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EXPORTING TO CHINA



## EXPORTING TO CHINA

Small and mid-sized enterprises (SMEs) in particular are major beneficiaries of China's economic growth and increasingly consumer-oriented society. With a rapidly rising middle class and intense urbanization, SMEs are meeting China's demand for foreigner goods.

An opaque regulatory environment, weak rule-of-law, and intellectual property rights violations continue to challenge foreigners' business. So risks are not insignificant.

But the potential rewards merit serious investigation to identify and cultivate opportunities while building a strategy to minimize those risks.

For an exporter looking to enter the China market, it can be intimidating to know exactly where to begin. Without proper knowledge and thorough research, entering the China market may turn out to be a fairly complex, risky and challenging process.

## THREE WAYS TO EXPORTING TO CHINA

### 1. Distribute directly

- Be aware of distribution rights and understand licensing process in China.
- Be familiar with China's business practices and govt. regulations.
- Be ready to invest time in a complicated and time-consuming process.
- Chances of failure are high.

### 2. Establish a joint venture

- A Joint-Venture requires a large amount of capital investment.
- China's government may have capital control towards outflow of funds "cash trap".
- Establishing cooperation with a local partner allows faster access into China's market.
- Chances of success are high, but Joint-Ventures are typically extremely difficult to manage"

### 3. Find an agent for distribution

- Conduct due diligence on distributors.
- Acquiring help from local distributors makes the launch of new product much easier.
- Chances of success are relatively higher.

## THINGS TO DO BEFORE EXPORTING TO CHINA

- Conduct thorough market research.
- Have a thorough understanding of China's export rights and regulations and controls towards imported goods.
- Have a sound market entry strategy in place.
- Make assessment of your products using SWOT analysis. It will allow you to promote and distribute your product better.
- Prepare strategies for intellectual property right protection.

## THE TWO BEST APPROACHES FOR EXPORTING TO CHINA

### 1. Distributors' Network

- ✓ Distributors are located regionally and typically have larger sales network.

- ✓ Distributors have better understanding of China's market so they can provide assistance in developing distribution strategies in China.

- ✓ Easy to set up distribution network without having to deal with issues related to distribution rights and licensing.

### 2. Foreign -Invested Commercial Enterprise

- When the parent company has acquired enough knowledge and relationship in China, it's time to set up a business. A FICE can be used as an appropriate investment vehicle to set up export business in China.