G. Environment

Business Environment

China is generally regarded as one of the largest environmental markets in the world. Intense agricultural and industrial development, underdeveloped manufacturing technologies and, until recently, a low level of attention to environmental issues by both the government and the people of China have combined to produce substantial environmental problems in the country.

In 1995, China's direct investment in the prevention and control of industrial pollution exceeded US$2.4 billion, or approximately 0.8 of 1 per cent of its gross national product (GNP). Under the Ninth Five-Year Plan (1996-2000), sustainable development was accepted as an important strategy for modernization. China has established the goal of increasing its direct investment to 1.5 per cent of GNP.

China plans to invest about US$22.5 billion in 1591 environmental projects over the five-year period. Of the total investment, US$3.9 billion will be raised abroad, with China looking for other nations to participate by providing co-operation, technical aid and economic support. In particular, the priorities identified for foreign participation under the Five-Year Plan are flue gas desulphurization; build-operate-transfer (BOT) sewage treatment plants using soft loans; advanced pulp and paper technology; energy efficiency; and advanced-technology organic treatments for highly concentrated wastes encountered in the confectionery, printing and dyeing industries.

International financial institutions, such as the World Bank and the Asian Development Bank, have committed considerable funding to China for environment-related projects. In its current lending program period of 1990-1996, the World Bank has allocated US$1.145 billion for eight environmental projects in China. The Asian Development Bank's combined loans and technical assistance for Chinese environmental projects in the last fiscal year amounted to approximately US$335 million.

Market Opportunities

The transition to greater investment in the environment sector will likely be led by wealthier regions such as South China, Shanghai, Jiangsu and Zhejiang, as the government and population begin to focus on sustainable development and improving the quality of life. These wealthy coastal regions offer opportunities in importing technology to address critical problems or to develop the domestic industry.

Foreign investors are accountable to China's environmental laws and are subject to on-site inspections of technology and records that could lead to fines or criminal prosecution. Joint ventures and wholly foreign-owned companies are generally watched more closely for effluent and particle emissions; consequently, they offer a strong potential market for high-quality environmental equipment.

International financial institutions usually insist that consulting services for projects be handled by foreign firms, creating opportunities for Canadian companies.