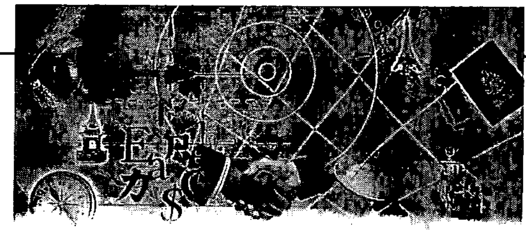

5. Focus On . . .

Cultural Industries

Business Environment

Purchasing power and awareness of foreign cultural products are on the rise in China. These trends have resulted in a growing sense of consumerism and a strong domestic demand for foreign cultural goods. This is particularly evident in highly visible media such as television, film and in the performing arts and musical fields. However, this growing interest and increasing financial means are tempered by continuing government jurisdiction over cultural industries. Market restrictions exist in the form of monopoly rights over imports and purchasing, and mandatory approvals from relevant ministries for events.

Market Opportunities

Given China's reliance on imported programming, immediate opportunities exist in film, radio and, in particular, television. The proliferation of specialized terrestrial, cable and satellite television channels, and Canada's brand image of safe, non-controversial multicultural programming, has resulted in sales of children's and science/nature documentaries in niche market segments.

Chinese television stations are traditionally reluctant to pay fair market value for foreign programs. As a result, advertising time is often bartered for programming in lieu of cash payment.

Live performances in China, although usually requiring sponsorship from a foreign government and/or a commercial enterprise, are becoming more diverse and commercially viable. The most successful genres in terms of sales tend to cater to populist, family-oriented entertainment.

There is a market for books in China, although the Chinese government maintains tight controls over the import of foreign books. If you are interested in selling the rights to a book, the 8th biennial Beijing International Book Fair will be held August 30 to September 4, 2000. This event is intended to encourage book trading, copyright trading and scientific and cultural exchange.

Shanghai

Shanghai is rapidly re-emerging as China's cultural centre, with the most sophisticated and demanding audiences in the country. Shanghai will host one of China's major broadcast events, the Shanghai Film and TV Festival, which will be held annually starting in November 2000. It will combine the activities of the former Shanghai Film Festival and Shanghai TV Festival. In addition, a delegation from Shanghai travels to the Banff TV Festival annually, visiting Vancouver, Montreal, Ottawa and Toronto, in order to cultivate bilateral interests.

South China

Both Guangzhou (formerly known as Canton), the capital of wealthy Guangdong province, and the city of Shenzhen, are excellent markets for performing visual arts due to their quality facilities and demanding audiences. South China television consumers are very international, and since many watch channels from Hong Kong (34 million viewers in Guangdong province) and Taiwan (2 million viewers in Xiamen, Fujian province), local channels must provide similar programming to compete for market share.

Hong Kong

Due to Hong Kong's affinity with Canada, significant opportunities exist for the promotion of English-language Canadian cultural goods, as well as for the sale of television programs to the four English language broadcasters. There is also a market for performing and visual arts, although ample time is needed to ensure that a suitable venue is found. Hong Kong radio and television broadcasts are received in South China, and are seen as trend-setters throughout Asia. Hong Kong is host to many regional trade fairs, including MIDEM Asia (2000) for video and music publishing.

Constraints

Some Canadian companies doing business in China have indicated to the Canadian government that they have experienced problems with respect to their intellectual property, particularly in the areas of copyright and trademarks. The Canadian government would like to continue to be informed of all incidents of infringement of intellectual property rights, including piracy and counterfeiting.

Financial Services

Business Environment

China and Hong Kong represent widely divergent markets for financial services. Hong Kong's favourable regulatory environment, low taxes and excellent telecommunications infrastructure have made it an international financial services centre, a role it has held (as a Special Administrative Region) since the territory's transition to Chinese sovereignty in 1997. China, on the other hand, has only recently embarked on a modest opening and reform of its financial services sector, but the changes are already perceptible. A fair number of banks now hold licences allowing them to engage in a limited range of local currency business operations. Six Canadian banks are now present in China and Honk Kong, although they are not yet allowed to operate in RMB.

Mainland China

China is developing its own domestic financial services sector in conjunction with the opening of its financial services market to foreign firms. This new direction is being cautiously undertaken, often on an experimental basis, effectively limiting entry as well as the number of operations that a foreign financial institution is permitted. Chinese authorities are in the process of developing regulations in many key areas, which may lead to additional uncertainties and challenges for financial services companies seeking to establish a presence in the market.

There are over 150 foreign banks in China and only a few Sino-foreign bank joint ventures, all of which are located within the 24 designated cities allowed by the People's Bank of China. They currently manage only a very small quantity of financial assets. By mid-1999, there were only 16 foreign insurance companies, including two Canadian ones, allowed to operate in China. Another 80 are still waiting for Chinese permission to enter the market.

There continues to be fierce competition for licences, which has challenged foreign financial services firms to clearly demonstrate what they can bring to the market, from added liquidity to new products and training. China's banking institutions are striving to attain international standards in their drive to improve their competitiveness. There are opportunities for professional training services that would help them achieve their goals.

Hong Kong

Hong Kong is a major international financial centre, including wholesale and retail banking, securities broking, fund management, venture capital and insurance. For example:

- The Hong Kong Stock Exchange is the second-largest stock market in Asia, with a market capitalization of $500 billion as of March 1999.
- Hong Kong is the regional centre for portfolio management, with 130 fund management companies managing total assets of $272 billion.
- Hong Kong is the largest venture capital centre in Asia, managing $14.5 billion — 30 percent of the total capital pool in the region.
- Many of the world's top insurance companies have set up their operations in Hong Kong. Individual life business premiums rose 17 percent to $4.4 billion in 1997.

Hong Kong's mutual fund, venture capital, capital market and insurance industries will benefit from two local developments:

- Mandatory Provident Fund (MPF): Implementation of the MPF scheme, which will begin collecting contributions in December 2000, will provide ample supply of funds to the industry. The MPF scheme is expected to inject an extra $5.8 billion to $7.7 billion a year of retirement