

EXPORTING

Entering the

Huge opportunities lie waiting for Irish businesses in China, but know your market writes Niall O'Reilly.

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The world's second largest economy China is now the largest market in Asia and outside the Euro-Zone, only second to the US for Ireland's exports.

According to the latest figures from the Central Statistics Office (CSO), exports to mainland China for the first two months of 2008 totalled €324.6m, a year-on-year increase of 112%. Exports to the Hong Kong Special Administrative Region over the same period reached €110m.

In the face of the current global economic downturn and difficult exchange rates, the rise in Irish exports to China is a major achievement and shows that Ireland is at last starting to hit the mark in Chinese business.

Over the past decade the development of economic and trade relations with China has been a top priority. The Irish Government maintains that its Asia Strategy, with a particular emphasis on China, is the key reason for this positive development.

What the CSO figures do not reveal is how indigenous Irish businesses are performing compared to multinational businesses based in Ireland.

China's rise to become Ireland's eighth largest export destination is directly linked to its own export prowess, and the craving for technology, infrastructure equipment and know-how by Chinese enterprises that cannot be satisfied by domestic suppliers.

It is not surprising that the majority of Irish exports to China consist of the information communications technology, machinery and equipment China requires to fuel its heady growth.

Buoyed by breakneck 7% to 8% GDP growth in China over the past 10 years, a trend that shows little sign of abating, exports to China will only continue to expand.

This will serve to strengthen China's position as a major export market for Irish produce.

Looking ahead, where are the market opportunities in China for Irish exporters?

Recently published statistics by the World Trade Organisation in 2006, show Ireland as the 12th largest services exporter, commanding a 2.6% share of world trade.

Services exports now account for 35% of our total export trade.

China has only opened up the service market to any great extent over the past four years.

There are significant market opportunities for Irish service exports in engineering consultancy, aviation services, information communication technology, education and tourism services. The latter two service sectors are particularly significant given the rise in the spending power of the Chinese consumer.

According to the China National Bureau of Statistics, in 2007, China's retail spending rose 16.8% to 8.92 trillion Yuan (US\$1.24 trillion), adding credence to the view that Chinese demand will this year for the first time become the main driver of world economic growth.

Irish suppliers should be relishing lucrative domestic sales opportunities presented by an increasingly affluent population.

Located two hours south of Shanghai is the prosperous city of Hangzhou, which Forbes™ Magazine has repeatedly rated as China's premier business centre.

With a registered population of 6.7 million inhabitants, Hangzhou provides the ideal glimpse into the phenomenal growth in the purchasing power of China's

increasingly affluent middle class. Bentley, Maserati,

Ferrari, and Prada showrooms do a thriving business there, and Paris and London are high on the list of preferred destinations for travel.

As individual prosperity rises, people are becoming increasingly concerned about living conditions. Recognising such anxieties and looking ahead to population growth of close to 20% over the next five years, the Hangzhou Municipal People's Government is actively encouraging projects focused on providing fuel efficiency, cleaner water, better sanitation, and power generation. All of these developments present significant opportunities for Irish suppliers.

As patterns of consumption change to reflect those in wealthier countries, such as higher levels of meat consumption, the opportunities for Irish suppliers in the development of both the food ingredients market and products of

large scale cropping and livestock activities, become all the more apparent. In 2005, Kerry Group quick to seize the market opportunity established its state-of-the-art China manufacturing, technical and administrative facilities in Hangzhou.

Remove the rose-tinted glasses however and it becomes apparent that in China the size of the opportunity is matched by the difficulty in weighing up the risk.

The challenges for any Irish supplier in entering what is still a relatively immature market are apparent. China's rapid growth since its 1978 opening to the world has not meant greater transparency.

Making sound business decisions can be difficult when there is little timely information available which is often unreliable or misleading. Further a simple misunderstanding of local business practices can harm efforts to develop solid business relationships. As Kerry, CRH and Glen Dimplex have found, there is an inherent need for proximity to the customer base for supplying services. However, this forces small and medium exporters into the high cost of establishing a commercial presence in the China.

While there are unprecedented opportunities for Irish businesses in China, it is important to understand the market through experts based on the ground that can provide access to key businesses and government decision-makers. *Niall O'Reilly, is the director for China, Irish Exporters Association and managing partner, Accurate Limited a China market-entry consultancy practice*

