

# China's Emerging Markets: Opportunities in Coal Mining Equipment

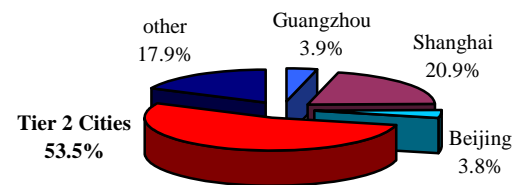
*Thirteen of China's second-tier cities account for 8% of China's population but 53% of its total imports – which is why the untapped markets of China's emerging cities provide some of the most exciting and lucrative opportunities for U.S. exporters.*

## China's Real Economic Engine....

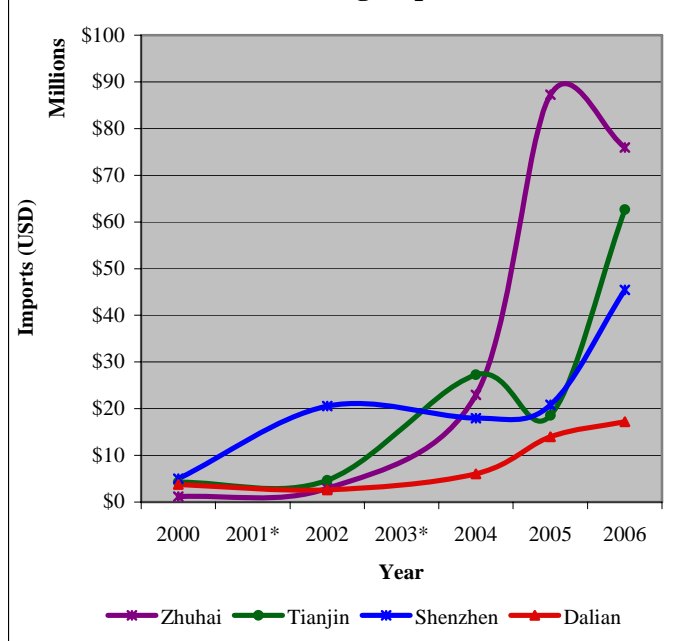
China's unprecedented growth and the opportunities it presents are no longer a secret to anyone in the business world. While megacities such as Beijing and Shanghai have long captured much of the spotlight, it is behind the scenes in second-tier cities where one can witness the *real* source of China's 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 cities<sup>1</sup> 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**



**Coal Mining Imports**



## Opportunities in Coal Mining

China is the world's largest coal producer, accounting for nearly 28% of global production. Chinese policy makers anticipate that coal will provide more than half of China's energy needs for the next 3-5 decades. With coal serving as China's principle source of energy, the coal industry will continue to maintain a fundamental position in the country's economy.

While domestic manufacturers currently supply approximately 90% of China's coal mining equipment, Chinese mining technology and equipment lags ten years behind that of developed countries. As China modernizes its mining infrastructure, imports of foreign produced equipment are expected to increase. In order to meet the rising demand, China purchased over USD \$2.4 billion worth of foreign coal mining products last year, a 24% increase over the 2005

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

volume. Generally speaking, US companies are very competitive in supplying heavy coal mining machines, systems, and clean-coal technologies. Four emerging cities in particular offer excellent prospects for US exporters: Zhuhai, Tianjin, Shenzhen and Dalian.

### ***Promising Markets in Emerging Cities***

#### **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 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.

#### **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

#### ***Coal Mining***

While Zhuhai's imports for coal mining equipment leveled off in 2006, the city has still exhibited phenomenal growth over the last six years. In 2006 Zhuhai purchased nearly USD \$76 million worth of coal mining equipment, over sixty times more than its 2000 import volume.

#### **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.<sup>2</sup> 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.<sup>3</sup> 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

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

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

### *Coal Mining*

Although Tianjin's imports of coal mining equipment have fluctuated in recent years, the sector still shows strong growth. The city purchased USD \$62.6 million worth of foreign coal mining equipment in 2006, over 235% more than it imported the previous 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**

### *Coal Mining*

Shenzhen purchased over USD \$45 million worth of coal mining equipment in 2006, over 115% more than it imported in 2005.

## **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**

### *Coal Mining*

While accounting for only a small percentage of China's total coal-mining imports, Dalian's demand for coal mining equipment has nevertheless grown considerably in recent years. Dalian's purchases of foreign coal mining equipment have increased by nearly 500% since 2000.

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