Market Opportunities

Both earth observation and satcoms offer significant prospects for Canadian sales in China. A Canadian company is currently involved in the upgrade of the Chinese ground stations to receive Radarsat data. The construction of a second station is also being planned for this project.

Canada's expertise in the interpretation of Radarsat data is of special interest to China. Chinese and Canadian companies are currently discussing opportunities for co-operation in this area. The construction of the Chinese Synthetic Aperture Radar (SAR) satellite would present significant opportunities for Canadian suppliers.

Constraints

Contact must be maintained on two levels: with the user/purchaser, which may be one of the multitude of research institutes, and with the Chinese government. In the end, the government will likely be required to approve all funding.

Action Plan

The objectives of the Action Plan in this sector are as follows:

- to organize a comprehensive seminar on Canadian capabilities in data communications,in co-operation with Industry Canada and the Canadian telecommunications industry. Based on a Team Canada approach, this initiative would cover network construction and management, as well as advanced applications.
- to host a seminar on financing in the telecommunications sector for Chinese organizations, including the MPT, China Unicom, the State Planning Commission, among others, with the co-operation of EDC (Export Development Corporation), Canadian private banks, international financial institutions (IFIs) and Canadian investors.
- to provide more comprehensive, regular communications material using the following vehicles:

a) market profiles with updates on the telecommunications/data communications, computer and software sectors in China; and

b) a newsletter on the Chinese information technology sector, published on a regular basis.

- in Hong Kong, to promote Canada as a venue for round-the-clock processing of information and financial services.

Natural Resources

Business Environment

Mining

China is one of the few countries in the world that has relatively abundant mineral resources of all types. It has proven reserves of 151 minerals, including 54 metals and 90 non-metals. Verified deposits of 20 minerals are the largest in the world, including titanium, tungsten, antimony and tantalum. China ranks second in deposits of alumina, coal, tin, molybdenum, niobium, silver and lithium. It is the world's largest producer and consumer of coal, and a net exporter of a large number of minerals, such as molybdenum, tungsten and rare earths. China has recently become an important producer and exporter of vanadium, titanium, germanium, gallium and polycrystalline silicon. Despite its abundant resources, its per-capita endowment and consumption are below world average.

For decades, China has striven to increase its mineral production. In 1996, non-ferrous metal output reached 4.45 million tonnes, up 6.5 percent over 1995. China now ranks second to the United States as a producer of non-ferrous metals. Far-reaching economic reforms have generated a boom in China's mining and metals industries at a time when world markets are still suffering from oversupply and falling prices. Soaring demand has caused domestic prices to rise well above international levels, creating shortages and disruptions. For the foreseeable future, demand will outpace production for non-ferrous metals. China is now looking overseas, particularly toward South America, as a possible investment opportunity to secure safe, long-term supply of minerals, particularly copper.

Companies operating from Hong Kong influence import decisions in this sector. Facilities in Hong Kong along the South China coast and up the Pearl River in Guangzhou are import channels for the delivery of commodities and equipment.

A top priority has been to modernize and rationalize existing coal mines by introducing advanced technology and wide-scale mechanization. Production will be expanded through the construction of 100 high-yield mines, which will require imports of high-technology equipment.

In October 1996, China enacted a new set of more strict regulations for its 1992 Mining Safety Law, in response to an increasing number of mining accidents.

China now permits mining exploration through joint ventures. Most attention to date has focussed on gold and non-ferrous metals rather than on coal.

A new Mineral Law came into force January 1, 1997, which formally recognizes the right to transfer mining rights and to lease or offer them as security. This development was welcome news for gold companies, although they await a promised series of four regulations, which have not been published yet.

Oil & Gas

China's central government has given high priority to the development of its oil and gas industry. Oil and natural gas supply about one fifth of China's energy needs. Breakneck economic expansion in the 1980s and double-digit growth in the 1990s have pushed domestic demand far ahead of production growth. Although still the world's fifth-largest oil producer, China is using up its reserves at mature eastern fields, and new discoveries — mainly in Xinjiang Province, northwestern China and offshore areas — are only at the initial stages of production.

Since 1993, China has become a net oil importer. Domestic output, while improving little between 1995 and 2000, will grow from 3 to 4.5 million barrels per day (mbd) by the year 2010. With oil demand forecast to climb to 210-260 million tonnes by the year 2000, the International Energy Agency predicts China's petroleum import requirements will grow from 1.1 mbd to 2.3-3.0 mbd by 2010. Foreign investment in oil exploration and development is expected to play an increasingly significant role in resolving China's energy bottleneck.

After decades of striving for self-sufficiency, China has been re-evaluating its policies: recent supply agreements with Iraq and Iran for oil and Russia for natural gas reveal China's desire to secure long-term supplies of raw materials. The same applies to mineral resources, particularly copper and copper concentrates.