

- prospecting joint ventures, as exploration is intensifying in the more remote and under-explored areas of northeastern, western and southern China for iron ore, copper, gold, silver, antimony, uranium and phosphorus; and
- mining investment, as foreign investment in the mining industry is encouraged. Close to 100 foreign firms have expressed an interest in exploring diamond, lead, zinc, copper and gold reserves.

In Hong Kong, gold is Canada's highest-valued export, followed by significant potash exports. Manufacturing activity has increasingly shifted from Hong Kong to Guangdong and other Chinese provinces and is being replaced by a growing services industry. Hong Kong-based managerial and financial decision makers, in particular, continue to value Canadian minerals and metals commodities and mining-related goods and services. Canada has always been strong in mineral exports to Hong Kong, particularly aluminum, gold and zinc exports.

#### *Constraints*

The market is extremely competitive, and numerous procedural obstacles exist. Major European, U.S., Australian and Asian competitors have all established a presence and reputation in the market. Procurement is generally by invitation rather than through an open and competitive bidding process, forcing companies to promote their products directly to potential clients. Bidding rules are unclear and are almost impossible to enforce.

Many mines prefer lower-quality domestic equipment because of tight budgets and limited foreign exchange. In addition to price, quality, willingness to transfer advanced technology and after-sales service, customers pay special attention to personal relationships. Some suppliers of equipment and services have established joint ventures with Chinese partners to expand their local market share and benefit from low production costs to enhance competitiveness in other markets.

#### *Action Plan*

The objectives of the Action Plan in this sector are to:

- update sectoral studies on coal, iron and steel, and mining and minerals;
- promote the use of Canadian technology and managerial expertise in the mining sector, pursuant to the memorandums of understanding signed between Natural Resources Canada and the Ministry of Geology and Mineral Resources and the China National Nonferrous Metals Industry Corporation;
- assist Canadian firms in their joint ventures, in particular in clearing the numerous procedural obstacles in the opening stages of mine exploitation;
- track and analyse new regulations and other developments governing mineral and mining activities;