

In recent years, and as a result of its accession to the World Trade Organization, China has accelerated the pace of liberalization and reaffirmed its commitment to social and economic reform. Results of the reform initiatives can be seen in the increased degree of personal freedom and choice afforded the general population. China now has the world's largest consumer market, with 1.3 billion persons, who have an ever-increasing discretionary income and a taste for international goods and services. These facts, coupled with China's growing international prominence, mean changes to the economic landscape in Asia and, quite likely, the world, will soon follow.

Canada's approach to its relationship with China takes into full account China's rapidly growing importance in world affairs. An economic partnership between China and Canada is a key element in supporting long-term relations and encouraging China's further integration into global and regional political and economic institutions.

Despite the opportunities that China presents, a number of significant problems and practices impede broad Canadian access to all segments of the Chinese market. Additionally, some elements of the former planned economy remain, so in certain types of economic activity, or in projects whose scale exceeds a threshold size, central and/or local governments continue to play a key and sometimes decisive role.

As a component of the regular, high-level contact between the two countries, Canada and China engage in formal consultations to review matters of interest and concern related to economic development, trade and investment. This process is facilitated through regular bilateral discussions, the most prominent being the Joint Economic and Trade Committee. These country-to-country meetings give Canada the opportunity to register its concerns regarding access to the Chinese market and communicate its views on economic development and the importance of transparency and rules-based market economics. The 18th Joint Economic and Trade Committee meeting will be held in Canada in 2003.

China formally acceded to the WTO on December 11, 2001. The extensive commitments China has made to substantially lower barriers to foreign trade and investment, and to increase the predictability

and transparency of its trade regime, will engender profound changes in its economy and governance. This will result in significant new business opportunities for Canadian exporters and investors in sectors in which Canadian firms have a comparative advantage. China will continue to face considerable challenges in fully implementing the agreement and in pursuing further economic reform, but in the long run, economic growth and prosperity will be strengthened.

As well, as a member of the WTO with a significant portion of world trade, China will be an increasingly important participant in the Doha Round negotiations. Canada will continue to engage China in this regard.

### **Market Access Results in 2002**

- Chinese authorities approved an additional 18 Canadian meat plants for exporting to China, bringing the total to 41, which includes virtually all interested exporters. These new approvals are expected to boost exports of meat to China.
- Four quarantine protocols were signed covering in vitro fertilization, bovine semen, cattle and regular bovine embryo exports. The in vitro protocol provides new access, while the other three support existing access for these products.
- The federal government, in partnership with the Canadian wood products industry, has continued to work closely with the Chinese Ministry of Construction to address amendments to specific codes that cover wood frame construction. The new Inspection Code was approved in August 2002, while the new Design Code should be approved early 2003. According to the Canada Wood Bureau, in 2003 the new building codes will contribute to a two- or threefold increase in Canadian softwood lumber exports to China.
- In December 2001, the Chinese Ministry of Finance implemented Canada's request to reduce the value-added tax for feed-grade peas from 17% to 13%. Effective January 1, 2003, the Ministry of Finance will apply this reduction to the entire "dried peas" tariff line, which includes both food and feed peas. This constitutes a net benefit of \$1.2 million to Canadian pea exporters based on existing volume of \$27.1 million. Over the past