

China market entry: What's in it for UK businesses?

By Lynn Lin, Partner in Gerald Edelman LLP



In recent years, China's growth as a leading economy has caused businesses from all around the world to consider how they might fare in that market.

As one of the only countries to grow their GDP during the pandemic, China has recovered well during a period of global economic turmoil and looks set to continue to prosper.

Making your business work in China is not simple. There are many elements to consider when thinking about China market entry. And in such a large market it is easy to lose yourself and become overwhelmed. This is why many UK businesses will need additional expertise if they want to succeed.

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Nevertheless, there seems to be plenty of room for business growth in China in the next few years. So, the question is: how can your business make the most of this new opportunity?

China's leading economy

China has the second-largest economy in the world and is a vital trading partner for the UK. Indeed, the value of bilateral trade between China and the UK was over £94 billion in 2021. As their economy continues to grow, [the Chinese government](#) is looking toward innovation and high-end consumer goods and services in order to pivot their economy in the direction of consumption.

In the past year, China's GDP has improved by 5.5% and they have created 11 million new urban jobs. This growth in economic fortune has coincided with the emergence of a large, middle-class population. This group is creating increasing demand for the best products and services.

While large enterprises have been contributing to, and benefiting from, China's leading economy for many years, now is the time for small to medium-sized businesses to increase their involvement.

Studies show that only [7% of small British businesses](#) with export plans say they will look to China as their next international market compared to 37% who said North America and 52% who are looking to Europe. While this indicates a historical reluctance to venture to China, it also implies that there are huge opportunities out there for UK businesses looking to make that leap into a thriving, open market.

According to statistics, the UK exported £5.5 billion worth of services to China last year, a jump of nearly [19% year-on-year](#). This is nearly 150% increase compared to 2010 and demonstrates how during the pandemic, China has remained one of the few growth markets for British exporters.

What's in it for UK businesses?

When entering any new market, it is important to understand your value proposition and whether there is a gap in the market for your product or service. The size of the Chinese market means that whatever industry you're in in the UK there are probably similar industries operating in the many cities and regions throughout China. So where can your enterprise fit in?

In early December 2020, China published its [14th Five Year Plan](#). This will serve as a blueprint and scorecard for economic and social development policy over the coming five years.

"The key takeaway from the proposal is the Government's Dual Circulation Strategy: to strengthen China's domestic market (domestic circulation) while balancing its foreign trade (external circulation)". [Brookings](#)

There will be a considerable increase in consumption throughout China's economy and this shift should offer huge opportunities for UK businesses in sectors from retail to food and drink. Moreover, UK exporters will be able to benefit from the increasing purchasing power of Chinese consumers.

The Chinese government also publishes a catalogue for the Guidance of Foreign-Invested Industries. By reading the most recent catalogue, UK businesses can understand where the opportunities are and where their investment will be encouraged and supported by the Chinese government and Chinese businesses.

For example, in particular, the Chinese government is keen to steer investment towards high-value-added, non-labour-intensive businesses, low pollution, and energy saving technologies, and technically advanced manufacturing. If your business covers any of these categories there will be opportunities for you in the Chinese market in the coming years.

There will be a demand for technological innovation, building modern industrial systems, and high-quality services. For UK professional and financial services providers, this means the opening up of new high-level entry channels which could see a considerable [increase in British exports to China](#).

There will also be particular emphasis on digital services and products. China accounts for [40% of global e-commerce transactions](#), larger than the value of France, Germany, Japan, the United Kingdom, and the United States combined. To crack the Chinese market UK businesses must leverage data and key digital technologies to provide Chinese consumers and companies with the digital solutions they need.

How Gerald Edelman can help with China market entry

Increasingly Western companies of all shapes and sizes are looking to trade in China in order to grow their operations and make the most of an expanding economy. At Gerald Edelman, we offer a variety of services to help companies with their market entry into China.

[Lynn Lin](#), Partner and Head of Asia at Gerald Edelman, works closely with various strategic partners including free trade zones, provisional trade and investment bureaus, and leading professional service providers in China. Her relationship with these organizations allows Gerald Edelman to offer a variety of professional services often required by business owners, C-suite executives and entrepreneurs, to become acquainted with government projects and to facilitate cross-border trade.

As one of the leading London based accounting and advisory firms, we continue to offer a one-stop-shop range of services, from market research, company formation, legal, taxation, advisory, local licensing, supply chain management, standard accounting, and back-office outsourcing solutions including audit, HR and payroll services.

Alongside our expertise and experience within the Asian market, you can make use of any of these services to help you expand your business operations into China.

For further guidance speak to [our team](#) today.