The Chinese government's stated intention in promulgating the 1995 Interim Regulations Guiding Foreign Investment was to better channel foreign investment into infrastructure-building and basic industries, especially those involving advanced technologies and high value-added, export-oriented products. Priority sectors include transportation, communications, energy, metallurgy, construction materials, machinery, chemicals, pharmaceuticals, medical equipment, environmental protection and electronics. The Chinese government still prohibits foreign investment in projects whose objectives are not in line with the State Plan. Engaging in foreign trade requires the official permission of the state. There are many areas in which foreign investment is technically allowed, although it is severely restricted. While China's investment laws and regulations do not require technology transfer, they strongly encourage it. Although China has passed an insurance law and is taking steps to reform and develop its domestic industry, it still blocks nearly all foreign companies from the market. Foreign firms are prohibited from owning and managing distribution networks, wholesaling outlets or warehouses.

Hong Kong

Overview

The Hong Kong Special Administrative Region (HKSAR) will maintain considerable autonomy in economic, trade, cultural and political affairs until the year 2047. The region has its own financial system and formulates its own monetary and financial policies. The Hong Kong dollar continues to circulate as legal tender. Hong Kong remains a free port and separate customs territory. It can conduct relations with states and international organizations on the economy, money and finance, shipping, communications, tourism, culture and sports. Under the name "Hong Kong, China", this distinct economy is a member of APEC and the WTO.

Hong Kong remains an aggressively free-market economy, with virtually no barriers to entry or doing business. With the exception of excise taxes on autos, fuel, liquor and cigarettes, there are no duties, taxes or quotas on imported goods.

Canadian firms continue to enjoy excellent access to the Hong Kong market, and there are no outstanding bilateral market access issues. The Hong Kong government continues to develop its own economic, fiscal and budgetary policies based on its own interests and its dependence on trade. The policy of minimal government interference in the economy continues to apply equally with respect to trade in goods and services and to investments. In addition, Hong Kong remains a key entry point to the China market, with re-exports of Canadian goods to China totalling $644 million in 1998.

Investment

FDI in Canada from Hong Kong continues to show a consistent increase, rising from $2.7 billion in 1994 to $3.4 billion in 1998. In general, Canadian investors face few difficulties in the Hong Kong market. Canadian investment in Hong Kong has grown from $2.1 billion in 1994 to $2.9 billion in 1998.

Republic of Korea

Overview

In 1999, Canada's goods exports to the Republic of Korea totalled $1.93 billion, and imports were $3.57 billion. Korea is Canada's third-largest market for merchandise exports in the Asia Pacific region (after Japan and China), and the fifth-largest worldwide.

The Republic of Korea's economic policies are designed to promote its domestic industry and exports, while discouraging imports of some value-added goods. Generally, tariffs, import licences and import procedures all favour the importation of raw materials and industrial equipment rather than finished goods. For instance, the Korean practice of frequently revising applied tariff rates at six-month intervals plays havoc with exporters trying to establish long-term business relationships with Korean importers. While there has been some liberalization of import procedures, significant obstacles and rigidities remain.