

especially as import sources. In 1983, these nations represented more than 50 per cent of combined imports and exports. China will attempt to balance this by aggressive export marketing in the Third World, with some parallel import (raw material) diversification from these regions. The Middle East, in particular, will probably continue to be a significant growth area for Peking. Trade with Communist states, especially the Soviet Union, has been growing strongly, although from a fairly small current base. Hong Kong will remain a major entrepot for China trade.

PRC: Principal Trading Partners, 1983

(U.S.\$ millions)		
	Value	% of Total PRC Imports
Imports		
Japan	5,495	25.8
U.S.	2,753	12.9
Hong Kong	1,710	8.0
CANADA	1,587	7.4
F.R.G.	1,209	5.7
Argentina	649	2.9
	Value	% of Total PRC Exports
Exports		
Hong Kong	5,797	26.2
Japan	4,517	20.4
United States	1,713	7.7
Jordan	1,520	6.9
F.R.G.	862	3.9
United Kingdom	602	2.7
CANADA	208	0.9

Source: Directory of Trade Statistics Yearbook (IMF), 1984

Foreign Policy

Since 1970, China has developed a co-operative relationship with Japan and the West, initially based on strategic considerations but in recent years increasingly reflecting economic needs as well. Following cutbacks under the policy of economic re-adjustment, there has been an improvement in China's financial position and there are plans for modest growth in international purchasing particularly in the priority areas of agriculture, light industry and infrastructure. Steadily increasing volumes of trade and China's continued need for Western technology to effect modernization suggest that economic relations with Japan and the West are likely to grow still further.

Peking has recently mounted a major export drive to the developing nations. China has also become increasingly open to foreign, including Canadian, aid and has expanded its role in multilateral financial institutions by joining the IMF and IBRD in 1980 and applying to join the Asian Development Bank in 1983.

2. CHARACTERISTICS OF CANADA-CHINA TRADE

Trade Agreement

Under a trade agreement signed in 1973 and extended for three-year terms in 1976, 1979 and 1982, Canada and China grant each other Most Favoured Nation trading status. In addition, an Economic Co-operation Protocol governing increased bilateral activity in a number of sectors was signed in 1979 as an addendum to the trade agreement.

Towards recognizing the importance China attaches to developing sales of its products to Canada, Canada granted the People's Republic General Preferential Tariff Treatment effective January 1, 1980. This decision reduces the rate of duty on eligible Chinese imports by one-third or more. However, sensitive items such as textiles and clothing are excluded from the General Preferential System. The present composition of Chinese exports to Canada is such that more than 20 per cent of China's total sales are eligible for General Preferential Tariff Treatment. Moreover, this percentage could increase significantly if China is successful in diversifying its exports to Canada.

Commercial relations with China are facilitated through the Canada-China Joint Trade Committee which meets alternately in Ottawa and Peking. A large number of commercial delegations are also exchanged.

Line of Credit

Recently, efforts have focused on China's drive to modernize, drawing in part on foreign technology and credits. To this end, the Export Development Corporation has established U.S.\$ 2 billion line of credit to China to support the purchase of Canadian services and equipment. Private Canadian banks have also extended facilities to the Bank of China for import financing.

Canada-China Trade

Near-term opportunities for Canada in the Chinese market appear more promising than they have in recent years when readjustment policies greatly affected China's capital goods imports. With recent improvements to PRC's fiscal situation and the recognition that there exist significant infrastructure difficulties which hamper modernization, the Chinese are expected in the coming years to devote significant resources to energy, transport and communications, natural resource exploitation, and selective industrial modernization.

Canada has traditionally enjoyed a surplus in trade with China. Canadian exports to China totalled \$1.5 billion in 1983, \$1.1 billion in 1984, while imports from China totalled \$246 million in 1983,