It should also be noted that some Canadian exports from certain sectors, including defence, aerospace, power, transportation, chemical, bio-medical and electronics, may require Canadian export permits from the Export Controls Division of DFAIT.

A number of companies have invested in joint ventures or wholly owned subsidiaries in China to position themselves for long-term business activity. Canadian direct investment in China reached $339 million in 1995. However, any investment requires lengthy and detailed negotiation, and usually includes substantial requirements for technology transfer.

Investment projects require multiple levels of approval that vary according to size, industrial sector and location. Canadian firms with investment interests should study all aspects of a prospective investment carefully, and commit resources with caution and a clear understanding of the details of Chinese investment policy and law.

Concerns about inflation and the debt level of state-owned companies have led China's State Planning Commission to restrict certain investments, and to indicate that priority would be given to projects that seek to renovate existing industries, rather than building new projects from the ground up. Projects in the less-developed central and western provinces will be preferred over those in the more advanced coastal regions. China is also starting to experiment with BOT (build-operate-transfer) projects, and central government guidelines on this form of investment are anticipated.

As China continues negotiations to accede to the World Trade Organization (WTO) and to integrate its economy into the multilateral trading system, Canada offers its strong support on terms that benefit both Canada and China. China's commitment to a rules-based trading regime and a transparent trade and investment environment would directly benefit Canadian companies.

On a parallel track, China and Canada are both active participants in the trade liberalization process that is under way in the Asia Pacific Economic Co-operation forum (APEC). China has begun to identify those measures that it will implement over the next 25 years to achieve APEC's target of trade liberalization for developing economies by the year 2020 (by the year 2010 for developed economies). For example, China announced tariff reductions in April 1996 that brought the average tariff level down to 23 per cent.

Hong Kong's business environment remains excellent. The territory is totally dependent on trade in goods and services, and has carved a role for itself as the banking, financial, transportation and regional sales centre of East Asia. Hong Kong will retain its own sophisticated economic and financial regime and British common law system for 50 years under the "one country, two systems" principle, which guides the return of the territory to full Chinese sovereignty on July 1, 1997. Hong Kong should continue to provide a significant source of investment capital for Canada and a fertile market for Canadian technology, goods and services.