

There are many reasons for this. One of them is a simple problem of clear communications between members of two very different cultures.

Another is red tape. China still has a huge bureaucracy, despite the efforts of the present government to make the system more efficient. As a result, developing a market in China involves investing a great deal of managerial time and considerable expenses.

A third reason is China's traditional reluctance to use large amounts of foreign commercial credits to finance imports. China would rather be a lender than a borrower, and when it does borrow it gets very good terms, often aid-trade financing.

Another source of disappointment is the unrealistic expectations of Canadian companies going into China for the first time. China does offer opportunities, but it is a market that takes time to develop, and the opportunities are specific rather than generalized. China has not opened all of its doors. There is still a high level of protectionism of local industry. China's priorities are import substitution and export promotion. It encourages investment and products that will help it reach those goals. This means that technology, capital equipment, joint ventures and raw materials get priority. There is little interest in much else.

Price competitiveness is also a serious problem in the China market. A hypothesis put to me has been that the relatively small size of our companies renders their products and services in many cases uncompetitive in price. There may be some validity to this reasoning but I think it's partly a cop-out. I wonder if a large part of the problem is not our pricing policies? Because of the perceived risks of dealing abroad, Canadian companies tend to add a range of contingency funds which in a country like China simply price them right out of the market. Some of our competitors, on the other hand, do just the reverse. They cut their prices, on the theory that every additional contract from abroad helps reduce their overhead costs. Maybe we should be sharpening our pencils, as well.

There is another factor in the equation of doing business with China. It might be called the uncertainty factor. The People's Republic has undergone abrupt changes in policy in its 35 years. There was the era of the Hundred Flowers, followed by the Great Leap Forward, followed by the Cultural Revolution, and now the period of modernization. What guarantee is there that this period of warming business relations will last?