budgeted over US$600 million per year for the acquisition of foreign technology, goods and expertise to develop the railway system. Opportunities for Canadians span virtually every aspect of railway construction and operation. China has plans to upgrade 60 airports and build 90 new airports over the next 10 years, as well as to acquire over 800 new aircraft, most of which will be imported. Opportunities exist for Canadians in aircraft and major-parts procurement, airport construction, and training and management. Shipbuilding and shipping continue to offer potential for Canadian exporters. Total spending on highways will total over $52 billion in the next five years. There is considerable potential here for small projects and BOT projects. While large Canadian companies are already active in China in many of these areas, certain niche areas remain, such as subcontracting to consortia or strategic alliances.

In Hong Kong, areas of promise include the new airport and expanded port on Lantau Island, which require bridges, roads and tunnels, traffic-control systems, highway interchanges and toll plazas. There are opportunities in support services for mass transit and railway development, such as the installation of air-conditioning and ventilation systems, fire-detection systems, security and traffic-management systems.

Environment

More attention is now being placed on the substantial environmental problems in China resulting from intense agricultural and industrial development. To address these problems, the Chinese government has identified areas for foreign participation under the Ninth Five-year Plan (1996-2000), which are: flue-gas desulphurization, BOT sewage-treatment plants, advanced pulp and paper technology, energy efficiency, organic treatments for wastes in confectionery, and the printing and dyeing industries. Environmental projects are financed primarily by the Chinese government ($5 billion by 2000) and foreign sources, especially the World Bank and the Asian Development Bank (ADB), to the tune of about $5 billion for the next five years. The best opportunities for Canadian environmental goods and services are to be found in foreign-funded projects, which insist on environmental standards higher than those required by local regulations.

In Hong Kong, opportunities exist in the areas of feasibility studies, urban planning for potentially hazardous installations, waste management, marine water-cleaning systems, industrial waste-control equipment, water-treatment plants and solid waste-disposal equipment.

Oil and Gas

Sino-Canadian petroleum-industry trade and investment have expanded solidly in recent years. Alberta has been recognized for its aggressive trade-promotion program since 1979. China became a net oil importer in 1993, and demand continues to race ahead of supply. China has therefore redoubled its exploration efforts and expanded opportunities for foreign involvement in onshore and offshore exploration and production, as well as investment in enhanced oil-recovery in existing oil fields. New discoveries, particularly in the still largely unexplored Tarim Basin, will lead to investment in production facilities and pipeline-extension projects. The Chinese petroleum industry is especially interested in the following areas of Canadian strength: heavy oil/oil sands development, enhanced oil-recovery, natural-gas processing, sulphur recovery, horizontal drilling, thermal recovery, pipeline construction and operation, deep drilling, computer systems and software, pumps, separators, generators, drilling rigs, laboratory equipment, and engineering and consulting services.

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Korea and Taiwan

Introduction

South Korea and Taiwan are among the fastest growing economies in the world. In 1995, Canada's two-way trade with South Korea was $5.9 billion, a 27-percent increase over 1994; Taiwan was close behind at $4.5 billion, an 18-percent increase over 1994 values.

In the Asia-Pacific region, as Korea and Taiwan rapidly join Japan, Australia, New Zealand, Singapore and Hong Kong in the ranks of "industrialized" and "developed" economies, Canadians have had to rethink and reorganize traditional business objectives and strategies to capture an increased share in these transitional markets.

Business Environment

As liberalization takes hold, the business climate for Canadian companies will improve significantly in both Korea and Taiwan.

In spite of remarkable progress, the reform process is far from complete in Korea. Many formal and informal barriers to trade and investment remain to be addressed. These include: high tariffs, an inefficient financial system, costly import procedures, and a lack of adequate intellectual property-rights protection. On the other hand, Korea's continuously strong economic performance over the last three decades and the government's efforts to reduce government interference in the economy, as exemplified by the introduction of a five-year economic plan and by the application for membership in the OECD, should be important factors in Canada's future success in the market. The quest for globalization and improved competitiveness will mean that the Korean industry must continue to import highly sophisticated equipment and technology. As emphasis on upgrading continues, Canadian companies will have the opportunity to negotiate further and to take advantage of market openings.

In Taiwan, there are signs of an economic slowdown as GNP growth has moved from over 7 percent annually to just over 5 percent. While exports continue to grow, and the trade balance is healthier than ever, declines in consumer demand and construction starts are the main cause for the slowdown. The Industrial Production Index registered negative growth for the first five months of 1996. During the same period, unemployment rose to a 10-year high of 2.35 percent, and bankruptcies were up. On the positive side, this slowdown is forecast to fuel demands to increase productivity, which will result in further deregulation and, consequently, increased opportunities for Canadian suppliers.

In both Korea and Taiwan, there is a prevailing mood of having "arrived" as economies. As a testament to this new-found prosperity, both Taiwan and Korea are now among the leading investors in Asia, particularly in Vietnam, whereas only a generation ago, they were the recipients of such inflows from Western nations. With greater disposable income and more leisure time, Korean and Taiwanese citizens are aspiring to a better quality of life accompanied by an increased demand for consumer products and services.

Market Opportunities

Korea

Canada and Korea are in the process of solidifying a special partnership. The idea was first broached at the 1993 APEC Summit between Prime Minister Chrétien and President Kim Young Sam, and was pursued during International Trade Minister MacLaren's visit to Seoul in April 1994. By 1996, an Industrial and Technical Co-operation Agreement has been struck, and joint committees are actively seeking solutions to market access and industrial co-operation issues, which will result in strategic partnerships between Canadian and Korean entities.

Canada's trade and economic goals revolve around the Korea Strategy, which consists of the following objectives:

- increasing trade in manufactured and high-technology products;