

D. Construction Products and Services

Business Environment

A central feature of Chinese society since the early 1990s has been a construction program of truly monumental proportions. Cities are being transformed, and the country is in the midst of a vast infrastructure program designed to improve roads, railways, ports, electric power facilities, oil and gas, and telecommunications, among other areas.

Of the approximately 30 000 kinds of building materials and products generally used in construction, China can only produce about 2000, which accounts for the poor quality of Chinese housing and construction.

Demand for housing will continue to rise as China's population grows from the present 1.2 billion to an anticipated 1.7 billion people by the year 2030. Urbanization is expected to reach 50 per cent of the population.

Through the Ministry of Construction, China is seeking to open the sector to foreign products, services and investment. Although China lacks effective laws and regulations, reform efforts have led to tariff reductions, foreign investment incentives and joint-venture regulations to attract foreign technology and expertise.

Hong Kong has a dynamic construction industry, with large numbers of hotels, office towers and other commercial and residential buildings planned or under way. Project management and engineering services are needed for the complex residential and industrial construction

planned in Hong Kong and South China. The new Hong Kong airport will spawn residential and commercial development along the airport-railway route.

Market Opportunities

The opportunities for Canadian firms in the building products sector in China are limitless. If investment funds can be raised, the prospects for joint ventures in the full range of building projects is promising.

In addition to real estate developments in all major cities, the Chinese government has launched a national program to build affordable, low-cost housing. The program was initiated for a number of pressing reasons: to house the large number of people displaced by city redevelopment, to stay ahead of an accelerating migration of people from the countryside to the cities, and to meet the needs of the growing population.

In many cases, low per capita incomes will limit foreign participation in this market. However, incomes in some major cities are rising, leading to a corresponding ability to purchase higher-quality housing.

The rapid development of South China cities such as Guangzhou and Shenzhen has produced a sharp increase in the quality of construction; buildings look increasingly like those in Hong Kong. Hong Kong and South China can now be considered one market with respect to the use of higher-quality building products and services.

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