

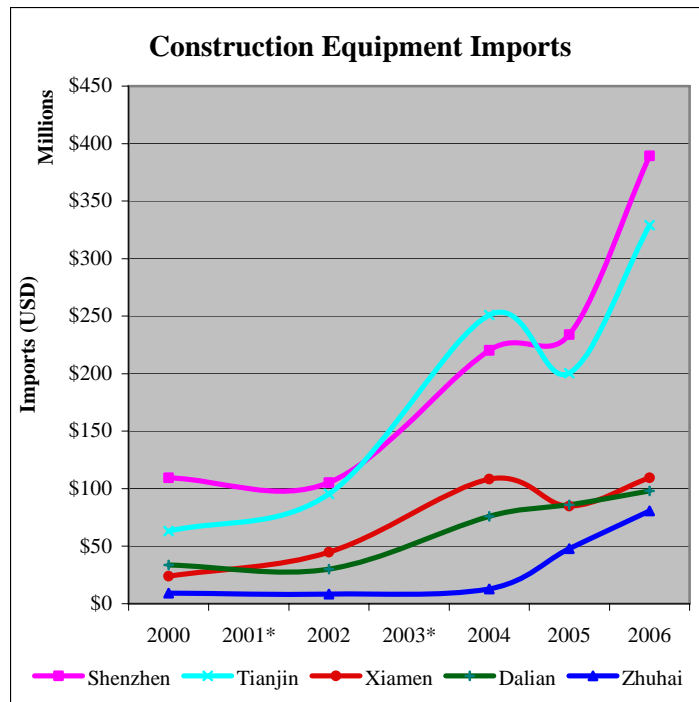
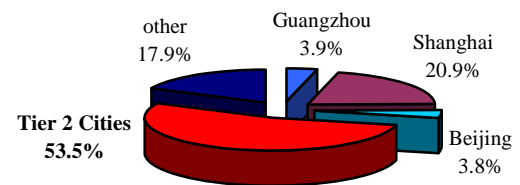
Thirteen of China's second-tier cities account for 8% of China's population but 53% of its total imports – which is why the untapped markets of China's emerging cities provide some of the most exciting and lucrative opportunities for U.S. exporters.

China's Real Economic Engine....

China's unprecedented growth and the opportunities it presents are no longer a secret to anyone in the business world. While megacities such as Beijing and Shanghai have long captured much of the spotlight, it is behind the scenes in second-tier cities where one can witness the *real* source of China's economic growth. Unlike what one might expect, the majority of China's imports are *not* ending up in Shanghai, Beijing, or Guangzhou. Rather, a select group of thirteen second-tier cities¹ account for an astonishing 53% of China's total imports, almost double the amount of the three megacities combined.

Local entrepreneurs in these emerging cities are not the only ones reaping the benefits. These cities have become importing havens and present lucrative opportunities, especially for US companies. Perhaps the critical question for American firms is not *whether* there is a second-tier city market, but *which* region is best for a particular industry or product.

Destination of Global Exports into China



Opportunities in Construction Equipment

The Chinese construction machinery market offers many opportunities to American enterprises seeking to expand their sales abroad. Double-digit growth, an abundance of enormous, national government-sponsored projects, and the absence of large domestic competitors are all indicators of tremendous potential. With both foreign and domestic infrastructure investment at all time highs, American construction equipment firms must move quickly to establish a presence, build a reputation and gain market share. While domestic firms are becoming increasingly competitive, China's unprecedented modernization efforts are ensuring that the market for construction machinery will continue to grow. In order to meet the rising demand, China purchased over USD \$3.3 billion worth of construction equipment last year, a 20% increase

¹ Harbin, Dalian, Qingdao, Tianjin, Xian, Wuhan, Hangzhou, Ningbo, Nanjing, Chongqing, Kunming, Zhuhai, Shenzhen, and Xiamen

over the 2005 volume. Five emerging cities in particular offer excellent prospects for US exporters: Shenzhen, Tianjin, Xiamen, Dalian, Zhuhai.

Promising Markets in Emerging Cities

Tianjin— China’s next costal megacity

Located just 75 miles southeast of Beijing, Tianjin is China’s third largest city and one of the fastest growing economies in the country. One of only four municipalities that are directly administered by the central government, Tianjin is being groomed by national planners to become one of the key industrial and distribution hubs of North-Central China. Tianjin lies at the crossroads of six national highways as well as seven expressways and is home to the sixth largest port in China.

Tianjin is the United States’ fifth largest trading partner in China, and ranked by the World Bank as having one of the one of the top-twenty best investment climates for foreign firms in China.² The city’s rapid growth has been accompanied by a dramatic increase in its demand for foreign goods—Tianjin’s imports from numerous key industries have increased by double-digit figures in recent years.³ The United States is Tianjin’s third largest trading partner— 10% the city’s imports originate in the U.S.

Tianjin Economic Indicators

City Population: **10.24 Million**
Provincial GDP: **USD 36 Billion**
Annual Avg. Per Capita GDP: **USD 3,812**
Import Value: **USD 44.95 Billion**
Imports from US: **USD 4.37 Billion**

Construction Equipment

Tianjin’s rapid growth has fueled a growing demand for foreign construction equipment. The city imported over USD \$740 million worth of construction equipment in 2004-6, increasing its imports by 64% last year.

Shenzhen— A true economic miracle

Located in the southern Pearl River delta just across the border from Hong Kong’s New Territories, Shenzhen has been one of the fastest growing cities in the world since its opening in the late 1970s. Once a small fishing village, Shenzhen is now the busiest port in China and the largest manufacturing base in the world. Shenzhen is a major center for foreign investment and trade— the bustling city imports more goods than *any* other city in China. Shenzhen was recently ranked by the World Bank as having the second best investment climate for foreign firms and third most effective local government in all of China.

Shenzhen Economic Indicators

City Population: **10 Million**
Provincial GDP: **USD 42 Billion**
Annual Avg. Per Capita GDP: **USD 7,620**
Import Value: **USD 119.5 Billion**
Imports from US: **USD 4.6 Billion**

Construction Equipment

Shenzhen imported over USD \$340 million worth of construction equipment in 2006, increasing its imports by an average of 40% per year over the last two years.

² See: World Bank Report— “Governance, Investment Climate and Harmonious Society: Competitiveness Enhancements for 120 Cities in China”; released October 8th 2006.

³ This list includes: Construction equipment, electrical components, integrated circuits, machine tools, medical devices, oil & gas, packaging materials, security products and telecom goods.

Xiamen—Prosperous Port by the Taiwan Strait

Located on an island across the strait from Taiwan, Xiamen was one of the first Special Economic Zones established by the central government. Xiamen boasts one of the most vibrant economies in southeast China and has been honored by the World Bank as one of China's six "Golden cities" (a measure of investment climate, harmoniousness, governance and other measures).⁴ Xiamen is widely regarded as one of the cleanest cities in China and is home to the country's 7th largest port and 4th largest Airport. The United States is Xiamen's second largest trading partner (after Taiwan) and supplies 11% of the city's imports.

Xiamen Economic Indicators

City Population: **2.35 Million**
Provincial GDP: **USD 14.54 Billion**
Annual Avg. Per Capita GDP: **USD 6,175**
Import Value: **USD 16.3 Billion**
Imports from US: **USD 1.78 Billion**

Construction Equipment

Xiamen purchased over USD \$109 million worth of construction equipment in 2006, a four-fold increase over its 2000 imports.

Dalian— Gateway to Northeast China

Located on the isthmus of the Liaodong Peninsula in the bay of Korea, Dalian is the principle marine gateway of Northeast China. Home to the largest deep water port in Manchuria, Dalian handles roughly 70% of the region's cargo and 90% of the region's container transportation. The city has trade links with over eighty countries and imports nearly USD \$1.5 billion worth of US goods a year.

In addition to being a crucial port city, Dalian is one of China's most heavily developed industrial areas. In recent years, Dalian has made great strides to move itself up the value change in high-tech manufacturing. The city is set to host Intel's most advanced wafer fabrication facility in Asia. With a total investment from Intel of around US\$4 billion, the facility has been earmarked to become the largest foreign high-tech investment in all of China.

Dalian Economic Indicators

City Population: **6 Million**
Provincial GDP: **USD 85.27 Billion**
Annual Avg. Per Capita GDP: **USD 5,209**
Import Value: **USD 24.6 Billion**
Imports from US: **1.4 Billion**

Construction Equipment

Dalian has nearly tripled its imports of construction equipment since 2000. The city imported over USD \$97 million worth of construction equipment in 2006.

Zhuhai— Pearl of Southern China

Located adjacent to Macau at the southern end of Guangdong province, Zhuhai was one of the first cities designated by the Chinese central government as a Special Economic Zone (SEZ). Since that time, Zhuhai has become an important manufacturing base and deep-water port.

Logistics is one of Zhuhai's service industry priorities due to close trading ties with Hong Kong and Macao. The city is the only deep harbor in the west end of the Pearl River Delta, making it a crucial transportation hub. After completion of the Hong Kong-Zhuhai-Macao Bridge, industry experts predict that ground, sea and air transport will increase significantly because the bridge will connect these ports with ground cargo arriving from the

Zhuhai Economic Indicators

City Population: **1.4 Million**
Provincial GDP: **USD 42 Billion**
Annual Avg. Per Capita GDP: **USD 8,532**
Import Value: **USD 17.97 Billion**
Imports from US: **USD 670.91 Million**

⁴ See: World Bank Report— "Governance, Investment Climate and Harmonious Society: Competitiveness Enhancements for 120 Cities in China"; released October 8th 2006.

Beijing-Zhuhai Highway.

Zhuhai's major trading partners include the U.S., Hong Kong, Japan, Germany and Macau. The United States has become Zhuhai's sixth-highest import source.

Construction Equipment

Zhuhai purchased over USD \$80 million worth of construction equipment in 2006, increasing its imports by nearly ten-fold since 2002.

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