

The largest amount of overseas investment has been in the energy sector. The real estate sector accounts for the next largest amount of foreign investment.

The single largest source of foreign investment is Hong Kong, from where over U.S. \$21 billion of investment has flowed into the PRC, primarily to the Special Economic Zones (SEZs) in the Pearl River Delta. The United States and Japan are distant second and third sources, representing roughly U.S. \$3 to \$4 billion investment each. An interesting development is the remarkable surge of investment from Taiwan since 1988. Conservative estimates place this figure at U.S. \$2 billion, although this represents only a fraction of actual interest by Taiwan in the PRC. It is believed that Taiwan firms will, in the future, dominate plastic and petrochemical development in the PRC, while Hong Kong will continue to be a major force in textiles, electronics and light industry.

Foreign investment is viewed by the Chinese government as a low-cost method of building up the national economy by gaining technology, management expertise and foreign exchange through exports. Consequently it is strongly encouraged. Foreign investment enterprises that introduce new technology or export the majority of its production are favoured by special tax treatment or other preferences.

Canadian Investment in China

According to Chinese statistics, between 1979 and 1992, Canada signed with China 581 investment contracts worth a total of U.S. \$831 million. Canadian firms active in China include Northern Telecom, Harris Farinon, Semi-Tech Microelectronics, Alcan Aluminum, Seagram, and Babcock and Wilcox Canada.

China offers both export and investment opportunities for Canadian firms. For some, outward investment is a key to longer term strategic positioning in China, by allowing a company to gain local market knowledge and reducing the overall foreign exchange