

5 Sectors



AGRICULTURE, FOOD PRODUCTS, FISHERIES AND RELATED SECTORS

Business Environment

China faces an enormous challenge to feed its growing population. Within its borders, China is home to 22 percent of the world's population, but only 7 percent of the world's arable land. High-intensity, low-productivity agriculture is widely practised, with 70 percent of the population still engaged in agriculture and food production. Rapid growth in personal incomes is generating quantitative and qualitative shifts in demand for foods.

China's desire for food self-sufficiency requires a 6-percent increase in production of total grains to 500 million tonnes by the year 2000. Despite record harvests in 1995 and 1996, that goal is ambitious. The Ninth Five Year Plan acknowledges that improved diets containing greater variety and higher protein content require newer technology and higher productivity. Even so, little in the way of investment or incentives has been committed toward meeting these goals. Hong Kong's tourism and hospitality industries import relatively large amounts of containerized processed foods. The re-export and retail trade are also important sales channels.

The solutions to China's food challenges encompass a wide range of sustainable development issues, such as:

- the growing disparity between urban and rural incomes;
- the need to maintain social stability;
- the need to improve job opportunities in rural areas while making significant improvements in productivity; and
- the desire of vocal urban residents for continued low food prices.

Constraints

Doing business in China's agricultural sector is difficult for all Canadian companies, but achievable for some. Institutional challenges are created by a number of factors, including a lack of transparency in business matters; poorly developed credit and payments mechanisms requiring extensive supplier credits; and high tariffs and non-tariff barriers. The legal system is only beginning to take shape, particularly in the areas of contracts and land tenure.

Despite well-publicized reductions in 1996, China is still a high-tariff market that discourages imports while stimulating local manufacturing. Recent implementation of tariff rate quotas (TRQs) for many products of interest to Canadian exporters, such as wheat, barley and oilseeds, has added to the confusion.

Deficiencies in physical infrastructure are a serious impediment to exporting to China and to