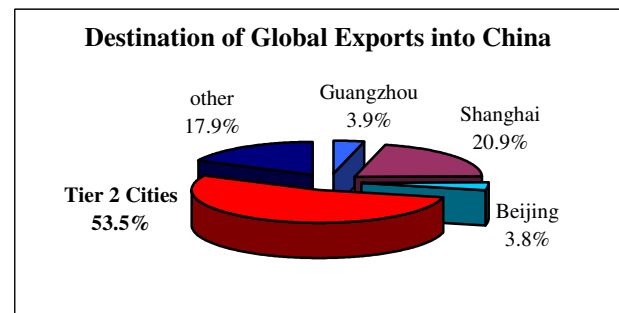


Fourteen of China's second-tier cities account for 8% of China's population but 53% of its total imports – which is why the untapped markets of China's emerging cities provide some of the most exciting and lucrative opportunities for U.S. exporters.

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 emerging 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.



Hangzhou— “the finest city in the world”



Located 110 miles south of Shanghai, Hangzhou is the capital of Zhejiang province and one of the Yangtze River Delta's most economically vibrant cities. Regarded by Marco Polo as “beyond dispute the finest and the noblest city in the world,” Hangzhou is now revered for its popular tourist destinations and pro-business atmosphere. For three consecutive years, Hangzhou was ranked as the #1 City in China for business by Forbes magazine.² Moreover,

Hangzhou has the 8th highest per capita GDP in China. Hangzhou and Shanghai are currently in negotiations over a USD \$4 Billion project that will link the two cities with the world's first inter-city Maglev train line. The new line is scheduled to be completed by 2010 and should cut travel time between the two cities to under half an hour.

Hangzhou Economic Indicators

City Population: 6.52 Million
 Provincial GDP: USD 140.54 Billion
 Annual Avg. Per Capita GDP: USD 4,620
 Import Value: USD 18.5 Billion
 Imports from US: USD 840.4 Million

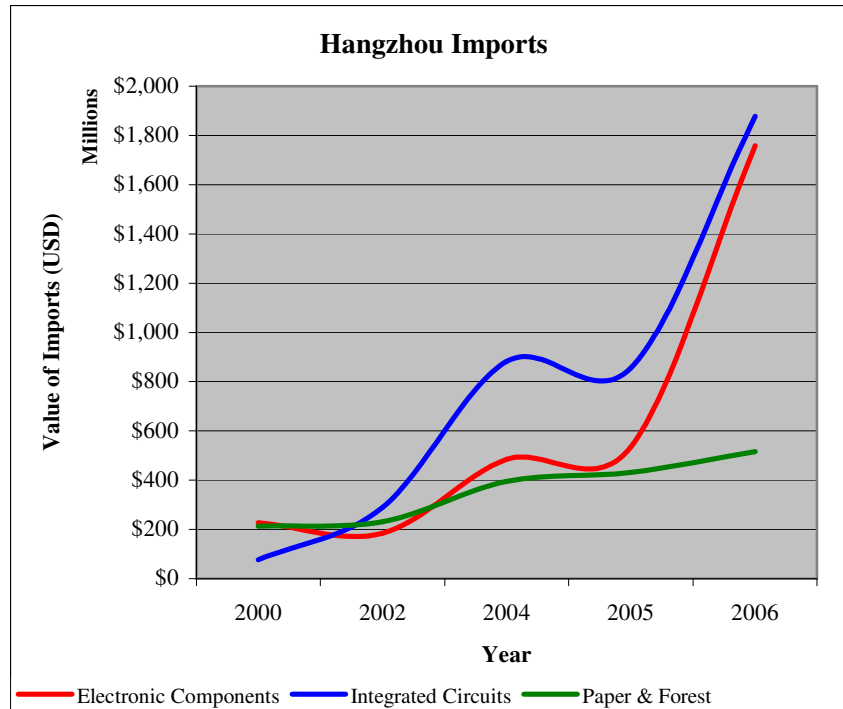
¹ Harbin, Dalian, Qingdao, Tianjin, Xian, Wuhan, Hangzhou, Ningbo, Nanjing, Chongqing, Kunming, Zhuhai, Shenzhen, and Xiamen

² http://www.forbes.com/business/2004/09/03/cz_rf_0903chinabest.html

Hangzhou's top imports for foreign goods:

Electronic Components

Hangzhou's imports of electrical components have show dramatic growth, increasing *six-fold* since the year 2000. The increasing demand for foreign electrical components has been especially pronounced over the last two years. The city imported over USD \$1.7 billion worth of electrical components in 2006, a 300% increase over the 2005 value.



Integrated Circuits

Hangzhou's imports of integrated circuits have followed the same growth trend as electrical components. From 2005-6 the city's imports of integrated circuits more than doubled, increasing by over one billion USD.

Paper & Forest Products

Hangzhou's imports of paper and forest products have exhibited strong growth over the last six years. Since 2004, the city's imports have been increasing by 14.3% per annum. Since 2000, Hangzhou has more than doubled its imports of paper & forest products.

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