

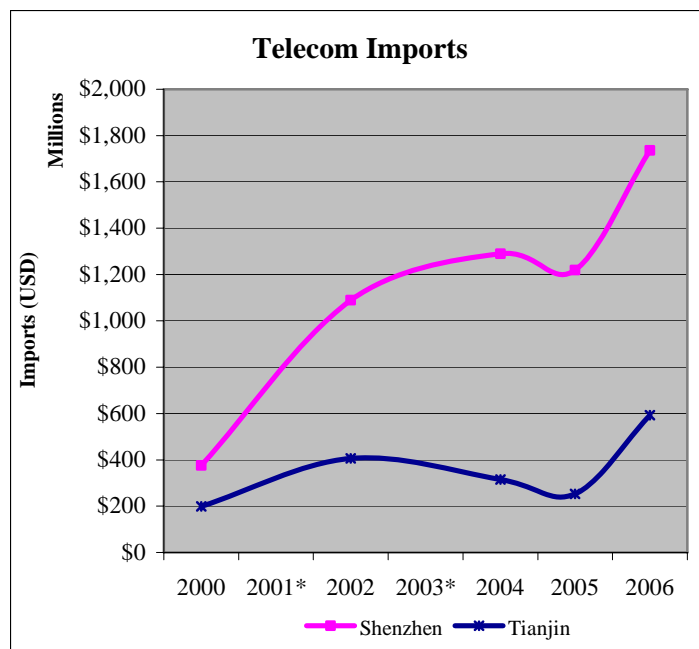
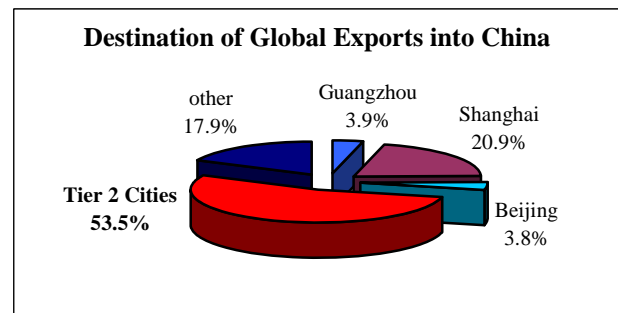
China's Emerging Markets: Opportunities in the Telecom Industry

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.



Opportunities in Telecom

By investing tens of billions of US dollars in improvements in infrastructure over the past five years, China now has the world's largest wire-line and wireless networks. Chinese telecom carriers are now in a process of shifting their focus from infrastructure development to network improvement and value-added service development. The operators are expected to become increasingly cautious about investment, including investment in the 3rd generation of mobile communications (3G) and the deployment of other new technologies. Nevertheless, the prospect of hundreds of millions of new consumers in coming years helps ensure that the sector will continue to exhibit strong growth.

China imported over USD \$7.3 billion worth of Telecom products last year, a 35% increase over

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

the 2005 volume. Two emerging cities in particular offer excellent prospects for US exporters: Shenzhen and Tianjin.

Promising Markets in Emerging Cities

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**

Telecom

Shenzhen accounts for over 22% of all of China's telecom imports, bringing in over USD \$1.5 billion worth annually. The city's imports of telecom goods have been growing by an average of 18% a year for the last two years.

Tianjin— China's next coastal 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 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**

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.

Telecom

Tianjin accounts for over 6% of all of China's telecom imports, bringing in over USD \$1.16 billion worth from 2004-6. From 2005-6, Tianjin's imports of telecom goods jumped and incredible 134%.

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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.

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