

that has taken place in recent years. The Canadian Wheat Board, Canadian International Grains Institute and the Government of Canada look forward to further development of this mutual understanding of one another's needs and capabilities.

Canadian marketing efforts in China have included frequent exchanges of visits between Canadian Wheat Board representatives and China National Cereals, Oils and Foodstuffs Import and Export Corporation (CEROILS) officials. Canadian Grain Commission officials have been extensively involved with their Chinese counterparts on questions of grain inspection and quality control. In addition, the Canadian International Grains Institute (CIGI) has hosted participants from China at a number of its international grains industry and special courses. Our grain trade concerns have also been an important component of incoming and outgoing ministerial visits.

### **Other Agricultural Products**

In addition to wheat and other cereal grains, other areas of opportunity in the agricultural sector include livestock, genetic material and agricultural consulting. China's two main import priorities in the agricultural field involve dairy cattle and China's ability to process, store and market agriculture and food products. Improvements in their swine and pork product also have a high priority.

A number of areas have been identified where the PRC could benefit from Canadian technology. These areas include sustained agricultural use of grasslands; food processing industries; farm machinery; forestry technology; pollution and environmental care technology; livestock and crop disease control; increased requirements for fertilizers, including potash. In addition, improved prospects for livestock and dairy cattle exports exist, subsequent to the signing of a bilateral veterinary agreement.

## **2. CAPITAL PROJECTS AND EQUIPMENT**

### **Introduction**

China wants to buy high-technology goods and Canadian companies could be in line for significant new business opportunities. The Vice-Chairman of the State Economic Commission has indicated, for example, that China expects to conclude a large number of contracts worth more than U.S. \$1 billion in the near future.

Imports of capital equipment are expected to grow by about 20 per cent in 1984 and 1985, slowing a bit in 1986. Emphasis will be shifted from turnkey plants to technology transfers, licenses and purchases of specific capital equipment.

The recoverable oil reserves in the South China Sea are estimated at between 40 and 100 billion barrels. The Chinese Premier has assured foreign oil companies that they would not be forced out of any big petroleum discoveries they make off China's coast. He is quoted as saying that China's co-operation

with foreigners to develop its resources was a long-term policy that would not change.

The PRC seeks to double coal output, with help from foreign investment, and quadruple electric power production by the year 2000 to fuel its economic modernization drive. The *Peking Review* reported that 20 per cent of industrial production capacity is idle because of insufficient electricity. In addition, rural areas need at least 20 per cent more electricity than is now available.

China plans to import advanced technology to step up the construction of coal mines, railway lines, harbours and other infrastructure projects. A 10 per cent tax on capital construction projects not included in the state plan has been levied by the Chinese Ministry in an attempt to slow a massive expansion in uncontrolled investment. Energy and transportation development projects and the construction of educational and medical installations, however, are exempt.

### **Areas of Concentration**

Nine areas have been identified for concentration, where Canadian capabilities would be appropriate to Chinese development plans, as follows:

- aerospace and aviation;
- data communications and transmission products;
- electronic and electrical products;
- hydro generation and transmission equipment and services;
- mining and metallurgy technology (particularly coal);
- oil and gas exploration, development and processing;
- packaging technologies;
- satellite communications and earth station antennas, particularly for resource applications; and
- transportation equipment and technologies for railways and ports.

### **Telecommunications**

Telecommunications is a promising sector for Canadian companies, particularly in the areas of satellite communications and digital switching equipment. Canada and China share the problems of communicating over vast distances and greatly varied terrain. The expertise gained in establishing telecommunications networks in Canada should serve us well in our efforts to develop markets in China. Other hi-tech products, for example, aircraft, and urban transportation equipment and services, appear to offer opportunities for Canadian sales.

### **Energy**

Energy is another sector which holds promise for Canadian firms. The recent example of involvement by Petro-Canada International and Ranger Oil in a BP-led consortium drilling offshore in the South