- To encourage value added manufacturing investment in Canada, based on natural resources.

- To encourage Canadian companies to contract some **research**, development and commercialization of Canadian **technology** to Hong Kong research institutions, and thereby establish an immediate window on the Hong Kong/China market.

- To identify opportunities in the **textiles and garment** industry, which are facing difficulties due to cost structure and government restrictions such as quotas and licenses.

- To promote partnership of Canadian companies with Hong Kong based companies to undertake **business, infrastructure projects in 3rd countries,** particularly in China and Southeast Asia.

Background

Hong Kong became a Special Administrative Region of China on July 1 1997. As a result:

- China will increasingly use Hong Kong as a bridge to the outside world - giving Hong Kong a unique role in bringing technology to China and in assisting mainland companies to expand into North America.

- Companies and individuals from Hong Kong and China are interested in diversifying investment abroad to politically safe and economically vibrant countries.

- Hong Kong is one of the most expensive cities for business, and Canada can be promoted as a less expensive site for high value added operations to help companies reduce costs.

Economically, Hong Kong is already very much integrated with China : Hong Kong manufacturing companies employ four million workers in China, and Hong Kong's financial services sector continues to facilitate China's overseas fund-raising activities via Hong Kong's equity and debt markets. There are 1,750 mainland window companies in Hong Kong. Average **real GDP growth** rate has been 6.5%, and is projected to be 5% in real terms between now and 1999.
Trade between Hong Kong and China, which has grown at 30% per annum since 1978, accounted for 35% of Hong Kong's total trade (US$127 billion) in 1995. China's second largest trading partner is Hong Kong (after Japan) accounting for 16% of China's total trade. Hong Kong is responsible for about 60% of total **investments** in China. These investments employ over 4 million workers, more than 10 times Hong Kong's own manufacturing workforce.

Despite the relocation of much of Hong Kong's manufacturing operations to South China where land and labour are cheap, high value-added manufacturing and service functions such as R & D, product design, material and component sourcing and marketing are maintained in Hong Kong - as a result, China has a **convenient window to western manufacturing and services technology.**
The Hong Kong government is keen to retain a high value-added manufacturing sector in Hong Kong, and strongly supports technology upgrade through the Hong Kong Productivity Council, Hong Kong Industrial Technology Centre Corporation, and other organizations.

a unique role in bringing technology to China and in assisting mainland companies to expand into North America

Hong Kong has a large representation of international banks: 85% of the world's 100 largest banks have a presence. It is the 5th largest foreign exchange centre with daily turnover of US$90 billion. Hong Kong is also widely recognised as the leading fund management centre in Asia with the largest concentration of fund managers. Total assets under management were US$94.2 billion at the end of 1995, of which 71% was sourced from overseas clients. **Investment related to financial services technology would be of interest.**

Hong Kong is also **important to China as its major fund raising centre.** At the end of 1996, 23 Chinese state-owned enterprises were listed in Hong Kong, commonly known as H-shares, raising a total of more than US$3.5 billion.

Hong Kong is also widely recognised as the leading **fund management** centre in Asia with the largest concentration of fund managers; total assets under management was US$94.2 billion at the end of 1995, of which 71% were sourced from overseas clients. Hong Kong is the second largest **venture capital centre** in Asia after Japan, managing 13.7% of the total capital pool in the region. For the period 1990 to 1995, total capital under management by Hong Kong venture capital firms has risen by 170% from US$1.7 billion to US$4.6 billion.