



I. The China and Hong Kong Trade Action Plan

Since economic modernization became the hallmark of Chinese government policy in 1978, China's economy has more than quadrupled. Annual growth has averaged a remarkable 9 percent, and is projected to continue at a similarly impressive rate into the next century. Even during the Asian financial crisis, while some of China's neighbours experienced negative growth, China posted 8.8 percent and 7.8 percent growth in 1997 and 1998 respectively. China has the seventh-largest economy in the world in terms of GDP (gross domestic product), and with more than 1.3 billion people, it also has the world's largest consumer market. China and Hong Kong, now united under the "one country, two systems" policy, have emerged as the economic engine of the Asia-Pacific region, with corresponding political influence.

Canada's policy approach takes full account of the reality of China's rapidly growing importance in world affairs. Canada's overarching objective is to encourage China to maintain its open-door policy, and to become fully integrated in global and regional political and economic institutions. Designed to support long-term relations, the Canadian policy is one of multiple linkages and interaction built on the following elements: economic partnership; peace and security; sustainable development; and human rights, good governance and the rule of law. This policy is being implemented through a shared agenda with the Canadian International Development Agency (CIDA), in close co-operation with other departments and effective interaction with the Canadian business community and other interested stakeholders.

Bilateral trade has grown rapidly over the last quarter century. From a mere \$161 million* in 1970 when diplomatic relations were established, two-way trade grew to \$10.1 billion in 1998. China and Hong Kong combined now represent Canada's third-largest trading partner, after the United States and Japan, with bilateral trade reaching \$12.8 billion in 1998.

China and Hong Kong hold significant market potential for Canadian firms, but the challenges are also great. China's commitment to pursue further economic reform should help to sustain high growth, and should continue to generate promising opportunities for exporters in sectors where Canadian firms have a comparative advantage. Uncertainties about the pace and direction of economic reform, however, continue to complicate efforts to plan market development strategies.

A Strategic Approach to Developing China and Hong Kong Trade

This third edition of the *China and Hong Kong Trade Action Plan* represents another step forward in the Team Canada approach to developing an economic partnership with China and Hong Kong. It is a direct response to a consensus among business and government that the China and Hong Kong markets require a more strategic deployment of our limited trade development resources. It identifies nine key priority sectors that offer the most promising opportunities for Canadian exporters, and focusses enhanced levels of service in these sectors.

* All dollar figures are in Canadian dollars unless otherwise noted.