



Agriculture and  
Agri-Food Canada

Agriculture et  
Agroalimentaire Canada

## **OPPORTUNITIES IN THE FOOD MARKETS OF CHINA**



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Canada 

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## EXECUTIVE SUMMARY

### CHINA:

- *is the most populous country in the world; with 1.3 billion people increasing at an annual rate of 0.85%. - A small but positive influence on the demand for food;*
- *is experiencing a 8.25% increase in GDP per person. Faster in the eastern regions of the country. - A positive influence on the demand for food;*
- *has 241 million people between the ages of 30 and 39. - A target market for Canadian exporters;*
- *has 125 million people between the ages of 15 and 19. - A target market for Canadian exporters;*
- *has 12 political regions with GDP per person above the national average (Hong Kong SAR, Macau SAR, Shanghai Municipality, Beijing Municipality, Tianjin Municipality, & the provinces of Zhejiang, Jiangsu, Fujian, Guangdong, Liaoning, Shandong and Heilongjiang). - Canadian exporters should initially target these geographic areas;*
- *experienced a -0.751% per month decrease (-8.64% at an annual rate) in the value of the Chinese Yuan (Renminbi) relative to the Canadian Dollar, between January 2002 and May 2005. - A negative influence on imports from Canada;*
- *has pegged the value of the Chinese Yuan to the US Dollar but is expected to revalue the currency upward in the near future. - A potentially positive influence on imports from Canada (Note: higher future interest rates in Canada may have a negative effect on the value of the Chinese Yuan relative to the Canadian Dollar);*
- *is experiencing growing inequities in per capita income as measured by a gini ratio of 44 (31.5 for Canada) and estimated GNP per capita ranging from CAD 501 in Guizhou Province to CAD 33,382 in the Hong Kong SAR - A negative influence on political stability;*
- *sourced 45 % of its food imports from three American countries (USA, Brazil and Argentina). 53% was sourced from all American countries. Canada ranked seventh (2004) in the world as a supplier of food to China. - As a North American country, Canada could be a major supplier of food products;*
- *imported CAD 38 billion worth of agricultural, agri-food & seafood products in 2004 of which 1.9 billion worth (4.9%) was from Canada - in 2004 Canada moved*

*from 10<sup>th</sup> to 7<sup>th</sup> place as a supplier of food to China. - Canada must continue this progress;*

- *is between 13 and 50 days from Canada by sea. - Lower valued products moving by sea must have an appropriate shelf life and be able to endure sea travel without quality deterioration;*
- *is between 11.33 and 60.33 hrs from Canada by air. - High valued products can be shipped by air. Perishable products with appropriate packaging can be shipped from most parts of Canada;*
- *represents a level of risk for Canadian exporters. - The facilities of Export Development Canada may be useful.*

**Based on the analysis in this paper, Canadian food exporters may find new or continuing opportunities in the following Chinese markets:**

- *Meat, Swine, Hams, Shoulders Etc., Bone In, Frozen;*
- *Meat of Swine Nesoi, Frozen;*
- *Meat of Sheep, Cuts with Bone In, Nesoi, Frozen;*
- *Offal of Swine Except Livers, Edible, Frozen;*
- *Cod Except Fillets, Livers and Roes, Frozen;*
- *Fish, Nesoi, with Bones, Frozen;*
- *Fish Liver & Roe, Dried, Smoked, Salted or in Brine;*
- *Mussels, Frozen, Dried, Salted or in Brine;*
- *Live Plants, Cuttings & Slips Nesoi; Mushroom Spawn;*
- *Apples, Fresh;*
- *Sunflower-seed or Safflower Oil, Refined, Refracted Etc.;*
- *Chocolate & Other Cocoa Preparations Not Bulk, Filled;*
- *Potatoes, Prepared Etc. No Vinegar Etc., Frozen;*
- *Peaches, Prepared or Preserved, Nesoi;*
- *Wine from Grapes Nesoi & Grape Must with Alc, No over 2 Litres.*

**Based on the analysis in this paper, Canadian food exporters may find new or continuing opportunities in the following Hong Kong SAR markets:**



- *Meat of Sheep, Frozen, Cut, Bone In*
- *Salmon, Pacific, Atlantic & Danube, with Bones, Fresh or Chilled*
- *Halibut/Greenland Turbot Except Fillets/ Livers/Roe, Frozen*

**Many other products may also prove to be opportunities but with lower probabilities.**

# OPPORTUNITIES IN THE FOOD MARKETS OF CHINA

## I. PURPOSE

The purpose of this paper is to provide Canadian food exporters with indications of opportunities or “contestable markets” in China. The paper considers several indicators of contestability and ranks product groups by the number of positive indicators associated with each.

The paper provides indications only. Individual companies should follow up on opportunities of interest with: further market research, including quality and packaging of competing products; acquisition of information on sanitary/phyto-sanitary requirements; the development of a research price work-up and; eventually a specific price work-up.

The indicators of contestability used in this paper are based on historical statistics and therefore assume Chinese tastes and preferences are fixed. It also assumes that the images that Chinese consumers have of Canada and Canadian products are fixed and not always positive relative to the images of competing products. The Branding Strategy for the Canadian Agriculture and Food Sector<sup>1</sup> is designed to improve knowledge of Canadian products and food systems, to differentiate Canada from its competitors and establish a reputation of high quality. This program can have a major positive influence on Chinese acceptance of Canadian food products and increase the probabilities of finding opportunities in Chinese markets.

## II PROFILE OF CHINA

### A. Geography

China is located in East Asia on the Pacific Coast. Local marine bodies are known as the Yellow Sea, the East China Sea and the South China Sea. With an area of 9,498,766 Km<sup>2</sup> <sup>2</sup>, it is the third largest country in the world by area after Russia (17,075,200 Km<sup>2</sup>) and Canada (9,984,670 Km<sup>2</sup>). It stretches north to Russia and Mongolia, west to Pakistan and Kyrgyzstan and South to Myanmar and Laos (See Figure 7).

China may be divided into seven ecological/geographic regions: Northeastern; Northern; Subtropical East Central; Tropical Southern; Inner Mongolian Grassland; Northwestern and; the Tibetan Plateau.

#### 1. The Northeastern Region

This region is characterized by a broad fertile plain surrounded by forested mountains and includes: the provinces of Heilongjiang, Jilin and Laoning. The region’s forested mountains and hills are a source of significant timber resources. Black soils make up much of the plain and are some of the country’s most fertile. The Northeastern region also has significant petroleum, coal,

and iron reserves. The principal seaport of Dalian is located on the Liaodong Peninsula which extends south and provides protection for good natural harbours.

## **2. The Northern Region**

The Northern region of China extends from the Mongolian Steppe on the north to the Yangtze River on the south. The Bo Hai Gulf and the Yellow Sea form the eastern edge of the region and the Tibetan Plateau forms the western edge.

This region includes: the municipalities of Beijing and Tianjin; the provinces of Shandong and Shanxi; most of the provinces of Hebei, Henan and Shaanxi and; portions of the Ningxia Autonomous Region, Jiangsu, Anhui and Gansu provinces.

The agriculturally rich Northern region has been populated for thousands of years and the land has been extensively terraced and cultivated. The loess plateau in the northwest shows the impacts of human activity and erosion.

Soil derived from loess can be found in many areas and were cleared of native vegetation centuries ago. Land between the mountains have been developed for cultivation. Areas not converted to agriculture are forested with deciduous trees at lower elevations and conifers at higher levels. Shrubby alpine meadows are also found at higher levels. The region includes China's primary coal reserves and significant petroleum deposits offshore in the Bo Hai Gulf.

## **3. The Subtropical East Central Region**

The Subtropical East Central region of China includes the economically significant Yangtze river valley and extends from the Yellow Sea in the east to the Tibetan Plateau in the west and the Qin Ling mountains in the north. The region includes the following political divisions: Hunan, Hubei, Jiangxi, Zhejiang, Sichuan and Guizhou provinces; the special administrative regions of Hong Kong and Macau; most of the Guangxi Autonomous Region; the southern portions of Jiangsu, Anhui and Henan provinces and; the northern parts of Fujian, Guangdong and Yunnan provinces.

The Yangtze valley is a series of fertile alluvial basins with many natural and man-made waterways and lakes. To the west, the Sichuan Basin is intensively cultivated by terraced farms. The Yunnan Plateau is bordered by a series of mountain ranges with deep, steep-walled gorges. The provinces of Guizhou and Guangxi have some very scenic landscapes where the limestone rock has been weathered into towering domes, pillar-like peaks and other strange shapes. East of this area are the Nan Ling hills which are mostly deforested and eroded. The southeast coast of China is rugged with many bays and offshore islands providing good natural harbours. Fertile alluvial valleys border numerous rivers found in the region. One of the more important valleys is the broad delta plain of the Pearl River often called the Canton delta.

#### **4. The Tropical Southern Region**

This is China's smallest natural region and consists of a relatively thin stretch of land lying southwest of the Pearl River delta. It extends west along the coast of the South China Sea and continues along the border with neighbouring countries of Southeast Asia. The region includes the following political entities: Hainan Province; the southern portions of Guangdong province, Guangxi Autonomous Region and Yunnan province.

The region is characterized by luxuriant tropical vegetation and a warm humid climate. The terrain is mountainous and hilly throughout the region but tends to be lower in the east.

#### **5. The Inner Mongolian Grassland Region**

The Inner Mongolian Grassland stretches along the China - Mongolia border from the Helan Shan mountains in the west to the Da Hinggan Ling in the east. Traditionally, the southern boundary of the region is the Great Wall. The region includes the following political divisions: the Ningxia Autonomous Region; most of the Inner Mongolia (Nei Mongol) Autonomous Region and; the extreme northern portion of Hebei Province.

The region includes the portion of the Mongolian steppe that lies within China. A grassy plain extends from northern China into Mongolia but much of the region is desert covered by rock and sand supporting virtually no vegetation. The region has large coal reserves.

#### **6. The Northwestern Region**

The Northwest Region of China is bounded on the east by the Inner Mongolian Grasslands and on the west by China's northwest border. On the south, the region is bounded by the northern edge of the Tibetan Plateau and on the north by the national border. The political divisions included in the Northwestern Region are: most of the Xinjiang Autonomous Region; small parts of Gansu province and the Inner Mongolia Autonomous Region.

The Northwest Region of China is bisected by the Tian Shan mountains which run east to west. To the north is the Junggar Pendi, one of three basins. To the south of the Tian Shan is the Tarim Pendi. In a deep basin nestled in the mountains is the smaller Turpan Pendi. The basins are mainly fertile steppe soils with irrigated agriculture. The Tarim Pendi contains the vast, sandy Takla Makan desert - the driest in Asia.

#### **7. The Tibetan Plateau Region<sup>3</sup>**

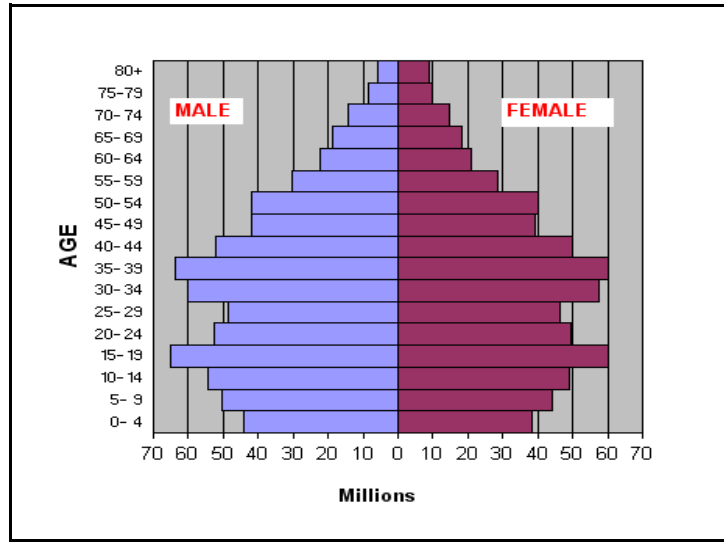
This region occupies the southwestern part of China and consists of the high mountain area known as the Tibetan Plateau or Qing Zang Gaoyuan. The political divisions in this region include: the Tibet Autonomous Region; Qinghai Province; parts of Sichuan, Yunnan and Gansu provinces and; part of the Xinjiang Autonomous Region.

The terrain in this region is mostly bleak, barren, rocky and dotted with salt lakes and marshes. The Qaidam Pendi lies in the transition zone where the Plateau merges with a depression containing the northwestern steppe and desert. This large depression extends from east to west and consists of mountains, hills, stony and sandy deserts, desert basins that periodically fill with water and salt marshes.

**B. Demography**

The population of China is estimated to be 1,291,496,022 (2003). An exponential trend line fitted to the population data from 1992 to 2003 indicates an annual rate of increase of 0.85%. See Table A1-2.

The age/gender distribution of the population is presented in the population pyramid of Figure 1. The pyramid indicates that for all age groups below 64, males outnumber females. There are two bulges in the pyramid, one in the age range 30 to 39 and another in the range 15 to 19.



**Figure 4.** Population Pyramid, China 2005.  
Source: Data from US Bureau of Census, International Data Base.

**C. Culture**

**1. History**

Historical events have influenced all aspects of Chinese culture and can be traced back to about 2000 BC. A reader interested in the timeline of Chinese history may access the website: <http://www-chaos.umd.edu/history/welcome.html><sup>4</sup>. More recent events will be discussed in section “F” Economic.

**2. Food**

Whether Canadian exporters provide complete consumer products or ingredients, it is important to understand Chinese cooking traditions. Although western food is increasing in popularity the importance of traditional Chinese food will remain for many years.

Chinese food may be divided into several cuisines: Beijing; Guangdong; Shanghai and; Sichuan. Cooking techniques used in preparing Chinese food can be identified as: cold dish; deep-frying; hotpot boiling; roasting; simmering; steaming; stewing and; stir-frying. Examples of each cuisine with ingredients that could be supplied by Canada are provided in Table A1-4.

### 3. Religions and Philosophies

China has a wide diversity of religions and philosophies. The more important are Buddhism, Islam, Christianity, Taoism and Confucianism. Other religions found in the country include Shamanism and the Dongba religion of the Nixa people. Every religion and philosophy has made contributions to the cuisines of China and Taoism was the basis for traditional Chinese medicine. Islam's Halal food rules have allowed a religiously identifiable cuisine or method of preparation, to be maintained.

Of China's 56 ethnic groups, 10 are followers of Islam. Table 1 indicates the sizes of these groups and their locations. With an Islamic population of 17.6 million people (other sources estimate the Islamic population of China as over 37 million<sup>5</sup>) China represents a potential market for Halal food. At present China tends to be more of an exporter of Halal food rather than an importer but Canadian exporters should monitor this market with a view to future access. The market exists but is located primarily in the far western province of Xinjiang requiring significant transportation costs. At present, incomes may not be high enough to provide a significant effective demand for the high quality - high priced products needed to justify the transportation costs.

**Table 1. Islamic Ethnic Minorities in China.**

Ethnic Minority	Location	Population of the Minority
Hui	Ningxia, Gansu, Henan, Hebei, Qinghai, Shandong, Yunnan, Xinjiang, Anhui, Liaoning, Heilongjiang, Jilin, Shanxi, Beijing, Tianjin	8,612,000
Uygur	Xinjiang	7,200,000
Kazak	Xinjiang, Gansu and Qinghai	1,110,000
Tartar	Xinjiang	5,100
Kirgiz	Xinjiang and Heilongjiang	143,500
Tajik	Xinjiang	33,200
Ozbek	Xinjiang	14,800
Dongxiang	Gansu and Xinjiang	373,700
Salar	Qinghai, Gansu and Xinjiang	87,500
Bonan	Gansu	11,700
Total		17,591,500
Source: <a href="http://www.china.org.cn/e-groups/shaoshu/">www.china.org.cn/e-groups/shaoshu/</a>		

## D. Trade

### 1. Data Sources and Valuations

In this and following sections, trade data is presented and analyzed. Unless otherwise indicated, all trade data has been obtained from the World Trade Atlas or the Global Trade Atlas, products of:

Global Trade Information Services, Inc. -GTI-  
2218 Devine Street  
Columbia, SC 29205  
USA  
Tel: (803) 765-1860  
Fax: (803) 799-5589  
E-Mail: [trade@gtis.com](mailto:trade@gtis.com) .

The data reported for China is supplied to GTI by China Customs and is evaluated CIF for imports and FOB for exports. At the time of the analysis, data for 2004 is the latest available.

**Table 2. Trade Data Sources and Valuation Definitions.**

Country	Source	Valuation	
		Exports	Imports
China	China Customs	FOB	CIF
Hong Kong SAR	Census & Statistics Department, Gov't of Hong Kong SAR	FOB	CIF
Macau SAR	United Nations Statistical Division	FOB	CIF

CIF (Cost, Insurance and Freight): The landed value of merchandise at the first port of arrival in the importing country. It is computed by adding "Import Charges" to the "Customs Value" and therefore excludes import duties.

FOB (Free On Board): The value of exports as they are moved onto the ship at the port of export. The buyer bears all costs and risks of loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export. This term is used only for sea or inland waterway transport. For other modes of transport the FCA (Free Carrier) term should be used.

Sources: World Trade Atlas. Global Trade Information Service.  
"Incoterms 2000." International Chamber of Commerce.

## 2. Currencies

Currency designations used in this paper are the ISO 4217 codes. Specifically the codes used in this paper are:

Canadian Dollar	.....	CAD
Chinese Yuan or Renminbi		CNY
Hong Kong Dollar	.....	HKD
USA Dollar	.....	USD

For a complete list of the ISO currency codes see the website: [www.xe.com/iso4217.htm](http://www.xe.com/iso4217.htm)

## 3. Imports

In 2004, China imported a total of CAD 727,738 million worth of merchandise from many countries, the top five two-digit-HS categories were:

Electrical Machinery etc; Sound Equipment, TV Equipment Parts (HS: 85);  
Nuclear Reactors, Boilers, Machinery Etc; Parts (HS: 84);  
Mineral Fuel, Oil etc.; Bitumin Substitute; Mineral Wax (HS: 27);  
Optical, Photo etc, Medical or Surgical Instruments etc. (HS: 90);  
Plastic (HS: 39).

China imported a total of CAD 38,051 million worth of agricultural, agri-food & seafood products<sup>6</sup> from many countries. The top five HS categories were:

Oilseeds etc; Miscellaneous Grain, Seed, Fruit, Plant etc (HS: 12)	.....	CAD 9,521 million;
Animal or Vegetable Fats, Oils etc. & Waxes (HS: 15)	.....	CAD 5,478 million;
Cotton, Not Carded or Combed (HS: 5201)	.....	CAD 4,203 million;
Fish, Crustaceans & Aquatic Invertebrates (HS: 03)	.....	CAD 3,026 million;
Cereals (HS: 10)	.....	CAD 2,884 million.

The five most important sources of agricultural, agri-food & seafood imports were:

USA	.....	CAD 9,918 million;
Brazil	.....	CAD 3,698 million;
Argentina	.....	CAD 3,514 million;
Australia	.....	CAD 3,155 million;
Malaysia	.....	CAD 2,348 million.

China imported about CAD 1,871 million worth of agricultural, agri-food & seafood products from Canada. The top five HS categories were:

Cereals (HS: 10)	.....	CAD 898 million;
Animal or Vegetable Fats, Oils Etc. & Waxes. (HS: 15)	.....	CAD 275 million;
Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc. (HS: 12)	.....	CAD 211 million;



Fish, Crustaceans & Aquatic Invertebrates. (HS: 03) ..... CAD 171 million;  
 Raw Skins of Sheep or Lambs NESOI. (HS: 4101) ..... CAD 115 million.

#### 4. Exports

In 2004, China exported a total of CAD 767,989 million worth of merchandise to many countries. The top five two-digit-HS categories were:

Electrical Machinery Etc.; Sound Equip; TV Equip; Parts (HS: 85);  
 Nuclear Reactors, Boilers, Machinery Etc.; Parts (HS: 84);  
 Apparel Articles and Accessories, Not Knit Etc. (HS: 62);  
 Apparel Articles and Accessories, Knit or Crochet (HS: 61);  
 Furniture and Bedding (HS: 94).

China exported a total of CAD 29,300 million worth of agricultural, agri-food & seafood products. The top five two-digit-HS-categories were:

Fish, Crustaceans & Aquatic Invertebrates (HS: 03) ..... CAD 5,237 million;  
 Edible Preparations of Meat, Fish, Crustaceans Etc. (HS: 16). ..... CAD 4,498 million;  
 Cereals (HS: 10) ..... CAD 3,338 million;  
 Edible Vegetables & Certain Roots & Tubers (HS: 07) ..... CAD 3,275 million;  
 Oil Seeds etc.; Misc Grain, Seed, Fruit, Plant etc. (HS: 12) ..... CAD 1,548 million.

The five most important markets for China's agricultural, agri-food & seafood exports were:

Japan ..... CAD 9,494 million;  
 Hong Kong ..... CAD 3,369 million;  
 USA ..... CAD 2,980 million;  
 South Korea ..... CAD 2,700 million;  
 Germany ..... CAD 865 million.

China exported CAD 391 million worth of agricultural, agri-food & seafood products to Canada. The top five two-digit-HS categories were:

Fish, Crustaceans & Aquatic Invertebrates (HS: 03) ..... CAD 113 million;  
 Prepared Vegetables, Fruit, Nuts Or Other Plant Parts (HS: 20) ..... CAD 73 million;  
 Edible Preparations of Meat, Fish, Crustaceans etc. (HS: 16) ..... CAD 41 million;  
 Edible Fruit & Nuts, Citrus Fruit or Melon Peel (HS: 08) ..... CAD 37 million;  
 Edible Vegetables & Certain Roots & Tubers (HS: 07) ..... CAD 26 million.

**E. Transportation**

**1. International - Canada to China**

**a) Ocean**

A number of shipping companies provide container services from Vancouver and Halifax to China. Exporters may contact a freight forwarder to arrange shipping and transshipping from other cities. Coordinates of freight forwarders may be found in the telephone directories of most cities and at the following website: [www.superpages.ca](http://www.superpages.ca) .

Tables 3 and 4 provide indications of the transit times and frequencies of services from selected Canadian cities to several Chinese destinations.

**Table 3. Representative Container Services from Western Canada to China, December 2004.**

Chinese Destinations	Western Canadian Points of Origins					
	Calgary		Vancouver		Winnipeg	
	Estimated Transit Time (Days)	Estimated Frequency (Days Between Departures)	Estimated Transit Time (Days)	Estimated Frequency (Days Between Departures)	Estimated Transit Time (Days)	Estimated Frequency (Days Between Departures)
Beijing	25 - 31 via Vancouver & transshipments.	6 - 7	21 - 26 with transshipments.	1 - 7	27 - 34 via Vancouver & transshipments.	5 - 8
Chongqing			26 - 29 with transshipment.	6 - 7		
Guangzhou			21 - 23 with transshipment.	6 - 7		
Harbin			31 - 38 with transshipments.	6 - 12		
Hong Kong	22 via Vancouver.	5 - 13	17 - 19	1 - 7	24 via Vancouver.	5 - 13
Macau			26 - 28 with transshipment.	6 - 12		
Nanjing	21 - 22 via Vancouver & transshipment.	5 - 8	16 - 19 with transshipment.	6 - 7	23 - 24 via Vancouver & transshipment.	5 - 8
Ningbo			15 - 19 with transshipment.	6 - 7		
Shanghai	18 - 19 via Vancouver.	5 - 8	13 - 16	6 - 7	20 - 21 via Vancouver.	5 - 8

Chinese Destinations	Western Canadian Points of Origins					
	Calgary		Vancouver		Winnipeg	
	Estimated Transit Time (Days)	Estimated Frequency (Days Between Departures)	Estimated Transit Time (Days)	Estimated Frequency (Days Between Departures)	Estimated Transit Time (Days)	Estimated Frequency (Days Between Departures)
Shekou	21 - 22 via Vancouver.	5 - 8	16 - 19	6 - 7	23 - 24 via Vancouver.	5 - 8

Source: [www.zim.co.il/schedule\\_ptp.htm](http://www.zim.co.il/schedule_ptp.htm) . This is only one source, exporters should consult a freight forwarder for specific up-to-date information.

**Table 4. Representative Container Services from Eastern Canada to China, December 2004.**

Chinese Destinations	Eastern Canadian Points of Origins					
	Halifax		Montreal		Toronto	
	Estimated Transit Time (Days)	Frequency (Days Between Departures)	Estimated Transit Time (Days)	Frequency (Days Between Departures)	Estimated Transit Time (Days)	Frequency (Days Between Departures)
Beijing	40 - 50 with transshipments.	4 - 15	29 - 35 via Vancouver & transshipments.	6 - 7	26-31 via Vancouver & transshipments.	6 - 7
Hong Kong	32 - 37	4 - 15	25 -27 via Vancouver.	6 - 12	22 - 24 via Vancouver.	6 - 7
Nanjing	43 - 50 with transshipments.	4 - 15	24 - 27 via Vancouver & transshipment.	6 - 7	21 - 24 via Vancouver & transshipment.	6 - 7
Ningbo			23 - 27 via Vancouver & transshipment.	6 - 7	20 - 24 via Vancouver & transshipment.	6 - 7
Shanghai	40 - 47 with transshipment.	4 - 15	21 - 24 via Vancouver.	6 - 7	18 - 21 via Vancouver.	6 - 7
Shekou	31 - 36	3 - 11	24 - 27 Via Vancouver.	6 - 7	21 - 24 via Vancouver.	6 - 7

<b>Chinese Destinations</b>	<b>Eastern Canadian Points of Origins</b>		
	<b>Halifax</b>	<b>Montreal</b>	<b>Toronto</b>
Source: <a href="http://www.zim.co.il/schedule_ptp.htm">www.zim.co.il/schedule_ptp.htm</a> . Exporters should consult a freight forwarder for specific up-to-date information.			

**b) Air Freight**

Many airlines serve Canadian airports with international cargo services. For example, Vancouver International Airport is served by more than 40 air carriers, operating 22 offshore international, 27 US and many domestic scheduled cargo spokes. Tables 5 and 6 indicate the levels of service available from five major Canadian cities to three major Chinese cities.

On April 19, 2005, a new bilateral air transport agreement between Canada and China was announced. The agreement provides for a threefold increase in permitted passenger and cargo flights to be operated by more airlines between more city pairs and under more flexible operating conditions than under the previous agreement.

As a consequence of these improvements to bilateral air transport arrangements, Air Canada, Cargojet and Harmony Airways intend to introduce new air services. Air Transat and All Canada Express have also expressed interest in serving China.

The transit times and flight frequencies provided here are based on the services offered by Air Canada. Exporters may contact a freight forwarder to arrange shipping and transshipping with other air carriers and from/to other cities. Coordinates of freight forwarders may be found in the telephone directories of most cities and at the following website: [www.superpages.ca](http://www.superpages.ca) .

**Table 5. Representative Air Freight Services from Canada to China, June 2005. Part 1.**

<b>Chinese Destinations</b>	<b>Canadian Points of Origins</b>					
	<b>Vancouver</b>		<b>Winnipeg</b>		<b>Toronto</b>	
	<b>Estimated Transit Time &amp; Distance</b>	<b>Frequency (Time Between Departures)</b>	<b>Estimated Transit Time &amp; Distance</b>	<b>Frequency (Time Between Departures)</b>	<b>Estimated Transit Time &amp; Distance</b>	<b>Frequency (Time Between Departures)</b>
Beijing	11.33 hrs direct (8,511 km).	1.92 to 22.08 hrs.	30.83 to 40.83 hrs via Vancouver (10,374 km).	1.33 to 12.67 hrs.	13.33 hrs Direct (10,587 km).	1.00 to 10.00 hrs.

Chinese Destinations	Canadian Points of Origins					
	Vancouver		Winnipeg		Toronto	
	Estimated Transit Time & Distance	Frequency (Time Between Departures)	Estimated Transit Time & Distance	Frequency (Time Between Departures)	Estimated Transit Time & Distance	Frequency (Time Between Departures)
	30.83 hrs via Osaka (9,678 km).		39.58 to 52.33 hrs via Vancouver & Osaka (11,541 km).		hrs.28.42 to 34.67 hrs via Vancouver (11,871 km). 40.08 to 49.92 hrs via Vancouver & Osaka (13,038 km).	
Hong Kong	13.42 hrs direct (10,258 km).	24 hrs.	21.08 to 22.42 hrs via Vancouver (12,121 Km).	1.33 to 22.67 hrs.	15.58 to 15.92 hrs Direct (12,558 km). 22.42 to 44.92 hrs via Vancouver (13,618 km).	15 min to 12.25 hrs.
Shanghai	12.17 hrs direct (9,025 km).  24.92 to 28.92 hrs via Hong Kong (11,491 Km).	2.50 to 21.50 hrs	31.33 hrs via Vancouver (10,888 km).  37.33 to 50 hrs via Vancouver & Hong Kong (13,354 Km).	11.33 to 12.67 hrs.	18.00 hrs Direct (11,423 km). 25.08 hrs via Hong Kong (13,791 Km). 28.92 to 34.17 hrs via Vancouver (12,385 Km).	1.00 to 11.50 hrs.
Sources: <a href="http://cargotools.aircanada.ca/FlightScheduleInput.asp">http://cargotools.aircanada.ca/FlightScheduleInput.asp</a> . Earth Explorer 3.0. Exporters should consult a freight forwarder for specific up-to-date information and current costs.						

**Table 6. Representative Air Freight Services from Canada to China,  
June 2005. Part 2.**

Chinese Destinations	Canadian Points of Origins			
	Montreal		Halifax	
	Estimated Transit Time & Distance	Frequency (Time Between Departures)	Estimated Transit Time & Distance	Frequency (Time Between Departures)
Beijing	30.75 to 41.17 hrs via Vancouver (12,197 km).	2.08 to 17.00 hrs.	35.75 to 37.92 hrs via Toronto & Vancouver (13,132 km).	2.17 hrs to 17.50 hrs.
	52.17 to 58.33 hrs via Vancouver & Osaka (13,364 km).		52.83 to 53.17 hrs via Toronto, Vancouver & Osaka (14,299 km).	
Hong Kong	22.92 to 45.42 hrs via Vancouver (13,944 km).	30 min to 18.67 hrs.	30.42 to 32.50 hrs via Toronto (13,819 km).	43 min to 20.00 hrs.
	27.33 to 33.33 hrs via Toronto (13,063 km).		36.00 to 40.00 hrs via Toronto & Vancouver (14,879 km).	
Shanghai	31.25 to 41.67 hrs via Vancouver (12,711 km).	5 min to 19.83 hrs.	36.25 to 38.42 hrs via Toronto & Vancouver (13,601 km).	2.17 to 14.75 hrs.
	36.83 to 38.83 hrs via Toronto & Hong Kong (11,928 km).		40.75 to 60.33 hrs via Vancouver & Hong Kong (15,918 km).	

Chinese Destinations	Canadian Points of Origins			
	Montreal		Halifax	
	Estimated Transit Time & Distance	Frequency (Time Between Departures)	Estimated Transit Time & Distance	Frequency (Time Between Departures)
Sources: <a href="http://cargotools.aircanada.ca/FlightScheduleInput.asp">http://cargotools.aircanada.ca/FlightScheduleInput.asp</a> . Earth Explorer 3.0. Exporters should consult a freight forwarder for specific up-to-date information and current costs.				

## 2. Domestic

China is rapidly increasing the capacity and improving the quality of service in all modes of its transportation infrastructure. In many areas it has reached international standards; however, the demand for services is increasing rapidly and in other areas the capacity is still inadequate and the quality does not yet meet international standards.

### a) Railway

It is reported<sup>7</sup> that in 2003, China had 94,240 km of railroad tracks: 68,000 km of standard gauge (1.435 m) rail tracks of which 18,668 km were electrified; 3,600 km of narrow gauge (1.0 m and 0.75 m local industrial lines) rail track and 22,640 km of dual gauge tracks.

China's railways are the longest in Asia and newly constructed rails are connected to networks in Southeast Asia, Central Asia and Russia, opening additional avenues for trade.

### b) Truck

In 2000, it is reported that China had a total of 1,402,698 km of highways of which 314,204 km were paved (at least 16,314 km of these were expressways). The remaining 1,088,494 km were unpaved.

Between 1990 and 2000, highway mileage increased 36 percent and existing highways were greatly improved. Newly constructed highways are connected to networks in Southeast, Central Asia and Russia; opening additional avenues for trade.

Table 7 provides an indication of distances and costs of transportation between Xingang and selected cities. As additional highways are constructed distances and costs will change. Rates will vary among service providers.

**Table 7. Highway Distances and Representative Truck Transportation Costs From the Port of Xingang. 2004.**

<b>Destination</b>	<b>Road Distance (Km)</b>	<b>20 ft Container. FCL (USD)</b>	<b>40 ft Container. FCL (USD)</b>
Beijing	200	125	200
Harbin, Heilongjiang	1,372	943	1,458
Zhenzhou, Henan	840	578	893
Nanjing, Jiangsu	1,114	766	1,184
Lanzhou, Gansu	2,165	1,488	2,300

Source: [www.xingang.com/xggubusiness/rate/rate.htm](http://www.xingang.com/xggubusiness/rate/rate.htm). Exporters should consult a freight forwarder for the latest information.

### **c) Inland Waterways**

Between 1990 and 2000, China's inland waterways increased by 9 percent.

China has an inland waterway system comprising more than 5,600 navigable rivers and a total navigable length of 119,000 km. It is the most developed inland waterway transportation subsector in Asia. The majority of the country's total length of navigable waterways is located within the courses of the Yangtze, Pearl, Huaihe, and Helongjiang rivers. The Yangtze (with its tributaries) alone has a navigable length of 58,000 km, or 50 per cent of the national total, of which 3,000 km is suitable for navigation by vessels of 1,000 dwt or more. In addition to the major rivers, there is the ancient Beijing-Hangzhou Grand Canal, with a current navigable length of 1,747 km, but which is expanding annually as a result of channel regulation works.

Within the waterway network there are about 2,000 inland ports, including 85 leading ports which provide 52 berths capable of accommodating vessels of up to deadweight tonnage of 10,000. Seven of these ports each have an annual cargo throughput of at least 10 million tons. The network has some 900 navigational structures such as ship-locks and ship-lifts. Among these is the largest five-step ship-lock located at Three Gorges Dam on the Yangtze River.

China is concentrating its inland waterway development in five specific areas, namely, Yangtze River, Pearl River, Beijing-Hangzhou Grand Canal, Yangtze River Delta and the Pearl River Delta. In a proposed development in Hunan province, a USD 100 million World Bank loan is being directed towards a USD 220 million project aimed at bringing a greater hope for prosperity to a region where 6 million people live at subsistence level. A large part of these funds



are for the provision of power generating dams, by-passing ship locking systems and a deeper waterway throughout the system permitting large vessels to undertake trade.

On the Yangtze (which moves 80 per cent of the country's inland waterway traffic) the huge commercial and infrastructure growth taking place around Shanghai - and the vast Three Gorges project (essentially to improve electric power) well upstream will completely change the scale of permissible vessel movement - above and below the dam - and opportunities for the movement of freight and people. The project includes the construction of the world's largest ship lock. The shiplock has two lines and five steps each line. The chamber dimensions of each step are 280 m long, 34 m wide and 5 m deep for passage of pushing convoy with carrying capacity of 10,000 tons. Total length of the lock is 1,607 m. Overall difference of upper and lower water levels is 113 m with the highest upper water level of 175 m. Total investment of the shiplock is USD 747 million. After years of construction, the shiplock was opened for navigation on 16 June 2003.

With completion of this project, all the rapids and shoals over a distance of 430 km of waterway will be submerged to provide better conditions for navigation. Average water depth has reached 70 m, and 514 satellite positioned aids to navigation have been installed in the upper river section.

The benefits to transportation are significant. The project is expected to reduce transport cost by river barge by 37 per cent. Annual passage capacity of this river section will increase to 50 million tons. Container handling at an upper major port is expected to increase to 100,000 TEUs at the end of 2003. Longer-term forecasts envisage a three-fold growth of imports between 2000 and 2010 and in container movements along the river from 850,000 to 2.6 million. Further up the river the current changes underway also envisage three fold growth in this same period.

In 2000, China also decided to upgrade the 243 km long Hang-Yong Canal, located in the southern part of China. Involving a total investment of around USD 300 million, the project includes construction of shiplocks, expansion of the channel, and reconstruction of bridges. The canal will connect six rivers in Zhejiang Province. It will also connect this inland waterway network with the country's largest river, the Yangtze, through the Beijing-Hangzhou Grand Canal, which extends from Beijing to Hangzhou, the capital city of Zhejiang Province. The project will allow 500-ton barges to sail between Hangzhou and the deep-water seaport, Ningbo, and will be used as an inland transport corridor linking the port with the largest inland waterway network in China.

The fleet of vessels plying the inland waterways now numbers 231,000, with a total deadweight tonnage of 20.67 million and a passenger seating capacity of 780,000. The average vessel size is growing; it increased by 36 per cent between 1995 and 1999.

In 2000, the cargo volume carried on the inland waterways of China reached 690 million tons and the total cargo task, measured in ton-km, reached 155 billion (giving an average trip distance of 212 km). While the cargo volume and task has been increasing, the passenger volume and task, standing at 130 million passengers and 6.35 billion passenger-km in 2000, has generally

been declining since the late 1980s. Since 1990, the growth of container traffic has dominated overall traffic growth on the inland waterway system. The volume of containers carried to or from major river ports grew by 38.6 per cent per annum, from 100,000 TEU in 1990 to 1.88 million TEUs in 1999. In 1999 alone, this volume increased by 84.1 per cent.

The emphasis in plans for the construction and development of the inland waterway network over the next decade is being placed on inland port development, and the construction of 20 inland river channels totalling 15,000 km in major north-south and east-west corridors and localized networks. Port development will involve the construction or upgrading of a total of 81 key ports and 159 other ports along the Yangtze, Pearl, Heilongjiang, Songhuajiang and Liaohe river systems. A total cost of about USD 2.15 billion was invested in inland waterway transport development during 1996-2000.<sup>8</sup>

#### **d) Air**

It is estimated that in 2003, China had a total of 507 airports, 332 of which had paved runways. The number of airports by runway lengths are indicated in Table 8.

In 2004, it was reported that the Hong Kong SAR and Mainland China will increase air passenger and cargo capacity in October. Under a new air services arrangement, the total weekly flights between the Hong Kong SAR and the Mainland will grow to 1,600 from the current 1,200. Cargo capacity will increase from the current 21 flights a week for each side to 42, bringing the total number of weekly freighter services to 84.

The new arrangement provides a clear timetable for opening the Hong Kong SAR-Mainland China aviation market to more airlines and for expansion of capacity limits on individual routes. The limit on the total number of airlines allowed to participate in the market will be lifted immediately, while the number of routes that allow “dual designation” by each side will be increased in phases, eventually covering all routes by the winter of 2006.

The current arrangement provides for a wide route network covering a total of 44 destinations in Mainland China. Under the new arrangement, a new route to Lijiang, has been added.

Under the new air pact, airlines will also be allowed to combine two points in Mainland China in one service and enter into code-share arrangement on all routes between the Hong Kong SAR and Mainland China.<sup>9</sup>

**Table 8. Estimated Number of Airports by Runway Length , Paved and Unpaved, China. 2003.**

<b>Runway Length (Metres)</b>	<b>No. of Airports with Paved Runways</b>	<b>No. of Airports with Unpaved Runways</b>
> 3,047	49	23
2,438 - 3,047	97	10
1,524 - 2,437	129	36
914 - 1,523	22	40
< 914	35	66
Total	332	175
Source: CIA World Factbook		

**e) Warehousing**

The increasing consumption of high-valued frozen and perishable foods in China is, in turn, increasing the importance of cold warehousing and transportation facilities. Cold storage capacity is believed to be only 20 to 30 percent of the growing cargo demand. Spoilage losses of up to 33 percent of perishable freight are common. Most of China's food is still transported by rail, but lack of temperature-controlled equipment and logistical problems make it costly to transport foods, particularly frozen and perishable foods.<sup>10</sup>

**F. Economic**

**1. Historical Development**

The historical economic development of China is closely associated with political events and the two cannot be separated without losing important insights.

For centuries China stood as a leading civilization, outpacing the rest of the world in the arts and sciences. But in the 19th and early 20th centuries, China was beset by civil unrest, major famines, military defeats, and foreign occupation. After World War II, the Communists under Mao Zedong established a dictatorship that, while ensuring China's sovereignty, imposed strict controls over everyday life and cost the lives of tens of millions of people. After 1978, his successor Deng Xiaoping gradually introduced market-oriented reforms and decentralized

economic decision making. Output quadrupled by 2000. Political controls remain tight while economic controls continue to be relaxed.<sup>11</sup>

## **2. Recent Conditions**

### **a) China**

In late 1978 the Chinese leadership began moving the economy from a sluggish, inefficient centrally planned economy to a more market-oriented system. Whereas the system operates within a political framework of strict political control, the economic influence of private organizations and individual citizens has been steadily increasing.

The authorities switched to a system of household and village responsibility in agriculture in place of the collectivization, increased the authority of local officials and plant managers in industry, permitted a wide variety of small-scale enterprises in services and light manufacturing, and opened the economy to increased foreign trade and investment. The result has been a quadrupling of GDP since 1978. Measured on a purchasing power parity (PPP) basis, China in 2003 was the second-largest economy in the world after the US, although in per capita terms the country is still poor.

Agriculture and industry have posted major gains especially in coastal areas near the Hong Kong SAR, opposite Taiwan, and in Shanghai, where foreign investment has helped spur output of both domestic and export goods.

As a result of its hybrid system, the leadership has often experienced the worst results of socialism (bureaucracy and lassitude) and of capitalism (growing income disparities and rising unemployment). China has therefore periodically reverted to the retightening of central controls. The government has struggled to (i) sustain adequate growth of jobs for the many of millions of workers laid off from state-owned enterprises, migrants, and new entrants to the work force; (ii) reduce corruption and other economic crimes; and (iii) keep afloat the large state-owned enterprises, many of which had been shielded from competition by subsidies and had been losing the ability to pay full wages and pensions. From 80 to 120 million surplus rural workers are adrift between the villages and the cities, many subsisting through part-time, low-paying jobs.

Past enforcement of population control is having mixed results. Popular resistance, changes in central policy, and loss of authority by rural cadres have weakened China's population control program, which is essential to maintaining long-term growth in living standards. On the other hand the one-child policy is raising the spectre (in about 45 years) of a large aging population with no social program and a relatively small population of working age to support them.

Another long-term threat to growth is the deterioration of the environment, notably through air pollution, soil erosion, and the steady fall of the water table; especially in the north. China continues to lose arable land because of erosion and economic development. The government says it will intensify efforts to stimulate growth through spending on infrastructure - such as water supply and power grids - and poverty relief and through rural tax reform.

Accession to the World Trade Organization helps strengthen China's ability to maintain strong growth rates but at the same time puts additional pressure on the hybrid system of strong political controls and growing market influences.

China has benefited from a huge expansion in computer internet use. Foreign investment remains a strong element in China's economic growth. Growing shortages of electric power and raw materials held back the expansion of industrial output in 2004.<sup>12</sup>

#### **b) The Hong Kong SAR**

The Hong Kong SAR has a free market economy highly dependent on international trade. Natural resources are limited, and food and raw materials must be imported. Imports and exports, including re-exports, each exceed GDP in dollar value. Even before Hong Kong reverted to Chinese administration on July 1, 1997 it had extensive trade and investment ties with China.

China's growing openness to the world economy and the development of port services in many other coastal cities has increased the competitive pressure on the service industries of the Hong Kong SAR. As a result, other economic ties are developing making the nature of the integration much wider.

Per capita GDP of the Hong Kong SAR compares well with that of the major economies of Western Europe. GDP growth averaged a strong 5% per year between 1989-1997, but the Hong Kong SAR suffered two recessions in the past 6 years because of the Asian financial crisis in 1998 and the global downturn of 2001-2002. The Severe Acute Respiratory Syndrome (SARS) outbreak also battered the Hong Kong SAR's economy, but a boom in tourism from the mainland, a return of consumer confidence, and a solid rise in exports resulted in the resumption of strong growth in late 2003.<sup>13</sup>

#### **c) The Macau SAR**

Macau's relatively affluent economy has remained one of the most open in the world since its reversion to China in 1999. Macau's net exports of goods and services account for roughly 41% of its GDP with tourism and apparel exports as the mainstays. Although the Macau SAR was hit hard by the 1998 Asian financial crisis and the global downturn in 2001, its economy grew 9.5% in 2002. A rapid rise in the number of mainland visitors drove the recovery. The budget also returned to a surplus position in 2002 because of the surge in visitors from China and a hike in taxes on gambling profits, which generated about 70% of government revenue. The liberalization of Macau's gambling monopoly contributes to GDP growth, as the three companies awarded gambling licenses have pledged to invest \$2.2 billion in the territory.

Much of Macau's textile industry may move to the mainland as the Multi-Fiber Agreement is phased out and the SAR may have to rely more on gambling and trade-related services to generate growth. The government estimated GDP growth at 4% in 2003 with the drop from 9.5%, due primarily to concerns over the Severe Acute Respiratory Syndrome (SARS), but private

sector analysts think the figure may have been higher because of the continuing boom in tourism.<sup>14</sup>

### **3. Determinants of Food Demand**

Quantitatively, the rate of increase in the demand for agricultural, agri-food & seafood products is influenced by the rates of change of: population, product prices, income per person and changes in income distribution. Table 9 compares China as a whole with the Hong Kong and Macau SARs with respect to population growth and GDP per person.

Qualitatively, the types of products demanded by consumers are determined by their tastes and preferences which are in turn determined by the historical cuisine and their knowledge and acceptance of foreign cuisines. Income level also has an influence on the level of quality demanded.

#### **a) China**

In China as a whole, population is increasing at about the same low rate as in the Hong Kong and Macau SARs but the size of the population is much larger. GDP per person in China as a whole is low but increasing rapidly. However, it is distributed unequally both individually and geographically. The level of income inequality on an individual basis is measured by the Gini<sup>15</sup> ratio of 44 (2002) (compared to Canada 31.5 (1994)). The size of the population and the rate at which GDP per person is increasing indicates that China as a whole is a major consumer of food and per capita consumption will increase rapidly.

#### **b) The Hong Kong SAR**

The Hong Kong SAR has a small population compared to China as a whole and it is growing at about the same rate. However, it has a much higher GDP per person than China as a whole. Due to competition from other Chinese cities, the Hong Kong SAR's GDP per person is actually decreasing and food consumption per person will probably not increase significantly.

#### **c) The Macau SAR**

The Macau SAR is a very small market but has characteristics that may be of interest to some Canadian food exporters. GDP per person is increasing slower than China as a whole and would not be an attractive target for most Canadian food exporters. However, some may be interested in supplying the gambling / hotel industries, one of Macau's major economic sectors. The Macau SAR is strengthening this part of its economy and it is expected to become an international gambling destination catering to many nationalities and culinary tastes.

**Table 9. Comparison of Selected Economic Data. China, the Hong Kong SAR and the Macau SAR.**

<b>Statistic</b>	<b>China</b>	<b>Hong Kong SAR</b>	<b>Macau SAR</b>
Population (Number)	1,288,400,000	6,816,000	444,000
Population Rate of Change (%/Year)*	0.85	0.81	0.83
GDP/Person (Current USD)	1,094	23,258	15,410 <sup>α</sup>
GDP/Person - Current USD (%/Year)	8.27*	-1.29*	2.29 <sup>β</sup>
GDP/Person (Constant USD)	1117	22077	15,249 <sup>α</sup>
GDP/Person - Constant USD (%/Year)	7.48*	-0.81*	2.89 <sup>β</sup>
Source: World Bank and calculations from World Bank data. Notes: Data is for 2003, unless otherwise indicated. * 1999 to 2003. <sup>α</sup> 2002. <sup>β</sup> 1999 to 2002.			

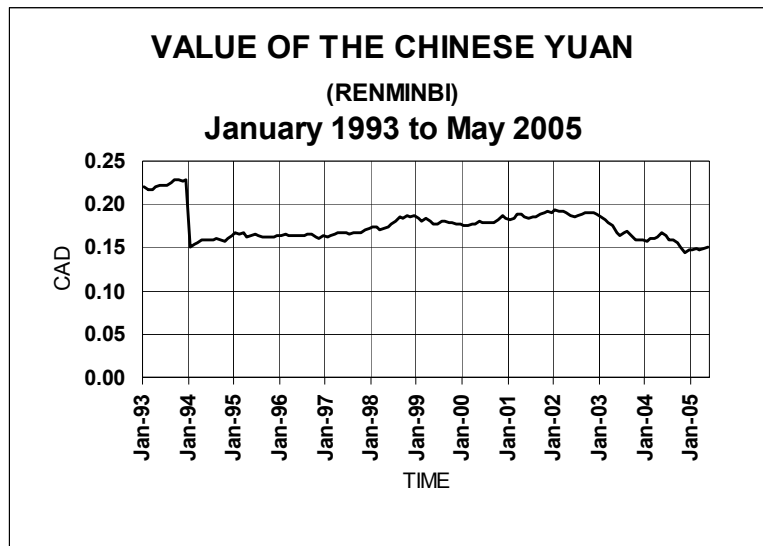
#### **4. Determinants of Food Imports**

Many factors influence the amount of food imported into a country including: total food demand, exchange rate movements, productive capacity and various trade barriers. The capacity of a country to produce food is in turn influenced by agricultural and fishery resources, the levels of production & processing technology and the number of managers with modern management skills.

##### **a) China**

As noted above China is currently a major food consumer due to the size of its population. Consumption is expected to increase considerably in the near future as GDP per person increases. However, from January 2002 to May 2005, the value of the CNY was decreasing at a rate of -0.751% per month (-8.64% per year). This drop in value was making Canadian food products increasingly expensive for Chinese consumers.

Agricultural land in China is farmed intensively but in many areas could be more productive on a per unit of labour basis if modern techniques were used more widely. Similarly high levels of technology and modern management skills in food processing are not widespread. Until Chinese agriculture and food processing industries adopt modern techniques widely, there will be a need for significant quantities of food imports of all kinds. When the mix of foods produced domestically approaches the optimum determined by comparative advantage, the mix of imports will change. It is expected that the food products China will import in the future will be imported in significant quantities. The expanding effective demand should make China an attractive market for Canadian exporters if tastes and preferences are catered to and institutional barriers can be overcome.



**Figure 5.** Exchange Rate Between the Chinese Yuan (Renminbi) and the Canadian Dollar (CAD per CNY).  
Source: Pacific Exchange Rate Service.

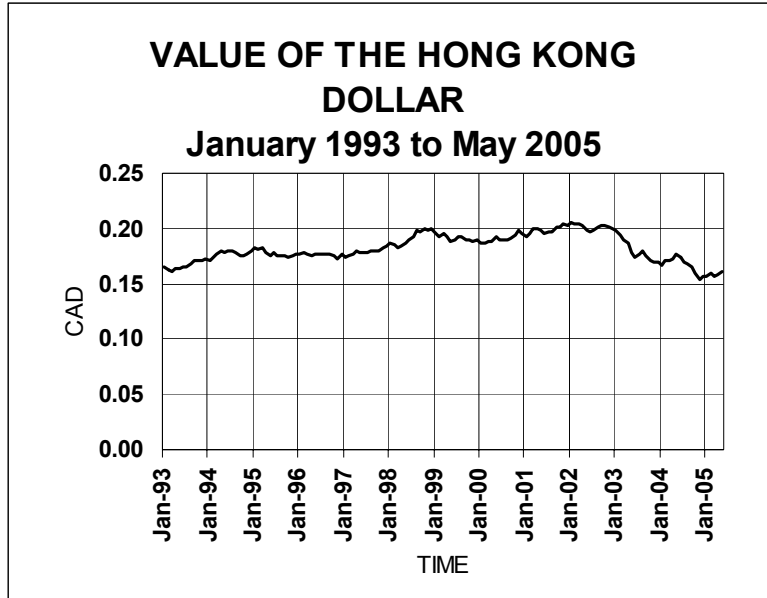
### b) The Hong Kong SAR

In the past, the Hong Kong SAR was a conduit for imports to an otherwise closed China. As other ports are developed and China increasingly participates in the world economy, the Hong Kong SAR is losing import business. Instead of acting as a major transshipment centre it will import increasingly for its own needs and those in the region immediately adjacent to it.

From January 2002 to May 2005, the value of the HKD was decreasing at a rate of -0.747% per month (-8.61% per year). This drop in value is making Canadian food products increasingly expensive for Hong Kong consumers.

The Hong Kong SAR has limited agricultural resources and will continue to import a large portion of its food needs.





**Figure 6.** Exchange Rate Between the Hong Kong Dollar and the Canadian Dollar (CAD per HKD).

Source: Pacific Exchange Rate Service.

### III RISK FACTORS

#### A. Internal Political/Economic Events

The new political class, referred to as the fourth generation of politicians is expected to give stability to China through 2010. It is expected to pursue a policy of gradual opening and modernization of the country which aims at maintaining economic growth and narrowing the large wealth gaps between the eastern and western areas of China.

The major problems to be addressed by the new politicians are: (i) the weakness of the financial system and losses incurred by state-owned companies; (ii) implementation of reforms required as a new (December 11, 2001) member of the WTO; (iii) growing internal income inequality; (iv) management of China's administrative system which consists of two parallel systems - the central system which has progressed in the last five years, and the local ones which have not shown any real reforms. Risk to Canadian agri-food & seafood exporters will increase if the country is not able to resolve these issues and if the difficulties of the past continue: excessively manipulative bureaucracy, payment difficulties, trade barriers (tariff and non-tariff).

Inequalities among the various levels of society and parts of the country is a new issue and may result in labour unrest in the more affluent regions and general civil unrest in the less affluent ones.

In recent years the Chinese economy has been growing very quickly. In the year ending June 2004 the country's GDP grew at 9.6%. Early in 2004, investment was increasing at 35% per year and bank lending has been rising very quickly. These conditions are fuelling a property

bubble and an inflation rate of 5.3% per year. China has implemented a number of measures to slow the economy gradually without precipitating a major recession. If a major inflation occurs, China's imports will not increase at the same rate as in recent years and may actually decrease. In this event, Canadian agri-food & seafood exporters may experience a lack of effective demand in China in the next few years.

### **B. External Political/Economic Events**

The external risk factors are linked to two issues: i) China's relations with the USA and; ii) the effect of epidemics.

China's participation in the anti-terrorism coalition temporarily reduced the conflicts with the USA. However, China considers the unilateral attack by the USA on Iraq as a dangerous precedent that might affect relationships with Taiwan and Tibet. Recent laws enacted by the Chinese government regarding their right to use force against Taiwan has also cooled relationships between China and the USA.

The SARS epidemic which first appeared in China had an economic effect on the country. Income from tourism was lost, trade exhibitions and business meetings etc. were cancelled.

Asia was the source of avian influenza including the H5N1 virus which mutates rapidly and has a propensity to acquire genes from viruses infecting other animal species. This characteristic allows it to infect humans with often fatal results. The World Health Organization is monitoring the situation and states: "If more humans become infected over time, the likelihood also increases that humans, if concurrently infected with human and avian influenza strains, could serve as the "mixing vessel" for the emergence of a novel subtype with sufficient human genes to be easily transmitted from person to person. Such an event would mark the start of an influenza pandemic"<sup>16</sup>. Such a pandemic is likely to begin in Asia and China might be severely affected, resulting in losses similar to those experienced during the concern over SARS.

Notwithstanding these risks, on April 16, 2004, Standard and Poor's changed the country's rating outlook from stable to positive.

### **C. Handling Risks of International Trade**

Some risks are normally covered by commercial cargo insurance in accordance with the minimum coverage of the Institute Cargo Clauses (Institute of London Underwriters) or some similar clause. This insurance normally covers the standard risks involved in transporting goods, such as accidents and weather.

If a Canadian exporter expects to incur costs or receive payment in CNYs or HKDs he/she may want to consider hedging against currency risks by participating in the futures market. This strategy is not appropriate in all situations and the exporter should obtain advice from a bank or other trusted expert.

Additional risks might be covered by Accounts Receivable Insurance and other products similar to those offered by Export Development Canada (EDC). The availability, terms and costs of this insurance will depend on conditions in the importing country, the reputation of the importer and EDC policy. Generally the Accounts Receivable Insurance will cover up to 90% of losses resulting from a wide range of commercial and political risks including: insolvency or default of the buyer; payment delay caused by blockage of funds or transfer difficulties; refusal of goods by the buyer (provided you meet the contract terms); war or hostilities in the buyer's country, or between two or more other countries and; cancellation or non-renewal of export or import permits. Optional coverage includes: protection against contract cancellation by the buyer; insurance for Letters of Credit transactions on a country-by-country basis; coverage for sales made by foreign affiliates; invoicing in foreign currency and; insurance for receivables generated by providing services. (See [www.edc.ca](http://www.edc.ca)).

#### **IV PRODUCT ANALYSIS**

##### **A. Selected Products Imported by China From Canada**

Following are descriptions of selected food products imported by China from many countries including Canada. The statistics refer to the six years 1999 to 2004.

The numbers associated with the food products are Harmonized System Codes (HS codes). The HS codes can be 10 digits long. The first 6 digits are common to all countries; the last 4 can be designated by individual countries for their own purposes.

##### **020322 Meat, Swine, Hams, Shoulders Etc. Bone In, Frozen**

The average annual value of imports over six years was CAD 59.4 million. In 2004, China imported CAD 32.6 million worth from: the USA (CAD 14.6 million); Canada (CAD 14.1 million) and; Denmark (CAD 3.9 million).

##### **020329 Meat of Swine, Nesoi, Frozen**

The average annual value of imports over six years was CAD 25.6 million. In 2004, China imported CAD 38.5 million worth from: the USA (CAD 13.4 million); Canada (CAD 13.3 million); Denmark (CAD 11.7 million); Germany (CAD 55,000) and; New Zealand (CAD 23,000). Two other countries supplied CAD 18,000 worth of products in this category.

##### **020649 Offal of Swine Except Livers, Edible, Frozen**

The average annual value of imports over six years was CAD 109.5 million. In 2004, China imported CAD 236.8 million worth from: the USA (CAD 125.4 million); Denmark (CAD 58.7 million); Canada (CAD 52.4 million); Germany (CAD 183,000) and; the Hong Kong SAR (CAD 61,000). Three other countries supplied CAD 86,000 worth of products in this category.

**020714 Chicken Cuts and Edible Offal (Incl Livers), Frozen**

The average annual value of imports over six years was CAD 542.3 million. In 2004, China imported CAD 195.3 million worth from: the USA (CAD 78.0 million); Brazil (CAD 67.2 million); Argentina (CAD 48.8 million); Canada (CAD 953,000) and; Thailand (CAD 191,000). Two other countries provided CAD 100,000 worth of products in this category.

**030212 Salmon, Pacific, Atlantic & Danube, with Bones Fresh or Chilled**

The average annual value of imports over six years was CAD 12.1 million. In 2004, China imported CAD 27.2 million worth from: Norway (CAD 23.2 million); Japan (2.8 million); Canada (CAD 1.2 million); Russia (CAD 37,000) and; Australia (CAD 3,000). One other country provided CAD 2,000 worth of products in this category.

**030310 Pacific Salmon, with Bones, Frozen**

This classification was deleted after 2001. The average annual value of imports over the four years 1998 to 2001 was CAD 32.3 million. In 2001, China imported CAD 70.5 million worth from: Japan (CAD 25.8 million); Russia (CAD 24.5 million); the USA (CAD 14.5 million); Norway (CAD 1.8 million) and; Chile (1.5 million). Canada provided CAD 1.2 million worth and eight other countries provided CAD 1.2 million worth of this product group.

**030311 Sockeye Salmon, Excl Fillet, Livers & Roes, Frozen**

This classification began with the 2002 data. The average annual value of imports over the three years 2002 to 2004 was CAD 3.7 million. In 2004, China imported CAD 6.7 million worth from: Japan (CAD 3.1 million); Russia (CAD 2.5 million); the USA (CAD 535,000); Canada (CAD 300,000) and; South Korea (CAD 170,000). Two other countries supplied CAD 93,000 worth of this product group.

**030319 Pacific Salmon, Nesoi, Excl Fillet, Liver, Roe, Frozen**

This classification began with the 2002 data. The average annual value of imports over the three years 2002 to 2004 was CAD 98.5 million. In 2004, China imported CAD 117.3 million worth from: Japan (CAD 45.7 million); Russia (CAD 36.7 million); the USA (CAD 19.4 million); Norway (CAD 6.5 million) and; Chile (CAD 3.7 million). Canada supplied CAD 2.4 million and five other countries supplied CAD 2.8 million worth of products in this classification.

**030331 Halibut/Greenland Turbot Excl Fillet/Liver/Roe Frozen**

The average annual value of imports over six years was CAD 10.3 million. In 2004, China imported CAD 27.1 million worth from: Russia (CAD 6.0 million); Canada (CAD 4.8 million); Spain (CAD 4.4 million); Greenland (CAD 3.2 million) and; Iceland (CAD 2.9 million). Ten other countries supplied CAD 5.7 million worth of products in this classification.

**030332 Plaice Except Fillets, Livers and Roe, Frozen**

The average annual value of imports over six years was CAD 90.2 million. In 2004, China imported CAD 127.0 million worth from: the USA (CAD 70.8 million); Russia (CAD 36.7 million); South Korea (CAD 5.3 million); Canada (CAD 3.0 million) and; Spain (CAD 2.8

million). Eighteen other countries supplied CAD 8.4 million worth of products in this classification.

**030360 Cod Except Fillets, Livers and Roes, Frozen**

The average annual value of imports over six years was CAD 691.3 million. In 2004, China imported CAD 945.2 million worth from: Russia (CAD 723.2 million); the USA (CAD 86.1 million); the Netherlands (CAD 39.4 million); New Zealand (CAD 21.7 million) and; Japan (CAD 15.2 million). Canada supplied CAD 1.3 million worth and 27 other countries supplied CAD 58.3 million worth of products in this classification.

**030379 Fish, Nesoi, with Bones Frozen**

The average annual value of imports over six years was CAD 274.4 million. In 2004, China imported CAD 349.6 million worth from: the Norway (CAD 59.3 million); Russia (CAD 44.3 million); India (CAD 26.3 million); Thailand (CAD 24.6 million) and; Iceland (CAD 23.9 million). Canada supplied CAD 16.2 million worth and 56 other countries supplied CAD 155.1 million worth of products in this classification.

**030410 Fish Fillets & Other Meat Except Fish Steaks Fresh/Chilled**

The average annual value of imports over six years was CAD 4.4 million. In 2004, China imported CAD 1.2 million worth from: the USA (CAD 627,000); Thailand (CAD 246,000); India (CAD 97,000); Japan (CAD 67,000) and; Vietnam (CAD 60,000). Canada supplied less than CAD 1,000 worth and four other countries supplied CAD 70,000 worth of products in this classification.

**030490 Fish Meat Nesoi, Except Fish Steaks & Fillets, Frozen**

The average annual value of imports over six years was CAD 21.2 million. In 2004, China imported CAD 33.0 million worth from: the USA (CAD 16.9 million); Thailand (3.7 million); Vietnam (CAD 3.4 million); South Korea (CAD 2.0 million) and; Canada (CAD 1.9 million). Twenty-two other countries supplied CAD 5.0 million worth of products in this classification.

**030520 Fish Liver & Roe, Dried, Smoked, Salted or in Brine**

The average annual value of imports over six years was CAD 6.5 million. In 2004, China imported CAD 9.2 million worth from: Canada (CAD 5.2 million); Indonesia (CAD 1.3 million); Russia (CAD 856,000); Japan (CAD 654,000) and; the USA (CAD 555,000). Four other countries supplied CAD 611,000 worth of products in this classification.

**030613 Shrimps and Prawns, Including in Shell, Frozen**

The average annual value of imports over six years was CAD 156.4 million. In 2004, China imported CAD 163.6 million worth from: Canada (CAD 54.4 million); India (CAD 22.5 million); Greenland (CAD 18.1 million); Denmark (CAD 11.6 million) and; Indonesia (CAD 10.7 million). Thirty-one other countries supplied CAD 46.3 million worth of products in this classification.

**030614 Crabs, Including in Shell, Frozen**

The average annual value of imports over six years was CAD 88.7 million. In 2004, China imported CAD 102.3 million worth from: Canada (CAD 51.4 million); the USA (CAD 14.7 million); Russia (CAD 14.5 million); Japan (CAD 11.2 million) and; Uruguay (CAD 3.4 million). Twenty-five other countries supplied CAD 7.1 million worth of products in this classification.

**030739 Mussels, Frozen, Dried, Salted or in Brine**

The average annual value of imports over six years was CAD 3.1 million. In 2004, China imported CAD 3.7 million worth from: North Korea (CAD 2.4 million); Canada (CAD 662,000); New Zealand (CAD 337,000); Thailand (CAD 122,000) and; Vietnam (CAD 57,000). Seven other countries supplied CAD 154,000 worth of products in this classification.

**030799 Molluscs etc Nesoi, Frozen, Dried, Salted or in Brine**

The average annual value of imports over six years was CAD 13.7 million. In 2004, China imported CAD 16.3 million worth from: India (CAD 1.8 million); South Korea (CAD 1.7 million); Indonesia (CAD 1.6 million); North Korea (CAD 1.6 million) and; Japan (CAD 1.5 million). Canada supplied CAD 997,000 and 32 other countries supplied CAD 7.1 million worth of products in this classification.

**040410 Whey & Modified Whey Whether or Not Concentrated Containing Added Sweeteners**

The average annual value of imports over six years was CAD 129.8 million. In 2004, China imported CAD 155.7 million worth from: France (CAD 45.9 million); the USA (CAD 40.0 million); Australia (CAD 17.5 million); the Netherlands (CAD 16.7 million) and; Ireland (CAD 10.8 million). Canada supplied CAD 3.0 million worth and 13 other countries supplied CAD 21.8 million worth of products in this classification.

**060290 Live Plants, Cuttings & Slips, Nesoi; Mushroom Spawn**

The average annual value of imports over six years was CAD 21.1 million. In 2004, China imported CAD 28.6 million worth from: Thailand (CAD 7.6 million); Taiwan (CAD 5.4 million); the Netherlands (CAD 5.1 million); South Korea (CAD 2.7 million) and; the USA (CAD 2.2 million). Canada supplied CAD 493,000 and 27 other countries supplied CAD 5.2 million worth of products in this classification.

**071310 Peas, Dried, Shelled, Including Seed**

The average annual value of imports over six years was CAD 26.3 million. In 2004, China imported CAD 19.1 million worth from: Canada (CAD 16.5 million); the UK (CAD 1.2 million); Australia (CAD 759,000); New Zealand (CAD 283,000) and; the USA (CAD 282,000). Four other countries supplied CAD 158,000 worth of products in this classification.

**110100 Wheat or Meslin Flour**

The average annual value of imports over six years was CAD 19.0 million. In 2004, China imported CAD 11.8 million worth from: Japan (CAD 4.7 million); South Korea (CAD 2.9

million); Canada (CAD 1.2 million); Australia (CAD 1.1 million) and; the USA (CAD 845,000). Ten other countries supplied CAD 1.2 million worth of products in this classification.

**121120 Ginseng Roots, Fresh or Dried**

The average annual value of imports over six years was CAD 41.5 million. In 2004, China imported CAD 28.9 million worth from: Canada (CAD 22.6 million); the USA (CAD 3.7 million); South Korea (CAD 1.4 million); North Korea (CAD 692,000) and; the Hong Kong SAR (CAD 561,000).

**121220 Seaweeds & Other Algae Fresh or Dried Whether or Not Ground**

The average annual value of imports over six years was CAD 23.0 million. In 2004, China imported CAD 32.8 million worth from: Indonesia (CAD 11.5 million); Chile (CAD 11.0 million); the Philippines (CAD 5.1 million); Japan (CAD 1.5 million) and; South Korea (CAD 1.4 million). Canada supplied CAD 413 worth and 18 other countries supplied CAD 2.2 million worth of products in this classification.

**151411 Rapeseed/Colza Oil & Fractions, Low Erucic Acid and its Fractions, Crude**

This classification began in 2002. The average annual value of imports over the three years 2002 to 2004 was CAD 133.7 million. In 2004, China imported CAD 248.9 million worth from: Canada (CAD 237.1 million); Australia (CAD 6.7 million); Germany (CAD 5.0 million); the Hong Kong SAR (CAD 31,000) and; Malaysia (CAD 24,000). Two other countries supplied CAD 16,000 worth of products in this classification.

**151419 Rapeseed/Colza Oil & Fractions, Low Erucic Acid and its Fractions, Nesoi**

This classification began in 2002. The average annual value of imports over the three years 2002 to 2004 was CAD 12.0 million. In 2004, China imported CAD 16.1 million worth from: Canada (CAD 16.1 million); Australia (CAD 12,000); the Hong Kong SAR (CAD 11,000); the USA (CAD 7,000) and; Japan (CAD 52). One other country supplied CAD 12 worth of products in this classification.

**151710 Margarine, Excluding Liquid Margarine**

The average annual value of imports over six years was CAD 8.0 million. In 2004, China imported CAD 9.9 million worth from: Indonesia (CAD 5.3 million); Australia (CAD 2.7 million); Taiwan (CAD 861,000); Japan (CAD 244,000) and; the USA (CAD 173,000). Canada supplied CAD 159,000 worth and 10 other countries supplied CAD 494,000 worth of products in this classification.

**180631 Chocolate & Other Cocoa Preparations, Not Bulk, Filled**

The average annual value of imports over six years was CAD 17.3 million. In 2004, China imported CAD 23.1 million worth from: Australia (CAD 7.6 million); Italy (CAD 4.8 million); Austria (CAD 3.5 million); Russia (CAD 1.8 million) and; the USA (CAD 1.3 million). Canada supplied CAD 8,000 worth and 24 other countries supplied CAD 4.2 million worth of products in this classification.

**180632 Chocolate & Other Cocoa Preparations, Not Bulk, Not Filled**

The average annual value of imports over six years was CAD 6.4 million. In 2004, China imported CAD 7.4 million worth from: Switzerland (CAD 3.2 million); Belgium (CAD 811,000); Japan (CAD 780,000); Vietnam (CAD 717,000) and; France (CAD 561,000). Canada supplied CAD 22,000 worth and 14 other countries supplied CAD 1.3 million worth of products in this classification.

**180690 Cocoa Preparations, Not in Bulk Form, Nesoi**

The average annual value of imports over six years was CAD 20.7 million. In 2004, China imported CAD 27.2 million worth from: Italy (CAD 17.9 million); the USA (CAD 3.1 million); Singapore (CAD 1.3 million); Belgium (CAD 940,000) and; Australia (CAD 797,000). Canada supplied CAD 9,000 worth and 20 other countries supplied CAD 3.1 million worth of products in this classification.

**190230 Pasta, Prepared Nesoi**

The average annual value of imports over six years was CAD 9.2 million. In 2004, China imported CAD 11.9 million worth from: the USA (CAD 2.5 million); Italy (CAD 2.2 million); South Korea (CAD 1.9 million); Japan (CAD 1.6 million) and; the Hong Kong SAR (CAD 1.4 million). Canada supplied CAD 14,000 worth and 14 other countries supplied CAD 2.3 million worth of products in this classification.

**190410 Prepared Food Obtained by the Swelling or Roasting of Cereals or Cereal Products**

The average annual value of imports over six years was CAD 5.7 million. In 2004, China imported CAD 9.1 million worth from: the UK (CAD 3.1 million); the USA (CAD 1.9 million); South Korea (CAD 1.1 million); the Philippines (CAD 829,000) and; Thailand (CAD 634,000). Canada supplied CAD 3,000 worth and 17 other countries supplied CAD 1.5 million worth of products in this classification.

**190531 Cookies (Sweet Biscuits)**

This classification began in 2002. The average annual value of imports over the three years 2002 to 2004 was, CAD 9.9 million. In 2004, China imported CAD 12.5 million worth from: Denmark (CAD 5.7 million); South Korea (CAD 1.7 million); Indonesia (CAD 970,000); Germany (CAD 664,000) and; Turkey (CAD 538,000). Canada supplied CAD 25,000 worth and 26 other countries supplied CAD 2.9 million worth of products in this classification.

**190540 Rusks, Toasted Bread and Similar Toasted Products**

The average annual value of imports over six years was CAD 778,000. In 2004, China imported CAD 2.4 million worth from: the USA (CAD 1.2 million); Thailand (CAD 915,000); Japan (CAD 102,000); Canada (CAD 55,000) and; South Korea (CAD 16,000). Seven other countries supplied CAD 38,000 worth of products in this classification.



**190590 Bread, Pastry, Cakes, Biscuits and Similar Baked Products, and Puddings, Whether or Not Containing Chocolate, Fruit, Nuts or Confectionery**

The average annual value of imports over six years was CAD 16.9 million. In 2004, China imported CAD 23.7 million worth from: Belgium (CAD 12.0 million); the Hong Kong SAR (CAD 4.3 million); the USA (CAD 2.0 million); Australia (CAD 960,000) and; Thailand (CAD 697,000). Canada supplied CAD 41,000 worth and 28 other countries supplied CAD 3.8 million worth of products in this classification.

**200410 Potatoes, Prepared Etc., No Vinegar Etc., Frozen**

The average annual value of imports over six years was CAD 44.8 million. In 2004, China imported CAD 67.0 million worth from: the USA (CAD 54.1 million); Canada (CAD 6.3 million); New Zealand (CAD 5.1 million); Belgium (CAD 1.2 million) and; Egypt (CAD 183,000). Six other countries supplied CAD 186,000 worth of products in this classification.

**200819 Nuts (Except Peanuts) and Seeds, Prepared Etc., Nesoi**

The average annual value of imports over six years was CAD 3.3 million. In 2004, China imported CAD 4.8 million worth from: Turkey (CAD 3.5 million); the USA (CAD 435,000); Japan (CAD 272,000); Australia (CAD 211,000) and; the UK (CAD 178,000). Canada supplied CAD 5,000 worth and 14 other countries supplied CAD 279,000 worth of products in this classification.

**200971 Apple Juice of a Brix Value  $\leq$ 20. Not Fortified with Vitamins or Minerals**

This classification began in 2002. The average annual value of imports over the three years 2002 to 2004 was CAD 397,000. In 2004, China imported CAD 494,000 worth from: Australia (CAD 354,000); South Korea (CAD 77,000); the USA (CAD 17,000); France (CAD 15,000) and; Taiwan (CAD 12,000). Canada supplied CAD 171 worth and seven other countries supplied CAD 18,000 worth of products in this classification.

**200980 Juice of Any Single Fruit/Vegetable, Unfermented, Nesoi**

The average annual value of imports over six years was CAD 3.9 million. In 2004, China imported CAD 5.9 million worth from: Thailand (CAD 1.6 million); Indonesia (CAD 1.0 million); Israel (CAD 795,000); the USA (CAD 722,000) and; Taiwan (CAD 384,000). Canada supplied CAD 14,000 worth and 27 other countries supplied CAD 1.4 million worth of products in this classification.

**210210 Yeast, Active**

The average annual value of imports over six years was CAD 5.4 million. In 2004, China imported CAD 8.4 million worth from: the USA (CAD 5.0 million); France (CAD 2.1 million); Denmark (CAD 500,000); Japan (CAD 452,000) and; Australia (CAD 167,000). Canada supplied CAD 867 worth and 15 other countries supplied CAD 175,000 worth of this product.

**210610 Protein Concentrate and Textured Protein Substances**

The average annual value of imports over six years was CAD 20.9 million. In 2004, China imported CAD 45.5 million worth from: the USA (CAD 39.9 million); Israel (CAD 4.1

million); the Netherlands (CAD 547,000); Taiwan (CAD 228,000) and; Japan (CAD 203,000). Canada supplied CAD 52,000 worth and 11 other countries supplied CAD 413,000 worth of products in this classification.

**210690 Food Preparations Nesoi**

The average annual value of imports over six years was CAD 177.3 million. In 2004, China imported CAD 413.9 million from: the USA (CAD 238.0 million); Argentina (CAD 69.3 million); the Netherlands (CAD 17.3 million); Japan (CAD 14.6 million) and; Brazil (CAD 12.8 million). Canada supplied CAD 5.2 million worth and 43 other countries supplied CAD 56.8 million worth of products in this classification.

**220421 Wine, from Grape Nesoi & Grape Must with Alcohol, Not over 2 Litres**

The average annual value of imports over six years was CAD 15.0 million. In 2004, China imported CAD 32.5 million from: France (CAD 12.1 million); Australia (CAD 7.3 million); the USA (CAD 4.1 million); Italy (CAD 2.2 million) and; Chile (CAD 1.7 million). Canada supplied CAD 584,000 worth and 29 other countries supplied CAD 4.5 million worth of products in this classification.

**230990 Animal Feed Preparations Except Dog or Cat Food, Retail Packaged**

The average annual value of imports over six years was CAD 159.4 million. In 2004, China imported CAD 153.2 million from: the USA (CAD 59.3 million); Japan (CAD 13.6 million); Taiwan (CAD 12.8 million); the Netherlands (CAD 10.4 million) and; the UK (CAD 8.9 million). Canada supplied CAD 531,000 worth and 31 other countries supplied 47.7 million worth of products in this classification.

**410190 Raw Hides, Nesoi, Including Butts, Bends & Bellies of Bovine/Equine Animals**

This classification began in 2002. The average annual value of imports over the three years 2002 to 2004 was CAD 204.0 million. In 2004, China imported CAD 134.2 million worth from: the USA (CAD 47.3 million); Australia (CAD 45.9 million); Canada (CAD 35.8 million); Ireland (CAD 2.2 million) and; the Netherlands (CAD 688,000). Twelve other countries supplied CAD 2.3 million worth of products in this classification.

**B. Selected Products Imported by China But Currently Not From Canada**

**020230 Meat of Bovine Animals, Boneless, Frozen**

The average annual value of imports over six years was CAD 11.1 million. In 2004, China imported CAD 9.0 million worth from: Australia (CAD 7.2 million); New Zealand (CAD 987,000); Brazil (CAD 737,000); the USA (CAD 50,000) and Uruguay (CAD 10,000). Canada last supplied CAD 107,000 of these products in 2003.

**020442 Meat of Sheep, Cuts with Bone In, Nesoi, Frozen**

The average annual value of imports over six years was CAD 33.9 million. In 2004, China imported CAD 54.2 million worth from: New Zealand (CAD 38.2 million); Australia (CAD 16.0 million); South Korea (CAD 22,000) and; the USA (CAD 19,000).

**051110 Bovine Semen**

The average annual value of imports over six years was CAD 424,000. In 2004, China did not import any of this product. In 2003 it imported CAD 971,000 worth from: the USA (CAD 676,000) and; Canada (CAD 295,000).

**071320 Chickpeas (Garbanzos), Dried Shelled, Including Seed**

The average annual value of imports over six years was CAD 161,000. In 2004, China imported CAD 253 worth from India. Canada last supplied CAD 234,000 of these products in 2003.

**080810 Apples, Fresh**

The average annual value of imports over six years was CAD 27.7 million. In 2004, China imported CAD 38.6 million worth from: the USA (CAD 19.7 million); Chile (CAD 13.5 million); New Zealand (CAD 5.4 million) and; Japan (CAD 72,000). Canada last supplied CAD 1.0 million worth of fresh apple in 1998.

**080920 Cherries, Sweet or Tart, Fresh**

The average annual value of imports over six years was CAD 1.1 million. In 2004, China imported CAD 3.0 million worth from: the USA (CAD 2.0 million); New Zealand (CAD 908,000) and; Chile (CAD 110,000). Canada last supplied CAD 428,000 worth of fresh cherries in 2002.

**080940 Plums, Prune Plums and Sloes, Fresh**

The average annual value of imports over six years was CAD 7.5 million. In 2004, China imported CAD 6.7 million worth from: New Zealand (CAD 6.5 million) and; Chile (CAD 262,000). Canada last supplied CAD 218,000 worth of these products in 2001.

**151211 Sunflower-Seed or Safflower Oil, Crude, Fract, Etc**

The average annual value of imports over six years was CAD 7.7 million. In 2004, China imported CAD 17.9 million worth from: Argentina (CAD 16.3 million); the USA (CAD 1.4 million); Kazakhstan (CAD 85,000); Australia (CAD 53,000) and; the Netherlands (CAD 33,000). Four other countries supplied CAD 11,000 worth of products in this classification.

**151219 Sunflower-Seed or Safflower Oil, Refined, Fract Etc.**

The average annual value of imports over six years was CAD 1.1 million. In 2004, China imported CAD 2.1 million worth from: Argentina (CAD 1.3 million); Malaysia (CAD 300,000); Taiwan (CAD 268,000); Australia (CAD 50,000) and; the USA (CAD 41,000). Eight other countries supplied CAD 97,000 worth of products in this classification. Canada last supplied less than CAD 1,000 in 2002.

**200870 Peaches, Prepared or Preserved, Nesoi**

The average annual value of imports over six years was CAD 2.6 million. In 2004, China imported CAD 6.4 million worth from: the USA (CAD 4.7 million); South Africa (CAD 1.4 million); Greece (CAD 279,000); Japan (CAD 39,000) and; China (CAD 30,000). Four other countries supplied CAD 1,000 worth of products in this classification. Canada last supplied CAD 1,000 worth in 2001.

**210320 Tomato Ketchup and Other Tomato Sauces**

The average annual value of imports over six years was CAD 1.7 million. In 2004, China imported CAD 2.2 million worth from: Thailand (CAD 667,000); Malaysia (CAD 605,000); the USA (CAD 373,000); South Korea (CAD 241,000) and; Italy (CAD 122,000). Ten other countries supplied CAD 233,000 worth of product in this classification. Canada last supplied CAD 1,000 worth of these products in 2003.

**V. SPECIAL ADMINISTRATIVE REGIONS (SARs)****A. Profile of the Special Administrative Regions**

There are two Special Administrative Regions in China, Hong Kong and Macau. The Hong Kong SAR was a Crown Colony of the UK until July 1, 1997. The Macau SAR was a colony of Portugal until December 20, 1999. Upon return of the two colonies, China has promised that, under its "one country, two systems" formula, China's socialist economic system will not be practiced in the SARs, and that they will enjoy a high degree of autonomy in all matters except foreign and defense affairs for the next 50 years.

The Hong Kong SAR consists of 1,092 Km<sup>2</sup> and 7.3 million people with an estimated GDP per person of CAD 33,382. It is the most affluent Chinese jurisdiction and represents an important market for higher valued Canadian agricultural, agri-food & seafood exports. Its infrastructure and links to the rest of China have, in the past, provide a relatively easy gateway to other Chinese markets. Today, ports in other regions are developing quickly and providing competition in port services.

The Hong Kong SAR has a free market economy highly dependent on international trade. Natural resources are limited necessitating the importation of food and raw materials. Even before 1997 it had extensive trade and investment ties with China.

The Macau SAR is the smallest Chinese jurisdiction with only 25 Km<sup>2</sup> and 462,000 people. The estimated GDP per person in the Macau SAR is CAD 19,923.

**B. Selected Products Imported by the Hong Kong SAR From Canada**

In 2004, the Hong Kong SAR imported a total of CAD 13,400.0 million worth of agricultural, agri-food & seafood products from all sources including CAD 487 million from Canada.

Following are descriptions of selected agricultural agri-food and seafood products imported by the Hong Kong SAR from many countries including Canada. Unless otherwise indicated, the statistics refer to the six years 1999 to 2004.

**010190 Live Horses, Asses, Mules and Hinnies, Nesoi**

This classification began in 2002. The average annual value of imports over the three years 2002 to 2004 was CAD 79.5 million. In 2004, the Hong Kong SAR imported CAD 75.3 million worth from: The UK (CAD 29.0 million); Australia (CAD 27.2 million); New Zealand (CAD 17.3 million); the USA (CAD 856,000) and; Argentina (CAD 440,000). Canada supplied CAD 138,000 and one other country supplied CAD 403,000 worth of these animals.

**010620 Live Reptiles (Including Snakes and Turtles)**

This classification began in 2002. The average annual value of imports over the three years 2002 to 2004 was CAD 12.0 million. In 2004, the Hong Kong SAR imported CAD 7.2 million worth from: Indonesia (CAD 3.3 million); the USA (CAD 2.1 million); Malaysia (CAD 997,000); Thailand (CAD 833,000) and; Canada (CAD 19,000).

**020130 Meat of Bovine Animals, Fresh or Chilled, Boneless Cuts,**

The average annual value of imports over six years was CAD 28.4 million. In 2004, the Hong Kong SAR imported CAD 31.0 million worth from: Australia (CAD 20.6 million); New Zealand (CAD 7.3 million); Argentina (CAD 1.4 million); Brazil (CAD 563,000) and; Canada (CAD 447,000). Seven other countries supplied CAD 693,000 worth of these products.

**020220 Meat of Bovine Animals, Frozen, Cuts with Bone In**

The average annual value of imports over six years was CAD 33.9 million. In 2004, the Hong Kong SAR imported CAD 13.9 million worth from: Canada (CAD 3.6 million); Brazil (CAD 3.5 million); Australia (CAD 1.7 million); the USA (CAD 1.7 million) and; Argentina (CAD 1.6 million). Seven other countries supplied CAD 1.9 million worth of these products.

**020230 Meat of Bovine Animals, Frozen, Cuts Boneless**

The average annual value of imports over six years was CAD 145.3 million. In 2004, the Hong Kong SAR imported CAD 125.0 million worth from: Brazil (CAD 60.1 million); China (CAD 22.0 million); New Zealand (CAD 13.5 million); Argentina (CAD 12.8 million) and; Canada (CAD 5.2 million). Thirteen other countries supplied CAD 11.4 million worth of these products.

**020322 Meat of Swine (Pork), Frozen Cuts, Bone In**

The average annual value of imports over six years was CAD 19.0 million. In 2004, the Hong Kong SAR imported CAD 31.3 million worth from: Brazil (CAD 8.9 million); Germany (CAD 6.7 million); Denmark (CAD 5.0 million); Canada (CAD 4.0 million) and; the Netherlands (CAD 3.2 million). Twelve other countries supplied CAD 3.6 million worth of these products.

**020329 Meat of Swine (Pork) Frozen Cuts, Boneless**

The average annual value of imports over six years was CAD 255.0 million. In 2004, the Hong Kong SAR imported CAD 272.3 million worth from: China (CAD 146.9 million); Brazil (CAD 84.1 million); the Netherlands (CAD 11.9 million); Canada (CAD 7.0 million) and; Germany (CAD 6.6 million). Twenty other countries supplied CAD 15.6 million worth of these products.

**020629 Edible Offal of Bovine Animals Nesoi, Frozen**

The average annual value of imports over six years was CAD 160.5 million. In 2004, the Hong Kong SAR imported CAD 162.2 million worth from: Brazil (CAD 102.6 million); Argentina (CAD 34.6 million); Uruguay (CAD 7.9 million); Australia (CAD 5.8 million) and; New Zealand (CAD 3.8 million). Canada supplied CAD 622,000 worth and 18 other countries supplied CAD 7.0 million worth of these products.

**020649 Edible Offal (Excluding Livers and Uteri) of Swine, Frozen**

The average annual value of imports over six years was CAD 211.6 million. In 2004, the Hong Kong SAR imported CAD 206.8 million worth from: Denmark (CAD 44.4 million); the USA (CAD 39.6 million); the Netherlands (CAD 30.0 million); Germany (CAD 26.7 million) and; Canada (CAD 18.6 million). Twenty-seven other countries supplied CAD 47.5 million worth of these products.

**020712 Chicken Meat, Whole, Frozen**

The average annual value of imports over six years was CAD 42.0 million. In 2004, the Hong Kong SAR imported CAD 32.1 million worth from: China (CAD 24.1 million); Brazil (CAD 4.3 million); Denmark (CAD 1.5 million); the USA (CAD 1.2 million) and; France (CAD 340,000). Canada supplied CAD 5,000 and six other countries supplied CAD 619,000 worth of these products.

**020714 Meat & Edible Offal of Chicken, Cut, Frozen**

The average annual value of imports over six years was CAD 865.7 million. In 2004, the Hong Kong SAR imported CAD 521.4 million worth from: Brazil (CAD 216.5 million); the USA (CAD 190.4 million); China (CAD 26.9 million); Turkey (CAD 15.2 million) and; France (CAD 14.9 million). Canada supplied CAD 7.7 million and 31 other countries supplied CAD 49.7 million worth of these products.

**020727 Meat and Edible Offal of Turkey, Cut, Frozen**

The average annual value of imports over six years was CAD 35.0 million. In 2004, the Hong Kong SAR imported CAD 13.1 million worth from: the USA (CAD 6.9 million); Brazil (CAD 1.5 million); Germany (CAD 1.3 million); the UK (CAD 974,000) and; Chile (CAD 844,000). Canada supplied CAD 474,000 worth and 10 other countries supplied CAD 1.0 million worth of these products.

**020733 Meat and Edible Offal of Ducks, Geese & Guineas, Not Cut in Pieces, Frozen**

The average annual value of imports over six years was CAD 13.7 million. In 2004, the Hong Kong SAR imported CAD 6.7 million worth from: China (CAD 6.2 million); France (CAD 205,000); the USA (CAD 171,000); Canada (CAD 130,000) and; Australia (CAD 19,000). Three other countries supplied CAD 22,000 worth of these products.

**021011 Hams, Shoulders & Cuts, Bone In, Salted, Dried, Smoked**

The average annual value of imports over six years was CAD 10.7 million. In 2004, the Hong Kong SAR imported CAD 8.2 million worth from: China (CAD 7.1 million); Italy (CAD 443,000); Japan (CAD 141,000); Spain (CAD 92,000) and; the USA (CAD 83,000). Canada supplied CAD 48,000 and nine other countries supplied CAD 282,000 worth of these products.

**021012 Meat of Swine, Bellies (Bacon etc.), Cured etc.**

The average annual value of imports over six years was CAD 6.4 million. In 2004, the Hong Kong SAR imported CAD 4.7 million worth from: China (CAD 2.3 million); Brazil (CAD 1.5 million); the USA (CAD 383,000); Denmark (CAD 376,000) and; Canada (CAD 61,000). Five other countries supplied CAD 90,000 worth of these products.

**021019 Meat of Swine Nesoi, Salted, In Brine, Dried, Smoked**

The average annual value of imports over six years was CAD 5.1 million. In 2004, the Hong Kong SAR imported CAD 2.7 million worth from: China (CAD 2.0 million); the Netherlands (CAD 201,000); the USA (CAD 150,000); Denmark (CAD 122,000) and; Taiwan (CAD 46,000). Canada supplied CAD 28,000 and nine other countries supplied CAD 165,000 worth of these products.

**030192 Eels (Anguilla spp.) Live**

The average annual value of imports over six years was CAD 30.7 million. In 2004, the Hong Kong SAR imported CAD 22.3 million worth from: France (CAD 9.7 million); China (CAD 3.5 million); Indonesia (CAD 2.6 million); South Korea (CAD 2.0 million) and; Spain (CAD 1.1 million). Canada supplied CAD 583,000 and 15 other countries supplied CAD 2.9 million worth of these products.

**030212 Salmon, Pacific, Atlantic & Danube, With Bones, Fresh or Chilled**

The average annual value of imports over six years was CAD 57.7 million. In 2004, the Hong Kong SAR imported CAD 52.4 million worth from: Norway (CAD 50.0 million); Canada (CAD 1.3 million); Japan (CAD 314,000); Chile (CAD 253,000) and; the UK (CAD 244,000). Five other countries supplied CAD 170,000 worth of these products.

**030331 Halibut/Greenland Turbot ex Fillet/Liver/Roe Frozen**

The average annual value of imports over six years was CAD 5.8 million. In 2004, the Hong Kong SAR imported CAD 7.4 million worth from: Russia (CAD 2.2 million); Spain (CAD 1.2 million); Canada (CAD 1.0 million); Norway (CAD 719,000) and; South Korea (CAD 506,000). Five other countries supplied CAD 1.8 million worth of these products.

**030360 Cod, Except Fillets, Livers and Roes, Frozen**

The average annual value of imports over six years was CAD 10.3 million. In 2004, the Hong Kong SAR imported CAD 9.8 million worth from: the USA (CAD 4.2 million); Singapore (CAD 1.8 million); Canada (CAD 1.3 million); Norway (CAD 736,000) and; Japan (CAD 364,000). Seven other countries supplied CAD 1.4 million worth of these products.

**030377 Sea Bass Except Fillets, Livers and Roes, Frozen**

The average annual value of imports over six years was CAD 29.7 million. In 2004, the Hong Kong SAR imported CAD 30.9 million worth from: Spain (CAD 7.2 million); Argentina (CAD 6.2 million); France (CAD 5.0 million); South Korea (CAD 2.3 million) and; Uruguay (CAD 2.3 million). Canada supplied CAD 26,000 and 10 other countries supplied CAD 7.9 million worth of these products.

**030379 Fish, Nesoi, With Bones, Frozen**

The average annual value of imports over six years was CAD 67.5 million. In 2004, the Hong Kong SAR imported CAD 74.7 million worth from: Thailand (CAD 19.8 million); India (CAD 8.0 million); China (CAD 8.0 million); Japan (CAD 4.6 million) and; Pakistan (CAD 4.0 million). Canada supplied CAD 1.8 million and 37 other countries supplied CAD 28.5 million worth of these products.

**030420 Fish Fillets, Frozen**

The average annual value of imports over six years was CAD 70.1 million. In 2004, the Hong Kong SAR imported CAD 90.9 million worth from: Vietnam (CAD 56.7 million); New Zealand (CAD 16.3 million); China (CAD 5.8 million); the USA (CAD 1.5 million) and; Kenya (CAD 1.3 million). Canada supplied CAD 17,000 and twenty-three other countries supplied CAD 9.3 million worth of these products.

**030559 Fish, Dried, Whether Salted But Not Smoked Nesoi**

The average annual value of imports over six years was CAD 482.7 million. In 2004, the Hong Kong SAR imported CAD 456.2 million worth from: Brazil (CAD 47.0 million); Indonesia (CAD 38.7 million); China (CAD 30.3 million); India (CAD 29.6 million) and; Singapore (CAD 27.2 million). Canada supplied CAD 592,000 and 88 other countries supplied CAD 282.9 million worth of these products.

**030569 Fish Nesoi, Salted or in Brine, Not Dry or Smoked**

The average annual value of imports over six years was CAD 93.2 million. In 2004, the Hong Kong SAR imported CAD 109.5 million worth from: Spain (CAD 46.9 million); Costa Rica (CAD 10.7 million); Kenya (CAD 10.7 million); Taiwan (CAD 8.4 million) and; Tanzania (CAD 7.2 million). Canada supplied CAD 1.6 million and 32 other countries supplied CAD 23.9 million worth of these products.



**030613 Shrimps and Prawns, Including In Shell, Frozen**

The average annual value of imports over six years was CAD 180.5 million. In 2004, the Hong Kong SAR imported CAD 113.3 million worth from: Indonesia (CAD 19.9 million); China (CAD 19.4 million); Vietnam (CAD 17.7 million); Myanmar (CAD 16.9 million) and; Thailand (CAD 14.7 million). Canada supplied CAD 569,000 and 18 other countries supplied CAD 24.1 million worth of these products.

**030621 Rock Lobster, Other Sea Crawfish Live/Chilled/Dried/Salted**

The average annual value of imports over six years was CAD 171.7 million. In 2004, the Hong Kong SAR imported CAD 155.2 million worth from: Australia (CAD 80.8 million); New Zealand (CAD 29.7 million); South Africa (CAD 24.7 million); Indonesia (CAD 4.5 million) and; the USA (CAD 2.1 million). Canada supplied CAD 44,000 and 19 other countries supplied CAD 13.4 million worth of these products.

**030624 Crabs, Raw (Live Etc.), Cooked (Steamed Etc.) Not Frozen**

The average annual value of imports over six years was CAD 34.2 million. In 2004, the Hong Kong SAR imported CAD 29.2 million worth from: China (CAD 17.9 million); Bangladesh (CAD 4.0 million); Vietnam (CAD 1.6 million); Australia (CAD 1.3 million) and; Canada (CAD 1.3 million). Twenty-one other countries supplied CAD 3.0 million worth of these products.

**C. Selected Products Imported by the Hong Kong SAR But Currently Not From Canada**

**020319 Meat of Swine (Pork), Fresh, Boneless Cuts**

The average annual value of imports over six years was CAD 28.6 million. In 2004, the Hong Kong SAR imported CAD 15.3 million worth from: Thailand (CAD 13.9 million); Australia (CAD 1.1 million); the USA (CAD 357,000) and; Japan (CAD 346). Canada last supplied CAD 50,000 worth in 2002.

**020321 Meat of Swine (Pork) Frozen Carcasses**

The average annual value of imports over six years was CAD 42.7 million. In 2004, the Hong Kong SAR imported CAD 64.3 million worth from: Vietnam (CAD 38.7 million); China (CAD 25.0 million); Thailand (CAD 455,000) and; Brazil (CAD 83,000) and; the USA (CAD 16,000). Canada last supplied less than CAD 1,000 worth in 2000.

**020442 Meat of Sheep, Frozen, Cut, Bone In**

The average annual value of imports over six years was CAD 10.0 million. In 2004, the Hong Kong SAR imported CAD 13.6 million worth from: New Zealand (CAD 9.6 million); China (CAD 2.8 million); Australia (CAD 1.0 million); Brazil (CAD 122,000) and; France (CAD 27,000). One other country supplied CAD 3,000 worth of these products.

**020890 Meat and Edible Offal Nesoi, Fresh Chilled or Frozen (Mostly Game Birds)**

The average annual value of imports over six years was CAD 11.8 million. In 2004, the Hong Kong SAR imported CAD 5.6 million worth from: China (CAD 4.0 million); South Africa (CAD 728,000); Australia (CAD 545,000); France (CAD 163,000) and; New Zealand (CAD 142,000). Two other countries supplied CAD 8,000 worth of these products. Canada last supplied CAD 11,000 worth in 2003.

**030199 Fish, Live, Nesoi**

The average annual value of imports over six years was CAD 176.6 million. In 2004, the Hong Kong SAR imported CAD 147.0 million worth from: China (CAD 37.7 million); Australia (CAD 28.1 million); the Philippines (CAD 23.4 million); Indonesia (CAD 19.8 million) and; Thailand (CAD 15.5 million). Twenty-one other countries supplied CAD 22.5 million worth of these products. Canada last supplied CAD 13,000 of these products in 2003.

**030269 Fish, Nesoi, With Bones, Fresh or Chilled**

The average annual value of imports over six years was CAD 35.0 million. In 2004, the Hong Kong SAR imported CAD 32.1 million worth from: China (CAD 22.4 million); Japan (CAD 3.8 million); the Philippines (CAD 1.4 million); India (CAD 1.2 million) and; Taiwan (CAD 844,000). Twenty other countries supplied CAD 2.4 million worth of these products. Canada last supplied CAD 7,000 worth in 2001.

**030410 Fish Fillets & other Meat Except Fish Steaks Fresh/Chilled**

The average annual value of imports over six years was CAD 14.6 million. In 2004, the Hong Kong SAR imported CAD 12.2 million worth from: China (CAD 7.3 million); the Philippines (CAD 1.9 million); Vietnam (CAD 1.4 million); Thailand (CAD 928,000) and; Indonesia (CAD 229,000). Nine other countries supplied CAD 439,000 worth of these products. Canada last supplied CAD 11,000 worth in 2002.

**D. Selected Products Exported to the Macau SAR from Canada**

Following are descriptions of selected agricultural, agri-food & seafood products exported from many countries including Canada to the Macau SAR. Import data for the Macau SAR are not available, therefore exports of other jurisdictions to the Macau SAR are used. As of March 2005 many of these jurisdictions have not yet supplied trade data for 2004. 2004 imports of individual HS codes for the Macau SAR are estimates and should be interpreted as possibly incomplete.

In 2004, the exports of agricultural, agri-food & seafood products from many countries including Canada to the Macau SAR were CAD 624.0 million. Canada exported a total of CAD 25.6 million worth to (or through) the Macau SAR.

**010190 Live Horses, Asses, Mules, and Hinnies not Purebred**

The average annual value of exports of five countries to the Macau SAR over the three years 2002 to 2004 was CAD 9.4 million. In 2004, they exported CAD 10.9 million worth to the Macau SAR: Australia (CAD 8.7 million); New Zealand (CAD 936,000); Canada (CAD 859,000); the USA (CAD 309,000) and; Argentina (CAD 29,000).

**020220 Meat of Bovine Animals Other Cuts with Bone In, Frozen**

The average annual value of exports of two countries to the Macau SAR over the three years 2002 to 2004 was CAD 4.2 million . In 2004, they exported CAD 10.4 million worth to the Macau SAR: Canada (CAD 8.4 million) and; the Hong Kong SAR (CAD 2.1 million).

**020322 Hams, Shoulders and Cuts Thereof, with Bone in**

The average annual value of exports of two countries to the Macau SAR over the three years 2002 to 2004 was CAD 853,000. In 2004, they exported CAD 676,000 to the Macau SAR: the Hong Kong SAR (CAD 659,000) and; Canada (CAD 17,000).

**E. Selected Products Exported to the Macau SAR But Not Currently From Canada**

**020329 Meat of Swine Carcasses and Half Carcasses Nesoi**

The average annual value of exports of six countries to the Macau SAR over the three years 2002 to 2004 was CAD 11.2 million. In 2004, five countries exported CAD 13.9 million worth to the Macau SAR: China (CAD 7.6 million); the Hong Kong SAR (CAD 6.0 million); Brazil (CAD 214,000); France (CAD 51,000) and; Portugal (CAD 11,000). Canada last supplied CAD 50,000 worth of these products in 2000.

**030710 Oysters, in Shell or Not, Live, Chilled, Frozen, Dried, Salted or in Brine**

The average annual value of exports of three countries to the Macau SAR over the three years 2002 to 2004, was CAD 110,000 . In 2004, two countries exported CAD 214,000 worth to the Macau SAR: the Hong Kong SAR (CAD 213,000); China (CAD 406). Canada last supplied CAD 45,000 worth of these products in 2002.

**040410 Whey and Modified Whey, Whether or Not Concentrated or Containing Added Sweeteners**

During the three years 2002 to 2004, the Hong Kong SAR was the only source of these products. It supplied CAD 30,000 on average and CAD 35,000 in 2004.

**151419 Low Erucic Acid Rape or Colza Oil and its Fractions, Not Crude**

The average annual value of exports of three countries to the Macau SAR over the three years 2002 to 2004 was CAD 3.2 million . In 2004, two countries exported CAD 3.2 million worth to the Macau SAR: the Hong Kong SAR (CAD 3.0 million) and; China (CAD 163,000).

**160249 Meat, Meat Offal or Mixtures of Swine, Prepared or Preserved Nesoi**

The average annual value of exports of eight countries to the Macau SAR over the three years 2002 to 2004 was CAD 4.1 million. In 2004, six countries exported CAD 4.5 million worth to the Macau SAR: China (CAD 2.9 million); the Hong Kong SAR (CAD 1.6 million); France (CAD 24,000); Portugal (CAD 18,000) and; Taiwan (CAD 6,000). One other country supplied less than CAD 1,000 worth of these products.

**200410 Potatoes, Prepared etc., No Vinegar etc., Frozen**

The average annual value of exports of four countries to the Macau SAR over the three years 2002 to 2004 was CAD 736,000. In 2004, three countries exported CAD 847,000 worth to the Macau SAR: the Hong Kong SAR (CAD 488,000); the USA (CAD 357,000) and; Portugal (CAD 1,000).

**210690 Food Preparations Nesoi**

The average annual value of exports of 25 countries to the Macau SAR over the three years 2002 to 2004 was CAD 6.9 million . In 2004, 15 countries exported CAD 8.1 million worth to the Macau SAR: the Hong Kong SAR (CAD 4.8 million); China (CAD 1.7 million); France (CAD 653,000); Taiwan (CAD 295,000) and; Japan (CAD 268,000). Ten other countries exported CAD 286,000 worth of these products to the Macau SAR.

**220110 Mineral Water and Aerated Waters Not Containing Added Sugar or Other Sweetening Matter, Not Flavoured**

The average annual value of exports of nine countries to the Macau SAR over the three years 2002 to 2004 was CAD 1.9 million. In 2004, seven countries exported CAD 2.4 million worth to the Macau SAR: China (CAD 1.1 million); the Hong Kong SAR (CAD 905,000); Portugal (CAD 421,000); Thailand (CAD 22,000) and; France (9,000). Two other countries reported exports of CAD 4,000 worth of these products to the Macau SAR.

**220421 Wine of Fresh Grapes (Other than Sparkling Wine and Grape Must with Fermentation Prevented Etc. by Adding Alcohol, Containers of Not over 2 Liters**

The average annual value of exports of 18 countries to the Macau SAR over the three years 2002 to 2004 was CAD 33.1 million. In 2004, 17 countries exported CAD 15.5 million worth to the Macau SAR: the UK (CAD 5.6 million); the Hong Kong SAR (CAD 4.2 million); Portugal (CAD 3.2 million); France (CAD 885,000) and; Switzerland (CAD 767,000). Twelve other countries supplied CAD 799,000 worth of these products in 2004.

**430110 Mink Furskins, Raw, Whole, with or Without Head, Tail or Paws**

The average annual value of exports of seven countries to the Macau SAR over the three years 2002 to 2004 was CAD 6.7 million . In 2004, five countries exported CAD 3.7 million worth to the Macau SAR: Denmark (CAD 1.1 million); the USA (CAD 971,000); Russia (CAD 951,000); the Netherlands (CAD 534,000) and; the Hong Kong SAR (CAD 195,000). Canada last supplied CAD 795,000 worth of these products in 2003.

### **510130 Wool, Not Carded or Combed, Carbonized**

The average annual value of exports of 5 countries to the Macau SAR over the three years 2002 to 2004 was CAD 12.6 million. In 2004, two countries exported CAD 7.3 million worth to the Macau SAR: Australia (CAD 6.2 million) and; China (CAD 1.1 million).

## **VI. GREATER SHANGHAI REGION**

The Greater Shanghai Region consists of: the Shanghai Municipality; Jiangsu, and Zhejiang Provinces. The region has an estimated population of 137.9 million and a GDP per person of CAD 2,495. All three jurisdictions have estimated values of GDP per person higher than the country average. See Table A1-1.

The most attractive market in this region is the Shanghai Municipality which has the highest estimated GDP per person (CAD 4,878) in the region and an estimated 16.7 million people.

Foreign sourced imports of agricultural, agri-food & seafood products into this region have increased almost 194% since 1999 reaching a value of almost CAD 7.0 billion in 2004. Greater Shanghai has three main ports: the Shanghai Municipality, Hangzhou and Ningbo.

## **VII. GREATER BEIJING REGION**

The Greater Beijing Region consists of: the Beijing and Tianjin Municipalities; Hebei and Shandong Provinces. The region has an estimated population of 182.1 million and a GDP per person of CAD 1,749. Three of the four jurisdictions have estimated values of GDP per person higher than the country average. See Table A1-1.

The most attractive market in this region is the Beijing Municipality which has the highest estimated GDP per person (CAD 3,218) in the region and an estimated 13.8 million people.

Foreign sourced imports of agricultural, agri-food & seafood products into this region have increased over 289% since 1999 reaching a value of almost CAD 12.4 billion in 2004. Greater Beijing has four main ports: the Beijing Municipality, Qingdao, Shijiazhuang and Tianjin.

## **VIII. NORTHEAST REGION**

The Northeast Region consists of: Heilongjiang, Jilin and Liaoning Provinces. The region has an estimated population of 107 million and an estimated GDP per person of CAD 1,641. Two of the three jurisdictions have estimated values of GDP per person higher than the country average. See Table A1-1.

The most attractive market in this region is Liaoning Province which has the highest estimated GDP per person (CAD 1,977) in the region and an estimated 42.4 million people.

Foreign sourced imports of agricultural, agri-food & seafood products into this region have increased almost 179% since 1999 reaching a value of over CAD 2.5 billion in 2004. The Northeast Region has four main ports: Changchun, Dalian, Harbin and Shenyang.

## **IX. GREATER GUANGDONG REGION**

The Greater Guangdong Region consists of: Guangdong, Fujian and Hainan Provinces. The region has an estimated population of 129 million and an estimated GDP per person of CAD 1,961. Two of the three jurisdictions have estimated values of GDP per person higher than the country average. See Table A1-1.

The most attractive market in this region is Fujian Province which has the highest estimated GDP per person (CAD 2,026) in the region and an estimated 35 million people.

Foreign sourced imports of agricultural, agri-food & seafood products into this region have increased almost 121% since 1999 reaching a value of over CAD 9.2 billion in 2004. Greater Guangdong has 10 major ports: Haikou, Fuzhou, Gongbei, Guangzhou, Huangpu, Jiangmen, Shantou, Shenzhen, Xiamen and Zhanjiang.

## **X. CENTRAL REGION**

The Central Region consists of Hubei, Hunan, Henan, Anhui, Jiangxi and Shanxi Provinces. The region has an estimated population of 352 million and an estimated GDP per person of CAD 1,010. All six jurisdictions have estimated values of GDP per person below the country average. See Table A1-1.

The most attractive market in this region is Hubei Province which has the highest estimated GDP per person (CAD 1,273) in the region and an estimated 60.3 million people.

Foreign sourced imports of agricultural, agri-food & seafood products into this region have increased almost 317% since 1999 reaching a value of over CAD 5.6 billion in 2004. The Central Region has seven major ports: Changsha, Hefei, Nanchang, Nanjing, Tiayuan, Wuhan and Zhengzhou.

## **XI. NORTHWEST REGION**

The Northwest Region consists of: the Xinjiang, Ningxia and Inner Mongolia Autonomous Regions; Gansu and Shaanxi Provinces. The region has an estimated population of 110.3 million and an estimated GDP per person of CAD 923. All of the five jurisdictions have estimated values of GDP per person below the country average. See Table A1-1.

The most attractive market in this region is the Xinjiang Autonomous Region which has the highest estimated GDP per person (CAD 1,272) in the region and an estimated 19.3 million people.

Foreign sourced imports of agricultural, agri-food & seafood products into this region have increased 31.71% since 1999 reaching a value of over CAD 200.2 million in 2004. The Northwest Region has six major ports of entry: Hohhot, Lanzhou, Manzhouli, Urumqi, Xi'an and Yinchuan.

## **XII. WESTERN REGION**

The Western Region consists of the Tibet Autonomous Region and Qinghai Province. The region has an estimated population of 7.8 million and an estimated GDP per person of CAD 875. Both jurisdictions have estimated values of GDP per person below the country average. See Table A1-1.

The most attractive market in this region is Qinghai Province which has the highest estimated GDP per person (CAD 913) in the region and an estimated 5.2 million people.

Foreign sourced imports of agricultural, agri-food & seafood products into this region have decreased -61.75% since 1999 reaching a value of almost CAD 3.9 million in 2004. The Western Region has two major ports of entry: Lhasa and Xining.

## **XIII. SOUTHWEST REGION**

The Southwest Region consists of: Sichuan, Yunnan, and Guizhou Provinces; the Guangxi Autonomous Region and; the Chongqing Municipality. The region has an estimated population of 237.3 million and an estimated GDP per person of CAD 801. All of the five jurisdictions have estimated values of GDP per person below the country average. See Table A1-1.

The most attractive market in this region is the Chongqing Municipality which has the highest estimated GDP per person (CAD 923) in the region and an estimated 30.9 million people.

Foreign sourced imports of agricultural, agri-food & seafood products into this region have increased over 317% since 1999 reaching a value of almost CAD 1.2 billion in 2004. The Southwest Region has five major ports of entry: Chengdu, Chongqing, Guiyang, Kunming and Nanning.

## **XIV. GRID ANALYSIS**

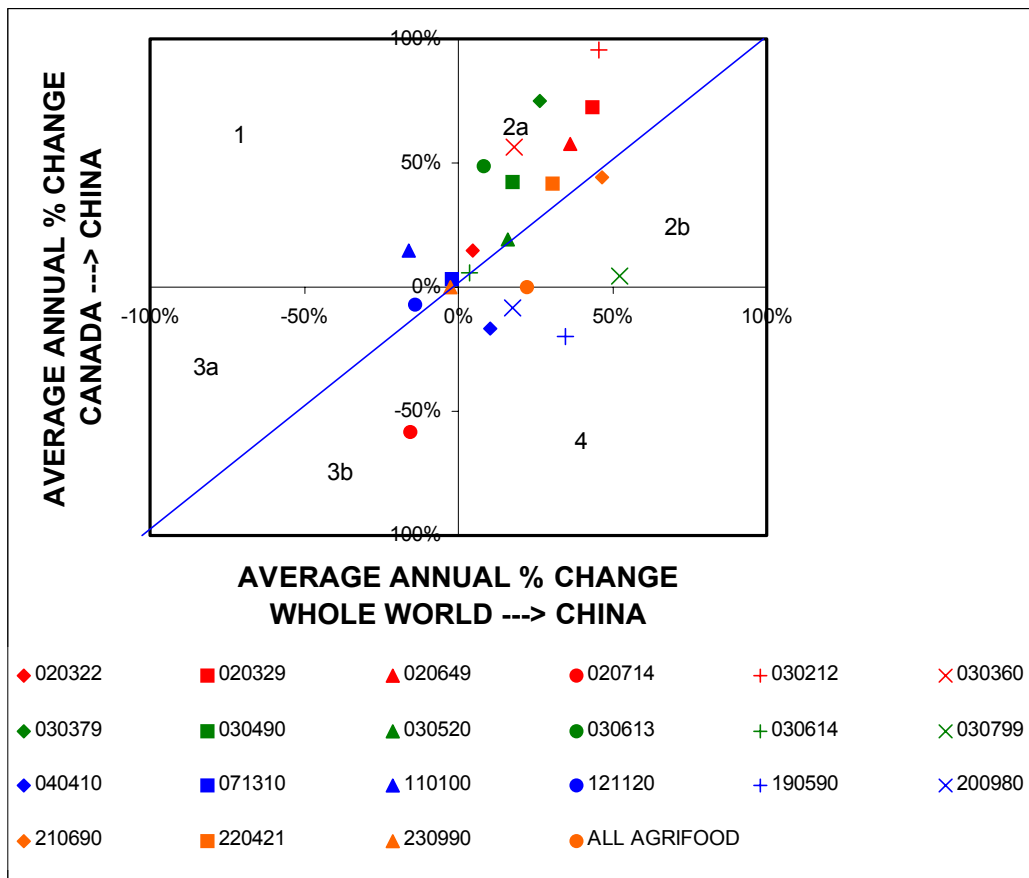
### **A. All Agricultural, Agri-food & Seafood Products**

Between 1999 and 2004, the value of Chinese imports of all agricultural, agri-food & seafood products from all sources increased 22.40%<sup>17</sup> per year while the value of imports from Canada increase only 0.05% per year from CAD 758 million to CAD 1,871 million. In comparison, the same imports from the USA increased at a rate of 27.86% per year from CAD 2,550 million to CAD 9,918 million. Canada was losing market share in an expanding market. In 2004 Canada held 4.92% of the market while the USA had 26.06% of this CAD 38,051 million market.

**B. Agricultural Agri-food & Seafood Imports of China From Canada vs From the Whole World**

**020322 Meat, Swine, Hams, Shoulders etc. Bone in, Frozen**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 4.41% per year while the value of imports from Canada increased at a rate of 14.62% per year. Canada was gaining market share in an expanding market; China increased importation from Canada at a much faster rate than the market was expanding. In 2004, Canada held 43.26% of this CAD 33 million market.



**Figure 7.** Percentage Changes in Chinese Agricultural, Agri-food & Seafood Imports - From Canada vs From the World, 1999 - 2004. Part 1.

Legend to Figure 4

HS CODE

DESCRIPTION

20322

Meat, Swine, Hams, Shoulders Etc., Bone In, Frozen.

20329

Meat of Swine, Nesoi, Frozen.



HS CODE	DESCRIPTION
20649	Offal of Swine Except Livers, Edible, Frozen.
20714	Chicken Cuts and Edible Offal (Incl Livers), Frozen.
30212	Salmon, Pacific, Atlantic & Danube, with Bones, Fresh or Chilled.
30360	Cod Except Fillets, Livers and Roes, Frozen.
30379	Fish, Nesoi, with Bones, Frozen.
30490	Fish Meat Nesoi, Excluding Fish Steaks & Fillets, Frozen.
30520	Fish Liver & Roe, Dried, Smoked, Salted or in Brine.
30613	Shrimps and Prawns, Including in Shell, Frozen.
30614	Crabs, Including in Shell, Frozen.
30799	Molluscs Etc. Nesoi, Frozen, Dried, Salted or in Brine.
40410	Whey & Modified Whey Whether/not Concentrated Containing Added Sweetener.
71310	Peas, Dried Shelled, Including Seed.
110100	Wheat or Meslin Flour.
121120	Ginseng Roots, Fresh or Dried.
190590	Bread, Pastry, Cakes, Etc Nesoi & Puddings.
200980	Juice of Any Single Fruit/vegetable Unfermented Nesoi.
210690	Food Preparations Nesoi.
220421	Wine, from Grape Nesoi & Grape must W Alcohol Not over 2 Litres.
230990	Animal Feed Preparations Except Dog or Cat Food, Retail Packaged.
ALL AGRIFOOD	All Agricultural, Agri-food & Seafood Products.

#### **020329 Meat of Swine, Nesoi, Frozen**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 43.71% per year while the value of imports from Canada increased at a rate of 72.32% per year. Canada was gaining market share in an expanding market; China increased importation from Canada at a faster rate than the market was expanding. In 2004, Canada held 34.51% of this CAD 38 million market.

#### **020649 Offal of Swine Except Livers, Edible, Frozen**

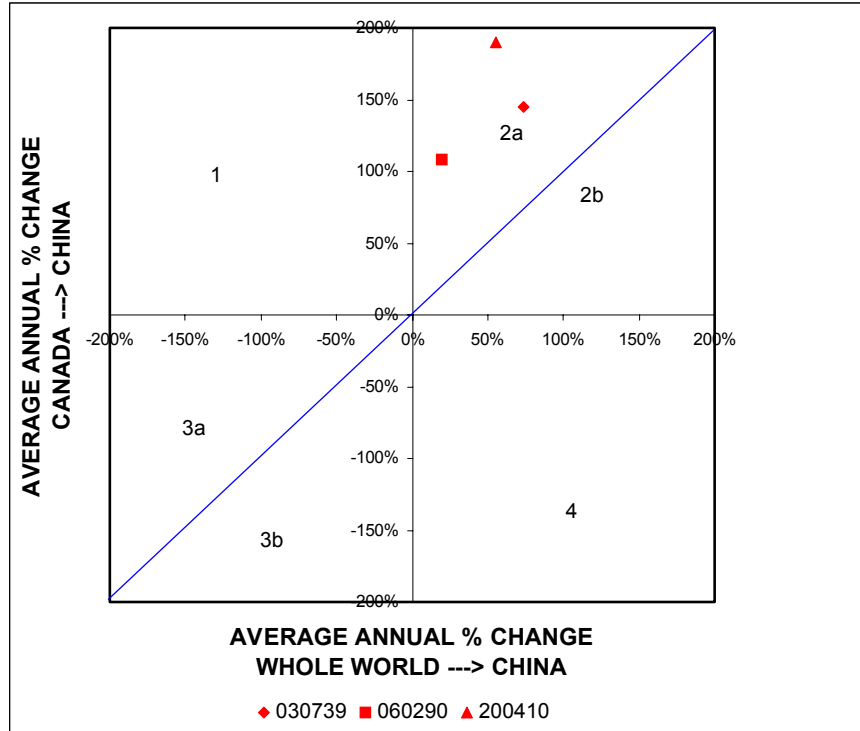
Between 1999 and 2004, the value of imports from all sources increased at a rate of 36.40% per year while the value of imports from Canada increased at a rate of 57.86% per year. Canada was gaining market share in an expanding market; China increased importation from Canada at a faster rate than the market was expanding. In 2004, Canada held 22.11% of this CAD 237 million market.

#### **020714 Chicken Cuts and Edible Offal (Incl. Livers), Frozen**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -15.74% per year while the value of imports from Canada decreased at a rate of -58.43% per year. Canada was losing market share in a contracting market; China decreased importation from Canada at a faster rate than the market was contracting. In 2004, Canada held 0.05% of this CAD 195 million market.

**030212 Salmon, Pacific, Atlantic & Danube, with Bones Fresh or Chilled**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 45.42% per year while the value of imports from Canada increased at a rate of 95.33% per year. Canada was gaining market share in an expanding market; China increased importation from Canada at a faster rate than the market was expanding. In 2004, Canada held 4.39% of this CAD 27 million market.



**Figure 8.** Percentage Changes in Chinese Agricultural, Agri-food & Seafood Imports - From Canada vs the World, 1999 - 2004. Part 2.

Legend to Figure 5	
HS CODE	DESCRIPTION
30739	Mussels, Frozen, Dried, Salted or in Brine.
60290	Live Plants, Cuttings and Slips, Nesoi; Mushroom Spawn.
200410	Potatoes, Prepared Etc., No Vinegar Etc., Frozen.

**030360 Cod Except Fillets, Livers and Roes, Frozen**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 18.06% per year while the value of imports from Canada increased at a rate of 56.31% per year. Canada was gaining market share in an expanding market; China increased importation from

Canada at a faster rate than the market was expanding. In 2004, Canada held 0.14% of this CAD 945 million market.

**030379 Fish, Nesoi, with Bones, Frozen**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 26.50% per year while the value of imports from Canada increased at a rate of 74.76% per year. Canada was gaining market share in an expanding market; China increased importation from Canada at a faster rate than the market was expanding. In 2004, Canada held 4.62% of this CAD 350 million market.

**030490 Fish Meat Nesoi, Except Fish Steaks & Fillets, Frozen**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 17.54% per year while the value of imports from Canada increased at a rate of 42.43% per year. Canada was gaining market share in an expanding market; China increased importation from Canada at a faster rate than the market was expanding. In 2004, Canada held 5.75% of this CAD 33 million market.

**030520 Fish Liver & Roe, Dried, Smoked, Salted or in Brine**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 16.08% per year while the value of imports from Canada increased at a rate of 19.11% per year. Canada was slowly gaining market share in an expanding market; China increased importation from Canada at a slightly faster rate than the market was expanding. In 2004, Canada held 56.97% of this CAD 9 million market.

**030613 Shrimps and Prawns, Including in Shell, Frozen**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 8.15% per year while the value of imports from Canada increased at a rate of 48.79% per year. Canada was gaining market share in an expanding market; China increased importation from Canada at a much faster rate than the market was expanding. In 2004, Canada held 33.26% of this CAD 164 million market.

**030614 Crabs, Including in Shell, Frozen**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 3.87% per year while the value of imports from Canada increased at a rate of 5.53% per year. Canada was slowly gaining market share in an expanding market; China increased importation from Canada at a slightly faster rate than the market was expanding. In 2004, Canada held 50.24% of this CAD 102 million market.

**030739 Mussels, Frozen, Dried, Salted or in Brine**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 73.74% per year while the value of imports from Canada increased at a rate of 144.80% per year. Canada was gaining market share in an expanding market; China increased importation from Canada at a much faster rate than the market was expanding. In 2004, Canada held 17.82% of this CAD 4 million market.

**030799 Molluscs etc Nesoi, Frozen, Dried, Salted or in Brine**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 52.47% per year while the value of imports from Canada increased at a rate of 4.66% per year. Canada was losing market share in an expanding market; China increased importation from Canada at a much slower rate than the market was expanding. In 2004, Canada held 6.13% of this CAD 16 million market.

**040410 Whey & Modified Whey Whether or Not Concentrated Containing Added Sweeteners**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 10.56% per year while the value of imports from Canada decreased at a rate of -16.37% per year. Canada was losing market share in an expanding market; China decreased importation from Canada while the market was expanding. In 2004, Canada held 1.90% of this CAD 155 million market.

**060290 Live Plants, Cuttings & Slips, Nesoi; China Mushroom Spawn**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 19.18% per year while the value of imports from Canada increased at a rate of 180.31% per year. Canada was gaining market share in an expanding market; China increased importation from Canada at a much faster rate than the market was expanding. In 2004, Canada held 1.72% of this CAD 29 million market.

**071310 Peas, Dried, Shelled, Including Seed**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -1.96% per year while the value of imports from Canada increased at a rate of 2.94% per year. Canada was gaining market share in a contracting market; China increased importation from Canada while the market was contracting slowly. In 2004, Canada held 86.24% of this CAD 19 million market.

**110100 Wheat or Meslin Flour**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -15.98% per year while the value of imports from Canada increased at a rate of 14.76% per year. Canada was gaining market share in a contracting market; China increased importation from Canada while the market was contracting. In 2004, Canada held 10.32% of this CAD 12 million market.

**121120 Ginseng Roots, Fresh or Dried**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -14.08% per year while the value of imports from Canada decreased at a rate of -7.29% per year. Canada was gaining market share in a contracting market; China decreased importation from Canada at a much slower rate than the market was contracting. In 2004, Canada held 78.25% of this CAD 29 million market.

**190590 Bread, Pastry, Cakes, Biscuits and Similar Baked Products, and Puddings, Whether or not Containing Chocolate, Fruit or Confectionery**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 34.67% per year while the value of imports from Canada decreased at a rate of -19.74% per year. Canada was losing market share in an expanding market; China decreased importation from Canada while the market was expanding. In 2004, Canada held only 0.17% of this CAD 24 million market.

**200410 Potatoes, Prepared etc., No Vinegar etc., Frozen**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 54.97% per year while the value of imports from Canada increased at a rate of 190.18% per year. Canada was gaining market share in an expanding market; China increased importation from Canada at a much faster rate than the market was expanding. In 2004, Canada held 9.33% of this CAD 67 million market.

**200980 Juice of Any Single Fruit/ Vegetable, Unfermented, Nesoi**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 17.38% per year while the value of imports from Canada declined at a rate of -8.34% per year. Canada was losing market share in an expanding market; China decreased importation from Canada while the market was expanding. In 2004, Canada held 0.24% of this CAD 6 million market.

**210690 Food Preparations Nesoi**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 46.53% per year while the value of imports from Canada increased at a rate of 44.15% per year. Canada was slowly losing market share in an expanding market; China increased importation from Canada at a slightly slower rate than the market was expanding. In 2004, Canada held 1.25% of this CAD 414 million market.

**220421 Wine from Grape Nesoi & Grape Must with Alc, Not over 2 Litres**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 30.35% per year while the value of imports from Canada increased at a rate of 41.94% per year. Canada was gaining market share in an expanding market; China increased importation from Canada at a faster rate than the market was expanding. In 2004, Canada held 1.79% of this CAD 33 million market.

**230990 Animal Feed Preparations Except Dog or Cat Food. Retail Packaged**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -2.43% per year while the value of imports from Canada decreased at a rate of -25.28% per year. Canada was losing market share in a contracting market; China decreased importation from Canada at a much faster rate than the market was contracting. In 2004, Canada held 0.35% of this CAD 153 million market.

## **C. Agricultural, Agri-food & Seafood Imports of the Hong Kong SAR from Canada vs the Whole World**

### **All Agricultural, Agri-food & Seafood Products**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -2.55% per year while the value of imports from Canada decreased at a rate of -0.48% per year. Canada was gaining market share in a contracting market; the Hong Kong SAR reduced importation from Canada at a slower rate than the market was contracting. In 2004, Canada held 3.65% of this CAD 13,347 million market.

#### **020130 Meat of Bovine Animals, Fresh or Chilled, Boneless Cuts**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 3.55% per year while the value of imports from Canada decreased at a rate of -11.11% per year. Canada was losing market share in a slowly expanding market; the Hong Kong SAR reduced importation from Canada while the market was expanding. In 2004, Canada held 1.44% of this CAD 31 million market.

#### **020220 Meat of Bovine Animals, Frozen, Cuts with Bone In**

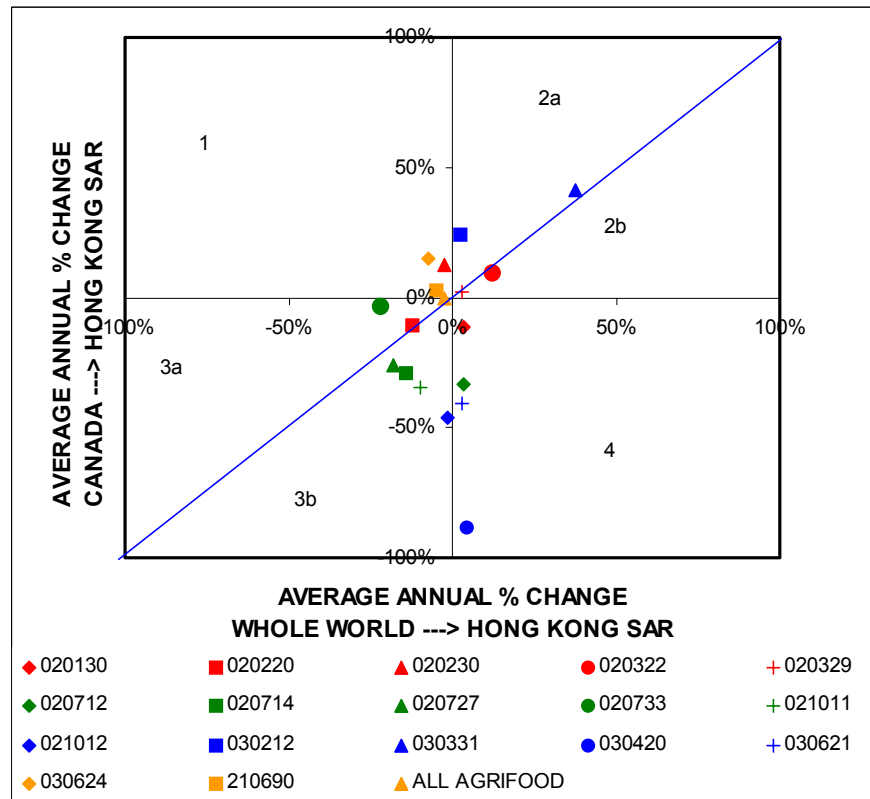
Between 1999 and 2004, the value of imports from all sources decreased at a rate of -12.20% per year while the value of imports from Canada decreased at a rate of -10.68% per year. Canada was gaining market share in a contracting market; the Hong Kong SAR reduced importation from Canada at a slower rate than from the world. In 2004, Canada held 25.66% of this CAD 14 million market.

#### **020230 Meat of Bovine Animals, Frozen, Cuts Boneless**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -2.50% per year while the value of imports from Canada increased at a rate of 12.68% per year. Canada was gaining market share in a contracting market; the Hong Kong SAR increased importation from Canada while the market was contracting slowly. In 2004, Canada held 4.18% of this CAD 125 million market.

#### **020322 Meat of Swine (Pork), Frozen Cuts, Bone In**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 12.07% per year while the value of imports from Canada increased at a rate of 9.60% per year. Canada was losing market share in an expanding market; the Hong Kong SAR increased importation from Canada at a slower rate than the market was expanding. In 2004, Canada held 12.72% of this CAD 31 million market.



**Figure 9.** Percentage Changes in the Hong Kong SAR's Agricultural, Agri-food & Seafood Imports - From Canada vs From the World, 1999 - 2004.

**Legend to Figure 6**

HS CODE	DESCRIPTION
020130	Meat of Bovine Animals, Fresh or Chilled, Boneless Cuts.
020220	Meat, bovine Cuts with Bone In, Frozen.
020230	Meat of Bovine Animals, Boneless, Frozen.
20322	Meat, Swine, Hams, Shoulders Etc., Bone In, Frozen.
020329	Meat of Swine, Nesoi, Frozen.
020712	Meat & Offal of Chickens, Not Cut in Pieces, Frozen.
020714	Chicken Cuts and Edible Offal (Incl. Livers), Frozen.
020727	Turkey Cuts and Edible Offal (Incl. Liver) Frozen.
020733	Ducks, Geese & Guineas, Not Cut in Pieces, Frozen.
021011	Hams, Shoulders & Cuts, Bone In, Salted, Dried, Smoked.
021012	Meat of Swine, Bellies (Bacon Etc.), Cured Etc.
030212	Salmon, Pacific, Atlantic & Danube, with Bones, Fresh or Chilled.
030331	Halibut/greenland Turbot ex Fillet/liver/roe Frozen.
30420	Fish Fillets, Frozen.
30621	Rock Lobster, Other Sea Crawfish Live/chilled/dried/salted.
030624	Crabs, Raw (Live Etc.), Cooked (Steamed Etc.) Not Frozen.
210690	Food Preparations Nesoi.
ALL AGRIFOOD	All Agricultural, Agri-food & Seafood Products.

**020329 Meat of Swine (Pork), Frozen Cuts Boneless**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 2.92% per year while the value of imports from Canada increased at a rate of 2.36% per year. Canada was slowly losing market share in a slowly expanding market; the Hong Kong SAR increased importation from Canada at a slightly slower rate than the market was expanding. In 2004, Canada held 2.59% of this CAD 272 million market.

**020712 Chicken Meat, Whole, Frozen**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 3.19% per year while the value of imports from Canada decreased at a rate of -33.09% per year. Canada was quickly losing market share in a slowly expanding; the Hong Kong SAR rapidly reduced importation from Canada while the market was expanding slowly. In 2004, Canada held 0.01% of this CAD 32 million market. The incidence of avian influenza in BC may have adversely affected the value of imports from Canada in 2004.

**020714 Meat & Edible Offal of Chicken, Cuts, Frozen**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -14.17% per year while the value of imports from Canada decreased at a rate of -29.04% per year. Canada was losing market share in a contracting market; the Hong Kong SAR reduced importation from Canada at a faster rate than the market was contracting. In 2004, Canada held 1.48% of this CAD 521 million market.

**020727 Meat and Edible Offal of Turkey, Cut, Frozen**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -18.23% per year while the value of imports from Canada decreased at a rate of -25.76% per year. Canada was losing market share in a contracting market; the Hong Kong SAR reduced importation from Canada at a faster rate than the market was contracting. In 2004, Canada held 3.63% of this CAD 13 million market.

**020733 Meat and Edible Offal of Ducks, Geese & Guineas, Not Cut in Pieces, Frozen**

Between 2000 and 2004, the value of imports from all sources decreased at a rate of -22.02% per year while the value of imports from Canada decreased at a rate of -3.41% per year. Canada was gaining market share in a contracting market; the Hong Kong SAR reduced importation from Canada at a much slower rate than the market was contracting. In 2004, Canada held 1.93% of this CAD 7 million market.

**021011 Hams, Shoulders & Cuts, Bone In, Salted, Dried, Smoked**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -10.00% per year while the value of imports from Canada decreased at a rate of -34.30% per year. Canada was losing market share in a contracting market; the Hong Kong SAR reduced importation from Canada at a faster rate than the market was contracting. In 2004, Canada held 0.58% of this CAD 8 million market.



**021012 Meat of Swine, Bellies (Bacon etc), Cured etc.**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -1.58% per year while the value of imports from Canada decreased at a rate of -46.10% per year. Canada was quickly losing market share in a slowly contracting market; the Hong Kong SAR reduced importation from Canada much faster than the market was contracting. In 2004, Canada held 1.28% of this CAD 5 million market.

**030212 Salmon, Pacific, Atlantic & Danube, With Bones, Fresh or Chilled**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 2.25% per year while the value of imports from Canada increased at a rate of 24.01% per year. Canada was quickly gaining market share in a slowly expanding market; the Hong Kong SAR increased importation from Canada at a much faster rate than the market was expanding. In 2004, Canada held 2.53% of this CAD 52 million market.

**030331 Halibut/Greenland Turbot ex Fillet/Liver/Roe Frozen**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 37.52% per year while the value of imports from Canada increased at a rate of 41.43% per year. Canada was slowly gaining market share in a rapidly expanding market; the Hong Kong SAR increased importation from Canada at a slightly faster rate than the market was expanding. In 2004, Canada held 14.03% of this CAD 7 million market.

**030621 Rock Lobster, Other Sea Crawfish Live/Chilled/Dried/Salted**

Between 1999 and 2004, the value of imports from all sources increased at a rate of 2.78% per year while the value of imports from Canada decreased at a rate of -40.61% per year. Canada was quickly losing market share in a slowly expanding market; the Hong Kong SAR reduced importation from Canada quickly while the market was expanding slowly. In 2004, Canada held 0.03% of this CAD 155 million market.

**030624 Crabs, Raw (Live Etc.), Cooked (Steamed Etc.) Not Frozen**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -7.45% per year while the value of imports from Canada increased at a rate of 15.23% per year. Canada was gaining market share in a contracting market; the Hong Kong SAR increased importation from Canada while the market was contracting. In 2004, Canada held 4.50% of this CAD 29 million market.

**210690 Food Preparations Nesoi**

Between 1999 and 2004, the value of imports from all sources decreased at a rate of -5.09% per year while the value of imports from Canada increased at a rate of 2.63% per year. Canada was gaining market share in a contracting market; the Hong Kong SAR increased importation from Canada while the market was contracting. In 2004, Canada held 1.13% of this CAD 264 million market.

## XV. PRICE WORK-UPS

A market is contestable only if the total of accumulated production costs, margins and other marketing costs of putting the product on the retail self are expected to compete favourably with similar products. In order to further identify possible contestable markets, Canadian exporters should gather specific data and information to complete a research-price-work-up similar to that in Table A1-5. A research-price-work-up of this kind could be developed before opening negotiations with a potential buyer and only to obtain an indication of the contestability of the market. It will be necessary to do a specific price work-up for the actual terms negotiated - usually FOB or CIF.

### A. The Research Price Work-up

A research-price-work-up is developed by starting with the exporters production cost and adding margins and costs to calculate the: “ex works” (EXW)<sup>18</sup> value; “free alongside” (FAS) value; “free on board” (FOB) value; “cost and freight” (CFR) value; “cost, insurance and freight” (CIF) value; “delivered duty paid” (DDP) value and; the minimum retail value of the product. The minimum retail value can then be compared to the actual retail price in the foreign market. This, along with other information, such as quality and consumer characteristics, can be of significant importance in determining if a market is contestable.

### B. Prices

Table 10 provides an indication of the price competition facing Canadian products in Chinese food markets. It should be noted that different prices may reflect different qualities. A price for a Canadian product which is higher than competitors does not necessarily mean that the market is not contestable - further research needs to be done to compare quality also.

Surveys of retail prices of individual products have been conducted in the Hong Kong SAR, Beijing, Shanghai, Guangzhou and Chongqing and are available as Appendix 2 to this document.

**Table 10. Indicative CIF Prices of Imports to China from Canada and Selected Competitors. 2004.**

Product (Units)	Canada (CAD / Unit)	Competitors	
		Country	Price (CAD / Unit)
020322 Meat, Swine, Hams, Shoulders etc, Bone in, Frozen (Kg)	1.24	USA	0.93
		Denmark	0.87
020329 Meat of Swine, Nesoi, Frozen (Kg)	1.06	USA	0.97
		Denmark	0.93

Product (Units)	Canada (CAD / Unit)	Competitors	
		Country	Price (CAD / Unit)
		Germany	1.02
		New Zealand	1
		Brazil	0.71
020649 Offal of Swine Except Livers, Edible, Frozen (Kg)	1.05	USA	1.11
		Denmark	1.03
		Germany	1.37
		Belgium	1.1
		Hong Kong	1.29
020714 Chicken Cuts and Edible Offal (Incl Livers), Frozen (Kg)	1.23	USA	1.03
		Brazil	1.11
		Argentina	1.15
		Thailand	1.11
030212 Salmon, Pacific, Atlantic & Danube, with Bones Fresh or Chilled (Kg)	4.59	Norway	5.86
		Japan	1.57
		Russia	1.05
		Australia	5.85
		USA	6.35
030360 Cod Except Fillets, Livers and Roes, Frozen (Kg)	1.14	Russia	1.76
		The Netherlands	0.61
		USA	2.32
		Japan	1.01
		New Zealand	1.61
030379 Fish, Nesoi, with Bones Frozen (Kg)	1.36	Norway	1.45
		India	0.69
		Thailand	0.67
		Russia	1.95
		New Zealand	1.38

Product (Units)	Canada (CAD / Unit)	Competitors	
		Country	Price (CAD / Unit)
030490 Fish Meat Nesoi, Except Fish Steaks & Fillets, Frozen (Kg)	1.47	USA	2.06
		Vietnam	1.32
		Thailand	2.18
		South Korea	3.05
		Indonesia	0.82
030520 Fish Liver & Roe, Dried, Smoked, Salted or in Brine (Kg)	6.22	Russia	7.59
		Costa Rica	2.25
		Japan	10.64
		USA	10.41
		Indonesia	24.41
030613 Shrimps and Prawns, Including in Shell, Frozen (Kg)	2.08	Greenland	2.5
		Denmark	2.5
		India	4.92
		Indonesia	4.13
		Thailand	2.36
030614 Crabs, Including in Shell, Frozen (Kg)	4.61	Russia	4.82
		USA	5.11
		Japan	5.27
		Uruguay	3.57
		North Korea	2.49
030739 Mussels, Frozen, Dried, Salted or in Brine (Kg)	1.5	North Korea	5.89
		New Zealand	1.52
		Vietnam	0.86
		Thailand	2.68
		Australia	0.71

Product (Units)	Canada (CAD / Unit)	Competitors	
		Country	Price (CAD / Unit)
030799 Molluscs etc, Nesoi, Frozen, Dried, Salted or in Brine (Kg)	2.86	India	0.99
		Indonesia	0.96
		North Korea	1.36
		Taiwan	2.84
		South Korea	4.25
040410 Whey & Modified Whey Whether or Not Concentrated Containing Added Sweeteners (Kg)	0.59	USA	0.57
		France	1.04
		Australia	0.97
		The Netherlands	1.12
		Finland	1.2
071310 Peas, Dried, Shelled, Including Seed (Kg)	0.25	UK	0.66
		New Zealand	0.75
		Australia	2.93
		USA	1.09
		Taiwan	1.32
110100 Wheat or Meslin Flour (Kg)	0.33	Japan	0.5
		South Korea	0.52
		Nepal	0.31
		Australia	0.49
		USA	0.64
121120 Ginseng Roots, Fresh or Dried (Kg)	14.42	USA	24.56
		Hong Kong	28.14
		North Korea	44.78
		South Korea	479.92

Product (Units)	Canada (CAD / Unit)	Competitors	
		Country	Price (CAD / Unit)
190590 Bread, Pastry, Cakes, Biscuits and Similar Baked Products, and Puddings, Whether or not Containing Chocolate, Fruit, Nuts or Confectionery (Kg)	4.25	Belgium	5.18
		USA	1.74
		Hong Kong	5.83
		Vietnam	1.12
		Thailand	1.69
200410 Potatoes, Prepared Etc., Vinegar Etc., Frozen (Kg)	0.92	USA	0.99
		New Zealand	0.83
		Belgium	0.85
		Egypt	0.7
		The Netherlands	0.77
200980 Juice of Any Single Fruit/ Vegetable Unfermented Nesoi (L)	2.75	Thailand	1.06
		Indonesia	0.9
		Israel	1.72
		South Korea	0.59
		Taiwan	1.32
210690 Food Preparations Nesoi (Kg)	40.11	USA	22.75
		The Netherlands	3.62
		Malaysia	1.74
		South Korea	1.63
		Japan	7.94
220421 Wine from Grape Nesoi & Grape Must with Alcohol, Not Over 2 Litres (L)	7.64	France	4.76
		Australia	5.15
		USA	4.18
		Spain	3.1
		Chile	3.69

Product (Units)	Canada (CAD / Unit)	Competitors	
		Country	Price (CAD / Unit)
230990 Animal Feed Preparations Except Dog or Cat Food, Retail Packaging (Kg)	2.5	USA	0.75
		Japan	0.91
		The Netherlands	0.86
		Taiwan	1.66
		Australia	0.8

Source: China Customs via World Trade Atlas.

## XVI. IDENTIFICATION OF CONTESTABLE MARKETS

Searching for market opportunities is not an exact science but some indication of the probability that Canadian companies will find an opportunity in a particular market can be gained from the number of positive indicators in Table 11. A positive research price work-up would be another strong indicator of a contestable market but requires additional data and information specific to the product being exported.

### A. China

During the period January 1994 to December 2001 a trend line fitted to the value of the CNY increased at a rate of 0.1967% per month (2.3865% per year). During this time the increasing value of the CNY was a positive factor facilitating the search for contestable markets in China. In contrast, between January 2002 and May 2005 the value of the CNY fell at a rate of -0.751% per month (-8.64% per year) During this time, the declining value of the CNY was a negative factor making the identification of contestable markets increasingly difficult.

Since 1994 the CNY has been pegged to the USD ( USD 1.00 = CNY 8.28). As of May 2005, there is speculation that China might revalue the CNY upwards or let it float. Many officials have denied this, indicating that it is not a priority for the Chinese government. However, on May 3, 2005, Zhou Xiachuan, the Governor of the Peoples Bank of China was quoted as saying “China cannot resist the international opposition and will gradually unpeg the renminbi (CNY)”

**Table 11. Summary of Indicators of Selected Contestable Markets, China**

Product	Indicators of Contestability				Index of Positive Indicators	
	Price Change* (%/year)	Change in Consumption Per Person <sup>a</sup> (%/Year)	Change in Value of Imports (%/ year)	Position in Grid Analysis <sup>y</sup>	(No. of +) / (no. available)	
PRODUCTS IMPORTED FROM CANADA						
020322	Meat, Swine, Hams, Shoulders Etc., Bone In, Frozen	10.4	4.01	4.41	0.083333	1
020329	Meat of Swine, Nesoi, Frozen	10.53	4.01	43.71	0.083333	1
020649	Offal of Swine Except Livers, Edible, Frozen	12	6.73	36.4	0.083333	1
020714	Chicken Cuts and Edible Offal (Incl. Livers), Frozen	7.39	8.81	-15.74	3b	0.5
030212	Salmon, Pacific, Atlantic & Danube, with Bones Fresh or Chilled	-5.73	6.55	45.42	0.083333	0.75
030360	Cod Except Fillets, Livers and Roes, Frozen	6.43	6.55	18.06	0.083333	1
030379	Fish, Nesoi, with Bones, Frozen	1.61	6.55	26.5	0.083333	1
030490	Fish Meat Nesoi, Except Fish Steaks & Fillets, Frozen	-0.76	6.55	17.54	0.083333	0.75
030520	Fish Liver & Roe, Dried, Smoked, Salted or in Brine	2.38	6.55	16.08	0.083333	1
030613	Shrimps and Prawns, Including in Shell, Frozen	-10.23	10.83	8.15	0.083333	0.75
030614	Crabs, Including in Shell, Frozen	-1.47	10.83	3.87	0.083333	0.75
030739	Mussels, Frozen, Dried, Salted or in Brine	12.44	7.55	73.74	0.083333	1



Product	Indicators of Contestability				Index of Positive Indicators (No. of +) / (no. available)
	Price Change* (%/year)	Change in Consumption Per Person <sup>a</sup> (%/Year)	Change in Value of Imports (%/ year)	Position in Grid Analysis <sup>y</sup>	
030799 Molluscs Etc. Nesoi, Frozen, Dried, Salted or in Brine	-3.19	7.55	52.47	2b	0.5
040410 Whey & Modified Whey Whether or Not Concentrated Containing Added Sweeteners	-3.33	6.3	10.56	4	0.5
060290 Live Plants, Cuttings & Slips, Nesoi; Mushroom Spawn	n/a	n/a	19.18	0.083333	1
071310 Peas, Dried, Shelled, Including Seed	-2.09	-3.76	-1.96	1	0
110100 Wheat or Meslin Flour	1.16	-1.74	-15.98	1	0.25
121120 Ginseng Roots, Fresh or Dried	-0.14	n/a	-14.08	0.125	0
190590 Bread, Pastry, Cakes, Biscuits and Similar Baked Products, and Puddings, Whether or Not Containing Chocolate, Fruit, Nuts or Confectionery	29.46	-1.74	34.67	4	0.5
200410 Potatoes, Prepared Etc., No Vinegar Etc., Frozen	1.65	12.68	54.97	0.083333	1
200980 Juice of Any Single Fruit / Vegetable, Unfermented, Nesoi	5.75	10.27	17.38	4	0.75
210690 Food Preparations Nesoi	44.41	n/a	46.53	2b	0.66
220421 Wine, from Grape Nesoi & Grape Must with Alc, Not over 2 Litres	6.22	9.79	30.35	0.083333	1

Product	Indicators of Contestability				Index of Positive Indicators
	Price Change* (%/year)	Change in Consumption Per Person <sup>a</sup> (%/Year)	Change in Value of Imports (%/ year)	Position in Grid Analysis <sup>y</sup>	(No. of +) / (no. available)
230990 Animal Feed Preparations Except Dog or Cat Food, Retail Packaged	-14.84	n/a	-2.43	3b	0
PRODUCTS NOT IMPORTED FROM CANADA					
020442 Meat of Sheep, Cuts with Bone In, Nesoi, Frozen	7.93	9	40.79	n/a	1
071320 Chickpeas (Garbanzos), Dried Shelled, Including Seed.	52.6	-0.27	-41.56	n/a	0.33
080810 Apples, Fresh	10.7	7.51	21.84	n/a	1
151219 Sunflower-seed or Safflower Oil, Refined, Refracted Etc.	13.29	3.12	19.86	n/a	1
180631 Chocolate & Other Cocoa Preparations Not Bulk, Filled	2	n/a	44.1	n/a	1
190540 Rusks, Toasted Bread and Similar Toasted Products	7.21	-1.74	106.4	n/a	0.66
200870 Peaches, Prepared or Preserved, Nesoi	16.58	10.27	65.72	n/a	1

Product	Indicators of Contestability				Index of Positive Indicators
	Price Change* (%/year)	Change in Consumption Per Person <sup>α</sup> (%/Year)	Change in Value of Imports (%/ year)	Position in Grid Analysis <sup>γ</sup>	(No. of +) / (no. available)
Notes:					
* Calculated from the CIF values of Chinese imports supplied by the World Trade Atlas and sourced from China Customs, 1999 - 2004.					
α Calculated from FAO food balance sheets 1992 - 2002 (see Table A1-6) which do not use the HS codes. The approximate relationships are:					
Apples: 080810					
Bovine Meat: 020230					
Crustaceans: 030613, 030614					
Fish, Seafood: 030212, 030360, 030379, 030490, 030520					
Fruits, Other: 200980, 200870					
Milk - Excluding Butter: 040410					
Molluscs: 030739, 030799					
Mutton and Goat Meat: 020442					
Offal, edible: 020649					
Peas: 071310					
Pigmeat: 020322, 020329,					
Potatoes: 200410					
Poultry Meat: 020714					
Pulses: 071320					
Sunflower Seed Oil: 151219					
Wheat: 110100, 190590, 190540					
Wine: 220421					
γ The meanings of the positions in the “Grid Analysis” are as follows:					
1: Imports from Canada increasing; Canada gaining market share in a contracting market.					
2a: Imports from Canada increasing; Canada gaining market share in an expanding market - a positive indicator.					
2b: Imports from Canada increasing; Canada losing market share in an expanding market.					
3a: Imports from Canada decreasing; Canada gaining market share in a contracting market.					
3b: Imports from Canada decreasing; Canada losing market share in a contracting market.					
4: Imports from Canada decreasing; Canada losing market share in an expanding market.					

## 1. Product Groups With an Index of Positive Indicators of 1.00

Canadian exporters have the highest probability of finding opportunities in the following markets in China.

- 020322 Meat, Swine, Hams, Shoulders Etc., Bone In, Frozen**  
 The value of imported products was increasing. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing slowly and the price was increasing rapidly.  
**Recommendations:** Increase Canada's capacity to produce and export, taking advantage of economies of scale and modern technology. Conduct market research on the preferences of Chinese distributors. Improve the image of Canadian products in China by branding.
- 020329 Meat of Swine Nesoi, Frozen**  
 The value of imported products was increasing rapidly. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing slowly and the price was increasing rapidly.  
**Recommendations:** Increase Canada's capacity to produce, process and export these products taking advantage of economies of scale and modern technology. Conduct market research on the preferences of Chinese distributors. Improve the image of Canadian products in China by branding.
- 020442 Meat of Sheep, Cuts with Bone In, Nesoi, Frozen**  
 The value of imported products was increasing rapidly. Consumption per person was increasing and the price was increasing. China does not currently import these products from Canada.  
**Recommendations:** Increase Canada's capacity to produce and export, taking advantage of economies of scale and modern technology. Conduct market research on the tastes and preferences of the Chinese consumers and distributors. Establish the image of Canadian products in China by branding.
- 020649 Offal of Swine Except Livers, Edible, Frozen**  
 The value of imported products was increasing rapidly. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing slowly and the price was increasing rapidly.  
**Recommendations:** Increase Canada's capacity to produce and export, taking advantage of economies of scale and modern technology. Conduct market research on the preferences of Chinese distributors. Improve the image of Canadian products in China by branding.
- 030360 Cod Except Fillets, Livers and Roes, Frozen**  
 The value of imported products was increasing rapidly. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing and the average price of the products China imports was increasing.  
**Recommendations:** Ensure optimal continuous production. Increase Canada's capacity to, process and export these products taking advantage of economies of scale and modern technology. Conduct market research on the tastes and preferences of the

Chinese consumers and distributors. Improve the image of Canadian products in China by branding.

**030379 Fish, Nesoi, with Bones, Frozen**

The value of imported products was increasing rapidly. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing and the price was increasing slowly.

**Recommendations:** Ensure optimal continuous production. Increase Canada's capacity to process and export these products, taking advantage of economies of scale and modern technology. Conduct market research on the preferences of Chinese distributors. Improve the image of Canadian products in China by branding.

**030520 Fish Liver & Roe, Dried, Smoked, Salted or in Brine**

The value of imported products was increasing rapidly. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing and the price was increasing slowly.

**Recommendations:** Ensure optimal continuous production. Increase Canada's capacity to process and export, taking advantage of economies of scale and modern technology. Improve the image of Canadian products in China by branding.

**030739 Mussels, Frozen, Dried, Salted or in Brine**

The value of imported products was increasing rapidly. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing and the price was increasing rapidly.

**Recommendations:** Increase Canada's capacity to produce, process and export these products taking advantage of economies of scale and modern technology. Conduct market research to determine the tastes and preferences of Chinese consumers and distributors. Improve the image of Canadian products in China by branding.

**060290 Live Plants, Cuttings & Slips Nesoi; Mushroom Spawn**

The value of imported products was increasing rapidly. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market.

**Recommendations:** Increase Canada's capacity to, produce and export these products taking advantage of economies of scale and modern technology. Conduct market research to determine the preferences of Chinese consumers and distributors. Improve the image of Canadian products in China by branding.

**080810 Apples, Fresh**

The value of imported products was increasing rapidly. Consumption per person was increasing and the price was increasing quickly. China does not currently import this product from Canada.

**Recommendations:** Target the Chinese market with varieties which have characteristics desired by Chinese consumers and which can remain fresh and crisp during transportation. Increase Canada's capacity to produce, pack and export these

- varieties, taking advantage of economies of scale and modern technology. Improve the image of Canadian fruit products in China by branding.
- 151219 Sunflower-seed or Safflower Oil, Refined, Refracted Etc.**  
 The value of imported products was increasing rapidly. Consumption per person was increasing and the price was increasing rapidly. China does not currently import these products from Canada.  
**Recommendations:** Conduct research to determine which products in this category are most in demand in China. Increase Canada's capacity to produce, process and export these products, taking advantage of economies of scale and modern technology. Improve the image of Canadian products in China by branding.
- 180631 Chocolate & Other Cocoa Preparations Not Bulk, Filled**  
 The value of imported products was increasing rapidly and the price was increasing. China does not currently import these products from Canada.  
**Recommendations:** Conduct research to determine the types of chocolate and packaging most desired by Chinese consumers. Increase Canada's capacity to produce, pack and export these products, taking advantage of economies of scale and modern technology. Improve the image of Canadian products in China by branding.
- 200410 Potatoes, Prepared Etc., No Vinegar Etc., Frozen**  
 The value of imported products was increasing rapidly. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing rapidly and the average price of imported products was increasing.  
**Recommendations:** Increase Canada's capacity to produce, and export these products taking advantage of economies of scale and modern technology. Conduct market research to determine the tastes and preferences of Chinese consumers. Improve the image of Canadian products in China by branding.
- 200870 Peaches, Prepared or Preserved, Nesoi**  
 The value of imported products, per capita consumption and the average price of products imported by China were all increasing rapidly. China does not currently import these products from Canada.  
**Recommendations:** Conduct research to determine the characteristics most demanded by Chinese consumers. Increase Canada's capacity to produce, process and export these products, taking advantage of economies of scale and modern technology. Improve the image of Canadian fruit products in China by branding.
- 220421 Wine, from Grapes Nesoi & Grape Must with Alc, Not over 2 Litres**  
 The value of imported products was increasing rapidly. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing and the average price of the products China imports was increasing.

**Recommendations:** Increase Canada's capacity to produce and export these products taking advantage of economies of scale and modern technology. Conduct market research to determine the tastes and preferences of Chinese consumers and distributors. Improve the image of Canadian products in China by branding.

## **2. Product Groups With an Index of Positive Indicators of 0.75**

Canadian exporters have a high probability of finding opportunities in the following markets in China although based on the analysis, the probability may be lower than the product groups above.

### **030212 Salmon, Pacific, Atlantic & Danube, with Bones Fresh or Chilled**

The value of imported products was increasing rapidly. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing but the average price of the products imported by China was decreasing.

**Recommendations:** Conduct market research to determine why the average price is decreasing. Ensure continuous production. Increase Canada's capacity to, process and export these products, taking advantage of economies of scale and modern technology. Improve the image of Canadian products in China by branding.

### **030490 Fish Meat Nesoi, Except Fish Steaks & Fillets, Frozen**

The value of imported products was increasing rapidly. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing but the average price of the products China imports was decreasing slowly.

**Recommendations:** Conduct market research to determine why the average price is decreasing. Ensure continuous production. Increase Canada's capacity to, process and export these products, taking advantage of economies of scale and modern technology. Improve the image of Canadian products in China by branding.

### **030613 Shrimps and Prawns, Including in Shell, Frozen**

The value of imported products was increasing. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing rapidly but the average price of the products China imports was decreasing rapidly.

**Recommendations:** Conduct research into the reasons for the rapid decrease in price. Ensure continuous production. Increase Canada's capacity to process and export these products, taking advantage of economies of scale and modern technology. Improve the image of Canadian products in China by branding.

**030614 Crabs, Including in Shell, Frozen**

The value of imported products was increasing. The value of imports from Canada was increasing and Canada was gaining market share in an expanding market. Consumption per person was increasing rapidly but the price was decreasing.

**Recommendations:** Conduct research into the reasons for the decrease in the average prices. Identify the factors allowing Canada to increase market share and take further advantage of these factors. Ensure continuous production. Increase Canada's capacity to produce, process and export taking advantage of economies of scale and modern technology. Improve the image of Canadian products in China by branding.

**200980 Juice of Any Single Fruit / Vegetable, Unfermented, Nesoi**

The value of imported products was increasing rapidly. The value of imports from Canada was decreasing and Canada was losing market share in an expanding market. Consumption per person was increasing rapidly and the average price of the products China imports was increasing.

**Recommendations:** Conduct research to determine why the value of imports from Canada was decreasing. Depending on the results of the research, increase Canada's capacity to, produce and export these products, taking advantage of economies of scale and modern technology. Improve the image of Canadian products in China by branding.

**3. Product Groups With an Index of Positive Indicators of 0.66**

Canadian exporters have a high probability of finding opportunities in the following markets in China although based on the analysis above, the probability may be lower than the product groups above.

**190540 Rusks, Toasted Bread and Similar Toasted Products**

The value of imported products was increasing rapidly. Consumption per person was decreasing but the average price of the products China imports was increasing. China does not currently import these products from Canada.

**Recommendations:** Conduct market research to determine why China was not importing these products from Canada. Depending on the results of the research, increase Canada's capacity to produce and export these products, taking advantage of economies of scale and modern technology. Improve the image of Canadian products in China by branding.

**210690 Food Preparations Nesoi**

The value of imported products was increasing rapidly. The value of imports from Canada was increasing but not as rapidly as from the world and Canada was losing market share in an expanding market. The average price of the products China imports was increasing rapidly.

**Recommendations:** Conduct market research to determine why Canada was losing market share. Depending on the results of the research, increase Canada's capacity to



produce and export these products, taking advantage of economies of scale and modern technology. Improve the image of Canadian products in China by branding.

#### **4. Product Groups With an Index of Positive Indicators of 0.50**

Canadian exporters have a medium probability of finding opportunities in the following markets in China. Based on the analysis in this paper, the probability will be lower than for the product groups above.

##### **020714 Chicken Cuts and Edible Offal (Incl Livers), Frozen**

The value of imported products was decreasing rapidly. The value of imports from Canada was decreasing faster than imports from the world and Canada was losing market share in a contracting market. Consumption per person was increasing and the average price of products imported by China was increasing.

**Recommendations:** Conduct research to determine why imports are decreasing and adjust Canada's marketing effort in China, accordingly.

##### **030799 Molluscs Etc. Nesoi, Frozen, Dried, Salted or in Brine**

The value of imported products was increasing rapidly. The value of imports from Canada was increasing but at a slower rate than from the world and Canada was losing market share in an expanding market. Consumption per person was increasing but the average price of the products China imports was decreasing.

**Recommendations:** Conduct market research to determine why Canada was losing market share. Depending on the results of the research, adjust Canada's marketing effort in China accordingly.

##### **040410 Whey & Modified Whey Whether or Not Concentrated Containing Added Sweeteners**

The value of imported products was increasing rapidly. The value of imports from Canada was decreasing and Canada was losing market share in an expanding market. Consumption per person was increasing but the average price of the products China imports was decreasing.

**Recommendations:** Conduct market research to determine why the value of Chinese imports from Canada were decreasing. Based on the results of the research, adjust Canada's marketing effort in China accordingly.

##### **190590 Bread, Pastry, Cakes, Biscuits and Similar Baked Product and Puddings Whether or Not Containing Chocolate, Fruit, Nuts or Confectionery**

The value of imported products was increasing rapidly. The value of imports from Canada was decreasing and Canada was losing market share in an expanding market. Consumption per person was decreasing but the average price of the products China's imports were increasing rapidly.

**Recommendations:** Conduct market research to determine why consumption per person was decreasing while the value of imports was increasing. Based on the results of the research, adjust Canada's marketing effort in China accordingly.

#### **5. Product Groups With an Index of Positive Indicators of 0.33 or 0.25**

Canadian exporters have a medium to low probability of finding opportunities in the following markets in China. Based on the analysis in this paper, the probability will be lower than for the above product groups.

##### **071320 Chickpeas (Garbanzos), Dried Shelled, Including Seed**

The value of imported products was decreasing rapidly. Consumption per person was decreasing slowly and the average price of the products China imports was increasing rapidly. China does not currently import these products from Canada.

**Recommendations:** Conduct general market research to determine the opportunities for Canadian exporters and then proceed on the basis of the findings.

##### **110100 Wheat or Meslin Flour**

The value of the imported product was decreasing rapidly. The value of imports from Canada was increasing and Canada was gaining market share in a contracting market. Consumption per person was decreasing but the average price of the products China imports was increasing.

**Recommendations:** Conduct general market research to determine the opportunities for Canadian exporters. Depending on the results of the research, adjust Canada's marketing effort accordingly.

#### **6. Product Groups With an Index of Positive Indicators of 0.00**

Canadian exporters have a low probability of finding opportunities in the following Chinese markets. Based on the analysis in this paper, the probability will be lower than for the above product groups.

##### **071310 Peas, Dried, Shelled, Including Seed**

The value of imported products was decreasing. The value of imports from Canada was increasing and Canada was gaining market share in a contracting market. Consumption per person was decreasing and the average price of the products China imports was decreasing.

**Recommendations:** Conduct market research to determine why the value of imports and consumption per person were decreasing and if Canada has a future in this market. Depending on the findings of the research, adjust Canada's marketing effort in China accordingly.

**121120 Ginseng Roots, Fresh or Dried**

The value of the imported product was decreasing rapidly. The value of imports from Canada was decreasing but slower than from the world. Canada was gaining market share in a contracting market and the average price of the products China imports was decreasing slowly.

**Recommendations:** Conduct general market research to determine the opportunities for Canadian exporters. Depending on the findings of the research, adjust Canada's marketing effort in China accordingly.

**230990 Animal Feed Preparations Except Dog or Cat Food, Retail Packaged**

The value of imported products was decreasing. The value of imports from Canada was decreasing faster than from the world. Canada was losing market share in a contracting market. The average price of products imported by China was decreasing rapidly.

**Recommendations:** Conduct general market research to determine the opportunities for Canadian exporters. Depending on the findings of the research, adjust Canada's marketing effort in China accordingly.

**B. The Hong Kong SAR**

Since 1983 the HKD has been pegged to the USD (USD 1.00 = HKD 7.80). Similar to the CNY, during the period January 1994 to December 2001, a trend line fitted to the value of the HKD was increasing at a rate of 0.149% per month (1.80% per year). During this time it was increasingly easy to find opportunities in the food markets of the Hong Kong SAR. In contrast, between January 2002 and May 2005 the value of the HKD was falling in value compared to the CAD at a rate of -0.747% per month (-8.61% per year). During this time, the declining value of the HKD was a negative factor making the identification of contestable markets increasingly difficult.

**Table 12. Summary of Indicators of Contestable Markets, the Hong Kong SAR**

Product	Indicators of Contestability			Index of Positive Indicators (No. of +) / (no. available)
	Price Change* (%/year)	Change in Value of Imports (%/year)	Position in Grid Analysis $\alpha$	
PRODUCTS IMPORTED FROM CANADA				
020130 Meat of Bovine Animals, Fresh or Chilled, Boneless Cuts	-1.23	3.55	4	0.33
020220 Meat, Bovine Cuts with Bone In, Frozen	-8.01	-12.20	3a	0.00

Product		Indicators of Contestability			Index of Positive Indicators (No. of +) / ( no. available)
		Price Change* (%/year)	Change in Value of Imports (%/ year)	Position in Grid Analysis $\alpha$	
020230	Meat of Bovine Animals, Frozen, Cuts Boneless	-6.11	-2.50	1	0.00
020322	Meat, Swine, Hams, Shoulders Etc., Bone In, Frozen	-6.29	12.07	2b	0.33
020329	Meat of Swine Nesoi, Frozen	-2.62	2.92	2b	0.33
020712	Meat & Offal of Chickens, Not Cut in Pieces, Frozen	-2.49	3.19	4	0.33
020714	Chicken Cuts and Edible Offal (Incl Livers), Frozen	0.4	-14.17	3b	0.33
020727	Turkey Cuts and Edible Offal (Incl Liver), Frozen	-2.12	-18.23	3b	0.00
020733	Meat and Edible Offal of Ducks, Geese & Guineas, not Cut in Pieces, Frozen	-4.48	-22.02	3a	0.00
021011	Hams, Shoulders & Cuts, Bone In, Salted, Dried, Smoked	-3.97	-10.00	3b	0.00
021012	Meat of Swine, Bellies (Bacon Etc.), Cured Etc.	-8.02	-1.58	3b	0.00
030212	Salmon, Pacific, Atlantic & Danube, with Bones, Fresh or Chilled	-2.68	2.25	2a	0.66
030331	Halibut/Greenland Turbot Except Fillets/ Liver/ Roe/ Frozen	-8.47	37.52	2a	0.66
030621	Rock Lobster, Other Sea Crawfish Live/chilled/dried / Salted	-2.35	2.78	4	0.33
030624	Crabs, Raw (Live Etc.), Cooked (Steamed Etc.) Not Frozen	-0.47	-7.45	1	0.00
210690	Food Preparations Nesoi	0.69	-5.09	1	0.33
PRODUCTS NOT IMPORTED FROM CANADA					

Product	Indicators of Contestability			Index of Positive Indicators (No. of +) / (no. available)
	Price Change* (%/year)	Change in Value of Imports (%/ year)	Position in Grid Analysis $\alpha$	
020442 Meat of Sheep, frozen, Cut, Bone In	8.17	16.42	n/a	1.00
030410 Fish Fillets & Other Meat Except Fish Steaks Fresh/ Chilled	-4.63	-4.14	n/a	0.00
030420 Fish Fillets, Frozen	-7.49	4.4	n/a	0.50
Notes:				
* Calculated from the CIF values of the Hong Kong SAR imports supplied by the World Trade Atlas and sourced from the Census and Statistics Department, Gov't of the Hong Kong SAR. 1999 - 2004.				
$\alpha$ The meanings of the positions on the "Grid Analysis" are as follows:				
1: Imports from Canada increasing; Canada gaining market share in a contracting market.				
2a: Imports from Canada increasing; Canada gaining market share in an expanding market - a positive indicator.				
2b: Imports from Canada increasing; Canada losing market share in an expanding market.				
3a: Imports from Canada decreasing; Canada gaining market share in a contracting market.				
3b: Imports from Canada decreasing; Canada losing market share in a contracting market.				
4: Imports from Canada decreasing; Canada losing market share in an expanding market.				

### 1. Product Groups With an Index of Positive Indicators of 1.00

Based on the analysis in this paper, Canadian exporters have the highest probability of finding opportunities in the following market in the Hong Kong SAR.

#### 020442 Meat of Sheep, Frozen, Cut, Bone In

The value of imported products was increasing rapidly, and the average price of products imported by the Hong Kong SAR was increasing. The Hong Kong SAR does not currently import these products from Canada.

**Recommendations:** Conduct market research to determine the potential opportunities for Canada. Increase Canada's capacity to produce and export, taking advantage of economies of scale and modern technology. Establish the image of Canadian products in the Hong Kong SAR by branding.

### 2. Product Groups With an Index of Positive Indicators of 0.66

Canadian exporters have a high probability of finding opportunities in the following markets in the Hong Kong SAR although based on the analysis above, the probability may be lower than the product group above.

**030212 Salmon, Pacific, Atlantic & Danube, with Bones, Fresh or Chilled**  
The value of imported products was increasing but the average price of products the Hong Kong SAR imports, was decreasing. The value of imports from Canada were increasing faster than from the world and Canada was increasing market share in an expanding market.  
**Recommendations:** Ensure optimum continuous production. Increase Canada's capacity to process and export these products, taking advantage of economies of scale and modern technology. Improve the image of Canadian products in the Hong Kong SAR by branding.

**030331 Halibut/Greenland Turbot Except Fillets/Liver/Roe, Frozen**  
The value of imported products was increasing rapidly and the average price of products the Hong Kong SAR imports was decreasing. The value of imports from Canada were increasing faster than from the world and Canada was gaining market share in an expanding market.  
**Recommendations:** Ensure optimum sustainable production. Increase Canada's capacity to process and export these products, taking advantage of economies of scale and modern technology. Improve the image of Canadian products in the Hong Kong SAR by branding.

### **3. Product Groups With an Index of Positive Indicators of 0.33**

Canadian exporters have a medium to low probability of finding opportunities in the following markets in the Hong Kong SAR. Based on the analysis in this paper, the probability will be lower than for the product groups above.

**020130 Meat of Bovine Animals, Fresh or Chilled, Boneless Cuts**  
The value of imported products was increasing but the average price of products imported by the Hong Kong SAR was decreasing. The value of imports from Canada were decreasing and Canada was losing market share in an expanding market.  
**Recommendations:** Conduct market research to determine why Canada was losing market share. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.

**020322 Meat, Swine, Hams, Shoulders Etc., Bone In, Frozen**  
The value of imported products was increasing rapidly but the average price of products imported by the Hong Kong SAR was decreasing. The value of imports from Canada were increasing but slower than from the world and Canada was losing market share in an expanding market.  
**Recommendations:** Conduct market research to determine the reasons why Canada was losing market share. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.

**020329 Meat of Swine Nesoi, Frozen**

The value of imported products was increasing but the average price of products imported by the Hong Kong SAR was decreasing. The value of imports from Canada was increasing slower than from the world and Canada was losing market share in an expanding market.

**Recommendations:** Conduct market research to determine why Canada was losing market share. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.

**020712 Meat & Offal of Chickens Not Cut in Pieces, Frozen**

The value of imported products was increasing but the average price of products imported by the Hong Kong SAR was decreasing. The value of imports from Canada were decreasing and Canada was losing market share in an expanding market.

**Recommendations:** Conduct market research to determine why Canada was losing market share. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.

**020714 Chicken Cuts and Edible Offal (Incl Livers), Frozen**

The value of imported products was decreasing rapidly but the average price of products imported by the Hong Kong SAR was increasing slowly. The value of imports from Canada was decreasing faster than from the world and Canada was losing market share in a contracting market.

**Recommendations:** Conduct market research to determine why the market was contracting. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.

**030420 Fish Fillets, Frozen**

The value of imported products was increasing but the average price of products imported by the Hong Kong SAR, was decreasing. The value of imports from Canada was decreasing quickly and Canada was losing market share in an expanding market.

**Recommendations:** Conduct market research to determine why Canada was losing market share. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.

**030621 Rock Lobster, Other Sea Crawfish Live/Chilled/Dried/Salted**

The value of imported products was increasing but the average price of products the Hong Kong SAR imports was decreasing. The value of imports from Canada was decreasing and Canada was losing market share in an expanding market.

**Recommendations:** Conduct market research to determine why Canada was losing market share. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.

**210690 Food Preparations Nesoi**

The value of imported products was decreasing but the average price of products imported by the Hong Kong SAR was increasing slowly. The value of imports from Canada was increasing and Canada was gaining market share in a contracting market.

**Recommendations:** Conduct market research to determine why the market was contracting and what factors allowed Canada to increase exports to the Hong Kong SAR. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.

**4. Product Groups With an Index of Positive Indicators of 0.00**

Canadian exporters have a low probability of finding opportunities in the following markets of the Hong Kong SAR. Based on the analysis in this paper, the probability will be lower than for the products above.

**020220 Meat, Bovine Cuts with Bone In, Frozen**

The value of imported products was decreasing and the average price of products the Hong Kong SAR imports was decreasing. The value of imports from Canada was decreasing slower than from the world and Canada was gaining market share in a contracting market.

**Recommendations:** Conduct market research to determine why the market was contracting. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.

**020230 Meat of Bovine Animals, Frozen, Cuts Boneless**

The value of imported products was decreasing and the average price of products the Hong Kong SAR imports was decreasing. The value of imports from Canada was increasing. Canada was gaining market share in a contracting market.

**Recommendations:** Conduct market research to determine why the market was contracting. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.

**020727 Turkey Cuts and Edible Offal (Incl Liver), Frozen**

The value of imported products was decreasing rapidly and the average price of products imported by the Hong Kong SAR was decreasing. The value of imports from Canada was decreasing faster than from the world and Canada was losing market share in a contracting market.

**Recommendations:** Conduct market research to determine why the market was contracting and if Canada has a future in this market. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.



- 020733 Meat and Edible Offal of Ducks, Geese & Guineas, Not Cut in Pieces, Frozen**  
The value of imported products was decreasing rapidly and the average price of products imported by the Hong Kong SAR was decreasing. The value of imports from Canada was decreasing slower than from the world and Canada was gaining market share in a contracting market.  
**Recommendations:** Conduct market research to determine why the market was contracting and if Canada has a future in this market. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.
- 021011 Hams, Shoulders & Cuts, Bone In, Salted, Dried, Smoked**  
The value of imported products was decreasing rapidly and the average price of products imported by the Hong Kong SAR was decreasing. The value of imports from Canada was decreasing faster than from the world and Canada was losing market share in a contracting market.  
**Recommendations:** Conduct market research to determine why the market was contracting and if Canada has a future in this market. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.
- 021012 Meat of Swine, Bellies (Bacon Etc.), Cured Etc.**  
The value of imported products was decreasing and the average price of products imported by the Hong Kong SAR was decreasing. The value of imports from Canada was decreasing faster than from the world and Canada was losing market share in a contracting market.  
**Recommendations:** Conduct market research to determine why the market was contracting and if Canada has a future in this market. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.
- 030410 Fish Fillets & Other Meat Except Fish Steaks Fresh / Chilled**  
The value of imported products was decreasing and the average price of products imported by the Hong Kong SAR was decreasing. The Hong Kong SAR does not currently import these products from Canada.  
**Recommendations:** Conduct market research to determine why the market was contracting and if Canada has a future in this market. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.
- 030624 Crabs, Raw (Live Etc.), Cooked (Steamed Etc.) Not Frozen**  
The value of imported products was decreasing and the average price of products imported by the Hong Kong SAR imports was decreasing. The value of imports from Canada are increasing. Canada was gaining market share in a contracting market.  
**Recommendations:** Conduct market research to determine why the market was contracting and if Canada has a future in this market. Depending on the findings of the research, adjust Canada's marketing effort in the Hong Kong SAR accordingly.

## **XVII. CONCLUSIONS**

In the not too distant past, China was a difficult market to access and do business in. It is still not an easy market but many barriers to trade are being removed. The accession of China to the WTO and internal changes such as the increasing importance of the private sector and the privatization of some state owned companies are producing considerable wealth in the eastern parts of the country. This increased economic activity coupled with China's large population is creating a very significant market for all types of products including agricultural, agri-food & seafood products.

With the introduction of modern methods of production and processing, China has the potential to be a large producer of food products. Its own population will be the major consumers of China's food production but many products in which it has a comparative advantage, will be exported. As incomes increase China will become increasingly significant as a market for Canadian food products if: they are of a type and quality desired by Chinese consumers & distributors and; can compete on price.

Canadian companies considering the possibilities of entering the Chinese food markets should act on the following points before major investments and commitments are made:

### Marketing:

- marketing and branding strategies should be suitable for the Chinese market. Branding style and language should be familiar to the several distinct markets within China;
- the cities and regions of China are not homogenous and markets should be defined on a small level based on the demographic and other differences that exist;
- market acceptance of a product should be determined early; by further identifying appropriate local product flavours (taste tests), packaging sizes and consumption patterns.

### Business:

- potential local wholesale and/or retail partners in China should be identified;
- options for transportation/distribution and warehousing should be understood - these are important issues;
- establishing a corporate presence in China should be considered. This could include one or more of: a representative office, formal joint venture or incorporating a wholly owned subsidiary of your Canadian corporation;
- understand local tax, invoicing and payment schedules - includes local payments and the identification of legal means of repatriating money;
- understand customs clearance requirements, including export/import fees, product certification or designation requirements.

Statistics indicate that in 2004, the value of China's imports of agricultural, agri-food & seafood products from Canada was more than double that of 2003. It is not clear if this is a one year anomaly or represents the beginning of a new trend.

Based on 2003 and 2004 statistics, the top three countries supplying agricultural, agri-food & seafood products to China are not Asian countries but American (USA, Argentina and Brazil). In 2003 Canada was tenth after Malaysia, Australia, Thailand, Russia, Indonesia and New Zealand. In 2004 it was seventh after Australia, Malaysia and Thailand.

This paper indicates where Canadian food exporters might find export opportunities in the markets of China and the Hong Kong SAR. An effort has been made to rank the product markets by the probability of success based on several indicators of "contestability."

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Canadian companies interested in exporting to China may contact the following personnel for current information:

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## APPENDIX 1



**Figure 10.** Political Map of China, 2001.

Source: University of Texas Library On Line. <http://www.lib.utexas.edu/maps/china.html#detailed.html>.



**Table A1-1. Area, Population and GDP of Regions and Provinces of China. 2000.**

Region or Province		Estimated Area (Km <sup>2</sup> )	Estimated Population (People)	Estimated Population Density (People/Km <sup>2</sup> )	Estimated GDP* (CAD)	Estimated GDP Per Person (CAD/Person)
<b>NORTHEAST</b>						
1	Heilongjiang Province	460,000	36,890,000	80	58,368,579,000	1,582
2	Jilin Province	187,400	27,280,000	146	32,677,612,170	1,198
3	Liaoning Province	145,900	42,380,000	290	83,776,943,580	1,977
	<b>SUBTOTAL</b>	<b>793,300</b>	<b>106,550,000</b>	<b>134</b>	<b>174,823,134,750</b>	<b>1,641</b>
<b>GREATER BEIJING</b>						
4	Beijing Municipality	16,808	13,820,000	822	44,476,390,680	3,218
5	Tianjin Municipality	11,000	10,010,000	910	29,415,036,480	2,939
6	Hebei Province	187,700	67,440,000	359	91,311,209,280	1,354
7	Shandong Province	153,000	90,790,000	593	153,277,000,920	1,688
	<b>SUBTOTAL</b>	<b>368,508</b>	<b>182,060,000</b>	<b>494</b>	<b>318,479,637,360</b>	<b>1,749</b>
<b>GREATER SHANGHAI</b>						
8	Shanghai Municipality	6,340.5	16,740,000	2,640	81,661,284,450	4,878
9	Jiangsu Province	102,600	74,380,000	725	153,999,924,390	2,070
10	Zhejiang Province	101,800	46,770,000	459	108,310,048,620	2,316
	<b>SUBTOTAL</b>	<b>210,741</b>	<b>137,890,000</b>	<b>654</b>	<b>343,971,257,460</b>	<b>2,495</b>
<b>GREATER GUANGDONG</b>						
11	Guangdong Province	177,900	86,420,000	486	173,369,392,890	2,006
12	Fujian Province	121,400	34,710,000	286	70,337,816,010	2,026
13	Hainan Province	34,000	7,870,000	231	9,303,086,640	1,182
	<b>SUBTOTAL</b>	<b>333,300</b>	<b>129,000,000</b>	<b>387</b>	<b>253,010,295,540</b>	<b>1,961</b>
<b>SPECIAL ADMINISTRATIVE REGIONS (SARs)</b>						
14	Macau Special Administrative Region	25.4	461,833	18,182	9,201,236,939	19,923
15	Hong Kong Special Administrative Region	1,092	7,303,334	6,688	243,801,567,907	33,382
	<b>SUBTOTAL</b>	<b>1,117</b>	<b>7,765,167</b>	<b>6,949</b>	<b>253,002,804,846</b>	<b>32,582</b>

Region or Province		Estimated Area (Km <sup>2</sup> )	Estimated Population (People)	Estimated Population Density (People/Km <sup>2</sup> )	Estimated GDP* (CAD)	Estimated GDP Per Person (CAD/Person)
<b>CENTRAL</b>						
16	Hubei Province	187,500	60,280,000	321	76,730,009,760	1,273
17	Hunan Province	210,500	64,400,000	306	66,243,402,840	1,029
18	Henan Province	167,000	92,560,000	554	92,185,033,380	996
19	Anhui Province	139,600	59,860,000	429	54,515,140,320	911
20	Jiangxi Province	166,900	41,400,000	248	35,941,085,010	868
21	Shanxi Province	156,000	32,970,000	211	29,494,882,830	895
	<b>SUBTOTAL</b>	<b>1,027,500</b>	<b>351,470,000</b>	<b>342</b>	<b>355,109,554,140</b>	<b>1,010</b>
<b>SOUTHWEST</b>						
22	Sichuan Province	480,000	83,290,000	174	71,955,915,750	864
23	Yunnan Province	394,000	42,880,000	109	35,080,179,870	818
24	Guizhou Province	176,000	35,250,000	200	17,826,908,790	506
25	Guangxi Autonomous Region	236,000	44,980,000	191	36,785,662,020	818
26	Chongqing Municipality	82,300	30,900,000	375	28,517,527,620	923
	<b>SUBTOTAL</b>	<b>1,368,300</b>	<b>237,300,000</b>	<b>173</b>	<b>190,166,194,050</b>	<b>801</b>
<b>NORTHWEST</b>						
27	Xinjiang Autonomous Region	1,650,000	19,250,000	12	24,480,711,480	1,272
28	Gansu Province	454,000	25,620,000	56	17,644,428,480	689
29	Ningxia Autonomous Region	66,000	5,620,000	85	4,765,122,510	848
30	Shaanxi Province	206,000	36,050,000	175	29,801,887,560	827
31	Inner Mongolia Autonomous Region	1,100,000	23,760,000	22	25,138,322,430	1,058
	<b>SUBTOTAL</b>	<b>3,476,000</b>	<b>110,300,000</b>	<b>32</b>	<b>101,830,472,460</b>	<b>923</b>
<b>WEST</b>						
32	Tibet Autonomous Region	1,200,000	2,630,000	2	2,107,584,780	801
33	Qinghai Province	720,000	5,180,000	7	4,729,595,370	913
	<b>SUBTOTAL</b>	<b>1,920,000</b>	<b>7,810,000</b>	<b>4</b>	<b>6,837,180,150</b>	<b>875</b>



Region or Province	Estimated Area (Km <sup>2</sup> )	Estimated Population (People)	Estimated Population Density (People/Km <sup>2</sup> )	Estimated GDP* (CAD)	Estimated GDP Per Person (CAD/Person)
Military Personnel		2,500,000			
<b>GRAND TOTAL</b>	<b>9,498,766</b>	<b>1,272,645,167</b>	<b>134</b>	<b>1,977,868,598,316</b>	<b>1,569</b>

Sources: Area and Population - Wikipedia, the free encyclopedia.  
GDP - China Business Review.  
\* CNY 1.00 = CAD 0.17943.

**Table A1-2. Population and GDP. China, 1992 - 2003.**

Year	Population*	Population <sup>α</sup>	GDP <sup>α</sup> (USD Current)	GDP / Person (USD)
1992	1,177,481,574			
1993	1,190,570,653			
1994	1,203,433,504			
1995	1,215,787,464			
1996	1,227,767,447			
1997	1,239,459,096			
1998	1,250,365,515			
1999	1,260,106,742	1,253,735,000	991,355,700,000	791
2000	1,268,853,362	1,262,645,000	1,080,741,000,000	856
2001	1,276,882,500	1,271,850,000	1,175,716,000,000	924
2002	1,284,275,902	1,280,400,000	1,266,052,000,000	989
2003	1,291,496,022	1,288,400,000	1,409,852,000,000	1,094

Sources: \* US Bureau of the Census, International Data Base.  
<sup>α</sup> World Bank

**Table A1-3. Population and GDP. the Hong Kong SAR, 1999 - 2003.**

Year	Population	GDP (USD Current)	GDP / Person (USD Current)
1999	6,607,000	160,636,000,000	24,313
2000	6,665,000	165,358,900,000	24,810
2001	6,725,000	162,833,200,000	24,213
2002	6,787,000	161,531,400,000	23,800

Year	Population	GDP (USD Current)	GDP / Person (USD Current)
2003	6,816,000	158,595,600,000	23,268
Source: World Bank.			

**Table A1-4. Examples of Chinese Cuisines with Ingredients that Could Be Supplied By Canada.**

<b>BEIJING CUISINE</b>	<b>GUANGDONG CUISINE</b>	<b>SHANGHAI CUISINE</b>	<b>SICHUAN CUISINE</b>
<b>Beef</b> and Vermicelli Soup	<b>Bean Curd</b> and <b>Vegetable</b> Soup	<b>Beef</b> with <b>Ketchup Sauce</b>	<b>Bean Curd</b> with Hot and Spicy Sauce
Boiled <b>Pork Dumplings</b>	<b>Beef</b> Lo Mein	Deep Fried <b>Pork</b> with Lotus Roots	<b>Beef</b> with Peanuts Hot and Spicy Sauce
<b>Chicken</b> and Chestnut Casserole	<b>Beef</b> with <b>Broccoli</b>	Fermented <b>Eggs</b> “Tea Eggs”	Boiled Shredded <b>Chicken</b>
Deep Fried <b>Fish</b>	Boiled <b>Chicken</b>	Fried <b>Pork Dumplings</b>	Chicken with <b>Black Bean Sauce</b>
Deep Fried <b>Shrimp</b>	Cantonese Roast <b>Duck</b>	Hot Sour <b>Fish</b>	Double Cooked <b>Pork</b>
<b>Egg</b> Drop Soup	<b>Chicken</b> and <b>Tomato</b> Casserole	Shredded <b>Chicken</b> Lo Mein	<b>Duck</b> Hand Bun
Peking Roast <b>Duck</b>	<b>Corn</b> Soup	Shredded Pork with <b>Preserved Vegetables</b>	<b>Ginseng</b> and <b>Chicken</b> Casserole
Sliced Pork with Spring <b>Onion</b>	<b>Crab</b> Casserole	Steamed <b>Crabs</b>	Ground Beef and <b>Vegetable Pancakes</b>
Steamed Twisted <b>Buns</b>	Curried <b>Dumplings</b>	Steamed Salted <b>Duck</b>	Mixed <b>Seafood</b> Dish
Stewed <b>Bean Curd</b> with Ground <b>Pork</b>	<b>Egg</b> Pudding	Stir-Fried <b>Spinach</b>	<b>Shrimp</b> with Hot & Spicy Sauce
Stewed <b>Beef</b> with <b>Tomatoes</b>	<b>Fish</b> On An Iron Plate	Sweet and Sour <b>Bean Curd</b>	Stir-Fried <b>Cabbage</b>

<b>BEIJING CUISINE</b>	<b>GUANGDONG CUISINE</b>	<b>SHANGHAI CUISINE</b>	<b>SICHUAN CUISINE</b>
Stewed <b>Sea Cucumber</b>	<b>Lettuce with Oyster Sauce</b>		Stir-Fried Chinese <b>Pea Pods</b>
Stir-Fried <b>Beef</b> with <b>Celery</b>	<b>Shrimp</b> Noodles		
Stir-Fried <b>Cabbage</b>	Simmered Rice With <b>Frogs</b>		
Stir-Fried <b>Chicken</b> with <b>Golden Mushrooms</b>			
Stir-Fried <b>String Beans</b>			
Note: Products in bold can be supplied by Canada. Source: <a href="http://www.china-on-site.com/cookingindex.php">http://www.china-on-site.com/cookingindex.php</a> .			

**Table A1-5. Example of a Research Price Work-up. Calculation of the Expected Retail Price From the EXW Value.**

Price Work-up - EXW plus.	
Calculating the minimum retail price.	
PRODUCT	Edible Widgets
ORIGIN	Burnaby, BC, Canada
DESTINATION	Beijing, China
CONTAINER	20 Foot
BOXES PER CASE	50
CASES PER CONTAINER	480
BOXES PER CONTAINER	24,000
KGS PER BOX	0.50
KGS PER CONTAINER	12,000
BASE CURRENCY	CAD
FOREIGN CURRENCIES	CNY USD

EXCHANGE RATE (BASE PER FOREIGN)	CAD PER CNY: 0.15190 CAD PER USD: 1.25690		
PRODUCTION COST (CAD/CASE)	835.50		
<b>PRODUCTION AND PREPARATION</b>			
PRODUCTION COST OF CONTAINER (CAD)			<b>401,040.00</b>
MANUFACTURERS PROFIT (CAD)		434,460.00	
AGENT'S COMMISSION (CAD)		44,985.78	
EXPORT PACKING (CAD)		0.00	
MARKING CASES (CAD)		0.00	
BUNDLING / STRAPPING (CAD)		0.00	
SPECIAL LABELING, CONTAINERS ETC. (CAD)		0.00	
BANK CHARGES (L/C) EXECUTION (CAD)		<u>50.00</u>	
SUBTOTAL (CAD)		479,495.78	
INCREMENTAL FINANCE CHARGE (CAD)		<u>19,179.83</u>	
TOTAL PRODUCTION AND PREPARATION (CAD)			498,675.61
<b>CONTAINER VALUE: EXW (SELLERS WAREHOUSE) - EX WORKS (CAD)</b>			<b>899,715.61</b>
<b>MOVE TO SHIPSIDE</b>			
LOCAL TRUCKING (CAD)		150.00	
FREIGHT TO SEAPORT: BY RAIL (CAD)		0.00	
UNLOADING CHARGES (CAD)		0.00	
TERMINAL CHARGES, DEMURRAGE, STORAGE ETC (CAD)		0.00	
WHARFAGE (CAD)		0.00	

MISCELLANEOUS CHARGES (HANDLING) (CAD)		<u>50.00</u>	
SUBTOTAL (CAD)		200.00	
INCREMENTAL FINANCE CHARGE (CAD)		<u>8.00</u>	
TOTAL COST OF MOVE TO SHIPSIDE (CAD)			208.00
<b>CONTAINER VALUE: FAS (VANCOUVER PORT) - FREE ALONGSIDE (CAD)</b>			<b>899,923.61</b>
<b>LOADING CHARGES</b>			
LOADING VESSEL (CAD)		100.00	
CONSULAR DOCUMENTS (CAD)		50.00	
OTHER DOCUMENT CHARGES (CAD)		10.00	
INSURANCE FOR LOADING (CAD)		<u>0.00</u>	
SUBTOTAL (CAD)		160.00	
INCREMENTAL FINANCE CHARGE (CAD)		<u>6.40</u>	
TOTAL LOADING COSTS			166.40
<b>CONTAINER VALUE FOB (VANCOUVER PORT) - FREE ON BOARD</b>			<b>900,090.01</b>
<b>FREIGHT COSTS</b>			
Freight Costs (USD)	1,235.00		
B.A.F (Bunker Adjustment factor) (USD)	<u>256.00</u>		
SUBTOTAL (USD)	1,491.00		
FREIGHT COSTS (CAD)		<u>1,874.04</u>	
SUBTOTAL		1,874.04	
INCREMENTAL FINANCE CHARGE (CAD)		<u>74.96</u>	
TOTAL INT'L TRANSPORT AND ANCILLARY CHARGES (CAD)			1,949.00

<b>CONTAINER VALUE: CFR (XINGANG) - COST AND FREIGHT (CAD)</b>			<b>901,872.61</b>
<b>INSURANCE</b>			
<b>MARINE</b>			
Value of Shipment (CAD)	901,872.61		
Add 10% of Value (CAD)	<u>90,187.26</u>		
Value Insured (CAD)	992,059.87		
MARINE INSURANCE PREMIUM (CAD)		3,472.21	
<b>OTHER INSURANCE</b>			
ACCOUNTS RECEIVABLE INSURANCE PREMIUM (CAD)		0.00	
OTHER INSURANCE PREMIUMS (CAD)		<u>0.00</u>	
SUBTOTAL (CAD)		3,472.21	
INCREMENTAL FINANCE CHARGES (CAD)		<u>138.88</u>	
TOTAL INSURANCE CHARGES (CAD)			3,611.10
<b>CONTAINER VALUE CIF (XINGANG) - COST, INSURANCE AND FREIGHT (CAD)</b>			<b>905,483.71</b>
<b>CONTAINER VALUE CIF (XINGANG) - COST, INSURANCE AND FREIGHT (CNY)</b>			<b>5,961,051.41</b>
<b>DELIVERY COSTS TO BUYER</b>			
UNLOADING COST (CNY)		200.00	
HANDLING COST (CNY)		393.85	
TARIFFS AND DUTIES (CNY)		119,221.03	
FREIGHT FROM PORT TO BUYER (CNY)		825.00	
SUBTOTAL (CNY)		120,639.88	
INCREMENTAL FINANCE COSTS (CNY)		<u>4,825.60</u>	

TOTAL DELIVERY COST (CNY)			125,465.48
<b>CONTAINER VALUE DDP (BEIJING) - DELIVERED TO WHOLESALE DUTY PAID (CNY)</b>			<b>6,086,516.88</b>
<b>WHOLESALE COSTS</b>			
WHOLESALE MARKUP (CNY)			2,028,838.96
<b>WHOLESALE VALUE OF CONTAINER (CNY)</b>			<b>8,115,355.85</b>
<b>RETAIL COSTS</b>			
RETAIL MARKUP (CNY)			2,705,118.62
<b>RETAIL VALUE OF CONTAINER (CNY)</b>			<b>10,820,474.46</b>
<b>MINIMUM RETAIL VALUE PER BOX (CNY)</b>			<b>450.85</b>
<b>MINIMUM RETAIL VALUE PER CASE (CNY)</b>			<b>22,542.50</b>

**Table A1-6. Annual Rates of Change of Production and Consumption (Supply) of Selected Products, China. 1992 - 2002.**

<b>Product</b>	<b>Production (% / Year)</b>	<b>Consumption (Supply) Per Person (% / Year)</b>
Apples	10.8	7.51
Bovine Meat	11.6	10.8
Crustaceans	11.7	10.83
Fish, Seafood	9.25	6.55
Fruits, Other	11.3	10.27
Milk - Excluding Butter	7.12	6.30
Molluscs	10.28	7.55

<b>Product</b>	<b>Production (% / Year)</b>	<b>Consumption (Supply) Per Person (% / Year)</b>
Mutton and Goat Meat	10.03	9.00
Offal, Edible	7.12	6.73
Peas	3.46	-3.76
Pigmeat	4.73	4.01
Potatoes	5.63	12.68
Poultry Meat	9.71	8.81
Pulses	4.82	-0.27
Sunflower Seed Oil	3.51	3.12
Vegetable Oils	7.23	4.83
Wheat	-0.79	-1.74
Wine	9.85	9.79
Source: Calculated from FAO food balance sheets.		



## **APPENDIX 2 - RETAIL FOOD PRICES**

A list of retail prices of food products in Beijing, Chongqing, the Hong Kong SAR, Shanghai Municipality and Guangzhou is available to Canadian companies from:

Dennis Pervis, Senior Marketing and Trade Officer  
Marketing and Trade Team  
Agriculture and Agri-Food Canada  
British Columbia Regional Office  
#420 - 4321 Still Creek Drive  
Burnaby, B.C.  
V5C 6S7  
Email: [pervisd@agr.gc.ca](mailto:pervisd@agr.gc.ca)  
Phone: (604) 666-7905

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Gale, H. Frederick. "China's Growing Affluence: How Food Markets are Responding"  
<http://www.ers.usda.gov/Amberwaves/june03/Features/ChinasGrowingAffluence.htm> .

Qin, Xianwen. "China's Market Potential: Opportunities for New Zealand Exporters"  
<http://marketing-bulletin.massey.ac.nz/article4/comtary1b.asp> .

Promar International. "Profitable Routes to the Chinese Food Consumer: Market access strategy 2000 to 2005." May 2000.

## ENDNOTES

1. Part of the Agricultural Policy Framework. For more information see:  
[http://www.agr.gc.ca/cb/apf/index\\_e.php](http://www.agr.gc.ca/cb/apf/index_e.php) .
2. The CIA Factbook reports China's area as 9,596,960 Km<sup>2</sup>.
3. "China," Microsoft® Encarta® Online Encyclopedia 2004.  
<http://encarta.msn.com> © 1997-2004 Microsoft Corporation. All Rights Reserved.
4. Agriculture and Agri-food Canada takes no responsibility for the contents of other web pages. Any links are provided only for the convenience of readers.
5. [http://www.agribdc.com/view.php?dbIndex=0&website\\_id=88&id=362](http://www.agribdc.com/view.php?dbIndex=0&website_id=88&id=362) .
6. Agricultural, agri-food & seafood products include the following HS codes: 01, 02, 03, 04, 05, 06, 07, 08, 09, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 3301, 3501, 3502, 4001, 4101, 4102, 4103, 4301, 5101, 5102, 5103, 5201, 5301, 5302.
7. CIA World Factbook. [www.odci.gov/cia/publications/factbook/geos/ch.html](http://www.odci.gov/cia/publications/factbook/geos/ch.html) .
8. [http://www.unescap.org/ttdw/Publications/TPTS\\_pubs/pub\\_2307/pub\\_2307\\_ch11.pdf](http://www.unescap.org/ttdw/Publications/TPTS_pubs/pub_2307/pub_2307_ch11.pdf) .
9. <http://www.hongkong.org/digest/sept04digest.pdf> .
10. From "Transportation and Distribution: Will Bottlenecks be Eliminated?". Brad Gilmour and Fred Gale.
11. <http://www.cia.gov/cia/publications/factbook/geos/ch.html> .
12. <http://www.cia.gov/cia/publications/factbook/geos/ch.html> .
13. <http://www.cia.gov/cia/publications/factbook/geos/hk.html> .
14. <http://www.cia.gov/cia/publications/factbook/geos/mc.html> .
15. The Gini ratio is a measure of the inequality of income distribution. A value of zero indicates that all incomes are equal, a value of 100 indicates total inequality.
16. [http://www.who.int/mediacentre/factsheets/avian\\_influenza/en/](http://www.who.int/mediacentre/factsheets/avian_influenza/en/) .
17. All changes in imports refer to percent changes of an exponential trend line fitted to the data.
18. For details of the obligations under the various Incoterms see "Incoterms 2000" by the International Chamber of Commerce. ICC Publishing, Inc., 156 Fifth Avenue, Suite 417,

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