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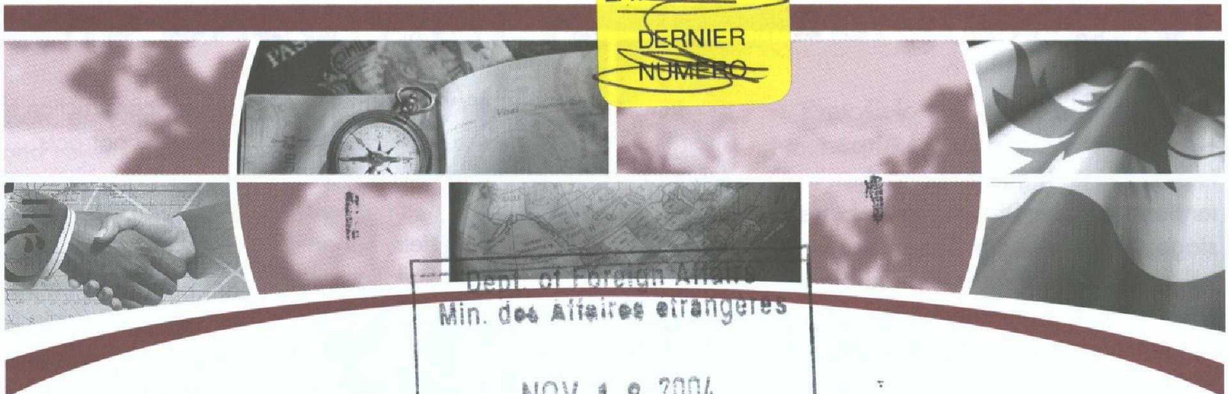
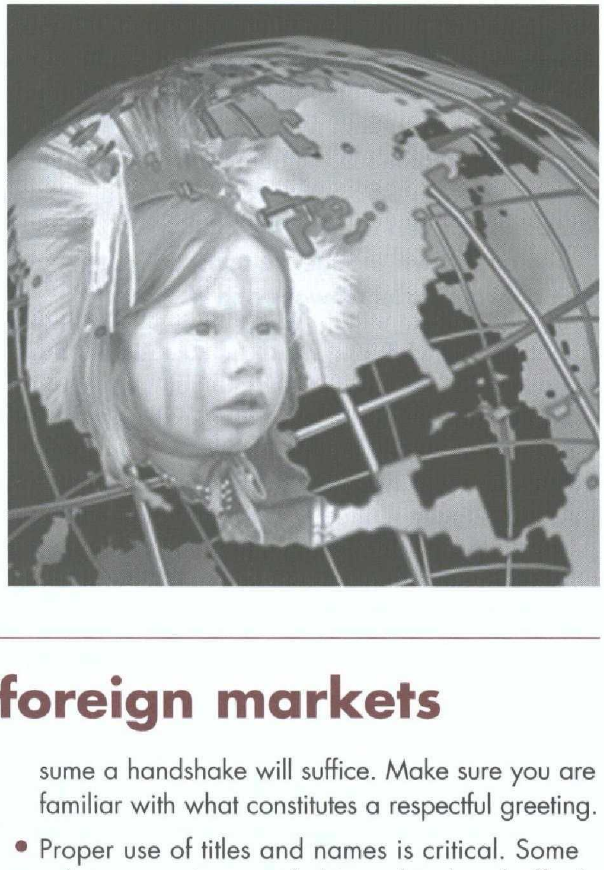


Aboriginal companies open for business with Virtual Aboriginal Trade Show

Aboriginal businesses in Canada are diverse, unique and offer a variety of products and services in sectors ranging from agri-food, natural resources, the environmental industry, and geographic information systems, to cultural industries, tourism and more. Some of these businesses are showcased on the Virtual Aboriginal Trade Show (VATS), an innovative Web site that brings international buyers and partners in contact with Canadian Aboriginal businesses and organizations.

International customers want to know more about Aboriginal products and services, and they can use VATS to find them. After all, Canadian Aboriginal businesses meet a variety of domestic and international needs. VATS raises awareness of Aboriginal business capabilities, helps identify opportunities,

continued on page 5 — **Aboriginal companies**



Vol. 22, No. 18-19
November 2004

Business etiquette for foreign markets

You have invested blood, sweat and tears—not to mention time and money—into your export strategy. You don't want to waste all of that effort by saying the wrong thing to your prospective client in Beijing or Sao Paulo. These tips and techniques will help keep you in the export game.

- Book meetings well in advance and confirm them within a week of travelling to your meeting.
- Be punctual even if you are conducting business in a country with relaxed attitudes toward time.
- Traditional greetings vary considerably. Do not assume a handshake will suffice. Make sure you are familiar with what constitutes a respectful greeting.
- Proper use of titles and names is critical. Some cultures remain strongly hierarchical and afford considerably more respect and prestige to titles. It is best to play it safe and use titles and surnames unless otherwise advised.

For more information about planning your export ventures, read *Step-by-Step Guide to Exporting* at www.exportsource.ca/stepbystep, or call Team Canada Inc's toll-free Export Information Service at 1 888 811-1119.

Tendering begins for new Doha airport

The massive expansion of Qatar's new Doha International Airport is getting into high gear and the tendering process for the first of three stages is set to begin. The airport will be the world's first to be designed specifically to handle the largest passenger aircraft ever—the two-floor Airbus A380-800.

The first phase of the airport should be completed by late 2008 at a cost of $2.5 billion. Upon completion of all three phases by 2015, the airport will be one of the largest and most modern in the world, with a planned annual capacity of 50 million passengers. The new airport could set the benchmark for all future airports and position Doha as a potential regional aviation hub rivalling the region's dominant hub in Dubai, where a $4-billion airport expansion project is underway.

The airport will include the construction of two parallel runways and a passenger terminal with 25,000 square metres of retail space, a separate royal terminal, a cargo terminal with a capacity of 750,000 tonnes per year, a free trade zone, three hotels, hangars, control tower and radar installation. Half the project's area of 2,200 hectares will be land reclaimed from the sea.

The second phase will extend the main terminal to boost annual capacity to 24 million passengers and add a suspended monorail, while the final phase will double the number of gates to 80 and further extend the terminal building to 416,000 square metres.

Tenders have already been issued for site security, excavation, reclamation and landfill engineering. Specialized contractors have also been invited to participate in prequalification for site survey, construction testing and technical services contracts.

Get connected

Canadian companies interested in pursuing tenders related to this project are advised to hire a local service agent to help pre-qualify them for bidding when a suitable tender package is advertised in local newspapers. An agent can also assist Canadian companies through the bidding phase. Additional tenders will be advertised by the end of this year or early next year, and will not be announced on any Web site.

For more information, contact the Doha International Airport Steering Committee, c/o Overseas Bechtel Inc., tel.: (011-974) 446-2888, fax: (011-974) 446-2899.

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Build your client base at U.S. construction show

Orlando, Florida — January 13-16, 2005 — The **International Builders Show (IBS)** is the largest building and design exhibition in the U.S. and is attended by over 100,000 designers, builders, architects, developers, engineers, merchants and key decision makers. This exhibition offers Canadian businesses an ideal venue to build their U.S. client base.

This year's pavilion is being organized by Canadian Export Development Inc. (CEDI), in cooperation with the Canadian Consulate General in Atlanta. Canadian companies will be able to display their products and services as they pursue business opportunities with customers from around the world.

The Consulate General will target key decision makers and buyers in government and the private sector to visit the Canadian pavilion. In conjunction with IBS 2005, the Consulate General will organize an incoming buyers mission from the Caribbean and Latin America. Participants can also have one-on-one meetings with potential clients and participate in a seminar program.

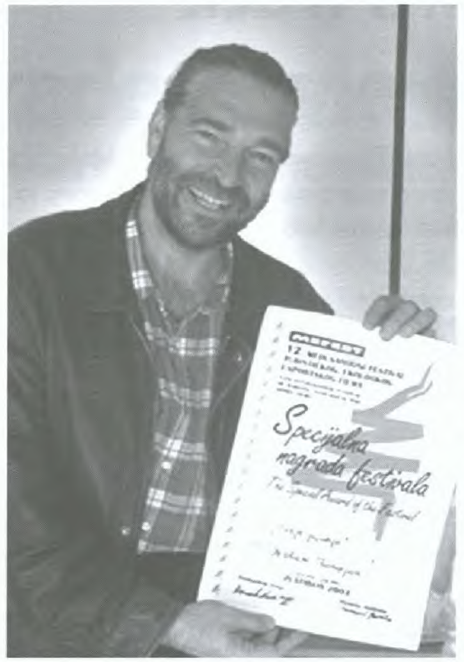
Canada will have the only national pavilion at IBS 2005 and it will be located next to the show's main entrance. **For more information**, contact Robert Grison, Director of Operations, CEDI, tel.: (613) 825-9916, fax: (613) 825-7108, e-mail: cced@sympatico.ca.

Due to the recent PSAC strike, the two November issues of CanadExport have been combined into one.

Métis new media artist wins film award

Graham Thompson, an Ottawa-based digital and new media artist, received the Special Jury Award for his film *The First Sunrise* at MEFEST, the International Ecological, Tourist and Sport Film Festival, which was held in Zlatibor, Serbia, in September. His film won in the ecological film category.

The film was inspired by the meaning of the East, as taught by the Anishinaabe People of North America. "This video seeks to express the beauty, power and mystery of the East. As it is from the East that we witness the sunrise, the start of a new day, and symbolically, the birth of our universe," says Thompson. The animations in the film were developed through a process of scanning, tracing and processing hand drawn images. For the soundtrack, Thompson recorded wetland sounds mixed in with electronic keyboard.



Graham Thompson after winning the Special Jury Award at the International Ecological, Tourist and Sport Film Festival, for his film The First Sunrise.

Thompson, a member of the Métis Nation of British Columbia, graduated from York University (BFA) in 1983 and from the British Columbia Institute of Technology in 1986. Thompson has gained an international reputation by winning new media design awards from the International Digital Art Awards of Australia, the International Association of Webmasters and Designers of Florida, Cool Site of the Day of New York, the Digital Giraffe of California, and Art Space of Manitoba.

To read more about international Aboriginal affairs, see Issue 23 of **Canada World View**, Foreign Affairs Canada's quarterly foreign policy magazine, on-line at www.international.gc.ca/canada-magazine.

Canadian firm gets on board Turkish rail project

CANAC Inc., a Canadian railway consultancy services company, has recently signed a contract worth $793,000 with Turkish State Railways (TCDD) to provide consulting services as part of the railway's restructuring plan. The project will be funded by a grant from the World Bank.

The company will conduct a study to assist in the preparation of the railway restructuring plan, which is seeking to reduce TCDD's financial burden on public finances and increase the competitiveness of the Turkish economy by opening the railway sector to private companies.

CANAC's study will support work on the railway's employment restructuring, the need for personnel retrenchment or re-deployment, capacity building, and the improvement of the railway network's physical infrastructure on some routes.

The company's studies will also take into account more efficient and economical working methods. CANAC studies will consider European Union (E.U.) standards and include short-, medium- and long-term plans that TCDD can follow during subsequent phases of the reconstruction. The study is an important step, one that will enable Turkey to meet E.U. directives related to transportation, and reduce costs associated with the eventual entry into the E.U. market.

CANAC started the study project in October and is one of the important stages in a larger upgrade of the Turkish railroad network. The company's research, which will guide its recommendations, will be completed in early 2005.

Opportunities

The Turkish government is giving special priority to major transportation and telecommunications infrastructure development, particularly in improving the Turkish railway network, various urban transit systems, ports and regional airport expansion projects. Important upcoming projects include the Bosphorus underwater tunnel, and surface metro construction in Istanbul.

International Trade Canada (ITCan) is currently putting together a market study of the Turkish rail and urban transit sector that will provide an overview of potential project opportunities in this sector. The market study will be completed in 2005 and posted on ITCan's Web site at www.itcan.gc.ca.

For more information, contact Can Ozguc, Business Development Officer, Canadian Embassy in Turkey, tel.: (011-90-312) 459-9353, fax: (011-90-312) 459-9365, e-mail: can.ozguc@international.gc.ca.

Canada-Southeast Asia trade on upward track

Amid a surge in Canadian exports to Southeast Asia, enthusiasm for investment in the region continues to rise, with a recent survey indicating that, with the exception of China, Canadian attitudes are more bullish about Southeast Asia than any other region in the Asia-Pacific.

The member countries of the Association of Southeast Asian Nations (ASEAN) comprise Canada's second-largest emerging market export destination after China, thanks to robust economic expansion—expected to average 4.5% this year—and strong domestic demand. So far this year, Canadian exports to the region have experienced explosive growth.

According to Statistics Canada, in the first six months of 2004, Canadian exports to ASEAN partners rose 32% over the same period last year, varying from 8% growth in exports to Malaysia to an enormous 80% rise in exports to Indonesia. Two-way trade totalled $5.3 billion during that period, compared with $1.1 billion for India.

Canadian businesses are also expanding beyond the usual export sectors, such as cereals and wood pulp, into diverse areas ranging from agri-food to aerospace. Science and technology is one area gaining in importance and Canada has been very active in fostering linkages with ASEAN partners in sectors such as food processing, life sciences and environmental technologies. Among the Canadian firms that have made inroads into the market are Nortel Networks (www.nortelnetworks.com), Inco (www.inco.com) and Manulife Financial (www.manulife.com).

And Canadian businesses appear upbeat about prospects in the region in the coming months. In a survey conducted earlier this year by the Asia Pacific Foundation of Canada (www.asiapacific.ca), 16% of respondents stated they were interested in investing in the Southeast Asia region in the next 12 months. This was up from 14% in 2003. Only China attracted more interest in the Asia-Pacific region at 17%, while 7% of respondents were eyeing Japan and 8% mulling India.

While investment intentions are strong, ASEAN is already a major destination for Canadian investment in Asia. Last year, Canadian foreign investment in the region exceeded $11 billion, more than investment in China, Japan and India combined and more than double 1997 levels.

For more information, contact International Trade Canada's Southeast Asia Division, tel.: (613) 996-8187.

Canadian dental care arrives in Vietnam

Vietnam's largest city now has one more reason to smile. Ho Chi Minh City is home to a new state-of-the-art dental clinic, opened in early September by the Canadian firm **Maple Healthcare** (www.maplehealthcare.net) to meet the increasing demand for better dental care services and to cater to tourists seeking cheaper treatments.

"Vietnam is growing rapidly and its citizens are beginning to demand world-class health care," says Dr. Andrew H.F. Tsang, the venture's director, principal dentist and clinical instructor at the University of British Columbia. "We are positioning Maple Healthcare to take full advantage of this new trend."

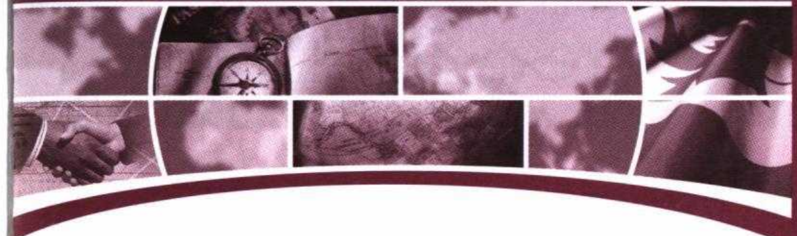
The $2.6-million dental clinic offers services ranging from cosmetic and laser dentistry to orthodontics and dental implants. It houses eight dental rooms, all fitted with the most advanced dental equipment available. This high-tech equipment includes Vietnam's first digital scanner and dental laser.

The company sees significant opportunities in teeth whitening, a procedure that can cost anywhere from $400 to $1300 abroad but just $130 to $260 at Maple Healthcare, thanks to lower overhead costs.

The clinic hopes to market its services to the city's increasingly affluent middle class, as well as to expatriate residents. It also hopes to tap into the lucrative trend of healthcare tourism, a sector that in 2002 brought more than 60,000 "visiting patients" from Europe and Asia to Thailand alone.

Maple Healthcare's investment comes at a time of booming economic growth in Ho Chi Minh City. This positive business outlook is due to Vietnam's planned accession to the World Trade Organization by 2005-2006 and the country's ongoing economic liberalization. The company is already eyeing possible expansion to Vietnam's capital, Hanoi, and the city of Danang.

For more information, contact Robert Coleman, Trade Commissioner, Canadian Embassy in Vietnam, e-mail: hochi-td@international.gc.ca.



Canadian Trade Review

A Quarterly Review of Canada's Trade Performance–Second Quarter 2004

This review reports on Canada's continued economic growth in the second quarter of 2004, and highlights our trade and investment performance in key sectors and markets.

Broad-based Export Growth Pushes Up Quarterly Economic Expansion

Growth in exports helped to accelerate the Canadian economy's rate of expansion in the second quarter, as real gross domestic product (GDP) expanded by 4.3% (annualized)[1] —up from 3.0% the previous quarter.

South of the border, final estimates indicate that US GDP expanded in the second quarter by 3.3% -down from 4.5% in the first quarter. Growth in Canada's other major markets in the second quarter varied: in the EU it was 2.0%, while in Asia, Japan registered 1.7% and China 9.6% (the latter comparing second quarter GDP with the same quarter a year earlier).

The economic expansion in Canada was led by robust export growth, while consumer spending leveled off in the second quarter. The housing boom continued, albeit at a slower pace, and business investment in plant and equipment only advanced modestly.

Exports of goods and services advanced at a blistering 41.0%, while imports expanded by 29.1%. The surge in exports spurred a 1.6% increase in manufacturing output as 17 of 21 manufacturing groups—led by transport equipment manufacturers— expanded over the quarter. Similarly, increased exports and imports also supported expanded rail and truck transportation services.

With exports advancing at a faster pace than imports, the trade balance improved by $ 14.6 billion in the quarter. However, an offsetting $5.8 billion decline in investment income reduced the improvement in the current account to $8.7 billion.

Table 1: Canada's Economic and Trade Indicators

Percent Change at Annual Rates Second Quarter 2004 over First Quarter 2004	
Real GDP *(annualized)*	4.3
Employment *(quarterly increase, level)*	130,400
Rate of Unemployment *(quarterly average)*	7.3
Consumer Price Index *(first quarter 2004 over first quarter 2003)*	
All Items	2.2
Core *(excludes food and energy)*	1.7
Canadian $ in U.S. funds *(average for quarter, level)*	0.7358
Exports of Goods and Services *(annualized, current dollars)*	41.0
Imports of Goods and Services *(annualized, current dollars)*	29.1

Source: Statistics Canada

Job creation in Canada resumed in the second quarter, after a net loss in the first quarter. The net quarterly increase was 130,400, with some 92% added as full-time positions. With this development, the average unemployment rate for the quarter fell to 7.3% from 7.4% the previous quarter.

Inflation increased to 2.2% in the second quarter after falling to 0.9% in the previous quarter. Core inflation increased more moderately—from 1.3% to 1.7%—over the quarter.

The Canadian dollar was down 3.0% vis-à-vis the American dollar in the second quarter—the quarterly average value of the "Loonie" was 73.58 US¢.

1 To make quarterly data comparable to annual data, the quarterly figures for trade in goods and services are adjusted for seasonality and are expressed at annual rates by raising them four times, i.e. seasonally adjusted annual rates - s.a.a.r. All figures, with the exception of investment figures, are expressed on an s.a.a.r. basis, unless otherwise noted.

Prepared by the Trade and Economic Analysis Division (EET)

Trade and Investment Highlights

Goods Exports Growth Outpaces Goods Imports Expansion

Exports of Canadian goods and services expanded by 41.0% in the second quarter (Figure 1). Goods exports expanded by 46.7%, while services exports increased by a much more modest 7.3%.

Imports of goods and services expanded by 29.1% in the quarter, reflecting a 35.0% increase in commodity imports and an 4.3% expansion in services imports.

Merchandise exports increased $40.7 billion (up 46.7%), as all major sectors experienced advances (Figure 2). Automotive sector exports advanced $8.2 billion (or 43.8%), industrial goods $8.1 billion (or 52.7%), the energy sector $7.9 billion (or 62.6%), the machinery and equipment sector $6.4 billion (or 32.1%), the forestry sector $5.6 billion (or 76.6%), agriculture products $3.5 billion (or 56.3%) and consumer goods $1.2 billion (or 29.7%).

Merchandise imports advanced by $26.4 billion —led by the machinery and equipment sector (up $8.3 billion or 38.2%), industrial goods (up $6.6 billion or 46.1%), the automotive sector (up $3.6 billion or 21.3%), the energy sector (up $3.3 billion or 80.7%) and consumer goods (up $2.4 billion or 23.1%).

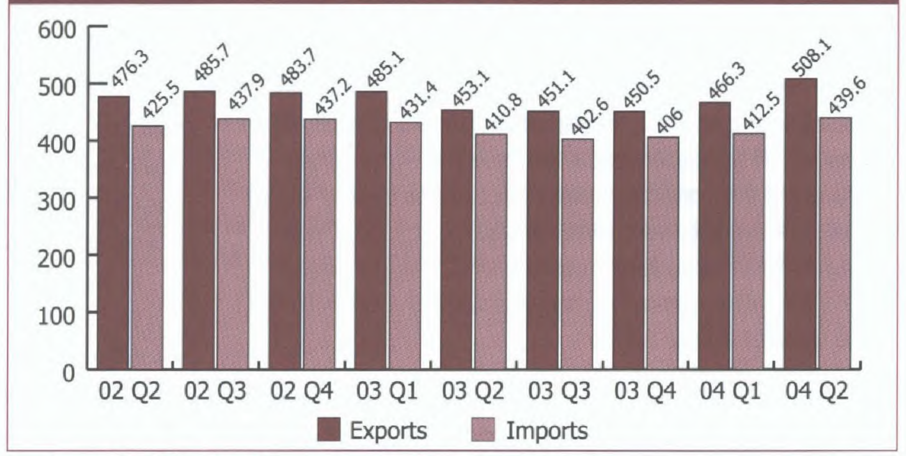
On a destination basis, merchandise exports to the US increased by $33.1 billion, or 46.4%, and accounted for just over 80% of the increase in overall quarterly exports. Shipments to non-OECD countries advanced by $3.1 billion (up 57.0%), and were up by $2.2 billion to Other OECD countries (up 77.9%), by $1.5 billion to the EU (up 26.4%), and by $0.9 billion to Japan (up 38.5%).

Merchandise imports from the US expanded by $15.5 billion (up 29.0%). Imports from Other OECD countries increased by $4.0 billion (or 101.9%), were up by $3.8 billion (or 45.3%) from non-OECD countries, advanced by $2.8 billion (or 37.6%) from the EU, and grew by $0.4 billion (or 15.0%) from Japan.

With goods exports expanding at a faster pace than goods imports, the merchandise trade balance increased by $14.3 billion in the quarter, to $80.2 billion on an annualized basis. A $17.5 billion increase in the merchandise trade balance with the US combined with an $0.5 billion improvement in the trade balance with Japan were partially offset by deteriorating trade balances with Other OECD countries (down $1.8 billion), with the EU (down $1.3 billion), and with non-OECD countries (down $0.7 billion).

Figure 1: Canada's Trade in Goods and Services

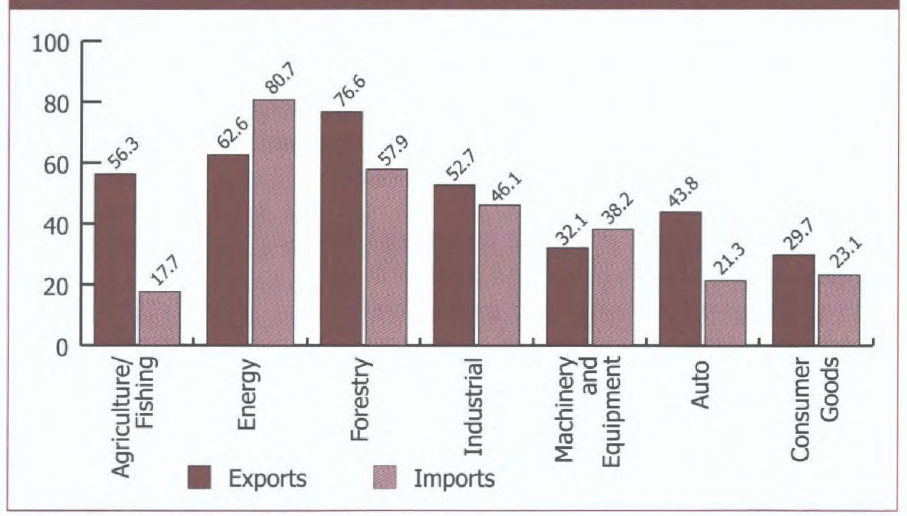
(Billions of Dollars, Annualized)



Source: Statistics Canada

Figure 2: Canada's Trade by Commodity

Second Quarter 2004 over First Quater 2004 (Annualized, Percent Change)



Source: Statistics Canada

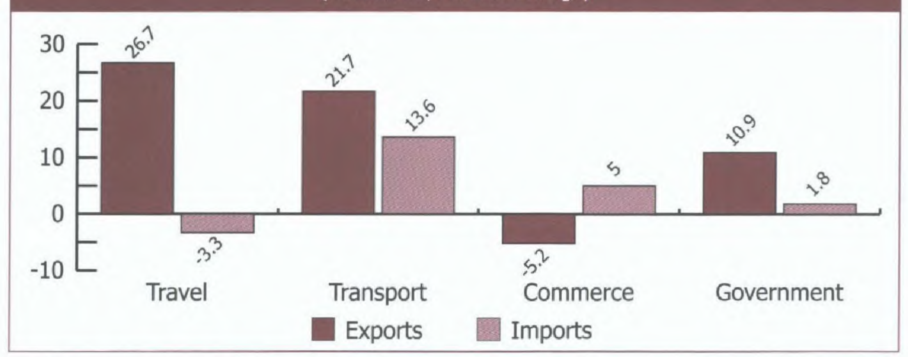
Both Services Exports and Imports Expand

Services exports also increased by $1.1 billion in the second quarter. Gains were particularly strong in the travel sector (up 26.7% or $0.9 billion) and the transport sector (up 21.7% or $0.5 billion), while exports of government services increased more modestly (Figure 3). Offsetting these increases was a $0.4 billion decline in commercial services exports (down 5.2%).

Services imports advanced $0.8 billion. Imports of transport and commercial services each increased by $0.5 billion, while government services imports stayed flat and travel services imports fell by $0.2 billion. Overall, the quarterly services trade deficit narrowed to $11.7 billion on an annualized basis from $12.0 billion the previous quarter.

Figure 3: Canada's Trade in Services by Type

Second Quarter 2004 over First Quater 2004 (Annualized, Percent Change)



Source: Statistics Canada

Outward Foreign Direct Investment (FDI) Flows Exceed Inward FDI Flows

Flows of Canadian Foreign Direct Investment Abroad (CDIA) were $33.0 billion in the second quarter of 2004 - substantially up from the $2.7 billion recorded in the same quarter in 2003. Increased CDIA flows in the finance & insurance sector accounted for some $22.0 billion of the increase, accompanied by smaller advances in the energy & mineral sector (up $3.8 billion), the wood & paper sector and the services & retail sector (up $2.9 billion each). Only machinery & transport recorded a slight decline in CDIA flows—down $0.9 billion over the same quarter a year earlier.

Regionally, outward flows to the US were up substantially (up $26.8 billion) together with enhanced flows to the EU (up $3.5 billion) and Japan (up $0.3 billion). These advances were only marginally offset by declining CDIA flows to Other OECD countries (down $39 million) and non-OECD countries (down $299 million).

Foreign Direct Investment (FDI) flows into Canada were $3.3 billion in the second quarter of 2004, down from $5.7 billion in the same period a year earlier. The largest decline in inflows was in machinery & transport (down 2.0 billion), followed by energy & minerals (down $585 million), services & retail (down $164 million) and finance & insurance (down $131 million). Only wood & paper registered an increase in the second quarter (up $429 million).

From an origin perspective, inflows fell as a result of a drop in US investments (down $2.6 billion), which were only partially offset by increased inflows from Japan (up $118 million) and the EU (up $105 million).

Canada's Official International Reserves Remains Unchanged

Canada reduced its official reserves holdings by $243 million in the second quarter of 2004, compared with a $229 million reduction in the same quarter in 2003.

Foreign Direct Investment (FDI) in China

Overview

Throughout the 1990's investment inflows into the developing economies increased steadily. As a result, their share in total world investment increased until the late 1990's, when a spree of merger and acquisition activity – largely confined to the developed countries- reversed this trend. However, with the global slowdown beginning in the year 2000, world FDI flows fell markedly, particularly in the developed economies, and the share of the developing countries began to rise again (Figure 4).

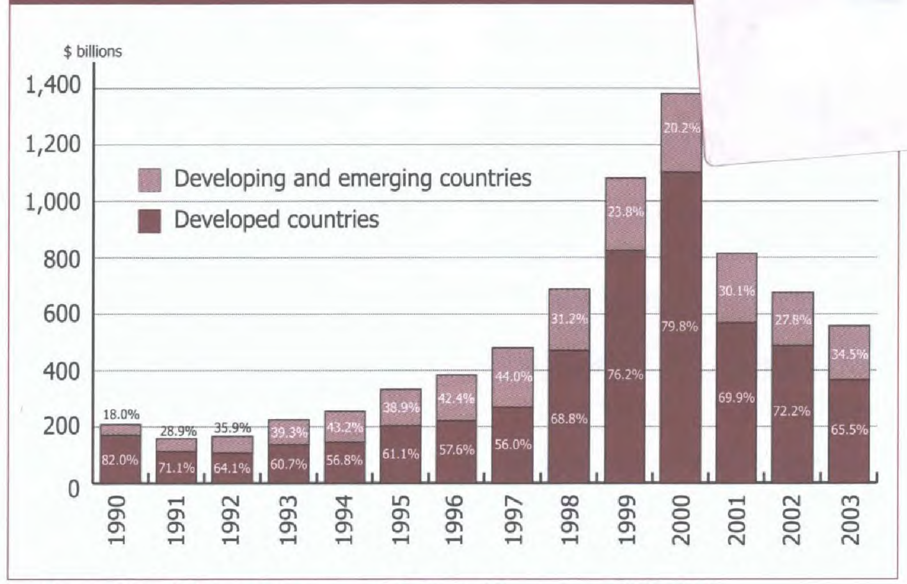
China attracts an increasing share of world FDI flows

Historically, the United States (US) has attracted the largest amount of annual FDI flows (Figure 5). However, over the 1990s, China[2] began attracting increasingly larger amounts of FDI flows. Accordingly, China's share of global FDI inflows jumped from 1.7% in 1990 to peak at 10.7% in 1995.

As investment inflows into the US slumped markedly between 2001 and 2003, China supplanted the US as the top country for FDI inflows last year.

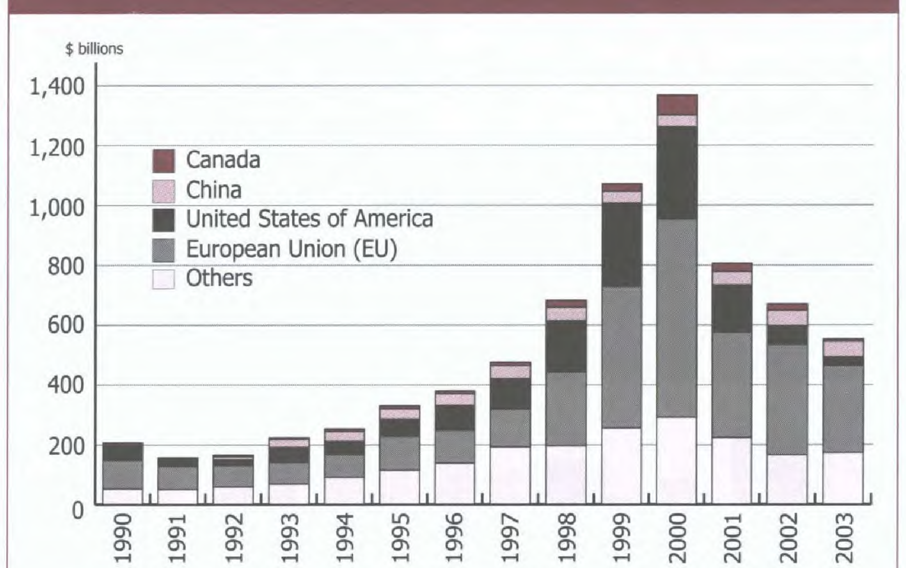
From a different perspective, China increased its share of global FDI inflows into developing countries from 9.3% in 1990 to 27.7% in 2003 and its share of FDI into Asian developing countries from 14.4% to 49.9% over the same period.

Figure 4: World FDI Inflows



Source: United Nations Conference on Trade and Development (UNCTAD); World investment Report 2004 (www.unctad.org/wir)

Figure 5: World FDI Inflows Into Select Countries and Regions



Source: United Nations Conference on Trade and Development (UNCTAD); World investment Report 2004 (www.unctad.org/wir)

With the increase in these inflows, China's share of the global FDI stock thus advanced from 1.3% in 1990 to 6.1% in 2003. China's share now lags only those of the US (18.8%), the UK (8.2%) and Germany (6.6%).

1 Although, when aggregated, FDI flowing into the European Union (EU) countries accounted for about half of the world total in 2000-2003.

2 For the purpose of this analysis, China refers to the People's Republic of China, but excludes Hong Kong and Macau.

FDI inflows are important to China's economic development

Investment inflows into China have become increasingly important to China's economic development, as outlined in Table 1.

The share of FDI inflows in China's Gross Fixed Capital Formation (GFCF) jumped from 1.9% in 1985 to 14.8 % in 1995 before settling back to 12.4% in 2003. Thus, with the increase in FDI inflows, the share of FDI flows in GFCF in China in 2003 has surpassed the ratio for developing countries in Asia (9.3%) as well as the share for all developing countries (10.0%).

Inward FDI flows amounted to 6.1% of exports and 3.9% of imports in 1985 and rose to 24.1% and 27.8%, respectively, in 1995. However, as China's exports and imports expanded at a faster pace than FDI inflows in the following years, these shares have slipped back to 17.6% and 19.2%, respectively, in 2001. These shares nevertheless exceeded the averages registered for all developing countries in 2001 – 10.2% and 10.7% for the share of FDI flows in exports and imports, respectively.

In per capita terms, FDI inflows increased from US$ 1.6 per person in 1985 to US$ 37.10 in 2001. Due to its sizeable population, China lagged somewhat the average per capita FDI inflow into developing countries in 2001 (US$ 40.80), but is still more than 11 times greater than that for India (US$ 3.30 per person).

Table 1: FDI in China's Economy

	1985	1990	1995	2000	2001	2002	2003
FDI inflows, share of Gross Fixed Capital Formation (GFCF)	1.9%	3.5%	14.8%	10.3%	10.5%	11.50%	12.4%
FDI inflows, share of Exports	6.1%	5.6%	24.1%	16.4%	17.6%	n.a.	n.a.
FDI inflows, share of Imports	3.9%	6.5%	27.8%	19.8%	19.2%	n.a.	n.a.
FDI inflows per capita (US$)	1.6	3.1	29.9	32.5	37.1	n.a.	n.a.
FDI inward stock, share of GDP	3.4%	7.0%	19.6%	32.2%	33.2%	35.4%	35.6%
Foreign Investment Enterprises (FIE):							
Share of industrial output	n.a.	2.3%	14.3%	31.3%	28.0%	33.4%	n.a.
Share of total trade	n.a.	n.a.	n.a.	n.a.	n.a.	53.1%	57.1%
Share of exports	n.a.	n.a.	n.a.	n.a.	n.a.	52.1%	55.8%
Share of imports	n.a.	n.a.	n.a.	n.a.	n.a.	54.2%	58.6%

n.a. indicates data not available

Source: United Nations Conference on Trade and Development (UNCTAD); World investment; Ministry of Commerce of the People's Republic of China -MOFCOM (www.fdi.gov.cn)

Cumulative inward FDI, or the inward FDI stock in China, has expanded faster than Gross Domestic Product (GDP) over the last 20 years. Therefore, the size of the inward FDI stock in relation to GDP has increased from 3.4% in 1985 to 35.6% in 2003, and now exceeds the average relative size in Asian developing countries (30.3%), as well as the average for all developing countries (31.4%). However, it should be pointed out that among other East Asian countries in 2003, the relative size of inward FDI stock reached 50.6% in Vietnam and 57.2% in Malaysia, while inward FDI stock only represented 5.4% of GDP in India.

In parallel with increasing inward FDI, the role of foreign investment enterprises (FIE) in China's economy has also seen considerable expansion. The FIE's share of Chinese industrial output increased from 2.3% in 1990 to 33.4% in 2002. In 2003, FIE's accounted for 55.8 % of exports, 58.6% of imports, and a combined 57.1% of total trade.

Geographical distribution of FDI in China

Economic reforms in the late 1970s and the establishment of Special Economic Zones (SEZs) in the southern provinces of Guangdong and Fujian laid the foundation for opening China to FDI inflows. In the 1980s, additional SEZs were established in Hainan and in 14 coastal cities. Although additional economic reforms in the 1990s opened the rest of China to FDI, China's eastern region attracted 88% of inward

Table 2: FDI inflow by sector, 2000

Sector	Approved Projects		Implemented projects		
	Number	Value (US$ million)	Value (US$ million)	Share (percent)	
Agriculture, forestry, stock raising, fishery	821	1,483	676	1.3%	*
Mining industry	162	506	583	1.1%	*
Manufacturing industry	15988	46,048	27,516	53.0%	*
textile industry	801	2,015	1,392	5.1%	**
chemical materials and products industry	986	2,596	1,796	6.5%	**
pharmaceuticals manufacturing	268	912	523	1.9%	**
general machine manufacturing	613	1,634	1,047	3.8%	**
special equipment manufacturing	689	1,068	528	1.9%	**
electronic and telecommunication equipment	1,529	11,379	4,627	16.8%	**
Electric power, coal gas and water utilities	107	2,015	1,392	2.7%	*
Construction industry	233	2,596	1,796	3.5%	*
Geology survey and management of water resources	7	912	523	1.0%	*
Transportation, warehousing, post and telecom services	306	1,634	1,047	2.0%	*
Wholesale, retail and restaurants	852	1,068	528	1.0%	*
Finance and insurance	5	11,379	4,627	8.9%	*
Real estate	684	1,227	2,242	4.3%	*
Society services	2679	15	5	0.0%	*
Hotel	72	1,440	1,045	2.0%	*
Health, sports and social welfare	31	1,435	858	1.7%	*
Education, culture and art, broadcasting and film	19	79	76	0.1%	*
Science, research and technology services	100	5,232	4,658	9.0%	*
Others (unallocated)	353	5,049	4,357	8.4%	*

* share of the value of implemented projects, 2000
** share of the value of implemented projects in the Manufacturing sector

Source: Ministry of Commerce of the People's Republic of China -MOFCOM (www.fdi.gov.cn)

FDI between 1983 to 1998, despite accounting for only 29% of China's GDP. On the other hand, the central region (which accounts for 29 % of GDP) attracted a mere 9% of FDI and the western region (accounting for 23% of GDP) only attracted 2% of FDI[3].

FDI inflows by sector

FDI into China is heavily concentrated in the manufacturing sector (Table 2). In 2000, manufacturing accounted for over half of FDI inflows, followed by science, research and technology services (9.0%), finance and insurance (8.9%), and real estate (4.3%). Within the manufacturing sector – of those industries for which we have data - electronic and telecommunication equipment accounted for 16.8% of inward investment followed by chemicals (6.5%), and textiles (5.1%).

FDI by type

The leading form of FDI into foreign investment enterprises in China is equity joint ventures, which accounted for 42.9% of inward FDI stock in 2002 (Table 3). Wholly foreign-owned enterprises (37.0%) and contractual joint ventures (18.5%) account for the bulk of the remainder of FDI in China.

Major source countries for FDI into China

The top sources for FDI inflows into China in 2002 are listed in Table 4. For this year, Hong Kong provided

3 "Foreign Direct Investment in China: Some Lessons for Other Countries", W. Tseng and H. Zegreb, IMF Policy Discussion Paper, PDP/02/3, 2002

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Table 3: Inward FDI Stock in China, by type, 2002

Type of FDI	Approved Projects				Implemented Projects	
	No.	Share (percent)	Value		US$ million	Share (percent)
			US$ million	Share (percent)		
Total (all types)	424,196	100.0%	828,059	100.0%	447,966	100.0%
Equity Joint Venture	225,883	53.2%	327,548	39.6%	192,204	42.9%
Contractual Joint Venture	52,965	12.5%	163,319	19.7%	82,783	18.5%
Wholly Foreign -owned Enterprise	145,165	34.2%	332,538	40.2%	165,616	37.0%
Joint Exploration	183	0.0%	4,654	0.6%	7,364	1.6%

* share of the value of implemented projects, 2002

Source: Ministry of Commerce of the People's Republic of China -MOFCOM (www.fdi.gov.cn)

Table 4: FDI Inflows into China; Major Sources Countries, 2002
Unit: US$ million

Country/Region	Number of projects		Approved projects		Implemented projects	
	Number	Source country share (percent)	Value (US$ million)	Source country share (percent)	Value (US$ million)	Source country share (percent)
Total	34,171	100.0%	82,768	100.0%	52,743	100.0%
Hong Kong	10,845	31.7%	25,202	30.4%	17,861	33.9%
Virgin Islands	1,959	5.7%	12,650	15.3%	6,117	11.6%
USA	3,363	9.8%	8,156	9.9%	5,424	10.3%
Japan	2,745	8.0%	5,298	6.4%	4,190	7.9%
Taiwan	4,853	14.2%	6,740	8.1%	3,971	7.5%
Korea, Rep.	4,008	11.7%	5,282	6.4%	2,721	5.2%
Singapore	930	2.7%	2,785	3.4%	2,337	4.4%
Cayman Islands	199	0.6%	2,258	2.7%	1,180	2.2%
Germany	352	1.0%	915	1.1%	928	1.8%
UK	334	1.0%	1,142	1.4%	896	1.7%
West Samoa	533	1.6%	1,878	2.3%	879	1.7%
Canada	708	2.1%	1,148	1.4%	588	1.1%
France	162	0.5%	879	1.1%	576	1.1%
Netherlands	127	0.4%	516	0.6%	572	1.1%
Mauritius	245	0.7%	705	0.9%	484	0.9%

Source: Ministry of Commerce of the People's Republic of China -MOFCOM (www.fdi.gov.cn)

more than one third of FDI inflows (down from about 50% during the 1990s), followed by Virgin Islands (11.6%), USA (10.3%), Japan (7.9%), Taiwan (7.5%), and the EU (7.0%).

Although China offers many seemingly lucrative investment opportunities to foreign investors, there are a number of structural impediments that investors need to take into account. These include such hurdles as a complex incentive and tax system, the possibility of political intervention in investment decisions, and a weak legal structure to implement regulations safeguarding the interests of foreign investors. For these reasons, a certain portion of foreign investment projects approved by the Chinese authorities may never come to fruition, or may be severely delayed.[4]

China's share of outward FDI from major OECD countries

China's share of total outward FDI stocks in select OECD countries over 1990-2001 is presented in Table 5. In 2001, only four OECD countries registered FDI holdings in China exceeding one percent of total their FDI stock – Korea (17.0%), Japan (3.1%), Germany (1.1%) and Poland (13.6%). Among these, Korea and Poland have distinctly focussed on enhancing their respective FDI holdings in China, while Japan and Germany have been increasing their FDI holdings in China at a slower pace.

4 See "Doing business in China – fools rush in", The Economist, August 7, 2004, p.50, for a sample of obstacles encountered by foreign investors in China.

From a North American perspective, it is evident that China has become a more prominent destination for US outward FDI holdings – the share accounted for by China increased from 0.4% in 1995 to 0.8% in 2001. On the other hand, the share of Canada's FDI stock invested in China stayed in the 0.2-0.3% range throughout the same period.

Outward FDI from China

Many economists foresee that the next stage in China's economic development will be as a more prominent provider of outward FDI– not only into neighbouring Asian countries but also into a wide range of sectors in developed and developing non-Asian countries. Despite the fact that outward FDI from China has been more modest than inward FDI, a number of Chinese companies have emerged into trans-national companies (TNC) with substantive overseas investments. Thus, in 2001 twelve of the fifty largest TNCs in developing countries were located in mainland China[5]. Adding approved outward FDI flows from 1979-2002[6] reveals that Asia was the destination for 58.7% of China's outward FDI. Hong Kong was the preferred Asian destination, accounting for 43.6%, followed by Thailand (2.3%), with every other Asian country accounting for less than 2% each. The United States, which accounted for 8.9% of China's outward FDI, ranked as the second largest destination country, followed by Canada (4.7%). Thus, North America accounted for a combined share of 13.6% (Mexico did not appear among the top 30 destination countries). Europe accounted for 6.0% of China's FDI position in 2002.

Although not reflected in this data, China appears now to be actively pursuing a course of outward acquisitions, such as the merger in 2003 of the television and DVD operations of TCL (China) and Thomson (France), which resulted in TCL majority control of the joint company. Similarly, in December 2003 China National Bluestar (Group) Corp. announced its intentions to acquire a 49 percent stake in the Korean Ssangyong Motor Co.[7], which had been for sale for the last three years since the collapse of its Korean parent company, the Daewoo Group. Most recently, there has been some interest shown by Chinese-based companies in established Canadian-based national resource enterprises, as well as those in several other countries.

Table 5: China's share of total outward FDI position in selected OECD countries

Reporting OECD country/region	1990	1995	2000	2001
Asia				
Australia	0.0%	0.1%	0.2%	0.2%
Japan	0.9%	n.a.	3.1%	3.3%
Korea	0.9%	18.6%	17.0%	15.3%
Europe				
France	0.1%	0.3%	0.4%	n.a.
Germany	0.1%	0.4%	1.1%	n.a.
Netherlands	n.a.	0.2%	0.4%	n.a.
Poland	n.a.	0.2%	13.6%	n.a.
Switzerland	n.a.	0.3%	0.4%	n.a.
United Kingdom	0.0%	0.1%	0.3%	n.a.
North America				
Canada	0.0%	0.2%	0.2%	0.2%
United States	0.1%	0.4%	0.8%	0.8%

Source: OECD - International Investment Statistics (on-line electronic database)

5 "China: an emerging FDI outward investor," UNCTAD, Division on Investment, Technology and Enterprise Development; E-brief, December 4, 2003.

6 Ibid; percentage shares calculated from data in Table 2 and Table 3 of the document.

7 "China's Bluestar shifts gears," *Globe and Mail (Wall Street Journal)*, p. B6, December 23, 2003

Reconstruction begins

Caribbean region gets back on its feet

In the last two months, the Caribbean region has been ravaged by a series of powerful hurricanes, capping off what some say is the worst season in decades. Hurricanes Charley, Francis, Ivan and Jeanne have collectively accounted for numerous fatalities and millions of dollars worth of damage to homes and infrastructure.

In Haiti, the rains and mudslides caused by Hurricane Jeanne have resulted in a critical shortage of food and clean water. The Dominican Republic and Puerto Rico were also hit hard.

Grand Cayman suffered extensive damage and public services in the capital and tourist area were seriously affected.

Hurricane Ivan also caused considerable damage to housing and infrastructure in Jamaica, with the south and west of the island being the hardest hit. Jamaica has, however, reestablished public services quickly. With few exceptions, all businesses in Jamaica are now operating normally. Montego Bay, the largest tourist centre, is fully operational. The two other main centres of Negril and Ocho Rios expect to be at full capacity for the tourist season which is to begin at the end of November.

The northern Bahama islands of Grand Bahama and Abaco were affected by both Francis and Jeanne. Public services to these islands have not recovered fully. In fact, its government has declared the two islands disaster areas, although business in the main financial centre of Nassau has returned to normal.

Opportunities

As the countries within the region begin to rebuild, opportunities exist for a variety of Canadian products and services. There will be an increase in demand for building products such as plywood, roofing material and other housing products.

In the Cayman Islands, for example, a high percentage of the country's housing stock was damaged. Also, the redevelopment of damaged infrastructure such as roads, bridges and sewage systems will also be necessary.

Miami is generally perceived to be a destination of choice for Caribbean building supplies. However, Florida's own reconstruction efforts and demand for building supplies may present opportunities for Canadian suppliers to do business directly with Caribbean countries.

For more information, contact Russell Merifield, Trade Commissioner, Canadian High Commission in Jamaica, tel.: (011-876) 926-1500, ext. 3350, fax: (011-876) 511-3491, e-mail: russell.merifield@international.gc.ca.

Aboriginal companies — *continued from page 1*

attracts investment and encourages economic partnerships and joint ventures.

The Web site reflects this diversity; VATS is available in seven languages and features a design that makes it easy for visitors to learn what participating businesses and organizations offer. Each listing provides addresses, phone and fax numbers, and Web links.

VATS was launched last spring by the Aboriginal International Business Development (AIBD) Committee, a partnership of 29 federal government departments and agencies that share an interest in Aboriginal export development and access to world markets.

Get involved

The AIBD Committee would like to offer Canadians the opportunity to have their company profiled on VATS for one year. While there is no fee for participating, there are certain criteria which must be met in order to be considered. Participants must be:

- an Aboriginal entrepreneur offering a product or service;
- in business for at least one year and have a functional Web site where a product or service is available; and,
- be actively exporting, export-ready or preparing to export. If applicants are not sure if they are export-ready, they can take the Export Readiness Diagnostic Test accessible at www.exportsource.gc.ca.

For more information, go to www.vats.ca.

Kuwait to host medical fair

Kuwait — March 14-17, 2005 — The Kuwait International Fair Company, with the support of the Kuwait Ministry of Health, is organizing KIME 2005, the **Kuwait International Medical Exhibition and Conference**, in response to the strong demand for a specialized exhibition in the medical field.

KIME 2005 will allow exhibitors to interact directly with the key buyers and prime decision makers from the markets of the Middle East.

For more information, go to www.kif.net/kime, or contact the Kuwait International Fair Co., Marketing and Public Relations Department, tel.: (011-965) 538-7100, ext. 112, fax: (011-965) 539-8123 or (011-965) 539-3872, e-mail: info@kif.net.

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AGRICULTURE & AGRI-FOOD

DUBAI, U.A.E. — February 20-23, 2005 — Agriculture and Agri-Food Canada and the Canadian Consulate in Dubai are organizing the Canadian presence at **Gulfood**, the most important event for the food and hospitality industry in the Middle East. **For more information**, go to http://ats.agr.ca/gulfood.

BUILDING PRODUCTS

VERONA, ITALY — February 17-20, 2005 — **Legno & Edilizia** is an international wood exhibition, featuring the construction and woodworking industries, decoration, home and office design, furniture and lighting. **For more information**, contact Veronafiere, tel.: (011-045) 829-8111, fax: (011-045) 829-8288, e-mail: info@veronafiere.it, Web site: www.pmtexpo.it.

ATLANTA, GEORGIA — March 13-15, 2005 — The National Association of Home Builders presents **Greenprints 2005**, a conference and exhibition that provides a forum for changing the way practitioners think about architecture, planning and the use of natural resources. **For more information**, contact William Stolz, tel.: (404) 532-2017, fax: (404) 532-2050, e-mail: william.stolz@international.gc.ca, Web site: www.nahb.org.

CHEMICALS

TEL AVIV, ISRAEL — February 1-3, 2005 — **Israchem** is the 9th international exhibition on industrial processing, chemical engineering, metal finishing, measurement control and instrumentation. **For more information**, contact Rebecca Shafrir, Business Development Officer, Canadian Embassy in Israel, tel.: (011-972-3) 636-3357, fax: (011-972-3) 636-3385, e-mail: taviv-td@international.gc.ca, Web site: www.stier.co.il/SG_ENG/Israchem/main_israc.htm.

ICT

MOSCOW, RUSSIA — May 10-14, 2005 — **SVIAZ/Expo Comm** is the largest telecommunications, information technology, networking, Internet and wireless/broadband event in Russia. For the next event, 870 companies from 36 countries have signed up to exhibit so far. Last year, 10 Canadian companies participated and reported excellent results. **For more information**, contact Steven Goodinson, Canadian Embassy in Moscow, tel.: (011-7-095)105-6058, e-mail: steven.goodinson@international.gc.ca.

MULTI-SECTOR

DUBAI, U.A.E. — February 28 - March 2, 2005 — **Franchising Middle East Exhibition** is a leading international franchising trade show. **For more information**, go to www.franchisingme.com, tel.: (905) 896-7815, or contact Venky Rao, Canadian representative, e-mail: venkyrao@rogers.com.

AMMAN, JORDAN — April 4-7, 2005 — **Rebuild Iraq 2005** is the second trade exhibition for the reconstruction of Iraq. Demand in Iraq for the full range of infrastructure supplies and equipment, services and technologies for key economic and industrial sectors has been estimated to exceed $195 billion over the next ten years. **For more information**, or to register, contact Bechara Nacouzi, International Trade Fairs, tel.: (514) 685-3530, fax: (514) 685-6873, e-mail: bnacouzi@videotron.ca, or Albert Galpin, Middle East Division, Foreign Affairs Canada and International Trade Canada, tel.: (613) 944-2396, fax: (613) 944-7975, e-mail: albert.galpin@international.gc.ca.

TORONTO — May 2-3, 2005 — The **Canada-ASEAN Business Forum** will focus on trade policy issues, the expansion of trade and investment, and increased sector-specific trade missions and technical cooperation. **For more information**, contact Vivien Escott, International Trade Canada, e-mail: vivien.escott@international.gc.ca, or Rachel Lindsey, e-mail: rachel.lindsey@international.gc.ca.

ANAHEIM, CALIFORNIA — May 8-12, 2005 — The next **Nanotechnology Conference and Trade Show** covers a wide range of sectors from advanced semiconductors to drug design and molecular electronics. **For more information**, contact the Canadian Consulate General in Los Angeles, tel.: (213) 346-2700, fax: (213) 346-2767 e-mail: caaz.info@international.gc.ca, Web site: www.losangeles.gc.ca or www.nsti.org/Nanotech2005.

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