

The 'next wave' of opportunity

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STEPHEN PHILLIPS joined the CBBC as Chief Executive in June 2006. He has been actively engaged in business in and with China since 1989 and his experience spans a number of sectors including aerospace, oil, gas and petrochemicals, infrastructure, ICT and financial services. He held senior investment banking positions with Deutsche and BZW/Barclays Capital in Asia for over 10 years, where he specialised in structuring and financing cross border investments totalling in excess of £20 billion. Before joining CBBC he was International Trade Director of UK Trade & Investment based in the South West of England.

As the Prime Minister embarks on his visit to China, one point on which we can be unequivocal is that the UK's trade and investment relationship with China is strong and improving at an unprecedented rate. This is, of course, excellent news for Britain and China and specifically for businesses from both countries. But it is a relationship that has not yet reached its full potential by any stretch of the imagination: and that means a wealth of opportunity for business. But where will the future opportunities lie? In this article I attempt to provide some of the answers.

A burgeoning relationship

The China-Britain Business Council has been helping British companies do business in and with China for 60 years, so we have witnessed first-hand the remarkable progression of the UK-China commercial relationship. Recently that progression has taken off, and the present economic situation is unprecedented. UK exports to China have quadrupled since 2002 and doubled since 2009: the latest figures from the Office of National Statistics, for 2012, put their total annual value at £10.5 billion.

In the first quarter of 2013, average monthly exports to China broke the £1 billion barrier for the first time. And, according to figures from the Chinese Ministry of Commerce, UK exports to China increased faster in 2012 than those of France, Germany and Italy for the third year running.

At CBBC we see these trends continuing as the UK's strengths increasingly dovetail with the direction in which China seeks to develop – namely, from a low-cost, manufacturing-led economy towards one focused on domestic consumption.

Regional Cities

As a frequent visitor to many parts of China, I see plenty of evidence of a rapid broadening of the opportunity well beyond the traditional Tier 1 hubs of the east – the likes of Beijing and Shanghai – to China's fast-growing regional cities, whose number and breadth of industry ought to be of interest to any investors with an eye on China. And this is just one area where CBBC can help. With 13 offices across China, as well as 10 in the UK, the work we do across the country to research local markets, identify opportunities and foster cooperation

between our two countries is laying the groundwork to help the British business community to seize exciting opportunities in these regional cities.

The Regional Cities Business Guide, a publication prepared by CBBC for UK Trade & Investment, ascertains where, why and with what degree of success UK companies invest in China beyond the Tier 1 hubs. What it shows is that businesses are drawn to the regional cities not only for their lower operational costs, but equally importantly for relatively untapped markets. But venturing to these fast-developing cities can present challenges, including finding and retaining local or foreign staff, identifying the right partners, adapting to the local business customs and so on. At CBBC we are there to support and assist companies of all sizes, from all sectors, to navigate the potential obstacles.

China Going Out

However, the opportunities are not just in China itself. Chinese companies and high-net-worth individuals are going global on an unprecedented scale. Strongly encouraged by the Chinese government and its key "going out" policy, many have already taken their first steps, and many more are actively looking for the right opportunity to take the plunge. This is just the start of a great tide of outbound investment.

Reform to open new doors

And all of this is against the backdrop of what history may well record as the pivotal Third Plenary Session of the CPC's 18th National Committee – which has already been likened in importance to the 1978 Plenum under Deng Xiaoping. The Third Plenum set out a broad and ambitious blueprint for the Chinese economy over the next decade. The shift to domestic consumption aside, it also emerged that China intends to reform its market structure, lessen the dominance of state-owned enterprises, and make concessions to the private sector – such as in the case of the pilot free trade zone in Shanghai. As these reforms are realised, new doors may start to unlock for British business. Financial services, agriculture, healthcare and green buildings are just a few sectors that are opening up, and where the UK excels.

To help British companies seize these new and exciting opportunities, CBBC has developed three

specially designed programmes: China Outbound; Liveable Cities and the Chinese Consumer. Of course, we will continue to provide tailored advice and support to businesses in every sector and of all sizes, but we hope that these programmes will help the UK business community at large to recognise the nature and sheer scale of the opportunity.

China Outbound

CBBC's China Outbound programme has been designed to help guide the growing tide of outbound Chinese investment both towards the UK and just as importantly, to position UK companies as partners of choice around the world. We are, of course, helped in this respect by the UK Government's open policy on inward investment, and we believe that there is far more to come along the lines of the £1 billion deals concluded in the last year by Wanda and ABP to develop hotels and commercial areas in London.

Our series of CBBC China Outbound conferences and seminars, which have recently been held in Shanghai, Chengdu, Chongqing, Xian, Shenzhen and Guangzhou, highlight opportunities for British and Chinese investors to cooperate in the UK, China or third countries, and give UK companies the chance to meet investors and partners. And more such seminars will follow across China throughout 2014.

Liveable Cities

One of the Chinese Government's immediate tasks is urbanisation, a colossal challenge that may involve the relocation of some 300 million people during the next 30 years. Large-scale and long-term, this undertaking will lead to openings for the UK. China's aspiration – a harmonious, urbanised and sustainable society – is something the UK has achieved, and as such we can help China to realise its aims. Our practical experience and expertise in so many related fields, from healthcare and welfare systems to urban planning and green development, is of use and of interest to China.

CBBC's Liveable Cities programme focuses on this demand. In 2013 the programme's three priority areas have been urban regeneration, green buildings and elderly assisted living, which reflect the direction of China's development. We are working to help British businesses take advantage of their expertise to partner up with Chinese companies in these fields.

The Chinese Consumer

The inexorable rise of the middle class is something that we at CBBC are monitoring very closely, for it heralds opportunities across the board for the UK. CBBC's Chinese Consumer initiative aims to help UK companies to promote their products and brands among Chinese consumers and to develop their

business in the Chinese market, be it in luxury retail, food and drink, tourism or elsewhere.

Indeed luxury and premium goods, education, the creative industries and financial services are just some of the areas where 21st century China has discovered a demand, and where the UK finds its niche. Our excellence in these fields is there to be capitalised upon.

The incredible spending power of China's new and ever more sophisticated consumer class – whether it's shopping for high fashion on Bond Street, taking a holiday in Scotland or buying imported British products on Tmall – shows a trend that is unmistakable.

Our schools and universities are amongst the most highly respected and sought-after; and culturally Britain remains a widespread source of interest among the Chinese. Chinese consumers want to spend their money in the UK, and it would be folly not to play on these existing advantages as we seek to build on the estimated £1,600 that the average Chinese tourist spends during a trip to the UK.

An even brighter future

So the message is that the present is bright, and the future even brighter. The China-Britain Business Council, which provides advice and guidance to thousands of British businesses every year, expects British business with China to go from strength to strength as our economic, political and cultural ties become closer by the day. The Prime Minister's visit is the crowning affirmation that this is a relationship that matters to the UK.

The UK's trade and investment relationship with China is strong and improving at an unprecedented rate

Shanghai by night: China's rapid urbanisation offers many opportunities for UK companies

