

Perhaps the key economic and trade components of a policy of comprehensive engagement are the promotion of bilateral business relations (trade, investment technology cooperation) and working to facilitate China's participation in the new World Trade Organization (WTO). China should continue to be one of the fastest growing export markets into the next century. Restricted or reduced access to this market would cost jobs and, should Canadian firms become more involved in outward investment, possibly reduce the competitiveness of these firms in both Canadian and world markets. Moreover, while Beijing may be the single pole of political authority in 'greater China', the continued regionalization of the economy will increase the number of nodes with significant economic power. Trade development efforts should increasingly focus on dealing with China on a regional basis. Efforts already underway in this regard should be further strengthened.

In addition to the traditional export target sectors such as telecommunications, transportation, power generation and environmental protection, China's emerging financial markets should present opportunities for Canadian firms. To support its continued economic growth and development, China must develop efficient financial markets, including securities exchanges, bond markets and banking and pension systems. This will provide opportunities for Canadian firms to provide the expertise needed to develop modern financial systems and to invest in, and utilize, these entities.

If Canadians are to participate in the continued growth that is projected for China and the rest of the Asia Pacific region, Canadian firms must be present and active in the region. Moreover, expanding trade with China and the region will increasingly be a function of Canadian firms' ability to penetrate these markets from within the region. That is, direct investment in these sectors may often be the entry vehicle required to ensure increased bilateral trade in goods. Furthermore, a Canadian presence may, over the longer term, increase the prospects for attracting foreign investment to Canada, as firms in China and the region become more familiar with Canadian firms and their capabilities.

That said, government programs must not move too far in front of the interests of the private sector. One must ask why Canadian firms are not more active in China and the Asia Pacific region. Are firms satisfied with their current export activities, or are there obstacles preventing them from penetrating markets in China? The most important "market failure" may be informational. Canadian firms may not be fully aware of the detailed market opportunities that exist in China. As a result, it is up to government to secure and disseminate this information, as well as information on potential alliances (technical and marketing).