

The Seventh Five-Year Plan (1986 to 1990) stresses that a slow-down in economic growth will occur gradually during 1986 and 1987, but State investment for capital construction will remain at about 1985 levels for 1986 and 1987. China's investment priorities for energy, transport and communications in the near and intermediate term were confirmed in Premier Zhao Ziyang's presentation of the Seventh Five-Year Plan (1986 to 1990) at the National People's Congress in March 1986. It is evident that China is continuing to import equipment and services required to eliminate infrastructure bottlenecks, particularly in the power sector.

The emphasis during the coming years will be on consolidation rather than innovation. The main thrust of reform will continue, however, with emphasis on endowing enterprises with greater decision-making power, closing the gap between planned prices and market prices and establishing a more regulation oriented macro-economic management system. In the medium term, of far more importance to China's leaders than impressive economic performance, will be the successful consolidation of these structural reforms which, it is hoped, will guarantee stable economic growth into the next century. This in turn is dependent upon the ability of the top leadership to forge a broad consensus on the ideological and technical questions raised by China's ambitious drive towards modernization.

Acquisition of foreign technology has consistently been an important part of investment planning since China's initial opening of its market to Japan and western economies in the 1970's. In recent years China has shown increasing willingness to import capital goods and raw or semi-finished materials. At the same time the Chinese authorities emphasize the need for joint ventures and technology transfer to help upgrade Chinese industrial capabilities. These two themes - willingness to import essential capital goods plus insistence on technology transfer - present very important opportunities and challenges to potential exporters from Canada as China transforms itself into a major economic power.

2.1.1 Foreign Trade

China's balance of trade has fluctuated in recent years, being in overall surplus from 1981 through 1983, peaking at US\$ 6 billion in 1982. Imports soared in 1985, while exports increased modestly, resulting in a visible trade deficit of US\$ 9.7 billions for 1985, as shown in Figure 2. This was offset by invisibles and repayment of loans so that official data indicate a net decrease in foreign exchange reserves for 1985 of US\$ 4.1 billion.

China's net commodity trade exports with its major trading partners from 1976 through 1985 are summarized in Table 2.2, and its performance in selected import and export categories from 1981 through 1985 is illustrated in Figures 3 and 4.

As is evident for Figure 3, electrical machinery has represented over the years 1981 through 1985 the second largest category of imports (after iron and steel). The total tonnage of grain imports and, of particular interest to Canada, wheat, had declined by 1985 to levels approximately one-third of those of 1981 and 1982, while grain exports, as illustrated in Figure 4, have risen dramatically over the same period.