Government of Canada Gouvernement du Canada

China and Hong Kong Trade Action Plan

Canada's International Business Strategy

1996-1997

Team Canada • Équipe Canada

CHINA AND HONG KONG TRADE ACTION PLAN

1. EXECUTIVE SUMMARY

China's economy has quadrupled in size since its economic reform and opening to the world began in 1978. Already the seventh-largest economy in the world in terms of gross domestic product (GDP), even before the resumption of full sovereignty over Hong Kong, China is emerging as the economic motor of the Asia Pacific region with concomitant political significance.

China and Hong Kong hold significant market potential for Canadian firms, but the challenge also is great. The China and Hong Kong Trade Action Plan provides a strategic framework through which government and business can work together to attain the goal of $20 billion in two-way trade between Canada and China/Hong Kong set by Prime Minister Jean Chrétien and Chinese Premier Li Peng in November 1994.

China's approach to economic development, including entrepreneurship and foreign and economic relations, combined with the country's rich natural and human resources, has made it an attractive trading partner for many countries. Canadian exporters are best able to succeed in the China market if they are price and quality competitive, prepared for lengthy negotiations, committed for the long term and in possession of a range of international business development experience.

The Plan identifies 14 key sectors that offer the most promising opportunities for Canadian exporters and focusses enhanced levels of service in these sectors. Exporters targeting niche opportunities in other sectors will continue to receive support on a responsive basis as resources permit.

The Plan provides integrated market information to assist business to prepare export strategies and be in a position to take full advantage of the knowledge and skills of trade commissioners in Canada, China and Hong Kong.

The China and Hong Kong Trade Action Plan will be revised and reissued on an annual basis, in consultation with all stakeholders, to reflect the evolution of the market and incorporate adjustments to the trade development strategy.

2. THE CHINA AND HONG KONG TRADE ACTION PLAN

The China Challenge: A Complex but Promising Market

China's economy has quadrupled in size since economic modernization became the hallmark of Chinese government policy in 1978. Annual growth has averaged a remarkable 9 per cent and is projected to continue at a similarly impressive rate into the next century. Already the seventh-largest economy in the world in GDP terms, even before resuming full sovereignty over Hong Kong, China is emerging as the economic motor of the Asia Pacific region with concomitant political significance.

Canada's policy approach takes full account of the reality of China's rapidly growing importance in world affairs. Canada's overarching objective is to encourage China to maintain its open-door policy and to become fully integrated in global and regional political and economic institutions. Canada aims to secure its long-term relations with China on four equally important and mutually reinforcing pillars: economic partnership; peace and security; sustainable development; and human rights, good governance and the rule of law. This policy is being implemented through a shared agenda with the Canadian International Development Agency, close co-operation with other departments and effective interaction with the business community and other stakeholders.

Bilateral trade has grown rapidly over the last quarter-century. From only $161 million when diplomatic relations were established in 1970, two-way trade has soared to a record level of $8.1 billion in 1995. Canadian exporters increased their sales in 1995 by more than 50 per cent to an unprecedented $3.4 billion to China and $1.7 billion to Hong Kong. China and Hong Kong combined now represent Canada's third-largest trading partner after the United States and Japan.

China and Hong Kong hold significant market potential for Canadian firms, but the challenge also is great. China's commitment to pursue further economic reform should sustain high growth and continue to generate promising opportunities for exporters in sectors of Canadian comparative advantage, even as uncertainties about the pace and direction of reform complicate efforts to plan market development strategies.

The Canadian Response: A China and Hong Kong Trade Action Plan

This first China and Hong Kong Trade Action Plan represents the latest step forward in the Team Canada approach to developing an economic partnership with China. In response to a consensus among business and government that the China and Hong Kong market requires a more strategic deployment of limited trade development resources, the Plan identifies 14 key sectors that offer the most promising opportunities for Canadian exporters and focusses enhanced levels of service in these sectors. Exporters targeting niche opportunities in other sectors will continue to receive support on a responsive basis as resources permit.

Prime Minister Jean Chrétien introduced the Team Canada concept federal, provincial and territorial governments working together with Canadian business to promote trade in recognition of the historic transformation taking place in China and the unique challenges and opportunities this affords Canada. He personally led the largest Canadian trade mission ever mounted to China in November 1994.

The Team Canada approach pioneered for China has since been applied to other markets around the world, and the partnership of federal, provincial and territorial governments with the business community has been formalized through the Canadian International Business Strategy (CIBS) process and the network of National Sector Teams that integrate public- and private-sector views in trade development strategies.

The following section highlights assistance available from the Department of Foreign Affairs and International Trade (DFAIT) and the Canadian embassy and consulates in China and Hong Kong. Services provided by other Team Canada participants, such as export financing, industrial co-operation support and export training, are outlined in the Contacts section toward the end of this document.

Action Plan Objectives

The Trade Action Plan is designed to assist Canadian business, especially small and medium-sized enterprises (SMEs) new to China and Hong Kong and therefore in need of greater support, to compete successfully and to take maximum advantage of export opportunities in the market. It provides a strategic framework through which government and business can work together to attain the goal of $20 billion in two-way trade by the year 2000 between Canada and China/Hong Kong set by Prime Minister Chrétien and Chinese Premier Li Peng during the Team Canada visit to China in November 1994. Within the overall context of the Canada-China bilateral relationship, the main objectives of the Action Plan are to:

- raise Canada's profile as a valuable trading partner and increase support for closer economic and commercial co-operation by maintaining the momentum of high-level visits of leaders and senior officials between Canada and China, and by incorporating business representation to the greatest extent possible in delegations and visit programs;
- sustain and strengthen Canada's established role as a reliable agricultural and resource supplier to China;
- increase sales of value-added and manufactured products, especially in promising sectors where Canadian technological excellence is strongly established internationally;
- assist service exporters to enter the market to take advantage of emerging opportunities opened up by ongoing Chinese economic reforms;

- assist Canadian business to expand and deepen market presence through investments in China and Hong Kong, especially joint ventures and wholly owned Canadian operations, and negotiate foreign investment protection agreements with China and Hong Kong;

- obtain greater leverage from existing activities and initiatives in other spheres of the multifaceted bilateral relationship, such as development assistance projects or provincial and municipal twinnings, to further promote economic partnership;

- better co-ordinate trade policy consultations and business development initiatives with the private sector through reinforced co-operation with industry associations and other consultative mechanisms, and continue to press for improved market and investment access in areas of importance to Canadian business;

- track China projects that have strong potential to be financed by the World Bank and Asian Development Bank and assist potential Canadian suppliers to position themselves early to pursue procurement opportunities;

- focus a second federal trade mission on China's emerging regional markets and the new business opportunities they present;

- exploit Hong Kong's role as a regional business centre and trade entrepôt and assist Canadian firms to utilize Hong Kong investment and financial services as well as mainland Chinese-controlled companies based in Hong Kong to reinforce market penetration in China and other countries in the region; and

- develop a systematic and efficient approach to rapidly disseminate reliable market information and intelligence to the Canadian business community via the broadest possible range of communications channels.

In addition to the above generic objectives, sector-specific actions are noted under each of the sector strategies contained in this Action Plan.

Action Plan Resources

Trade Commissioner Service

DFAIT's trade commissioners provide the delivery arm for co-ordinating the trade promotion and international business development efforts of various government departments and the business community. Trade commissioners in Ottawa and at Canadian embassies and consulates abroad play a leading role in trade policy development and implementation, are responsible for international trade promotion activity and provide market intelligence and expertise for specific markets.

Trade commissioners are located at the Canadian Embassy in Beijing, the Consulate General in Shanghai, the Consulate in Guangzhou, and the Commission in Hong Kong to help Canadian business gather market intelligence and establish contacts. Their mandate complements that of their colleagues in International Trade Centres (ITCs) across Canada and in other federal departments and provincial or territorial governments, who help prepare Canadian firms to become export-ready prior to leaving Canada.

Market Information and Analysis

Timely and accurate market information and analysis is indispensable for new exporters planning their entry into the China/Hong Kong market and for more experienced companies adjusting their business strategies to take advantage of emerging opportunities. The provision of forward-looking regional, sectoral or subsectoral market studies will continue to be an important feature of the Trade Commissioner Service. These studies permit speedy responses to requests for basic market information and allow trade commissioners to dedicate the bulk of their time to offering higher value-added, company-specific market intelligence and counselling services.

The large repertory of current market publications prepared or commissioned by Canadian trade commissioners in China and Hong Kong is an easily accessible first source of information and analysis for Canadian companies. Details on how to obtain copies through DFAIT's InfoCentre, FaxLink Service or Internet Worldwide Website are provided at the end of this document.

Market Intelligence

Customized market intelligence, advice and counselling are the most valuable services that trade commissioners can offer to Canadian businesses in the China and Hong Kong market. This typically involves commercially sensitive information needed to implement a market entry strategy or to overcome an obstacle, and as such is treated on the basis of strict confidence. Trade commissioners can also facilitate contacts with potential customers, agents and partners, and offer suggestions for accounting, consulting, hospitality, legal, financial and other services.

Market Access Advocacy

Trade commissioners are mandated to advise, counsel and assist companies in resolving specific market access problems in consultation with host government officials. Although the gradual integration of China into the multilateral trading system should help to eliminate or reduce many barriers to trade, many products and services continue to face impediments and require constant vigilance and advocacy by the Trade Commissioner Service. Interaction between Canadian business and Canadian officials in China and Hong Kong is essential to ensure that these efforts are closely targeted on real problems experienced in the marketplace.

Outreach and Awareness

DFAIT personnel on duty in Canada and overseas work closely with other Team Canada partners to increase the awareness of Chinese trade opportunities and improve knowledge of Chinese business practices and culture.

Trade Promotion Events

DFAIT will continue to co-operate with other government departments, the provinces and territories, and business through the annual CIBS process to plan and organize appropriate incoming and outgoing business missions, trade show participation, market or technology seminars and other trade promotion activities. The government commitment to focus limited resources will favour events in priority sectors that most effectively promote matchmaking and the acquisition of market intelligence and that involve cost sharing or cost recovery.

All CIBS activities that have been accepted are added to the CIBS Compendium, a list of current international business development activities kept evergreen by co-ordinators in federal departments and in the provinces and territories. The CIBS Compendium is available on the Internet at the following address: http://www.dfait-maeci.gc.ca

Improving the Action Plan: Your Suggestions Welcome!

The China and Hong Kong Trade Action Plan will be revised on an annual basis, in consultation with all stakeholders, to reflect the evolution of the market and incorporate adjustments to the trade development strategy. A questionnaire is included at the end of this publication to invite comments on how to improve the trade promotion program for China and Hong Kong.

3. BUSINESS ENVIRONMENT

China's Ninth Five-Year Plan (1996-2000), announced in the spring of 1996, stresses economic and social stability over radical reform, a strengthening of central government macro-economic control and the efficient use of existing capacities before developing new ones. Key priorities are increasing food production and strengthening the agricultural sector; gradual reform of state-owned enterprises, which still account for much of China's industrial structure; developing science and technology in support of economic development; and narrowing the gap between advanced coastal and poorer interior regions. Canada's priority export sectors are well matched to China's requirements for imported goods, services and technology, particularly in the areas of agriculture and agri-food, infrastructure (energy, transportation and telecommunications) and environmental protection.

While the central government in Beijing continues to exercise a paramount role in economic leadership and in setting priorities, China should also be viewed as a collection of distinct regional markets differentiated by geography, culture and dialects, economic structure, level of development and growth prospects.

In addition to the highly developed territory of Hong Kong, recent market studies have identified several significant regional markets in China, each with a population of more than 100 million and a gross domestic product exceeding $27 billion. These regions are: 1) Northeast China (made up of Heilongjiang, Jilin and Liaoning provinces); 2) Greater Beijing (Hebei, Beijing, Tianjin and Shandong); 3) Central Provinces (Shaanxi, Henan, Hubei, Anhui, Hunan and Jiangxi); 4) Sichuan Basin; 5) Shanghai and East China (Shanghai, Jiangsu and Zhejiang); and 6) South China (Guangdong, Fujian and Hainan).

In every region, the key consideration is finding the appropriate client, agent/distributor, representative or joint-venture partner. The general rule is that a long-term commitment is necessary to reap significant returns on any business transaction in China.

The most important issue to be considered by any Canadian firm contemplating business in China is that the market is still highly protected. Non-tariff barriers, including recently introduced tariff rate quotas for certain agricultural commodities, are highly developed and administrative barriers are formidable.

Changes to China's tariff policy have eliminated import duty exemptions for foreign-financed projects although a number of preferential policies, such as advantageous tax regimes for investors, remain in place. While China has made significant advances in legal measures to protect intellectual property, enforcement remains problematic. The lack of transparency and the arbitrariness of change in regulations, taxes and tariffs are also considerable market access problems.

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.

4. SECTORS

A. Advanced Technology Products and Systems

China's central and provincial governments, large cities and Hong Kong all place a priority on incorporating advanced technology into their economies. While local and international competition is fierce in China and Hong Kong, particular opportunities exist for Canadian firms offering unique or niche technologies.

Because significant time and frequent visits are required to establish profitable business relationships in China, the cost of doing business is very high. Securing financing and getting provincial and/or national approval of projects are a constant challenge. Intellectual property protection, the licensing system and relatively high tariffs are other barriers to the Chinese market, which may be reduced or eliminated in the future by China's eventual accession to the World Trade Organization.

Direct local representation or a carefully chosen, qualified and reputable agent/distributor is critical to success in China's highly competitive and complex market. Canadian exporters should focus on the major trade fairs and conferences in China and Hong Kong. The number of events in China, in particular, multiplies every year and the economic benefits of most of them are considered negligible.

Opportunities in advanced technology fall under three broad categories:

i. Telecommunications;
ii. Space; and
iii. Computers and Software.

i. Telecommunications

Business Environment

The development of the telecommunications sector in China is considered to be of critical social, economic and national security importance. Rapid progress has been made in the development of its telecommunications network since significant reforms in this sector began in 1989. By the end of 1995, 85.1 million lines had been installed. The number of telephone subscribers multiplied by more than six times to reach 44.32 million, representing a penetration rate of 17 per cent for cities and 4.66 per cent for the country. China plans to double capacity to 170 million lines and to achieve a nationwide penetration rate of 10 per cent by the year 2000, with more than 120 million subscribers, including 18 million mobile phone users.

The key to successful marketing and sales in China is an understanding of the government's five-year and long-term planning process. Planning is conducted in two phases: the fundamental plan and the development plan. The fundamental plan establishes a unified network structure and related criteria for the total network in China. It covers all technical details of the network, including architecture, exchange code assignments, subscriber numbering, control signalling, network synchronization and all completion standards. From a commercial point of view, the development plan is the more important. The process of development planning ensures that telecommunications construction programs meet China's combined economic and social requirements. The development plan covers all aspects of network construction for long distance, urban, rural, private, packet data, wireless mobile and other non-voice network deployment. It is used to build telecommunications networks based on the architecture of the fundamental plan, set priorities and determine budget levels.

Responsibility for the development plan is divided between the national (the Ministry of Posts and Telecommunications) and provincial jurisdictions (Provincial Telecom Authority or PTA). Once the plans are approved by the State Planning Commission, including financing based on foreign loans, funding is allocated to Provincial Telecom Authorities, which allocate these funds to enterprises under their jurisdiction. These enterprises then prepare tenders for the purchase of equipment according to the Five-Year Plan. Because of the national and provincial planning and purchasing dynamic, contacts should be established at both the provincial and central authority levels.

The Hong Kong telecommunications and cable/satellite television sectors have been liberalized and are growing fast under more competitive conditions. The new independent Office of the Telecommunications Authority loosely regulates the import of telecommunications equipment, frequency allocation and new services and networks.

Market Opportunities

China's import and infrastructure requirements parallel Canada's top export strengths in areas such as digital switching and transmission, satellite communications, fibre optics, Asynchronous Transfer Mode (ATM) systems, network management and control, and wireless communications. The primary customers for Canadian suppliers are the Chinese government, through the Ministry of Posts and Telecommunications, and, since July 1994, the China United Telecommunications Corporation (China Unicom).

State-owned enterprises in China are keen to establish joint ventures with foreign partners to promote technology transfer. Hong Kong companies seek new technologies to manufacture high value-added products in their plants which, in many cases, have been relocated to South China.

Constraints

The main constraint facing suppliers of telecommunications equipment in China is financing. Telecommunications recently slipped from the government's number one or two priority to number four or five. As a result, approval for foreign financing will become more difficult.

While China currently forbids foreign investment in or involvement in the management of domestic telecommunications businesses, the Ministry of Posts and Telecommunications is now considering foreign participation in the provision of value-added services. China Unicom has broken new ground in establishing service joint ventures with foreign companies. Approval of joint ventures is contingent on manufacturers making commitments related to the level of local content and establishing targets for exports.

The growing number of joint ventures with foreign partners is also likely to curtail future imports of certain equipment, such as switches.

ii. Space

Business Environment and Market Opportunities

Satellite communications (satcoms) are a priority for the China Aerospace Corporation (CASC) and China's space program. Until now, China has purchased satcoms from abroad. Future purchasing plans will depend on whether the DFH3 satellite, designed and built by CASC, is successfully launched. CASC is also working with Germany and France to develop a satellite known as SINOSAT.

Co-operation and direct sales in earth observation, satellite communications, ground stations and robotics present considerable opportunities for Canadian businesses. Canadian groups, including Geomatics Canada, the Canada Centre for Remote Sensing and the Canadian Space Agency, have all established good relations with their counterparts in China. The Canadian Space Agency (CSA) has signed memorandums of understanding (MOUs) on bilateral space co-operation with the China National Space Administration (CNSA) and the Commission on Science and Technology in National Defence (COSTIND).

Chinese space organizations recognize Canada as the world leader in Synthetic Aperture Radar (SAR) technology, which China has decided to use for many applications, such as disaster prediction and mitigation. While it is unclear whether China's SAR satellite will be L-band or C-band, either option would present opportunities for Canadian suppliers.

The Chinese are very concerned about improving the environment in China through prediction and mitigation of natural and man-made disasters, resource management, and land use planning. To support this initiative they are looking at using advanced airborne and satellite remote-sensing sensors.

Radarsat International and the Remote Sensing Ground Station of the Chinese Academy of Sciences have recently signed a contract for the reception of Radarsat data. Canadian companies, with the support of the CSA, are involved in the upgrade of the Chinese ground station to receive Radarsat data. Earth observation offers the greatest prospects for Canadian sales in China. The construction of a second ground station for earth observation is being considered.

Given that the Chinese plans for manned space activities, including robotics, are very long term and still at the study phase, the shorter term markets are more likely to be found in terrestrial applications of robotics in hazardous environments.

Both COSTIND and CASC have identified robotics as an area of concentration and possible collaboration with Canada.

Constraints

Contacts must be maintained with both the purchaser and the government in China. While purchasing decisions are made by the multitude of research institutes engaged in remote sensing, these users must seek funding at the ministerial level.

iii. Computers and Software

Business Environment and Market Opportunities

Driven by its financial and other services industries, Hong Kong's installed base of computers is the largest in Asia. Software sales are growing at 20 per cent annually. Demand for input and output systems in Chinese is growing.

More than one third of the 1.5 million computers sold annually in China are imported. The "Golden Projects"* will increase demand for computer hardware and software and related services, particularly in the financial, insurance and securities industries. Computer applications in industry will steadily increase. Although inexperienced, local integrators are a source of skilled technicians for companies interested in forming joint ventures.

The Chinese government is encouraging joint ventures in the computer field to promote technology transfer and to develop a viable export industry. Preferential tax policies and other incentives are offered to attract foreign investors to establish joint ventures in designated high-technology zones. Although most joint ventures operate below expectations, a long-term manufacturing presence in China can be important, providing access to domestic distribution channels and facilitating vital connections to government officials.

Particular opportunities for Canadian business in Hong Kong are in systems integration for an array of government projects and for large companies needing to automate processes and systems.

Constraints

The single largest constraint faced by computer suppliers is the lack of sufficient intellectual property protection. While legislation is in place, enforcement and penalties are inadequate. China has come under increasing pressure from the United States and other trading partners to increase enforcement. In addition, there seems to be greater recognition in China that the lack of adequate protection inhibits the development of a domestic software industry. While the situation is expected to improve in the medium term, difficulties remain.

* The four Golden Projects are plans to develop the use of information technologies within government operations. They are the Golden Bridge Project (a nation-wide, public economic information processing telecommunications network linking ministries, commissions and provinces); the Golden Customs Project (a network linking customs and import/export entreprises for foreign trade); the Golden Card Project (a nation-wide financial card distribution system and information service centre for credit and cash cards); and the Golden Taxation Project (an information network for taxation information).

Action Plan

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

- gather market intelligence on policy developments and emerging market opportunities, particularly with respect to the Golden Projects and China's regional markets, through frequent contact with Chinese government and private-sector decision makers;

- support Canadian participation in major trade fairs, including PTExpocomm, Intercomm, Space '96, Softworld and Asian IT, and other industry events;

- develop joint business-government initiatives such as the Rural Telecommunications Seminar for Chinese officials and potential clients, to be held in Canada at the end of 1996. This event is being organized in collaboration with Industry Canada and the Telecommunications Executive Management Institute of Canada (TEMIC);

- negotiate and support additional co-operation agreements with the Government of China, such as the MOU signed in October 1996 by the CSA and COSTIND. These agreements provide Canadian businesses with a framework for co-operation that is recognized by Chinese organizations;

- organize policy and regulation seminars for key Chinese officials;

- work closely with Canadian firms, industry associations and local distributors to support sales of technology and services to the three new fixed-line telecommunications carriers and the six personal communication system licensees in Hong Kong, to Hong Kong-based satellite operators, including AsiaSat and HKT's 14 earth stations, and to large public- and private-sector organizations with private communications networks;

- assist Canadian firms in finding adequate local representatives, agents and joint-venture partners; and

- update and disseminate new profiles of the telecommunications and computer markets in Hong Kong.

B. Agriculture and Food, Fish and Seafood Products

i. Agriculture and Food

Business Environment

With 22 per cent of the world's population but only 7 per cent of the world's arable land, China faces an enormous challenge in trying to feed its growing population. High-intensity, low-productivity agriculture is practised, but 70 per cent of the population is still engaged in primary agriculture. Rapid growth in personal incomes is also generating quantitative and qualitative shifts in demand for foods.

China's stated goal of food self-sufficiency requires an 8 per cent increase in total grain production to a level of 500 million tonnes by the year 2000. The Ninth Five-Year Plan acknowledges that improved diets containing greater variety and increased protein content require newer technology and increased productivity. To date, little in the way of investment or incentives has been committed toward meeting these goals.

Key challenges for Chinese planners include:

- the growing disparity between urban and rural incomes;
- the need to maintain social stability;
- the need to improve job opportunities in rural areas; and
- the need to deal with the ongoing migration to urban areas.

Market Opportunities

Opportunities exist in bulk agri-food commodity exports, value-added agricultural products, services and technology, and, to some extent, in fully processed manufactured foods.

Wheat remains Canada's largest agricultural commodity export to China. Other commodity exports now include malting barley and canola. Canada will encourage China to modify its goal of food self-sufficiency, a goal that is unrealistic given China's growing population.

Particular opportunities exist for Canadian suppliers of value-added agricultural products, services and technology that are organized and strategically positioned in the China market. From greenhouses to grain-handling equipment, from animal genetics to feed and feeding techniques, health, husbandry, slaughtering and processing, Canadian companies can provide the better-quality and higher-quantity production China needs.

Promising opportunities exist in manufactured foods, despite import and regulatory barriers and stiff competition. Export strategies must take into account that China is more than one large market, it is many regional markets. Companies must have appropriate, competitively priced products with good distribution to reach targeted clientele. Using Hong Kong as an entrepôt for South China and other regional markets has been a successful approach for Canadian exporters of ginseng, oilseeds, beef, pork, poultry, seafood, beverages and confectionery.

Constraints

Constraints are posed by a lack of transparency in regulations, a legal system only beginning to take shape, particularly with respect to contracts and land tenure, high tariffs, non-tariff barriers and poorly developed credit and payment mechanisms that require extensive supplier credits.

Regulatory constraints include labelling standards legislation that is very difficult to meet and an arbitrary decision-making system.

Despite well-publicized tariff reductions on some imported products, China is still a high tariff market that tends to discourage imports while stimulating local manufacturing. The implementation of tariff rate quotas (TRQs) for many products of interest to Canadian exporters, such as wheat, has added to the confusion.

The lack of reliable refrigeration capacity and the poor condition and congestion of roads, railways, ports and airports also pose a considerable problem for Canadian companies seeking to ensure a consistent supply in exporting to China.

In contrast to the rest of China, Hong Kong is relatively free of formal barriers. It does, however, experience much congestion.

Canada also faces stiff competition from suppliers in the United States, Australia, New Zealand and the European Union, among other sources. U.S. and Australian suppliers are well established in some areas after years of investment by national companies and industry associations. Canadian suppliers must be aggressive and innovative to secure and maintain inroads in these markets.

ii. Fish and Seafood Products

Business Environment

China leads the world in seafood production, which reached 23.5 million tonnes in 1995 and is expected to rise to 28 million tonnes by the year 2000. About 80 per cent of total product is consumed fresh and 20 per cent is processed. More than half of China's seafood supply comes from domestic aquaculture. Rapidly expanding internal trade is increasing demand for new wholesale markets, refrigeration capacity, improved transportation facilities and the modernization of processing plants.

Seafood consumption now averages 17 kg per capita. Seafood consumption is highest and is growing most quickly in regional markets experiencing rapid economic growth, such as Guangdong and Shanghai. Significant population and economic growth in China will further boost seafood demand.

Fresh and live fish will continue to be in the greatest demand. Imports have grown from virtually zero in 1990 to 1.3 million tonnes in 1994, valued at US$853 million. Although imported seafood principally serves luxury hotels and restaurants, demand in supermarkets in major cities is increasing for imports such as salmon, live lobster, shrimp, clams, snapper, mussels and squid. Chinese buyers are among the most price-conscious in Asia, seeking out low-cost products that Chinese consumers can afford.

Although China consumes 98 per cent of output domestically, foreign trade is growing rapidly. Low labour costs have attracted many foreign investors to begin processing some seafood products in China for re-export to Western and Asian markets.

Market Opportunities

China is increasingly open to trade, investment, joint ventures, technology transfer and co-operative production in the fish products sector. China's fishing fleets and processing plants are also in need of modernization.

Joint ventures in production, processing and marketing can benefit both countries. The combination of Chinese strengths (low-cost labour, species diversity) and Canadian strengths (advanced technology, distribution channels in the United States and European Union) could increase economic returns for both partners. Through joint ventures, Canadian processors gain better access to groundfish from the northwest Pacific Ocean.

Canadian processors have established close relations with Chinese companies for primary processing of groundfish and further processing of herring roe. Prospects exist for joint-venture processing operations in Canada to supply the Chinese market for chitan/chitosan and possibly seafood sauces.

Primarily engaged in freshwater aquaculture, the Chinese industry is specifically interested in joint ventures involving the processing and marketing of new species, and feed production technology and related equipment. Particular prospects exist in co-operative research and technology exchange programs in fields such as fish nutrition, immunology, disease diagnosis and control, and genetic technology.

Canadian seafood exports to China have grown from \$6.4 million in 1991 to \$56 million in 1995. China is expected to absorb more of Canada's lower-valued pelagic species (such as male capelin and male herring) as well as food-quality herring carcasses left over from roe extraction. Potential exists for exports of mackerel and dogfish products (shark fins) and head-on Pacific chum salmon, which is currently being marketed. According to recent market-testing experiments, Canadian seal meat products are also in demand.

Constraints

At present, Canadian seafood exports face tariff and non-tariff barriers that impede access to the China market. Canadian exports would benefit from trade liberalization, especially lower import duties on live lobster, frozen salmon, herring, mackerel, capelin, turbot, redfish and frozen and salted roes. Further liberalization of China's centralized trading regime to permit direct imports would also be beneficial.

Action Plan

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

- organize a cross-Canada tour of Chinese agri-food specialists early in 1997;
- negotiate quarantine protocols for seed potatoes and meats by the summer of 1997;
- provide training for Chinese officials through specialized seminars on technical issues such as tariff rate quotas;
- develop a more business-oriented agenda and work plan for the 1997 meeting of the Canada-China Joint Agricultural Committee;
- advocate greater transparency (e.g., on quotas) and lower tariffs on products such as malt, canola and other agricultural and seafood products;
- preserve and expand Canada's large markets for soybeans, tobacco and ginseng in Hong Kong, while also advocating Canadian capabilities in non-conventional niche markets such as meat;
- co-ordinate the ongoing "Canada's Food: Blessed by Nature" marketing campaign in selected cities. This promotion was launched in Hong Kong and Guangzhou in September 1996 and will now feature an expanded focus on seafood, improved market information profiles and advice for participating exporters;
- co-ordinate the Canadian national stand at regional exhibitions such as the exhibition of food products and beverages, hotel and restaurant equipment and supplies (HOFEX) in Hong Kong, as part of the continuing "Canada's Food: Blessed by Nature" marketing campaign;
- co-ordinate the "Chinese Chefs" Canadian cuisine competition in Hong Kong at HOFEX and selected restaurant and retail promotional events in the first half of 1997;
- support Canada Pork International and Canada Beef seminars in Hong Kong in February and April 1997 respectively, and a beef buyers' mission to Canada in March 1997; and
- attract local buyers in Hong Kong and Guangzhou to networking events such as the Canadian Fine Food Show in Toronto in May 1997 and other industry shows and conventions.

C. Business, Professional and Educational Services

Business Environment

Business, professional and educational services encompass a wide range of sectors and activities typically sold to businesses rather than final consumers.

China and Hong Kong offer a wide range of opportunities for Canadian services exporters. Opportunities in areas such as advanced technology, financial services and the environment are covered under other sections of this Action Plan.

Other services with specific opportunities in the China and Hong Kong markets include:

- management consulting, education and training;
- security services; and
- architecture, design and engineering services.

While both China and Hong Kong present opportunities, the two markets are different. China offers a wide range of markets at different levels of development for various business services, with different opportunities and constraints, whereas Hong Kong is a well-developed open market.

Management Consulting, Education and Training

Hong Kong companies rely on management consulting firms. Hong Kong offers a large, sophisticated and internationally focussed potential client base; moreover, Hong Kong companies can act, directly or through joint ventures, as a bridge to eventual business in China. Conversely, the value of such services and the need to pay for them has not been widely recognized in China, although awareness is growing in major cities such as Beijing, Shanghai and Guangzhou.

Education and training is an area that offers great potential for growth. International firms, as well as domestic and Hong Kong organizations, struggle to acquire and retain trained staff. Providing training to Chinese organizations is one of the most viable market entry strategies.

Security Services

China presents a growing market for security systems and hardware as it addresses rising crime rates. Beyond building and property protection, opportunities exist for sales of systems designed to protect information or provide secure transportation, and for sales of computer-based systems for immigration control.

Hong Kong's security services market is more sophisticated, and competition is keen. British-based firms have had an advantage, given Hong Kong's historical relationship with Great Britain.

Architecture, Design and Engineering Services

As China and Hong Kong continue massive public and private building programs, there is high demand for various construction and design services. Canadian architects have been more successful in China than in Hong Kong, where local firms have a strong hold on the market. Specialized consulting engineering opportunities exist in both China and Hong Kong. Often a successful entry strategy is to partner with a local general engineering firm that is looking for specific expertise, rather than pursuing the end-user directly.

Design firms may find high-end opportunities in China for retail, hotel and other projects, usually for international clients and frequently for Hong-Kong based property developers. Hong Kong remains the larger market, but as China develops it will prove to be the larger market in the long term. Hong Kong is a showcase for China design trends in Hong Kong are often copied in China.

Constraints

The key issue for the China markets is the ability and willingness of potential clients to pay for services.

Action Plan

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

- use the recent survey of local engineering firms to encourage partnerships between specialized Canadian firms and general-practice firms in areas such as environmental engineering;

- through the new Canadian Education Centre, visit more than 100 human resource and training professionals in Hong Kong before the summer of 1997 to identify training opportunities and clients for Canadian public and private training providers. This initiative builds on a Corporate Training Forum held in Hong Kong in September 1996; and

- based on a spring 1996 survey of Hong Kong engineering firms, approach firms that identified an interest in meeting Canadian environmental, design and architectural specialists for possible partnerships.

D. Construction Products and Services

Business Environment

A central feature of Chinese society since the early 1990s has been a construction program of truly monumental proportions. Cities are being transformed, and the country is in the midst of a vast infrastructure program designed to improve roads, railways, ports, electric power facilities, oil and gas, and telecommunications, among other areas.

Of the approximately 30 000 kinds of building materials and products generally used in construction, China can only produce about 2000, which accounts for the poor quality of Chinese housing and construction.

Demand for housing will continue to rise as China's population grows from the present 1.2 billion to an anticipated 1.7 billion people by the year 2030. Urbanization is expected to reach 50 per cent of the population.

Through the Ministry of Construction, China is seeking to open the sector to foreign products, services and investment. Although China lacks effective laws and regulations, reform efforts have led to tariff reductions, foreign investment incentives and joint-venture regulations to attract foreign technology and expertise.

Hong Kong has a dynamic construction industry, with large numbers of hotels, office towers and other commercial and residential buildings planned or under way. Project management and engineering services are needed for the complex residential and industrial construction planned in Hong Kong and South China. The new Hong Kong airport will spawn residential and commercial development along the airport-railway route.

Market Opportunities

The opportunities for Canadian firms in the building products sector in China are limitless. If investment funds can be raised, the prospects for joint ventures in the full range of building projects is promising.

In addition to real estate developments in all major cities, the Chinese government has launched a national program to build affordable, low-cost housing. The program was initiated for a number of pressing reasons: to house the large number of people displaced by city redevelopment, to stay ahead of an accelerating migration of people from the countryside to the cities, and to meet the needs of the growing population.

In many cases, low per capita incomes will limit foreign participation in this market. However, incomes in some major cities are rising, leading to a corresponding ability to purchase higher-quality housing.

The rapid development of South China cities such as Guangzhou and Shenzhen has produced a sharp increase in the quality of construction; buildings look increasingly like those in Hong Kong. Hong Kong and South China can now be considered one market with respect to the use of higher-quality building products and services.

Constraints

Business and marketing strategies must recognize that China is not one, but several markets. Local representatives are needed to keep track of the legal and regulatory framework for construction. Joint ventures are a necessity for a long-term presence in the market.

Tariffs on building products are still high, although a substantial reduction was introduced effective April 1, 1996. Transportation costs, which are also high, must be taken into account. The lack of financing is a constant constraint, and unclear laws and regulations are left open to interpretation by local officials.

In Hong Kong, business strategies must integrate several critical elements for success: the selection of effective agents, promotion and advertising, competitive pricing, and an understanding of the distribution system. Canada's major competitors Japan, the United States and European countries have invested in these critical elements to attain their dominant position in the Hong Kong and South China building markets.

Action Plan

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

- provide more detailed information and advice on opportunities for products and services, the state of market development and the regulatory environment. Information and advice are increasingly important because the business environment changes rapidly and regulations are constantly being adapted to the dynamism of the market;
- promote and assist in special projects, such as the energy efficiency project initiated by the Canadian International Development Agency, with the Ministry of Construction and Canada Mortgage and Housing Corporation, which will develop a demonstration low-cost housing project in the Pudong area of Shanghai;
- promote and encourage participation in significant trade shows in Hong Kong, Guangzhou, Shanghai and Beijing, which are key venues to familiarize buyers with Canadian products and services; and
- based on a recent study of consulting engineering in Hong Kong, contact local firms involved in construction engineering and architectural services to identify opportunities for Canadian interior designers and others.

E. Consumer Products

Business Environment

China and Hong Kong have enjoyed some of the fastest economic growth in the world over recent years. Although Hong Kong has for some time enjoyed income levels comparable to those of Western nations, China has only recently begun to see significant growth in incomes, and only in major metropolitan areas. Vastly different consumption patterns exist in China and Hong Kong. Consumption patterns also vary among the different parts of China. Given their higher standard of living and the downstream economic effects they have on consumers in the rest of the country, the cities of Shanghai, Beijing and Guangzhou present ideal points of entry to the Chinese consumer market.

Market Opportunities

China

Retailing in China has undergone dramatic changes in recent years. State-run stores were previously the only locations where consumer goods could be purchased, and those goods were principally manufactured in China. China's major cities are now dotted with privately run shops and joint-venture department stores offering both locally made and imported products. The retail market in China is poised to attract further foreign investment, especially in the "superstore" segment of the market.

Smaller retailers focus largely on locally manufactured products, and the chain stores specialize in mid-range clothing. Although most products sold in these stores are manufactured in China, they are often based on foreign designs and therefore enjoy additional prestige. At the high end of the Chinese retail sector, there are boutiques selling imported designer clothing and accessories.

Despite the recent improvement in living standards, only a small portion of the Chinese population can afford to purchase imported luxury consumer goods. Imported products are generally perceived as being of higher quality than locally produced ones, but their price is prohibitive for the majority of the local population. It will take years for a sizable market for expensive imported goods to develop. In the meantime, Chinese manufacturing capacity will be able to meet most of the country's requirements for consumer products.

Major international retail chains have opened stores in China. Although handicapped by a limited presence in the country, these chains could be used as points of entry in China. As they are likely to be more comfortable dealing with suppliers they are familiar with, Canadian firms already supplying goods to these chains elsewhere should look at the possibility of directly supplying them in China.

Hong Kong

Hong Kong's retail market is highly developed and extremely sophisticated. While Hong Kong consumers have access to low-priced products manufactured in the region, they know and can afford the best.

Hong Kong has provided some niche opportunities for Canadian manufacturers of cosmetics, children's clothing, furniture and giftware. Apart from one cosmetics company, all have involved small orders. Sales of fancy food gift items, such as chocolates and cookies, also present opportunities.

Although the market for finished consumer products may be limited, there are solid prospects to supply the material used in their manufacture. Products such as synthetic fibres and related raw materials, denim fabric, raw hides and fur skins have sizable potential.

Constraints

Distribution remains the major challenge in China, given the country's limited transportation infrastructure. The warehousing of goods is also a problem, as are theft, damage due to rough handling, and poor storage during transportation.

Hong Kong consumers are avidly courted by all the major producers of brand-name products. Brand recognition is an important factor in Hong Kong, and the promotional effort required to be well known in the market can be costly.

Action Plan

Given the limited opportunities for Canadian consumer products in China, trade commissioners will continue to take a largely reactive approach, except in the case of fancy food items. Contacts have been established with a number of retailers, and trade commissioners will continue to facilitate contacts with potential Canadian suppliers. Assistance will be provided to Canadian firms wishing to participate in relevant trade fairs or to meet local distributors.

Trade commissioners in Hong Kong will expand their contacts with local retailers to cultivate suitable outlets for selected Canadian consumer products. Special effort will be made in the case of products whose uniqueness, quality and design make them particularly suitable for the Hong Kong market; examples include fancy food items, cosmetics and some up-market giftware.

F. Cultural Industries

Business Environment

The continued rapid growth of China's economy has accelerated the development of a consumer culture with both an interest in and the financial means to purchase cultural products, including compact discs, films and books. China has shown itself more receptive to foreign cultural offerings in areas such as television, live performances, radio, film and music.

Although concrete figures are difficult to obtain, evidence "on the street" suggests that demand is high and will continue to grow. The rapid proliferation of cable television networks is creating opportunities, while raising familiarity with foreign cultural products such as music and film.

The principal government authorities for the cultural industries are:

- the China Film Import-Export Corporation, the only government agency authorized to import foreign films into China;
- the Ministry of Radio, Film and Television; and
- the Ministry of Culture, under which the Chinese Cultural Performance Agency serves as an impresario for major live events.

In addition to the national television network, China Central Television, each province in China has its own television network, which purchases and produces its own programming.

Hong Kong provides a significant opportunity for the promotion of English-language and Canadian cultural goods, given that most of Hong Kong's population understands English and that a large proportion of the Hong Kong population has lived in, studied in, or visited Canada.

Market Opportunities

Immediate and future opportunities exist in film, television and radio in China. Strong demand for foreign content, capital and expertise will mean opportunities for Canadian film and television producers to co-operate with their Chinese counterparts. Co-productions are exempt from many restrictive regulations.

Chinese television and radio stations have shown interest in Canadian documentaries and animation, and in programs dealing with Canadian people, cities, landscapes and nature, culture, industry, science and technology (currently very popular) and business.

Other opportunities exist for Canadian companies specializing in computer-generated effects and other technologies, such as IMAX.

Live performances usually require sponsorship from a foreign government and/or commercial enterprise, but Chinese openness to a greater variety of entertainment will create more opportunities in this field. Rapid economic development is expected to increase prices and make marketing and sales of cultural products viable.

Opportunities exist to sell television programs to the four English-language television broadcasters based in Hong Kong, including one that broadcasts across Asia. Canadian artists are heard on local radio, and their records are sold locally. Hong Kong radio and television broadcasts are received in South China, and the programs are seen as trend-setters throughout Asia. Hong Kong's role as a regional cultural centre is further enhanced by the fact that the city is host to many regional trade fairs for this industry, including MIDEM (the International Market for Music Publishing, Video, Music and Radio Programs fair) and MIP (the International Film and Program Market for Television, Video, Cable Satellite fair).

Hong Kong people can afford to attend expensive performances by foreign performers, and a large number of corporations are prepared to sponsor prestigious cultural events.

Constraints

China continues to protect its film, television and radio industries. During prime time (7:30 p.m. to 10:00 p.m.), only 15 per cent of time can be allocated to non-coproduction foreign television programs.

Chinese television stations are reluctant to pay the market value for foreign programs because of budgetary constraints and because they are not accustomed to paying for programs. However, stations are expected to offer advertising time in exchange for programming in the future.

There is strong competition from Hollywood's mega-budget productions, and copyright infringement remains a concern.

Publications are monopolized by the China National Publications Import and Export Corporation (CNPIEC), which is the only corporation appointed by the central government to handle the import and export of books, newspapers and magazines, as well as audio and video programs such as music tapes, compact and laser discs and records.

The market-oriented approach taken by the cultural industry in Hong Kong, as well as the high cost of promoting and mounting a performance, will limit access to the Hong Kong market to Canadian artists who have demonstrated prior success in other markets and are likely to do the same in Hong Kong.

Action Plan

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

- encourage and help companies to take advantage of existing agreements between the governments of Canada and China, such as the 1987 co-production agreement;
- assist Canadians in entering China's market for film and television programs; a long-term commitment and participation in Chinese television and film festivals are necessary to develop substantial contacts with the domestic industry's distribution system;

- support visiting Canadian artists and Canadian record, film and television producers who participate in regional shows in Hong Kong; and

- provide full support to Canadian producers participating in regional trade shows such as MIP (December 1996) and MIDEM (May 1997), in recognition of the growing role of Hong Kong as a centre for cultural industry marketing in Asia.

G. Environment

Business Environment

China is generally regarded as one of the largest environmental markets in the world. Intense agricultural and industrial development, underdeveloped manufacturing technologies and, until recently, a low level of attention to environmental issues by both the government and the people of China have combined to produce substantial environmental problems in the country.

In 1995, China's direct investment in the prevention and control of industrial pollution exceeded US$2.4 billion, or approximately 0.8 of 1 per cent of its gross national product (GNP). Under the Ninth Five-Year Plan (1996-2000), sustainable development was accepted as an important strategy for modernization. China has established the goal of increasing its direct investment to 1.5 per cent of GNP.

China plans to invest about US$22.5 billion in 1591 environmental projects over the five-year period. Of the total investment, US$3.9 billion will be raised abroad, with China looking for other nations to participate by providing co-operation, technical aid and economic support. In particular, the priorities identified for foreign participation under the Five-Year Plan are flue gas desulphurization; build-operate-transfer (BOT) sewage treatment plants using soft loans; advanced pulp and paper technology; energy efficiency; and advanced-technology organic treatments for highly concentrated wastes encountered in the confectionery, printing and dyeing industries.

International financial institutions, such as the World Bank and the Asian Development Bank, have committed considerable funding to China for environment-related projects. In its current lending program period of 1990-1996, the World Bank has allocated US$1.145 billion for eight environmental projects in China. The Asian Development Bank's combined loans and technical assistance for Chinese environmental projects in the last fiscal year amounted to approximately US$335 million.

Market Opportunities

The transition to greater investment in the environment sector will likely be led by wealthier regions such as South China, Shanghai, Jiangsu and Zhejiang, as the government and population begin to focus on sustainable development and improving the quality of life. These wealthy coastal regions offer opportunities in importing technology to address critical problems or to develop the domestic industry.

Foreign investors are accountable to China's environmental laws and are subject to on-site inspections of technology and records that could lead to fines or criminal prosecution. Joint ventures and wholly foreign-owned companies are generally watched more closely for effluent and particle emissions; consequently, they offer a strong potential market for high-quality environmental equipment.

International financial institutions usually insist that consulting services for projects be handled by foreign firms, creating opportunities for Canadian companies.

BOT projects appeal to many of the provinces. Specialty equipment produced by Sino-foreign joint ventures enjoy better market possibilities.

Constraints

Although the Chinese government has begun to devote increasing resources to control the deterioration of the environment, pollution abatement is still not a high priority at the provincial and municipal government levels. Economic development in the energy, transportation, housing and manufacturing sectors often receives greater emphasis.

State, collectively owned and private enterprises are cautious about buying foreign environmental services and equipment, because they have limited access to foreign exchange and environmental regulations are not consistently enforced. As a result, complex environmental problems in China are often addressed with local technologies, when more sophisticated technologies may be more appropriate. Consulting services are often considered as friendly advice rather than a marketable commodity. Obtaining financing for imported machinery poses an additional difficulty.

Canadian companies wishing to enter the China market will face strong competition from the United States, Australia, the United Kingdom and other European countries. In order to penetrate and succeed in this fast-moving market, Canadian companies must maintain a continuous presence.

Action Plan

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

- promote Canadian involvement in projects supported by the various financial institutions;
- pursue co-operation and business opportunities under the environmental memorandum of understanding signed between China and Canada;
- following up on its study of consulting engineering firms in Hong Kong, the Commission in Hong Kong will contact companies to identify potential partners for Canadian environmental firms; and
- encourage and support strong participation from China and Hong Kong at Globe 98 in Vancouver.

H. Financial Services

Business Environment

China and Hong Kong represent widely divergent markets for financial services. Hong Kong's favourable regulatory environment, low taxes and excellent telecommunications have made it an international financial services centre. China has only recently embarked on a modest opening and reform of its financial services sector. Nonetheless, competition among foreign financial services companies is strong as they position themselves to participate in this potentially large market.

While Hong Kong is the base of operations for over 360 banks that operate internationally, China has about 130 foreign financial institutions and joint ventures, each restricted to one of 24 specifically authorized cities. Furthermore, foreign banks are currently forbidden from engaging in local-currency business and instead focus on supplying foreign-exchange loans, primarily to foreign-funded enterprises. China is currently engaged in reform of its domestic banking sector in the face of inadequate financial reporting and an inoperative legal system.

In 1995, China passed two important new laws, one strengthening the regulatory role of the People's Bank of China (the central bank) and the other setting out commercial principles for the domestic banking sector. Guidelines for the operation of foreign-funded financial institutions in China, including banking and insurance firms, also exist.

Hong Kong has among the most liberal rules in the world for foreign insurance companies and an expanding demand for insurance products, making it a very promising local market as well as a base for operations throughout Asia. Over 230 insurance companies are licensed to operate within and from Hong Kong.

Although the insurance market in China is a nascent one, it is reportedly growing at 30 to 40 per cent annually. Foreign participation in the sector is minimal; only three foreign companies have licences. Canada's Manulife and a U.S. insurance company, AIG, provide life insurance, and a third company, Tokyo Marine and Fire Insurance, specializes in non-life products. The only cities currently open to foreign insurers in China are Shanghai and Guangzhou. China is engaged in significant development of its domestic insurance sector, having recently ended the monopoly of the People's Insurance Company of China.

China's capital markets are generally underdeveloped and subject to strong government intervention. The securities and futures industries are extremely limited and largely at an experimental stage, although steps are being taken to develop appropriate regulations and enforcement organizations. Opportunities will emerge as capital markets develop and expand.

Market Opportunities

Hong Kong is expected to remain a global and regional financial services centre and a key player in China's international trade and finance after the territory's reintegration into China in July 1997. Shanghai is expected to remain China's primary domestic financial services centre, taking on an increasingly international role in parallel with the opening and development of its economy.

China is committed to further opening and reform of its economy, including its financial services sector, as evidenced by the 1996 announcement on current account convertibility for its currency. Firms interested in the market have determined that establishment of an early presence is important to position for future opportunities.

Constraints

Hong Kong presents a very open environment to foreign financial companies. Canadian chartered banks in Hong Kong have been attracted by the lack of constraints and the active trade finance and investment flows, including those related to emigration. In Asia, Hong Kong is now second only to Japan in holdings of Canadian currency and securities, amounting to an estimated $20 billion.

China, by contrast, has only recently begun to open its market. Opening of the market is proceeding slowly and carefully, often on an experimental basis, effectively limiting the number of operations a given financial institution is permitted. In many cases, Chinese authorities are in the process of developing regulations, leading to additional uncertainties and challenges to financial services companies seeking to establish a presence in the market. The licensing process for both banking and insurance is long and often unclear, with fierce competition from other international companies.

On the banking side, the People's Bank of China (PBOC) has made clear its preference for branches as opposed to joint-venture operations. On the insurance side, evolving regulations indicate that life insurance companies will be required to form joint ventures with qualified Chinese firms, while non-life insurance providers may establish wholly foreign-owned branches. Notwithstanding these challenges, the Canadian banking community has a strong presence in China (including the Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada and Royal Bank of Canada) and Manulife has now become the third holder of an insurance licence.

Action Plan

Trade commissioners will continue to carefully monitor and report on developments in the financial services sector and actively support individual Canadian firms seeking to establish or upgrade their presence in the market. Particular focus will be given to ensuring market access and improving coverage in regional centres.

I. Forest Industry

Market Environment

China's large forestry sector plays a significant role in its economy. Forested land comprises 133.7 million hectares, or 13.9 per cent of China's total land area. It is concentrated in three principal regions: the northeast, the southwest and the southern provinces.

Pulp and paper production and consumption have risen significantly with China's rapid economic growth over the past 15 years. Production is increasingly unable to meet demand, despite the fact that 1994 per capita consumption of paper was only 20.2 kg per year, compared with 322 kg in North America. The demand for greater volume and higher-quality paper products is challenging China's domestic industry, which is increasingly constrained by limited raw material and outdated mill technology. A boom in construction has also led to acute shortages of wood and other construction materials, causing prices to soar.

Business Opportunities

Equipment

Annual investments equivalent to $1.6 billion for technical improvements and imports of machinery are anticipated under China's Ninth Five-Year Plan. In 1994 China imported US$894 million worth of equipment.

Pulp

In 1995, China's production of wood pulp was 300 000 tonnes. China plans to increase production to 1.2 million tonnes per year by the year 2000. To meet growing demand, domestic production will continue to be supplemented with imported pulp. In 1994, China imported 778 950 tonnes of softwood pulp, of which Canada supplied almost half, or 325 869 tonnes. Canadian exports of wood pulp to China in 1995 were $331 million.

Paper

Production in the paper and paperboard sector has been growing rapidly for the last 10 years. Production reached 24 million tonnes in 1995, falling short of the apparent demand of 26.5 million tonnes. Current projections forecast domestic production of 30 million tonnes by the year 2000 and 40 million tonnes by the year 2010. Demand is expected to continue to exceed production, necessitating additional paper imports. Canadian exports of paper and paperboard were $26 million in 1994, $18 million in 1995.

Wood

Growing consumer affluence is fuelling greater interest in new housing and home renovation. This trend is creating a potential new market for value-added wood products, such as interior finishing. While still modest, Canadian exports of wood articles were valued at $21 million in 1995, up from $19 million in 1994. China imported approximately US$543 million in wood (rough, sawn and/or chipped wood) and US$816 million in plywood, veneered panels and laminates.

Constraints

Canadian exporters face various constraints, including:

- a preponderance of small-capacity, state-owned mills equipped with antiquated equipment that lacks effective pollution controls, making sales of Canadian high-technology equipment difficult except for new turnkey projects;
- difficulties in financing purchases of imported machinery;
- annual import quotas and delays in obtaining import licences for pulp;
- a general lack of current information about domestic production, local companies and planned projects;
- an overburdened transportation system; and
- high import tariffs on value-added products such as paper and paperboard (approximately 30 per cent) and doors and windows (approximately 50 per cent).

Action Plan

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

- increase Chinese awareness and knowledge of Canadian products and technologies through missions, shows and technical seminars;
- collect and disseminate market intelligence and information;
- promote exports of high-quality paper and actively pursue market opportunities for value-added wood-based construction materials;
- develop co-operation between the Canadian Pulp and Paper Association (CPPA), the Pulp and Paper Research Institute of Canada (PAPRICAN) and counterpart Chinese associations and research institutes;
- seek renewal of the forestry memorandum of understanding signed between Canada and China and seek clarification of priority sectors for co-operation;
- target projects supported by international financial institutions;
- use the Canada Mortgage and Housing Corporation's demonstration project in Shanghai to promote Canadian value-added construction materials, housing technology and related services;
- encourage a Team Canada approach to the China market by facilitating contact among Canadian manufacturers, service providers, and pulp, paper and value-added product suppliers;
- assist Canadian firms in finding local representatives, agents and joint-venture and other business partners; and
- seek to address import constraints such as quotas and licences.

J. Medical and Health Care Products

Business Environment

Demand for preventive health care services to serve an ageing and increasingly affluent population is growing. The Hong Kong Hospital Authority and Chinese Ministry of Public Health are influential decision-making bodies under pressure to satisfy domestic demand for better health care.

Government is the principal buyer for public hospitals, clinics, university labs and teaching hospitals in China and Hong Kong. Multinational corporations with local agency connections in Hong Kong or a joint-venture presence in China tend to dominate sales of foreign medical devices.

China

China can meet most of its domestic demand internally. Chinese purchasers are influenced chiefly by price, ability to generate profits for hospitals and/or clinics, after-sales support, ease of use and the preferences of the local advisory board.

China has placed an emphasis on prevention and focusses on the acquisition of new technologies, while preserving traditional Chinese medicine. China imports only the most advanced and essential health products and is extremely conscious of brand names and local content. Import demand is highly dependent on fiscal and macro-economic developments.

Foreign firms must register with the Administration Department of the Ministry of Public Health. To introduce new drugs, foreign suppliers must register with the Pharmaceutical Product Register of the Ministry.

Hong Kong

Hong Kong imports almost all its health care product requirements. Significant volumes are also re-exported to other markets, including China. Imports hinge largely on government global procurement tenders. Purchases are determined by price, local after-sales support, prior brand and/or vendor experience, brand name and/or manufacturer reputation, quality, functions and ease of use.

Hong Kong's pharmaceutical market is well developed, open and highly competitive, with hundreds of suppliers and distributors. Imports are driven by value-added features, functional uniqueness and the use of the product in the global market. China, the United States, Germany, Italy and Japan are the leading suppliers.

In Hong Kong, there are 25 000 public beds (37 hospitals) and 4430 private beds (15 hospitals), in addition to public and private clinics and practices. Private hospitals, which usually have larger procurement budgets, are target customers for more expensive and advanced devices and pharmaceuticals. These institutions are less bureaucratic and more North American-oriented, providing an easier point of entry for new exporters. Many of these hospitals provide treatment to patients flown into Hong Kong from neighbouring regions (including China) for specialized treatment.

Private clinics provide most prescription drugs, on an outpatient basis, whereas drugstores sell mainly over-the-counter drugs. The Hong Kong Hospital Authority has established contacts with major international suppliers. Good relations with hospital administrators and other senior health care officials are key.

Canadian firms may find it initially easier to sell to smaller and more price-sensitive customers, such as private clinics and research laboratories. More and more local medical professionals now receive their training in North America rather than the United Kingdom, making them more receptive to Canadian equipment, technologies, drugs and medical and dental practices.

Market Opportunities

With demand for health products rising rapidly, Canada faces stiff competition in China and Hong Kong. With a few exceptions, the Canadian health industry has not developed a presence in these markets.

Health Canada and the Chinese Ministry of Public Health have signed a memorandum of co-operation.

Private hospitals and clinics in Hong Kong seek competitively priced, sophisticated, innovative products that offer unique or niche characteristics for the treatment of disabilities of the elderly and illnesses that are public health priorities, such as cancer, heart disease and cerebrovascular ailments. Demand is growing for imported biotech products and for training and administration services in Hong Kong's public and private medical and food research and development labs and in teaching faculties and hospitals.

Constraints

Exporters to China face an import management regime, tariffs and taxation measures that do not apply in Hong Kong. Intellectual property issues affecting patent rights are a constant concern. Chinese imports are closely related to joint-venture operations, import licences and/or quotas, and local or international financial institution funding.

Action Plan

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

- approach key local health care decision makers and import facilitators, identified by the existing medical market survey of Hong Kong and South China, to gather market intelligence on changing regulations, risks and competitor activity. Market intelligence would be conveyed to those multinational firms whose Canadian subsidiaries hold world product mandates and to Canadian suppliers, such as generic drug or medical imaging software firms, whose products fit some or all of the local markets;
- encourage and support participation in technical demonstrations,

commercial seminars, trade fairs and conferences (e.g., three key international medical events in Hong Kong in 1997) and other industry-driven initiatives to gain further exposure for Canadian products, technologies and services to the doctors, dentists, pharmacists, medical consultants, hospital administrators, senior staff specialists and government officials who influence imports;

- encourage and support the participation of Hong Kong and other Chinese buyers in Canadian medical industry events;

- approach selected importers/distributors and registered bodies holding licences/quotas in China to better inform both buyers and end-users of Canadian technologies;

- place emphasis on gathering market intelligence on upcoming medical tenders in Hong Kong;

- target the Hong Kong market for assistive devices and rehabilitation equipment for the elderly, by promoting heightened recognition and acceptance of innovative Canadian-made products among medical buyers;

- seek sources of investment capital in Hong Kong for Canadian small and medium-sized enterprises and seek new investments in the Canadian health sector, given Canada's advantages, including research and development tax incentives, market access, intellectual property rights protection and low costs; and

- more aggressively assess and report on the market for health services in areas such as health administration and consulting; institutional management; medical education and training, particularly given the presence of the new Canadian Education Centre in Hong Kong; health telematics, information technology and tele-health systems, especially database management and health information systems; architectural and design services; and clinical services.

K. Mining, Metals and Minerals

Business Environment

China is the world's largest miner of coal and iron ore, second-largest steel producer and fourth-largest nonferrous metals and asbestos producer. Far-reaching economic reforms have generated a boom in China's mining and metals industries at a time when world markets are still suffering from oversupply and falling prices.

Companies operating from Hong Kong influence import decisions in this sector. Facilities in Hong Kong, along the South China coast and up the Pearl River in Guangzhou are import channels for the delivery of commodities and equipment.

China is a major exporter of tungsten, tin, mercury and antimony. The country has deposits of most metals and commercial deposits of almost 130 types of minerals. China possesses the world's largest reserves of titanium, phosphate, molybdenum, tungsten and a dozen other minerals. It has recently become an important producer and exporter of vanadium, titanium, germanium, gallium and polycrystalline silicon.

Modernizing and rationalizing existing coal mines by introducing advanced technology and wide-scale mechanization has been a top priority. Production will be expanded through the construction of 100 high-yield mines, which will require imports of high-technology equipment.

China implemented its first mining safety law in May 1993 to respond to rapidly rising death and accident rates. Enforcement remains problematic.

China now permits mining exploration through joint ventures; to date most attention has focussed on gold and nonferrous metals rather than coal. An amendment to the 1986 Chinese Mineral Resources Law is expected to gain final approval in 1997, establishing a regulatory framework for foreign ownership and for the exploration and development of China's mines.

Market Opportunities

As demand begins to exceed production, China will need foreign technology and investment in its mining and metal industries to meet production targets. Particular opportunities for Canadian companies exist in:

- metal purchases, as China is a major importer of metals, ore concentrates and scrap, including iron, copper, alumina, aluminum, nickel, gold and cobalt, and mineral purchases, such as potash, sulphur and asbestos;
- mining equipment and services, as China imports considerable amounts of new and used advanced, high-quality mining equipment and vehicles for underground and open-pit coal, iron and nonferrous metal mines;

- 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;

- increase Chinese familiarity with Canadian products and technology through incoming missions, trade shows and seminars; and

- follow-up and assist the Canada China Business Council which is forming a Mining Sector Working Group to channel industry views to government.

L. Oil and Gas

Business Environment

China's central government has given high priority to the development of its oil and gas industry. Oil and natural gas supply almost one fifth of China's energy needs. Breakneck economic expansion in the 1980s and double-digit growth in the 1990s have pushed domestic demand far ahead of production growth. Although still the world's fifth-largest oil producer, China is using up its reserves at mature eastern fields, and new discoveries mainly in Xinjiang Province, northwestern China and offshore areas are only at the initial stages of production.

As is so often the case in China, personal relationships are of fundamental importance in the petroleum industry. A foreign supplier must be reasonably well known to the end-user before it will be invited to offer a quote for its equipment. Companies serious about the China oil market must develop a local presence through an effective agent or a local office. Some companies may also want to consider joint-venture operations to better position themselves in relation to their competitors.

The Chinese oil industry regularly sends study missions abroad. These delegations gather information on new potential suppliers and also update the Chinese industry on recent technological developments or industry practices. These missions also expose foreign companies to useful Chinese contacts for follow-up missions to China.

Market Opportunities

To help meet escalating energy demand, China is turning to foreign expertise and investment to stabilize oil and gas output and bring new areas into production. Since 1994, foreign companies have been invited to explore parts of China's vast Northwest through several rounds of exploration and enhanced recovery blocks.

With oil demand forecast to climb to 210-260 million tonnes by the year 2000, analysts predict that China will be importing up to 50 million tonnes annually to make up for the difference between production and consumption. Foreign investment in oil exploration and development is expected to play an increasingly significant role in resolving China's energy bottleneck.

In addition to onshore and offshore oil and gas exploration and production opportunities, demand is growing for technology and equipment for heavy oil and/or oilsands development, enhanced oil recovery, natural gas processing, sulphur recovery, horizontal drilling, thermal recovery, pipeline construction and operation, and deep drilling. Potential exists for sales of computer systems and software, pumps, separators, steam generators, drilling rigs, modular gas plants, desulphurization and laboratory equipment, all-terrain vehicles, and engineering/consulting services from Canada. Downstream investment opportunities exist for oil refining and petrochemical joint ventures to produce synthetic ammonia, methanol, ethylene and fertilizer.

Greater involvement of international oil companies in Chinese onshore and offshore exploration is also expanding the range of potential clients for Canadian suppliers of goods, services and technology. More than 20 foreign oil companies have offices in Beijing or other parts of the country, and several companies are involved in or are in the process of negotiating joint production contracts.

Canada and the Province of Alberta have had an active program of exchanges over recent years and a two-way flow of high-level political and industry delegations. Calgary is twinned with Daqing City, site of China's largest oilfield, and Alberta is twinned with Heilongjiang Province, in which Daqing is located.

The Canadian International Development Agency currently has an extensive training and research project with Chinese petroleum industry institutes to improve the level and quality of their activities.

Constraints

The market is extremely competitive and companies must be prepared to commit themselves to a long-term business relationship with China if they wish to succeed. Procedural and regulatory obstacles are many. Regular contact, local support and long-term commitment are particularly important because most procurement is undertaken by invitation to selected suppliers rather than through an open and competitive bidding process. Chinese purchasers pay careful attention to pricing, technology transfer, product quality, spare parts and after-sales service when negotiating contracts.

U.S. firms remain among the strongest foreign competitors in the China oil and gas market. European companies, including firms from Germany, France, Italy and other countries, have also become more aggressive in this market. There is a perception in China that European suppliers can be more flexible than others in commercial negotiation and they often can obtain generous financial support from their banks and governments. By contrast, Canadian suppliers are often regarded as having good technology, but as being somewhat inflexible in price negotiation.

Action Plan

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

- maintain and expand collaboration with the China Alberta Petroleum Centre in Beijing, providing Canadian companies with a forum for technical seminars, training and other industry exchanges;

- sponsor high-level Chinese delegations to attend Canadian events, such as the National Petroleum Show, to increase familiarity with the Canadian industry and its products, services and technology;

- promote dialogue and collaboration among Canadian natural gas companies to encourage participation in prospective pipeline construction projects in northeastern Asia;

- update study on China's oil and gas market; and

- assist Canadian firms in their dealings with the Chinese authorities, in particular in clearing the numerous procedural and regulatory obstacles.

M. Power

China's Ninth Five-Year Plan (1996-2000) establishes the power sector as a clear priority. Although China is currently the fourth-largest power-producing country in the world, it must add more than the equivalent of a James Bay annually to meet demand. Installed capacity has almost tripled since 1987 to more than 200 000 megawatts. China expects to raise production to 300 000 megawatts by the year 2000 and to between 500 000 and 550 000 megawatts by 2010. Thermal power is the main source of power at 76 per cent, followed by hydro at 23 per cent and nuclear and others at less than 1 per cent. The share of thermal power is expected to rise to over 80 per cent and that of hydro to drop to about 16 per cent, while nuclear and other forms will remain at 1 per cent.

A number of Chinese organizations are directly involved in the power sector, which is in the process of significant reorganization. Current restructuring of the sector and development of an improved regulatory environment has been designed to address long-standing shortcomings, which have led to stagnation over the last few years.

The Ministry of Electric Power, at present the primary but not the sole thermal power and large-scale hydro power developer, is to be restructured as a corporation, with its regulatory and administrative functions transferred to other government agencies; details are expected in the latter part of 1996. Significant reorganization of local-level power organizations is expected. Other relevant organizations are the Ministry of Water Resources, which is responsible for multi-purpose hydro developments, as well as various power development corporations such as the Huaneng Group, Qingchuan Development Corporation and Wuling Hydropower Development Corporation. Specialized corporations have been established to manage China's power grid and the Three Gorges Project, while nuclear power is under the control of the China National Nuclear Corporation.

In recognition of the importance of the sector and past shortcomings in its management, China's central government is developing a number of regulations. For example, the Electricity Law came into effect in April 1996. Additional regulations in areas such as pricing and foreign involvement are expected by the end of 1996. The government is also drawing up guidelines for build-operate-transfer or BOT projects, which will include guidelines for thermal power plant developments.

Market Opportunities

Several hydro projects are under development. Thermal and co-generation power developments are more widespread, operating under the authority of a wide range of both central and local organizations.

Although there are many opportunities for independent power projects, these need to be considered with careful attention to the regulatory environment. Further nuclear power development is planned, particularly in the wealthier coastal areas, which lack energy resources. Refurbishment of existing plants and the long-neglected transmission network are also priorities.

The World Bank, Asian Development Bank and Japan's Overseas Economic Co-operation Fund (OECF) all have significant loan programs for the power sector. In addition, a number of private financiers are exploring independent power project opportunities. Many of these financial intermediaries are Hong Kong-based, with groups such as Hutchison and New World forming specialized infrastructure development companies to explore opportunities in the region.

Constraints

To reach goals set for the year 2000, it has been estimated that China will need to invest about US$100 billion in the power sector alone. Authorities hope that as much as 20 per cent of that will come from foreign sources, including independent projects totalling some 35 000 megawatts of production. Attracting foreign participation is contingent on the government's ability to address the concerns of the international business community, including the lack of clarity in the regulatory environment related to foreign investment guarantees, electricity pricing and rates of return.

Notwithstanding fierce competition in the sector, Canadian suppliers have been successful in exporting power-sector equipment and expertise to China, much of it to projects funded by international financial institutions. Involvement in power-sector investment has been much less successful and although a number of companies are pursuing opportunities, they do so in the face of an uncertain regulatory environment.

Action Plan

The Canada-based National Electricity Roundtable has identified China as a priority market, and government and private-sector participants will continue to meet regularly to identify areas of concern.

N. Transport

Opportunities in this sector fall into two broad categories:

i. Surface Transportation; and
ii. Aviation.

i. Surface Transportation

Business Environment

China's existing transport system comprises about 1 060 000 km of roads, 110 000 km of inland waterways and 54 000 km of railways. The country operates more than 460 ports along its 18 000-km coastline, 16 of which handle the bulk of the nation's foreign trade.

China's rapidly growing economy risks being held back by an overburdened transportation system. China is emerging as the fastest-growing infrastructure market in the world, presenting considerable opportunities for Canadian engineers, suppliers and investors. By the year 2000, China is expected to invest US$111 billion on transport infrastructure, making it one of the fastest-growing infrastructure markets in the world and providing tremendous opportunities for Canadian engineers, suppliers and investors.

The Chinese government's automotive development policy under its Ninth Five-Year Plan (1996-2000) aims to make the automotive industry a pillar of industrial development. Accordingly, the State Planning Committee has planned significant investment for both the automotive assembly and the parts industries. The total planned investment is $18 billion, more than four times the amount of investment under the previous Five-Year Plan. In addition, the investment ratio between the assembly and the parts industry has been modified to ensure that the parts industry now receives half of the total investment. Until recently, China's automotive investment policy placed more emphasis on assembly development.

China has one of the lowest vehicle distribution rates in Asia, with roughly one vehicle per 207 persons, and one passenger car per 2000 persons. Given China's rapid economic growth and the expansion of the middle class, this ratio is expected to increase rapidly. Latest projections are that if only 1 per cent of the population aged 30-59 fell within the wealthy class, the total demand could reach 7 million vehicles by the year 2000. Chinese automotive production is expected to grow by 9 per cent annually to 1.2 million units by the year 2000 and 4 million units by the year 2010.

China's current rail modernization program is one of the most ambitious in the world. By the year 2000, the rail network will be expanded from 54 000 km to approximately 70 000 km. Several key centres are preparing plans for subway or light rail urban transit systems: Beijing, Shanghai, Guangzhou and other larger cities, depending on the availability of investment financing.

Total spending on highway development by the year 2000 is expected to amount to more than US$50 billion. As local governments hold more direct control over highway development than over any other subsector of transportation, there is greater scope for smaller, packaged projects.

China's ocean-going fleet, which weighs 20 million dead-weight tonnes, ranks eighth in the world and is growing at an unprecedented pace. Numerous port and harbour projects are planned to keep up with growing trade volumes.

Significant infrastructure development in Hong Kong is part of a strategic expansion plan for the next century. Important freight and passenger rail projects are planned. The soon to be completed Chek Lap Kok airport and related infrastructure projects on Lantau Island require the construction of several high-capacity bridges, roads and a rail line to connect the airport to Hong Kong Island. Major long-term transportation development projects include the Western Corridor expansion by the Kowloon-Canton Railway Corporation (KCRC). The demand for rolling stock and railway signalling and communication equipment is also growing.

Market Opportunities

Serious transportation bottlenecks have made infrastructure a policy issue for governments and for multilateral institutions such as the World Bank and the Asian Development Bank.

The majority of the Chinese automotive parts industry is plagued by inefficiency and outdated technology. The Chinese government has adopted a policy of encouraging business co-operation with foreign parts manufacturers. Sixty kinds of parts were selected for which technology could be imported or jointly developed under foreign technology transfer. Canadian parts manufacturers have good process technology and engineering capabilities. With many of their major customers, including Ford, Chrysler and General Motors, already operating or planning to operate in China, business opportunities for Canadian parts suppliers are positive.

The build-operate-transfer (BOT) model, a three-pronged approach that redefines the roles between the public and private sectors, has proved a suitable form of project delivery for capital-intensive infrastructure with a long-term delivery requirement. Chinese authorities are examining closely the BOT model, and regulations and guidelines are expected that will allow this mode of investment for highways and bridges.

The potential for further involvement in transport infrastructure projects is substantial. Firms will have to be flexible, adaptable and innovative in applying their experience and techniques to the Chinese market. Proposals need to be focussed in order to minimize financial risk and ensure optimal assessment.

An important point of access into the Chinese infrastructure development market is through Hong Kong-based developers and merchant banks. As the area's foremost financial and information hub, Hong Kong can provide early signals of emerging opportunities and significant financial and networking resources.

Large Canadian companies are already active in China. Smaller companies with unique capabilities can improve their profile in China by participating in consortia and forming strategic alliances.

Constraints

Financing the sale of products and services is often a significant hurdle, and exporters are often required to provide financing or investment as part of the transaction.

Whereas in other parts of the world it is possible to enter markets as a specialist contractor, a virtual prerequisite in China is to be part of a total project delivery package. For example, engineering services, which are traditionally undervalued in China, need to be packaged into a larger transaction. The ability of a company, joint venture or consortium to deliver a complete package, including design, construction, financing, operation and maintenance, is particularly attractive in China.

The automotive market remains protected by high import tariffs and trade-related investment measures designed to encourage domestic production of vehicles and parts.

Action Plan

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

- develop industry-government teams targeted to specific market opportunities. Airport Team Canada and Rail Team Canada attracted favourable responses for their combination of technical strength and public profile in support of commercial efforts;
- gather market intelligence, and to advocate and introduce Canadian ground transport firms in pursuit of procurement business (including providers of engineering and other services and suppliers of signalling equipment and rolling stock), to the KCRC/MTRC (Mass Transit Railway Corporation) railway corporations in Hong Kong and to the Airport Authority;
- gather market intelligence on emerging opportunities in the automotive parts industry and provide information on the market potential for specialty vehicles and related opportunities for sales of parts and servicing equipment;
- support Canadian engineering firms with offices in the region and an interest in road, highway and other projects related to infrastructure expansion in Hong Kong and Macau;
- assist Canadian companies in finding local representatives, agents and joint-venture partners;
- develop and facilitate access to investors, developers and merchant banks, conveying the benefits of Canadian technology and services;
- target projects planned or funded by the World Bank and Asian Development Bank, encourage Canadian companies to follow the project planning pipeline though bank headquarters, and follow up in the marketplace with project managers;

- increase Chinese knowledge of Canadian capability in the transportation sector through support for missions, seminars and trade fairs; and

- establish and develop contacts with local government officials and project managers, and ensure that early notification of emerging opportunities is communicated to Canadian suppliers.

ii. Aviation

Business Environment

China is now ranked 12th in the world aviation market, up markedly from 37th in 1978. Passenger freight increased by an average annual rate of 19 per cent between 1980 and 1993 and is forecast to double again between 1996 and 2000. China's aircraft manufacturing capability, both military and civilian, has steadily improved in the last few years and a strong aeronautic sub-components manufacturing capability is emerging to supply many Western manufacturers. Aircraft and major parts procurement, ground-based safety and monitoring equipment, and air-traffic control systems will be upgraded or developed to keep pace with China's rapidly expanding aviation sector.

To support this expansion, China has ambitious plans to build or upgrade many airports over the next 10 years. The three major international gateway hubs, Beijing, Shanghai and Guangzhou, will be upgraded. Beijing Capital Airport is undergoing a major expansion, and large new airport projects are planned or under way in Guangzhou and Shanghai Pudong.

Chinese authorities have placed a high priority on human resource development. Training, to support the development of safe, efficient and profitable airlines and airports, is an emerging potential market.

Hong Kong and Macau are important markets for corporate and regional jets and helicopters. These centres likely will serve as springboards for these products into the rest of China as that market emerges.

Defence and aerospace and some transportation exports, among others, may require export permits from the Department of Foreign Affairs and International Trade; early inquiries are encouraged.

Market Opportunities

Demand is growing for airport equipment, both airside and groundside. Requirements include equipment for terminal buildings, air-traffic control systems, radar, lighting, baggage handling, security and/or safety equipment, specialized vehicles and flight display systems.

Aviation maintenance for the growing fleet of Western aircraft is an important subsector. Canadian companies may offer specialized repair and testing equipment to existing facilities, or investigate a partnership for local development of equipment or services in this area.

Training has been recognized by authorities as critical to the future of Chinese aviation. Opportunities for co-operation exist in the areas of management and technical training, and in training related to safety and regulatory issues.

Large Canadian companies are already active in China. Smaller companies with specific expertise in niche areas can improve their profiles in China by subcontracting to larger companies, by participating in consortia and/or by forming strategic alliances.

Constraints

Financing is a serious constraint on development in the aviation sector, particularly for more remote or less economically developed centres of operation. Although Chinese authorities promote foreign investment in this sector, laws currently limit foreign ownership to 35 per cent of airlines and 49 per cent of airport operations.

Most competition in this sector is from firms in the United States and Western Europe, which have more flexible government support programs, particularly for financing.

Action Plan

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

- increase Chinese knowledge and awareness of Canadian aviation through missions, trade fairs and seminars;
- work closely with the Canadian industry to build teams that can target specific projects or market opportunities. Airport Team Canada is an example of these types of collaborative efforts;
- build on the successful 1996 visit of Airport Team Canada to pursue airport development design and planning, equipment design and management of projects in China;
- establish and maintain key contacts at the local government level, conveying the value of Canadian technology and expertise;
- build on the valuable contacts established through the bilateral transportation training programs of the Canadian International Development Agency, by identifying channels for appropriate follow-up;
- encourage and support the development of commercial projects and linkages under the memorandum of understanding between Transport Canada and the General Administration of Civil Aviation of China; and
- gather, assess and disseminate market information and intelligence on particular developments and business leads in high-growth aviation centres such as the Pearl River Delta.

5. CONTACTS
(Rev. January '97)

CANADIAN GOVERNMENT DEPARTMENTS AND SERVICES IN CHINA

The Commercial and Economic Section of the Canadian Embassy in Beijing, the Consulates in Shanghai and Guangzhou and the Commission in Hong Kong can provide vital assistance to export-ready Canadian companies venturing into the China or Hong Kong markets. Trade Commissioners are well informed about the market and can provide invaluable support for a Canadian firm's presence in China.

Interested potential exporters are encouraged to provide Trade Commissioners with appropriate information on their product, pricing and company. Details of any travel plans to China should be provided well in advance.

Trade Commissioners supply a range of services, including:

- introductions to potential customers in China;
- advice on marketing channels;
- assistance for participation in trade fairs;
- identifying suitable Chinese firms to act as agents; and
- compiling strategic business intelligence on potential foreign customers.

Beijing

Canadian Embassy
19 Dongzhimenwai Street
Chaoyang District
Beijing 100600, People's Republic of China
Tel: (86-10) 6532-3536
Fax: (86-10) 6532-4072

Territory: Municipalities of Beijing and Tianjin; Provinces/Regions of Gansu, Guizhou, Hebei, Heilongjiang, Henan, Hubei, Hunan, Jilin, Liaoning, Nei Monggol (Inner Mongolia), Ningxia, Qinghai, Shaanxi, Shandong, Shanxi, Sichuan, Xinjiang, Xizang (Tibet) and Yunnan.

Shanghai

Canadian Consulate General
West Tower, Suite 604
American International Centre at Shanghai Centre
1376 Nanjing Xi Lu
Shanghai 200040, People's Republic of China
Tel: (86-21) 6279-8400
Fax: (86-21) 6279-8401

Territory: Municipality of Shanghai and Provinces of Jiangsu, Zhejiang, Anhui and Jiangxi.

Guangzhou

Consulate of Canada
Room 801
China Hotel Office Tower
Liu Hua Road
Guangzhou, 510015 People's Republic of China
Tel: (86-20) 8666-0569
Fax: (86-20) 8667-2401

Territory: Province of Guangdong.

Hong Kong

Commission for Canada
13th Floor, Tower 1
Exchange Square
8 Connaught Place
Hong Kong, Hong Kong
Mailing: G.P.O. 11142

Tel: (852) 2810-4321
Fax: (852) 2810-6736
E-mail: td.hkong@hkong02.x400.gc.ca
Internet: http://www.canada.org.hk

Territory: Hong Kong, Macau and Southern Chinese provinces of Fujian, Guangdong, Hainan and Guangxi.

CANADIAN GOVERNMENT DEPARTMENTS AND SERVICES IN CANADA

Department of Foreign Affairs and International Trade (DFAIT)

DFAIT is the Canadian federal government department responsible for trade development abroad. DFAIT's InfoCentre should be the first contact point for information on export markets. It provides literature on export-related programs and services, acts as an entry point to DFAIT's trade information network and can provide copies of specialized export publications and market information to interested companies.

InfoCentre
Tel: 1-800-267-8376 or (613) 944-4000
Fax: (613) 996-9709
FaxLink: (613) 944-4500
Internet: www.dfait-maeci.gc.ca

DFAIT's China Division is responsible for the overall co-ordination of relations with China. As part of this mandate, the Division, in concert with the posts in China and other stakeholders, is responsible for co-ordinating the development and implementation of a trade strategy for China and for ensuring Canada's policy towards China takes full account of commercial interests.

China Division (PRC)
Department of Foreign Affairs and International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario
K1A 0G2
Tel: (613) 996-0905
Fax: (613) 943-1068

Program for Export Market Development (PEMD)

The objective of PEMD is to increase export sales of Canadian goods and services by sharing the costs of activities that companies normally could not or would not undertake alone, thereby reducing risks involved in entering a foreign market.

Through a partnership-like relationship between government and business, the program encourages a long-term focus on target markets with built-in flexibility to respond to changing market conditions.

The PEMD program consists of four major elements:

- market development strategies;
- new-to-exporting companies;
- capital projects bidding; and
- trade association activities.

The PEMD partnership with Canadian business is an investment in a company's commitment to develop international export markets. It is not a grant, loan or entitlement, but rather a repayable contribution. Repayment of the contribution is based on incremental sales made by the recipient company or contracts obtained.

PEMD is managed by the Export Programs Division of DFAIT, and jointly administered with Industry Canada, through the regional International Trade Centres (see ITC contact information). In Quebec, the regional offices of the Federal Office of Regional Development (Quebec) assist with the delivery of the program.

World Information Network (WIN) Exports Database

WIN Exports is a computer database of Canadian exporters and their capabilities the equivalent of having an endless supply of a company's marketing brochures available to the 1200 Canadian trade officials abroad.

Upon registration, a company will be asked to complete a detailed questionnaire, providing an opportunity to expand on the company's export experience and interests. The completed profile becomes the source of information used to promote the company to potential buyers and prospective partners around the world.

WIN Exports
Department of Foreign Affairs and International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Tel: 1-800-551-4946 or (613) 944-4946
Fax: 1-800-667-3802

International Business Opportunities Centre (IBOC)

IBOC has been established jointly by DFAIT and Industry Canada to match business leads provided by Trade Commissioners abroad with business interests of capable Canadian firms, particularly small and medium-sized enterprises.

The Centre uses electronic databases such as DFAIT's WIN Exports and Industry Canada's Canadian Company Capabilities, to search out and engage Canadian firms. Canadian companies are then contacted by the IBOC to determine which are interested in and capable of responding to specific business leads. Those Canadian companies that indicate an interest will be asked to contact the foreign buyers either directly or through the Trade Commissioner who originated the business lead.

To receive these benefits, companies may register with the WIN Exports database at the nearest Canada Business Service Centre (see page 57).

International Business Opportunities Centre (IBOC)
Department of Foreign Affairs and International Trade
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Tel: (613) 944-6000
Fax: (613) 996-2635

Canada's International Business Strategy (CIBS)

DFAIT together with other government departments, the provinces and territories and business are partners in the annual Canada's International Business Strategy (CIBS) process. CIBS includes:

- an overview of promising business opportunities worldwide;
- a discussion of emerging trends and challenges in major market areas; and
- global business strategies for Canada's key business sectors, including a summary of industry capabilities, the international market outlook and planned activities.

Representatives from both levels of government and the private sector participate in National Sector Teams, which play a lead role in developing and updating sector strategies, and in reviewing and approving activities in support of these strategies.

All planned activities are added to the CIBS Compendium, a list of current international business development activities kept up to date by co-ordinators in federal departments and in the provinces and territories. The CIBS Compendium is available only on the Internet at the following address:

http://www.dfait-maeci.gc.ca/english/trade/cibs/english/

International Trade Centres (ITCs)

DFAIT and Industry Canada have established International Trade Centres (ITCs) across Canada to provide services to Canadian firms that are export-ready or currently involved in international business. ITCs offer a range of international business development services such as:

- export counselling;
- information on international markets;
- recruiting for trade fairs and missions;
- information on joint ventures and technology transfer opportunities;
- access to export programs and services, e.g. PEMD;
- registration in WIN Exports; and
- recommend trade-related conferences and seminars.

Newfoundland
International Trade Centre
P.O. Box 8950
Atlantic Place
215 Water Street
Suite 504
St. John's, Newfoundland
A1B 3R9
Tel: (709) 772-5511
Fax: (709) 772-2373

Prince Edward Island
International Trade Centre
P.O. Box 1115
75 Fitzroy Street
Charlottetown, Prince Edward Island
C1A 7M8
Tel: (902) 566-7443
Fax: (902) 566-7450

Nova Scotia
International Trade Centre
P.O. Box 940, Station M
1801 Hollis Street, 5th Floor
Halifax, Nova Scotia
B3J 2V9
Tel: (902) 426-7540
Fax: (902) 426-2624

New Brunswick
International Trade Centre
P.O. Box 1210
1045 Main Street, Unit 103
Moncton, New Brunswick
E1C 1H1
Tel: (506) 851-6452
Fax: (506) 851-6429

Quebec
International Trade Centre
5, Place Ville-Marie
7th Floor
Montreal, Quebec
H3B 2G2
Tel: (514) 283-6328
Fax: (514) 283-8794

Ontario
International Trade Centre
Dominion Public Building
4th Floor
One Front Street West
Toronto, Ontario
M5J 1A4
Tel: (416) 973-5053
Fax: (416) 973-8161

Manitoba
International Trade Centre
P.O. Box 981
400 St. Mary Avenue
4th Floor
Winnipeg, Manitoba
R3C 4KS
Tel: (204) 983-4540
Fax: (204) 983-3187

Saskatchewan
International Trade Centre
Princeton Tower, 7th Floor
123 - 2nd Avenue South
Saskatoon, Saskatchewan
S7K 5X2
Tel: (306) 975-5315
Fax: (306) 975-5334

International Trade Centre
P.O. Box 3750
2nd Floor
1919 Saskatchewan Drive
Regina, Saskatchewan
S4P 3N8
Tel: (306) 780-6326
Fax: (306) 780-8797

Alberta (resp. for NWT)
International Trade Centre
Canada Place, Suite 540
9700 Jasper Avenue
Edmonton, Alberta
T5J 4C3
Tel: (403) 495-2944
Fax: (403) 495-4507

International Trade Centre
Suite 400
639 - 5th Avenue S.W.
Calgary, Alberta
T2P 0M9
Tel: (403) 292-4509
Fax: (403) 292-4778

British Columbia
International Trade Centre
P.O. Box 11610
300 West Georgia Street
Suite 2000
Vancouver, British Columbia
V6B 6E1
Tel: (604) 666-0434
Fax: (604) 666-0954

Canada Business Service Centre Network

The network, made up of Canada Business Service Centres (CBSCs) in each province, has been created to provide small businesses with a single access point for information on federal and provincial government programs, services and regulations related to business.

Each CBSC offers a combination of products and services tailored to the needs of its distinctive client base, including:

- a toll-free telephone information and referral service;
- the Business Information System, a comprehensive database of information on the services and programs of participating federal and provincial departments and private-sector organizations;
- a FaxBack system;
- pathfinders, which briefly describe the services and programs available by topic (e.g. exporting); and
- leading-edge business products, which could include videos, publications, business directories, how-to manuals, CD-ROM products, and external database access.

Newfoundland
Canada Business Service Centre
Tel: (709) 772-6022 or
1-800-668-1010
Fax: (709) 772-6090
FaxBack: (709) 772-6030

Prince Edward Island
Canada/PEI Business Service Centre
Tel: (902) 368-0771 or
1-800-668-1010
Fax: (902) 566-7098
FaxBack: (902) 368-0776 or
1-800-401-3201

Nova Scotia
Canada/Nova Scotia Business Centre
Tel: (902) 426-8604 or
1-800-668-1010
Fax: (902) 426-6530
FaxBack: (902) 426-3201 or
1-800-401-3201

New Brunswick
Canada/New Brunswick Business Service Centre
Tel: (506) 444-6140 or
1-800-668-1010
Fax: (506) 444-6172
FaxBack: (506) 444-6169 or
1-800-401-3201

Quebec
Info entrepreneurs
Tel: (514) 496-4636 or
1-800-322-4636
Fax: (514) 496-5934
Info-Fax: (514) 496-4010 or
1-800-322-4010

Ontario
Canada/Ontario Business Service Call Centre
Tel: (416) 954-4636 or
1-800-567-2345
Fax: (416) 954-8597
FaxBack: (416) 954-8555 or
1-800-240-4192

Manitoba
Canada Business Service Centre
Tel: (204) 984-2272 or
1-800-665-2019
Fax: (204) 983-3852
FaxBack: (204) 984-5527 or
1-800-665-9386

Saskatchewan
Canada/Saskatchewan Business Service Centre
Tel: (306) 956-2323 or
1-800-667-4374
Fax: (306) 956-2328
FaxBack: (306) 956-2310 or
1-800-667-9433

Alberta
Canada Link Business Service Centre
Tel: (403) 422-7722 or
1-800-272-9675
Fax: (403) 422-0040
FaxBack: (403) 427-7971 or
1-800-563-9926

Northwest Territories
Canada/NWT Business Service Centre
Tel: (403) 873-7958 or
1-800-661-0756
Fax: (403) 873-0101
FaxBack: (403) 873-0675 or
1-800-661-0825

British Columbia (resp. for Yukon)
Canada/British Columbia Business Service Centre
Tel: (604) 775-5525 or
1-800-667-2272
Fax: (604) 775-5520
FaxBack: (604) 775-5515

Canadian International Development Agency Industrial Co-operation Program (CIDA/INC)

An important possible source of financing for Canadian ventures in China is the special fund available through CIDA under the Industrial Co-operation Program (CIDA/INC). This program provides financial contributions to stimulate Canadian private-sector involvement in developing countries by supporting long-term business relationships such as joint ventures and licensing arrangements.

CIDA/INC supports the development of linkages with the private sector in China by encouraging Canadian enterprises to share their skills and experiences with partners in China and other countries. A series of CIDA/INC mechanisms help enterprises establish mutually beneficial collaborative arrangements for the transfer of technology and the creation of employment in China.

There are five CIDA/INC mechanisms that help eligible Canadian firms to conduct studies and that provide professional guidance and advice to potential clients. INC can help firms to conduct preliminary evaluations of their projects and it can share the costs of activities, such as training or technology transfer.

Where a project involves environmental improvement, technology transfer, development assistance to women, job training or job creation, early contact with CIDA's Industrial Co-operation Division is recommended.

Industrial Co-operation Division
Canadian International Development Agency
200 Promenade du Portage
Hull, Quebec
K1A 0G4
Tel: (819) 953-5444
Fax: (819) 953-5024
Internet: www.acdi-cida.gc.ca

Export Development Corporation (EDC)

EDC is a customer-driven, financial services corporation dedicated to helping Canadian businesses succeed in the global marketplace. EDC provides a wide range of risk management services, including insurance, financing and guarantees to Canadian exporters and their customers around the world.

EDC's products fall into four main categories:

- export credit insurance, covering short- and medium-term credits;
- performance-related guarantees and insurance, providing coverage for exporters and financial institutions against calls in various performance bonds and obligations normally issued either by banks or surety companies;
- foreign investment insurance, providing political risk protection for Canadian investments abroad; and
- export financing, providing medium- and long-term export financing to foreign buyers of Canadian goods and services.

EDC has established relationships with leading institutions in China. Exporters can call (613) 598-3102 for more information.

Smaller exporters, with annual export sales under $1 million, should call the Emerging Exporter Team at 1-800-850-9626.

Ottawa
Export Development Corporation
151 O'Connor Street
Ottawa, Ontario
K1A 1K3
Tel: (613) 598-2500
Fax: (613) 237-2690

Calgary
Export Development Corporation
510-5th Street S.W.
Suite 1030
Calgary, Alberta
T2P 3S2
Tel: (403) 292-6898
Fax: (403) 292-6902

Vancouver
Export Development Corporation
One Bentall Centre
505 Burrard Street
Suite 1030
Vancouver, British Columbia
V7X 1M5
Tel: (604) 666-6234
Fax: (604) 666-7550

Winnipeg
Export Development Corporation
330 Portage Avenue
8th Floor
Winnipeg, Manitoba
R3C 0C4
Tel: (204) 983-5114
Fax: (204) 983-2187

Toronto
Export Development Corporation
National Bank Building
150 York Street
Suite 810
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel: (416) 973-6211
Fax: (416) 862-1267

London
Export Development Corporation
Talbot Centre
148 Fullarton Street
Suite 1512
London, Ontario
N6A 5P3
Tel: (519) 645-5828
Fax: (519) 645-5580

Montreal
Export Development Corporation
Tour de la Bourse
800 Victoria Square
Suite 4520
P.O. Box 124
Montreal, Quebec
H4Z 1C3
Tel: (514) 283-3013
Fax: (514) 878-9891

Halifax
Export Development Corporation
Purdy's Wharf, Tower 2
1969 Upper Water Street
Suite 1410
Halifax, Nova Scotia
B3J 3R7
Tel: (902) 429-0426
Fax: (902) 423-0881

Canadian Commercial Corporation (CCC)

The CCC, a crown corporation, provides Canadian exporters with valuable assistance when they are selling to foreign governments, or to international organizations. CCC acts as a prime contractor and a guarantor for the sale of Canadian goods and/or services to the foreign customer.

CCC certifies the Canadian exporter's financial, technical and managerial capabilities, guaranteeing the foreign buyer that the terms and conditions of the contract will be met. CCC's participation can enhance a Canadian suppliers' credibility and competitiveness, which can often lead to the negotiation of more advantageous contract and payment terms.

The Progress Payment Program, developed by CCC in co-operation with Canada's financial institutions makes pre-shipment export financing more accessible to small and medium-sized exporters. The program allows an exporter to draw on a special line of credit, established by his or her principal banker for a particular export sale. In most instances, the borrowing costs will approximate those associated with a typical demand line of credit. The program is available for transactions with foreign government and private sector buyers.

Canadian Commercial Corporation
50 O'Connor Street
11th Floor
Ottawa, Ontario
K1A 0S6
Tel: (613) 996-0034
Fax: (613) 995-2121

Forum For International Trade Training (FITT)

FITT is a non-profit organization established in 1992 to provide Canadians with training in international trade. FITT was established with the support of the federal government through Human Resource Development Canada, DFAIT, Industry Canada as well as provincial governments. Other founding partners include the Alliance of Manufacturers & Exporters Canada, the Canadian Chamber of Commerce, the Canadian Federation of Labour, the Canadian Importers Association, the Canadian Professional Logistics Institute, the Canadian Professional Sales Association and World Trade Centres Canada.

FITT's objective is to provide practical, current, skill-building training for people who are or expect to be involved in international trade and need to develop or enhance skills and knowledge. FITT training is designed, revised and delivered by experienced practitioners.

The FITTskills program is offered across Canada through universities, colleges, CEGEPs and private institutions. Consisting of eight modules of 45 hours duration each, FITTskills cover: marketing, trade finance, trade logistics, market entry and distribution, trade research, legal aspects of international trade, and trade management. Each module may be taken separately, however, successful completion of all eight courses leads to an internationally-recognized diploma.

FITT can provide customized workshops and seminars that take into account the particular characteristics and needs of individual sectors and subsectors of the Canadian economy in doing business internationally. These CustomFITT courses generally follow the one- or two-day format and can be delivered in-house for the client.

The Forum for International Trade Training
155 Queen Street, Suite 608
Ottawa, Ontario
K1P 6L1
Tel: (613) 230-3553
Fax: (613) 230-6808
E-mail: corp@fitt.ca
Internet: www.fitt.ca

BUSINESS ASSOCIATIONS

Canada-China Business Council (CCBC)

The CCBC is a private sector, non-profit membership organization incorporated in 1978 to facilitate and promote trade and investment between Canada and the People's Republic of China. It offers its members a package of business services, including introductory market studies, setting up meetings and the use of offices, work stations or "virtual offices" in Beijing. The CCBC also maintains, with DFAIT support, a website that offers up to date China business information, and links to other China-related sites.

The CCBC's mandate is:

- to stimulate and support trade in goods and services, investment and technology transfer;
- to achieve greater economic growth and closer relationships between Canada and China;
- to provide practical and focussed assistance to business; and
- to be the voice of the Canadian business community on matters of Canada-China relations, both to governments and to the public-at-large.

Web Site: http://www.ccbc.com

Head Office - Toronto
110 Yonge Street
Suite 802
Toronto, Ontario
M5C 1T4
Tel: (416) 954-3800
Fax: (416) 954-3806
e-mail:ccbc@istart.ca

Western Canada Office
Suite 2600
515 West Hastings Street
SFU at Harbour Centre
Vancouver, British Columbia
V6B 5K3
Tel: (604) 291-5190
Fax: (604) 291-5039

Beijing Office
CITIC Building
Suite 18-2
19 Jianguomenwai Street
Beijing, 100004
Tel: (86-10) 6512-6120 or
(86-10) 6500-2255,
Ext. 1820, 1821, 1822
E-mail: ccbc@chinaonline.com.cn.net

Shanghai Office
Flat 17E, 2nd Block
Jin Ming Building
8 Zun Yi Nan Lu
Shanghai, 200335
Tel: (86-21) 6270-1875
Fax: (86-21) 6219-3118
E-mail: ccbcsh@chinaonline.com.cn.net

Canadian Chamber of Commerce in Hong Kong (CCCHK)

The CCCHK is a networking organization for those interested in business ties in and with Hong Kong, China and Asia. It celebrates its 20th anniversary in 1997 and is the largest Canadian Chamber of Commerce outside of Canada, with some 900 members and four full-time staff. The CCCHK organizes frequent business-related events in Hong Kong and publishes *Canada Hong Kong Business*, a bi-monthly magazine.

Executive Director
The Canadian Chamber of Commerce in Hong Kong
Room 1602, Sin Hua Bank Building
2-8 Wellington Street
Central, Hong Kong
Tel: (852) 2845-1654
Fax: (852) 2526-3207
Internet: www.cancham.com.hk

The Conference Board of Canada

The Conference Board has more than 15 years experience in research and analysis on global business issues with a distinctly Canadian orientation. During that time, it has established a worldwide network of business and professional contacts, including China.

The Conference Board's products and services draw on the expertise of its international partners as well as the experience of Conference Board staff based in Canada. It has established an extensive network of many Chinese organizations and offers a range of services to help Canadian business understand how to operate effectively in the Chinese environment.

The Conference Board of Canada provides specialized subscription services offering research and analysis, networking, call-in request information service, counselling, custom research and training. One of these services, the China Connection, will be of special interest to companies with an interest in the China market.

Subscription to the China Connection includes:

- regular networking opportunities to share experiences on the challenges of working in China with other Canadian executives;
- an Executive Briefing on China;
- preferential access to training and other China-related services;
- special reports and presentations;
- ongoing support through counselling and information exchange;
- all Conference Board research reports and briefings on China-related topics.

The Conference Board of Canada
255 Smyth Road
Ottawa, Ontario
K1H 8M7
Tel: (613) 526-3280
Fax: (613) 526-5385
E-mail: warren@conferenceboard.ca

The Hong Kong-Canada Business Association (HKCBA)

The Hong Kong-Canada Business Association was formed in 1984 to encourage and promote trade and investment between Canada and Hong Kong across a broad range of industries and events. The central objective of the Association is to bring together interested parties to promote and facilitate trade between Canada, the Hong Kong region and China. Distinguished as the largest bilateral trade association in Canada, the HKCBA has over 3000 members, with 10 HKCBA sections across the country.

The HKCBA maintains close ties with the Hong Kong Economic and Trade Office, the Hong Kong Trade Development Council, the Hong Kong Tourist Association, the Canadian Chamber of

Commerce in Hong Kong, the Canadian Commission in Hong Kong and the Department of Foreign Affairs and International Trade in Canada.

Hong Kong-Canada Business Association
9 Temperance Street, 2nd Floor
Toronto, Ontario
M5H 1Y6
Tel: (416) 368-8277
Fax: (416) 368-4321

6. QUESTIONNAIRE

Please help us to serve you better

Your input is essential to improve the China and Hong Kong Trade Action Plan. To ensure that it better meets the needs of Canadian companies and continues to provide the most current information possible, please take the time to complete the attached questionnaire and return it to:

China Division
Department of Foreign Affairs and International Trade
125 Sussex Drive
Ottawa, Ontario
K1A OG2
Attention: Deputy Director (Trade)

Tel: (613) 996-0905
Fax: (613) 943-1068

1. What product or service does your company export?

____

____

2. a) Have you used Canada's Trade Commissioner Service, or other government export assistance programs, in your endeavours in the China and/or Hong Kong market?

____

b) If so, which ones?

____

3. a) What is your assessment of the service you received?

____

b) Did it meet your needs?

c) Was service promptly and courteously provided?

4. How could the service provided to you be improved?

5. Keeping in mind that the Action Plan operates within limited resources, what additional products or services would you like to see?

6. Do you have any other comments or suggestions regarding our services?

7. Please describe any specific successes or problems you encountered in entering the China and Hong Kong market. Did/could the services provided by the federal government assist you in these cases?

8. How long has the China and Hong Kong market been a target market in your firm's business plan?

9. May we contact you to discuss this evaluation? If so, please include your name, address and telephone number.

7. MAP OF CHINA AND HONG KONG