

III. BUSINESS OPPORTUNITIES IN CHINA

A Canadian business can approach the Chinese market in many ways. For simplification, these have been broken down into the following categories: investments, such as processing and assembly agreements, compensation trade, wholly foreign-owned enterprises, joint ventures, and technology transfers; and direct export to China. Export opportunities are listed in more detail along with investment opportunities by sector.

Processing and Assembly Agreements

In this form of investment, the Chinese party normally provides the factory, power and other utilities and labour, while the foreign party supplies the raw materials. The foreign party pays a processing or assembling fee to the Chinese party and has ownership of the finished products.

Compensation Trade

In this form of investment, the foreign party provides services, equipment, training and/or technical know-how to the Chinese party and, in exchange, receives compensation in the form of finished products produced by the Chinese party.

Wholly Foreign-Owned Enterprises

Foreign investors are permitted to establish wholly owned enterprises in China and are governed by "The Law of the People's Republic of China on Wholly Owned Enterprises" of 1986. These enterprises are required to utilize advanced technology and equipment or to export 50 percent or more of their finished products annually.

In this form of investment, there is no Chinese partner, which is at once the major advantage and major disadvantage. On the one hand, the foreign investor will