gas resources ■ Dongguan and Hangzhou have nuclear power stations nearby ■ Tianjin and Nantong have wind turbine generators; wind turbine manufacturers are based in Baotou and Ordos.

ENVIRONMENT AND CLIMATE CHANGE

Rapid economic growth presents environmental challenges across all short-listed regional cities. A World Bank report estimates that air and water pollution costs China about 5.8 per cent of its GDP. Strict targets have been drawn up, and the State Environmental Protection Administration has been upgraded to a cabinet-level ministry with the mandate to draft, implement and enforce China's environmental policies, laws and regulations. The RMB 4 trillion fiscal stimulus package has stipulations relating to the environmental impact of projects it finances. On top of this RMB 350 billion of the stimulus package is reported to have been set aside for ecological projects, creating opportunities for UK companies' environmental technologies and know-how. China has also been a major beneficiary of the Kyoto Protocol. Innovation, technology, skills, knowledge and training in tackling pollution, environmental degradation and the growing issues of sustainable development are all needed.

Specific Opportunities	Cities Highlighted
<ul style="list-style-type: none"> ■ Air pollution reduction ■ Waste water, solid and hazardous waste treatment ■ Environmental monitoring and analysis ■ Environmental consulting services ■ Clean Development Mechanism (CDM) ■ Low-carbon technology and projects ■ Financial framework to support projects 	<p>Common Features: Strong manufacturing and industrial base; evidence of local government implementing environmental policies and directives.</p> <ul style="list-style-type: none"> ■ Cities with highly polluting sectors (such as chemicals or energy) are seeking advanced environmental technologies and solutions. ■ Hangzhou and Suzhou have high volumes of waste water discharge, but are also important tourism destinations with natural water features as key attractions. ■ Dongguan, Foshan and Zhuhai are key manufacturing bases with strict directives in place for tackling climate change issues. ■ Tianjin's spending on environmental protection is second only to Shanghai. ■ Wuhan was chosen as the first pilot 'Sustainable city' by UK and Chinese government, to collaborate on environmental technologies and practices.

FINANCIAL AND PROFESSIONAL SERVICES

Whilst the global financial crisis has heavily impacted the financial services industry and the banking industry in particular, the size and growth potential of China continues to attract international financial and professional services companies. China continues to reform and modernise its comparatively underdeveloped financial services sector, providing a broad range of opportunities for the UK's world-leading financial services sector. China wants to improve its domestic markets (and institutions) through tapping into a strong and experienced pool of management expertise, improve risk management and corporate governance, strengthen product portfolio and increase product differentiation and implement more advanced management information systems and technologies. Outbound capital raising and mergers and acquisitions are also likely to increase across sectors as Chinese firms in regional cities look to internationalise.

Specific Opportunities	Cities Highlighted
<ul style="list-style-type: none"> ■ SME banking and trade financing ■ Wealth management ■ Consumer products/loans ■ Credit cards ■ Insurance and pensions ■ Fund Management ■ Private equity ■ Securities ■ Legal and professional services ■ Financial services education, training and qualifications ■ Banking technology and software 	<p>Common Features: High concentration of foreign and domestic businesses, and wealth.</p> <ul style="list-style-type: none"> ■ Suzhou, Hangzhou, Nanjing and Wuxi are thriving manufacturing bases, and therefore in need of financial services support, including wealth management. ■ Tianjin has plans to become a regional financial centre, which is strongly supported by government. ■ Dalian, Qingdao and Ningbo are important seaports and offer good opportunities in maritime finance. ■ Dongguan and Foshan are important manufacturing bases for multinationals. ■ Chengdu is a preferred location for domestic-oriented outsourcing activity.

INFORMATION COMMUNICATION TECHNOLOGY

Growth in the Chinese ICT sector has been dramatic and China is now the largest telecom market in the world. As part of the Chinese government's initiative to boost key sectors it is to spend a reported RMB 600 billion to promote 3G mobile communication services, digital TV and the Internet. While in some areas (notably telecommunications) barriers to investment still exist, other areas within the ICT sector are relatively open. The ICT sector has been highlighted as a key driver in enabling China's strategic shift to greater value-adding products and services. The UK's capabilities are well matched to meet Chinese demand, particularly in the provision of higher-value and niche products and services.

Specific Opportunities	Cities Highlighted
<ul style="list-style-type: none"> ■ Telecommunications equipment manufacture and supply ■ Electronics and IT, including chipset design, electronic sensors, computer products and integrated circuits ■ Application software and solutions for key industries ■ IT outsourcing 	<p>Common Features: Relatively advanced telecoms infrastructure; national software industry bases and strong pool of IT talent.</p> <ul style="list-style-type: none"> ■ Hangzhou and Suzhou have seen heavy investments in their telecommunications infrastructures. ■ Dongguan is one of the most important sites for computers and telecommunication equipment manufacture. ■ Xi'an (communications) and Wuhan (Optic-electronics) have strong ICT clusters. ■ Service outsourcing centres include Tianjin, Dalian, Hangzhou and Chengdu.

INFRASTRUCTURE

China's rapid development and massive urbanisation has led to huge demand for infrastructure projects, and most of the RMB 4 trillion Chinese fiscal stimulus package is designated to be spent on a broad range of construction and development activities in a number of areas, particularly in China's regional cities. China aims to massively develop and extend its infrastructure and transportation networks. With regional cities at various stages of development opportunities are wide-ranging across all cities featured in the report.

Specific Opportunities	Cities Highlighted
<ul style="list-style-type: none"> ■ Construction ■ Architecture, training and consultancy services ■ 'Intelligent' building ■ Urban regeneration ■ Transportation networks 	<p>Common Features: High investment in fixed assets; high average wage in infrastructure sectors; good rail and road transport links.</p> <ul style="list-style-type: none"> ■ Nanjing, Suzhou and Hangzhou have particularly well developed infrastructure systems. ■ Numerous reconstruction projects are taking place following the earthquake in May 2008 in Sichuan province.

LIFE SCIENCES

Rapid urbanisation has increased the need for more and better healthcare services in all regional cities. A reliance on personal medical spending has led to widely contrasting healthcare systems across China. While Shanghai and Beijing have hospitals with the latest technologies, in other areas patients get by with the most basic of medical services. The Chinese government is striving to rectify the situation by diverting more funds to less developed areas. Along with the fiscal stimulus plan an additional RMB 850 billion has been earmarked for healthcare over the next three years. Some 700,000 villages are to get new or improved medical clinics.

Specific Opportunities	Cities Highlighted
<ul style="list-style-type: none"> ■ Hi-tech medical devices ■ Over-the-counter medicines ■ Training, research and manufacturing, including pharmaceuticals and biotech ■ Traditional Chinese Medicine ■ Clinical trials 	<p>Common Features: High investment in healthcare infrastructure; high industrial output of medical and pharmaceutical products; high per capita spending on medical services.</p> <ul style="list-style-type: none"> ■ Hangzhou, Suzhou, and Ningbo have seen large investment in healthcare infrastructure and a strong output of medical products. ■ Tianjin has seen rapid growth in the healthcare sector and has many hospitals. Average spending on healthcare is high. ■ Chengdu is a centre for TCM manufacturing.

How We Can Help You

In China, UK Trade & Investment (UKTI) works in partnership with the China-Britain Business Council (CBBC) to deliver trade services. A partner network available through the British Embassy in Beijing, the British Consulate-Generals in Shanghai, Chongqing and Guangzhou, and through CBBC's presence in 11 cities, can assist UK companies by providing advice and information on primary and regional cities. Market information and sector reports are available through www.uktradeinvest.gov.uk and www.cbcc.org



Trade development services provided and delivered by UKTI and CBBC include a wide range of services available to help you develop your ambitions in China:

- **Overseas Market Introduction Service (OMIS):** a chargeable UKTI led tailored service to access market and industry information, identify potential contacts, or assist in planning an event.
- **Passport to Export:** a UKTI led service that provides new and inexperienced exporters with the training, planning and ongoing support they need to succeed overseas.
- **Gateway to Global Growth - Where Next?:** a free service to experienced exporters which offers a strategic review, planning and support to help grow your company's business overseas.
- **Events and seminars:** including sector based activities addressed in events and seminars across China and the UK.
- **Missions:** Missions to China help UK companies visit the market, while visits from China allow UK companies to meet with potential partners or potential investors in the UK.
- **Business Opportunities:** Opportunities arising from China are shared with UK companies. <https://www.uktradeinvest.gov.uk/ukti/opportunities>
- **Fiscal Compass Programme:** UKTI can help UK companies of all sizes to identify the opportunities created by fiscal stimulus packages and major spending programmes around the world.
- **Export Communications Review:** assessment of your company's export communications followed by practical recommendations for improvement (managed by British Chambers of Commerce).
- **Export Marketing Research Scheme:** provides companies with the facility to collect systematic and objective market research to assist in the development of a market entry strategy (managed by British Chambers of Commerce). www.britishchambers.org.uk/exportzone
- **CBBC membership:** could help your business succeed in China, please contact CBBC's Membership Director Fenella Barber on +44 (0)20 7802 2008 or by email at membership@cbcc.org
- **Commercial enquiry service in China and the UK:** Please contact enquiries@cbcc.org with your questions. Alternatively, please call CBBC UK on 020 7802 2000 or CBBC China on +86 (0)10 8525 3113.
- **Practical support:** translation, interpretation and logistics advice are all available from CBBC.
- **FCO Country Updates:** Reports by UK Embassies in China and other key emerging markets, providing authoritative analysis and drawing on high level government and other contacts, providing timely assessment of key issues relevant to UK business. www.uktradeinvest.gov.uk/ukti/fcoupsdates

For more information on any of these services please contact your local UKTI International Trade Team or the China-Britain Business Council

Useful links:

- UKTI International Trade Teams: www.uktradeinvest.gov.uk/ukti/our_network
- CBBC: www.cbcc.org
- British Diplomatic Posts in China: <http://ukinchina.fco.gov.uk/en/>
- British Chamber of Commerce in China: www.britcham.org
- China Business Guide: www.uktradeinvest.gov.uk/ukti/fileDownload/ChinaGuide2ndEd.pdf?cid=414175

Solutions for Business

Funded by
UK Government

A range of UK Government support is available from a portfolio of initiatives called Solutions for Business. The “solutions” are available to qualifying businesses, and cover everything from investment and grants through to specialist advice, collaborations and partnerships.

UK Trade & Investment is the government organisation that helps UK-based companies succeed in the global economy and is responsible for the delivery of the two SfB products “Accessing International Markets” and “Developing your International Trade Potential”.

We also help overseas companies bring their high-quality investment to the UK’s dynamic economy – acknowledged as Europe’s best place from which to succeed in global business.

UK Trade & Investment offers expertise and contacts through its extensive network of specialists in the UK, and in British embassies and other diplomatic offices around the world. We provide companies with the tools they require to be competitive on the world stage.

For further information please visit www.uktradeinvest.gov.uk or telephone +44 (0)20 7215 8000.

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