

The large 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.

## Northwest China

China's northwest is made up of four autonomous regions (Tibet, 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. They are mainly inhabited by minorities (Mongol, Tibetan, Uygur in Xinjiang and Hui in Ningxia), with significant percentages of majority Han in certain regions, particularly urban centres. Regional GDP is 3300 RMB, or about C\$550, making it one of the poorest regions in China.

Climatic conditions are generally harsh, ranging from high plateau (Tibet) and desert (Xinjiang) to northern steppe (Inner Mongolia), with relatively little good agricultural land.

Historically, the region is peripheral to the Chinese core, but perceived as being of strategic importance. Gansu and Xinjiang for example, are on the fabled Silk Road; control of the latter was contested for centuries, most recently at the turn of the century by Britain, Russia and China. Only following the establishment of the PRC in 1949 did China assert its authority in what was then known as the Chinese Turkestan. The central government is an important player in the political, social and economic planning for this mainly Islamic territory, and considerable Han immigration tends to dilute the minorities' importance.

A similar situation prevails in Tibet, and in Inner Mongolia, home to significant numbers of ethnic minorities and nomadic peoples. China has

to balance its objective of developing these regions (hence the need to open up), against the need to manage the political and social issues linked to the religious, ethnic and cultural contrasts with the rest of China.

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 capabilities are generally poor outside of urban areas, and the power supply is unequal to growing needs. Transportation, for example, typically accounts for 15 to 20 percent of export costs.

The situation is improving, however, with an explicit central government policy of encouraging foreign investment in western and minority regions, and an accelerated infrastructure program. Central and local governments offer several preferential tax treatment incentives, particularly in several Special Economic Zones or investment areas. These preferential policies seem to be having some positive effect. For example, by November 1996, Xinjiang had signed 861 foreign-invested contracts, which used US\$1.4 billion of FDI. As well, 14 new joint ventures were established in Tibet during the first eight months of 1996, compared to only 61 joint ventures during the previous eight years. Canadian investors are prominent in Gansu and Ningxia.

Northwest China's economy is less developed than that of eastern 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).

It does not suffer from a high state-owned enterprise debt burden, as is typical of regions heavily industrialized under central planning. 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). Several foreign companies are exploring for oil in the basins in Xinjiang and gold in the northwest. A growing petrochemical industry is taking shape in Xinjiang and Qinghai, which will gain in importance as China's oil and gas production shifts progressively west. Much of the hope for the region is centred on the development of these natural resources.

Business opportunities for Canada lie in the industries related to natural resources (oil and gas, minerals and forestry) and infrastructure (telecommunications, 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 325 million people (more than 27 percent of China's population) of which 120 million live in cities. The region covers 900 000 square kilometres and accounts for more than 25 percent of national gross domestic product (GDP), with a per-capita income ranging from C\$1000 to C\$1600.

Located in the eastern part of 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. Shaanxi, and Xi'an its capital, were the political, economic and cultural centres of China for 1100 years, ending around the 10th century.

Beijing, the national capital, and the Beijing-Tianjin axis, are the economic heart of the region. Both Beijing and Tianjin have the status and authority of a province. Their economies are characterized by a strong industrial sector, including the automotive, information technology, electronics, pharmaceutical, chemical and petrochemical, and textiles sectors.

The Beijing-Tianjin axis constitutes China's most important consumer and service market, with a well-educated population enjoying a relatively high revenue. The province of Hebei is the breadbasket and source of energy for both Beijing and Tianjin. Hebei also enjoys a strong light industry sector.

Shandong, Beijing and Tianjin are characterized by a high concentration of special economic and investment zones. This area attracts almost 90 percent of the region's foreign investment and 15 percent of total national foreign investment. Shandong's large foreign investment is characterized by a sizable proportion of Japanese and Korean interests. Tianjin and Qingdao (in Shandong) have excellent seaports, which are key access points for imports of 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