

### Bottled Water

Canada remains concerned about Korea's trade-restrictive government-mandated shelf-life requirements and onerous testing requirements for bottled water. Canada will continue to make representations in an effort to resolve these issues.

### Seal Meat

Korea maintains an informal import prohibition on seal products through its omission from the Korean Food Code. Canada has made numerous representations to Korean authorities since 1995 to have seal meat approved for human consumption, pointing out that Canadian seals are not endangered. The issue was raised again at the June 1999 SPWG meeting but no progress was achieved. Information will be presented to Korea in an effort to document Canada's Food Code information on seal meat, as well as any available OIE information on the subject, in preparation for further discussion of the issue at the next SPWG meeting.

### Beef

Canada is participating as a third-party member of a U.S./Australian led WTO challenge of Korean rules and regulations that restrict the marketing channels for imported beef to certain "import-only" stores, and recent measures that may affect the ability of end users to develop commercial relations directly with exporters. Canada presented its submission at the first meeting of the parties with the WTO panel, which was held in December 1999.

## INVESTMENT AND SERVICES

Although Korea is Canada's fifth-largest export destination, the stock of Canadian direct investment in Korea remains modest. The reform of Korea's regulatory regime for foreign investment has been the focus of considerable government effort in recent years, particularly in response to the 1997 economic crisis. As a result, Canadian investment flows have shown encouraging increases. The stock of Canadian direct investment in Korea has grown 137 percent since 1993, and from \$172 million in 1997 to \$292 million in 1998. This trend appears to have continued through 1998 and 1999, as a number of Canadian firms have moved forward to take advantage of the liberalizing environment and emerging acquisition opportunities.

Korea's rule-making process, traditionally opaque and non-transparent, and chaebol domination of the Korea economy have often caused practical business problems for investors. However, significant progress has been made by Korea in implementing measures to liberalize foreign exchange and capital flow, open the capital market and reduce barriers to portfolio and direct investment. Limits on foreign investment into the local bond and money markets have been lifted, while the ceiling on foreign investment in the stock market has been eliminated. Foreign banks and securities firms can now establish local subsidiaries and enter into takeovers of Korean corporations. Restrictions on foreign ownership of land have also been eliminated.

To create a more favourable investment climate, effective November 17, 1998, the Korean government passed the new Foreign Investment Promotion Act. This act has increased the number of business sectors that are now open to foreign investment, broadened the scope of tax incentives currently available, simplified the procedures for making an investment and established foreign investment zones. With these most recent reforms, only 13 sectors remain fully closed to foreign investment and 18 partially closed. Other measures that have liberalized the investment environment include the introduction of provisions allowing foreigners to purchase 100 percent of the target company's outstanding stock without the consent of its board of directors.

In connection with the 1999 presidential state visit to Canada, a roundtable with President Kim was held for CEOs of Canadian firms with investment in Korea. Other activities included Canada's participation in the APEC Investment Mart in Seoul and in Technomart 99, a R&D partnering event.

## CHINESE TAIPEI (TAIWAN)

### Overview

In 1999, Canadian goods exports to Chinese Taipei totalled \$1.08 billion. Chinese Taipei ranked fourth among Canada's export markets in the Asia Pacific region, accounting for 6.3 percent of our total exports to the region. It was Canada's seventh-largest market globally. Canada's merchandise imports from Chinese Taipei in 1999 totalled \$4.58 billion. Chinese Taipei's economy remains very dependent on trade.