APRIL 2015

Blaney McMurtry
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International Business Bulletin

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This newsletter is designed to highlight new issues of importance in international trade and business related law. We hope you will find it interesting and welcome your comments.

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"The new 10-year visas are another sign of the continued strengthening of the two countries' relationship."

NEW 10-YEAR CHINESE VISAS REFLECT EXPANDING OPPORTUNITIES FOR CANADA

Patrick Gervais

This article was originally published by The Law Times on April 6, 2015.

A reciprocal agreement between China and Canada on long-term multiple entry visas of up to 10 years took effect on March 9. This is a welcome change for Canadians who in the past had to deal with a cumbersome and lengthy visa application process for visits to China.

The new 10-year visas are another sign of the continued strengthening of the two countries' relationship. The new visas are valid for up to 10 years subject to the visa holder's passport expiration date and allows for stays of up to 180 days per year in the visiting country.

Canadian proponents of the new 10-year visas tout that applicants will benefit from reduced costs, red tape, and time spent on visa applications. They will also benefit Canadian businesses sending employees to China as well as the flow of tourists to the country. Chinese-born Canadians, numbering 1.5 million, and Chinese foreign students, numbering 100,000, will also benefit from greater mobility between their homeland and Canada.

Prior to the new visa, Canadians visiting China had to apply for one-year single- or multiple-entry visas. The process was often lengthy and cumbersome, especially for those living in cities where there was no Chinese consulate.

Since 2013, the Chinese government has also granted visa-free entry to Canadians upon landing for stays of up to 72 hours in the main Chinese travel hubs. Some of the requirements include not leaving the province or city of entry and providing evidence of a departure flight from the same Chinese city to a destination in a third country (a country other than the country of origin or China). For example, the 72-hour visa exemption couldn't apply to a short stay in China for a passenger coming from and returning to Canada.

All told, the new 10-year multiple-entry visa and the 72-hour visa-free entry are testaments to the continued growth in personal and business connections between the two countries. The easier flow of people in conjunction with the ongoing negotiation of trade agreements will continue to reduce the number of barriers between the two countries.

Trade agreements between both countries are also facilitating the flow of investment between Canada and China. On October 1, 2014, the Foreign Investment Promotion and Protection Agreement between Canada and China came into force, establishing investment rules between the two countries. Key aspects of the agreement include non-discriminatory government treatment for investments made by Canadian investors in China and vice versa; a defined dispute resolution mechanism; and protection measures for damages suffered by investors in each respective market. Government officials in

"The Canadian clearing house now allows the direct conversion of Canadian dollars into renminbi without having to first convert into U.S. dollars."

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both countries tout the agreement as providing certainty and predictability for investors in each country.

Negotiations also continue on the 12-member Trans-Pacific Partnership that could eventually include China. And as the shift towards Asian economies continues to grow, think-tanks and businesses are asking for a bilateral free-trade agreement between Canada and China in order to remain competitive with our peers. Australia recently concluded negotiations with China on a free-trade agreement that the countries are now preparing to sign.

The visa reforms and trade agreements reflect a much more visible shift in focus by policy-makers. The federal government recently opened additional trade offices in China, bringing the total number to 15 with 100 trade commissioners. Air traffic is also increasing with additional flights and a long-awaited new flight between Montreal and Beijing announced for the first half of 2015.

All of these changes demonstrate the ongoing shift in focus by policy-makers and the growing opportunities for Canadians who expand their networks to China. ■

CANADIAN RENMINBI TRADING HUB AMONG LATEST MOVES TO BOOST ACCESS TO CHINA

Patrick Gervais

This articles was originally published by The Law Times on April 27, 2015.

The Bank of Montreal completed the first-ever renminbi trade in North America in the new yuan clearing house last month in Toronto. The Canadian clearing house now allows the direct conversion of Canadian dollars into renminbi without having to first convert into U.S. dollars.

The trading hub officially opened contemporaneously with the publication of a survey by HSBC showing that Canadian companies are the second least likely to use the renminbi for their trade settlements with mainland China. Only three per cent of Canadian business have concluded renminbi-denominated trades compared with a rate of 17 per cent globally and 10 per cent in the United States. Countries in Asia continue to drive much of the usage of renminbi even though it's now one of the world's five most-used currencies.

The opening of the renminbi trading hub in Toronto is another step towards greater access by Canadian companies to the Chinese market. Alongside the new 10-year visa officially announced earlier this year, the signing of the Canada and China Foreign Investment Promotion and Protection Agreement last year, and the ongoing negotiations for the Trans-Pacific Partnership agreement with neighbouring countries, the opening of the trading hub illustrates the Canadian government's focus on promoting trade with the world's second-largest economy and East Asia generally by facilitating the movement of funds, people, and goods.

The benefits of the renminbi trading hub to Canadian businesses include:

1. Price discounts from Chinese partners for transactions settled in Chinese currency: Another HSBC study found that 55 per cent of Chinese businesses said they would offer discounts of up to five per cent to foreign partners transacting in renminbi, making Canadian exports more competitive on the Chinese market.

"The advantage of the Canadian yuan trading hub will only last a few years as China continues to liberalize its financial system and allow more domestic business to access foreign currencies."

2. Reduced foreign exchange risk: Companies can now settle transactions in renminbi without having to convert to U.S. currency first, thus reducing for exchange risk linked to fluctuations in the U.S. dollar.
3. Increase in Chinese exports to Canada: Chinese products will benefit from reduced foreign exchange conversion fees and become more attractive to Canadian importers and consumers. The savings for Canadian companies importing goods from China are estimated at $6.2 billion over the next decade.
4. Increase in Canadian exports to China: The Canadian Chamber of Commerce estimates exports will grow by $32 billion within the next 10 years as a result of renminbi-denominated trades.
5. Opportunities for the financial industry in Canada: As the only trading hub in the Americas for now, the Canadian financial industry can benefit from first mover-advantage to target clients who want to effect trades in renminbi.

The advantage of the Canadian yuan trading hub will only last a few years as China continues to liberalize its financial system and allows more domestic business to access foreign currencies. Canadian businesses should use this new advantage to continue building links with Chinese partners to fully utilize their first-mover advantage of settling transactions in renminbi.

All told, the past year has seen significant beneficial policies implemented to facilitate access to the Chinese market by Canadian businesses. Canadian businesses should use these new tools to their advantage to grow their presence in the Chinese market and gain a foothold in this growing economy. ■

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