Boilers and Pressure Vessels

China requires that manufacturing facilities of boilers and pressure vessels are inspected by officials from the Ministry of Labour, before the product can be imported. This process requires that companies cover the costs of inspection, including travel for the Chinese inspectors, which can be very costly, particularly to SMEs. Canada continues to promote the adoption by China of the ASME (American Society of Mechanical Engineers) standard for boilers, so that the cost to Canadian manufacturers is reduced.

Services

In the last few years, Canadian service-providers have gained increased access to the Chinese market. However, China continues to limit the operations of foreign-service companies through restrictions on where firms can operate and how many foreign firms can operate in certain sectors, and through regulations, including licensing requirements that discriminate against foreign-service firms. Canada is working as part of the accession process to moderate or remove these restrictions. Canada is particularly interested in increasing Canadian access to the financial, telecommunications and professional-services sectors, all of which are sectors of Canadian expertise and offer great potential in China.

INVESTMENT

Canada considers China to be a top priority for the negotiation of a Foreign Investment Promotion and Protection Agreement (FIPA). According to Statistics Canada, the stock of Canada's direct foreign investment in China was $368 million in 1996 and potential direct investment is likely much higher given China's market size. Some reforms are underway in China as part of its WTO accession process; however, the economy remains highly centralized and under state control. In sectors open to foreign investment, it is essential that the principle of non-discriminatory treatment, particularly national treatment, apply.

HONG KONG

Overview

On July 1, 1997, Hong Kong reverted to China after 150 years of British rule. It is now officially known as the Hong Kong Special Administrative Region of the People's Republic of China. Details of the sovereignty transfer were determined by the Sino-British Joint Declaration of 1984, and by the Basic Law, the constitution for the HKSAR that was promulgated by the Chinese National People's Congress in April 1990. The Basic Law grants considerable autonomy in economic, trade, cultural and political affairs for 50 years after 1997. The HKSAR 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," it is a member of APEC and the WTO.

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.

Hong Kong Telecom announced on January 21, 1998, that it had agreed with the Hong Kong government to allow free competition in international telephone (IDD) services in exchange for a cash payment of US$865.6 million (HK$6.7 billion). IDD was the last area in which Hong Kong Telecom maintained a monopoly service. The agreement, which will come into effect on January 1, 1999, effectively makes Hong Kong the most liberal telecommunications environment in Asia.