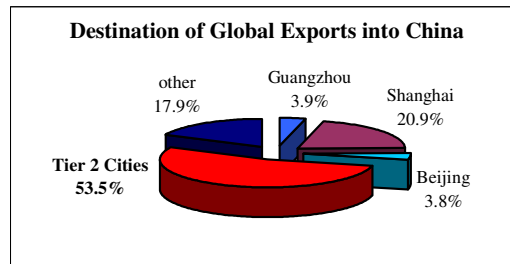


Fourteen of China's second-tier cities account for 8% of China's population but 53% of its total imports – which is why the untapped markets of China's emerging cities provide some of the most exciting and lucrative opportunities for U.S. exporters.

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.



Qingdao— Jewel of Shandong

Located on the southern tip of the Shandong Peninsula, Qingdao is one of eastern China's major economic centers. Nestled between mountains and ocean, Qingdao's unique cityscape is studded with lovely beaches, classic European architecture and ample green landscape. The city is well known for its historic and scenic tourist attractions, as well as being one of the best places in China to live and do business. Qingdao has been honored by the World Bank as one of China's six "Golden cities" (a measure of investment climate, harmoniousness, governance and other measures).² In recent years, Qingdao has attracted billions in foreign direct investment and engages in trade with virtually every country on the planet. Among the city's 17,854 foreign investment projects, 76 Fortune 500 companies have established projects in Qingdao.

Qingdao Economic Indicators

City Population: **7.3 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**

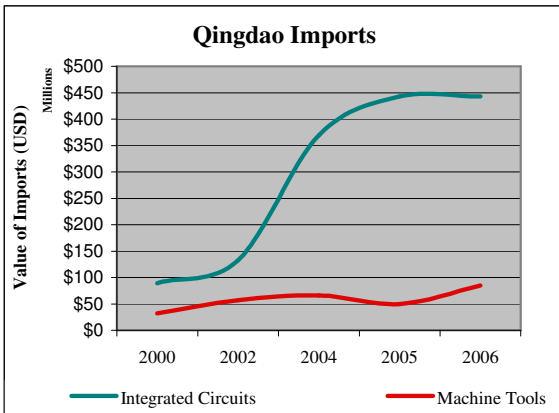
批注 [PL1]: what mountains? I think it would read better if it read "nestled between xxx mountains and the gulf of yyy...."

批注 [PL2]: might want to check forbes.com and WB report to see if its ranked as one of the best cities to do business in I think it is...

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

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

批注 [PL3]: This sentence is confusing...



Qingdao's top imports for foreign goods:³

Integrated Circuits

Qingdao's imports of integrated circuits increased nearly nine-fold during 2000-2005. Import growth leveled off in 2005-2006 but is expected to remain strong in coming years. The city now purchases over USD \$442 million worth of integrated circuits a year.

Machine Tools

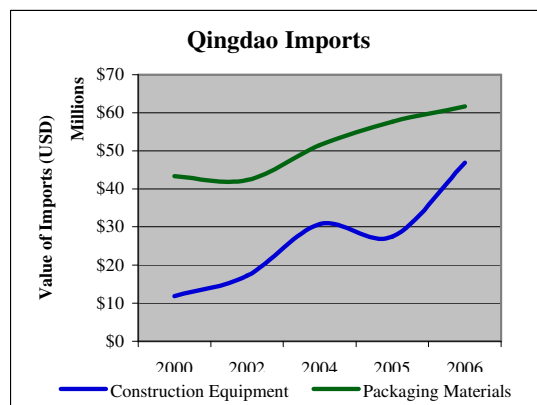
Qingdao's demand for foreign machine tools has steadily increased over last six years. In 2006, the city purchased over USD \$84 million worth of foreign machine tools from abroad.

Construction Equipment

Construction equipment imports in Qingdao have fluctuated in recent years but continue to exhibit strong growth. The city purchased USD \$46 million worth of construction equipment in 2006.

Packaging Materials

Qingdao's imports of packaging materials have been gradually increasing since 2000. The city now imports over USD \$60 million worth of packaging materials a year.



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³ Note: 2001 & 2003 data is not reflected in graphs