

communities close to these three major centres are coming into their own, and have implemented infrastructure and commercial construction plans to enable them to keep up. Canadian firms have the opportunity to capitalize on the positive reputation that Canadian architectural services companies have already gained in China.

There are also emerging opportunities for Canadian architectural firms specializing in low-rise wooden frame building design services. Mixed-use retail, commercial-residential and non-residential projects located in fairly densely developed urban and suburban zones show the most potential for wooden frame building designs.

Constraints

Canadian exporters face various constraints:

- ◆ The Chinese construction sector is not one market but several markets, with many different characteristics.
- ◆ The marketplace is complex and not transparent. Market data is often unreliable or nonexistent. Accessing powerful and useful prospects requires deep business/social channels that take time and the right people to develop.
- ◆ Tariffs on building products are still high, and preference is given to joint ventures for manufacturing within China.
- ◆ The lack of financing is a constant constraint.
- ◆ Laws governing the industry are unclear, and the regulatory environment is rapidly changing. The complexity of the building code is a further challenge.
- ◆ There is strong competition from foreign countries and from domestic manufacturers. Nevertheless, a local presence is important, and price is always a major consideration.

Action Plan

The objectives of the action plan for this sector are as follows:

- ◆ to increase Chinese awareness and knowledge of Canadian products and technologies through missions, trade shows and technical seminars;
- ◆ to provide detailed information and advice on

opportunities for products and services, the state of the market development and regulatory environment, as well as the availability of export financing;

- ◆ to develop projects such as the "Energy Efficiency in Buildings Project" initiated by the Canadian International Development Agency (CIDA), and initiatives led by the Canada Mortgage and Housing Corporation (CMHC) to introduce Canadian products and services in China;
- ◆ to introduce projects leading to the export of building products and services, in the course of preparing an action plan for the Memorandum of Understanding (MOU) signed by the Chinese Ministry of Construction, Public Works and Government Services Canada (PWGSC) and CMHC;
- ◆ to advise and co-operate with various Chinese government and private organizations in achieving quality standards in building products specifications, developing better building codes that can potentially cover more Canadian products, and making use of effective project implementation and management policies; and
- ◆ to assist Canadian companies in finding local representatives, agents, and joint venture and other business partners in China.

Hong Kong

Business Environment

Hong Kong's economy is heavily dependent on the construction and property sector. In 1998, residential building construction amounted to \$9.4 billion and commercial building to \$3.6 billion. During the first two quarters of 1998, property prices have fallen by some 50 to 60 percent, compelling developers to reduce project costs by using less-expensive finishing materials. Due to genuine housing demand, residential building projects will continue to dominate the market. To meet this demand, the Hong Kong government has placed priority on housing projects, while postponing commercial building and hotel projects.

The trend toward using imported building materials will continue. The building materials distribution network in Hong Kong is well-established,

though complex. Construction projects and building materials used in Hong Kong are viewed as a model for Mainland China to follow.

Market Opportunities

Hong Kong's population is forecast to grow from the current 6.7 million to 8.2 million by 2016. Over \$45 billion will be spent on major rail, road, land, port and housing projects. Expenditures on public housing construction are expected to reach \$9.4 billion in 1998-99 fiscal year. Although the government no longer adheres to the annual production of 85 000 flats announced in 1997, it still aims to provide about 50 000 public housing units per year and 35 000 private housing units through private developers.

Other special-purpose projects initiated by the Hong Kong government include:

- ◆ a \$2.5-billion "Cyberport," an integrated infrastructure project and high-tech multimedia hub to house about 30 large to medium-sized companies and 100 smaller companies, which will specialize in the development of services and multimedia content to support businesses and industries such as financial services, trading, advertising, entertainment and communications;
- ◆ a letter of intent signed by the Hong Kong government with the Walt Disney Company to build a Disney theme park; and
- ◆ a 22-hectare science park to facilitate the development of new technologies and new industries in Hong Kong.

Materials, systems, concepts and designs that enhance energy management and that complement the concept of "intelligent buildings" will be the focus in the coming years. The following subsectors represent new opportunities for Canadian companies:

- ◆ external and internal wall cladding and glazing systems;
- ◆ lighting systems;
- ◆ air conditioning and indoor temperature monitoring systems;
- ◆ fire and security systems;

- ◆ ceiling and raised floor systems; and
- ◆ other building automation and control systems.

Constraints

- ◆ The construction industry is characterized by the common practice of multilevel subcontracting. A reliable agent or distributor who can lobby developers, architects and contractors, before, during and after tenders is key to success.
- ◆ The Hong Kong market, although small, has particular tastes and requirements. For example, Canadian-style assembled kitchen cabinets will not fit in the small kitchens of Hong Kong. Flexibility to customize according to specified sizes may be required.
- ◆ The Hong Kong market is price-sensitive. Canadian building products are recognized as being of superior quality but relatively more expensive. Foreign companies are increasingly using manufacturing facilities across the border in south China.
- ◆ Given short lead times, frequent changes of specifications mid-way through projects, and the great distance, Canadian companies may find it difficult to deliver on time.

Action Plan

The objectives of the action plan are to promote the capabilities of the Canadian construction industry, and to increase Canadian companies' awareness of business opportunities available in Hong Kong. The Consulate General in Hong Kong will provide Canadian exporters with information on at least five major construction projects, and will introduce at least 10 serious Hong Kong buyers to Canadian exporters. It will also introduce at least five new Canadian products or exporters to Hong Kong.

To achieve these objectives, the Consulate General in Hong Kong will undertake the following actions:

- ◆ identify a list of major projects among the numerous projects in the pipeline for a more targeted approach;

