

On the trade policy front, China's membership in the WTO would bring it further into the global economic and trading system, solidify its commitment to a rules-based trading framework, help to secure the position of the economic reform-minded members of the leadership cadre and encourage continued economic reform. This will be particularly important as China moves through the initial years of the post Deng period and the leadership is forced to deal with the economic problems discussed in section 4. Canada should continue to work for China's re-entry into the GATT/WTO fold, both because of the more secure access this will bring for Canadian exports, but also because it will send a strong signal to wavering economic reform efforts in eastern Europe and the FSU. But re-entry must entail clear liberalization commitments on the part of China, including more transparent rules and the acceptance of international disciplines on the actions of Chinese regulators. These commitments will not only help to secure markets for Canadian exporters, but also will limit the scope for arbitrary economic action on the part of Chinese authorities, thereby contributing to broader reform efforts in China.

While the WTO is the main forum for pushing and prodding China further into the world economic system, the APEC forum can also be used as a venue to learn about the intricacies of the Chinese economic system, to sooth eventual irritants in Canada-China bilateral relations, and to facilitate the resolution of problems in China's bilateral relations with other countries, particularly the U.S..

The global economic, trade and security systems must continue to expand. Furthermore, international institutions and structures do not have the resources to finance the transition of two major countries (the other being Russia) to market economies. One-fifth of the world's population currently is involved in the largest experiment involving economic and social change ever undertaken. China's economic reform program is working relatively well, and the country has become much more open, integrated into world systems and receptive to change. The challenge will be to encourage the deepening of this process, while assisting in gradual social and political change.

Finally, Canada currently has neither a Foreign Investment Protection Agreement (FIPA) nor a bilateral Double Taxation Agreement (DTA) with China. In light of present and future Chinese reform in the investment area, and the likely interest of Canadian companies in the Chinese market, Canadian policy makers should closely review the merits of negotiating both a FIPA and a DTA with China over the next two or three years.

This paper attempts to describe the economic reforms that have taken place in China to date, to determine the impact the reform process has had on production,