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# **CHINA'S NEXT WAVE OF EXPORTS**



**PACIFIC TYCOON**

China's export market is a simmering pot of manufacturing activity, growth ambitions and technological advancement spilling out of its harbours to feed a global appetite for products of all sizes.

In October, manufacturing activity in China grew at its fastest pace in 18 months and the export of goods leaving its ports increased by 5.6% compared to the same month last year.

Traditionally, China has specialised in producing low-cost, labour-intensive items like clothing, toys, shoes and simple plastic products. But over the past decade it has cast its net over markets which have been dominated largely by Japan and the Western world.

China's encroachment into the mid-range export sector, which includes goods such as household appliances, processed metal products, assembled electronics and simple chemicals, has been steady and consistent. But its headway in the high-end export sector is much more impressive.

In its white paper, *Heavy Duty: China's next wave of exports*, The Economist described China's advancement as the "heavy machinery export boom". It is now expected to become the second largest exporter of construction machinery goods, after the United States, by the end of 2011. This will put the Chinese ahead of the Germans and Japanese in the export of goods in this market.

China is excelling in the production and export of heavy machinery and its related parts. In this sector while the 34 members of the Organisation for Economic Cooperation and Development (OECD), which includes the United States, Japan, the United Kingdom and Germany, have seen their share of this export market shrink from 79% in 2007 to 74.7% in 2010 – China's share has risen from 8.5% to 14%.

Several factors are responsible for China's overall growth in global exports and its successful break

through into markets which have, in the past, been the stomping ground of the West.

The continued recovery of the US and Eurozone economies has produced a resurgence in demand for items such as clothing, footwear, furniture, bags and toys – the staples of the Chinese export industry. The recession has at last begun to loosen its grip on the shoulders of Western shoppers and they are ready to consume Chinese goods once more.

But the demand for heavy machinery is coming from a different source. According to the white paper's research into the emerging trends within China's export market – developing countries will take over as the main markets for China's exported products.

Technological progression has also meant that China can compete in markets it previously did not have the know-how to operate within.

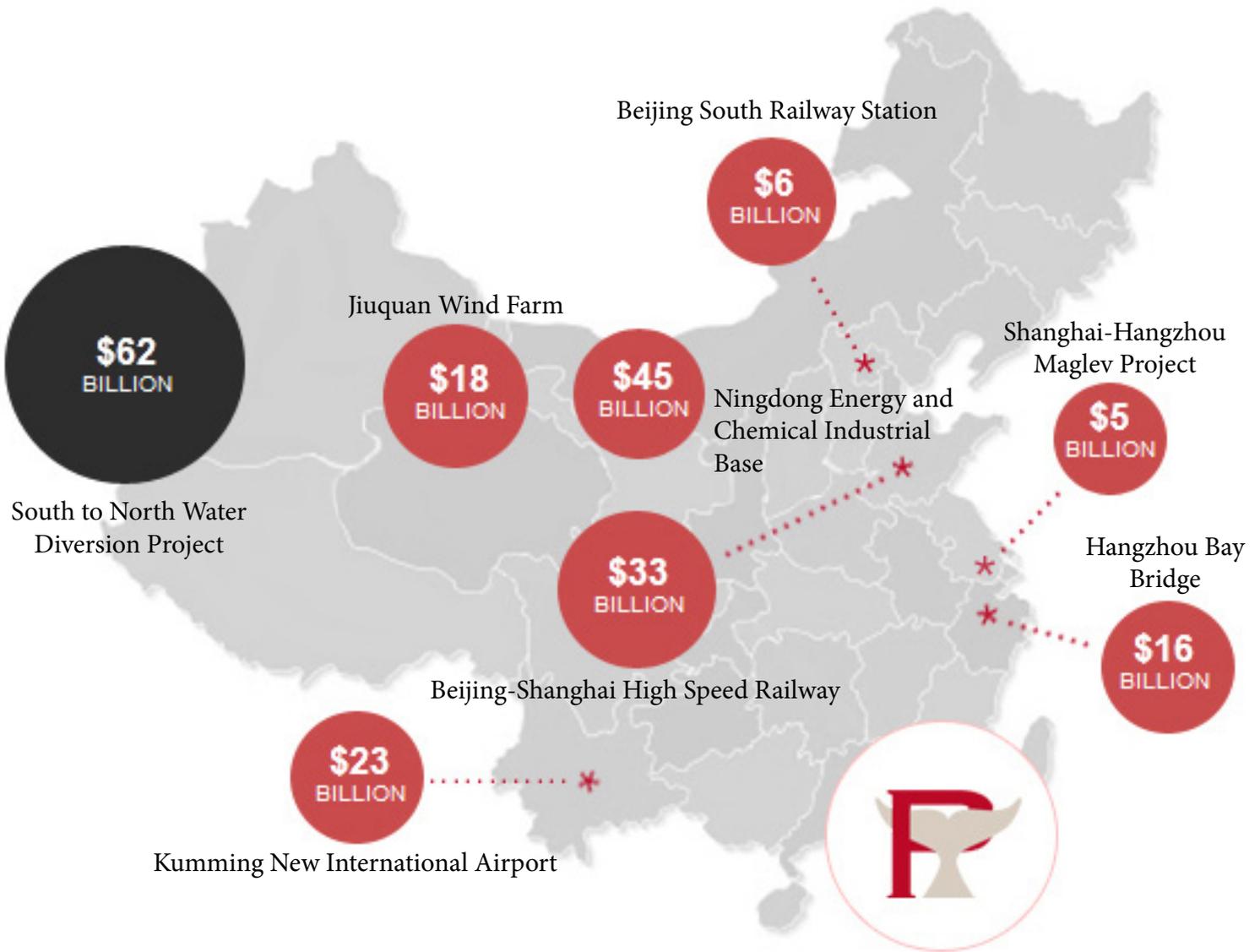
Domestic start-up firms have broken down manufacturing processes to reverse engineer products which have been imported by the Chinese who are now able to make them from scratch on home soil.

The growth trend in the Chinese export market is underpinned by government led stimulus measures aimed at helping Chinese exporters go from strength-to-strength.

Tax breaks for small businesses and reduced fees for exporters have been introduced to propel the export market forward.

China's entrance into the heavy-machinery market, which was born out of demand within its own borders, has been a wake-up call for the rest of the world. The dragon economy is not content to sit within the confines of the low-cost goods market – of which, it already dominates. China is thinking big – literally. A directed shift to ship out heavy-duty, specialised machinery on a global scale has one objective at its core – to ship even more.

Pacific Tycoon's head office is based in Hong Kong, at the heart of the booming East Asian economy. Benefiting from our proximity to the industrial and business-led projects transforming China, we endeavour to monitor and understand each one closely. For further details on the trillion dollar projects shown on this map, visit our website: [www.pacifictycoon.com](http://www.pacifictycoon.com)



To speak to a member of our team, please contact us.

Hong Kong Office Telephone: +852 580 80130

Email: [contact@pacifictycoon.com](mailto:contact@pacifictycoon.com)

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Level 11, Admiralty Centre Tower 2, 18 Harcourt Road, Admiralty, Hong Kong.