ECONOMIC OVERVIEW

In this barrier free market, prospects for Canadian business are enormous. Expected targets include: strong growth of high value added products/services; substantial industrial development related investment flows in close coordination with business immigration movement; and, continued use by Canadian business of Hong Kong as the most effective base for pursuing regional business in South East Asia, particularly strategic joint ventures in South China. There is already a substantial Canadian business presence in Hong Kong, including the operation of provincial governments and an exceptionally heavy flow of high level business and government visitors.

Hong Kong is the world's 11th largest trading entity, 6th if the EC is counted as a single market, and is exceeded in Asia only by Japan. In 1992, total Hong Kong imports approached Cdn$160 billion. The volume and value of Hong Kong imports in comparison to its modest territory and population, and the fact that Hong Kong enjoys a free trading regime with low business development costs, makes it a unique world market. In addition, Hong Kong is, and should remain, an important gateway to China and a vital link in Asia Pacific trade.

Hong Kong is living testimony to the triumph of free market economies. The government defines its role as business facilitator, its philosophy as "positive non-intervention", and it is mindful of the pitfalls of excessive taxation and regulation. Hong Kong has been successful in exploiting its geographic position, the dynamism of its people, and unparalleled transportation, communications and business infrastructure to ensure growth rates approaching 10% per annum over the last two decades. Notwithstanding sluggish Western markets, Hong Kong sustained robust growth exceeding 5% in 1992, and Hong Kong's per capita GDP is second highest in Asia, and by the year 2000 per capita income will exceed the average in Britain.

Although Hong Kong is going through a confidence testing period, it maintains its position as the banking, financial, transportation and regional sales centre of that part of Asia. The service sector comprises 65% of Hong Kong's GDP, with manufacturing industry growth continuing to keep pace, but "off-shore" in Hong Kong's key North American and European markets, but particularly in South China and regionally in South East Asia. Over the last decade, over 3 million manufacturing jobs have been created in South China in a "Hong Kong Economic Region" driven by Hong Kong entrepreneurial dynamism, financed by Hong Kong capital and tributary to Hong Kong's global marketing reach. While the uncertainties of China's political and economic future remains inextricably tied to South China, the structure of the Hong Kong economic region is natural and robust and is likely to persist over the coming years.

The most important characteristic of the Hong Kong economy is its almost total dependence on trade. Total imports, exports and re-exports of goods amount to some 235% of GDP (if trade in services are included, total trade approaches 300% of GDP). Hong Kong's prosperity remains tied to the health of its major export markets in the United States, Europe and China. Hong Kong remains in the shadow of 1997 and the transition to Chinese rule. Continued confidence in Hong Kong's future is crucial to maintaining investment and in preventing skilled manpower and managers from leaving. As a bold statement of its confidence in the future, Hong Kong has embarked on a massive infrastructure development (some Cdn$25 billion invested over the next 10 years in a new airport and harbour