

China's Response to the Global Financial Crisis & the Prospects of China-Canada Trade Relations

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12 May, 2009

Let me begin by thanking Mr. Lou Milrad, for giving me the opportunity to speak at the GTMA international leaders breakfast club. I'm very pleased to share with you my insights into China's response to the economic crisis, as well as bilateral trade and investment opportunities between China and Canada, especially Ontario.

Impact of the global economic crisis on China

Without doubt, the international financial crisis has put the world economy in the most difficult situation since the Great Depression. China experienced a hard time in economic growth, particularly in foreign trade and investment. The economy cooled to a seven-year low of 9% last year, breaking a five-year streak of double-digit expansion. Since November 2008, China's imports and exports have seen a sharp decline for five consecutive months to a negative growth of 20-30%. Industrial sectors such as electricity production, textiles, non-ferrous materials and information technology suffered heavy losses.

China's strategies to tackle the global financial crisis

During this hard time, China swiftly adopted a proactive fiscal policy and a moderately easy monetary policy, introduced ten measures to shore up domestic demand and put in place a series of related policies. Together, they make up a package plan aimed at ensuring steady and relatively fast economic growth.

Firstly, the Chinese government rolled out a two-year program involving a total investment of RMB 4 trillion yuan, which is equivalent to 586 billion US dollars. This mainly went to government-subsidized housing projects, projects concerning the well-being of rural residents, railway construction and other infrastructural projects,

environmental protection projects and post-earthquake recovery and reconstruction.

Secondly, a series of policy measures have been adopted including increasing lending, optimizing the credit structure, and providing greater financial support to agriculture and the SMEs.

Thirdly, we implemented the industrial restructuring and rejuvenation program on a large scale. Plans are being drawn up for 10 key industries which include: automobile, steel, shipbuilding, textiles, machinery, electronics and information technology, light industry, petrochemicals, nonferrous metals, and logistics.

Result of the stimulus packages

So far, the stimulus package has produced good results in China. According to the National Bureau of Statistics, China has gained a 6.1% GDP growth in the first quarter of this year. During this period, the country's banks granted a record 4.6 trillion yuan in new loans, realizing 90% of the goal the government set for the full year. Fixed asset investment rose 28.8%, with real growth exceeding 30%.

Some key indicators also showed that the economic situation has turned better. Steel and energy consumption were declining at a slower rate. Automobile sales rose 5% in March to a record high of 1.11 million vehicles. The transportation sector was warming up. Though the exports dropped 17.1% in March from a year earlier, the decline was much milder than the 25.7% in February.

In view of the above indicators and the fact that China's economic foundation remains unchanged, we are confident that we'll be able to overcome the difficulties during the crises, and to maintain steady and fast economic growth and continue to contribute to the world economic growth, Canada included.

China and Canada

Talking about China-Canada bilateral trade and investment ,it should be noted that we have gained improvements in recent years thanks to the efforts by both sides. China is currently Canada's 2nd largest trading partner, the 4th largest export market, and the 2nd largest import source. According to the statistics of China Customs, the bilateral trade volume in 2008 reached 34.5 billion US dollars. Chinese exports to Canada grew 12.6% year-on-year in 2008, while imports from Canada grew 16%.

By the end of 2008, Canada's actual investment in China reached 6.37 billion US dollars in 10,891 projects. China's direct investment in Canada exceeded 3.8 billion US dollars in the fields of natural resource development, industrial construction, agriculture, exchanges of science and technology, communications, consulting services, etc.

As we can see, our trade and investment are growing at a steady pace. But China's share of Canadian trade is relatively small and narrowly based. Only 2% of Canadian exports were sent to China in 2007. Similarly, its direct investment in China is just 0.3% of the total while China's direct foreign investment in Canada is a paltry 0.1%. This situation does not match the potentiality of both countries, especially when Canada was surpassed by India, Brazil and Russia in terms of trade volume with China in the past two years.

Opportunities for both countries

While there are challenges in our trade and investment relations, I'm sure we are able to gain greater achievements as long as we take more active measures and implement them correctly.

China and Canada have established over 20 bilateral dialogues and consultation mechanisms for cooperation in various fields. The cooperation between China and

Ontario has been strengthened. A memorandum of science and technology cooperation was signed between the Ministry of Science and Technology of China and the Government of Ontario in 2008. Accordingly, both sides are working closely on the setup of a research and innovation fund. Recent years saw frequent and fruitful visits to each country's provinces and cities, including visits made by Ontario Premier Mr. Dalton McGuinty, mayors of Toronto, Markham, Mississauga, and Chinese mining and financial delegations, as well as Jilin, Jiangsu, Shangdong delegations from central, provincial and municipal levels.

At present, Chinese governments at all levels are in full gear to implement measures targeted at maintaining the steady growth of economy. Canadian investment will be able to share these new business opportunities. For example, the major infrastructure build would boost demand for Canadian technologies and resources. To my knowledge, Canadian companies with infrastructure, life science, and environmental protection technologies enjoy a long and solid reputation in China. Many Chinese enterprises are very interested in buying more advanced technology and equipment from Canada. China's fastest-growing market for international trade in services and high-end goods could also be translated into more opportunities for many famous Canadian brands and companies in such service sectors as finance, distribution, design and consultancy.

There are already many successful stories, such as Manulife and Sunlife, RBC and BMO. I'll just name a few companies based in Greater Toronto Area.

In 2007, the Canadian company Ivernia Inc. signed a long-term strategic agreement with China Yunnan Metallurgical Group for both companies to facilitate growth and diversification in Australia and Asia.

In 2008, the Canadian company Microbix Biosystems Inc. entered into a definitive agreement with the Hunan Provincial Government to establish a \$200-million manufacturing facility in China that will produce influenza vaccine using Microbix technology. This facility will be one of the largest influenza vaccine plants in the world.

Also in 2008, the Canadian company Firan Technology Group Corporation signed an investment agreement with Tianjin Airport Industry Park to set up FTG Aerospace to manufacture high reliability integrated lighting display panels, keyboards and caution warning annunciators.

For the Chinese companies, more and more of them possess the caliber to cooperate with Canadian companies. Realizing GTA as Canada's capital of business, manufacturing, and financial services industry, many Chinese business and investment activities are focused on this vital land.

I would also like to give some examples.

In the mining sector, China Jilin Jien Nickel Industry Co., Ltd. has officially signed a joint venture and cooperation agreement with Canada Goldbrook Ventures Inc. to invest C\$45 million over the Raglan District in three years.

In the communications sector, China Huawei, a world leading telecom solutions provider, has reached a multi-year, multi-million dollar agreement with TELUS and BELL whereby Huawei will provide TELUS with Radio Access Network technology for TELUS' new next generation wireless network, and provide Bell Canada with network infrastructure for its national overlay of High Speed Packet Access technology to its national Evolution Data Optimized wireless network.

In the financial sector, an agreement was reached between Global Payments and China Unionpay, that China Unionpay cardholders can use their cards at select merchants in Canada.

Conclusion

The present challenges present new opportunities. For China and Canada, this crisis will serve as a catalyst to enrich our reciprocal cooperation. We encourage companies from both sides to further deepen exchanges and cooperation in every field to share those valuable opportunities. And the Chinese Consulate General in Toronto is always ready and happy to provide assistance.

Thank you!