Some facts

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accession to the WTO, DFAIT's China Division will be organizing a series of cross-Canada information sessions this winter and spring. For more information about these sessions or about doing business in China, e-mail the Division at: **pcm@dfait-maeci.gc.ca**

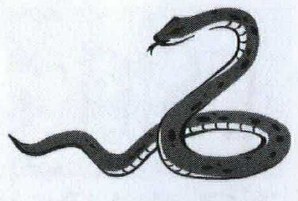
To obtain more detailed information about China's accession to the WTO, consult DFAIT's "Canada and China" Web site at **www.dfait-maeci.gc.ca/tna-nac/WTO-CC-e.asp**

The complete agreement on China's membership in the WTO is available there, along with a number of other documents.

Export facts: Financial services

China's services sector has been one of the most heavily regulated and protected. The completion of negotiations heralds dramatic changes.

China has agreed to open many important sectors to foreign investment. Geographic restrictions which currently exist in a number of key sectors (telecommunications, banking, insurance, and distribution) will be phased out over 5-6 years. In addition, regulatory procedures will be improved: licensing procedures and conditions will be published, regulatory authorities will be separated from service suppliers they regulate, and foreign service suppliers will be able to partner with any Chinese company of their choice.

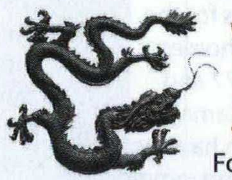


The Chinese year of the snake is ending ...

As an example, the financial services sector will face a number of important changes. Subsectors covered by the agreement include insurance, banking, and securities. Significant commitments relate to the form of establishment foreign companies can make in the financial services sector and the phase-out of geographic restrictions on the operations of foreign-invested companies.

How will foreign financial services companies be permitted to establish themselves?

Initially, insurance companies will be allowed to set up either joint ventures or branches, with a limitation on foreign ownership of 50% for life insurance and 51% for non-life insurance. Non-life insurers will be able to set up wholly foreign-owned subsidiaries by 2004. Foreign banks will be permitted to set up wholly-owned branches in China or joint ventures. Foreign securities companies will be allowed to set up joint ventures, with the permitted levels of foreign ownership rising to 49% by 2005.



Where will foreign financial services companies be permitted to provide services?

Foreign companies in the sector are currently given licences to operate only in certain cities. The accession documents state that a large number of cities, which are named by sector and subsector, will be opened to foreign-invested companies over the next five years. For example, by 2004, 15 cities will be open for insurance, with geographic restrictions removed altogether in 2005.

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Export facts: Information and Communication Technologies (ICT)

The accession agreement will advance Canada's substantial ICT trade and investment interests in China by granting Canadian businesses increased access to the Chinese market. The concessions pertain to such issues as tariff rates, investment regulations and intellectual property rights.

What will happen to Chinese tariffs on ICT imports?

Under the terms of its accession to the WTO, China will join the WTO's Information Technology Agreement and will therefore eliminate tariffs on IT and telecommunications equipment in or before 2004, down from an average of about 13% in 2001.

Will foreign suppliers be permitted to provide telecom services in China?

Mobile, paging, and value-added telecoms services will be opened to foreign-invested joint ventures in 2002. Foreign service providers will be limited to certain cities, although these geographic restrictions will be phased out within 2-5 years. The larger international and domestic voice and data market will be opened to foreign-invested joint ventures 3 years after accession (i.e., by 2005), with geographic restrictions that will be phased out 3 years thereafter.

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ROADMAP TO CHINA AND HONG KONG

Export facts: Transportation

Within the transportation sector, the automotive industry will experience the greatest impact from China's accession. Manufacturers of railway stock, aircraft, aircraft simulators and helicopters, for which tariffs are already low, will be less affected.

Can automotive exporters expect big cuts in tariff rates?

Yes. Significant reductions in tariffs will be phased in by 2005-06: from 70-80% down to 25% on finished automobiles; from 25-50% down to 15-25% on finished trucks.

For the first time, China will publish a maximum annual value of imports, or quota, covering finished vehicles and some parts. The quota will start at US$6 billion in 2002 and increase 15% each year. Existing Canadian exports of parts and accessories will in general not be affected by this quota. Each year some goods will be removed from the quota's coverage, and this restriction on total imports of finished cars and trucks will be eliminated at the end of 2004, leaving only tariffs.

What effect will WTO membership have on foreign investment in automotive manufacturing in China?

Under WTO rules, the Chinese government can no longer require foreign investors to export a certain part of their production, to use Chinese-made inputs in production, or to transfer technology to their Chinese partners. Restrictions on the categories, types or models of vehicles permitted for production in China will be phased out by 2004.

What effect will accession have on the Chinese railway market?

The level of foreign ownership for enterprises involved in railway cargo will gradually be increased over the next four years but passenger transportation will remain under state control.

Several projects are planned: a railway network connecting China's three major economic regions by 2005; a high-speed service between Beijing and Shanghai; a 200-km/h electric train service on the Guangzhou-Shenzhen-Hong Kong route in South China, using European and Canadian technology.

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Export facts: Agriculture

Agri-food and agriculture products make up a large slice of Canada's export pie: in 2001, Canada's agri-food exports reached $24 billion worldwide.

China, forced to feed 22% of the world's population with only 7% of its arable land, has been importing Canadian grain since the '60s. It now imports a variety of agri-food products worth over $752 million, representing 20% of Canada's exports to China. The WTO accession offers huge opportunities for Canadian agri-food exporters.

How will exporters of grains and oilseeds be affected?

For the first time, China will set up a fair, transparent tariff-rate quota (TRQ) system for imports of a number of agricultural products, including wheat, canola oil, and corn. Under a TRQ, imports up to the quota level are charged a low tariff, with imports above this quantity being charged a high tariff. For example, by 2004, China will allow up to 9.6 million tonnes of wheat and wheat products to be imported, up from only 920,000 tonnes in 2000. For canola oil, the TRQ quantity will be 1.2 million tonnes by 2005 (75,000 tonnes in 2000), and limits on import quantities will be removed by 2006. The TRQ on corn and corn products will be 7.2 million tonnes by 2004 (3,600 tonnes in 2000). China will also eliminate existing quotas on barley and canola seed.

What about other agricultural products?

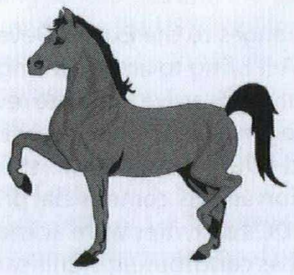
China will also reduce tariffs charged on a wide variety of other products. For example: the tariff on frozen beef will fall from 39% in 2001 to 12% in 2004; on frozen shrimp, from 24% to 5% by 2003; ginseng, from 36% in 2001 to 7.5% by 2006; and alfalfa from 13% to 5% in 2003.

What about the processed food market?

The middle class is growing in China, and it is developing a taste for foreign food. The number of large, foreign-owned food retail outlets has recently increased in China, particularly in the Yangtze Delta and South China. In the Shanghai region alone, this translates into an explosive $65-million market for goods such as consumer-ready food products, confectionery items, maple syrup, biscuits, beverages, wine, ginseng, fish and seafood products.

For more information, contact Brandon Geithner, DFAIT, tel.: **(613) 996-7256**, e-mail: **brandon.geithner@dfait-maeci.gc.ca**

(For the unabridged version of these five articles, see ***www.infoexport.gc.ca/canadexport*** *and click on* ***"Roadmap to China and Hong Kong".****)*



... and the year of the horse starts on February 12, 2002.