STATE OWNED ENTERPRISES: CHINESE FDI IN CANADA VIA THE LENSES OF PERCEPTUAL, POLITICAL, ECONOMIC AND SOCIAL CONSIDERATIONS

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Abstract

Recent high profile acquisition attempts of two Canadian publicly traded companies by foreign state-owned enterprises has sparked significant public discourse in newspapers, magazines and coffee shops around the country. This paper will contribute to this dialogue by addressing the ramifications of growing Chinese FDI in Canada via the lenses of perceptual, political, economic and social considerations. Commonly held beliefs regarding state-owned enterprises (SOEs) and their records with respect to foreign direct investment (FDI) in other resource-rich nations will also be evaluated.

Key words: FDI, China, social considerations, resource-rich nations, acquisition, and state owned enterprises.

JEL Classification codes: H5, P48, G34, M1

Chinese state-owned enterprises: an overview

Until the late 1970s China's economic policies reflected its political landscape as a closed, socialist state. Beginning in 1978 Den Xiaoping, China's new leader, oversaw "the creation of a market economy and capitalist-like enterprises, and by the early 1990s his reforms had helped lift an estimated 170 million peasants out of extreme poverty" It was these policies that allowed the foundation of today's variation of SOEs to take root in China during this time.

In the early 2000's China launched a "going global" strategy with the aim to "promote the international operations of capable Chinese firms with a view to improving resource allocation and enhancing their international competitiveness." Since the time of the launch of this strategy Chinese SOEs have grown significantly to become some of the largest and most profitable companies in the world. Figure 1 on the following page shows three of the largest Chines SOEs of the 65 that are included within the largest 500 firms globally.

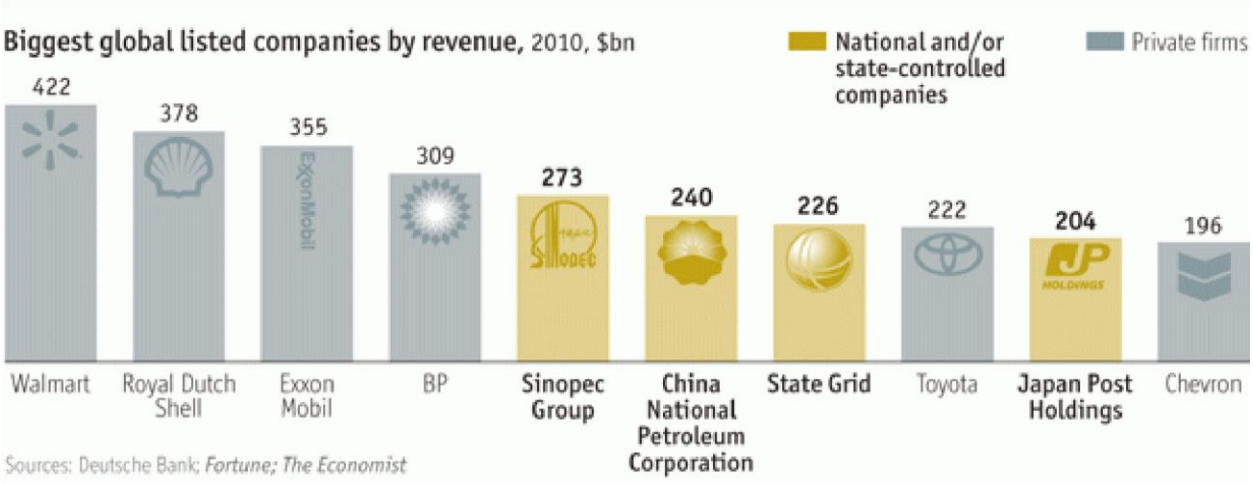


Figure 1: The prevalence of SOEs amongst the largest firms in the world

As a result of their size and economic power SOEs in China account for a significant portion of the Chinese economy. In fact, such firms are so large that they account for more than half of Chinese output and employment. Chinese SOEs are managed by the central government's investment arm, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) which acts on "the principle of separating government administration from enterprise management and separating ownership from management power." SASAC invests, supervises and manages the state-owned assets. This governance and administrative structure is a source of contention with respect to potential Chinese FDI in Canada.

Foreign Direct Investment: to Canada

The United Nations, International Monetary Fund, World Bank and the Organization for Economic Co-operation and Development each define FDI differently. While there are some discrepancies between the definitions provided by these organizations, the overarching message is consistent. Each definition includes a long-term investment to gain interest in an enterprise operating outside the national boundary of the investor. For the purposes of this paper we will utilize the definition put forth by the Organization for Economic Co-operation and Development (OECD) which states that FDI "reflects the objective of obtaining a lasting interest by a resident entity in one economy in an entity resident in an economy other than that of the investor." This lasting interest implies the existence of a long-term relationship and a significant amount of influence by the investing party.

FDI is an important driver for the Canadian economy. From 2007 to 2011 FDI inflow accounted for nearly 4% of Canada's GDP. As such, the Government of Canada promotes the country as a safe, reliable market for FDI. Invest in Canada is a branch of the government that has a mandate to be "responsible for promoting, attracting and retaining foreign direct investment in Canada."

Table 1 illustrates the wide array of countries that have investment interests within Canada. Over the course of the past five years China has seen the second most rapid amount of growth.

Table 1: A breakdown of FDI in Canada over a five-year period [http://www.statcan.gc.ca/daily-quotidien/120419/t120419b001-eng.htm]

	2007	**2008**	**2009**	**2010**	**2011**	**Percentage Change**
Foreign direct investment in Canada	**512.3**	**550.5**	**572.8**	**585.1**	**607.5**	19%
United States	288.3	292.4	299.3	318.4	326.1	13%
Netherlands	40.1	56.1	56.3	53.6	56.3	40%
United Kingdom	56.8	49.6	46.9	36.2	38.9	-32%
Luxembourg	3.6	9.4	13.9	20.9	25.3	603%
Switzerland	15.9	20.3	23	19.2	20	26%

Brazil	14	14.5	13.2	17.3	18.6	33%
France	17.2	16.7	17.6	17.3	15.3	-11%
Japan	13.6	12.4	14.5	12.6	12.8	-6%
China	**4.2**	**5.7**	**12.2**	**11.7**	**10.9**	**160%**
All other countries	58.7	73.7	75.9	78	83.3	42%

Foreign Direct Investment: from China

In recent years, China's SOEs have started to extend their reach to global markets to secure access to raw materials, resources and new technologies. With its ever-growing appetite for energy and with over $3.2 trillion in foreign exchange reserves, China has an abundance of excess cash on hand to invest in invest in strategic sectors.

Geographical Composition of Chinese FDI as of 2011		Sectoral Composition of Chinese FDI 2009-2011	
United States	30.5	Other	3.2
Australia	38.4	Technology	3.7
East Asia	42.6	Agriculture	6.4
Europe	43.2	Transport	6.8
Arab World	43.7	Finance	16.5
West Africa	51.7	Metals	22
Sub-Saharan Africa	56.4	Energy	61.8
Other Western	72.3		
Investment (Bil. Dollars)		Investment (Bil. Dollars)	

Figure 2 (pictured above) llustrates how China's overseas investment is geared towards natural resources to accommodate its growing demand for energy. Australia, Sub-Saharan Africa and West Africa have been the biggest destinations for Chinese FDI given their abundant reserves of coal, oil, gas and metals.

Analysis of Chinese Foreign Direct Investment in Canada

The state of economic activity driven by FDI between China and Canada is a fraction of what it could be. We have demonstrated that Canada has not been the focus of significant Chinese FDI in the past. By extension, China has paled in comparison to Canada's traditional financiers such as the United States. We seek to address the underpinning concepts that have

contributed to the present situation. Ultimately, FDI by Chinese SOEs suffers the stigma of being economically, socially and politically undesirable. However, closer investigation paints a more complex and nuanced picture. These aspects of SOE driven FDI will be investigated in greater detail in the following sections.

We will seek to synthetize the key concepts into a framework by which to help predict what the future of Chinese FDI in Canada using the following four analytical lenses: Perceptual, Political, Economic and Social

Perceptual Issues

Negative perception often permeates despite the benefits associated with FDI. Such benefits include technology transfer and job creation and are all too often ignored. As a result, Chinese SOEs face resistance in OECD countries based on several misconceptions of their behaviour that leads to undermine both cultural and commercial relationships. Five of the most common misconceptions about Chinese SOEs are discussed below.

Misconception 1: Chinese SOEs aim to "lock up" world resources

A common misconception is that Chinese SOEs "lock up" resources through FDI. Chinese SOEs procure resources through FDI primarily by taking an equity stake or a long-term procurement contract in an up-and-coming producer to secure a share of production. While the Chinese appetite for resources, often energy and metals, does put severe pressure on the global demand for natural resources, recent history shows that Chinese procurement arrangements and FDI on the whole served to diversify and make more competitive these up-and-coming producers by providing crucial funding to help increase capacity on the supply side. Theodore Moran reports that a comprehensive examination of 35 Chinese natural resource investments and procurement arrangements in Latin America revealed that "twenty three serve to help diversify and make more competitive the portion of the world natural resource base located in Latin

America. Twelve do not." On the whole the FDI impact of these SOEs on natural resource capacity does not completely warrant the common misconception that Chinese SOEs "lock up" natural resources.

Misconception 2: Natural resources and product are shipped back to China

Many OECD countries assume that Chinese SOEs extract resources for the sole purpose of shipping it back to customers in China thereby reducing the amount of resources available to other customers. However, studies found quite the opposite with most of the resources being traded regionally and sold to the highest bidder to maximize profits. The oil pipeline from Kazakhstan to China is a perfect example with only 50,000 of the 260,000 barrels per day being brought into China. Sudan is another example, where the volume of oil sent back to China has been declining in recent years; with most of the production having been sold to the highest bidder – Japan.

Misconception 3: SOEs are heavily subsidized by the state

One of the main misconceptions about Chinese SOEs is that they continue to be subsidized by the state and have access to low-cost capital that enables them to outbid western rivals. This government-supplied capital is further assumed to be well below market rates and is not subject to repayment terms. Recent research however has concluded that these SOEs do not have access to capital below market rates and are financially independent of the state. Researchers are also quick to point out that Chinese energy SOEs are amongst the most profitable firms in China thereby making them the most creditworthy of Chinese borrowers, so there is no shortage of international banks interested in funding these SOEs at competitive rates.

Misconception 4: Head office relocation follows

A common argument against Chinese FDI is that when local companies are purchased by SOEs all decisions regarding local operations are moved overseas to the acquiring firm's head office. Critics argue that all key decision making is shifts along with the balance of power. Evidence however suggests that the opposite is in fact true, with Chinese SOEs finding it in their best interest to keep decision making activity as geographically close to the operations as possible to maximize efficiency and profitability.

Misconception 5: Political considerations trump profitability

Critics often believe that Chinese SOEs act in a nationalistic manner to serve the interests of the state, no matter what the cost. However this is often not the case. Chinese SOEs are profitdriven to their core and operate in a manner that seeks to maximize their profit. The organization and strategies of these SOEs more closely reflect that of their global rivals than that of the state. This is especially prevalent in mining and oil companies. This profitmaximizing approach can be further seen in the compensation structure where top management of such SOEs are compensated on profitability rather than on execution of state policy.

Political Considerations

At first glance China and Canada present themselves as strong potential partners for FDI. From a pragmatic perspective, the mandate for each country aligns with the goals and objectives of the other. As discussed in our introduction, China is actively seeking opportunities for external investment through their "going global" strategy while Canada is working to attract foreign investors through the Invest in Canada Bureau. This is relevant to the Canadian resource sector as forecasts indicate that capital investment in the oil sands is estimated to add up to $218 billion over the next 25 years. Foreign investment will likely be required to achieve this goal.

The Chinese mandate mirrors that of Canada. For instance, securing and diversifying energy supply and developing technical expertise in unconventional resources are major goals. Comparatively, Canada is looking at diversifying resource export markets as the United States, currently accounts for the majority of Canadian energy exports. This is a threat for Canada as the United States is poised to become, possibly, the world's largest producer of oil and energy self-sufficient. With two very closely aligned mandates Canada and China present themselves as excellent partners for future FDI endeavors. The logical first step has been 18 years in the making: the Sino-Canadian Foreign Investment Promotion and Protection Agreement.

Foreign Investment Promotion and Protection Agreement

A major element of Canada's trade overtures to China has been the Foreign Investment Promotion and Protection Agreement (FIPA) brokered by the Harper government. There has been significant criticism of the Agreement. Diane Francis calls attention to what she perceives as the "one-sidedness" of the document: the lack of reciprocity, missing transparency within the dispute resolution mechanisms, and potentially open-ended legal awards if Chinese firms can prove they have been harmed by any Canadian branch of government.

Ultimately, reciprocity appears to be the most contentious element of the Chinese FIPA. For instance, the premise that the $15.10 billion Nexen deal can potentially take place, yet Scotiabank's $0.726 billion desired acquisition in China remaining paralysed for over a year is considered galling by many observers. Yet, reciprocity consideration may be a somewhat premature and out of scope at this given time. Professor Edy Wong questions if "Canadian companies [are] ready to confront the difficult and highly regulated Chinese market."Ultimately, the coolest heads will likely prevail. Diane Francis appeared to offer a somewhat emotional response to the FIPA deal despite her stature as a respected journalist in the *Financial Post*. Ms.

Francis comments use poorly chosen words, such as that "*the Conservative party] demonstrated the worst negotiating skills since Neville Chamberlain" in crafting the deal where "Ottawa capitulated on everything."[http://opinion.financialpost.com/2012/11/02/canada-china-trade-deal-is-too-one-sided] The credibility gap widens when one considers that the deal is the product of 18 years of negotiations.

Ultimately, the Chinese FIPA is positive for Sino-Canadian trade relations. This is because it establishes rules and trade frameworks which are understood by both nations. Ian Lee remarks that Canada actually has more to gain than China, as "with the rule of law prevailing in Canada FIPA protections are less valuable for Chinese investors in Canada than for Canadian investors in China."

Taking steps toward creating a legal baseline to govern trade relations with China is a positive step. Edy Wong comments on the balance between "economic realism and libertarian idealism." This is very apt. Objections driven by Idealism or ideology about the "onesidedness" of the deal ought to be questioned from the vantage of realism: Canada's ability to approach a nation forty-times more populous that holds a $32 billion dollar trade deficit [http://ca.reuters.com/ article/ businessNews/idCABRE88P16D20120926] as a purely equal partner is uncertain. Economic realism suggests that until Canada can leverage its tactical strengths, such as using the Nexen deal as a bargaining chip, it will be difficult to press for a fully level playing field at this point in time.

Economic Considerations

Misconceptions drive much of the negative perception of Chinese SOE FDI. Perceptual issues notwithstanding, the most powerful question that must be asked is "how does the FDI benefit the recipient country?" As such it is worth exploring examples where Chinese FDI has made a positive impact on society and the economy, especially in countries with cultures and

values similar to that of Canada. The following cases of Chinese FDI will highlight some of the many benefits that Chinese FDI can bring to the table.

IBM-Lenovo Takeover

Lenovo's takeover of IBM's personal computer business has proven to be one of the most successful and fruitful acquisitions to date. The takeover is a perfect example of how two companies with very different cultures can merge and prosper. Since the takeover in 2005 for $1.5 billion, Lenovo's sales have skyrocketed from $11 billion to nearly $30 billion. Lenovo's stewardship of IBM's assets has seen the firm leapfrog Acer and Dell to become the second largest manufacturer of personal computers worldwide.

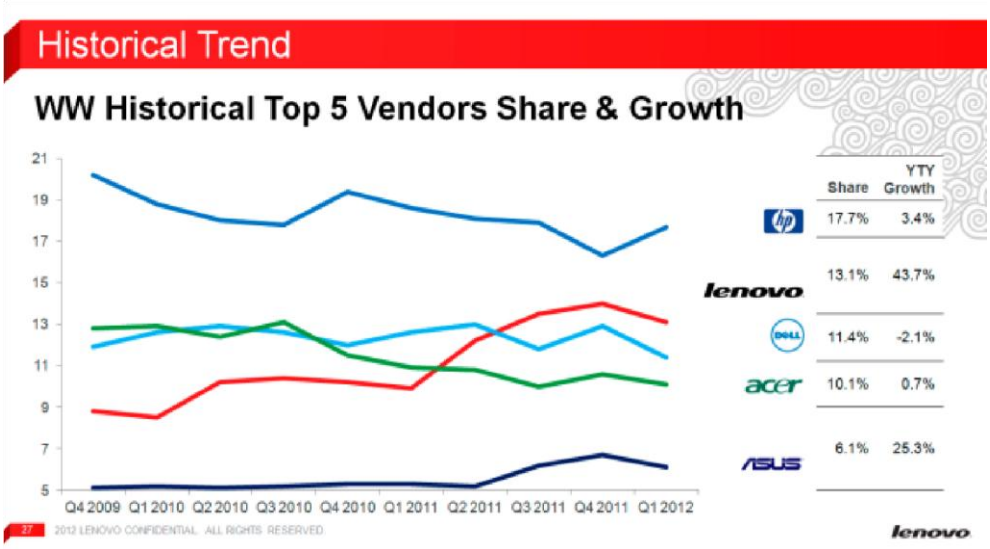


Figure 3: Lenovo (in red) ascends to new heights in market share

Cirrus Industries

In 2011 China Aviation Industry General Aircraft Company (CAIGA) acquired a 100% stake Cirrus Industries, the world's second-largest general aircraft maker, based in Minnesota. During the time of the acquisition Cirrus was struggling financially yet looking to expand into new markets. The Chinese FDI provided a needed financial injection and helped save over 500 jobs in the company. More importantly the financial support provided by the Chinese SOE has helped the company sustain and even expand its

operations within the United States, with the company expecting to create an additional 150 jobs in the upcoming year.

Haier

When people think of Chinese FDI they often assume its Chinese SOEs taking control of local companies. However this isn't always the case. Haier, a Chinese, state owned consumer electronics and home appliance company, chose to expand into the American market by opening a $40 million dollar production facility in South Carolina to cater to the American consumer. Today Haier employs over 350 people in its facility with plans to open new manufacturing centers in New Jersey, North Carolina and Arkansas, creating hundreds of new jobs. Haier's investment in the United States has legitimized the fact that Chinese SOEs can make a positive impact in local economies through FDI.

These cases of Chinese SOE FDI are testament to the benefits that can be reaped from Chinese investment. It is estimated that for every $500,000 of FDI ten new jobs are directly or indirectly created in the United Sates. These success stories must be used as examples for Canada's future approach to inward Chinese FDI.

Chinese FDI in Sub Saharan Africa

Chinese SOE FDI has also proven to be very beneficial in the energy sector. Sub Saharan Africa is the second largest target of Chinese SOE FDI with the majority of the investment being made in the energy and resource sector.

• *Sudan*: While Sudan has large reserves of oil it lacked the financial and technical knowhow to develop these oil fields. Chinese FDI by SOEs contributed significantly to creating capacity in the oil sector providing the double effect of expanding Sudan's oil exports and giving rise to other industries based on oil, like plastic and road construction.

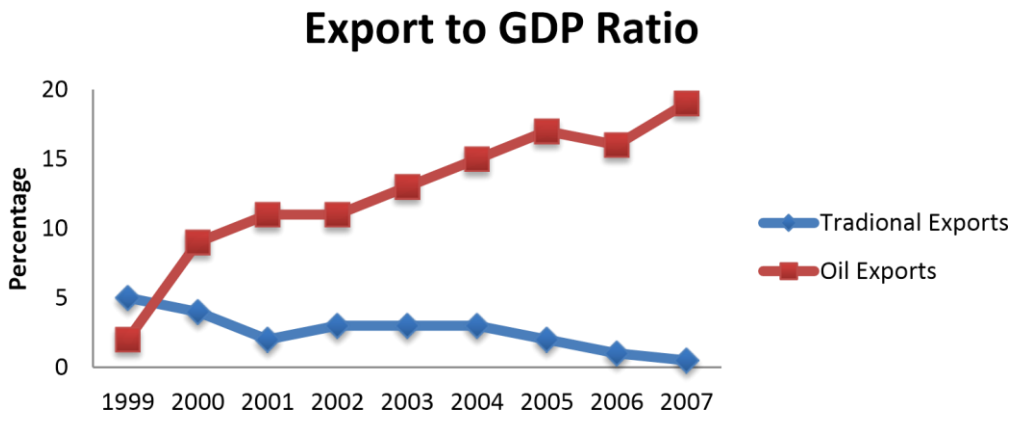


Figure 4: Chinese FDI provides the capital and impetus to turn Sudan into a net oil exporter

• *Zambia:* Zambia is another country that has benefited significantly from FDI form Chinese SOEs. Chinese SOEs have been investing large amounts capital into Zambia's natural resources, which has resulted in a positive impact on the Zambian economy. As they did in Sudan, Chinese SOEs have provided much needed capital and technical know-how, which has improved capacity utilization, increased output and generated employment in resource sectors like mining. The following graph highlights the growth

in the Zambian Economy coupled with the level of FDI by Chinese SOEs in recent years.

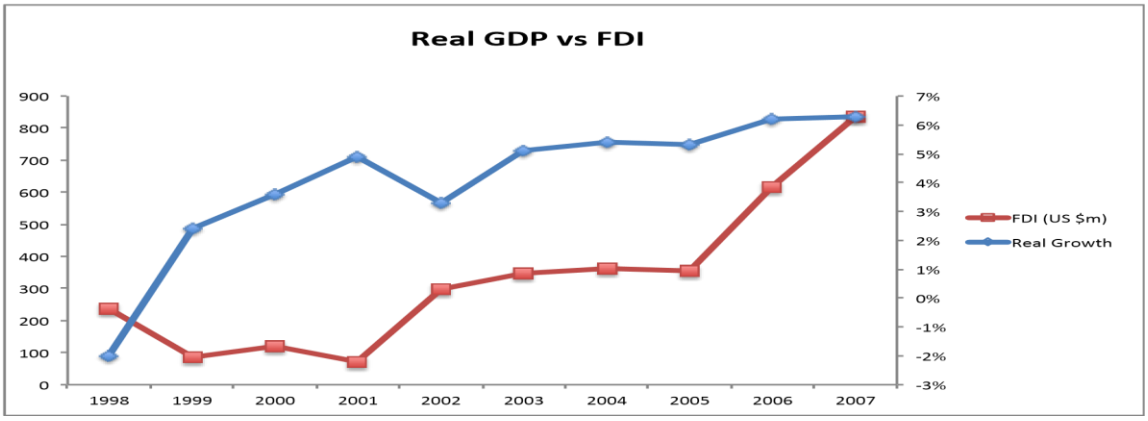


Figure 5: The relationship between FDI and growth in Zambia is ambiguous but implies a positive correlation

Social and Cultural Considerations

Social and cultural considerations play a major role in shaping public attitudes toward Chinese FDI. Cultural consideration came to particular prominence in November 2012 when Chen Weidong, chief energy researcher at the CNOOC Energy Economics Institute, chose a poor analogy to describe oil sands development.

"It's the same situation as the leftover single women. … It will be the same for the oil sands, they will be outdated just like unmarried single women."

The Globe and Mail called the comment "jarring to Canadian ears". Bloggers call it worse – Mr. Weidong is now the subject of much online abuse in the blogsphere, with "Chinese oil industry asshole" being one such title. Nevertheless, a twist on Hanlon's Razor appears required for conducting international business.

"Never attribute to malice that which is adequately explained by ***cultural differences***."

Such consideration is required because on closer inspection the term "leftover women" is commonly espoused by Chinese government ministries. Leta Hong Fincher comments in the *New York Times* that the China's state feminist agency, the All-China Women's Federation, defines leftover women "as unmarried women over the age of 27" and runs regular articles stigmatizing educated women who are still single. While distasteful, cultural relativism must carry some weight.

As is our objective in this paper, we seek to look deeper into the cultural implications of such a controversial statement. The prima facie assessment of the remark is grim: it appears that this is a vaguely misogynistic comment from a representative of a nation that is still rife with chauvinism. Nonetheless, we assert that there are three underlying considerations that ought to be considered by sophisticated observers before passing judgment on the statement.

First, héxiéshèhuì, is the concept of harmonious society. China has major gender imbalance: approximately 24 million more men than women. Possessing vast quantities of single men, presumably destined to remain single for their entire lives, can often be a disruptive force in society. The role of video games to mitigate some harm is the subject for another paper. Yet, the Chinese government's stance on the issue becomes more clear when viewed through the lens of social engineering – they have an interest in mitigating the effects of this cohort of unmarried men to the largest degree possible. This leads into the second item: Mr. Weidong is a government official and as such is expected to tow the *Party line*, so to speak. Much like Winston Smith felt compelled to agree that "we have always been at war with Oceania" in Orwell's *1984*, it is worth drawing attention to the fact that China is, after all, still a totalitarian dictatorship. Finally, the concept of maturity in viewing different markets and trading partners is perhaps lacking with officials like Mr. Weidong. Rather than being pejorative, we wish to yet again draw attention to the huge successes that Chinese FDI has brought Africa.

Abraham Maslow's famous hierarchy of needs concept creates a fascinating vantage from which we may assess why officials such as Mr. Weidong may have been inadequately sensitive. FDI can bring about marked improvement in the most basic aspects of life, food and shelter for instance, by providing jobs, economic growth and government revenue. This is a more existential issue for Africa than Canada given our level of prosperity. In such a scenario there are fewer inhibitions towards infrastructure development (i.e. unlike the Gateway pipeline) and certainly less outrage over culturally misguided quotes. Canada differs substantially. The population as a whole is well past the point of satisfying basic needs. In essence, Canada is rich enough to object strongly to a perceived insult, regardless as to the amount of money on the

table. Given China's extensive FDI background in Africa, it would entirely possible for an Chinese government official to misread the Canadian psyche.

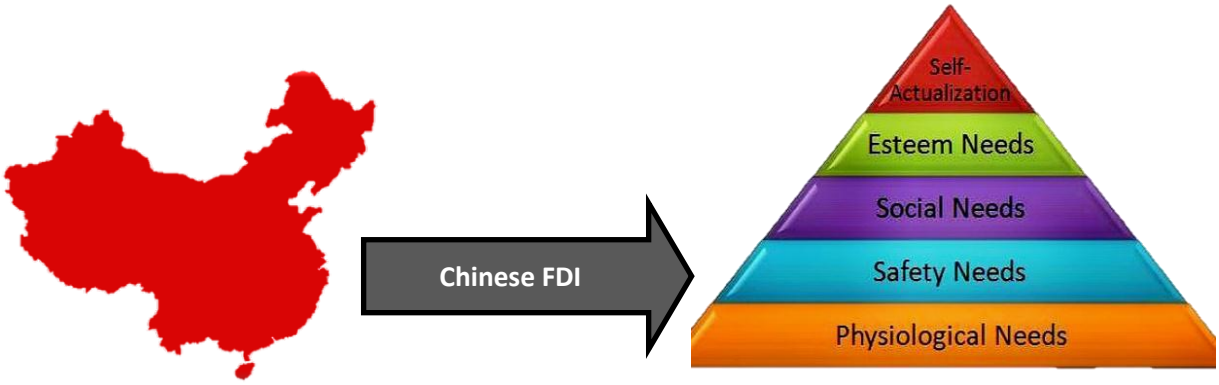


Figure 6: China's FDI approach used in Africa requires more sophistication in Canada; it is important to connect to the appropriate level of the hierarchy.

A further social concern is that Chinese SOEs often have a detrimental effect on worker health and safety. The United Nations Conference on Trade and Development (UNCTAD) notes that Chinese firms "often undermine hard-won governance standards observed by other multinational corporations." Of particular concern is bribery, respect for environmental standards and most importantly – human health and wellbeing.

Such concerns have come to light in Alberta in the recent past. In 2006 the Sinopec Shanghai Engineering Company (SSEC) brought a team of 150 workers to the Horizon project construction site. The result was a tragic outcome with two workers killed and six more injured in a major collapse. While industrial accidents are dreadful, they are hardly a rare occurrence in Canada. In Alberta for instance the construction industry has the second highest rate of fatalities after forestry. Over a ten year period this industry saw 453 people killed on the job, or a rate of 180 fatalities for every million person-years worked. What is perhaps even more troubling is the response of SSEC to the tragedy in its seemingly callous disregard for the process of correcting unsafe conditions and policies – and being held accountable to Canadian standards.

Jeff Gray describes the aftermath leading to trial as being "delayed repeatedly, with Sinopec Shanghai Engineering arguing that it has no presence in Canada and was not served properly with the charges. It argued that a summons for Sinopec Shanghai, given to the manager in charge of SSEC Canada, was invalid. SSEC refused to be served saying it is not a Canadian firm and therefore unaccountable to Canadian courts."

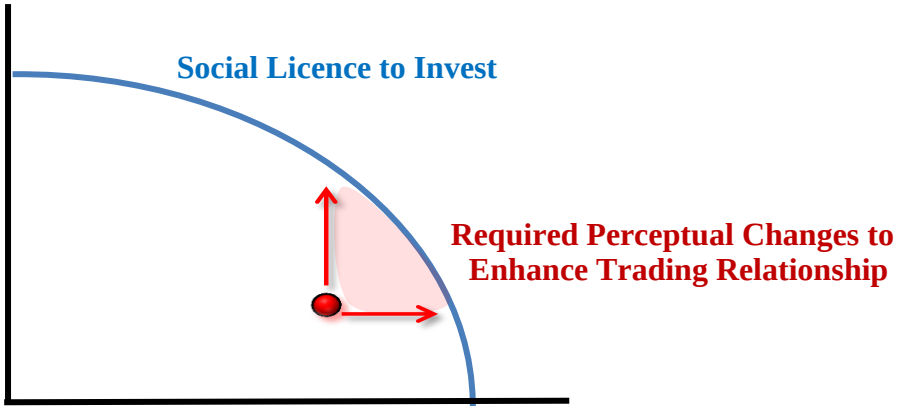
However, years later SSEC was brought to court and pled guilty to three charges of workplace safety violations. The Crown plans to pursue a $1.5 million penalty. This is a positive development as we have argued throughout this paper that Chinese SOEs are rational economic actors who will learn from this event. The onus now falls on Canada's legal system to reconsider where the maximum penalty ought to fall. If there is even a shard of doubt that foreign firms do not place an adequate value on workplace safety it would be prudent to introduce the threat of greater legal/economic consequences that will help Canada ensure that all firms behave in a socially desirable manner.

Recommendations: Narrowing the Gap

We view perception as being crucial to forging a successful trade partnership with China that allows for capital to flow more freely. Perception is not an idle term; it will undoubtedly serve as a lagging indicator to enhanced compromise and collaboration.

The two key elements are the perception of trust and that of net benefit. We see these two variables coming together much like a production possibility frontier. They are unified by a concave frontier, which we see being the minimum threshold to attain, maintain and nurture a social licence to invest. This is a modification of the standard business concept of social licence to operate. Our assessment of where "China, Inc." sits currently is not meeting social licence criteria.

Going forward, we envision that an agreement like FIPA, plus moderate concessions by the Chinese with respect to the Manulife and Scotiabank deals, as key to developing trust. We see the Harper government clearly delineating what the "net benefit to Canada" criteria will look like as enhancing the perceived benefits of FDI. Much like a Pareto improvement, no stakeholder can be made worse off when China seeks to improve its image to better attain social license to invest.



Note1: Vertical line represents Perceived Trustworthiness of Investing Partner
Note2: Horizontal line represents Perceived Benefits of Investment

Figure 7: An illustration of how we feel China is generally perceived in Canada as a function of two attributes. Change is required to the perception of trustworthiness and net benefit that will be required to facilitate a more open trading climate between China and Canada.

Clearly, not all recommendations can be encapsulated in a two-dimensional perceptual map. As such, the following seven recommendations also ought to be considered to help maintain an optimal Sino-Canadian trading relationship.

1. Encourage stakeholder involvement in investment deals to develop win-win outcomes for Chinese investors and Canadian companies. Foster a supportive investment environment engaging community stakeholders to create investment initiatives that have community support.

2. Establish strong economic and social relationships with municipal and provincial governments and ensure that the economic benefits of investments are well communicated.

3. Bridge the gap between different cultural business practices. Hire Chinese-proficient staff at relevant governmental and quasi-governmental bodies to guide investments through the right channels and bridge the business gap.

4. The Canadian government should take a more proactive approach to regulatory compliance during FDI transactions. By effectively communicating regulatory standards, the government can ensure detailed understanding of regulatory requirements on the part of the Chinese SOE. The government can also provide initial guidance and support followed by regular inspections to help build community confidence. Chinese investments in Canada should also receive no less favorable treatment than that stipulated to any other country.

5. Make efforts to depoliticize the Canadian regulatory process over which the government dictates the foreign investment deals chosen for approval. Politicization delays and raises the cost of acquisition and in light of the recent delay to the Chinese SOE bid to acquire Nexen, Chinese investors may be increasingly concerned that investments may continue to be hampered by Canadian political restrictions – justified or otherwise.

6. The government should promote Canadian participation on the corporate and advisory boards of Chinese SOEs. Given that a firm's decisions are heavily influenced by its board directors, it is in Canada's best interest to have Canadians amongst the directors to ensure that Chinese SOEs operate in an ethical and sustainable manner.[37]

7. The government should bear in mind issues of reciprocity. Convincing the Chinese government to allow Canadian firms to invest in China can be mutually-beneficial. The Canadian government must communicate to China the benefits that Canadian companies can bring to the table in terms of business practices and ethics.

Conclusion

Benjamin Franklin's quote that "no nation was ever ruined by trade" is relevant to the discussion of Sino-Canadian FDI. While the stakes are far from ruinous, the issue is nevertheless contentious. We advocate the mindset of "economic realism" as purported by Professor Wong that recognizes the geopolitical and economic importance of China and seeks to adopt slow and steady steps toward a sophisticated and mutually-beneficial trading relationship. The view advanced by Diane Francis is that shortcomings with FIPA warrant simply abandoning it. This is reminiscent of idealism, and is not advisable. Ultimately, via strategic political planning within Canada's corporate and governmental sectors to both open the door yet insist on good manners, seeking to dispel unjust perceptions, fighting for solid economic principles and finally working *with* Chinese firms to ensure more cultural sensitivity is demonstrated on both parties' behalf is crucial. The importance of trade and free-flows of capital cannot be overstated, and China is a player of significance in both areas. In essence, Chinese FDI is a phenomenon that may be leveraged to strengthen both countries simultaneously. Chinese FDI deserves an objective audience as it is not intrinsically bad. Anything less is unfortunately reminiscent of the zero-sum game economics of mercantilist theories from centuries past.

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