

# CHINA'S WTO ACCESSION

## Potential Implications for Alberta Exports

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# China's WTO Accession – Implications for Alberta

- What is the current state of Alberta-China trade?
- What are some potential opportunities for Alberta exporters?

This presentation examines Alberta's trade with China and how it could be affected by China's WTO accession.

Its focus is on merchandise exports – i.e., exports of goods from Alberta to China.

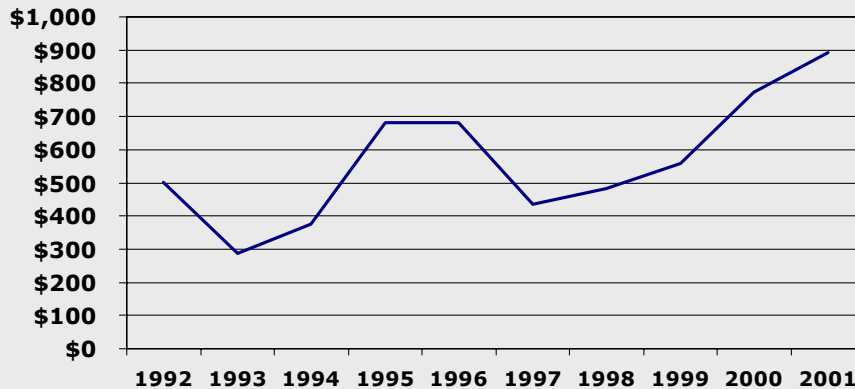
It is based on a report prepared for the Government of Alberta by the Western Centre for Economic Research at the University of Alberta, entitled "*China WTO Accession and Alberta's Opportunities*".

It has three sections:

- A brief overview of Alberta exports to China over the last five years;
- A review of the impact of China's WTO tariff concessions on Alberta's top exports; and
- A review of other Alberta exports that could potentially see growth in China, in the future.

# Current State of Trade – Alberta's Exports to China

**Alberta's Exports to China (\$ millions)**



Alberta's exports to China have typically increased over the past 10-year period, to be worth nearly \$900 million dollars in 2001.

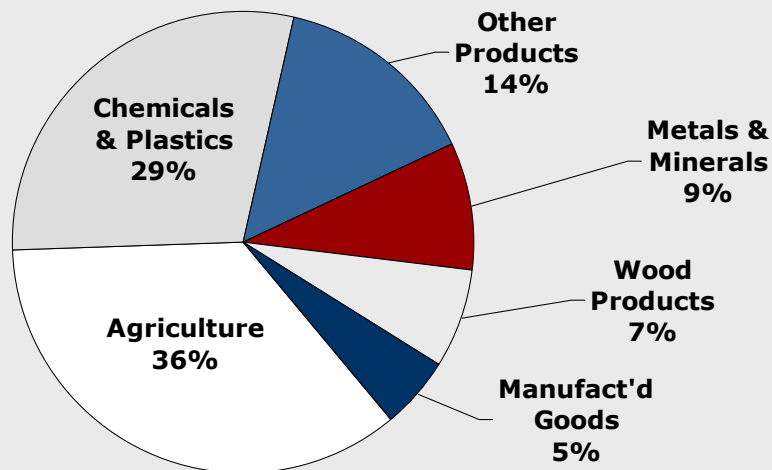
- On average, Alberta exported approx. \$630 million/year in goods to China over the past five years.
- China consistently ranks among the top 5 export destinations for Alberta goods.

This is all very positive.

It appears as though exports will continue to perform strongly in 2002. In the first half of 2002, exports reached \$354 million. This is below the 2001 half-year total of \$435 million, but still much higher than historical half-year levels (e.g., which have averaged \$311 million, over the 5 years from 1998 – 2002). However, it would be unwise to make any predictions about the final 2002 numbers, particularly given that China is still in the preliminary stages of implementing its new WTO commitments.

# Alberta's Exports to China

## 5-Yr. Average (1997 – 2001)



This is a general breakdown of Alberta's exports to China, based on the last five years.

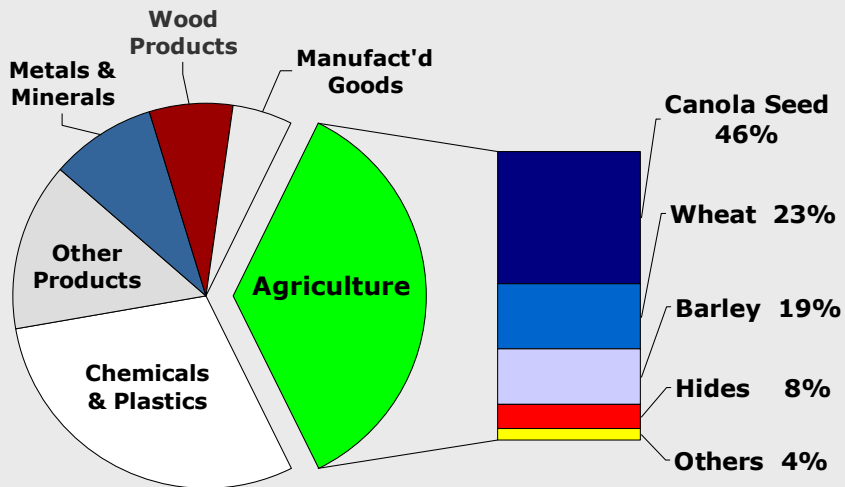
Agriculture and products of the petrochemical industry together make up about two-thirds of Alberta's current exports to China.

*Categories are based on the following Harmonized Tariff Coding System (HS) classifications:*

- *Agriculture: HS 1 – 24 (agriculture); HS 41 (hides & skins).*
- *Chemicals & Plastics: HS 28 – 40.*
- *Other Products: HS 50 – 71 (incl. textiles & clothing and ceramics); HS 97 – 99 (art & confidential transactions).*
- *Metals & Minerals: HS 25 – 27 (Sulphur & mineral fuels); HS 72 – 83 (iron & steel, copper, nickel, etc.)*
- *Wood Products: HS 44 – 49 (wood, wood pulp, paper).*
- *Manufactured Goods: HS 84 – 96.*

# Alberta's Exports to China

## - Agricultural Exports

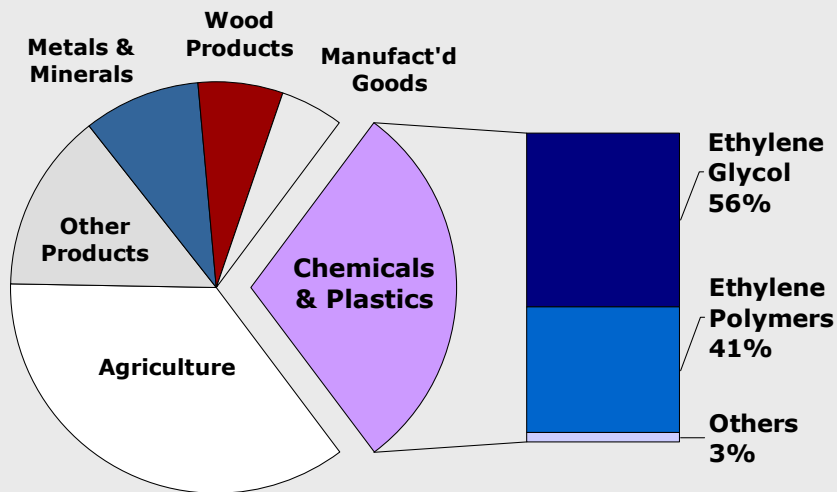


More specifically, Alberta's primary agricultural exports to China have been canola seed, wheat, barley, and animal hides.

Other top agricultural exports include live cattle (worth \$1.0 million/year, on average, over the last five years), beef offal (\$0.5 million), and dried peas (\$4.4 million).

# Alberta's Exports to China

## - Chemical & Plastic Exports

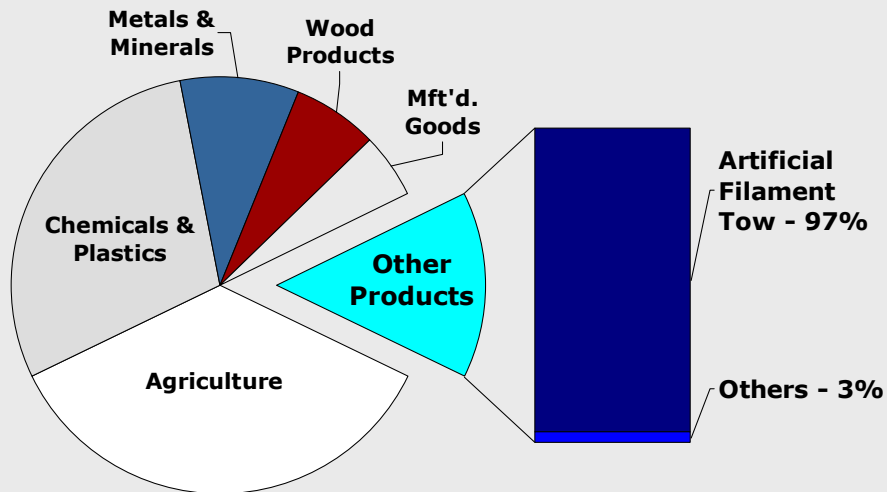


Its top petrochemical exports have been ethylene glycol and ethylene polymers (plastics) like polyethylene.

Other top petrochemical exports include carbon (worth \$0.5 million a year, on average, over the last five years), styrene (\$0.7 million), and cellulose acetates (\$2.0 million).

# Alberta's Exports to China

## - Other Exports

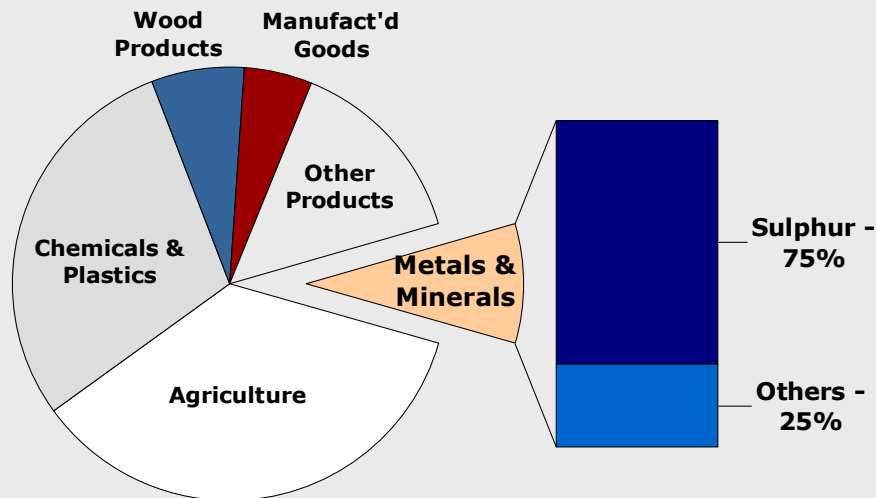


Artificial filament tow (cigarette filters) is another major by-product of Alberta's petrochemical industry (although it is categorized as a "man-made fibre").

Other products contained in the "Other Exports" category include textiles & apparel, ceramics & glassware; art; and confidential or miscellaneous transactions. No other product from this category meets the criteria for inclusion in the WCER study (i.e., having an annual average of \$0.5 million dollars worth of exports over the past five years).

# Alberta's Exports to China

## - Metal & Mineral Exports



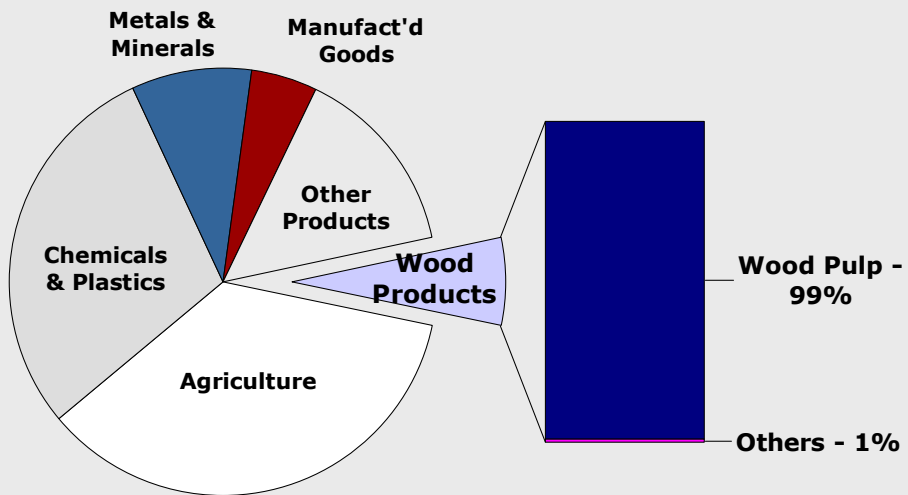
Alberta's primary mineral export to China is sulphur.

Other metal and mineral exports (and their average annual export value over the last 5 years) include:

- Cobalt (unwrought) -- \$4.3 million;
- Nickel (unwrought) -- \$0.9 million;
- Scrap aluminum ("aluminum waste and scrap") -- \$0.4 million.
- Misc. articles of iron and steel -- \$3.9 million;
- Scrap iron ("ferrous waste and scrap, not elsewhere specified") -- \$2.3 million;
- Structures (and parts of structures) of iron and steel -- \$0.5 million; and,
- Coke / peat / lignite -- \$0.5 million.

# Alberta's Exports to China

## - Wood Product Exports



Wood pulp is Alberta's predominant wood product export to China.

This category includes:

- Semi-chemical wood pulp – worth \$26.7 million, annually, on average;
- Non-coniferous chemical woodpulp – worth \$9.6 million; and,
- Coniferous chemical woodpulp – \$6.7 million.

# Alberta's Exports to China

## - Top 10 Export Categories

<b>Export Category</b>	<b>Value (\$ millions)</b>	<b>Share</b>
<b>Ethylene Glycol</b>	<b>\$ 103.955</b>	<b>17%</b>
<b>Canola Seed</b>	<b>\$ 101.811</b>	<b>16%</b>
<b>Artificial Filament Tow</b>	<b>\$ 87.039</b>	<b>14%</b>
<b>Ethylene Polymers (Plastics)</b>	<b>\$ 74.830</b>	<b>12%</b>
<b>Wheat (all kinds)</b>	<b>\$ 50.114</b>	<b>8%</b>
<b>Barley</b>	<b>\$ 42.887</b>	<b>7%</b>
<b>Sulphur</b>	<b>\$ 42.013</b>	<b>7%</b>
<b>Wood Pulp (all kinds)</b>	<b>\$ 41.934</b>	<b>7%</b>
<b>Manufactured Goods</b>	<b>\$ 32.262</b>	<b>5%</b>
<b>Rawhide (all kinds)</b>	<b>\$ 18.758</b>	<b>3%</b>
<b>Other Exports</b>	<b>\$ 32.339</b>	<b>5%</b>
<b>Grand Total</b>	<b>\$ 627.943</b>	<b>100%</b>

So: up to this point, Alberta's exports to China have been dominated by a few key exports, which are listed above, along with their average annual export value and their share of total exports.

A review of the impact of China's WTO tariff commitments on these products and on other top Alberta exports follows.

## China's WTO Accession – Tariff Concessions

- The following section examines Alberta's top exports to China:
  - Worth an average of \$0.5 million or more, annually, from 1997 to 2001.
  - In total: 50 exports.
  - Pre-accession "Most Favoured Nation" (MFN) tariffs are compared to post-accession BOUND TARIFFS.

The WCER study on which this presentation is based examines Alberta's top 50 exports to China, based on five year average export values.

This grouping captures all (48) of those exports to China worth \$0.5 million or more, annually, on average, over the past five year period.

The WCER study compares the tariffs that China used to impose on these products before its WTO accession, with the bound tariff commitments adopted as part of the WTO accession process.

# China's WTO Accession – Tariff Concessions

- China has agreed to “BIND” its tariffs on foreign imports at specific levels:
  - I.e., China has committed that it will not exceed these tariff levels in the future.
- Tariff bindings are phased in over a period of time:
  - Typically by 2004, for products of interest to Alberta.
  - This study looks at the FINAL Bound tariff rate.

China has agreed to “bind” its tariffs on foreign imports at specific levels: i.e., China has committed that it will not exceed these tariff levels in the future.

Tariff bindings are phased in over a period of time: typically by 2004, for products of interest to Alberta, although a great many products had their tariffs reduced immediately when China acceded in 2001. In a few cases, tariffs phase-ins on Alberta's top exports are not completed until 2005 or 2008. During this phase-in period, tariffs are lowered in successive annual stages, until the final level is reached.

For simplicity's sake, this presentation looks at FINAL Bound tariff rates, and does not provide any information about interim annual tariffs.

The next few slides identify some of China's final bound tariffs on products of particular importance to Alberta. At the end of the specified tariff phase-in period, China is not to impose tariffs that are higher than the listed bindings.

## Tariffs Concessions - on Top Agricultural Exports

<b>Product</b>	<b>Pre-Accession (MFN) Tariff</b>	<b>Final Post Accession Tariff</b>	<b>Date of Final Binding</b>
<b>Canola Seed</b>	<b>0 - 40%</b>	<b>9%</b>	<b>2001</b>
<b>Wheat</b>	<b>1% / 114%</b>	<b>1% / 65%</b>	<b>2004</b>
<b>Barley</b>	<b>0 - 91.2%</b>	<b>3%</b>	<b>2001</b>
<b>Animal Hides</b>			
- Cattle (whole)	5%	5%	2001
- Cattle (cuts)	5%	5%	2001

Canola Seed: Tariffs on canola seed were reduced to 9% as of 2001, and the previous Tariff Rate Quota system eliminated. The existing tariff rate quota on processed canola oil will be eliminated in 2006, at which point the tariff on this product will also be set at 9%. China has agreed to maintain parity in its tariff treatment of canola seed, canola oil, and soybean oil. This was an important concession for Alberta, as it exports canola to China in competition with soybean exports from third countries.

Wheat: China will continue to impose a tariff rate quota on wheat imports, including non-durum and durum wheat, wheat flour, and wheat meal and pellets. The combined quota for these products will rise to 9.6 million metric tonnes in 1994, at which time it will be capped. The in-quota tariff is 1%; the out-of-quota tariffs will drop to 65%. Of these wheat products, Alberta typically has exported non-durum wheat and wheat flour to China.

Barley: The tariff on barley has been substantially reduced, to 3%, and the previous Tariff Rate Quota system eliminated.

Animal Hides: There has been no reduction in the tariffs on Alberta's fresh animal hide exports to China, which have been capped at 5%.

# China's WTO Accession – Concerns re: Implementation

- There are concerns that China is:
  - Using new biotechnology regulations to block imports of certain products, including canola seed & oil.
    - Alberta's canola seed exports are down.
  - Administrating Tariff Rate Quotas in a way that limits imports.
    - Alberta's wheat exports remain strong.
  - Using import licensing restrictions to limit meat exports.
    - May have future implications for Alberta.

Alberta, along with many other governments, remains concerned about China's implementation of its WTO commitments, but particularly its agriculture commitments.

Biotechnology: In 2001, China published new biotechnology regulations, which cover the import, export, transportation, and labelling of agricultural "genetically modified organisms". Alberta's canola and canola oil exports fall under the terms of this regulation. At present, there is an interim certification system in place, while China prepares to implement its new regulation, scheduled for this December. However, there is a great deal of uncertainty surrounding the implementation of this regulation, with several competing directives coming out of different Chinese Ministries (e.g., Agriculture vs. Health). There is much concern that China is using these new regulations to implement a non-tariff barrier to trade in certain agricultural products. Alberta's canola exports are down significantly in the first half of 2002.

TRQ Administration: There is some concern that China is administering its TRQ system (e.g., quota distributions) in such a way as to discourage imports (e.g., by handing out very small quotas, possibly not filling quotas, and providing significant quotas to re-exporters), e.g., of wheat products. However, Alberta's first-half 2002 wheat exports appear strong.

Import Licensing restrictions on Meat products: There have been some allegations, e.g., from U.S. exporters, that China is using its import licensing regime to prevent the importation of meat products. This could have potential implications for Alberta.

Alberta recognizes that China must be given time to adapt to its new WTO obligations, and that China has in fact made significant changes. China's biotechnology regulations are of concern, however.

## Tariffs Concessions - on Top Petrochemical Exports

<b>Product</b>	<b>Pre-Accession (MFN) Tariff</b>	<b>Final Post Accession Tariff</b>	<b>Date of Final Binding</b>
<b>Ethylene Glycol</b>	<b>12%</b>	<b>5.5%</b>	<b>2004</b>
<b>Ethylene Polymers</b>			
- Polyethylene	<b>16%</b>	<b>6.5%</b>	<b>2008</b>
- Others	<b>15-16%</b>	<b>6.5%</b>	<b>2005</b>
<b>Artificial Filament Tow</b>	<b>10%</b>	<b>3-5%</b>	<b>2002/4</b>
<b>Styrene</b>	<b>8%</b>	<b>2%</b>	<b>2005</b>

Alberta's main petrochemical exports to China are ethylene glycol and ethylene polymers (plastics). Tariffs on both of these products have been reduced.

Artificial filament tow is another by-product of the Alberta petrochemical industry, and a significant export. It's tariffs have been similarly reduced.

The tariff on styrene is also reduced, and is bound at 2%.

## Tariffs Concessions - on Top Mineral & Metal Exports

Product	Pre-Accession (MFN) Tariff	Final Post Accession Tariff	Date of Final Binding
<b>Sulphur</b>	<b>3%</b>	<b>3%</b>	<b>2001</b>
<b>Cobalt</b>	<b>4%</b>	<b>4%</b>	<b>2001</b>
<b>Nickel</b>	<b>3%</b>	<b>3%</b>	<b>2001</b>
<b>Scrap Aluminum</b>	<b>6%</b>	<b>1.5%</b>	<b>2002</b>
<b>Articles of iron/steel</b>	<b>12-20%</b>	<b>8-10.5%</b>	<b>2002/4</b>
<b>Scrap iron</b>	<b>3%</b>	<b>0%</b>	<b>2001</b>
<b>Structures of iron/steel</b>	<b>15%</b>	<b>5%</b>	<b>2002</b>
<b>Lignite/Peat</b>	<b>5%</b>	<b>0-5%</b>	<b>2001</b>

At present, sulphur is Alberta's primary mineral & metal export to China. Other mineral exports include cobalt and nickel.

Alberta also exports some iron and steel products to China, including iron and steel structures.

While tariffs on Alberta's mineral exports, including sulphur, tend to be fairly low, and have not been materially affected by China's WTO accession (beyond having their tariffs bound at these low rates), tariffs on iron and steel products have been more substantially reduced.

*As previously mentioned, average annual export values for "other" mineral and metal exports are:*

- *Cobalt (unwrought) -- \$4.3 million;*
- *Nickel (unwrought) -- \$0.9 million;*
- *Scrap aluminum ("aluminum waste and scrap") -- \$0.4 million.*
- *Misc. articles of iron and steel -- \$3.9 million;*
- *Scrap iron ("ferrous waste and scrap, not elsewhere specified") -- \$2.3 million;*
- *Structures (and parts of structures) of iron and steel -- \$0.5 million; and,*
- *Coke / peat / lignite -- \$0.5 million.*

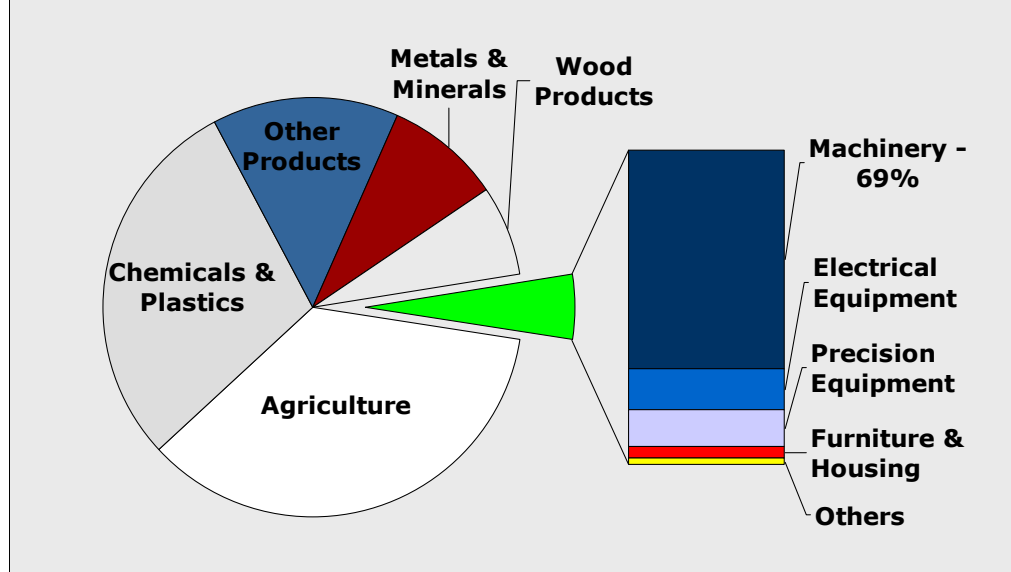
## Tariffs Concessions - on Top Wood Product Exports

<b>Product</b>	<b>Pre- Accession (MFN) Tariff</b>	<b>Final Post Accession Tariff</b>	<b>Date of Final Binding</b>
<b>Wood Pulp - Semi-chemical - Chemical</b>	<b>0%</b>	<b>0%</b>	<b>2001</b>

Tariffs on wood pulp have been bound at 0%, and are unchanged from the previous MFN rate.

# Alberta's Exports to China

## - Manufactured Goods



### What about Manufactured Goods?

Manufactured exports made up 5% of the value of Alberta's average annual exports to China over the last five years, and were worth approximately \$32 million/year, on average, over that period of time. Alberta would like to see additional growth in these sorts of exports to China.

Exports of individual manufactured items tend to be significantly smaller in value than exports of bulk commodities. In general, however, Alberta's manufacturing exports to China are distributed as follows:

- Machinery: 69%
- Electrical Equip.: 13%
- Precision Equip. (e.g., for medical purposes or for controlling chemical processes): 12%
- Furniture & Housing (including pre-fabricated housing): 4%
- Others: 2%

# Alberta's Exports to China

## - Manufactured Goods

- Machinery:
  - Propellers, engines & pumps
  - Temperature-treating equipment
  - Filtering/purifying equipment
  - Machinery for loading/moving/etc. (E.g., oil drilling equipment)
  - Computer (data processing) equipment
  - Miscellaneous machinery

Alberta exports the following sorts of machinery to China in significant quantities (i.e., over \$0.5 million/year).

Machinery for use in oil and gas production is a particular Alberta specialization. However, Alberta also exports other machines, including parts for data processing equipment (computers), and miscellaneous machinery and parts.

# Alberta's Exports to China

## - Manufactured Goods

- Electrical Equipment:
  - Transmission apparatus for telecommunications
- Precision Equipment:
  - Surveying instruments
  - Measuring instruments
- Furniture & Housing:
  - Prefabricated Houses

Alberta's top "specialized" manufacturing exports to China include: transmission apparatus for telecommunications, precision measuring equipment, and pre-fabricated housing.

# Tariffs Concessions - on Top Manufactured Exports

## **Machinery: Propellers, Engines, and Pumps**

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>	<b>Date</b>
<b>Turbo-propellers</b>	<b>3%</b>	<b>2%</b>	<b>2003</b>
<b>Hydraulic engines</b>	<b>12-16%</b>	<b>10-14%</b>	<b>2001</b>
<b>Ejector &amp; other pumps for liquids</b>	<b>14%</b>	<b>8%</b>	<b>2002</b>
<b>Air/vacuum pumps &amp; compressors</b>	<b>12-18%</b>	<b>7-8%</b>	<b>2004</b>

China has committed to a moderate reduction in its tariffs on exports of propellers, engines and pumps of interest to Alberta.

These products tend to be some of Alberta's most valuable machinery exports.

*Annually, over the past five years, they were worth an an average of:*

- Turbo-propellers -- \$1.8 million*
- Hydraulic power engines -- \$1.0 million*
- Ejector/other pumps for liquids -- \$2.8 million*
- Air/vacuum pumps & compressors -- \$1.7 million*

# Tariffs Concessions - on Top Manufactured Exports

## **Machinery: Temperature-Treating & Filtering/Purifying Equipment**

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>	<b>Date</b>
<b>Dryers (industrial)</b>	<b>14%</b>	<b>9%</b>	<b>2002</b>
<b>Heat exchange units</b>	<b>16%</b>	<b>10%</b>	<b>2002</b>
<b>Parts for temperature- treating equipment</b>	<b>8-15%</b>	<b>0-4%</b>	<b>2001/3</b>
<b>Water purifiers</b>	<b>18-30%</b>	<b>5-25%</b>	<b>2002/4</b>
<b>Air purifiers</b>	<b>18-30%</b>	<b>5-15%</b>	<b>2002/4</b>
<b>Parts for filtering or purifying equipment</b>	<b>10-18%</b>	<b>5-10%</b>	<b>2002/4</b>

Tariffs on temperature-treating equipment will be reduced from the 10-20% level to the 0-10% level.

Tariffs on filtering and purifying equipment will be reduced from 10-30% to 5-25%.

*On average these products have been worth:*

- *Temperature Treating Equip.:*

- *Dryers -- \$1.1 million/year*
- *Heat exchange units -- \$1.0 million/year*
- *Parts for temp.-treating equip. -- \$1.5 million/year*

- *Filtering/Purifying Equip.:*

- *Water purifies -- \$0.5 million/year*
- *Air purifiers -- \$0.9 million/year*
- *Parts for filtering/purifying equip -- \$0.9 million/year*

# Tariffs Concessions - on Top Manufactured Exports

## **Machinery: Loading/Moving Machinery & Pressure Valves**

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>	<b>Date</b>
<b>Boring/sinking machinery – not self-propelled (e.g., for drilling oil wells)</b>	<b>15%</b>	<b>5%</b>	<b>2005</b>
<b>Parts for lifting/handling machinery</b>	<b>7%</b>	<b>5%</b>	<b>2001</b>
<b>Parts for boring/sinking machinery</b>	<b>5%</b>	<b>4-5%</b>	<b>2001</b>
<b>Pressure valves &amp; taps</b>	<b>12-14%</b>	<b>5-7%</b>	<b>2002/3</b>

Loading/Moving/Digging Machinery includes construction machinery, machinery used for loading or lifting, and machinery used in mining or energy production. China has committed to moderate tariff reductions on Alberta's top exports in this category. The 10% reduction in the tariff on boring and sinking machinery (worth \$0.8 million/year, on average, over the last five years) is particularly notable.

Valves (i.e., "Taps, Cocks, and Valves") includes equipment used to regulate pressure in pipes and tanks. Again, China has committed to moderate tariff reduction on this item.

*Annual average exports of these items have been:*

- *Boring/sinking machinery (not self-propelled) -- \$0.8 million*
- *Parts for lifting/handling machinery -- \$1.1 million*
- *Parts for boring/sinking machinery -- \$0.6 million*
- *Pressure valves & taps -- \$0.8 million*

# Tariffs Concessions - on Top Manufactured Exports

## **Machinery: Computers and Miscellaneous Machinery**

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>	<b>Date</b>
<b>Computer parts</b>	<b>9%</b>	<b>0%</b>	<b>2002</b>
<b>Machinery having individual functions</b>	<b>8-25%</b>	<b>0-12.5%</b>	<b>2002/5</b>
<b>Parts of machinery having individual functions</b>	<b>6-15%</b>	<b>0%</b>	<b>2002/4</b>

Tariffs on “parts and accessories of automatic data processing machines (including computers)” (i.e., on computer parts) are reduced to zero.

This is because China has joined the WTO's *Information Technology Agreement*, signatories to which have committed to eliminate their tariffs on most information technology products.

Tariffs on miscellaneous machinery and parts are also reduced – moderately in the case of machinery, and wholly in the case of related parts.

*These exports have been worth the following annual averages, over the past five years:*

- *Computer parts -- \$0.9 million*
- *Misc. machines with individual functions -- \$0.8 million*
- *Parts of machines with individual functions -- \$0.6 million*

# Tariffs Concessions - on Top Manufactured Exports

## Electrical & Precision Equipment; Furniture & Housing

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>	<b>Date</b>
<b>Telephone/television transmission apparatus</b>	<b>8-15%</b>	<b>0%</b>	<b>2002/3</b>
<b>Surveying instruments</b>	<b>9%</b>	<b>5%</b>	<b>2001</b>
<b>Measuring instruments - Instruments</b>	<b>12%</b>	<b>0%</b>	<b>2003</b>
<b>- Parts</b>	<b>9%</b>	<b>0%</b>	<b>2002</b>
<b>Pre-fabricated buildings</b>	<b>22%</b>	<b>10%</b>	<b>2004</b>

Tariffs on Alberta's top electrical export to China – telecommunications transmission apparatus – have been reduced to 0% as a result of the *Information Technology Agreement*.

Alberta's measuring instrument exports have also benefited from China joining the *Information Technology Agreement*.

Tariffs on surveying instruments, which are not included in the *Information Technology Agreement*, have also declined but not as comprehensively.

Tariffs on pre-fabricated houses were previously quite high (22%). They have declined significantly, to 10%, but are still fairly high.

*Average export values for these items, over the last five years, were:*

- *Telecommunications transmission apparatus -- \$0.6 million*
- *Surveying instruments -- \$1.1 million*
- *Measuring instruments -- \$1.0 million*
- *Parts for measuring instruments -- \$0.4 million*
- *Pre-fabricated buildings -- \$0.9 million*

# China's WTO Accession – Tariff Concessions

## ■ **Conclusions:**

- Agriculture - Fairly substantial tariff reduction (bringing tariffs below 10% in several cases), but concerns about implementation.
- Petrochemicals / iron & steel products - Moderate tariff reduction (e.g., from 10-20% to 1-10%, generally).
- Other commodity exports - Minimal reduction; however, tariffs are typically low (e.g. 1-5%).
- Manufactured goods - Moderate tariff reduction, with tariffs on most Information Technology products reduced to 0%.

While there is certainly room for further tariff reduction efforts in future WTO negotiations, these changes nonetheless represent a significant benefit to Alberta exporters of these top commodities.

Alberta does remain concerned about the introduction of new barriers to trade on agricultural products, however.

# Alberta's Exports to China

## - Potential Opportunities

- What products are currently being exported in significant quantities from Alberta to China's neighbours, but not to China itself?
  - Hong Kong
  - Chinese Taipei (Taiwan)
  - Singapore
  - South Korea
- Are there market opportunities for these products in China?

The Western Centre study examined Alberta exports to the above four markets that were worth a combined total of \$0.5 million/year, on average, over the period of the study. This resulted in a list of 48 products.

In theory, these products should fare equally well in the Chinese market, and so represent potential opportunities for Alberta exporters.

There are several possible reasons as to why they do not. These include:

- The relatively higher standard of living and levels of technological and economic development in the neighbouring countries (in which case, as China grows, demand for these products could increase).
- These other countries may serve as “feeder” destinations for these products, which are then subsequently sent to China.
- Relatively more formalized or simplified trade procedures and lower tariffs in the neighbouring countries – i.e., based in part on the longer tenure that some of them have had in the multilateral trading system. In this case, as China implements its WTO commitments, access for these products may improve.

The following slides also provide information on China's WTO tariff concessions on these products.

# Alberta's Exports to China

## - Potential Opportunities

### Agriculture - Meats

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>
<b>Beef cuts</b>	<b>39%</b>	<b>12 - 20%</b>
<b>Pork cuts</b>	<b>20%</b>	<b>12 - 20%</b>
<b>Edible animal offal</b>	<b>18 - 20%</b>	<b>12 - 20%</b>
<b>Animal horns</b>	<b>3 - 12%</b>	<b>3 - 11%</b>
<b>Animal feed (greaves)</b>	<b>2 - 5%</b>	<b>2 - 5%</b>
<b>Pet food</b>	<b>27%</b>	<b>15%</b>

Alberta exports beef and pork to China's neighbors in Asia. Specialty items such as animal horns and animal/pet food are also sold in these countries. All of these products could also be sold directly into the Chinese market.

Meat and animal product exports have seen their tariffs reduced -- marginally in some cases (such as animal horn and edible animal offal) and more substantially on other cases (such as beef cuts and pet food). For the most part, however, these tariffs remain "moderately high".

# Alberta's Exports to China

## - Potential Opportunities

### Agriculture – Other Items

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>
<b>Wheat flour</b>	<b>6% / 91.2%</b>	<b>1% / 65%</b>
<b>Malt</b>	<b>26%</b>	<b>10%</b>
<b>Alfalfa</b>	<b>13%</b>	<b>5%</b>
<b>Other forage products</b>	<b>9%</b>	<b>9%</b>
<b>Canola oil</b>	<b>20% / 100%</b>	<b>9%</b>
<b>Frozen potatoes</b>	<b>25%</b>	<b>13%</b>

Tariffs on other agricultural goods also vary:

The decline in the tariff on canola oil exports to 9% (and the eventual removal, in 2006, of the current Tariff Rate Quota on this product) is a very substantial gain for Alberta, and could enhance exports of this product to China. China's commitment in its accession agreement to treat this product as equivalent to soybean oil is also important for Alberta. However, as mentioned earlier, there is some concern that China will use regulations related to labelling and testing Genetically Modified Organisms as a means of restricting entry for such products, leaving the current accession gains in doubt.

China's tariff on frozen potatoes, malt and alfalfa have essentially been halved. This should facilitate market access for these items.

Wheat flour falls under the wheat TRQ. Consequently, its in- and out-of quota tariffs have been somewhat reduced.

For the most part, tariffs on these items fall at or under 10%.

# Alberta's Exports to China

## - Potential Opportunities

### **Petrochemicals, Minerals & Metals**

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>
<b>Nickel oxides/hydroxides</b>	<b>8%</b>	<b>5.5%</b>
<b>Metal oxides/peroxides</b>	<b>5.5 – 7%</b>	<b>5.5%</b>
<b>Epoxide Resins</b>	<b>16%</b>	<b>6.5%</b>
<b>Coal</b>	<b>3 – 6%</b>	<b>3 – 6%</b>
<b>Nickel (powders &amp; flakes)</b>	<b>5%</b>	<b>4%</b>
<b>Aluminum doors &amp; windows</b>	<b>30%</b>	<b>25%</b>

Alberta exports certain metal oxides to Asia, as well as coal, nickel, and processed aluminum products.

Tariffs on these products remain relatively unchanged as a result of China's WTO accession. With the exception of aluminum doors, windows, and frames, they are all bound below 10%.

# Alberta's Exports to China

## - Potential Opportunities

### Wood Products

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>
<b>Softwood lumber</b>	<b>0%</b>	<b>1%</b>
<b>Wafer-board (incl. oriented strand-board)</b>	<b>16%</b>	<b>4%</b>
<b>Fibre-board</b>	<b>18%</b>	<b>4%</b>

Alberta also exports softwood lumber and processed wood products to China's neighbours.

While China's softwood lumber tariff remains unchanged (and quite low), tariffs on processed wood products – e.g., waferboard and fibreboard -- have fallen substantially. This may facilitate exports of these products to China.

*[The tariff on softwood lumber has increased! This is because the pre-accession tariff was an "applied" tariff, and the post-accession tariff is a "bound" tariff – i.e., while the 1% figure represents China's upper tariff limit for this product, China may continue to apply an applied tariff that falls below 1%.]*

# Alberta's Exports to China

## - Potential Opportunities

### Manufactured Products – Machinery

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>
<b>Engines and motor parts</b>	<b>2 - 10%</b>	<b>2 – 8%</b>
<b>Bridge cranes</b>	<b>15 - 16%</b>	<b>10%</b>
<b>Boring/sinking machinery - self-propelled</b>	<b>6 - 15%</b>	<b>5%</b>
<b>Parts for construction machinery</b>	<b>5 - 7%</b>	<b>5%</b>

Alberta exports a wider variety of engines and loading/lifting/moving machinery to Asian countries.

Tariffs on these products have either fallen from the 10 – 20% range to the 1 – 10% range, or have fallen minimally within the “under 10% range”.

Consequently, tariffs on all of these products are now set at or below 10%.

# Alberta's Exports to China

## - Potential Opportunities

### Manufactured Products – Electrical

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>
<b>Electric static converters</b>	<b>12 – 18%</b>	<b>0 – 10%</b>
<b>Telephone sets (not cordless)</b>	<b>15%</b>	<b>0%</b>
<b>Telephonic switching apparatus</b>	<b>12 - 15%</b>	<b>0%</b>
<b>Modems</b>	<b>12 - 15%</b>	<b>0%</b>
<b>Parts of electrical apparatus for line telephony</b>	<b>8 - 10%</b>	<b>0%</b>
<b>Telephone answering machines</b>	<b>25%</b>	<b>0%</b>

Alberta also exports a wider variety of telecommunications equipment (including telephones, answering machines, and modems) to China's neighbours.

These products have all benefited from China joining the *Information Technology Agreement*.

# Alberta's Exports to China

## - Potential Opportunities

### Manufactured Products – Electrical

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>
<b>Audio/video (A/V) equipment - parts &amp; accessories</b>	<b>25 - 35%</b>	<b>20 - 30%</b>
<b>Recorded magnetic tapes (not A/V)</b>	<b>0 - 6%</b>	<b>0%</b>
<b>Misc. recorded media (for A/V)</b>	<b>0 - 34%</b>	<b>0%</b>
<b>Parts for radio/television transmission apparatus</b>	<b>3 - 20%</b>	<b>0 - 15%</b>
<b>Electrical control panels</b>	<b>7 - 14%</b>	<b>5 - 8.4%</b>

Alberta exports recording equipment and accessories, including audio/visual equipment, and electrical control panels to Asia.

These products have seen moderate reductions, although some also fall under the *Information Technology Agreement*, and have seen their bound tariffs drop to 0% in China.

# Alberta's Exports to China

## - Potential Opportunities

### Manufactured Products – Others

<b>Product</b>	<b>Previous Tariff</b>	<b>Final Binding</b>
<b>Artificial parts of the body</b>	<b>8%</b>	<b>4%</b>
<b>Instruments for gas/smoke analysis</b>	<b>12%</b>	<b>7%</b>
<b>Misc. measuring/checking instruments</b>	<b>12%</b>	<b>5%</b>
<b>Misc. automatic regulating instruments</b>	<b>12%</b>	<b>7%</b>
<b>Wooden furniture for office use</b>	<b>22%</b>	<b>0%</b>

Tariffs on precision equipment tend to have fallen moderately, from the 10 – 20% range to the 1 – 10% range.

The tariff reduction on furniture has been more dramatic.

All of these products have strong sales in the markets surrounding China.

# China's WTO Accession – Tariff Concessions

## ■ **Conclusions:**

- Agriculture – Moderate tariff reduction on animal products (10 – 20% range), and somewhat more extensive reduction on other products (5 – 15% range).
- Petrochemicals / Metals & Minerals - Minimal tariff reduction, but typically low tariffs (e.g., 1 – 10%).
- Wood Products – Substantial reduction on processed products (e.g., tariffs of 1 – 5%).
- Manufactured goods - Moderate tariff reduction, with tariffs on most Information Technology products reduced to 0%.

China's WTO accession has improved the tariff treatment on many of Alberta's "potential" exports to China.

Whether this will translate into increased sales remains to be seen.

## China's WTO Accession – Additional Information

- WCER Paper: China WTO Accession and Alberta's Opportunities:
  - [www.bus.ualberta.ca/CIBS-WCER/](http://www.bus.ualberta.ca/CIBS-WCER/)
  
- Alberta International & Inter-governmental Relations:
  - [www.iir.gov.ab.ca/trade/pages/](http://www.iir.gov.ab.ca/trade/pages/)