

## 2. THE CHINA AND HONG KONG TRADE ACTION PLAN

### *The China Challenge: A Complex but Promising Market*

China's economy has quadrupled in size since economic modernization became the hallmark of Chinese government policy in 1978. Annual growth has averaged a remarkable 9 per cent and is projected to continue at a similarly impressive rate into the next century. Already the seventh-largest economy in the world in GDP terms, even before resuming full sovereignty over Hong Kong, China is emerging as the economic motor of the Asia Pacific region with concomitant political significance.

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. Canada aims to secure its long-term relations with China on four equally important and mutually reinforcing pillars: 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, close co-operation with other departments and effective interaction with the business community and other stakeholders.

Bilateral trade has grown rapidly over the last quarter-century. From only \$161 million when diplomatic relations were established in 1970, two-way trade has soared to a record level of \$8.1 billion in 1995. Canadian exporters increased their sales in 1995 by more than 50 per cent to an unprecedented \$3.4 billion to China and \$1.7 billion to Hong Kong. China and Hong Kong combined now represent Canada's third-largest trading partner after the United States and Japan.

China and Hong Kong hold significant market potential for Canadian firms, but the challenge also is great. China's commitment to pursue further economic reform should sustain high growth and continue to generate promising opportunities for exporters in sectors of Canadian comparative advantage, even as uncertainties about the pace and direction of reform complicate efforts to plan market development strategies.

### *The Canadian Response: A China and Hong Kong Trade Action Plan*

This first China and Hong Kong Trade Action Plan represents the latest step forward in the Team Canada approach to developing an economic partnership with China. In response to a consensus among business and government that the China and Hong Kong market requires a more strategic deployment of limited trade development resources, the Plan identifies 14 key sectors that offer the most promising opportunities for Canadian exporters and focusses enhanced levels of service in these sectors. Exporters targeting niche opportunities in other