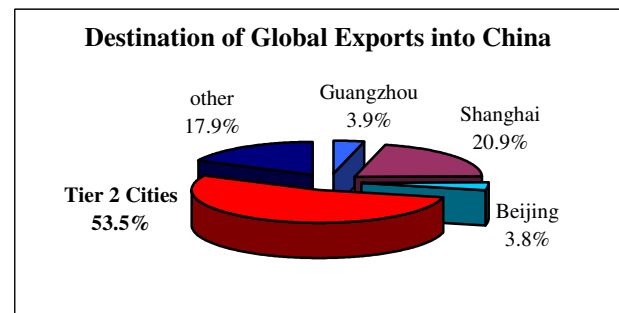


Fourteen of China's second-tier cities account for 8% of China's population but 53% of its total imports – which is why the untapped markets of China's emerging cities provide some of the most exciting and lucrative opportunities for U.S. exporters.

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.



Kunming— City of Eternal Spring

Known for its temperate climate, beautiful surroundings and tremendous ethnic diversity, Kunming is the capital of Yunnan province. Because of its close proximity to Southeast Asia, the city serves as a hub for China's developing trade relations with its southern neighbors. Members of the Association of Southeast Asia Nations (ASEAN) have elected to include Kunming in the organization's proposed free trade zone. In an effort to help further facilitate international trade, the Yunnan provincial government is constructing a railway network linking Kunming with Myanmar, Laos, Vietnam, Cambodia, Thailand and Malaysia. Kunming's role as a regional hub is expected to help accelerate the city's development.

Kunming Economic Indicators

Urban Population: **5 Million**
 Provincial GDP: **USD 36.7 Billion**
 Annual Avg. Per Capita GDP: **USD 4,190**
 Import Value: **USD 1.1 Billion**
 Imports from US: **USD 183 Million**

Kunming's top imports for foreign goods:²

Electrical Power Generation

Kunming's imports of electrical power generation equipment have been impressive in recent years. Since 2000, the city's power generation imports have increased over fifteen-fold to over USD \$33 million a year.

Machine Tools

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

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

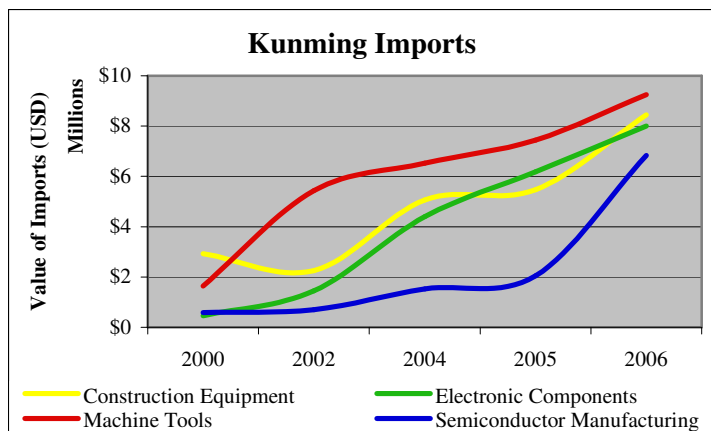
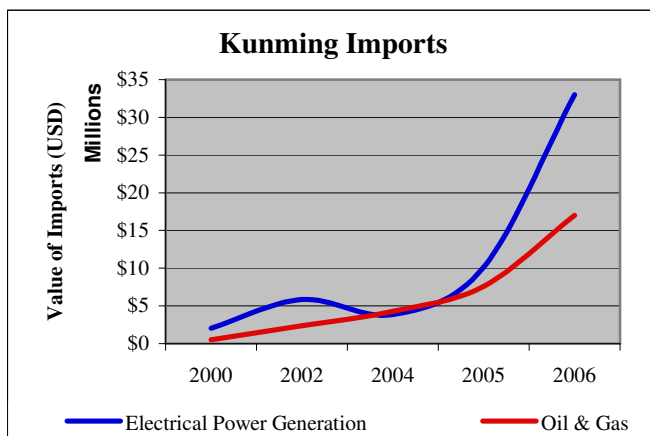
Kunming's demand for foreign machine tools has also been steadily increasing in recent years. The city imports purchased nearly USD \$10 million worth of machine tools in 2006.

Electronic Components

Kunming's imports of electrical components have also dramatically increased since 2000. The city now imports over sixteen times the volume of electrical components that it did only six years ago.

Construction Equipment

Kunming's rapid development has fueled a growing demand for foreign construction equipment. The city significantly increased its imports of construction equipment in 2005-2006, purchasing over USD \$8 million worth last year.



Oil & Gas

While only accounting for a small portion of China's total imports, Kunming's purchases of oil & gas products have increased dramatically in the last six years. The city now imports thirty times the amount of oil & gas related goods that it imported in 2000.

Semiconductor Manufacturing

Kunming's imports of semiconductor manufacturing goods have also taken off recently. The city imports ten times the volume of semiconductor manufacturing equipment that it did in 2000.

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