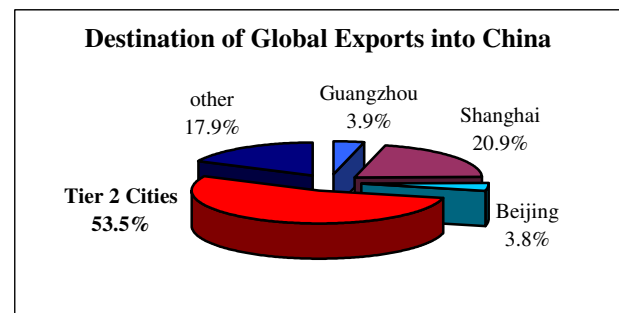


Fourteen of China's second-tier cities account for 8% of China's population but 53% of its total imports – which is why the untapped markets of China's emerging cities provide some of the most exciting and lucrative opportunities for U.S. exporters.

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.



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 is the United States' fifth largest trading partner in China, and ranked by the World Bank as having 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.

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**

¹ Harbin, Dalian, Qingdao, Tianjin, 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.

³ This list includes: Construction equipment, electrical components, integrated circuits, machine tools, medical devices, oil & gas, packaging materials, security products and telecom goods.

Tianjin's top imports for foreign goods:⁴

Electronic Components

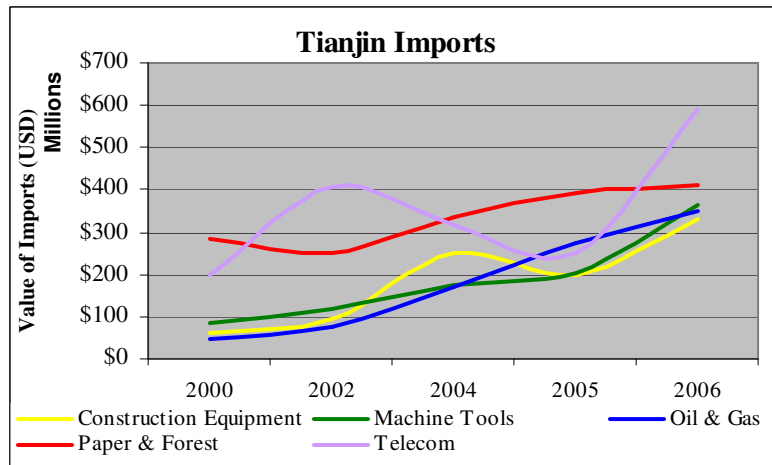
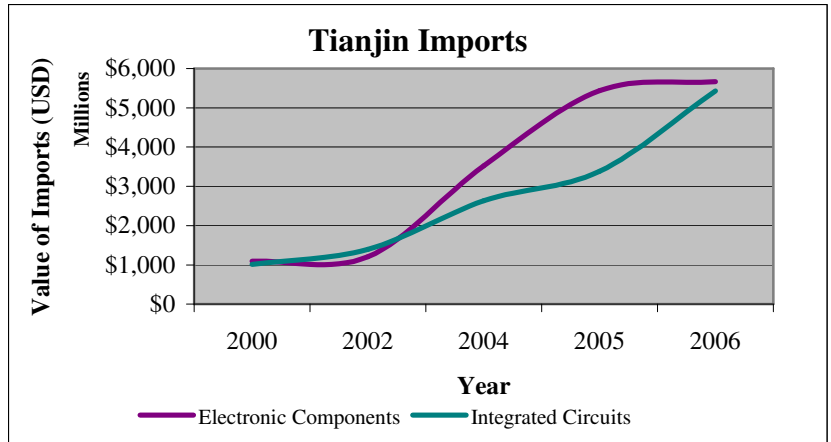
Tianjin imported USD \$14 billion of electrical components from 2004-6. During this period the city's imports of electrical components increased by an average of 28% a year.

Integrated Circuits

Tianjin purchased over USD \$4.5 billion worth of integrated circuits in 2006 and has been increasing imports by an average of 45% per year since 2004.

Machine Tools

Tianjin's demand for foreign machine tools has also considerably increased in recent years. While Tianjin already accounts for almost 5% of China's machine tool imports, the city's demand for foreign machine tools increased by 78% last year.



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 an incredible 134%.

Paper & Forest Products

Tianjin's paper & forest imports have increased by an average of 11% a year over the last two years. In 2006, the city purchased over USD \$400 million worth of paper & forest products from abroad.

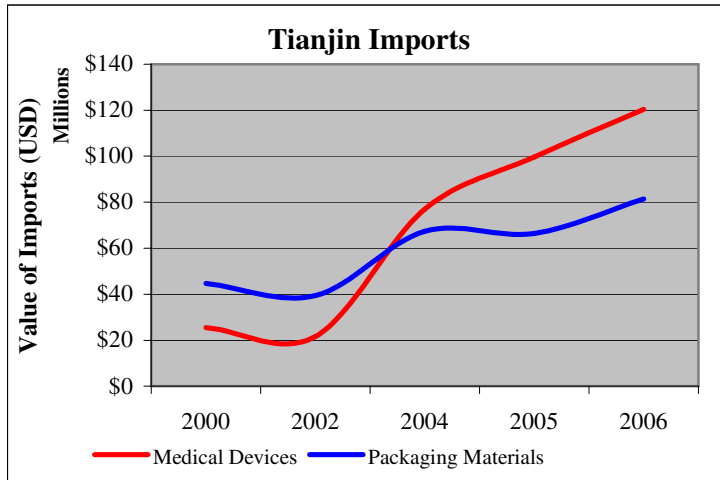
Construction Equipment

Tianjin's rapid growth has fueled a growing demand for foreign construction equipment. The city imported over USD \$740 million worth of construction equipment in 2004-6, increasing its imports by 64% last year.

Oil & Gas

Accounting for over 10% of China's Oil & Gas imports, Tianjin has increased its demand for foreign oil & gas products by an average of 43% per annum for the last three years.

⁴ Note: 2001 & 2003 data is not reflected in graphs



Packaging Materials

Tianjin's position as a regional distribution and manufacturing hub has fueled its demand for packaging materials in recent years. From 2004-2006, the city imported over USD \$215 worth of foreign packaging materials, increasing imports by an average of 10.5% per annum.

Medical Devices

Tianjin's imports over USD \$100 million worth of medical devices per year and is expected to further increase its demand in the future. For each of the last two years, Tianjin has increased its medical device imports by over 20%.

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