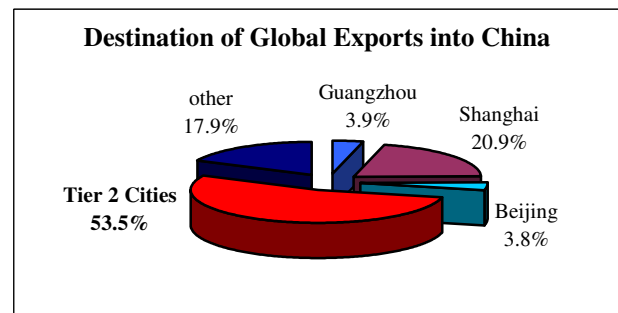


Fourteen of China's second-tier cities account for 8% of China's population but 53% of its total imports – which is why the untapped markets of China's emerging cities provide some of the most exciting and lucrative opportunities for U.S. exporters.

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.



Xiamen—Prosperous Port by the Taiwan Strait

Located on an island across the strait from Taiwan, Xiamen was one of the first Special Economic Zones established by the central government. Xiamen boasts one of the most vibrant economies in southeast China and 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 Xiamen is widely regarded as one of the cleanest cities in China and is home to the country's 7th largest port and 4th largest Airport. The United States is Xiamen's second largest trading partner (after Taiwan) and supplies 11% of the city's imports.

Xiamen Economic Indicators

City Population: 2.35 Million
 Provincial GDP: USD 14.54 Billion
 Annual Avg. Per Capita GDP: USD 6,175
 Import Value: USD 16.3 Billion
 Imports from US: USD 1.78 Billion

Xiamen's top imports for foreign goods:³

Electronic Components

While Xiamen's imports of electronic components have fluctuated over the last few years, they have more than double since 2000. Last year the city's imports of electrical components reached over USD \$433 million.

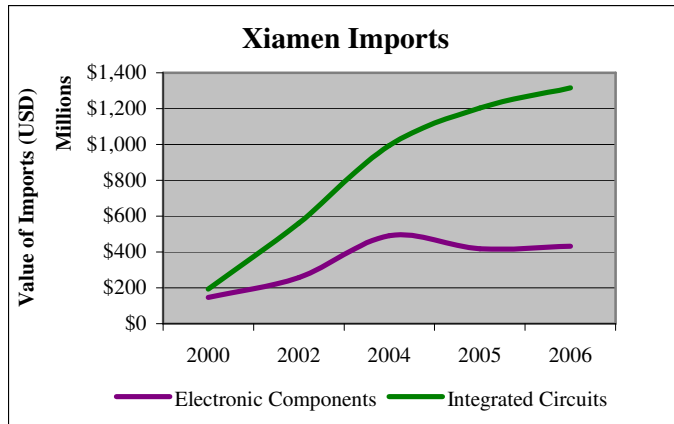
¹ Harbin, Dalian, Qingdao, Tianjin, Xian, Wuhan, Hangzhou, Ningbo, Nanjing, Chongqing, Kunming, Zhuhai, Shenzhen, and Xiamen

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

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

Integrated Circuits

Xiamen's imports of integrated circuits have taken off in recent years, increasing six-fold since 2000. The city now imports over USD \$1 billion worth of integrated circuits a year.



Paper & Forest Products

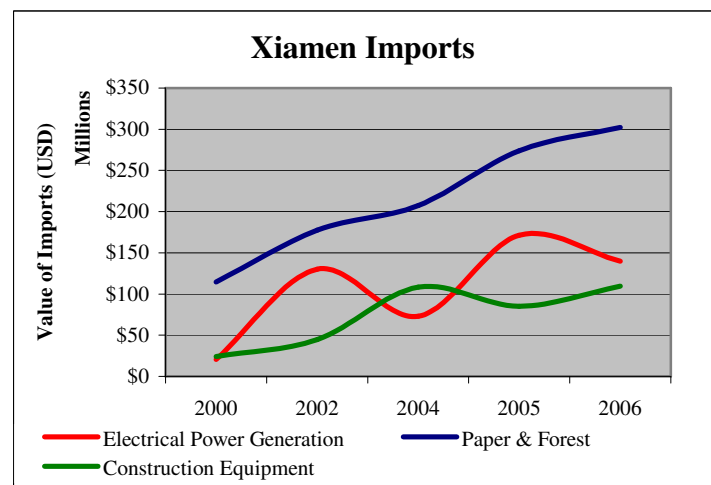
From 2004-2006 Xiamen purchased over USD \$780 million worth of paper & forest products. In this three year period paper & forest product imports increased by an average of 21% per annum. From 2005-6, imports of American wood pulp, wood and paper increased by 24%, 16% and 70% respectively. Since 2000, Xiamen's paper imports have nearly tripled.

Construction Equipment

Xiamen's rapid growth has fueled a growing demand for foreign construction equipment. The city imported over USD \$109 million worth of construction equipment in 2006, a four-fold increase over its 2000 imports.

Electrical Power Generation

While Xiamen's demand for electrical power generation equipment has fluctuated in recent years, the city's imports have more than tripled since 2000. Xiamen already accounts for over 5% of China's electrical power generation imports and the city's demand is expected to continue to rise in coming years.



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