

**U.S. Commercial Service Market Brief  
Featuring the Principal Commercial Officer from  
The American Consulate in Shenyang**

**“Opportunities in China’s Second Tier Cities”**

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**Interview with Yasue Pai, Principal Commercial Officer, American Consulate, Shenyang**

(Doug Barry): Hello and welcome to this special edition of Commercial Service Market Brief. You know, one of the challenges US companies face in China’s large and diverse market is not only determining if there is a market in China but which regional markets to go after. This is especially true for second tier cities outside of Beijing, Shanghai and Guangzhou that are becoming the new engines of China’s growth.

And today we’re talking to Yasue Pai who is the Principal Commercial Officer with the US Commercial Service at the American Consulate in Shenyang. And, you know, Yasue, how are you doing? I understand you’re in Beijing today?

Yasue Pai: Yes I’m in Beijing today but I’m normally based out of Shenyang, which is the capital of Liaoning Province.

(Doug Barry): Great. And I wonder if we could start our conversation today with a brief introduction to your role within the US Commercial Service and at the Consulate and a little clip from - a thumbnail sketch of the territory you oversee?

Yasue Pai: Okay. Now as the Principal Commercial Officer up in Shenyang it’s my responsibility and the responsibility of my team there to assist US companies in

entering that part of the region or to expand their products and services in that part of the country.

And also when they're there to make sure that they are being treated fairly by the local government and local business rules.

(Doug Barry): Okay.

Yasue Pai: That region is fairly large. It has a population of about 107 million people and that's about 8% of the total population and accounts for about 9% of the overall GDP of China. And at this point for the past 10 years in fact, it's been growing very, very rapidly and actually faster than the national average.

(Doug Barry): All right. And why in the world would an American company, especially a smaller one, want to go there?

Yasue Pai: Well because it - I guess it's in the northeast and therefore the region in general has been off the radar of most foreign companies. We see a large number of Japanese and Korean companies, German companies and Russian companies there and that makes a lot of sense because those are neighboring countries.

However, there are certainly lots of opportunities for US companies to be there as well as there is a very high demand for US products. In fact, we're usually asked when we go on these business calls with officials with local companies why are not more American companies in this region.

And I think American companies, until now, have been really just focused on Guangzhou, Shanghai and Beijing, from the south going up towards the north but they have not reached the northeast yet.

(Doug Barry): Well first of all, Yasue, we can't let the Japanese, Koreans and Germans beat us. We have to get busy and get over there and there's no reason we can't go beyond those cities that you just mentioned, which of course are very well known.

Yasue Pai: There's certainly a big market there for everyone.

(Doug Barry): Well tell us some of the cities that are in your territory and why are they worth paying attention to?

Yasue Pai: Well, some of the larger cities that you may have heard of, Dalian, for example, that's a port city in Liaoning Province.

(Doug Barry): Yes.

Yasue Pai: That is probably the wealthiest city in the northeast. The per capital GDP in Dalian is similar to that of Beijing, which is about 51,000, 52,000 RMB per year and that's fairly high for - compared to any city in this country. That city has developed very, very rapidly since the early 90s. And because of the proximity to Japan, to South Korea we see these days, well because it's a port city, we see a presence of multinational companies there.

For example, you may know that Intel has made an investment of \$3 billion in Dalian. And that has become an anchor company to bring in other smaller companies.

Other cities in the region, Shenyang is the capital of Liaoning Province. And that city has developed very rapidly because Liaoning Province has developed very rapidly. And the government has put its focus on the capital first, to build the infrastructure there so that it can support other cities around it.

And further up north we have Harbin, which is another capital, the capital of Heilongjiang Province. That's traditionally been an agricultural-based province. And these days - but, well I say agricultural-based because it's one of the regions with the richest soil in the world. It's got something called the black soil and there are only two regions in the world with black soil, very fertile soil. Heilongjiang is part of that belt and the other belt is in Canada.

So with the rich soil it's become the agricultural base for China. There also - has heavy industry for example, it has a large aviation industry there, power generating companies, machine tool companies there. Harbin, being close to the Russian border, has always benefited from trade with Russia.

(Doug Barry): So you wouldn't call these places the boondocks although many Americans have not heard of them before and may associate with them with some backward part of, you know, pre-revolutionary China.

Yasue Pai: No, no, absolutely not. In fact, Harbin is - or in the past has been known as the Shanghai of northeast Asia so it's quite cosmopolitan and they pride themselves in being a very cosmopolitan city.

(Doug Barry): Well then how would you advise US - small and medium-sized enterprise to develop some demand and some interest for their products and services in these areas of China?

Yasue Pai: Well depending on what type of products or services they would like to bring into this region, you know, we would suggest, for example, if a company is marketing machinery, machine tools, we would suggest that, based on past experience, going through agents and (unintelligible) because with their agents here they can sell their products and have after-service, after sale service.

Or if they're, for example, selling environmental technology, usually environmental technology equipment is sold to - marketed to municipalities or special districts, development districts. And in those cases we would suggest that the US company go directly to the district head or to the municipality.

Or if they're marketing consumer products, you know, small, mid-sized company marketing a consumer product here, if the product has already been proven in the States we would suggest that they come here to this region and sell directly to a local department chain and build their brands that way.

(Doug Barry): And you mentioned some big US multinationals that have moved into the territory and that they're creating some additional demand for suppliers in the United States. Is piggybacking with one of them a good strategy to consider?

Yasue Pai: That's always a very good strategy to consider. For example, up in Harbin I think we may all remember that a couple of years ago Anheuser-Busch took over Harbin Brewery, Harbin (unintelligible). And now that company has become Anheuser-Busch - an Anheuser-Busch company.

Because Anheuser-Busch is up in that region a lot of other smaller American companies are coming up there providing the - or Anheuser-Busch has become a company, a target market for a lot of the smaller companies to sell their testing equipment, for example, bottling equipment.

(Doug Barry): Yes, and so what do we do then? Do we contact you directly for some assistance? Is there market research available that our listeners can look at and read? Or what would you suggest would be the first step?

Yasue Pai: Well, as a first step, yes, take a look at our Web site and download whatever marketing materials is available on our Web site. If you don't find it there contact

one of our specialists in an Export Assistance Center around the US. We have over 100 US Export Assistance Centers.

Also, as part of the first step you may, if the research on your sector is not available, you can request for the Commercial Service, the Foreign Commercial Service, to do a case of special research for you - on your behalf.

We would also suggest that anyone entering this market for the first time be very careful to do the market research to make sure that your product is suitable for this country and also for this particular region because even within China from one region to the next the markets can be very different.

(Doug Barry): And can you help with the research because if I were a small or medium-sized enterprise, not quite ready to get on the airplane and fly 12 hours to Beijing and then another few I guess to Shenyang; how would I get - how would I do that research?

Yasue Pai: Yes, we do provide that service. You give us the topics and the type of - really an outline of what you're looking for. We would take a look and amend and add if necessary. Sometimes we, ourselves, our specialists, will do the research; other times we may outsource the piece of research but we would always supervise the research process even though it's outsourced.

(Doug Barry): And you mentioned, you know, making sure to deal carefully and effectively with the local officials. I assume that means the local government people who take a major hand in the different kinds of transactions that occur within their territory. Can you also assist with that, with introductions and making sure that if I go over there I'm not going to make any horrible faux pas?

Yasue Pai: Yes, absolutely. A big part of our job here and I spend quite a bit of my time, my team does as well, going around, making sure that we maintain good relationships with the regional government officials, officials at different departments, different ministries. And when our clients come over here, as necessary and it sometimes is the first step to introduce our clients to these government officials who will be overseeing or supervising that sector that they are trying to enter.

(Doug Barry): Great. Well that's all we have time for but you've been a great source of information and we thank you very much for being with us.

Yasue Pai: Thank you very much. There's actually a lot more information that I can provide so if anyone is interested in this region please contact us.

(Doug Barry): Great. That was Yasue Pai. We're speaking to her in Beijing, China today. She is on her way back to her work in Shenyang where she is the Principal Commercial Officer with the US Commercial Service at the American Consulate there.

And on behalf of all of us here at the US Commercial Service and our colleagues in China, thanks very much for listening and we'll see you next time on another edition of US Commercial Service Market Brief. Thanks for listening.

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*For more information on opportunities for American exports in China's emerging second tier cities go to the China Business Information Center – a resource of the U.S. Commercial Service, U.S. Department of Commerce at [www.export.gov/china](http://www.export.gov/china).*