

Emerging Chinese regions offer fertile ground

By Richard Tyler

"WHAT you can't flog is 'coals to China'. If you have low price, cheap and cheerful, you are not going to sell," said Stephen Phillips, chief executive of the China-Britain Business Council.

On the plus side, China, its numerous provinces and hundreds of major cities are keen to consume more, offering growing opportunities for UK exporters.

"We are seeing ever-increasing interest from UK companies in China, which is not surprising because of the

economic growth there," said Mr Phillips.

"It ranges from the largest businesses – just look at what Tesco is doing in the country – right down to the smallest and even micro firms, those with 10 people or fewer."

He added: "The big macro trend is the emergence of regional cities in China and the opportunities for British companies in these cities. It is where some of the fastest growth is being registered and where there's less foreign competition."

He continued that China has about 30 distinct markets, in which there were 270

major cities to target. "One of the biggest challenges the UK faces is the relatively low level of knowledge of China as a whole," he said.

Sectors that are doing well include advanced engineering, finance and professional services, as well as education providers.

"We are also seeing quite a lot of UK companies such as civil engineering firms and architects getting very good work in the large regional cities, and they are not just the big boys," he says,

pointing to the progress made by Robinson Architects in Chengdu, in south-west

China, as an example.

Mr Phillips said issues remained with trading in China, not least regulatory hoops which have to be

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jumped through, and the regular infringement of intellectual property rights. However, he said: "Year on year, it's becoming easier and for small- and medium-sized

businesses and it's becoming more easy more quickly. Larger companies can get embroiled in the approval process for projects and that's a bit more of a challenge."

He warned that cultural and language barriers also made life more challenging, but can be overcome with perseverance.

"Companies that are tenacious and have a love of the country will have success," he said. "Some companies manage to make money really quite quickly. Others have to invest considerable amounts to gain any traction."

Hong Kong remains a "useful" entry point into China and a base to serve south-east Asia, he said. It's established legal framework, advisory services and infrastructure are valuable. "If you have concerns about IP, it may be an advantage and there may be tax advantages to using a Hong-Kong holding company," said Mr Phillips.

"But if you are a company focusing on north-west China, there's no reason to be in Hong Kong. It would be like telling a company to base itself in London to sell into New York.

"The difference is so vast. Besides, mainland Chinese would prefer to see you have a physical presence wherever you are trying to build the business."

Mr Phillips advice is to do some research, pick a city and get on a plane. "Business people need to go and kick the tyres. If they see first-hand what modern China is like, it will take their breath away.

"The perceptions people in the UK pick up from the media are of a country 15 to 20 years ago. Their cities are quite modern, more modern than some in the UK."



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