Department of Foreign Affairs and International Trade
Ministère des Affaires étrangères et du Commerce international

Canada

New Opportunities in a Vast Market

CANADA, CHINA AND THE **WTO**

Expanded Access to 1.3 Billion People

On December 11, 2001, China became the 143rd member of the World Trade Organization (WTO)—an important step in a continuing process of economic liberalization.

China is the world's sixth-largest economy, with a gross domestic product of $1.6 trillion in 2000 and a growth rate of 7% in the third quarter of 2001. It is also the world's sixth-largest global trader of merchandise, with two-way trade totalling just over $700 billion in 2000.

Now that China is a WTO member, Canadian exporters of goods, services and technology will have improved access to this vital and growing market of 1.3 billion people. Just as important, our trading relationship will be governed by the internationally accepted principles and practices of the WTO.

As it transforms itself, China will continue to look beyond its borders for expertise and products to advance its ambitious economic and social reforms. For Canadian exporters, that spells opportunities.

In addition, as a WTO member China will participate in the WTO negotiations launched in November 2001 in Doha, Qatar. The agenda includes:

- **reductions of barriers to trade in agricultural and non-agricultural products, including negotiations on reducing all agricultural export subsidies with a view to phasing them out;**
- **negotiations on anti-dumping, subsidies and countervailing duties;**
- **negotiations on the relationship between the WTO and international environmental agreements;**
- **work programs leading to negotiations on investment, competition, trade facilitation and transparency in government procurement; and**
- **deepened negotiations on liberalizing trade in services.**

New Framework for Trade and Investment

China joined the WTO in December 2001 but Hong Kong was a founding member of the WTO's predecessor, the General Agreement on Tariffs and Trade (GATT). Canada's multilateral trade relationship in the region is deep and varied.

The numbers tell the story of Canada's strong trading relationship with China:

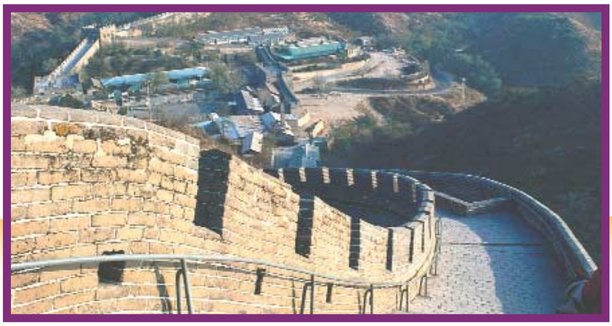
- **China and Hong Kong together form Canada's fourth-largest trading partner, with two-way trade reaching almost $19 billion in 2001—a 13% increase from the previous year.**
- **More than 400 Canadian companies have a permanent presence in China and Hong Kong, a figure that has doubled in only six years.**
- **During the February 2001 Team Canada trade mission to China, Canadian and Chinese businesses signed some 293 agreements worth over $15 billion. This was the largest-ever Team Canada trade mission, involving more than 600 participants—the second such mission to China.**
- **The stock of direct investment in Canada by China (not including Hong Kong) totalled $215 million in 2000, up from $54 million in 1991. Over the same period, Canada's stock of direct investment in China rose even more rapidly, from $25 million to $734 million.**

China's accession to the WTO will build on this already positive and productive relationship, creating a new framework for trade and investment. Strong, efficient rules will give Canadian entrepreneurs more reasons to deepen existing projects in China or to launch new ventures.

New Chinese Commitments

As a WTO member, China has undertaken to:

- **phase out nearly 400 non-tariff measures that hinder trade, such as import licences, import quotas, price controls and tendering requirements;**
- **reduce industrial tariffs from an average of 16.3% in 1999 to 9.2% in 2005;**
- **reduce agricultural and agri-food tariffs from 21.4% to 15.1%; and**
- **give foreign enterprises in China the same treatment as domestic firms (national treatment).**



New opportunities for Canadian business

Canadian firms are well placed to take advantage of China's entry into the WTO. Strong Canadian export sectors already established in China stand to gain from its new WTO commitments.

Automotive: Canada is a major exporter of automotive parts and accessories to China. Tariffs levied on Canadian exports of these items will fall substantially under the terms of China's WTO accession.

For example, by 2005, tariffs will drop:

- **from 25% to 10% on large automotive engines;**
- **from 40% to 20% on automotive air conditioners; and**
- **from 22% to 10% on automotive safety glass.**

At the same time, tariffs charged on complete vehicles will fall dramatically. On cars with mid-sized engines (1.5 to 3.0 litres), tariffs will drop from 70% in 2001 to only 25% by 2005.

Telecommunications: China will eliminate tariffs on telecommunications equipment by 2004. Canada exports about $300 million a year of such equipment to China. In 2001, the average tariff was 13%.

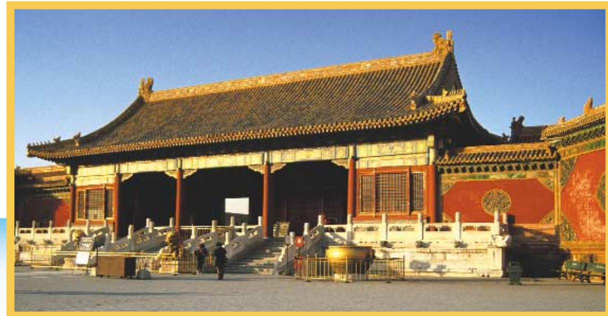
China has also set a schedule to allow foreign companies into the Chinese market for telecommunications services. For example, by the end of 2002, China will allow companies with foreign investment to provide mobile telephone services in most major cities.

Plastics: Tariffs on Canadian exports of polyethylene will be cut from 16% in 2001 to 6.5% by 2008.

Environment: Over the next two to three years, China will reduce its tariffs on imports of parts and equipment used in the environmental sector, such as filters, pumps and instruments. Under the terms of accession, foreign companies are able to establish majority-owned joint ventures in China to provide a range of environmental services.

Metals and minerals: The quantitative limit on potash exports was eliminated in 2002.

Financial services: China has agreed to allow foreign provision of financial services throughout the country. Although access will be limited at first to a number of cities, restrictions will be eliminated within three to five years.



BANKING AND OTHER FINANCIAL SERVICES: Demand for sophisticated financial services is skyrocketing, and Chinese service providers are not yet in a position to provide them. Within five years, all geographic and client restrictions will be removed.

DISTRIBUTION: Within one year, foreign service suppliers will be allowed to establish joint ventures to engage in wholesale distribution of most imported and domestically produced goods. By 2005, wholly foreign-owned enterprises will have the same right.

MEDICAL EQUIPMENT AND SERVICES, AND PHARMACEUTICALS: China is undertaking tariff concessions and reforms relating to subsidies, licensing and investment rules. These will enable exporters to take advantage of a growing market for drugs, supplements and preventive over-the-counter products.

CULTURAL PRODUCTS: China's laws on copyright will conform to WTO rules, in particular through stronger non-discrimination and enforcement provisions. Performers, producers, publishers and other cultural exporters can take advantage of the growing demand for foreign cultural products, as well as any opportunities arising from the 2008 Beijing Olympics.

For more information

Canada and China at the WTO
www.dfait-maeci.gc.ca/tna-nac

Canadian trading opportunities in China
www.chinahktradeactionplan.ca

How Canada's Trade Commissioner Service can help exporters sell to foreign markets

www.infoexport.gc.ca

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