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However, the investments managed out of the Hong Kong offices are projects that are based in the Asian region; the venture capitalists in Hong Kong are unlikely to invest in specific hi-tech companies which do not have an interest in the Asian market.

There are presently 500,000 Canadians of Hong Kong origin living in Canada, mainly in metropolitan Toronto and Vancouver. Over 100,000 Canadian citizens, meanwhile, are residents in Hong Kong - a significant foreign presence in the territory. There are about 15,000 Hong Kong students in Canada. These people connections often make it easier to gain access to potential investor groups. Competition from investment promotion groups from other countries such as Australia, the United States and the United Kingdom is keen.

According to Statistics Canada, Hong Kong direct investment in Canada has reached C\$5.7 billion, much of which has been associated with immigration. The actual figure is undoubtedly much more than this because of investments channelled through family members who are now Canadian citizens. Investments from the territory range from electronics, textiles (e.g., garment labels and denim plant in New Brunswick), telecommunications, plastics, oil and gas (Husky, Numac) and real estate. Canadian direct investment in Hong Kong was C\$2.5 billion. Interest in these sectors will continue, and given the China connection - food processing and life sciences will also have potential.

The Asian economies are expected to spend US\$1.5 trillion in infrastructure from 1994-2004. Many of these projects will be financed through Hong Kong.

Sectoral Initiatives

- **Information technologies, telecommunications, food processing, healthcare:** strategic alliances will enable Hong Kong/Canadian partnerships to access technology to tap the Hong Kong/China market;
- **Textiles:** This industry faces high cost and quota restrictions in target markets, resulting in recent trends to establish production in Canada, the USA and Mexico. By setting up inside NAFTA to circumvent

these quotas, companies have also benefited from lower costs, including lower freight, and from being closer to customers and being able to offer quick response times to fashion trends and demand;

- **Tourism facilities** - of interest to many major Hong Kong investors, who are familiar with real estate investments;
- **Forestry** - Value-added wood products, pulp and paper; to gain access to supply in Canada;
- **North American regional offices** for data processing centres, product developing centres, R & D Centres - to reduce operational costs, which are high in Hong Kong.

Challenges

The main challenges are to overcome a number of arguments often heard on why not to invest in Canada, namely:

- It's difficult to build a profitable business in Canada, margins are considered low.
- The tax system in Canada is complicated and a burden to business.
- Cost of doing business is high, compared to the United States.
- There are few investment opportunities in Canada - the lack of well-known brand name consumer goods makes it harder for investors to identify with successful companies.
- Venture capitalists stationed in Hong Kong manage invested companies that are based in Asia and it is not their mandate to invest beyond Asia.
- Canadian companies visit Hong Kong from time to time but often lack a long term commitment.

Implementation

The already vigorous investment promotion program should continue with the following main elements:

- **A team approach** which involves senior Post management and sector commercial