Box 3: The People's Republic of China

In late 1999, Canada signed a bilateral agreement with China, another step for that country toward accession to the World Trade Organization (WTO). China will join the WTO after signing similar agreements with other WTO members, as well as the overall entry protocol. Its membership in the Organization is expected to enhance trade opportunities by increasing trade and investment liberalization. As this historic moment approaches, it is useful to examine Canada's bilateral trade with China in recent years.

Canada typically records a deficit in merchandise trade with the People's Republic of China. By 1999, the deficit stood at $6.3 billion, up from $0.6 billion during the period from 1989 to 1992. In 1997 Canada's exports to China fell sharply, by 20.1%, as a result of the Asian financial and economic turmoil. In contrast, imports jumped by 29.1 percent in that year, and by an average of close to 20 percent per year in 1998 and 1999. These figures reflect the strength of Canada's domestic economic performance in recent years.

In 1999, Canada's exports to China represented 0.7 percent of our total exports, down from 1.2 percent during 1989–92; partly accounting for the decline was the diversion of Canada's exports to the booming economy of the United States. In contrast, Canada provided a rapidly growing market for imports from China. In addition, imports from China rose sharply in importance in relation to Canada's total imports from abroad. In 1999, imports from China rose to 2.8 percent of the value of overall imports, more than double the 1.2 percent share registered over 1989–92. Canadian exports to China have come from a wide range of sectors, dominated by wood pulp, agricultural products, machinery and equipment, aircraft, vessel, vehicles, and chemical products such as fertilizers. Wood pulp exports grew remarkably in recent years: from 14.4 percent of total exports to China in 1997, the market share rose to 22.8 percent in 1999. The market share of aircraft, vessels and vehicles also jumped sharply over the past two years, rising from 4.7 percent in 1997 to 7.1 percent in 1999; accounting for the increase were aircraft sales by Bombardier. On the negative side, weak grain prices brought a decline in the market share of agricultural exports to China since 1997.

Table C1: Canada's Merchandise Trade with China, 1989–1999

	1989–92	1993–96	1997	1998	1999
Exports ($ billions)	1.78	2.62	2.41	2.50	2.66
(as % of Canada's total)	1.2	1.1	0.8	0.8	0.7
Imports ($ billions)	1.72	3.86	6.34	7.66	8.92
(as % of Canada's total)	1.2	1.9	2.3	2.6	2.8
Balance ($ billions)	-0.57	-0.94	-3.93	-5.16	-6.26
Growth in percentage					
Exports (%)	18.6	15.7	-20.1	3.7	6.3
Imports (%)	20.0	8.6	29.1	20.7	16.5

Source: Statistics Canada, *Canadian International Merchandise Trade 1999*, Catalogue No. 65-001-XPB, December 1999.

On the import side, the leading products are manufactured goods, such as machinery, textiles and footwear, and plastics and rubber. In recent years, the share of machinery and equipment has risen dramatically, from 20.3 percent of total imports in 1994 to 26.5 percent in 1999. Also on the rise have been imports of miscellaneous manufactured goods, such as furniture and household furnishings; their import share went from 18.3 percent in 1994 to 20.4 percent in 1999. In contrast, imports of textiles and textile products fell steadily, from 16.6 percent of total imports in 1994 to 13.3 percent by 1999. Similarly, imports of footwear and headgear trended downward, from 11.0 percent of total imports in 1994 to 8.9 percent by 1999. Over the second half of the 1990s, the import shares of a number of agricultural products declined somewhat. On the whole, there was a marked shift in the type of imports, moving from low-skill products to China's more high-skill manufactured goods. This shift suggests that trade liberalization has helped promote industrialization in China.