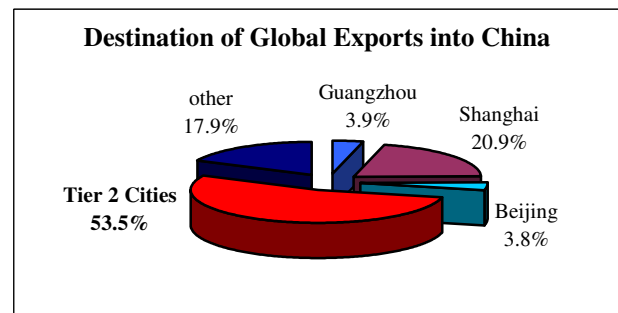


Fourteen of China's second-tier cities account for 8% of China's population but 53% of its total imports – which is why the untapped markets of China's emerging cities provide some of the most exciting and lucrative opportunities for U.S. exporters.

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 fourteen 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.



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 high-tech manufacturing value chain. 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**

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

Dalian's top imports for foreign goods:²

Electronic Components

While Dalian's imports of integrated circuits have fluctuated in recent years, the city's imports have nevertheless exhibited impressive growth. Dalian now imports over USD \$400 worth of electrical components a year.

Integrated Circuits

Dalian's imports of integrated circuits have grown rapidly in recent years, reaching over USD \$511 million in 2006.

Coal Mining

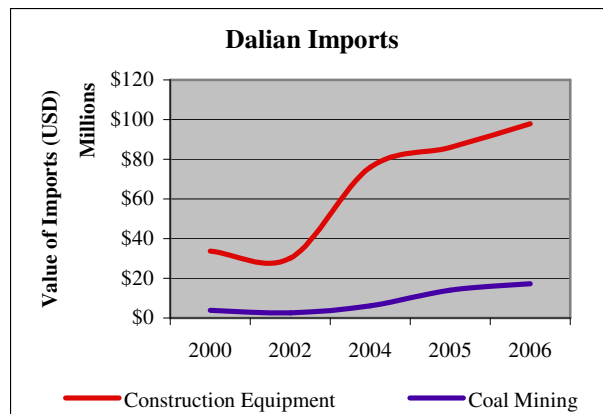
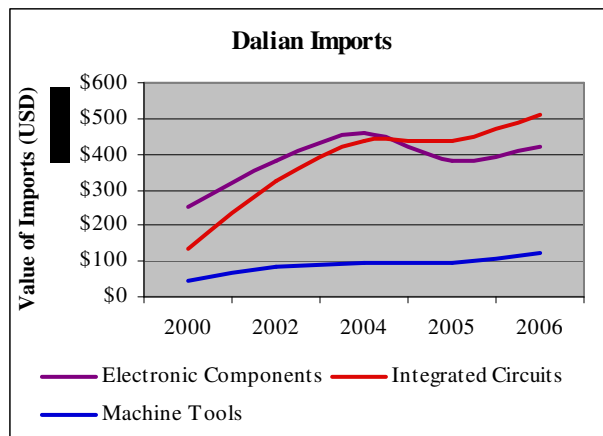
While accounting for only a small percentage of China's total coal-mining imports, Dalian's demand for coal mining equipment has nevertheless grown considerably in recent years. Dalian's purchases of foreign coal mining equipment have increased by nearly 500% since 2000.

Machine Tools

Dalian's demand for foreign machine tools has fluctuated in recent years. Nevertheless, the city has more than doubled its 2000 import value and now purchases over USD \$123 million worth of foreign machine tools a year.

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.



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² Note: 2001 & 2003 data is not reflected in graphs