

Newsprint

In 1997, China introduced a new variable tariff on newsprint, with a steep inverse relationship to price and a base figure of US\$550/tonne. This tariff would impose tariffs at rates of anywhere from 3 percent (for high-priced imports) to 45 percent (for imports on the low end of the price scale). Such a variable rate is intended to compensate for loss of revenue from price fluctuations, and is a reaction to a dramatic drop in newsprint prices, which had led to imports being priced lower than domestically produced newsprint. China has agreed that once it joins the WTO, it will replace this variable tariff with a 15-percent tariff, which will fall to 5 percent over a phase-in period.

In June 1999, China rendered a final decision to impose anti-dumping duties on newsprint from Canada, the United States and the Republic of Korea. The duties range from 57 percent to 79 percent. Canada has raised concerns with the Chinese authorities that the provision for judicial review of dumping and injury rulings by China has not been incorporated into their 1997 Anti-dumping and Anti-subsidy Regulations.

Agricultural Tariff Rate Quotas

In 1997, China announced its intention to implement a TRQ system for a number of agricultural imports. Twenty percent of the value of Canada's exports to China in 1997 would have been affected by this new measure. Under the Canada-China agreement on WTO accession, only two Canadian priority exports will face TRQs:

- canola oil: The TRQ, which will be eliminated within six years, will start at 600,000 tonnes upon accession and will rise to 1.13 million tonnes in five years. Canola oil will face the same tariff level as its main competing oil, soybean oil. No TRQ will apply to canola seed.
- wheat: The TRQ is 7.3 million tonnes, rising to 9.3 million tonnes within four years.

It is particularly important to Canada that China's TRQ system operate in as open, transparent, efficient and predictable a manner as possible, so that it does not distort trade. Canada continues to work closely with China to ensure that the TRQ system does not disadvantage Canadian agricultural products.

Pork and Beef

In 1997, Canada signed beef and pork import protocols with China. It was expected that under these agreements, exports of Canadian pork and beef to China would commence; however, Canadian exports did not materialize under the protocols. In November 1999, China signed a ROU with Canada that sets out a clear timetable addressing these restrictions to trade.

Seed Potatoes

Canadian seed potatoes are currently banned from Chinese import. China completed a pest risk assessment for Canadian seed potatoes in 1999 and has agreed to work toward finalizing a phytosanitary protocol in 2000.

SERVICES

Although Canadian services providers have gained some access to limited areas of opportunity in the Chinese market, China continues to limit the operations of foreign services companies. Restrictions include: where firms may operate; how many foreign firms can operate in certain sectors; and licensing requirements that discriminate against foreign services firms. In the course of bilateral WTO accession negotiations, Canada succeeded in obtaining commitments to moderate or remove these restrictions once China is in the WTO, particularly for financial, telecommunications and professional-services sectors, all of which are sectors of Canadian expertise and offer great potential in China.

Investment

Canadian direct investment in China has shown a consistent increase in recent years, rising from \$257 million in 1994 to \$464 million in 1998. Canada continues to consider China a top priority for the negotiation of a FIPA, and discussions are ongoing. For the past six years, China has been the second-largest recipient of FDI in the world. The average size of new investments is steadily increasing, and the profile of the average investment is shifting from small family enterprises to more sophisticated operations of multinational companies.