

## 2.0 FUTURE TRADE OPPORTUNITIES IN CHINA

### Synopsis

China's international trade has increased substantially since an ambitious series of economic reforms was begun in 1978. Urban reforms introduced in 1984 encourage more market-oriented operations by many industrial sectors, although energy and transport are among several key sectors which remain under state planning control.

Infrastructure bottlenecks are to receive particular attention during the Seventh Five Year Plan (1986 to 1990). Between 1986 and 2000 China is expected to invest from \$140 to \$ 200 billion in the power sector. China lacks the capacity to manufacture all the power systems equipment needed and also the technologies for large generation plant and EHV transmission. Hence it is importing equipment on a substantial scale and is seeking associated technology transfer as a component of major contracts.

Statistics Canada data indicate that total Canadian exports to China have averaged \$1.3 billion annually over the past five years, primarily for wheat, mineral and forestry commodities. Canadian exports of power equipment to China have been modest.

Increased official contacts between Chinese and Canadian power authorities and recent technical assistance programs supported by CIDA and External Affairs have improved Canadian prospects for winning considerably more orders in the years ahead. An overview is also provided of Canadian prospects in the agriculture, forestry, mining, oil and gas, telecommunications and transportation sectors.

### 2.1 OVERVIEW OF CHINA'S ECONOMY

China's uneven economic performance, as reflected by the growth in GNP over successive five-year plans since 1953, is illustrated in Figure 1.

Following establishment of People's Republic of China in 1949, rigidities soon set in. One of the more serious was a price structure that bore little relation to the supply of and demand for goods and services. The dislocation caused by the Great Leap Forward (1958 to 1960), the suspension of Soviet aid in 1960 and widespread disruption caused by the Cultural Revolution (1966 to 1976) all contributed to slowing down technological development in virtually all areas of industry. This series of destabilizing events, coupled with policies that placed excessive emphasis on the development of heavy industry, has left the country with power shortages which will persist until the end of the century, serious weaknesses in transport and communications, and a lack of well-trained managers, technicians and planners. Although China is still very poor (per capita income was US\$300 in 1980), the country has made significant progress in easing widespread poverty and in providing better health care and nutrition for its people.

To combat the above problems and to achieve a higher overall level of prosperity, an ambitious series of economic reforms was begun in 1978. In rural areas, private leasing has replaced the commune system, contracting has replaced mandatory production quotas, commodity prices have been allowed to