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Cover	Zhang Hui
Contributors	Ena Alvarez Fannie Chen Sally Chen Colleen Ferrand-Andrew Bill Hart Amy He Julie Leng Tim Magner Eric Portales Winona Qi Elizabeth Skovira Naomi Sun Felicity Wang Lily Yang Christine Yu Connie Zhao

For sponsorship information, please contact **Christine Yu** at (8610) 8519 1911 or e-mail: Christine@amcham-china.org.cn

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China's Second-Tier Cities: The Engine of Growth in Slow Times?

The US economy—and possibly the world's—has slowed toward recession. Yet China continues to see impressive growth. The economic figures released in late October for the country's third quarter show China moving ahead at a nine percent clip. Sure, that's much lower than China has seen in the past and somewhat of a disappointment, but for one of the world's largest economies, it is still significant, strong growth.

Of course, investors in China, as in the rest of the world, are somewhat skittish as they look at the current state of the global landscape. But things seem to be on relatively solid footing in China for the time being. This is, after all, a country that managed not to get sucked into the financial crisis that enveloped so many of its regional neighbors a decade ago. But with slowing world demand, what might continue to push China, long an engine of growth, forward?

Second and third-tier cities have emerged in recent years as tempting destinations for companies in China looking beyond the maturing first-tier cities of Beijing, Shanghai and Guangzhou. In fact, these cities have done much to spur global consumption. According to the 2008 World Trade Atlas, China's second-tier cities—defined as the 15 biggest urban economies after the three tier-one cities—have less than 10 percent of the country's population, but import more than half of all American imports. This strong demand shows no serious signs of decline and may in fact increase as disposable income in these cities grows.

For companies in China, second-tier cities embody the vaunted “enormous market potential” that people have always said the country holds. About 150 million people live in these cities combined, and they represent some of the most upwardly mobile in China. If growth continues in these major, developing markets, it could significantly ease the pressure that slowing economic activity elsewhere in the world will put on China. Based on the investment decisions of many AmCham-China member companies, there are a lot of people who would agree that second-tier cities hold the key to the country's future.

Josh Gartner
Managing Editor

Letters to the Editor:

Please send your thoughts, suggestions or criticisms about *China Brief* to:

Editor@amcham-china.org.cn

Article Submission Policy:

China Brief actively seeks article submissions. We give strong preference to AmCham-China members. Full submission details are available on AmCham's website:

www.amcham-china.org.cn

Please send letters and submissions to:

Editor@amcham-china.org.cn

Upcoming Events in November



US Presidential Election Event

Time: 8:30 AM-1 PM
Venue: Renaissance Beijing Capital Hotel



Day 1
Ambassador's IPR Roundtable

Time: 4-7 PM
Venue: Grand Hyatt Hotel



Day 2
Ambassador's IPR Roundtable

Time: 7:45 AM-6 PM
Venue: Grand Hyatt Hotel



Members Only
AmCham Annual General Meeting

Time: 5:30 PM-9 PM
Venue: Westin Chaoyang



Event has reached maximum capacity
Open House Reception at New US Embassy

Time: 5:30 PM
Venue: New Embassy Compound



Breakfast with Jack Leslie, Weber Shandwick Chairman

Time: 8 AM
Venue: TBD



Members Only
New Member Cocktail

Time: 5:30 PM
Venue: Westin Chaoyang



AmCham's Ninth Annual Appreciation Dinner

Time: 6-9 PM
Venue: China World Hotel



AmCham-China is constantly adding events and updating our calendar. This guide is accurate as of printing, but all specifics are subject to change. For the most up-to-date information about event dates, times and locations please click on the "Events" link on our website: www.amcham-china-org.cn

AmCham-China's New and Improved Website

AmCham-China's website has stayed the same for nearly four years, which is a long time in internet years. However, by the time you read this our entirely new site may already be up. There are several enhancements that will make it easier to sign up for events, take advantage of our Business Visa Service, view photo galleries, modify e-mail newsletter preferences, and post and search for jobs, among

many other things. In short, AmCham has made an investment to make it easier for members to take advantage of great services the chamber offers.

You'll notice many of these changes immediately and several additional updates will be rolled out in the coming months. We look forward to your feedback about the new site that Bokan Tech is developing.