

# It's expected to take about 30 years before Shanghai comes close to challenging Hong Kong

## Explore Yangtze, Canadians urged

Region has 193 million people and the highest per capita, income in all of China, Vancouver conference told.

**DAPHNE BRAMHAM**

*Sun Asia-Pacific Reporter*

The Yangtze delta region of southern China boasts impressive statistics that could add up to clear opportunities for Canadian businesses, a conference heard Thursday.

The region has a population of 193 million, annual growth rates that exceed China as a whole and the highest per capita income in all of China.

Shanghai, with about 16 million people, is the largest city — "the head of the dragon," in the words of Vice-Mayor Hua Jianmin, one of the keynote speakers at the conference aimed at encouraging Canadian investment in the region.

There are 33 other cities each with a population of more than one million.

And Edward Leman of the Ottawa consulting firm Chreod Ltd. said that within five years a domestic market of 465 million people will be within a three-day drive of Shanghai.

(Chreod has what The Economist magazine has described as "one of the most comprehensive databases on the Yangtze delta region ever compiled.")

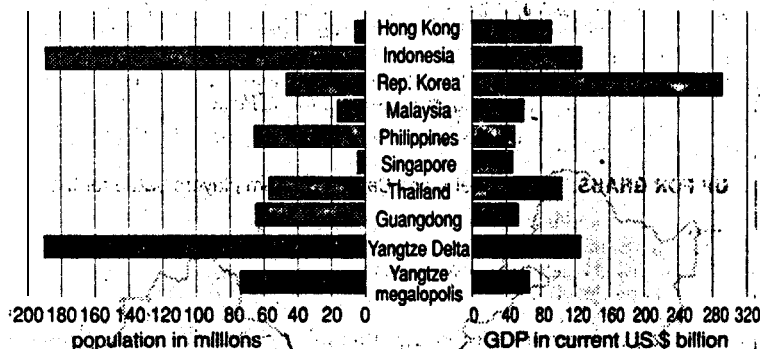
Shanghai's re-emergence as the economic powerhouse of China began after the economic reforms in south China in cities like Guangzhou.

Despite the rapid growth, Leman said it will be at least 20 to 30 years before Shanghai will come close to challenging Hong Kong as the predominant financial, trade and economic centre of China.

He sees opportunities for Canadian companies in building infrastructure—sewage, water treatment roads, bridges, railways, telecommunications.

For example, Leman estimates that the region needs a minimum of 4,000-

Population and GDP comparisons of Yangtze Delta to selected Asian market regions



km of highways by 2000. It needs an estimated \$8.5-billion US worth of water treatment plants, \$4-billion worth of industrial wastewater treatment plants and power plants to produce an additional 1,600 megawatts of electricity.

But he said there are also lots of opportunities for other kinds of investments.

If each municipality in the region met its own housing standards, housing stock would have to increase by 80 million square metres by 2000 and another 147 million square metres by 2005.

There are an estimated nine million migrant workers currently in the region — a number Leman said could

jump to 22 million by 2005.

And an increasing number of middle-class families want to move out of public housing and buy their own apartments and townhouses.

They are the same people who are also demanding fast food, more consumer goods and recreational facilities now that the work-week has been cut back to five days from six.

There is also a rising demand for insurance as well as other financial services, particularly expertise in mergers and acquisitions and raising capital.

Leman said few Canadian compa-

## Capitalism Will survive in Hong Kong, lawyer says

**Wyng Chow**

*Sun Asia-Pacific Reporter*

Most Hong Kong residents remain optimistic that China will allow the capitalist haven to thrive after the British relinquish control of the territory next year, a veteran Hong Kong lawyer said Thursday.

David Linn said in an interview that entrepreneurs in particular are confident the Beijing Government will live up to its promises to maintain the status quo for 50 years after the July 1, 1997 handover.

"Business people have tremendous confidence in Hong Kong," Ling, a noted commercial lawyer who has had extensive dealings with China and is currently a visiting scholar at Stanford University in California.

"There are certain concerns, but there is confidence. I think China is very serious in its commitments to make the Basic Law [Hong Kong's post-1997 constitution agreed to in 1990] work so Hong Kong continues with stability and prosperity after 1997."

"I think forces are in place to maintain the status quo."

Ling disputed earlier claims by Martin Lee, leader of Hong Kong's democratic movement, that there is currently a general feeling of "helplessness" in the Crown colony and most people who can emigrate have left.

During a visit to Vancouver in early May, Lee said China has already shown signs it will not live up to its post-1997 promises, sparking fears Beijing plans to abolish the rule of law and resort to "Draconian measures" to suppress human rights and freedom.

Ling counters that while there is ner-

# Plenty of opportunity; plenty of risk

nies have invested in the region.

"I believe Canadians are too cautious, he said in an interview, "but that's based on very, very cautious Canadian banks and financial institutions that make it very difficult for Canadian companies to get financing."

Charles Barrett of the Conference Board of Canada likened investing in China to investing in the Canada's Klondike during the gold rush: plenty of opportunity offset by plenty of risk.

He noted that a recent survey of Canadian companies doing business in China showed that only 40 per cent of those that had invested in the past five years had made profits, while 15 per cent said their investment had been highly unprofitable.

But Barrett who is working on a risk assessment project with Chinese researchers, said good planning should help Canadian companies

improve their chances of success.

Among the risks to investing in China:

— Corruption, which is something he said, "Canadian businesses may knowingly or unknowingly participate in as part of the business-approval process." But Barrett warned it could be an important consideration to a publicly traded company that would face considerable media and public scrutiny if unethical or illegal practices were discovered.

— An inadequate legal system.

— An unconvertible currency.

Barrett also noted Canadian manufacturers in China are also at risk because of the North American Free Trade Agreement, which gives preferential, duty-free access to Canada.

But he emphasized the risks are no greater than in many other developing countries, such as India.