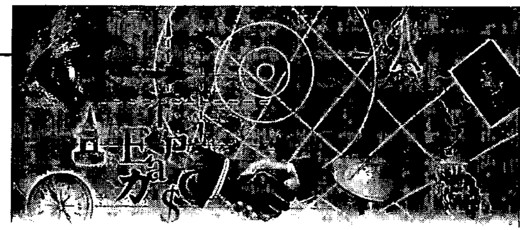


3. Regional Market Descriptions

Canada's commercial offices in China are strategically located to reflect the growing importance of our relationship with this country, and in recognition of the different regional characteristics and economic dynamics in the different parts of China. Although the regional profiles below outline some of these characteristics, the business environment can vary widely within each region. Canadian companies are encouraged to contact the relevant Commercial Office for information and advice.

The Canadian Embassy in Beijing facilitates Canada's bilateral relationship with the Government of the People's Republic of China and maintains close contacts with central government ministries and administrations in order to support commercial relations and economic interests. In addition, the Embassy monitors developments and promotes bilateral trade and development in its commercial territory, which includes the municipalities of Beijing and Tianjin, and the provinces/regions of Gansu, Guizhou, Hebei, Heilongjiang, Henan, Hubei, Hunan, Jiangxi, Jilin, Liaoning, Nei Mongol (Inner Mongolia), Ningxia, Qinghai, Shaanxi, Shandong, Shanxi, Xinjiang, Xizang (Tibet) and Yunnan.

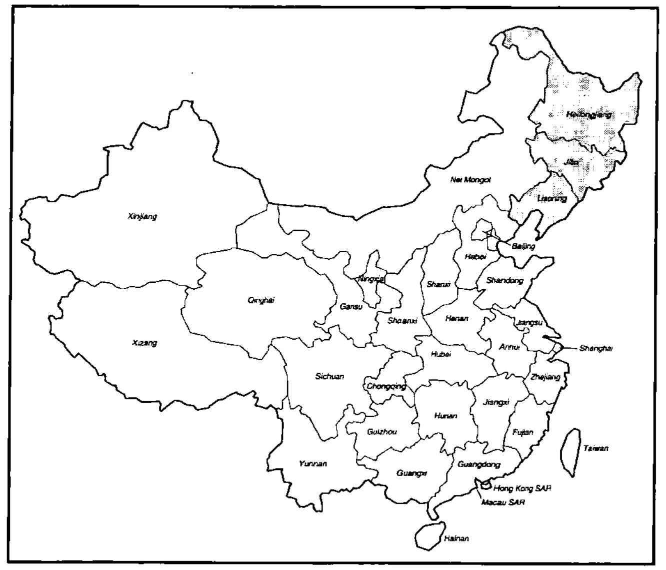
The Canadian Consulate General in Hong Kong maintains close contact across the broad spectrum of Canada's important relations, including trade and investment relations and economic development issues, within their territory of the Special Administrative Regions of Hong Kong and Macau.

The Canadian Consulate General in Shanghai manages Canada's commercial and economic relations with the municipality of Shanghai and the provinces of Anhui, Jiangsu, and Zhejiang.

The Canadian Consulate General in Guangzhou manages Canada's commercial and economic relations with the provinces of Guangdong, Fujian, Guangxi and Hainan.

The Canadian Consulate in Chongqing manages Canada's commercial and economic relations with the municipality of Chongqing and the province of Sichuan.

Northeast China



China's three northeastern provinces — Liaoning, Jilin and Heilongjiang — occupy 800 000 square kilometres and are home to 105 million people (9 percent of China's population), with a per capita GDP of $1000.

The climate of Northeast China is similar to much of Canada: a cold temperate zone covering most of the area, moderated by a long coastline, permitting year-round access to most of the province of Liaoning on the Bohai Sea. The region borders Russia with a 3000-kilometre common boundary, and North Korea, in addition to China's Inner Mongolia and Hebei.

Occupied in the 1930s by the Japanese, Manchuria became the first area of China to industrialize, supplying material for Japan's war effort through much of World War II. Following the establishment of the PRC, neighbouring USSR contributed funds and technology to a renewed industrialization of the region, so that by 1979, when China began to open its economy, the northeast held a major share of total capital goods production and chemical industrial capacity. Since that time, however, the region has become one of the "rust belts" of China, and is burdened with a disproportionate share of obsolete physical plant equipment and overstaffed, technologically out-dated state-owned enterprises. To address these serious problems, local governments are working aggressively and creatively, to attract domestic and foreign technology and capital infusion, and to improve management skills.

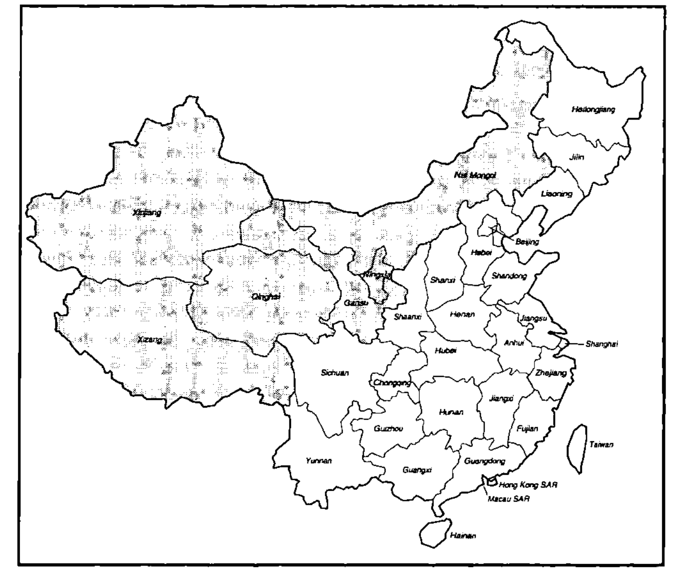
Blessed with abundant natural resources and a strong agricultural sector, this region is China's largest producer of many valuable commodities. Key resource-driven industries are agriculture (especially grain, dairy and livestock), forestry, fisheries and petroleum. Daqing, in Heilongjiang, has China's largest oilfield, producing 40 percent of China's declining output.

Transportation infrastructure is well developed, with road and rail networks providing links between all major centres, as well as to Hebei and Beijing. Ocean port facilities in Dalian handle nearly 70 percent of the region's exports. In addition, airport development in a number of cities is helping to enhance domestic and international trade links.

Canada's major advantages are in the supply of or investment in materials, services and technology for natural resource development (petroleum, minerals and forestry), infrastructure (airports, highways and telecommunications) and agriculture (grains, forages, livestock, food and fishery processing). The large geographic scale of the region and the relatively small population lend themselves to the extensive scale development common in Canada, and to the experience of Canadians.

Recent years have seen increased efforts on the part of governments in Canada and China to deepen and further develop economic partnerships in the northeast. Canada is particularly well positioned in Heilongjiang (twinned with the Province of Alberta) and Liaoning (which has an economic co-operation agreement with the Province of Quebec) who have both demonstrated sincere efforts to expand Canadian contacts and trade.

Northwest China



China's northwest is made up of four autonomous regions (Xizang, Xinjiang, Ningxia and Inner Mongolia) and two provinces, Qinghai and Gansu. They comprise about half of China's land area, but only 6.5 percent of its population. The region is mainly inhabited by minorities (Mongol, Tibetan, Uygur in Xinjiang and Hui in Ningxia), with significant percentages of majority Han in certain areas, particularly urban centres. Per capita GDP averages about 3500 RMB, or about $700, making it one of the poorest regions in China. Climatic conditions can be harsh, ranging from high plateau (Xizang) and desert (Xinjiang) to northern steppe (Inner Mongolia), with limited agricultural land.

The central government is an important player in the social and economic planning for the mainly Islamic territories of Xinjiang and Gansu. Over the years, there has been considerable Han immigration, diminishing the minorities' importance. Tibet and Inner Mongolia are home to significant numbers of ethnic minorities and nomadic peoples. China is pressing hard to further economic development in these regions (hence the need to open up).

The remote location, a challenging geography and a small population have contributed to the region having the most underdeveloped infrastructure base in the country. Air and rail connections are few, telecommunications facilities are generally poor outside of urban areas, and the power supply does not match growing requirements. Transportation, for example, typically accounts for 15 to 20 percent of export costs.