

Construction to address amendments to specific codes that will cover wood-frame construction.

The ability to have input into the development of the Chinese building code provides Canada with a unique opportunity to influence the future design of Chinese housing which, if accepted, would allow for the inclusion of Canadian wood products. The building code work is the first critical step in the longer-term strategy of introducing the use of the Canadian wood-frame construction system into China.

To facilitate the development of the platform frame construction system in China, on October 30, 2001, the Government of Canada committed up to \$5.3 million over four years to increase exports of Canadian wood products to China. The initiative, which is expected to be financially matched by provincial governments and the Canadian wood products industry, will incorporate a number of elements (builder training, housing certification, promotion, etc.) to capitalize on the anticipated outcome of the revisions to the Chinese building codes.

Investment

For the past six years, China has been the second-largest recipient of FDI in the world. Canadian direct investment in China has shown a consistent increase in recent years, rising from \$257 million in 1994 to \$734 million in 2000 (while Canada received \$215 million in direct Chinese investment during 2000). The average size of new investments is steadily increasing, and the profile of the average investment is shifting from small family enterprises to more sophisticated operations of multinational companies. Canada continues to consider China a top priority for the negotiation of a Foreign Investment Protection and Promotion Agreement, and discussions are ongoing.

Hong Kong

Overview

The Hong Kong Special Administrative Region (HKSAR) maintains considerable autonomy in economic, trade, cultural and political affairs and will continue to do so until the year 2047. Hong Kong has its own financial system and formulates its own monetary and financial policies. The Hong Kong

dollar, pegged to the U.S. dollar, continues to circulate as legal tender. Hong Kong remains a free port and a separate customs territory. It conducts relations with states and international organizations on the economy, money and finance, shipping, communications, tourism, culture and sports. Under the name "Hong Kong, China," this distinct economy is a member of APEC and the WTO.

Hong Kong remains an aggressively free-market economy, with virtually no barriers to entry or to doing business. With the exception of excise taxes on autos, fuel, liquor and cigarettes, there are no duties, taxes or quotas on imported goods.

Canadian firms continue to enjoy excellent access to the Hong Kong market, and there are no outstanding bilateral market access issues. Canada exported \$1.2 billion to Hong Kong in 2001 and also imported goods worth \$1.2 billion. Trade in services is extensive. The Hong Kong government continues to develop its own economic, fiscal and budgetary policies based on its own interests and its dependence on trade. The policy of minimal government interference in the economy continues to apply equally with respect to trade in goods and services and to investment. In addition to being an attractive market in its own right, Hong Kong remains China's largest port, and the *entrepôt* for most of China's value-added imports and exports, particularly goods exported by SMEs.

Investment

FDI in Canada from Hong Kong continues to show a consistent increase, rising from \$2.8 billion in 1995 to \$4.5 billion in 2000. In general, Canadian investors face few difficulties in the Hong Kong market. Canadian investment in Hong Kong has grown from \$2.4 billion in 1995 to \$3.8 billion in 2000.

Republic of Korea

Overview

In 2001, Canada's goods exports to the Republic of Korea totalled \$2 billion, and imports were \$4.6 billion. Korea is Canada's third-largest market for goods exports in the Asia Pacific region (after Japan and China), and the 8th-largest worldwide. While exceptions