

imports rose from 5.9 per cent to 15.4 per cent during the same period.²³ Between 1980 and 1992, China's total exports increased from US\$18 billion to approximately US\$86 billion. Imports climbed from US\$19.5 billion to US\$82 billion during this same period.²⁴ Since the late 1970s, China has run trade surpluses only in years following the implementation of austerity programs.

China trades more with Asia than with any other region (Asian APEC accounts for 70 per cent of China's total trade, while the Asian economies of North Asia account for 57 per cent). Hong Kong is China's most important trading partner, although much of it takes the form of entrepôt trade. Following Hong Kong, which typically takes over 40-45 per cent of China's exports, China's most important export markets were the U.S. and Japan.²⁵ The same three economies are the three top suppliers of China's imports. China's trade with Southeast Asian economies remains modest, despite improving political relations with those countries.

Despite China's efforts to date to reform and liberalize its trade regime, a multilayered system of trade restrictions still exists. China's import licensing system covers 53 broad categories, or about one-half of China's imports by value. A lack of transparency has also proved to be a formidable barrier. Many of China's trade rules and regulations have been unavailable to foreign firms. In late 1992, in response to a U.S. Section 301 investigation of China's import barriers, China committed to reducing many nontariff barriers by December 1997.²⁶ Such continuing reform is also a prerequisite to China's accession to the GATT/WTO, with these negotiations perhaps nearing their conclusion.

China can be expected to continue to introduce new policies to liberalize its investment regime to attract foreign capital. The current wave of foreign investment that China is enjoying is by far the largest that it has experienced. Most foreign investment in China has gone to coastal areas, primarily Guangdong province. Foreign firms increasingly are looking to invest inland, however, as they set up production and distribution facilities designed to service China's domestic markets rather than export destinations. The increased flows of FDI also include a component that is actually

²³ World Bank, World Tables, Washington, 1994.

²⁴ IMF, Direction of Trade Statistics, Washington, 1987/1993.

²⁵ IMF, Direction of Trade Statistics, Washington, 1993.

²⁶ Office of the U.S. Trade Representative, 1994 National Trade Estimate Report on Foreign Trade Barriers, Washington, 1994.