

May 2001. Since then, the Ministry of Health and the State Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) have each issued separate and supplementary regulations. These new regulations cover the labelling, research, production, marketing, movement and import/export of agricultural GMOs.

China introduced interim measures in March 2002 to allow trade to continue while field testing and approval of foreign-approved agricultural GMOs were completed. The interim measures, which were initially in effect until December 20, 2002, were later extended with some modifications to September 20, 2003, and then again extended to April 20, 2004. Further, the Ministry of Health has indicated that it will coordinate with the Ministry of Agriculture on timing and on minimizing duplication. AQSIQ has not yet confirmed the timetable for implementing its measures.

Canadian canola and canola oil shipments are taking place under the interim regulations without apparent disruption.

Field trials for the seven canola events have been completed, and food safety tests on canola started on October 8, 2003. The research results will need to be assessed in time for the permanent safety certificates to be issued prior to the April 20, 2004, termination date for the interim measures.

Standards and Technical Regulations

Since joining the WTO, China has been moving ahead with implementation of its WTO commitments on standards and technical regulations. These commitments include establishing contact points for enquiries about regulations, improving transparency by notifying the WTO of new regulations being put in place, and ensuring that standards, technical regulations and conformity-assessment procedures are the same for imported and domestic products. China has created a new compulsory product certification system called China Compulsory Certification (CCC). The products covered by the regulations (more than 130 types) need to obtain the compulsory CCC mark before being exported to China. The certification mark, administered by the Certification and Accreditation Administration of the People's Republic of China (CNCA), is to certify both domestic

and imported products, and it replaces previous marks applied separately to foreign and domestic products. However, there have been some problems with this transition: suppliers have expressed concern about burdensome Chinese requirements to re-certify under the new system, including often-costly inspection visits to the manufacturer. Canada will continue to monitor the issue.

Financial Services

China has put in place new regulations in the banking, insurance and fund management sectors, which have provided increased transparency and helped to facilitate foreign investment and competition. However, there are problems with these regulations, which we are seeking to address. The banking regulations contain very high (and inflexible) minimum capital requirements and other provisions that limit the ability of Canadian banks to expand their branch networks and finance lending operations. The insurance regulations remain insufficiently clear and contain high minimum capital and reserve requirements. Moreover, complex, and often multi-stage, approval procedures remain for licensing of new operations and products in all financial subsectors.

Canadian-style Wood Frame Construction

Although only about 10% of urban Chinese own their homes, the Chinese government is now encouraging its people to buy housing. Estimates of the Chinese housing construction market range from 9 million to 18 million units per year. Although it has come under consideration as an option only in the last few years, the Canadian system of wood frame construction is gaining recognition within the developing villa and townhouse niche in China. China's wood frame housing construction market could increase to 50,000 units annually by 2012, from a total of 500 two-by-four style homes in 2002. This offers a potential opportunity to Canadian producers of dimension lumber, oriented strand board and/or plywood, as well as suppliers of related goods and services to China.

Value-added Tax on Aircraft

Large aircraft (above 25 tonnes) currently face a value-added tax (VAT) of 5%, which is significantly