

CANADA-HONG KONG INVESTMENT RELATIONS

-Hong Kong is an important source of investment for Canada, with a significant potential for increase. In 1989, the total flow of investment from Hong Kong to foreign countries was estimated at \$12 billion. The Canadian share is estimated to represent 20 percent or \$2.4 billion. The value of the estimated outflow of capital from Hong Kong in 1990 is \$20 billion. Of this amount, one-half is considered portfolio investment. Investment figures by province are not available.

-Hong Kong investment in Canada is concentrated in certain sectors: Electronics - high-tech capabilities in Canada coupled with vast consumer electronics manufacturing in Hong Kong; Textiles-Hong Kong's largest industry, with proven success in Canada; Telecommunications (telephone, broadcasting networks) - good technology available in Canada with manufacturing ability in Hong Kong; Plastics (toys, games, household goods) - Hong Kong dominates in a wide variety of consumer products; Tourism - hotels (especially downtown major urban properties) have the highest priority in the tourism sector and Hong Kong is a specialist in this market.

-Some of the largest investments that Hong Kong has made in Canada are: the Hong Kong and Shanghai Banking Corporation purchase of the Bank of B.C. and recently the Lloyds Bank of Canada, Li Ka Shing's acquisition of a significant share percentage in Husky Oil and the purchase of the Expo 86 site. Further, Hong Kong commercial investments have concentrated on hotels and commercial properties especially in Vancouver and Toronto.

-Compared to major competitive destinations such as U.S.A, Australia, Thailand, Malaysia, and China, Canada is perceived in Hong Kong as having the following advantages: low-cost energy, the Canada - US Free Trade Agreement; immigration and longstanding connections with Hong Kong; available land; and political and social stability. On the other hand, the constraints perceived by potential Hong Kong investors are: a complicated tax regime (fear of high taxes); relatively high cost of labour; scarcity of certain skills; fear of labour unions; and questions regarding the Canadian work ethic.