

of activity are operating in Hong Kong. As much as C\$2.6 billion, or 30 percent of the total amount of Hong Kong dollars issued in the territory, is circulated in China.

A common language and culture coupled with wide first-hand experience also enables business people from Hong Kong to act as an important link in helping Canadian companies establish themselves in China. Hong Kong's financial and legal services professionals also provide an important bridge for Canadians wishing to gain access to the Chinese market.

Hong Kong accounted for 69 percent (about C\$128.7 billion) of the C\$186.7 billion foreign direct investment (FDI) contracted in China, and 61 percent (C\$36 billion) of the utilized capital of C\$59 billion, in the period from 1979 to September 1994. By 1997, enterprises from China had invested an estimated US\$60 billion in Hong Kong.

Hong Kong has been the largest source of direct foreign investment in China since the country opened its doors in the late 1970s. The southern region, notably Guangdong and Fujian, have attracted the largest amounts of Hong Kong investment. The rapid expansion of China and Hong Kong's vital position as an international business, financial and communications centre and gateway is providing Canadian business with a wealth of opportunities in Hong Kong and the region.

Technology, products and expertise developed by Canadian companies are finding customers in Hong Kong, China and the region.

Areas of opportunity in Hong Kong include:

- food and beverage products;
- construction materials and related services;

- computer products and services, electrical and electronic products;
- telecommunication equipment and services;
- medical and dental equipment;
- transportation equipment;
- energy and power project equipment and services;
- furniture and furnishings; and
- consumer products.

Canada has always been strong in mineral exports to Hong Kong, particularly in aluminium, potash, gold and zinc. Pulp and paper, and petrochemicals are other important exports. Traditional sales have also included soya beans, tobacco, Canola oil and seafood. Canadian exports have shown marked diversification over the years, and Canada is now well-positioned in a number of manufactured goods sectors.

Canada is now a major supplier of telecommunications equipment to Hong Kong, including switching, PBXs, data communications, and systems engineering. Canada has won, or is a major tender in, many large telecommunications projects and is actively pursuing business in the area of cable television, satellite communications, and cellular voice and data products. Canadians have also registered impressive gains in electronic components, computer peripherals and interconnect devices, especially in computer software, where sales are estimated to be up more than 1000 percent in the last few years. Navigational and scientific instrumentation are other successful areas.

Major food promotions staged in Hong Kong have resulted in an impressive 70 percent increase in sales in this sector, and involve almost every type of product from beef and pork to seafood

and frozen vegetables. Brand-name spices, wine, confectionery products, dried pasta and medicinal herbs are a few others.

Canadian firms have shown considerable success recently in the supply of building materials as well, including plywood and wallboard, heating and ventilation equipment, carpets and hardwood flooring, wall coverings, and plumbing supplies. Canadian-made office furniture has been well-received in Hong Kong.

Fur and leather is another newly developed area. Sales of Canadian mink fur skins have been particularly strong, reflecting a high degree of complementarity between Canadian materials production and Hong Kong manufacturing expertise, which is typical of so many sectors.

China is a significant and rapidly expanding market for a wide variety of Canadian goods and services. Many companies are finding Hong Kong to be an ideal springboard to the enormous China market. Hong Kong business people often provide the experience, expertise and business connections needed for success in China. Hong Kong itself is an excellent testing ground for goods and products prior to their introduction into China.

Hong Kong is well-integrated with the economies of southern China, Taiwan and Macau. Expanding cross-border trade and investment has created a de facto economic region often referred to as "Greater China." The Joint Declaration signed by China and Britain provides that for 50 years after 1997, Hong Kong will maintain its current business environment and a high degree of autonomy.

The Hong Kong economy is in transition. By the early 1990s, Hong Kong had the world's most advanced structure of employment, with three quarters of the work force employed in services —

the highest share in the world. Hong Kong is also becoming more international. Foreign business people from around the world are relocating to the territory along with the companies that employ them.

Much of the service employment has been in the retail, food and service trades, which has contributed to one quarter of Hong Kong's economic growth. The balance in services is now shifting: financial and business services, which employ 11 percent of the work force, are expected to account for as much as 30 percent in the year 2000. By then, more people in Hong Kong may be working in financial and business services than in manufacturing.

Hong Kong is likely to continue to offer commercial opportunities for the foreseeable future because of available skills and experience in manufacturing, international commerce and banking, and its access to regional products for processing, as well as its convenient location as a base for conducting business in or with China. The territory's well-developed infrastructure and efficient government are other factors that should ensure its continued competitiveness as a business and economic centre.

Hong Kong is an important source of investment for Canada. There is a growing recognition that industrial investment is extremely difficult to generate from first-time, immigration-driven investors. Canada's investment development program continues to focus on corporate liaison and sectoral seminars. Increasing emphasis will be given to strategic alliances involving Hong Kong businesses in South China.