

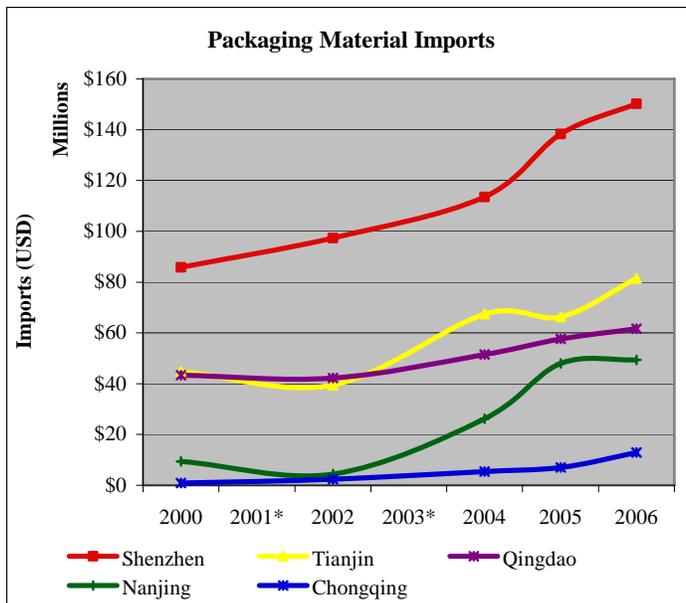
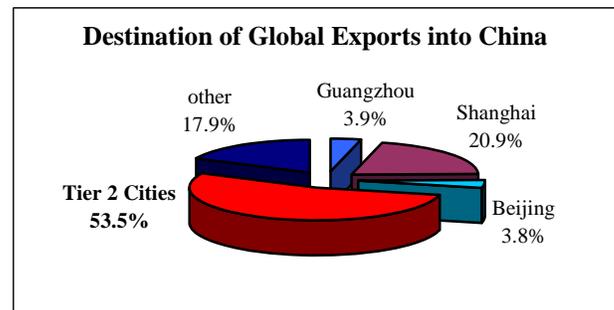
China's Emerging Markets: Opportunities in the Packaging Industry

Thirteen 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 thirteen 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.



Opportunities in Packaging Materials

As China's economy continues to expand, the country's demand for packaging materials is expected to follow suit. While Chinese companies often turn to domestic packaging equipment for less sophisticated needs, foreign produced products and machinery are often highly desired from more complex packaging tasks. Thus, there is tremendous market potential for American exporters of high-tech filling, closing and wrapping machinery. The United States accounts for 8%, USD 136 million worth, of China's packaging material and equipment imports, a 24% increase over 2005. Five emerging cities in particular offer excellent prospects for US exporters: Shenzhen, Tianjin, Qingdao, Nanjing and Chongqing.

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

Promising Markets in Emerging Cities

Shenzhen— A true economic miracle

Located in the southern Pearl River delta just across the border from Hong Kong's New Territories, Shenzhen has been one of the fastest growing cities in the world since its opening in the late 1970s. Once a small fishing village, Shenzhen is now the busiest port in China and the largest manufacturing base in the world. Shenzhen is a major center for foreign investment and trade—the bustling city imports more goods than *any* other city in China. Shenzhen was recently ranked by the World Bank as having the second best investment climate for foreign firms and third most effective local government in all of China.

Shenzhen Economic Indicators

City Population: **10 Million**
Provincial GDP: **USD 42 Billion**
Annual Avg. Per Capita GDP: **USD 7,620**
Import Value: **USD 119.5 Billion**
Imports from US: **USD 4.6 Billion**

Packaging Materials

Shenzhen's position as China's busiest port has fueled its demand for packaging materials. Shenzhen accounts for 8% of China's packaging materials imports. Over the last two years Shenzhen's import of packaging materials increased by an average of 15% per year.

Tianjin— China's next costal 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 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**

Packaging Materials

While Tianjin's imports of packaging materials have fluctuated in recent years, then have nevertheless exhibited strong growth. Last year the city purchased over USD \$81 million worth of materials and equipment, almost double the city's 2000 import volume.

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.

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).⁴ 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**

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.

Nanjing— *Southern Capital and Regional Hub*

Located in the Yangtze river basin, Nanjing is the political, economic and cultural center of Jiangsu Province. Considered one of China's four great ancient capitals, modern Nanjing has emerged as eastern China's second largest commercial center. The city ranks seventh in overall competitiveness among Chinese cities and was recently ranked by Forbes magazine as being one of the top ten commercial cities in China. Nanjing's growing industrial sector benefits from the city's abundance of natural resources and close proximity to Shanghai.

Firms from the United States have historically fared well in Nanjing. Over a thousand American companies have operations in the city. In 2005, the U.S. ranked as Nanjing's second largest trading partner.

Nanjing Economic Indicators

City Population: **6 Million**
Provincial GDP: **USD 191 Billion**
Annual Avg. Per Capita GDP: **USD 6,449**
Import Value: **USD 100.4 Billion**
Imports from US: **USD 6.1 Billion**

Packaging Materials

Nanjing's imports of packaging materials have been steadily increasing over the course of the last six years. The city purchased over USD \$49 million worth of packaging materials in 2006.

Chongqing— *The Gateway to Western China*

Located on the edge of the Yungui Plateau, Chongqing lies at the intersection of the Jialing and Yangtze rivers. Chongqing has historically been a major inland port and an important channel for delivering goods from southwestern provinces to China's eastern coastal areas. One of only four municipalities that are directly administered by the central government, Chongqing is southwestern China's largest ground, water, and air transportation hub. The city serves as a major industrial center and is well endowed with a host of

Chongqing Economic Indicators

Urban Population: **4.1 Million**
Municipal Population: **32 Million**
Provincial GDP: **USD 38.75 Billion**
Annual Avg. Per Capita GDP: **USD 4,569**
Import Value: **USD 44.95 Billion**
Imports from US: **USD 4.37 Billion**

⁴ See: World Bank Report— "Governance, Investment Climate and Harmonious Society: Competitiveness Enhancements for 120 Cities in China"; released October 8th 2006.

natural resources. As one of the chief beneficiaries of the central government's Western Development strategy, Chongqing is being groomed to help facilitate the development of inland China.

Chongqing's leading imports from the United States include: agricultural products, oil equipment, aircraft parts, power plant generators, electronic devices, chemicals, medical equipment and manufacturing machinery.

Packaging Materials

Chongqing's position as a regional distribution and manufacturing hub has increased its demand for packaging materials in recent years. Chongqing's packaging material imports nearly doubled in 2005-2006, reaching well over USD \$12 million.

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