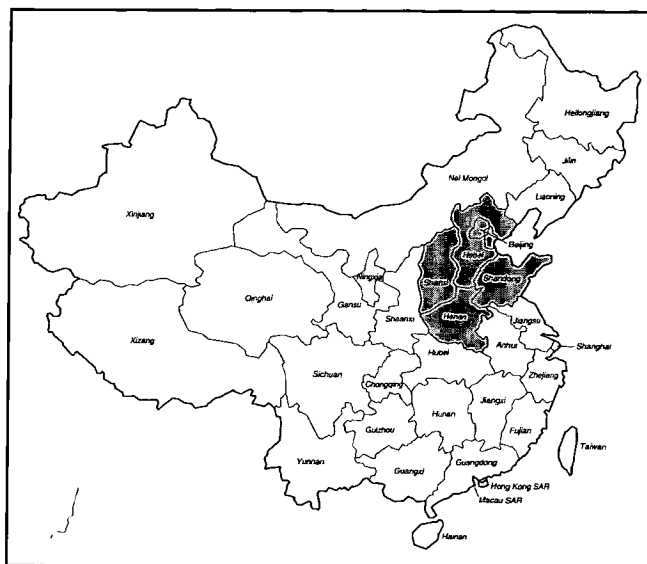


Northwest China's economy is less developed than that of the rest of China. It generally depends on primary industries (agriculture in Xinjiang, Gansu and Ningxia, livestock and timber in Inner Mongolia and natural resources in Xinjiang, Qinghai and Ningxia). The region is also relatively well endowed in natural resources, particularly oil and gas (Xinjiang, Qinghai, Ningxia), coal (Ningxia) and non-ferrous metals (Xinjiang, Gansu, Tibet).

Not previously targeted for industrialization, the region does not suffer from a heavy state-owned enterprise debt burden. The central government's recent policies of encouraging foreign investment in this region, and an accelerated infrastructure program, have helped somewhat to spur the economy forward. Foreign investment has increased significantly since 1996, with resource extraction and industrial development leading growth trends.

This challenging market is appropriate for Canadian firms with extensive experience abroad. Business opportunities for Canada lie in the industries related to natural resources (oil and gas, and minerals) and infrastructure (telecommunications, transportation engineering, power projects) development, where Canadian expertise in harsh climates and large-scale developments are most advantageous.

Central Plain



China's central plain is a hybrid region composed of three fairly homogeneous economic sub-regions: (a) the Beijing-Tianjin axis and Hebei province;

(b) Shandong province; and (c) the provinces of Henan, Shanxi and Shaanxi. Together, they comprise more than 330 million people (more than a quarter of China's population), 120 million of whom live in cities. The region accounts for more than 25 percent of the national GDP.

Located in east-central China, the region's coastline extends more than 600 kilometres along the Bohai and Yellow seas. The climate ranges from warm-temperate/semi-humid in the coastal and southern area, to continental and semi-arid in the west. The region is steeped in history. Shaanxi and Shandong are both considered cradles of Chinese civilization. Xi'an, capital of Shaanxi province, was the political, economic and cultural hub of China for 1100 years, until the 10th century.

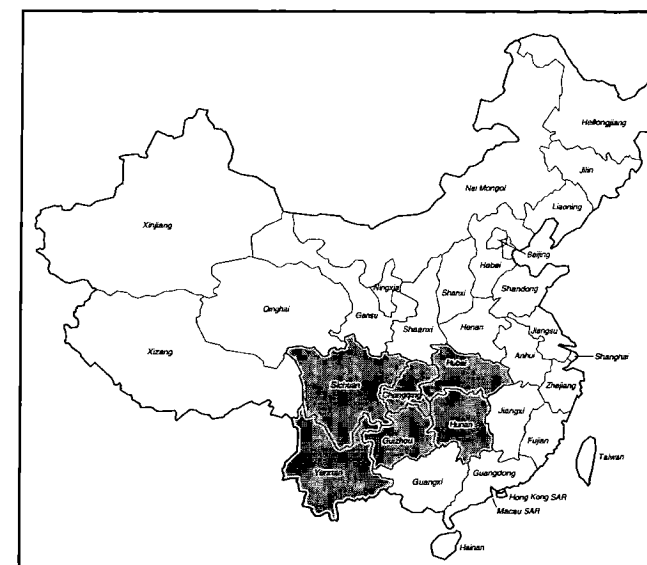
Beijing, the national capital, and the Beijing-Tianjin axis, are the economic heart of the region. Both municipalities have a provincial-level decision-making authority, and their economies are characterized by a strong and diverse industrial sector, including the automotive, information technology, electronics, pharmaceutical, chemical and petrochemical, and textiles sectors. The Beijing-Tianjin corridor constitutes a key consumer and service market, with a well-educated population enjoying a relatively high standard of living. The province of Hebei, which cradles the two metropolitan regions, serves as breadbasket and power source, and also boasts a well developed light industry sector.

Shandong, Beijing and Tianjin have their share of unprofitable state-owned enterprises, but can claim a high concentration of solid and well-established special economic and investment zones, attracting a great majority of the region's foreign direct investment. Shandong's large foreign investment is primarily Japanese and Korean. Tianjin and Qingdao (in Shandong) have excellent seaports, which are key access points for imports of raw material and exports of manufactured goods.

Shandong's strong agricultural sector is complemented by its excellent transportation infrastructure and by a number of leading industries. These include food processing, car manufacturing, iron and steel, oil fields, petrochemical, textile and cargo handling. Henan, Shaanxi and Shanxi have important manufacturing (automotive, aerospace and machinery) sectors, and generate significant agricultural production.

Because of its role as China's political centre its well-developed infrastructure, the Beijing-Tianjin axis is often the first choice of foreign companies locating in China. Given the economic strength and diversity of the industrial and service sectors in Beijing, Tianjin and Shandong in particular, Canadian companies should consider this region as one of the most suitable places to do business in this country.

Upper Yangtze and Southwest China



China's southwest region is made up of five provinces (Yunnan, Sichuan, Guizhou, Hunan and Hubei) and one newly established provincial-level municipality, Chongqing. The region occupies an area of 153 900 square kilometres and has a total combined population of 310 million.

The topography of Southwest China is diverse, ranging from flat plains to mountainous areas and with many basins and river valleys. Consequently, the region has a variety of climate types, ranging from tropical forest in Yunnan, to temperate in Hubei, to high-elevation mountain weather in Sichuan. In the south, the province of Yunnan borders Burma, Laos and Vietnam, a region with the greatest concentration of China's ethnic minority groups.

Although the development of Southwestern China has historically lagged behind that of the more prosperous coastal provinces, efforts by the Chinese government to foster the economic development of the interior have resulted in increased infrastructure spending. A large concentration of both heavy and light industry can be found in the provinces of Sichuan, Hubei and Hunan, including steel, automobiles, aerospace, high technology, mechanical engineering, construction materials, chemical and textiles. Yunnan and Guizhou are rich in natural resources, and have been drawing an increasing level of foreign investment into the region.

Sichuan and Chongqing are located in Southwestern China, approximately 2000 kilometres inland from Shanghai. Both are resource rich, with a strong agricultural base, mineral and natural gas deposits, and a combined population of 115 million. Although there is a mix of light and heavy industry, automotive, chemical and metallurgical plants predominate. Due to its geographic position far from the coast, there is very little export processing in this region, and most goods that are produced here are destined for China's domestic market.

Because of this region's relatively underdeveloped infrastructure and lower growth rates, the central government has a number of preferential policies to encourage foreign investors. In addition, many international financial institutions (IFIs) are now funding transportation, agricultural, energy and training projects in this region. Opportunities exist, particularly through these IFI-funded contracts, for Canadian consultants and providers of goods and services in transportation and telecommunications infrastructure; the energy industry sector (including hydroelectric power stations and comprehensive use of brown coal); the mining and refinery industry (based on non-ferrous metals); and agriculture (including fisheries and animal husbandry). For Canadian companies that are already familiar with China's coastal regions, this area provides additional opportunities for market development, although the consumer base is still relatively small.