

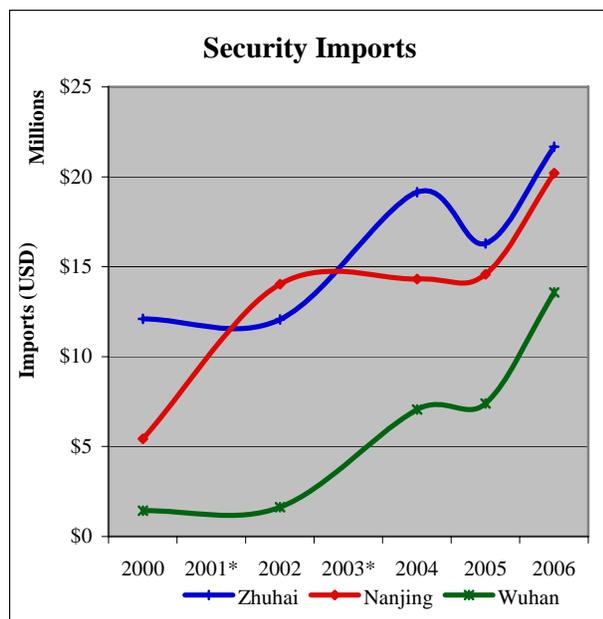
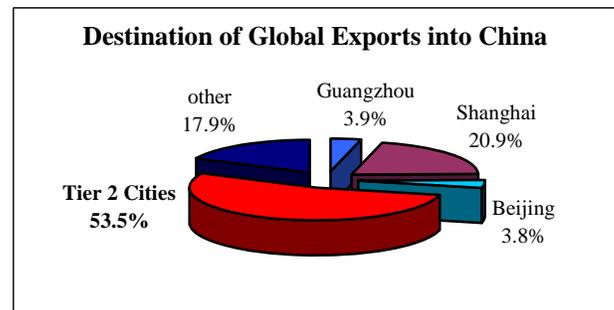
China's Emerging Markets: Opportunities in the Security Industry

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 Security

Industry experts estimate that by 2020 China's safety and security market will reach USD 30 billion. In the aftermath of September 11, the Chinese government invested USD 130 million in enhancing anti-terrorism measures, much of it related to the nation's air security. China is planning on completing over one hundred airports by 2010 and airport security has become a critical safety issue for the Chinese government. Moreover, security technology at existing airports will also need to be upgraded to cope with increasing tourism and a rise in air cargo volume.

Much of the safety and security demand will focus on high-tech equipment, such as digital technology, entrance guard communication systems, network technology for inspection control systems, and warning systems. The United States has traditionally done well in the security market and currently supplies 11% of China's security imports. Three emerging cities in

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

particular offer excellent prospects for US exporters: Zhuhai, Nanjing and Wuhan.

Promising Markets in Emerging Cities

Zhuhai— Pearl of Southern China

Located adjacent to Macau at the southern end of Guangdong province, Zhuhai was one of the first cities designated by the Chinese central government as a Special Economic Zone (SEZ). Since that time, Zhuhai has become an important manufacturing base and deep-water port.

Logistics is one of Zhuhai's service industry priorities due to close trading ties with Hong Kong and Macao. The city is the only deep harbor in the west end of the Pearl River Delta, making it a crucial transportation hub. After completion of the Hong Kong-Zhuhai-Macao Bridge, industry experts predict that ground, sea and air transport will increase significantly because the bridge will connect these ports with ground cargo arriving from the Beijing-Zhuhai Highway.

Zhuhai's major trading partners include the U.S., Hong Kong, Japan, Germany and Macau. The United States has become Zhuhai's sixth-highest import source.

Security

While Zhuhai's imports of security and safety products have fluctuated in recent years, they have still exhibited strong growth. Last year the city purchased over USD \$21 million worth of equipment, a 33% increase over the preceding year's import volume.

Zhuhai Economic Indicators

City Population: **1.4 Million**

Provincial GDP: **USD 42 Billion**

Annual Avg. Per Capita GDP: **USD 8,532**

Import Value: **USD 17.97 Billion**

Imports from US: **USD 670.91 Million**

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.

Security

Imports of security products in Nanjing have shown strong growth in recent years. In 2006, the city purchased over USD \$20 million dollars worth of foreign security goods, nearly four times the volume the city imported only six years earlier.

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**

Wuhan— *Regional Hub in the Heart of China*

Located at the crossroads of the Han and Yangtze rivers, Wuhan serves as the capital of Hubei province. Virtually equidistant from Guangzhou and Beijing, Wuhan is widely considered to be one of the most important industrial, financial, commercial and educational hubs central China.

Wuhan's main imports from the United States include machinery and electric products, medical instruments, and agricultural products. Industry in Wuhan centers on optic-electronic information, automobile and steel manufacturing, pharmaceuticals and biological engineering.

Wuhan Economic Indicators

City Population: 8.3 Million

Provincial GDP: USD 78.28 Billion

Annual Avg. Per Capita GDP: USD 4,541

Import Value: USD 3.92 Billion

Imports from US: USD 284 Million

Security

Imports of security goods in Wuhan have shown strong growth over the last six years. In 2006, the city purchased over USD \$13 million dollars worth of foreign security goods.

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