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China's Year of the Tiger Opens the Door to New Opportunities

Chinese people all around the world have just given a rapturous welcome to the New Year of the "Golden" Tiger, seen as a particularly auspicious sign in the lunar calendar, set to inspire confidence to achieve goals and craft ambitious plans for the future. Being a "metal" year, 2010 is anticipated to bring particular success to industries such as banking, machinery and high-tech, as well as remaining an encouraging time for "earth" sectors such as mining, utilities and insurance. But there are even more tangible reasons for the Chinese to be optimistic in the coming year. Whilst it is generally acknowledged that China is leading the world out of recession, what is perhaps less well understood is that its economy is undergoing great change internally, and that the country is developing across more industry sectors and in new ways than ever before. Today's China is now as much focused on innovation-led growth and domestic market stimulus as on manufacturing for export.

And this is where there are great opportunities for UK's specialist firms to engage in building complementarities with technologically advanced partners in China's high growth sectors. In telecommunications, opportunities abound to take advantage of a burgeoning marketplace for mobile content and wireless delivery of advanced services. Whilst in its pharmaceutical industry, expansion of R&D capabilities and joint product marketing partnerships are being readily explored by a new breed of outward looking Chinese pioneers. Even in niche subsectors, the trends are startling. In e-healthcare, increased demand on the ground has been coupled to growing state-led investment, as government authorities look to expand medical services across communities in an investment programme expected to be worth RMB850 billion by the end of 2011, prompting considerable interest in specialist providers of patient monitoring and e-diagnosis systems, whilst in e-learning services, the longstanding commitment to education across China has led to a significant increase in interest for online learning experiences and software-as-a-service implementations.

All of this bodes well for firms in the UK, whose capabilities and technology leadership are well recognised in the Middle Kingdom. But there still remain a number of pitfalls to catch the unwary. To start with, there is the cultural dimension: never underestimate the importance attached by the Chinese to cultural traditions. There are some obvious things to avoid: take care in translating personal and company names into Chinese and always use a native speaker for advice. When choosing a phone number for your Chinese venture, avoid the number "4" wherever possible, as its Chinese pronunciation sounds like the word for "death". Equally, when selecting a gift for your prospective mainland partner, whilst it is an excellent idea to give something associated with Britain, don't give an umbrella, as it sounds like the word for "breaking up", whilst giving someone a clock implies seeing them at their own funeral. But there are also more strategic decisions to consider, such as choosing an appropriate mainland location and selecting the most suitable legal structure for doing business there.

The right location will differ depending on the sector in which a firm operates, but for high tech enterprises, popular triangles exist around Hong Kong, Shenzhen, and Guangzhou in the South, Suzhou, Hangzhou and Shanghai in the East, and Beijing – Tianjin corridor in the north of the country. But even within these zones, there are additional drivers, such as specific tax and investment advantages offered by individual municipal governments for different types of new venture, together with linkages to local universities to ensure a ready supply of trained, high calibre talent. Choosing a suitable legal structure for an overseas invested Chinese entity should be based on both current and future needs, as it is not possible to just administratively convert a Representative Office to a Wholly Foreign Owned Enterprise if requirements subsequently change – instead, a new entity must be created from scratch. When hiring staff, you should be aware that China has recently updated its labour laws to strengthen workers' rights, whilst many provinces in eastern regions also set relatively high minimum wage levels, with Jiangsu Province recently raising theirs by 13%. Equally important, there should be a plan in place to protect a firm's valuable intellectual property: China's IP system has



evolved and modernised rapidly in recent years, but locally registered trademarks and patents are crucial starting points to a successful protection strategy.

But it is worth all the effort, as China is undoubtedly open for business. There has never been a better time to expand into China, and we have uncovered opportunities that exist across many different sectors. We regularly run workshops on how to do business in China and avoid some of the pitfalls, and from these interactive sessions we have found that many high tech firms share similar concerns, but that most of these worries can be resolved with the right information gained in advance.

Now is the time to act, otherwise those Chinese companies seeking to be your partner today could well become your competitor tomorrow.

About China Business Solutions

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