

include food processing, car manufacturing, iron and steel, petrochemical, textile and cargo handling. Shandong is one of the provinces with the highest development potential. Taken together, the provinces of Henan, Hebei, Shandong, Shanxi and Shaanxi constitute one of the major agricultural bases in China.

Because it is China's main political centre and has a fairly well-developed infrastructure, the Beijing-Tianjin axis is often chosen by foreign companies for the establishment of their presence in China. Given the economic strength and diversity of industries in Beijing, Tianjin and Shandong in particular, Canadian companies involved in most of Canada's priority sectors, with perhaps the exception of mining, should consider this region as a suitable place to do business.

Shanghai and the Yangtze Delta

Centred on the coastal city of Shanghai, the Yangtze Delta region is the economic powerhouse of China. It leads the country in terms of the size of the market, economic output, regional GDP per capita, foreign investment, trade and consumer spending.

With 200 million people on a land base half the size of Alberta, the Yangtze Delta is one of the most concentrated markets in the world. Developmentally five to 15 years ahead of most of the other regions in China, the Yangtze Delta is an excellent location for Canadian firms to make their first foray into the Chinese market. Success, if achieved here, can be repeated in the other regions of China.

The Yangtze Delta contains 35 urban centres with more than 1 million people within 500 kilometres of Shanghai (the distance from Toronto to

Montreal). By comparison, there are only 32 cities of more than a million people in North America and only eleven in Japan.

Recent economic growth in the Yangtze Delta has been faster than in most of the Asian Tiger economies at any time during the past twenty years. Consumer demand and the ability to pay for it is rapidly increasing; purchasing power in Shanghai has already passed that of many urban areas in the more prosperous economies in Southeast Asia. The ongoing growth is transforming the Yangtze Delta from the economic powerhouse of China to a leading economic power globally. This growth will continue to create major commercial opportunities.

There is already significant business in the Yangtze Delta in areas not normally associated with developing economies: Jiangsu province is mainland China's largest investor overseas; luxury consumer goods sell briskly from deluxe department stores in Shanghai and Nanjing; North American rock bands play concerts on commercial terms to packed concert venues and live Canadian Atlantic lobster are sold in Chinese restaurants in several Yangtze Delta cities.

Notwithstanding the sheer population density and the number of major urban centres in the Yangtze Delta, as China's largest city, Shanghai is the undisputed focal point of the region. Known in China as the Head of the Dragon, Shanghai's economic watershed of 200 million people is the largest of any city in the world. As these people continue to grow richer at double digit levels, the city of Shanghai will regain its status as one of the world's leading commercial and economic centres, a position Shanghai held prior to the turmoil of the 1940s.

As China's wealthiest region — a full 65 per cent richer than second place Beijing — Shanghai leads the country in almost every economic measure, boasting the highest GDP per capita, the highest retail sales per capita and the highest gross value of industrial output per capita. A special relationship with the central government and a strong commitment to economic prosperity and modernization has allowed the Shanghai government to lead China in economic reforms and market-oriented experiments.

All these factors make Shanghai a logical starting point for firms looking to crack the mainland China market.

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 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 and contains vast altitudinal differences. It ranges from flat plains to mountainous areas and possesses many basins and river valleys. Consequently, the region has a variety of climate types, ranging from tropical forest in Yunnan, to temperate change in Hubei, to high-elevation mountain weather in Sichuan. In the south, the province of Yunnan borders Burma, Laos and Vietnam, a region that is home to many of China's ethnic minority groups.

Development of southwestern China has traditionally lagged behind the more prosperous coastal provinces, even though the region possesses abundant natural resources. In part, foreign

investment to this area has been deterred by a lack of infrastructure. However, recent assistance by the World Bank and the Asian Development Bank has contributed to the strengthening of transportation and communications networks in the region. The construction of the Three Gorges Project has also contributed to its accessibility.

China is now urging foreign governments and private enterprises to channel loans and investments toward the inland region. Under its Ninth Five-Year Plan, China has indicated that approximately 60 per cent of foreign capital soft loans will go to the central and western regions requiring financing for infrastructure development. Foreign investment incentives have also increased to a level more comparable to those of the coastal areas. These steps will accelerate efforts to explore and develop natural resources in this area.

The southwest region has some of the strongest economic power of the inland areas. A large concentration of both heavy and light industry can be found in the northeast section of this region in the provinces of Sichuan, Hubei and Hunan. These industries include 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.

Opportunities for investment or for exporting products and services exist in the development of the 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).