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ABOUT THE CANADA CHINA BUSINESS COUNCIL

The Canada China Business Council (CCBC) is the country's Canada-China bilateral trade and investment facilitator, catalyst and advocate. Founded in 1978 as a private, not-for-profit business association, CCBC provides unparalleled insight into Sino-Canadian trade and investment issues and develops connections that ensure its members' business success. In addition to its focused and practical services, the Council is also the voice of the Canadian business community on issues affecting Sino-Canadian trade and investment.

CCBC members include some of the largest and best-known Canadian and Chinese firms, as well as small to medium-sized enterprises (SMEs), entrepreneurs, and not-for-profit organizations. CCBC also offers a 'China Watcher' program for individuals interested in staying up to date about Canada-China business relations.

CCBC members represent a wide range of sectors, including financial services, legal services, manufacturing, construction, transportation, mining and energy, information and communications technology, and education.

In addition to its head office in Toronto, CCBC also has offices and staff in Vancouver, Montreal, Beijing and Shanghai. CCBC's network of staff offers programs and services in both Canada and China, and introduces members to opportunities in China's emerging markets. CCBC's chapter in Beijing operates as the defacto chamber of commerce for Canadians in that city.

Through its member services and events, CCBC provides its member companies with business insight, intelligence, connections, and networks that help resolve the inevitable challenges of doing business in another country. For more information about CCBC, visit us online at www.ccbc.com

ABOUT BUSINESS FORUM MAGAZINE

Business Forum Magazine (BFM) is essential reading for Canadian and Chinese executives who want to stay up-to-date and informed of the trends, issues, activities, and perspectives that are shaping bilateral trade and investment. BFM articles cover a wide-range of topics and sectors, and the magazine includes interesting facts and statistics, quotes and stories from our members, and photographs of CCBC events. Roughly 2500 copies of BFM are distributed to CCBC members and guests at major CCBC events throughout the year in Canada and China. The magazine is also available online, at www.ccbc.com.

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Ms. Kutulakos joined the Council in 2007 and has since re-centered the Council's activities around providing business services, catalyzing business growth and activity, and advocating for stronger Sino-Canadian bilateral trade and investment.



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Mr. Spoke is the

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The Honourable Brad Wall
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Premier Wall was elected Premier of Saskatchewan in 2007. Prior to his career in politics, Premier Wall was active in his local business community and in service work, spanning local events, economic development and health care recruitment.



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was appointed President, Bombardier China in February 2010. Mr. Zhang began his career at Bombardier as a project manager in 1995, and has since held a variety of positions with rapidly increasing responsibility.



Letter From the Editor

IT IS MY GREAT PLEASURE TO INTRODUCE TO YOU THE NEWLY RE-DESIGNED

Business Forum Magazine (BFM). Since 1992, BFM has been bringing you insightful articles about Sino-Canadian trade and investment, and this newly redesigned issue aims to provide you, the reader, with content that is even more relevant to your interests and personal growth—content that I hope will enrich your understanding of Canada-China business relations and the ways that CCBC members are involved in the Sino-Canadian trade and investment sphere. To this end, you will notice that the new *Business Forum Magazine* is filled with valuable facts and interesting articles that focus on real-world business issues and opportunities. For example, BFM now features nuggets of knowledge on the trade and investment dynamic between China and the three provinces in which CCBC offices are located. In addition, page 9 and page 55 feature facts and figures about China in relation to Canada—valuable tidbits to use in all of the presentations that you'll be making throughout the year!

Another of the main sources of interest that the new BFM has to offer are the personal insights and experiences from Canadian and Chinese business leaders. Don't miss reading about Mr. Jianwei Zhang, President of Bombardier China, in his personal reflection on achieving business success in China. In addition, running throughout the magazine are the **Top 10 Things You Need to Know About Doing Business in China**—a snapshot of key actions to take and resources to use when entering China markets.

For our Chinese readers interested in investing in Canada, the article **Huawei Canada's Expanding Canadian Footprint** will provide an interesting look into Huawei's emergence into the domestic (Canadian) ICT industry. The article **Selling Consumer Products into Canada: What Manufacturers, Distributors, Importers and Retailers Need to Know**, will also provide Chinese companies with information about new consumer product safety legislation in Canada. Both of these articles are available in English and Chinese.

I can't discuss valuable content without pointing you to our lead article, **Canada's Asian Future: A Strategic Proposal**, by Jessica Wilczak. This article is based on the recently released report entitled *Canada, China, and Rising Asia: A Strategic Proposal* by Dr. Wendy Dobson, which presents a compelling case for much deeper engagement in Asia. Ms. Wilczak interviewed Dr. Dobson, the Honourable John Manley of the Canadian Council of Chief Executives, and CCBC's Executive Director Sarah Kutulakos, to gain insight into this important report, which can be downloaded from our website, at www.ccbc.com/canada-china-and-rising-asia-a-strategic-proposal/.

The new *Business Forum Magazine* aims to reflect CCBC's mandate of advocating for strong Canada-China business relations, and providing resources for our member firms. I hope that this magazine will serve you well throughout the year, and that you will visit our website www.ccbc.com, to download additional copies of the magazine, and for interesting papers, reports, and **blog posts** about Sino-Canadian trade and investment.

A special thanks to our contributors, about whom you can read on the opposite page. Their expertise and enthusiasm is vital to this publication. I hope you enjoy the articles.



The new Business Forum Magazine is packed with valuable facts and interesting articles that focus on real-world business issues and opportunities.

Sincerely,

Alexis Milinusic

Editor-in-Chief

Business Forum Magazine

新疆界

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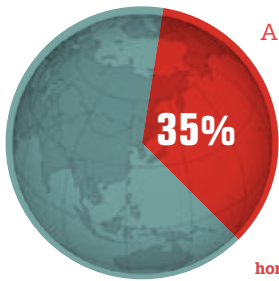


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China by the Numbers



Asia represents over 35 percent of global GDP and accounts for over 50 percent of world GDP growth. Historically, economic growth has been export driven, but now greater local consumption is required to drive this growth.

<http://cases.ivey.uwo.ca/Cases/Pages/home.aspx?Mode=showproduct&prod=9B11TB04>

Demand for cotton in China, the world's largest buyer and grower, outstripped domestic production by 3.6 million tons in 2009-2010. The gap increased by 2.6 million tons from the previous year.

Source: China Daily

2010-09-28

China is the world's largest gold producing country. CCBC member Eldorado Gold Corp. has three operating gold mines in China and is the only significant foreign gold producer in the country.

<http://www.eldoradogold.com/s/Operations.asp>



China is now the **largest energy consumer in the world**. With a population of 1.3 billion, China is consuming energy at a rate of 1.6 kWh per person.



http://en.wikipedia.org/wiki/World_energy_consumption



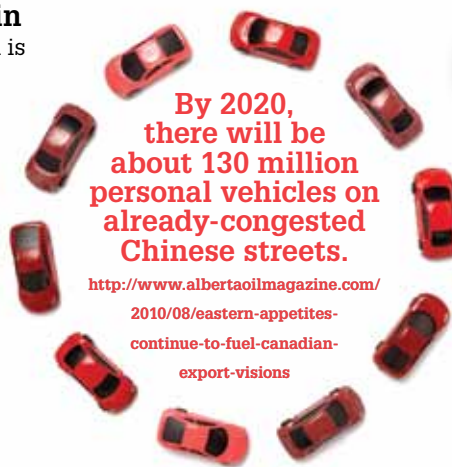
China produces about 14,656 thousand metric tons of soybeans every year, equivalent to about one third of the annual import figure, and not enough to meet domestic demand. Canada produces an average of 2,339 TMT each year and ranks fifth in world exports, averaging 723 TMT per year.

Source: China Daily - 2010-10-15; <http://www.spectrumcommodities.com/education/commodity/statistics/soybeans.html>

There are over 90 different cities in China with over one million inhabitants each, and more than 650 million people living in urban areas.

Source: http://en.wikipedia.org/wiki/List_of_cities_in_the_People's_Republic_of_China_by_population; http://en.wikipedia.org/wiki/Urbanization_in_the_People's_Republic_of_China

<http://www.albertaoilmagazine.com/2010/08/eastern-appetites-continue-to-fuel-canadian-export-visions>



By 2020, there will be about 130 million personal vehicles on already-congested Chinese streets.

With its population of 1.3 billion, China is the world's most populated country, and home to 292,000 Canadians.

Source: http://www.asiapacific.ca/sites/default/files/filefield/capp11_1_boyleandkitchin.pdf

China is the world's largest agricultural economy, and second largest importer of agricultural goods. Last year, Canada exported \$2.6 billion of agricultural products to China – 7.41% of total exports for 2010.

<http://www.atssea.agr.gc.ca/asi/5807-eng.htm>



Canadian merchandise exports represent less than one percent of total imports for Asian countries but Asian exports account for about 20 percent of Canada's imports.



<http://cases.ivey.uwo.ca/Cases/Pages/home.aspx?Mode=showproduct&prod=9B11TB04>



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The number of schools that currently offer MBA programs in China. Canada's 91 universities offer 41 MBA programs and 18 business-related exchanges in China.

<http://oraweb.aucc.ca/showcue.html>

238 tonnes of cigarettes were produced in China in 2010.
Source: China economic review, Vol 22 No 7

A SURGE IN DEMAND FOR ENERGY-DEPENDENT CONSUMER GOODS LIKE AIR CONDITIONERS AND WASHING MACHINES CONTRIBUTES TO A PROJECTED INCREASE IN ENERGY NEEDS OF 150% BY 2020.

<http://www.iags.org/china.htm>



Canada's Asian Future: A Strategic Proposal

By/par Jessica Wilczak

L'avenir du Canada en Asie : une proposition stratégique



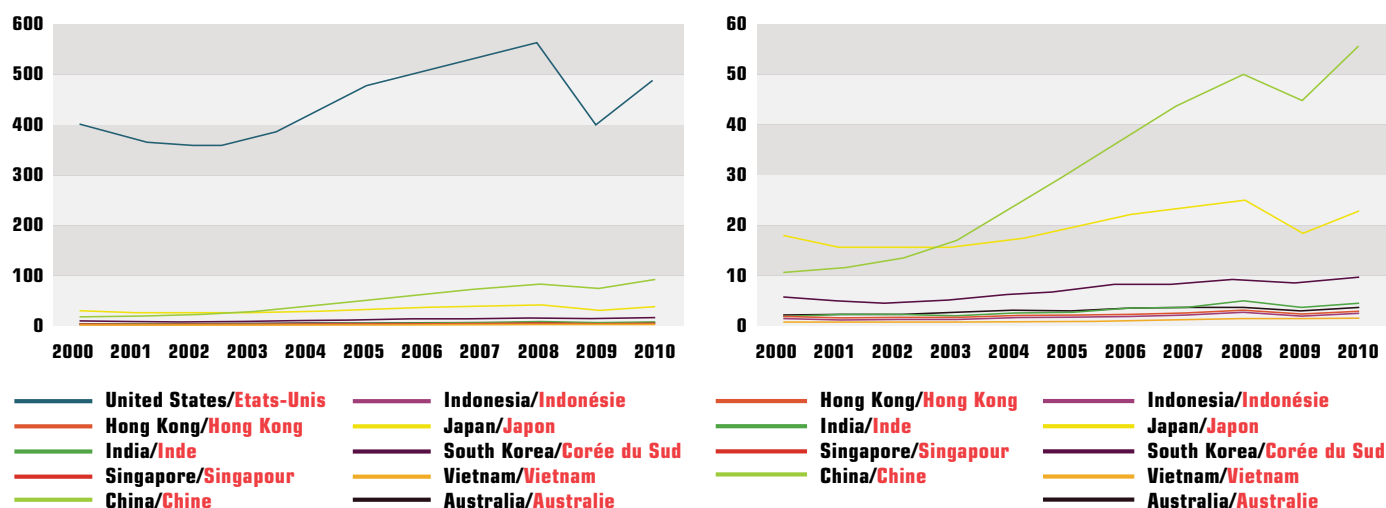
CHINA'S ASCENT TO THE STATUS of "world's second largest economy" has generated fervent debate amongst Western commentators, who respond with both optimism and apprehension. A sample of recently published books on the topic include Jonathan Watts' *When a Billion Chinese Jump: How China Will Save Mankind—or Destroy It*; Martin Jacques' *China Shakes the World: The Rise of the Middle Kingdom and the End of the Western World*; and James Kynge's even more explicitly titled, *When China Rules the World*. These authors agree that the current geopolitical order is ending and that China has become a major player in the new order. But they also point out that China faces serious demographic, environmental, and resource pressures that will shape regional and global politics in the century to come. What will Canada's role be in this new international situation? Change is inevitable—and sometimes painful—but also opens up new opportunities for those willing to embrace it.

Currently, however, many observers feel that Canada's political relations in Asia lag far behind the undeniable economic realities of the twenty-first century. Canada is now in a position to take advantage of strengths in sectors like natural resources, services, and green technology that Asian economies are seeking to develop. But Asia's increasing competitiveness in these sectors, as well as the rapid maturation of regional multilateral trade agreements in which Canada has not been a participant, mean that this moment will not last forever. Canada must act quickly to strengthen economic and political ties in China and in Asia if we are to take part in the surge of opportunities in this region. Well aware of this urgency, in early 2011 John Manley, President and Chief Executive Officer of the Canadian Council of Chief Executives (CCCE), and Peter Harder, President of the Canada China Business Council (CCBC), jointly commissioned a report that would assess the current situation of the key Asian economies and outline a forward-thinking strategy for Canada's government and business community in Asia.

Manley and Harder approached Wendy Dobson, Director of the Institute for International Business in the University of Toronto's Rotman School of Management, to author the report. Dr. Dobson's relationship with Asia dates back to 1978, when she made her first trip to China. She still enjoys showing

L'ASCENSION DE LA CHINE AU RANG DE « la deuxième puissance économique la plus importante du monde » a suscité de vives discussions parmi les commentateurs occidentaux qui oscillent entre l'optimisme et l'appréhension. Parmi les livres publiés récemment sur le sujet, notons *When a Billion Chinese Jump: How China Will Save Mankind—or Destroy It* par Jonathan Watts; *China Shakes the World: The Rise of the Middle Kingdom and the End of the Western World* par Martin Jacques; ainsi que le livre au titre encore plus évocateur signé par James Kynge, *When China Rules the World*. Ces auteurs s'entendent pour dire que l'ordre géopolitique actuel tire à sa fin et que la Chine est désormais un joueur important au sein du nouvel ordre mondial. Cependant, ils précisent également que la Chine subit de fortes pressions en matière de démographie, d'environnement et de ressources, qui façonneront la politique régionale et mondiale au cours du siècle à venir. Quel sera le rôle du Canada dans ce nouveau contexte international? Le changement est inévitable – et parfois douloureux – mais il offre également de nouvelles occasions à ceux qui souhaitent les saisir.

Toutefois, de nombreux observateurs croient que les relations politiques du Canada avec l'Asie accusent actuellement un retard par rapport aux réalités économiques incontestables du XXI^e siècle. Le Canada est maintenant en bonne position pour tirer parti du potentiel existant dans des secteurs tels que les ressources naturelles, les services et la technologie propre, que les pays asiatiques cherchent à développer. Mais en raison de la compétitivité croissante de l'Asie dans ces secteurs et de l'évolution rapide d'accords commerciaux multilatéraux auxquels le Canada n'a pas participé, cette conjoncture ne durera pas éternellement. Le Canada doit donc agir rapidement afin de resserrer ses liens économiques et politiques avec la Chine et l'Asie si nous souhaitons saisir la multitude d'occasions offertes dans cette région. Au courant de cette urgence, John Manley, président et chef de la direction du Conseil canadien des chefs d'entreprise (CCCE) et Peter Harder, président du Conseil commercial Canada-Chine (CCCC), ont commandé au début de 2011 la préparation d'un rapport visant à évaluer la situation actuelle des principales économies asiatiques et à établir une stratégie future pour le gouvernement du Canada et la communauté des affaires en Asie.



Total Canadian Trade with Major Trading Partners and Selected Asian Economies, 2000-2010/Commerce total du Canada avec ses principaux partenaires commerciaux et des économies asiatiques choisies, 2000-2010

her students photos of that early trip in order to convey the magnitude of changes occurring in the region. In her 2009 book, *Gravity Shift: How Asia's New Economic Powerhouses Will Shape the 21st Century*, Dr. Dobson offers predictions about how social, institutional and economic changes in China and India will shape Asia by the year 2030.

The rise of these new Asian powers is being felt around the world. Canada's own trade patterns over the past ten years tell the story of the shift taking place: China is not only the second largest economy in the world, but also ranks as our second largest trading partner after the US. In her report, *Canada, China, and Rising Asia: A Strategic Proposal*, Dr. Dobson notes that although trade with China currently equals only ten percent of what we currently trade with America, that number has been rising sharply over the past decade, and this figure is rapidly expanding. Our exports to the US shrank an average of 3.0% annually from 2008 to 2010, while our exports to China grew at a rate of about 10.3% annually over the same period (Figure 1). Moreover, although the total of our exports to other Asian nations is still small, our exports to India grew at a rate of 12.7% over these three years, and exports to Indonesia grew at a whopping 23.7%.

Manley confirms that Canadian businesses are expressing significantly more interest in Asia. Because of close geographical and cultural ties, our alliance with America will continue to dominate our trade and investment relations, but "[y]ou don't have a growth strategy in the US," he points out, "you have a growth strategy in emerging or recently emerged economies." Part of this shift can be chalked up to the financial crisis of 2008, but the overall message is unmistakable: Canada can no longer rely solely on trade with the US, and Asian economies are rapidly gaining in importance to Canada's economic prosperity.

Though the absolute numbers aren't yet high, it's important to understand what our trade with Asia consists of, and what we can expect in the future. On a positive note, the Strategic Proposal indicates that trade between Canada and China is complementary rather than competitive in major sectors. At

the risk of grossly oversimplifying the relationship, Canada buys consumer goods from China while China purchases natural resources from us. But our competitiveness in many key industries, including natural resources, vehicles, and aircraft, is static or declining. Moreover, as companies in China and other Asian nations move from simple manufacturing into more complex knowledge-based industries they will be competing directly with Canadian firms.

Dr. Dobson emphasizes the importance of investing in innovation and education in Canada in order to stay ahead on the comparative advantage curve. A 2010 working paper published by the Institute for Competitiveness & Prosperity, titled *Trade, Innovation, and Prosperity*, focuses on the link between prosperity and innovation. It tries to quantify the "innovation tipping point," the moment when an economy moves from low-cost competition to innovation-based competition, and suggests that China has not yet reached this stage. However, in the 12th Five-Year Plan, China's central government explicitly set the country on a trajectory to move from low value-added sectors towards becoming a high value-added economy. This includes national and local-level initiatives to develop ICT and clean technologies, construct massive innovation parks, and offer incentives for global multinationals to open R&D centers. Canada's world-class research centers and universities, publicly traded companies, and expertise in technology and resource extraction give us a temporary advantage in these arenas, and we must continue to maintain this lead even as we cooperate with Chinese companies on the innovation front. As CCBC Executive Director Sarah Kutulakos points out, "China will get there with or without us. Smart companies will help China get there."

The Strategic Proposal identifies a handful of sectors with strong development potential in Asia. For Kutulakos, one thing that stands out in the Strategy is the imperative to promote Canada's service sector. "A number of solutions to China's growth-related problems will be service-based," she points out. As its cities expand, China is facing huge environmental problems and pressures on urban infrastructure like water

M. Manley et M. Harder ont demandé à Wendy Dobson, directrice de l'institut de commerce international de l'école de Gestion Rotman à l'université de Toronto, de rédiger ce rapport. La relation entre Mme Dobson et L'Asie a débuté en 1978 lorsqu'elle visitait la Chine pour la première fois. Elle aime encore montrer à ses étudiants des photos de ce premier voyage afin d'illustrer les changements considérables qui se sont produits dans cette région. Dans son livre publié en 2009 et intitulé *Gravity Shift: How Asia's New Economic Powerhouses Will Shape the 21st Century*, Mme Dobson émet des prédictions sur la façon dont les changements sociaux, institutionnels et économiques qui surviennent en Chine et en Inde façonneront l'Asie d'ici 2030.

L'ascension de ces nouvelles puissances asiatiques est ressentie partout dans le monde. La structure des échanges commerciaux du Canada depuis ces 10 dernières années reflète bien le virage en cours : La Chine est non seulement la deuxième puissance économique du monde, mais elle est également notre deuxième partenaire commercial, après les États-Unis. Dans son rapport intitulé *Canada, China, and A Rising Asia: A Strategic Proposal*, Mme Dobson souligne que bien que le commerce avec la Chine équivaille à seulement 10 % de nos échanges actuels sur le continent américain, ce chiffre a augmenté astronomiquement au cours des 10 dernières années et continue de croître rapidement. De 2008 à 2010, nos exportations vers les États-Unis ont diminué en moyenne de 3 % annuellement tandis que nos exportations vers la Chine ont augmenté d'environ 10,3 % annuellement au cours de la même période (Figure 1). De plus, bien que nos exportations totales vers d'autres pays asiatiques soient toujours minimes, nos exportations vers l'Inde ont connu une croissance de l'ordre de 12,7 % au cours de ces trois années et les exportations vers l'Indonésie ont augmenté de façon colossale pour atteindre 23,7 %.

M. Manley confirme que les entreprises canadiennes font preuve d'un intérêt accru à l'égard de l'Asie. En raison de nos liens géographiques et culturels étroits, notre alliance avec les États-Unis continuera de dominer nos relations commerciales et d'investissement, mais « nous n'avons pas de stratégie de croissance aux États-Unis, souligne-t-il, nous avons une stratégie de croissance dans des pays émergents et nouvellement développés ». Ce virage peut être attribué en partie à la crise financière de 2008, mais le message global est sans équivoque : le Canada ne peut plus compter uniquement sur le commerce avec les États-Unis, et les pays asiatiques sont de plus en plus importants pour la prospérité économique du Canada.

Bien que les chiffres réels ne soient pas encore élevés, il faut bien comprendre en quoi consiste notre commerce avec l'Asie et ce à quoi nous pouvons nous attendre à l'avenir. Sur une note positive, la Proposition stratégique indique que le commerce entre le Canada et la Chine est complémentaire plutôt que concurrentiel au sein de secteurs importants. Au risque de simplifier avec exagération leur relation, le Canada achète des biens de consommation de la Chine tandis que cette dernière achète des ressources naturelles du Canada. Toutefois, notre compétitivité dans de nombreux secteurs clefs, y compris les ressources naturelles, les véhicules et les avions, reste stable ou diminue. De plus, à mesure que les entreprises en Chine et dans d'autres pays asiatiques passeront de la fabrication

simple à des secteurs plus complexes fondés sur le savoir, elles rivaliseront directement avec les entreprises canadiennes.

Mme Dobson souligne l'importance d'investir dans l'innovation et l'éducation au Canada afin de conserver un avantage concurrentiel. Un document de travail publié en 2010 par l'Institute for Competitiveness & Prosperity et intitulé *Trade, Innovation, and Prosperity*, porte principalement sur le lien entre la prospérité et l'innovation. Il tente d'identifier le « point de bascule de l'innovation », c'est-à-dire le moment où une économie passe d'une concurrence à faible coût à une concurrence fondée sur l'innovation, et laisse entendre que la Chine n'a pas encore atteint ce niveau. Cependant, dans son 12e plan quinquennal, le gouvernement central de la Chine aspire clairement à ce que le pays délaisse les secteurs à faible valeur ajoutée pour devenir une économie à forte valeur ajoutée. Ce plan inclut des projets à l'échelle nationale et locale en vue de développer des technologies de l'information et des communications ainsi que des technologies propres, de construire d'immenses parcs d'innovation et d'offrir des incitatifs qui pousseraient des multinationales à ouvrir des centres de recherche et de développement. Au Canada, les centres de recherche et les universités de calibre mondial, les sociétés cotées en bourse de même que notre expertise en technologie et en exploitation de ressources nous confèrent un avantage temporaire dans ces secteurs. Par conséquent, nous devons conserver cette avance, et ce, même en collaborant avec des entreprises chinoises en matière d'innovation. Comme le souligne Sarah Kutulakos, « la Chine réussira avec ou sans nous. Les entreprises avisées aideront la Chine à atteindre ses objectifs. »

La Proposition stratégique identifie un petit groupe de secteurs présentant un fort potentiel de développement en Asie. Pour Mme Kutulakos, la stratégie cible particulièrement la nécessité de promouvoir le secteur tertiaire canadien. « Plusieurs solutions aux problèmes liés à la croissance en Chine seront fondées sur les services », précise-t-elle. À mesure que ses villes prennent de l'expansion, la Chine fait face à d'énormes problèmes environnementaux et à des pressions sur ses infrastructures urbaines, notamment l'approvisionnement en eau, le transport et la gestion des déchets. Les entreprises canadiennes y trouveront là des occasions importantes. De plus, la classe moyenne florissante de la Chine demande maintenant toute une gamme de services, de la planification financière à l'éducation de calibre mondial pour les enfants.

Plusieurs entreprises canadiennes ont déjà repéré ces occasions. En 1996, la Financière Manuvie est devenue la première entreprise étrangère à établir une coentreprise d'assurance-vie, Manulife-Sinochem, en Chine. Grâce à une expansion soutenue, la société est désormais présente dans 48 villes de Chine. La société a fait preuve d'une excellente compréhension du marché et s'est taillée une réputation de confiance, comme en témoignent les nombreux prix qu'elle a remportés. Une autre entreprise canadienne, Lingo Media, répond à une demande croissante en matière d'enseignement de l'anglais en offrant des outils d'apprentissage novateurs en ligne et imprimés. Plus tôt cette année, Lingo a conclu une entente avec le géant chinois de l'informatique personnelle, Lenovo, en vue d'installer une version personnalisée de son logiciel d'apprentissage de l'anglais sur les ordinateurs de Lenovo. La clé de la réussite de ces deux pionniers canadiens consiste à établir des parte-

provision, transportation, and waste management. This represents an enormous opportunity for Canadian companies. Moreover, China's burgeoning middle classes are creating a new demand for a whole range of services from financial planning to world-class education for their children.

A number of Canadian companies have already identified these openings. In 1996 Manulife Financial became the first foreign company to establish a joint-venture life insurance company, Manulife-Sinochem, in China. Through steady expansion, the company has established a presence in 48 cities across China. Numerous service and brand awards testify that the company has developed a keen understanding of its market and a reputation for trustworthiness. Another Canadian company, Lingo Media, is meeting a surging demand for English language training by providing innovative learning tools online and in print. Earlier this year Lingo signed an agreement with Chinese personal computer giant, Lenovo, to install a custom version of their English language learning

Yet despite these trends, Canadians seem slow to grasp the potential of our increasingly close ties to Asia. Indeed, Dr. Dobson observes, pointedly, that "Canada has a reputation of showing up in Asia and not following through." We have stalled on several bilateral initiatives partly because we are considered to make demands that betray an exaggerated sense of our own importance. Prior policies toward Asia have been ad hoc and short-lived, and Canada's government and business leaders have yet to mobilize around a set of easily identifiable priorities that could promote the national interest in the region.

The Strategic Proposal outlines a few key actions that would combat this reputation for unreliability. The first—and perhaps most important—step is restoring a Canadian presence in Asia by making regular state visits and developing high-level personal relations. It is difficult to overestimate the importance of good state-to-state relations in Asia, with China being particularly sensitive to national political conditions. Sarah Kutulakos reports that, "China takes its

"Canada has a reputation of showing up in Asia and not following through." —Wendy Dobson

software on Lenovo's computers. Both of these pioneering Canadian companies succeed by partnering with established Chinese companies and providing innovative services.

Partnerships like these do not fit the model of traditional trade relationships. Dr. Dobson stresses that trade is only half of the equation: investment is playing an increasingly significant role in our economic relations with Asia. Surprisingly, we still don't have a clear idea of what these investment patterns look like. For instance, Chinese investors are demonstrating enormous interest in Canadian resources - a trend that is expected to continue. Is Canada prepared—institutionally and ideologically—for this new investment? The answer from Dr. Dobson, as you might expect, is an emphatic no. Although Manley reports that Canadian companies are "positively enthusiastic" about Chinese investment, Canada's current investment review framework is less than transparent. Equally as important are the complex FDI flows from Canada into Asia, where production processes tend to be regionally dispersed rather than confined to a single nation. Moreover, many of the economic transactions associated with service industries are better characterized as investment rather than trade, though such flows are difficult to monitor. All of this suggests that investment relations between Canada and Asia are growing in significance and complexity, and deserve greater attention.

Six components of an Asia Strategy:

- Build state and high-level personal relationships.
- Develop the Canada brand.
- Liberalize trade and investment.
- Create a China roadmap.
- Enhance the Canadian business presence in Asia.
- Anticipate the future.

cues from the top. If it's good at the top, it's all good." Or as one Canadian businessman told her: "When it comes to doing business, we can take care of that, we're big boys. But when it comes to competing with domestic or other foreign firms, good government relations can make or break a deal." A good example was the Prime Minister's invitation to Chinese President Hu Jintao during last year's G20 Summit to pay an official state visit to Canada, which was extremely helpful for Canadian companies. "Canadian businesses want the government to be present, engaged, and supportive of Canadian business interests in Asia," observes Manley. The Strategic Proposal also suggests putting serious resources behind building the ASEAN- Canada Enhanced Partnership and building good relationships with countries like Indonesia and South Korea whose governments might be willing to help as entry points to Asian regional institutions.

Six composants d'une stratégie relative à l'Asie :

- Établir des relations officielles et personnelles de haut niveau.
- Développer la marque canadienne.
- Libéraliser le commerce et les investissements.
- Dresser un plan de la relation avec la Chine.
- Accroître la présence des entreprises canadiennes en Asie.
- Anticiper l'avenir.

The second important plank of an effective Asia strategy is developing a Canada "brand," both at home and abroad. Despite growing numbers of Asian Canadians, and a vague awareness of the growth of Asia economies, many Canadian municipalities, institutions, and companies are not implementing plans that include Asia as an integral part of their future prosperity. The Strategic Proposal suggests that a number of private and

nariats avec des entreprises chinoises bien établies et à offrir des services novateurs.

Les partenariats de ce genre ne correspondent pas au modèle des relations commerciales traditionnelles. Mme Dobson souligne que le commerce constitue seulement la moitié de l'équation puisque l'investissement joue un rôle de plus en plus important dans le cadre de nos relations économiques avec l'Asie. Il est cependant étonnant de constater que nous n'avons toujours pas d'idée précise de ces modèles d'investissement. Par exemple, les investisseurs chinois manifestent un très grand intérêt à l'égard des ressources canadiennes, une tendance qui devrait se poursuivre. Le Canada est-il prêt sur les plans institutionnels et idéologiques pour ce nouvel investis-

affaires, nous pouvons nous débrouiller. Mais quand il s'agit de rivaliser avec des entreprises chinoises ou d'autres entreprises étrangères, le maintien de saines relations intergouvernementales peut contribuer à la réussite d'un marché. À titre d'exemple, l'invitation faite par le premier ministre au président de la Chine, Hu Jintao, au cours du sommet du G20 l'an dernier, à effectuer une visite officielle au Canada a été extrêmement utile pour les entreprises canadiennes. « Les entreprises canadiennes souhaitent que le gouvernement soit présent et engagé et qu'il soutienne les intérêts des entreprises canadiennes en Asie », observe M. Manley. La Proposition stratégique suggère également d'affecter des ressources importantes à la création du Partenariat renforcé Anase-Canada et à l'établissement de

« Le Canada a la réputation de faire acte de présence en Asie sans donner suite ». —Wendy Dobson

sement ? Comme vous vous y attendez sans doute, la réponse de Mme Dobson est un non retentissant. Bien que M. Manley déclare que les entreprises canadiennes sont « positivement enthousiastes » relativement aux investissements de la Chine, le cadre actuel d'examen des investissements est loin d'être transparent. Un facteur tout aussi important est le flux d'IDE complexe du Canada vers l'Asie, où les processus de production sont dispersés à l'échelle de plusieurs régions plutôt que confinés dans un seul pays. De plus, de nombreuses transactions économiques liées aux secteurs des services s'inscrivent dans la catégorie des investissements plutôt que du commerce, bien qu'il soit difficile de faire le suivi de telles transactions. Tout ceci sous-entend que l'importance et la complexité des relations d'investissement entre le Canada et l'Asie augmentent et méritent une plus grande attention.

En dépit de ces tendances, les Canadiens semblent lents à saisir le potentiel découlant de nos liens de plus en plus étroits avec l'Asie. En effet, Mme Dobson observe judicieusement que « le Canada a la réputation de faire acte de présence en Asie sans donner suite ». Nous avons retardé plusieurs projets bilatéraux en partie parce que nous avons la réputation de faire des demandes qui trahissent une image exagérée de notre propre importance. Les politiques antérieures à l'égard de l'Asie ont toujours été ponctuelles et de courte durée. Par conséquent, le gouvernement et les dirigeants d'entreprise du Canada doivent se mobiliser et dégager un ensemble de priorités claires susceptibles de promouvoir l'intérêt national dans la région.

La Proposition stratégique décrit quelques mesures clés qui pourraient réfuter cette réputation de non-fiabilité. La première étape, et sans doute la plus importante, consiste à rétablir une présence canadienne en Asie en effectuant des visites officielles régulières et en établissant des relations personnelles de haut niveau. La Chine étant particulièrement sensible au climat politique national, il est difficile de surestimer l'importance de bonnes relations diplomatiques en Asie. Selon Mme Kutulakos, la Chine se fie aux dirigeants. Si ceux-ci font bonne figure, tout va bien. Ou, comme l'a déclaré un homme d'affaires canadien : « Quand il s'agit de faire des

saines relations avec des pays tels que l'Indonésie et la Corée du Sud, dont les gouvernements pourraient contribuer à faciliter l'accès aux établissements régionaux asiatiques.

Le deuxième volet important d'une stratégie efficace en Asie consiste à développer une « marque » canadienne à la fois au pays et à l'étranger. Malgré le nombre croissant de Canadiens d'origine asiatique et une vague notion de la croissance des économies asiatiques, de nombreuses municipalités, institutions et entreprises canadiennes omettent de mettre en œuvre un plan qui inclut l'Asie comme partie intégrante de leur prospérité future. La Proposition stratégique propose que certains établissements privés et publics participent à la création d'une solide identité mondiale. Par exemple, les universités canadiennes pourraient jouer un rôle à cet égard en mettant à profit notre réputation de chef de file en matière d'éducation auprès des étudiants étrangers et en créant une approche unifiée relativement au marketing, au recrutement et aux échanges d'étudiants en Asie. De plus, les universités devraient aider les jeunes diplômés canadiens à démarrer leur entreprise ou à trouver un emploi en Asie.

Évidemment, les chefs de gouvernement de tous les paliers doivent aussi jouer un rôle clé en vue de créer la marque canadienne. Les premiers ministres des provinces devraient adopter une approche intégrée à l'égard de l'Asie en coordonnant leurs voyages en Asie et en harmonisant leurs politiques dans les secteurs de compétence provinciale, notamment la santé, l'éducation et même les investissements directs à l'étranger. Les gouvernements municipaux canadiens devraient également lorgner du côté de l'Asie. La Proposition stratégique reflète l'opinion de Dominic Barton, directeur général de McKinsey à l'échelle mondiale, qui suggère que le Canada pourrait devenir un carrefour pour les multinationales asiatiques en Amérique, une destination touristique prisée des Asiatiques et un collaborateur précieux pour les secteurs qui utilisent beaucoup d'eau et le secteur des technologies propres. Sur la scène mondiale, les villes canadiennes sont réputées être des modèles sociaux et environnementaux : Vancouver, Toronto et Calgary figurent au palmarès des dix villes du monde où la qualité de vie est la plus élevée. Ces villes développent



public organizations take part in establishing a strong global identity. For instance, Canadian universities could play a role by building on our reputation among international students as an educational leader and developing a unified approach to marketing, recruitment, and student exchanges in Asia. At home, universities should work on helping young Canadian graduates establish businesses or seek employment in Asia.

Obviously government leaders at all levels must also play a key role in developing the Canada brand. Provincial Premiers should develop an integrated approach to Asia by coordinating their Asian travels and aligning their policies in areas under provincial jurisdiction, including include health, education, and even FDI. Canada's municipal governments should also set their sights on Asia. The Strategic Proposal echoes McKinsey's Worldwide Managing Director, Dominic Barton, who suggests that Canada could become a hub for Asian multinational enterprises in the Americas, a major tourism destination for Asians, and a supportive jurisdiction for water-intensive industry and green technology. Canadian cities have a global reputation for being social and environmental models: three of the world's ten most liveable cities are Vancouver, Toronto, and Calgary. These places are already developing complementary core strengths (Toronto as an international financial hub, Calgary as a hub for non-conventional petroleum and alternative energy development) that could be united under the national brand.

The Strategic Proposal also urges the Canadian government to further liberalize trade and investment, and focus on trade deals as the centerpiece of its Asia strategy. Dr. Dobson suggests that one game-changing strategy for the Canadian government would be to participate in multi-party negotiations such as the Trans Pacific Partnership (TPP). The TPP was established in 2006 as a comprehensive trade agreement open to any nation around the Pacific. It began modestly, with four member nations—Brunei, Chile, New Zealand and Singapore—and later expanded to include Australia, Malaysia, Peru, and Vietnam. The US joined in 2009 and significantly expanded the scope and complexity of the agreement by including financial services and opening up negotiations on labour

déjà des compétences complémentaires (Toronto en tant que carrefour financier international et Calgary en tant que plaque tournante du développement de produits pétroliers non conventionnels et de sources d'énergie alternatives) qui pourraient s'inscrire dans la marque nationale.

La Proposition stratégique incite également le gouvernement du Canada à libéraliser davantage le commerce et les investissements, et à placer les accords commerciaux au cœur de sa stratégie asiatique. Selon Mme Dobson, une stratégie susceptible de changer la donne pour le gouvernement du Canada serait de participer à des négociations avec de multiples intervenants comme c'est le cas au sein du Partenariat transpacifique. Créé en 2006, le Partenariat transpacifique est un accord commercial complet ouvert à tous les pays côtiers du Pacifique. Ayant connu des débuts modestes avec seulement quatre pays membres, à savoir le Brunéi Darussalam, le Chili, la Nouvelle-Zélande et Singapour, le Partenariat inclut maintenant l'Australie, la Malaisie, le Pérou et le Vietnam. Les États-Unis sont entrés au sein du Partenariat en 2009 et ont accru considérablement l'ampleur et la complexité de l'accord en y incluant des services financiers et en entreprenant des négociations sur la main-d'œuvre et les problèmes environnementaux, les marchés publics et l'application de la politique de l'information. Malheureusement, le Canada dispose de moins en moins de temps pour s'intégrer aux premiers membres et exercer une quelconque influence sur l'établissement des règles de base du Partenariat. Si le Canada continue de tarder à conclure des accords commerciaux efficaces en Asie, Mme Dobson affirme que « le Canada n'établira plus les politiques, mais se les verra dicter. »

Le Canada doit également dresser un plan clair de sa relation avec la Chine, dont l'objectif principal est d'établir un accord économique exhaustif entre les deux pays. La stratégie place les investissements directs à l'étranger en tête de la liste des préoccupations économiques bilatérales. Le gouvernement du Canada doit se préparer à une croissance des investissements provenant de la Chine en créant un processus clair et équitable d'évaluation des investissements directs à l'étranger. Les associations professionnelles, les entreprises privées et les



The Shanghai Bund has dozens of historical buildings along the Huangpu River, many of which once housed numerous banks and international trading houses. Today, Shanghai is the largest city by population in China and the largest city proper in the world.

and environmental issues, government procurement, and IP enforcement. Unfortunately, the window of opportunity for Canada to join as an early member and to have some influence in setting the ground rules for the TPP is closing quickly. If Canada continues to drag its heels in establishing functioning trade deals in Asia, Dr. Dobson claims, “Canada will no longer be a policy maker, but will become a policy taker.”

Canada also needs to create a clear roadmap for its relationship with China, with the primary focus on establishing a comprehensive economic agreement between the two countries. The Strategy highlights FDI as top on the list of bilateral economic issues. The Canadian government should prepare for growing investment from China by creating a clear, fair FDI review process. Canada’s trade associations, private enterprises, and educational institutions can address Canadians’ uncertainty about China’s state-owned enterprises by publicizing their positive experiences. While we want to avoid an exclusive focus on China, the country is a dominant player in Asia. As Manley notes, “[y]ou can’t have an Asia strategy without having a solid China strategy.”

The Strategic Proposal highlights the need to enhance Canada’s business presence in Asia. Canada’s largest firms have long had successful ventures in Asia, but between 80 and 90 per cent of Canadian companies are classified as small and medium size enterprises. We need to better understand the barriers facing these companies in Asia, and help them manage relationships with Asian partners and customers who are likely to be significantly larger than they are. One obvious barrier for small companies is the high cost of establishing a presence in geographically distant and culturally different Asian markets. An innovative tactic suggested in the Strategic Proposal is setting up a Canadian ship, anchored in Shanghai or Hong Kong, that would serve as a networking base for smaller Canadian firms and help reduce their costs of entry into Asian markets.

Finally, the Strategic Proposal suggests that Canada anticipate a future of decreasing complementarity and increasing competitiveness in Asia. There is no easy, short-term way to deal with this scenario. We do know that the future competitiveness of Canadian industry will depend on our ability to innovate, and that there is a clear link between research and innovation. Thus the first step towards guaranteeing Canada’s future prosperity is making investment in research and education a consistent priority at all levels of government (as it is in China!). Canada has a generous R&D tax credit, but the government’s direct expenditure on R&D tends to drop during economic downturns and often gets sidelined according to the political climate. The federal government’s focus has been on early and middle-stage research at universities and research institutions through programs like the Canadian Foundation for Innovation, which funds Canada’s research infrastructure. Recently the government has also funded commercial applications in targeted industries like the forestry and automotive sectors. Programs like these are crucial for boosting innovation-based competitiveness in Canada, but more investment in human resources is still needed. The Strategic Proposal suggests that the government invest in training a cadre of Asia experts in Canada’s research and educational institutions. Moreover,

Beijing is China’s political, cultural, and educational capital and home to the headquarters for most of China’s largest state-owned companies.



the 2010 Working Paper published by the Competitiveness & Prosperity Institute notes that fully 21 per cent of graduates at the Rotman School of Management are from Asia. Canadian businesses should make use of these valuable resources. Government could help by supporting internships for these students with small and medium-sized enterprises.

These proposals are both achievable and urgent. We need only look to the example of Australia—where the government has followed a coherent policy in Asia for over twenty years—to see the benefits of pursuing strategic national goals. Dr. Dobson’s Strategic Proposal notes that Australia, with an economy one-third smaller than Canada’s, has developed an influence in Asia that far outstrips its size. Key to this success are the efforts made by successive Australian governments to establish personal relationships with Asian leaders. Australia is also intent on building its long-term educational, diplomatic and research capabilities: by 2020 the government wants 12 per cent of school graduates to speak an Asian language. An important part of Australia’s strategy has been the assumption that its relations with the US and with the Asian economies are complementary. This is particularly crucial for Canada, where the US remains—and will continue to remain—our primary economic partner.

But the most important message of the Strategic Proposal is that Canadians must start to “think Asia.” At the same time, the report emphasizes that we should be realistic about our situation: Canada is a small economy facing a great deal of competition. To succeed in Asia, Canada’s political and business leaders need to clarify what will serve Canada’s long-term national interests and unite behind clear goals. “Basically,” summarizes Manley, “we hope that this signifies the beginning of a new phase, an era when Canada becomes strategic about its prospects and ambitions in Asia.” ☺☺



To download the full version of Dr. Wendy Dobson’s report, log on to <http://www.ccbc.com/canada-china-and-rising-asia-a-strategic-proposal/>



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établissements d'enseignement du Canada peuvent rassurer les Canadiens à l'égard des sociétés d'État chinoises en diffusant leurs expériences positives. Bien que nous voulions éviter de nous concentrer exclusivement sur la Chine, cette dernière est un joueur dominant en Asie. Comme le remarque M. Manley, « on ne peut avoir une stratégie relative à l'Asie sans disposer d'une solide stratégie relative à la Chine. »

La Proposition stratégique met en lumière la nécessité d'accroître la présence des entreprises canadiennes en Asie. Les plus grandes entreprises canadiennes réussissent depuis longtemps en Asie. Toutefois, entre 80 et 90 % des entreprises canadiennes appartiennent à la catégorie des petites et moyennes entreprises. Nous devons mieux comprendre les obstacles auxquels font face ces entreprises en Asie et les aider à gérer leurs relations avec des partenaires et des clients asiatiques qui risquent fort d'être beaucoup plus imposants qu'elles le sont. Les coûts élevés liés à l'établissement d'une présence au sein des marchés asiatiques dispersés géographiquement et différents sur le plan culturel constituent un obstacle de taille pour les petites entreprises. La Proposition stratégique suggère une tactique novatrice, soit d'arrimer un navire canadien à Shanghai ou à Hong Kong qui servirait de base aux entreprises canadiennes de plus petite taille et qui les aiderait à réduire les coûts d'entrée au sein des marchés asiatiques.

Enfin, la Proposition stratégique conseille au Canada d'anticiper un avenir de complémentarité décroissante et de concurrence croissante en Asie. À court terme, il n'y a pas de façon simple de réagir à ce scénario. Nous savons que la compétitivité future du Canada dépendra de notre capacité à innover et qu'il existe un lien clair entre la recherche et l'innovation. Ainsi, la première étape en vue de garantir la prospérité future du Canada est d'investir en priorité dans la recherche et l'éducation, et ce, à tous les paliers

de gouvernement (comme c'est le cas en Chine!). Bien que le Canada offre un généreux crédit d'impôt sur la recherche et le développement, les dépenses directes du gouvernement en matière de recherche et de développement ont tendance à diminuer en période de ralentissement économique et sont souvent mises de côté selon le climat politique. Le gouvernement fédéral s'est concentré sur la recherche de stade précoce ou intermédiaire effectuée dans les universités et les centres de recherche grâce à des programmes tels que la Fondation canadienne pour l'innovation, qui finance l'infrastructure de recherche du Canada. De plus, le gouvernement a récemment financé des applications commerciales dans des secteurs ciblés tels que la foresterie et l'automobile. Ces programmes sont cruciaux pour stimuler la compétitivité fondée sur l'innovation au Canada, mais il faut investir davantage dans les ressources humaines. La Proposition stratégique suggère que le gouvernement investisse dans la formation d'un groupe d'experts de l'Asie dans les établissements d'enseignement et de recherche canadiens. Aussi, le document de travail de 2010 publié par l'institut de compétitivité et de prospérité précise que 21 % des diplômés de l'école de gestion Rotman proviennent d'Asie. Les entreprises canadiennes devraient tirer parti de ces précieuses ressources et le gouvernement pourrait faire sa part en finançant des programmes de stages au sein de petites et moyennes entreprises pour ces étudiants.

Ces propositions sont à la fois réalisables et urgentes. Nous n'avons qu'à considérer l'exemple de l'Australie, où le gouvernement observe une politique cohérente en Asie depuis plus de 20 ans, pour constater les avantages de poursuivre des objectifs stratégiques nationaux. La Proposition stratégique de Mme Dobson précise que l'Australie, avec une économie équivalant aux deux tiers de celle du Canada, a développé une influence en Asie qui dépasse de loin sa taille. La clé de cette réussite réside dans les efforts déployés par plusieurs gouvernements australiens successifs en vue d'établir des relations personnelles avec des dirigeants asiatiques. L'Australie a également l'intention de mettre en place des infrastructures à long terme en matière d'éducation, de diplomatie et de recherche. D'ici 2020, le gouvernement souhaite que 12 % de ses finissants parlent une langue asiatique. Une partie importante de la stratégie australienne repose sur la présomption que ses relations avec les États-Unis et avec les pays asiatiques sont complémentaires. Ceci revêt un intérêt particulièrement important pour le Canada pour qui les États-Unis demeurent et continueront de demeurer le principal partenaire économique.

Toutefois, le message le plus important de la Proposition stratégique est le suivant : les Canadiens doivent commencer à « penser Asie ». Parallèlement, le rapport souligne que nous devons faire preuve de réalisme à l'égard de notre situation : le Canada est une petite économie qui rivalise avec de nombreux concurrents. Pour réussir en Asie, les dirigeants politiques et les chefs d'entreprise canadiens doivent préciser les éléments qui serviront les intérêts à long terme du Canada et définir des objectifs communs clairs. « Au fond, nous nous voulons que ce soit le début d'une nouvelle phase, une ère au cours de laquelle le Canada aura recours à la stratégie pour trouver des clients potentiels et réaliser ses ambitions en Asie », résume M. Manley. ☺☺

Pour télécharger la version complète du rapport du Dr Wendy Dobson, connectez-vous à <http://www.ccbc.com/canada-china-and-rising-asia-a-strategic-proposal>



Small and Medium-Sized Enterprises: Preparing for Success in China

The Honourable Ed Fast,
MINISTER OF INTERNATIONAL TRADE
& MINISTER FOR THE ASIA-PACIFIC GATEWAY

L'honorable Edward Fast
MINISTRE DU COMMERCE INTERNATIONAL ET MINISTRE DE
LA PORTE D'ENTRÉE DE L'ASIE-PACIFIQUE

**Les PME se
positionnent
pour réussir
en Chine**



S

MALL AND MEDIUM-SIZED BUSINESSES

(SMEs) are the lifeblood of Canada's economy. They employ millions of Canadians across our country and drive our economic growth. When these businesses succeed, so do workers and their families, as do the communities in which they live.

Canada's SMEs understand that, in today's globalized world, success cannot be confined to doing business within our own borders. The world is hungry for Canadian products, services and expertise. Expanding our trading relationships around the world is critical to Canada's long term prosperity.

For Canadians, trade is a "kitchen table" issue. They intuitively understand that creating new trade opportunities spurs economic growth, helping them to pay off a mortgage, save for their children's education, prepare for retirement, and take the occasional well-deserved vacation. In short, trade matters.

China, our second largest trading partner, is a perfect example. With a rapidly expanding middle class, significant infrastructure demands, a desire to create a greener, more sustainable economy, and a burgeoning science and technology sector, the Chinese economy can greatly benefit from what Canadian businesses—including our smaller firms—can offer.

Bilateral merchandise trade between Canada and China has tripled over the last ten years. Indeed, a Leger Marketing survey done for the Bank of Montreal earlier this year showed that 57% of Canadian businesses are looking to expand into China over the next five years.

Our Conservative government is helping these SMEs succeed by ensuring that the flow of goods, services and people between Canada and China improves. We're doing this through the Asia-Pacific Gateway Initiative, a strategy which has seen our federal government invest \$1.4 billion to towards Canada's highways, railways, air and marine ports, and other transportation infrastructure in order to accommodate the boom in Asia-Pacific trade.

Additionally, through our Global Commerce Strategy our government is working closely with Canadian businesses of all sizes to help them succeed in China in key sectors such as aerospace, agriculture and agri-food, clean technology and life sciences, to name just a few. To this end, Canada and China are working together on numerous policy initiatives to expand our partnership in areas such as trade, investment and science and technology.

Over the past six years, our Conservative government has signed numerous agreements with China to improve such things as air services, infrastructure, youth labour mobility, tourism, innovation and environmental stewardship. We are currently negotiating a Foreign Investment Promotion and Protection Agreement to establish a clear set of rules

A

U CANADA, LES PETITES ET MOYENNES entreprises—les PME—constituent le moteur de l'économie. Elles emploient des millions de Canadiens partout au pays et sont au cœur même de la croissance économique. Les succès qu'elles connaissent rejaillissent sur les employés et leur famille, ainsi que sur les collectivités au sein desquelles elles évoluent.

Les PME canadiennes comprennent bien que pour réussir dans le contexte actuel de mondialisation, elles ne doivent pas se contenter de faire des affaires au pays seulement. L'expertise, les produits et les services du Canada sont très recherchés sur la scène internationale. Il est donc essentiel de tisser des liens commerciaux partout au monde pour assurer la prospérité à long terme du Canada.

Le commerce est un sujet de discussion courant pour les Canadiens. En effet, ils comprennent intuitivement que la création de nouvelles occasions commerciales favorise la croissance économique, ce qui les aide à rembourser leur hypothèque, à payer les études de leurs enfants, à préparer leur retraite et à prendre de temps à autre des vacances bien méritées. En bref, le commerce est un sujet important.

La Chine, notre deuxième partenaire commercial en importance, constitue un exemple parfait. Marquée par une croissance rapide de la classe moyenne, des exigences considérables en matière d'infrastructure, la volonté de créer une économie plus écologique et plus durable ainsi qu'un secteur des sciences et de la technologie en plein essor, l'économie chinoise peut tirer grand profit de ce que les entreprises canadiennes, même les plus petites, ont à offrir.

Le commerce bilatéral de marchandises entre le Canada et la Chine a triplé au cours des 10 dernières années. En fait, un sondage Léger Marketing effectué plus tôt cette année pour le compte de la Banque de Montréal a révélé que 57 % des entreprises canadiennes prévoient prendre de l'expansion en Chine d'ici 5 ans.

Le gouvernement conservateur contribue au succès de ces PME en assurant une meilleure circulation des biens, des services et des personnes entre le Canada et la Chine, notamment par le biais de l'Initiative de la Porte et du Corridor de l'Asie-Pacifique. En vertu de cette stratégie, le gouvernement fédéral a investi 1,4 milliard de dollars dans les autoroutes, le réseau ferroviaire, les aéroports et les ports, de même que d'autres infrastructures de transport du Canada, en vue de soutenir la croissance fulgurante du commerce avec l'Asie-Pacifique.

En outre, par le biais de sa Stratégie commerciale mondiale, le gouvernement collabore étroitement avec des entreprises canadiennes de toutes tailles pour les aider à réussir en Chine dans des secteurs clés tels que l'aérospatiale, l'agriculture, l'industrie agroalimentaire, la technologie propre et les sciences biologiques. À cette fin, le Canada et la Chine travaillent de concert dans le cadre de plusieurs initiatives stratégiques visant à élargir leur partenariat dans des domaines tels que

Our government has established trade commissioner offices throughout China and here at home.

Notre gouvernement a établi des bureaux commerciaux partout en Chine et ici même au Canada.



TOP 10 THINGS#1 YOU NEED TO KNOW ABOUT DOING BUSINESS IN CHINA

SEEING IS BELIEVING

For most Canadian business leaders, it takes just one look. Visit China once and they understand. Everyone knows the numbers: China is our second-largest export market. Already the world's largest market for cars, cell phones and seafood, it is the fastest growing market for luxury goods, air passengers and nuclear power. China has the most internet users and online game players, the longest high speed rail network and the busiest port. There are well over 100 cities in China with a population of more than one million and, according to the Economist Intelligence Unit, the economy will grow at rates of about eight per cent per annum for the next decade. In China's case, seeing is believing. The greatest challenge faced by Canadians in China is, in fact, one of our own making—getting the attention and support of executives back home. You cannot navigate China without their support. If you or your CEO haven't yet been to China, you need to go. The rest will follow.

"Despite how much press China is receiving in Canada, it never ceases to amaze me how wrong most Canadians' perception of China is. For this reason, I make every effort to facilitate visits of our company management and directors.... Only by seeing for themselves can our companies truly appreciate the speed with which we need to penetrate and grow in this market or else be left behind."

**—Fred Kao, Vice President,
Magna International China**

under which Canadian companies can invest in China. Just as importantly, since 2006, there have been 38 federal ministerial visits to China, highlighting the importance which Prime Minister Stephen Harper places on strengthening our ties to that region of the world. We are committed to continuing this high-level engagement.

For Canadian businesses considering doing business in China, the challenges can be daunting. Complex laws and regulations, vastly different business practices, and unfamiliar government structures and market conditions require preparation. That is why our government has established trade commissioner offices throughout China and here at home. Our Trade Commissioners specialize in helping companies develop and hone their business strategies, determine the best markets for their goods and services, navigate the complicated regulatory and legal systems, and identify potential partners and suppliers who can help such companies compete successfully in the global marketplace.

As the world's largest emerging economy, China offers a wealth of opportunities to those who have the courage to explore its markets. The world is knocking on China's door, and Canadian businesses have much to offer. Our Conservative government will continue to partner with Canadian SMEs to provide them with the support they need to successfully penetrate the Asian markets and create jobs and prosperity for Canadian families right here at home. ☺☺

le commerce, les investissements, la science et la technologie.

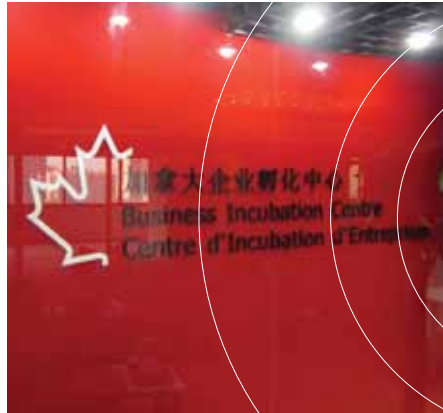
Au cours des six dernières années, le gouvernement conservateur a conclu de nombreuses ententes avec la Chine afin d'améliorer les services aériens, les infrastructures, la mobilité des jeunes travailleurs, le tourisme, l'innovation et la gestion de l'environnement. Des négociations sont actuellement en cours afin de conclure un Accord sur la promotion et la protection des investissements étrangers, dans le but d'établir un ensemble de règles claires régissant les investissements en Chine par des entreprises canadiennes. Fait tout aussi important, depuis 2006, des ministres fédéraux ont effectué 38 visites en Chine, ce qui souligne l'importance que le premier ministre Stephen Harper accorde au maintien de relations solides avec ce pays. Nous sommes déterminés à poursuivre cet engagement de haut niveau.

La tâche peut sembler intimidante pour les entreprises canadiennes qui envisagent de faire des affaires en Chine. Elles doivent bien se préparer pour composer avec des lois et des règlements complexes, des pratiques commerciales très différentes, ainsi que des structures gouvernementales et des conditions de marché qui leur sont peu familières. C'est pourquoi notre gouvernement a établi des bureaux commerciaux partout en Chine et ici même au Canada. Nos délégués commerciaux aident les entreprises à développer et à peaufiner leurs stratégies commerciales, à cibler les meilleurs marchés pour leurs produits et services, à s'y retrouver dans les systèmes juridiques et la réglementation complexes, et à trouver des partenaires et des fournisseurs qui pourraient permettre aux entreprises de se tailler une place sur la scène internationale.

La Chine est l'économie émergente la plus importante au monde, et à ce titre, elle offre un large éventail de possibilités à ceux qui ont le courage d'explorer ses marchés. Le monde entier frappe à la porte de la Chine, et les entreprises canadiennes ont beaucoup à offrir. Le gouvernement conservateur continuera à faire équipe avec les PME canadiennes afin de leur fournir le soutien nécessaire pour se tailler une place de choix dans les marchés asiatiques et, par le fait même, créer des emplois au pays et contribuer à la prospérité des familles canadiennes. ☺☺

Elasto Proxy: CCBC's Business Incubation Centre's first resident

by Doug Sharpe, OWNER AND PRESIDENT, ELASTO PROXY
and Alexis Milinusic, DIRECTOR OF COMMUNICATIONS, CCBC



Elasto Proxy : premier membre du Centre d'incubation d'entreprises du CCCC

par Doug Sharpe, PRÉSIDENT ET PROPRIÉTAIRE, ELASTO PROXY
et Alexis Milinusic, DIRECTEUR DES COMMUNICATIONS, CCCC

After 22 years of operating Quebec-based Elasto Proxy, an industrial rubber parts fabricator, owner and president Doug Sharpe made the decision to establish the company's first China-based operations in Shanghai. Although Elasto Proxy had worked with suppliers and customers in China since 2004, the company lacked a home base and was relying primarily on phone calls and a third-party broker to develop business opportunities. However, after attending a presentation last year by Export Development Canada, Doug was convinced that the next logical step for Elasto Proxy was to set up shop in CCBC's new Business Incubation Centre (BIC).

A functional office environment and conference centre that can accommodate up to fourteen clients, the BIC provides the infrastructure that companies need as they establish themselves in China. As an SME and the first resident in the Business Incubation Centre, Doug offers his insight to other SMEs looking to establish themselves in China.

Q What factors did you consider when deciding that China was your next move?

A It's been a longtime goal to establish a branch in China, but we realized it would be more difficult than opening a branch in the US or Mexico. We initially looked at a number of other countries as well, but ultimately saw that the will to do business in China was very strong. So we dropped those other partners and focused on the Chinese,

primarily because they were open for business, and the logistics were also very good and reliable.

Q What goals and expectations did you have as you moved into the BIC?

A I knew Tony [Tony Gosling, Director, Membership & Outreach], and Tony knew the type of business I was in, so I had a good feeling and confidence that his goals for the Incubation Centre really matched-up with my own goals. Having support

Doug Sharpe, propriétaire et président d'Elasto Proxy, une entreprise québécoise de fabrication de pièces industrielles en caoutchouc fondée il y a 22 ans, a décidé d'établir la première succursale chinoise de l'entreprise à Shanghai. Bien qu'Elasto Proxy collabore avec des fournisseurs et des clients en Chine depuis 2004, l'entreprise n'y avait pas de port d'attache et devait effectuer ses transactions par téléphone ou s'en remettre à un courtier pour développer des occasions d'affaires. Toutefois, après avoir assisté à une présentation d'exportation et de développement canadien l'an dernier, M. Sharpe s'est rendu compte que la prochaine étape logique pour Elasto Proxy était de s'établir au nouveau Centre d'incubation d'entreprises du Conseil commercial Canada-Chine.

Avec un environnement de bureau fonctionnel et un centre de réunions pouvant accueillir jusqu'à quatorze clients, le Centre d'incubation d'entreprises offre l'infrastructure dont les entreprises ont besoin pour s'établir en Chine. À titre de propriétaire d'une PME et de premier membre du Centre, M. Sharpe offre des conseils à d'autres petites et moyennes entreprises qui souhaitent s'installer en Chine.

Q Quels sont les facteurs qui vous ont poussé à vous établir en Chine?

R Nous songions depuis longtemps à ouvrir une succursale en Chine, mais nous nous sommes rendu compte que ce serait plus difficile que de s'implanter aux États-Unis ou au Mexique. Au départ, nous avons également envisagé plusieurs

démarrer une entreprise à Toronto et aux États-Unis; cela nécessite beaucoup d'efforts et de travail. Que ce soit au bureau ou au Centre d'incubation, il y a toujours quelqu'un pour prêter main-forte à mon personnel qui, par conséquent, ne travaille pas en vase clos. De plus, grâce au réseau de communication du Centre, nous n'avons pas besoin d'être sur

and knowing people are the two most important things in developing business over there. We aligned very well, which made it easy to go ahead.

Q What value has the BIC brought to your business thus far?

A What is important is the support I get from the CCBC, supporting me and encouraging me to open up in the Incubation Centre. That means a lot for a small business. I don't think I would have gone this far and as quickly if that wasn't available. I know how hard it is to open up a business in Toronto and in the United States, and it takes a lot of effort and a lot of work. With the office and the incubation platform, there is always somebody there for support so that my staff isn't working in isolation. Also, thanks to the Centre's communication network, we don't have to physically be there to train our staff – it is a really viable way to operate. It seems to be something that minimizes the risk and doesn't make it as stressful and as big an investment as it would be if I was to open up a business and invest in inventory and the infrastructure that would

be needed. That's the important thing.

Q What are your next steps?

A Hire the proper staff, train them, and start to scout out where would be the opportune location to set up a warehouse. The other important thing is my relationship with my bank, the Bank of Montreal, and its support of me going forward over there is very strong as well. BMO is very much involved in the markets over there and we've already met with the local banking manager, and when you have the bank behind you, it helps.

Q Last words of wisdom for SMEs looking to expand into China:

A You have to have a good strategy in place, have everybody on board, and be prepared to adapt your plan. You also need to have funds set aside for unforeseen challenges, and to be mentally prepared to go the distance. It only makes things easier when you have the support of an incubation platform and an association like CCBC to lessen the risk and make it easier to go somewhere as far away as China. ☺☺

What is important is the support I get from the CCBC, supporting me and encouraging me to open up in the Incubation Centre.

Le soutien offert par le CCCC et l'encouragement à nous installer au Centre d'incubation d'entreprises ont été très importants pour moi, particulièrement en tant que PME.

autres pays, mais nous nous sommes aperçus que nous voulions vraiment faire des affaires en Chine. Par conséquent, nous avons laissé tomber les autres partenaires que nous avions approchés et nous nous sommes concentrés sur la Chine, principalement parce qu'ils étaient prêts à faire des affaires et que la logistique y était très efficace et fiable.

Q Quels étaient vos objectifs et vos attentes en entrant au Centre d'incubation d'entreprises?

R Je connaissais déjà Tony [Tony Gostling, directeur, Membres et rapprochement avec la communauté], qui était au fait du secteur dans lequel j'évoluais, alors j'étais assez confiant que ses objectifs pour le Centre d'incubation d'entreprises correspondaient en tous points aux miens. Pour s'implanter en Chine, il importe principalement de disposer d'un réseau de soutien et de connaître des gens. Comme nos visions étaient très semblables, nous avons pu facilement aller de l'avant.

Q Quelle valeur le Centre d'incubation d'entreprises a-t-il apportée à votre entreprise jusqu'à maintenant?

R Le soutien et l'encouragement que nous a offert le CCCC afin de nous installer au centre d'incubation d'entreprises ont été très importants pour moi, particulièrement en tant que PME. Je ne crois pas que j'aurais réussi à aller si loin si rapidement sans le Centre. Je sais à quel point il est difficile de

place pour former le personnel – il s'agit d'une façon très efficace de fonctionner. Je crois que cela nous aide à minimiser les risques et à réduire le stress associé au démarrage d'une entreprise, de même que l'investissement lié à l'inventaire et à l'infrastructure qui serait autrement nécessaire. Voilà ce qui compte vraiment.

Q Quelles sont les prochaines étapes?

R Nous devons engager et former du personnel, et commencer à chercher un endroit approprié pour ouvrir un entrepôt. Autre point important : la relation que j'entretiens avec ma banque, la Banque de Montréal, et l'aide qu'elle m'apporte pour aller de l'avant en Chine. La Banque de Montréal est très engagée dans les marchés asiatiques et nous avons déjà rencontré le directeur de la banque locale. C'est toujours bon d'avoir la banque de son côté.

Q Avez-vous quelques sages conseils à l'intention des PME qui souhaitent s'établir en Chine?

R Vous devez d'abord disposer d'une bonne stratégie, compter sur la collaboration de tout le monde et être prêt à adapter votre plan. Vous devez aussi prévoir des fonds en cas d'imprévu et être prêt mentalement à aller jusqu'au bout. Une plateforme telle que le Centre d'incubation d'entreprises et le soutien d'une association comme le CCCC contribuent à réduire les risques et à faciliter la transition vers une région aussi éloignée que la Chine. ☺☺

Opposite page: Located with CCBC's Shanghai office and the Canada Centre in the Shanghai Mart of Hongqiao District, the BIC is about a 5 minute walk from Shanghai Metro Line 10, Yili Road Station.



10 THINGS YOU NEED TO KNOW ABOUT DOING BUSINESS IN CHINA 2

THE BIG SET-UP

To do business with China, you need to be there. Both to seize opportunities and maintain control. In China, when things happen, they happen fast. There may already be as many as 400 Canadian operations on the ground in China. Most of these grew up over the past 5-15 years. They came to China to source cheap products or inputs. As volumes grew, they opened representative offices and eventually started to manufacture for export. Today, most of these firms are focused on selling to China's domestic market. And to be successful in this business, you really need a local presence. There are different ways that you can structure your China operations. Usually, the best choice is to establish a wholly owned foreign enterprise or WOFE. By far the most important thing is to hire a managing director whom you can trust. Never let a seemingly well connected Chinese entrepreneur start your China business for you, no matter what your fortune cookie says. Don't send Canadians without China experience, unless you also give them some loyal Chinese-speaking support with enough seniority and sophistication to work local networks effectively. Grow your Chinese business on your own terms.

"If you take the time to nurture mutually beneficial partner relationships, they can help you navigate the often opaque 'system' in China. In turn, assist [your Chinese partners] with their goals in Canada."

—Sean Goff, Managing Director Asia, CN Worldwide.

A man in a dark suit and tie stands in a golden field, holding a briefcase. Behind him is a large, stylized red maple leaf against a cloudy sky. In the distance, there are rolling hills and a few houses.

Selling Consumer Products into Canada: What Manufacturers, Distributors, Importers and Retailers Need To Know¹

by Daniel Kiselbach, PARTNER, MILLER THOMSON LLP

向加拿大市场出售消费品： 生产者，经销商，进口商和零售商需知¹



Purpose and Legislative Scheme

A number of high profile consumer product safety issues have led to the enactment of new consumer product safety legislation in Canada. On June 20, 2011, the Canada Consumer Product Safety Act (the “Act”) came into force. Health Canada is responsible for the administration and enforcement of the Act which sets out a comprehensive consumer product safety regime. This article provides essential information about the Act for manufacturers, distributors, importers and retailers who supply consumer products in Canada.

The Act is similar to U.S. consumer product safety legislation. It is designed to protect the public by addressing or preventing dangers to health or safety posed by consumer products imported to or produced within Canada². The Act:

- Prohibits certain activities such as the manufacture, importation, advertisement and sale of unsafe consumer products.
- Provides for incident reporting, safety measures, recalls and other related matters.
- Establishes significant civil and criminal penalties for non-compliance

Prohibitions

The Act prohibits the manufacture, sale, importation, or advertisement of listed products or products that fail to meet regulatory requirements³. Listed products have been deemed to pose a significant risk to consumers (such as baby bottles containing bisphenol A). The Act prohibits the manufacture, sale, importation, or advertisement of products that are:⁴

- A danger to human health or safety
- Subject to a recall order or a voluntary recall
- Subject to a measure or order imposed under the Act that has not been complied with



The Act prohibits misleading labelling or packaging respecting a product's danger or safety certification.⁵

Record Keeping

New document and record keeping requirements include the following:

- Persons may be ordered to test products and provide test results to the Minister.⁶
- Any person who sells, manufactures, imports, advertises, or tests a consumer product for commercial purposes is responsible for preparing and maintaining documents:
 - in the case of retailers, that indicate the name and address of the person from whom they obtained the product and the location where and the period during which they sold the product, and⁷
 - in the case of any other person, the name and address of the person from whom they obtained the product and to whom they sold it (as applicable).⁸
- Documents must be retained for six years⁹

The Premier Primary Silver Producer in China Today

A Global Producer Tomorrow ...



Ramp Advance, GC Project, Guangdong Province, China



Portal Under Construction, GC Project



Safety Presentation, Ying Mine



2,000 tpd Mill, Ying Mining District

About Silvercorp Metals Inc.

Silvercorp Metals Inc. is China's largest primary silver producer and the lowest cost producer among its global peers. Silvercorp is Canadian based with mining, development and exploration projects located in China and Canada. It is highly profitable, pays a dividend and has a successful track record of growing both resources and production.

With US\$230.5 million in cash and short term investments, no debt and robust operations, Silvercorp plans to continue generating shareholder value through resource and production growth and by seizing upon acquisition opportunities. The Company's shares are traded on the New York Stock Exchange and Toronto Stock Exchange and are included as a component of the S&P/TSX Composite and the S&P/TSX Global Mining Indexes.



今天我们是中国的主要白银生产商，明天我们是全球白银生产的领导者！

— 希尔威金属矿业有限公司



Ying Mine, Henan Province, China



49-man Camp, Silvertip Project, British Columbia, Canada

扎根中国 **Strategic Positioning in China**

北美拓展 **Expansion in Canada**



2,000 tpd Mill, Ying Mining District, Henan Province, China



Water filtration at tailings management facility
Ying Mining District, Henan Province, China

生产与安全 **Operation Activities and Safety**

环境保护 **Environmental Protection**

公司简介

希尔威金属矿业有限公司是一家在纽约证券交易所(NYSE交易代码:SVM)和多伦多证券交易所(TSX交易代码:SVM)上市的加拿大矿业公司，总部设在温哥华。公司主要在中国和加拿大开展矿山项目的收购、勘探、开发和生产。希尔威的投资重点是具有良好发展潜力的白银、黄金和铅锌等有色金属矿山。历年来的资源量及生产量持续增长，同时将生产成本维持在全球白银开采业中最低，为公司创造可观的利润及充裕的现金流。自2007年来，公司一直以分红方式回馈投资者。公司股票为标准普尔多伦多综合指数成分股(S&P/TSX Composite)和标准普尔多伦多全球矿业指数成分股(S&P/TSX Global Mining Indexes)。

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TOP 10 THINGS# YOU NEED TO KNOW ABOUT DOING BUSINESS IN CHINA 3

FACE TIME

Facebook may not be available in China, but face time is all-important. Take a personal interest in your Chinese clients and partners. Your company reps should be encouraged to spend time building professional relationships. This is part of doing business in China. Personal connections between company presidents is a useful fallback during any dispute to re-affirm common objectives and find practical workarounds. Chinese courts can be expensive time-wasters. Take a page from many Chinese companies and add an arbitration clause to your contracts. The China International Economic and Trade Arbitration Commission provides advice to foreign companies on their website. The key point is to create conditions ahead of time to resolve problems that might otherwise threaten your growing China business. And remember that personal connections bring opportunities. One executive recently noted: "A friend in Beijing introduced me to a retired party secretary responsible for the city where our factory is located. She arranged for me to meet the current vice mayor, who, as it turns out, is the neighbour of my marketing director. Now we're negotiating a supply contract with the city." Personal connections are key in China.

"Due diligence on partners and clients is critical to the forestry industry regarding China, as it is for any business. Our wood export members tend to only deal with major state-owned distributors and reputable private sector ones. Similarly, our focus regarding Chinese developers is to target the largest ones with proven track records. Protection from EDC, where appropriate, is advised."

—Fred Spoke, Managing Director, Canada Wood China

Incident Reports

A person who manufactures, imports, or sells a consumer product in Canada and receives information respecting an event, must provide information when they are aware that an incident has occurred that is related to a consumer product that they supply in Canada.¹⁰ The Act defines an "incident" as:

- An occurrence in Canada or elsewhere that resulted or may reasonably have been expected to result in a death or in serious adverse health effects,
- A defect or characteristic that may reasonably be expected to result in a death or serious adverse health effects on their health,
- Incorrect or insufficient information on a label or in instructions—or the lack of a label or instructions—that may reasonably be expected to result in a death or serious adverse health effects, or
- A recall or measure that is initiated for human health or safety reasons by a foreign entity, specified government, public body or institution.¹¹

Health Canada has listed three questions which are designed to help determine whether an event is a reportable incident:

- Does the event relate to a consumer product that I sell, manufacture or import in Canada for commercial purposes (including its components or accessories or packaging)?
- Does it meet the criteria of an incident in any of paragraphs 14(1)(a) to (d) of the Act?
- Does it indicate an unreasonable hazard posed by the normal or foreseeable use of the product or the foreseeable misuse of the product?¹²

Reporting Deadlines

A manufacturer, importer or retailer who becomes aware of an incident must provide information to the Minister and, if applicable, the person from whom they received the product, within two days after the day on which they became aware of the incident.¹³ A manufacturer, importer or retailer must provide a written report to the Minister within 10 days after the day on which they become aware of the incident. The report must include information about the incident, the product, products that could be involved in a similar incident and measures that have been taken or proposed in respect of those products.¹⁴

Recalls

The Minister can recall a consumer product if the Minister believes, on reasonable grounds, that it poses a danger to health or safety.¹⁵ The Minister can also impose measures to stop manufacturing, importing, packaging, storing, advertising, selling, labelling or transporting the product if it is subject to a recall, or a person has not complied with the Act or a previous order.¹⁶ The Minister may apply for an injunction ordering a person to refrain from doing anything that would result in a commission of an offence.¹⁷

Information Disclosure

The Minister may disclose personal information or confidential business information without consent in some situations, particularly where disclosure is necessary to address a serious and imminent danger.¹⁸

Enforcement and Penalties


The Act is enforced by inspectors.¹⁹ Inspectors have broad search and seizure powers under the Act. They may enter any place or conveyance where consumer products or related documents are stored, manufactured, sold, imported, packaged, advertised, labelled, tested or transported.²⁰ Consent or a warrant is not required to enter a place other than a dwelling house.²¹ Inspectors have powers to seize, photograph, open, move, test and examine items.

In general, it is an offence to contravene the Act.²² Criminal sentences for the most serious offences may include a fine of up to \$5 million and imprisonment of

up to 2 years. If a corporation commits an offence, its directors, officers, and agents are deemed to be parties to the offence and are liable to punishment.²³ Due diligence is a defence.²⁴ A person who contravenes the Minister's order²⁵ may be subject to an administrative monetary penalty ("AMPS").²⁶ Due diligence is not a defence for AMPS.²⁷ The maximum penalty is \$5,000 for non-profit organizations—or by any other persons for non-commercial purposes—and \$25,000 in any other case.²⁸

A person may ask to enter into a compliance agreement with the Minister as an alternative to paying a civil penalty. The purpose of a compliance agreement is to ensure that a person invests in compliance and avoids future non-compliance.²⁹ A compliance agreement may contain various conditions, including a requirement to give security as a compliance guarantee.³⁰

Summary

The Act creates a number of obligations for businesses dealing in consumer products. Non-compliance may lead to civil and criminal penalties. In light of these new obligations, affected businesses should take steps now to implement a compliance plan. 

1 The author, Daniel L. Kiselbach, Partner, Miller Thomson LLP, International Trade, Customs and Commodity Tax Group, gratefully acknowledges the contribution of Aimee Schalles, Articled Student, Miller Thomson, who assisted in the review and the publication of this paper. To contact Daniel L. Kiselbach in the Vancouver office ph: 604.643.1263/email: dkiselbach@millerthomson.com. Any errors or omissions are solely the responsibility of the author. This paper is not intended to be used or construed as legal advice.

2 Canada Consumer Product Safety Act, S.C. 2010, c. 21, s. 3

3 Ibid., ss. 5, 6 and Schedule 2

4 Ibid., ss. 7, 8

5 Ibid., ss. 9 and 10

6 Ibid., s. 12

7 Health Canada, Guidance on Preparing and Maintaining Documents under the CCPSA Canada Consumer Product Safety Act ("Document Guidance"), p. 3; heading "3.1.1 In the Case of a Retailer" and Canada Consumer Product Safety Act, ss. 13(1)(a)(i) of the Act.

8 Ibid., p. 4 heading "3.1.2 In the Case of a Manufacturer, Importer, Advertiser, Seller or Tester", and ss. 13(1)(a)(ii) of the Act.

9 CCPSA, supra note 1, subsection 13(1)

10 Health Canada, Guidance on Mandatory Incident Reporting

under the Canada Consumer Product Safety Act – Section 14 Duties in the Event of an Incident, ("Reporting Guidance") pp. 3-4, heading "3 Key Features".

11 Ibid., ss. 14(1)

12 Reporting Guidance, supra, note 10, page 5, heading "5. Determination of an "incident"

13 Ibid., p. 6, heading "5.4 Provision of incident information"

14 Ibid., p. 7

15 The Act, supra note 1, s. 31

16 Ibid., s. 32

17 Ibid., s. 36

18 Ibid., s. 17

19 Ibid., s. 19

20 Ibid., s. 21

21 Ibid., ss. 21 and 22

22 See the Act, Ibid, note 2, s. 41. Contraventions of some provisions are excepted, including ss. 8, 10, 11 and 20.

23 Ibid., s. 42

24 The Act, supra note 2, ss. 41(2)

25 Contravening the recall orders and orders to take certain measures can result in a violation. See ss. 31, 32, and 35.

26 The Act, supra note 2, s. 49

27 Ibid., s. 59

28 Ibid., ss. 50(2)

29 Ibid., ss. 53(2)(a)

30 Ibid., ss. 54(1)

立法目的和立法方案

一系列令人关注的消费品安全问题促使了加拿大新消费品安全法案的出台。2011年6月20日，加拿大消费品安全法案颁布。加拿大卫生部负责此法案的管理和执行，此法案较为完整的制定了消费品的安全管理体系。本文为向加拿大市场供应消费品的生产商，经销商，进口商和零售商提供了安全法案的重要信息。

次法案类似于美国消费品安全法，用以保护消费者的健康和安安全，此法案对本国生产的消费品和国外进口的消费品同样具有约束力²。具体规定如下：

- 禁止生产，进口，宣传并销售不安全消费品。
- 提供事故报告，安全检查，召回和其他相关事宜。
- 对违法行为进行严厉的民事和刑事处罚。

禁例

此法案禁止生产，销售，进口和宣传列单产品或未满足法案要求的产品³。列单产品已被认为对消费者有重大危害（例如奶瓶含有双酚A）。此法案禁止生产，销售，进口或宣传的产品如下⁴：

- 对人体健康或安全造成危害的商品
- 受召回或自动召回的商品
- 因未遵守此法案而被采取措施或施加命令的商品

该法禁止误导性的标签或包装，尊重产品的危险说明或安全认证⁵。

记录的保存

新文件和记录的保存要求如下：

- 可能责令相关人士测试产品并向部长提供测试结果⁶
- 任何以商业为目的出售，生产，进口，宣传或测试消费品的人士都有义务准备和保存资料：
 - 对零售商的而言，明确指出从何人何处获得此商品并在何时何地销售此产品⁷。
 - 对其他人而言，要指出从何人何地获得此产品并将此产品卖给何人（如适用）⁸。
- 资料必须保存6年⁹。

事故报告

任何在加拿大生产，进口或销售消费品的个人收到有关事故信息，并意识到此事故与他们提供的消费品有关时必须提供这些信息¹⁰。此法案规定的“事故”如下：

- 发生在加拿大或其它地方，会造成死亡或可能造成死亡或对健康产生严重不良影响的件；，
- 可能造成死亡或严重影响健康的缺陷或征；，
- 商标或说明上信息错误或整——或没有商标或说——有理由认为这些信息可能造成死亡或对健康产生严重影响；
- 为保众人民的健康和安全，由国外实体，特别是政府，公共机构或组织发起的召回或采取的其它措施¹¹。

加拿大卫生部列出三个问题以便帮助确定是否为上报事件：

- 此事件是否涉及以商业为目的，在加拿大销售，生产或进口的消费品（包括其组件或零部件或包装）？





10 THINGS #1 YOU NEED TO KNOW ABOUT DOING BUSINESS IN CHINA 4

LOCATION, LOCATION, LOCATION

Know where you're going in China. It's a massive country. Smaller cities often present faster economic growth rates and less competition, and they may be just a few years away from reaching the same level of disposable income as cities such as Beijing or Guangzhou. Deciding where to focus in China is critical. If you are going to China for an existing client, proximity to their operations makes the location decision a no-brainer. If you are producing for export, consider smaller, newly upgraded port cities with lower costs than, say, Shanghai. High-tech and industrial parks abound. Be prepared to negotiate a price for every detail, from water to electricity rates and grid hook-ups. Negotiate options in advance for your future needs. Inland provinces such as Sichuan offer greater incentives than others places. Remember that Canadian companies on the ground can be good allies. They are often happy to bring you in because it helps them win favour (and secure better deals) with local governments. And don't forget about Hong Kong. Transparency, rule of law, a fully convertible currency and sophisticated financial sector all still make this city a good launching pad for your China strategy.

"1.3 billion customers with a large and growing middle class — this must mean there is a huge customer base for my company, right? Quite possibly, no. You need to get into the details to truly understand your potential customer base and can't rely upon big numbers and Western assumptions."

—Fareed Ansari, Vice President Asia Pacific, Canadian Tire

- 是否满足此法规案第14段 (1) 从 (a) 到 (d) 中的任一事故标准?
- 是否表明对产品的正常或可预见使用或可预见错误使用会造成不合理的伤害?¹²

报告期限

生产商, 进口商或零售商知发生事故发生两天内必须向部长汇报情况, 如用可能, 在获知事故发生起2日内, 还必须报告其的情况¹³。生产商, 进口商或零售商必须在获知事故发生起10内向部长提交书面报告。报告必须包含事故的有关信息, 产品的情况, 可能涉及到类似事故的产品, 针对此产品已采取或建议的措施¹⁴。

召回

如果部长有理由认为此消费品会对健康或安全产生危害, 则部长有权召回此产品¹⁵。如果被遭到召回或违反法案或与以前订单不一致, 部长有权采取措施停止生产, 进口, 包装, 储存, 宣传, 销售, 贴签或运输此产品¹⁶。部长有权申请禁制令, 命令任何人立刻停止可能导致犯罪的行为¹⁷。

信息披露

在某些情况下, 部长可以披露个人信息或商业机密, 而不用得到批准, 尤其是在处理严重和紧急危害的情况下¹⁸。

强制执行和处罚

此法案由检查员监督实施¹⁹。根据该法案, 检的调查全面检, 检取扣权力利。

他们可以进入任何涉及消费品或有关资料的场所或交通工具, 包括储存, 生产, 销售, 进口, 包装, 宣传, 贴签, 测试或运输环节²⁰。除了住宅, 进入其他任何场合不需要批准或证明²¹。检查员有权获取, 拍照, 打开, 移动, 测试和检验这些商品及资料。

总之, 违反此法案是一种犯罪行为²²。对大部分严重刑事犯罪的处罚包括高达500万美元的罚金和2年的监禁。一个公司犯罪, 如果它的董事, 工作人员, 代理商被认为是犯罪同伙, 其也要受到应有的惩罚²³。尽职调查是一种防御措施²⁴。违反部长命令²⁵的人会受到行政罚款²⁶。尽职调查并不是对行政罚款的一种有效防御²⁷。对不以盈利为目的的机构或个人处以最高5千美金的罚金——其他情况处以最高2万5千美金的罚金。²⁸个人可能被要求与部长签订合规协议, 从而代替民事处罚。合规协议的目的是确保此人遵规守法, 避免将来违规²⁹。一份合规协议可以包含多种条件, 例如要求提供抵押品作为遵规守法的保证。³⁰

总结

此法案创立了多条有关消费品贸易的责任义务。违反此法案可能遭受民事和刑事处罚。鉴于这些新的任务, 受影响的公司应采取措施以符合法案要求。CC

1 作者, 丹尼尔·米勒汤姆森公司合作人, 海关和商品税组, 非常感谢米勒汤姆森培训生艾美的投稿, 艾美主要协助此文章的审阅和出版。丹尼尔温哥华办公室电话604.643.1263/邮箱dkiselbach@millerthomson.com。任何错误和疏忽仅由本文作者负责。此文不作为法律文件使用或解释。

2 加拿大消费品安全法S.C. 2010, c. 21, s.

3 如上, 见5.6和附表2

4 如上, 见7, 8

5 如上, 见9, 10.

6 如上, 见12

7 加拿大卫生部, 在加拿大消费品安全法案(资料指导)下就准备和保存资料给予指导, 第三页; 标题“3.1.1 零售商案例”和加拿大消费品安全法案, 见此法案13 (1) (a) (i)。

8 同上, 第四页标题“3.1.2 ‘生产商, 进口商, 广告商, 销售商或实验员案例’”, 见此法案13 (1) (a) (ii)

9 加拿大消费品安全法案, 跨注1, 13段 (1)

10 加拿大卫生部, 在加拿大消费品安全法案下就强制性事件报告进行指导——14部分事故中的责任, (报告指导), 3-4页, 标题“3个主要特征”

11 同上, 见14 (1)

12 报告指导, 跨注10, 第5页, 标题“5. ‘事故’的判断”。

13 同上, 第6页, 标题“5.4 事故信息的提供”

14 同上, 第7页

15 加拿大消费品安全法案, 跨注1, 见31

16 同上, 见32.

17 同上, 见36

18 同上, 见17

19 同上, 见19

20 同上, 见21

21 同上, 见21, 22

22 见加拿大消费品安全法案, 标注2, 见41. 不包含对部分条款的违反, 包含部分见8, 10, 11和20.

23 同上, 见42

24 加拿大消费品安全法案, 跨注2, 见41 (2)

25 违反召回令和采取措施令是违法的。见31, 32和35.

26 加拿大消费品安全法案, 跨注2, 见49

27 同上, 见59

28 同上, 见50 (2)

29 同上, 见53 (2) (a)

30 同上, 见54 (1)



TOP 10 THINGS[#] YOU NEED TO KNOW ABOUT DOING BUSINESS IN CHINA 5

MANAGE YOUR IP AND IT WILL BE OK

Every firm should implement a strategy to protect their intellectual property rights in China, and that starts with registering IP: patents, trademarks and copyrights. China has modern regulations, but enforcement is still lacking. The good news is that for most firms, a successful IP strategy is possible, and there are many examples. It almost always includes registration. If you don't register, chances are that a Chinese firm will do it for you in order to collect the government subsidy currently on offer. Once you patent your technology in China, it is easier and cheaper to seek redress, sometimes without even turning to the courts. Every strategy should also include practical, non-legal measures designed to avoid the courtroom altogether. For some, the strategy includes withholding core technology manufactured elsewhere, or physically separating manufacturing lines and employees. As Chinese companies battle one another over IP rights, domestic pressure for better enforcement is mounting. Canada's Trade Commissioner Service offers some useful online tools for firms looking to protect their IPR in China.

"Leave the lawyers at home. They simply frustrate and slow down business negotiations in China without the expected benefit. This is a tough sell in big western board rooms whose directors are held accountable for ensuring that prudence and wisdom are followed in all transactions. But, western business norms just don't work in China....prudence is best gain by using local accounting and legal people who are well seasoned in Chinese business practices."

—Ron Ball, Managing Director, EHC Global

HUAWEI CANADA'S EXPANDING CANADIAN FOOTPRINT

华为加拿大扩张市场的足迹

by Scott Bradley,
VP, GOVERNMENT RELATIONS,
HUAWEI CANADA

FOR MOST CANADIANS, THE brand "Huawei" (pron. WAH-WAY) is not yet a household name. For those in Canada directly involved in Canada's Information Communications Technology, however, Huawei's emergence in the domestic ICT industry is being viewed with significant interest.

Over the past 23 years, Shenzhen-based Huawei has grown to become one of the global leaders in telecommunications manufacturing – second in size only to Swedish-based Ericsson. With 110,000 employees worldwide and operations in over 120 countries, Huawei supports 47 of the 50 largest telecommunications companies.

While Huawei was traditionally viewed as a lower-cost entrant in the telecommunications equipment marketplace, it's a perception that Huawei has worked hard to change over the past decade with massive investments in Research & Development, and product innovation. It's an investment that is now paying dividends with customers around the world. Huawei has become the industry leader in technologies such as wireless next generation LTE, and broadband capacity applications. Huawei's technology leadership is also not going unnoticed by the industry. In 2010, Fast Company magazine identified Huawei as one of the world's most innovative companies, along with Apple and Google.

Since entering the Canadian market in 2008, Huawei has quickly grown to almost 400 employees. This includes over 250 employees at the Canadian headquarters in Markham, 120 employees at a Research & Development facility in Kanata, Ontario, and branch offices in Edmonton and Montreal.

It's a positive start for the company in Canada, but one that is not without its challenges, says Huawei Canada

President Sean Yang. "Despite our presence in other markets around the world, we are still a new company in Canada" says Yang. "Our objective is to build trust and lasting relationships with our customers through innovative products and responsive customer support".

Yang also recognizes that doing business with a multinational Chinese company is also a new experience for many Canadian businesses.

"We recognize that our success in Canada is contingent on our ability to become part of Canada's ICT Ecosystem" says Yang. "Our commitment to the Canadian marketplace includes building partnerships with established Canadian ICT companies, and opening up our global marketplace to new opportunities for Canadian firms".

On the innovation front, Huawei Canada's R&D Centre in Kanata, Ontario has quickly established itself within the global organization. Since opening in 2010 with 70 employees, the facility has almost doubled in size, with plans to be at 250 researchers within the next 18 months. "There is tremendous talent in the Ottawa region" says Huawei Canada's Director of R&D Human Resources, Dean Fulford. "Huawei is making a long-term commitment to hiring Canadian talent because of the global leadership Canadian ICT researchers continue to demonstrate".

The recent moves by the Canadian Government to strengthen ties with China are also being positively viewed by Huawei. "We were extremely pleased to see Foreign Affairs Minister John Baird visit Shanghai, and look forward to other senior officials in the months ahead" said Yang. While symbolic, these visits are a catalyst in helping make it easier for Canadian and Chinese companies to do business together.

It's also where the Canada China Business Council plays a role in helping to further strengthen these business links, and push forward positive public policy making.

"The Canada China Business Council has become an important venue for us to build profile and relationships with major Canadian companies" says Scott Bradley, VP Corporate and Government Affairs for Huawei Canada. "At the same time, the CCBC is the right forum to tackle outstanding issues in the current Canada-China trade relationship. The CCBC recognizes that an open and positive dialogue with government will ensure long-term prosperity for businesses in both countries".

For Huawei Canada, the increased focus on the relationship between Canada and China, be it Government to Government, Business to Business, or through CCBC, is a positive development.

For Yang, it's a step forward that reflects Huawei Canada's plans for the Canadian market. "We're not trying to be an overnight sensation. Our goal is to build deep roots through investment and lasting customer relations in Canada – it's how we are going to be successful." ☺☺

对多数加拿大人而言，“华为”

(代名词 WAH-WAY) 还是一个比较陌生的名字。然而，对加拿大信息通信科技领域的人来说，他们正抱着极大兴趣观望华为在加拿大信息通信技术领域的突起。

在过去的23年里，总部设立在深圳的华为，在电信生产领域中已发展成为全球领航者，规模仅次于立足于瑞典的爱立信。华为在全球共有11万雇员，在120多个国家有生产基地，并为50大电信公司中的47家提供支持。

长期以来，华为备认为是以低成本的优势进入电信设备市场的，但事实并非如此，华为在过去的十年里投入巨资对研发，生产进行革新。这种投资使其全球的客户至今都受益匪浅。对下一代无线电LTE, 宽带能力运用等工业技术领域而言，华为已成为领航者。华为的技术领导力同样被业界所注意。在2010年，《Fast Company》杂志将华为与苹果，谷歌一起评为全球最具创新能力的公司。

自2008年进入到加拿大市场，华为已快速拥有将近400名雇员，其中包括加拿大万锦市总部250多名，安大略省卡纳塔研发中心120名和埃德蒙顿和蒙特利尔分公司的雇员。

加拿大市场开端良好，但同样也充满挑战，华为加拿大总裁杨晓川表示：“尽管我们曾经在世界其它地方有分支机构或业务合作，但对加拿大而言我们仍是一个新公司，我们的目标是通过创新产品和响应客户支持与我们的客户建立互信长久的合作关系”。

杨晓川还意识到对许多加拿大企业而言，与跨国中国企业做生意是一次新的体验。

“我们认识到：加拿大市场的成功取决于我们能够成为加拿大ICT生态系统中的一部分”，杨晓川说道，“我们在加拿大市场做出许多努力，其中包括与加拿大知名ICT公司建立伙伴关系，为加拿大公司在全球市场创造新的机遇等。”

作为创新的前沿，华为加拿大安大略省卡纳塔的研发中心已快速定位为全球组织。从2010年创立起的70名雇员，现发展规模已近翻番，并计划在未来的18个月内拥有250名研发人员。“渥太华有非凡的天才”，华为加拿大研发中心人力资源主管富尔福德主任说，“华为正在制定雇佣加拿大人才的长期目标，因为具有全球领导力的加拿大信息通信技术研发人员在不断的向我们作出证明。”

华为非常看好最近加拿大政府与中国政府加强关系的一系列活动。“我们很高兴看到加拿大外交部部长约翰·贝尔德访问上海并期待在接下来数月里其他高级官员的来访”杨晓川说道。这些访问有标志意义的访问，将成为促使加拿大公司与中国公司之间贸易往来催化剂。

也正是通过这些访问，加中贸易理事会扮演了进一步加强加中贸易联系并推进积极公共政策的制定的角色。

“加中贸易理事会已成为我们对加拿大主要企业进行介绍并与其建立关系的重要场所”，华为加拿大企业 and 政府事务的副总裁斯科特布拉德利表示，“同时加中贸易理事会也是解决当前加拿大——中国贸易关系中悬而未决事情的重要讨论平台。加中贸易理事会认识到，政府间进行开放积极的对话有利于确保两国贸易关系长久繁荣的发展”。

政府与政府之间，企业与企业之间或通过加中贸易理事会，对加拿大与中国两国关系与日俱增的关注，对华为（加拿大）来说是一个有利的态势。

对杨晓川而言，这说明华为在加拿大市场上又迈出了一步。“我们不想成为昙花一现。我们的目标是在加拿大建立牢固根基，通过投资和建立持久的客户关系——这就是我们走向成功的策略。” ☺☺

» China's Burgeoning Sectors

Introduction by Jacques Lacasse, CHIEF REPRESENTATIVE FOR GREATER CHINA, EXPORT DEVELOPMENT CANADA

THE OUTLOOK FOR CANADIAN TRADE WITH CHINA IS at an interesting point, settling into the implementation phase of the recent 12th Five-Year Plan. While the international marketplace comes to terms with the actual implications of the policy shifts, key Canadian sectors stand to benefit from the government's policy priorities.

The focus on 'sustainable growth,' emphasizing social and environmental sustainability, appears to be a key theme which could open up considerable markets for Canada's niche expertise in the green tech sector and water systems management industry.

Greater focus on developing the inland regions and the services sector, promoting high-tech and value-added technology, and a new industrialization drive are all envisioned with an end goal of transitioning China's economy to be domestically driven. The scale of these areas of focus will likely lead to significant external sourcing, offer tantalizing opportunities for Canada's infrastructure and high-tech sectors.



ISTOCKPHOTO/ALEX SLOBODKIN

Many of these opportunities, however, will require an on-the ground presence, which may give some exporters and investors pause for concern. China's complicated commercial environment also poses several challenges for foreign investors. Frustrations include the lack of legal protection for investor and intellectual property rights, inconsistent application of regulations and burdensome bureaucracy. But along with the Five-Year Plan, signs of addressing these problems are taking on a more tangible form.

Premier Wen Jiabao and other Chinese officials have recently sought to reassure foreign businesses of fair treatment. China is also said to be revising its foreign investment catalogues, which would open more sectors to foreign investment. Additionally, the government is working to encourage foreign investment by developing a more rules-based business environment, with several pieces of legislation being introduced to that end. While these changes will take time, Canadian exporters and

investors should consider the longer term advantages of the market, and use risk mitigation tools and strategies in the short term.

Even with the aforementioned challenges, Chinese growth will present a great number of opportunities for Canadian companies. Consider the relativity of the following statement: Chinese economic growth will have slowed to 8.7 per cent in 2011 before a slight rebound in 2012 to 9.4 per cent. While the western economic struggle with the slower growth of the "new

normal," China struggles with reaching double digit growth. The Chinese market may offer challenges, but its opportunities remains among the greatest in the world.

In the following articles we have the chance to view China's potential from distinctly different perspectives. Canada's western provinces, namely Saskatchewan, Alberta and B.C. and their New West Partnership have set up a trade presence in Shanghai, which Saskatchewan's Premier Wall maintains as a key strategic move for



10 THINGS# YOU NEED TO KNOW ABOUT DOING BUSINESS IN CHINA 6

THE COMMUNIST PARTY OF CHINA IS YOUR FRIEND

China is a Party, with a capital "P." State-owned companies control much of the economy. The central government sets targets for everything from reductions in energy use per unit of GDP to the supply of hogs. These targets filter down from Beijing to the provinces, to city governments, counties and townships. State-owned enterprises, which exist at national and sub-national levels, are often ordered to help meet such targets. Sometimes, Chinese decision-makers in these firms don't appear to be making rational business decisions, which can be frustrating for Canadian suppliers. But meeting national targets and supporting local development plans are an essential part of the game. It pays to understand these plans and the pressures under which state-run firms operate. It pays to develop good relations and to present the right solutions. Lunch with a vice mayor and the chair of the local public utility may be exactly what you need. Once you are an established part of the local supply chain, business will flow.

"The Chinese government still plays a central role in business decisions in China. Your Chinese business partners often assume that the Canadian government plays a similar role. Your counterparts will feel much more like transacting if they know the Canadian government is on your side. Take full advantage of our considerable Canadian government presence and expertise in China. Keep them informed and visibly on your side."

**—Robert Martin, founder
of Robert Martin and Associates
and former Head of Asia,
BMO Financial Group**

L'AVENIR DU COMMERCE CANADIEN AVEC LA CHINE S'ANNONCE BIEN, puisque nous sommes maintenant arrivés à l'étape de la mise en œuvre du douzième plan quinquennal. Au moment où le marché international accepte les implications réelles des changements de politiques, les principaux secteurs canadiens sont bien positionnés pour tirer profit des priorités stratégiques du gouvernement.

La croissance durable, particulièrement sur le plan social et environnemental, semble être un thème clé qui pourrait ouvrir de nombreux marchés aux entreprises canadiennes spécialisées dans les technologies propres et dans la gestion des réseaux hydrographiques.

Dans le but ultime d'instaurer une économie intérieure plus forte en Chine, l'accent sera mis davantage sur le développement de l'arrière-pays et du secteur des services, sur la promotion de la haute technologie et de la technologie à valeur ajoutée, ainsi que sur un nouvel essor industriel. Compte tenu de l'ampleur de ces centres d'intérêt, la Chine devra sûrement avoir recours à de nombreux fournisseurs externes, et les secteurs canadiens de l'infrastructure et des hautes technologies devraient profiter d'occasions alléchantes.

Pour bon nombre de ces occasions, une présence sur place sera toutefois nécessaire, ce qui pourrait faire réfléchir certains exportateurs et investisseurs. L'environnement commercial complexe de la Chine constitue également un défi pour les investisseurs étrangers. Au chapitre des irritants, mentionnons le manque de protection juridique à l'égard des droits des investisseurs et des droits de propriété intellectuelle, le manque d'uniformité dans l'application des règlements et la lourdeur de la bureaucratie. Cependant, avec le plan quinquennal, il semble y avoir une plus grande volonté de résoudre ces problèmes.

Le premier ministre Wen Jiabao et d'autres représentants officiels de la Chine ont cherché dernièrement à rassurer les entreprises étrangères sur le traitement équitable en affaires. On

affirme également que la Chine revoit actuellement son répertoire des possibilités d'investissement étranger, ce qui ouvrirait plus de secteurs aux investisseurs étrangers. En outre, le gouvernement veut favoriser les investissements étrangers en mettant en place un environnement commercial fondé davantage sur une réglementation, et plusieurs mesures législatives seraient adoptées à cette fin. Il faudra du temps pour opérer ces changements, mais les exportateurs et les investisseurs canadiens devraient envisager les avantages à long terme de ce marché et, à court terme, utiliser des outils et des stratégies de limitation des risques.

Malgré les défis mentionnés ci-dessus, la Chine offre de nombreuses occasions d'affaires aux entreprises canadiennes. L'énoncé suivant est particulièrement éloquent : la croissance économique de la Chine ralentira à 8,7 % en 2011 avant de connaître un léger rebond à 9,4 % en 2012. Alors, que les économies occidentales sont aux prises avec des niveaux de croissance moindres qui deviennent « la nouvelle norme », la Chine se dirige vers une croissance dans les deux chiffres. Le marché chinois comporte certes des défis, mais les possibilités qu'il offre figurent parmi les plus intéressantes au monde.

Dans les articles qui suivent, nous pourrions voir le potentiel de la Chine sous différents angles. Dans le cadre du New West Partnership Trade Agreement, les provinces de l'Ouest canadien, soit la Saskatchewan, l'Alberta et la Colombie-Britannique, ont établi leur présence commerciale à Shanghai. Le premier ministre de la Saskatchewan, Brad Wall, considère qu'il s'agit d'un



TOP 10 THINGS#7 YOU NEED TO KNOW ABOUT DOING BUSINESS IN CHINA

WATCH THIS SPACE: CHINESE CONSUMERS ARE ON THE MARCH

Most Canadian consumer products are priced too high for mass consumption in China and, with a few exceptions, do not carry enough global status to appeal to China's super rich. Complex distribution systems cut into margins (and available shelf space). However, there are signs that things are changing. Urbanization rates continue to expand the ranks of the middle class. The country's most recent five-year economic development plan aims to boost consumerism. New retail models are in development. Whether expanding a franchise or selling products, here are three things to think about: (A) Localize your offerings. Western goods appeal to the Chinese, but sell much better when they conform to local tastes. Study those who have been successful. On your next trip to China, eat at a KFC. (B) The Canada brand is positive, especially for Canadian-made health food products, which sell at a premium. These are items that should not be re-packaged or else risk losing their competitive edge over local food products. (C) Remember that most Chinese consumers spend time to save money and not the other way around.

"Don't assume that just because your product is popular in your home market or other markets that adaptation (beyond packaging and labeling changes) will not be required.... If you have to re-engineer your product, do so from the bottom up rather than removing features from the top down."

—Jackie Greenizan, Marketing Director, McCain Foods Ltd., China

his province as the ongoing Chinese migration towards cities will increase demands on staple food producers. Fred Spoke's article on the increasing demand for B.C.'s wood products from China speaks to the reality that the shift towards China as a primary export market has less to do with the slowdown in the U.S. housing markets, and more to do with the explosive growth in real estate in China.

Nick Parker's findings on the alignment of China's new clean-tech strategies and the leading-edge innovation of Canadian companies in that sector present an area where Canada can win a disproportionate share of the trillion-plus dollars expected in green spending. Finally, KPMG's Ellen Jin's paper on the exploding luxury brand market in China reflects the wants and aspirations of a middle class growing at a rate of 30 million per year.

From grain staples, clean technology, lumber to luxury brands, the drive to develop a supply presence in China is motivated by a common theme of longer-term opportunity, where relationships make the difference between success and failure.

At Export Development Canada, we have been witness to a not-so-subtle difference after more than 40 years of helping Canadian exporters and investors do business with China: that being part of the Chinese market matters more than being in the Chinese market.

Canada's sectors of export strength match up very well with the needs of China, and we see the opportunities growing every day. EDC's on-the-ground presence in Shanghai and Beijing means that we are there for the long term, and we stand ready to help more and more Canadian companies become part of those opportunities. ☺☺

élément clé pour sa province puisque la migration chinoise vers les centres urbains augmentera la demande auprès des producteurs d'aliments de base. L'article de Fred Spoke sur la demande croissante de produits du bois de la Colombie-Britannique en provenance de la Chine témoigne du fait que l'exportation accrue de produits primaires vers la Chine tient plus à la croissance phénoménale du marché immobilier en Chine qu'au ralentissement du marché de l'habitation aux États-Unis.

Selon Nick Parker, la concordance entre les nouvelles stratégies chinoises pour une technologie propre et les innovations avant-gardistes des entreprises canadiennes dans ce secteur permettent d'envisager que le Canada pourrait rafler une part disproportionnée des dépenses vertes estimées à plus d'un billion de dollars. Finalement, le rapport de recherche d'Ellen Jin de KPMG sur l'explosion du marché des produits de luxe en Chine témoigne des désirs et des aspirations d'une classe moyenne dont la croissance se situe à un niveau de 30 millions par année.

Des produits céréaliers de base à la technologie propre, en passant par le bois d'œuvre et les produits de luxe, le désir d'assurer une présence des fournisseurs canadiens en Chine est motivé par des occasions d'affaires à long terme où les relations font la différence entre le succès et l'échec.

Après 40 ans d'aide aux exportateurs et aux investisseurs canadiens désireux de faire des affaires en Chine, nous avons été témoins à Exportation et développement Canada d'un changement moins subtil qu'on pourrait le croire : il est plus important de faire des affaires en Chine, que de faire des affaires avec la Chine.

Les secteurs forts de l'exportation canadienne concordent bien avec les besoins de la Chine et les occasions d'affaires ne cessent de croître. La présence d'EDC à Shanghai et à Beijing témoigne de nos projets à long terme. Nous sommes prêts à aider davantage d'entreprises canadiennes à saisir ces occasions d'affaires. ☺☺



B.C. Lumber Success in China Market



by Fred Spoke, MANAGING DIRECTOR, CANADA WOOD CHINA

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The Canadian media has widely covered the impressive growth of B.C. lumber exports to China. This good news story has emerged at a time when our lumber industry needed good news. The reasons behind this export growth are worth noting, as is the question whether our market position is sustainable and still has room to grow.

In the first six months of 2011, British Columbia's lumber exports to China reached 3.6 million cubic meters, more than double the 2010 level for a similar period. When Canada Wood and B.C. Forestry Investment Innovation (FII) first established a presence in China in 2002, we were in sixth position for SPF (structural lumber) imports to China, even behind

Germany. Last year, China surpassed Japan as Canada's second largest SPF market in both volume and value terms and also surpassed Russia as the largest supplier of SPF lumber.

There are several factors that can be attributed to our growth in lumber exports to China.

1. The strong and focused support from the BC Government and from Natural Resources Canada, through their funding and program support;
2. The on-the-ground efforts of the Canada Wood/ FII team in developing and working with Chinese stakeholders to find in-China solutions for WFC (Wood Frame Construction) combined with the help of the Canadian Embassy and Consulates in opening doors to senior Chinese government officials;
3. The focus and marketing efforts of our industry;
4. The collapse of the US housing market around 2008 with housing starts dropping from 2 million to less than 500,000 a year;
5. Russian export tax of 25% on logs, implemented in late 2008, makes Canadian lumber very competitive;
6. The stability and quality of Canadian supply, especially compared to the relative instability of Russian supply; and
7. The construction boom in China.

Canada Wood firmly believes that our current market

position in China for SPF is not only sustainable but has significant room for growth. The number of WFC housing starts in China is still miniscule by global standards but we have seen these double year-on-year for the last 3 years. Our efforts combined with the Chinese government's policy on reducing carbon footprint and increasing energy efficiency in the construction sector is starting to have impact. Chinese developers are now driving the WFC market, i.e. we are in a "pull" situation after several years of a "push" market strategy. It will be very important, as we move forward, to enhance our focus in helping our Chinese stakeholders build its WFC capacity through our training and quality assurance programs. ☺☺

China spells new opportunities for luxury brands

Ellen Jin, PARTNER-IN-CHARGE, CONSUMER MARKETS, KPMG CHINA

China is now considered amongst, if not the largest, luxury market in the world, with international brands rapidly expanding their footprint. Nowadays, everything from handbags, cars, watches and clothes can be found in China's shopping malls and high streets.

A new survey by KPMG titled, "Luxury experiences in China," highlights the increasing brand recognition among Chinese consumers, at 57 brands this year compared with 45 last year. Rising levels of wealth in the tier-two and tier-three cities have also contributed to the boom.

The findings are based on a survey of 1,200 consumers in 24 tier-one and tier-two cities across China, conducted by market research company TNS. Respondents were between 20-45 years of age, earning a minimum of 7,500 yuan per month in tier-one cities and 5,500 yuan elsewhere.

As this market becomes more crowded, it is becoming harder for luxury brands to enter this space and compete. As competition becomes more intense, brands are looking for new innovative marketing avenues. The survey also found that China's luxury buyers are basing their

purchasing decisions on a wider range of factors. Consumers increasingly choose to reward or pamper themselves as opposed to seeking higher social status via their brand purchases. Emotive factors such as "experience" and "self-reward" have now emerged alongside status-seeking and needs-based factors as key drivers. They also continue to place a lot of importance on the heritage of luxury brands.

We see signs of a new wave of luxury collecting and connoisseurship that is particularly evident among the wealthy in tier-two and tier-three cities. While the past year has seen an explosion of interest in fine wine, the survey suggests that jewelry, fine art and antiques also have strong growth potential.

With increased opportunities for Chinese to travel overseas, and many people now investing in more luxurious residential properties, there is a wider range of environments in which people can choose to consume and experience luxury. Connoisseurship needs are on the rise, based on our analysis of the market over the past year. As the market becomes more sophisticated, Chinese consumers are also moving from pure ownership of a



product to being able to appreciate the heritage of luxury brands. Lifestyle expenditures on health and beauty treatments and spas are also rising. In terms of the most popular brands, French, Italian and Hong Kong brands have emerged as the top choices for purchases by China's luxury-conscious consumers.

The survey found that consumers in China increasingly associate various countries and regions with particular products. French and Italian products grabbed the first and second positions, while Hong Kong products are the third most popular. Hong Kong's jewelry brands are popular with Chinese consumers, with several Hong Kong-owned premium clothing brands also doing well in China.

There also continues to be a very strong association with European brands at the expense of brand from other regions, suggesting that the latter need to consider how to distinguish themselves, or create a niche.

Chinese consumers meanwhile prefer domestic

alcohol brands, taking the top spot in this category (37 percent), thanks to the popularity of Chinese liquor. French cosmetics and perfumes sold in China (76 percent), fashion (37 percent) and bags (33 percent) notched up the highest percentages in these categories. Italian brands gained the top spot for footwear (43 percent) and Switzerland for watches (87 percent). Unique to China is the large number of relatively young multimillionaires, far younger than their Western counterparts. This spells opportunities for brands using new technologies to interact with a younger consumer generation.

Digital marketing and building online sales formats are being combined with the in-store experience. The survey found that nearly 70 percent of respondents said they search online for information on luxury brands at least once a month, while 30 percent do so more than once a week. While official brand websites are often used as the first point of call for specific product information,



THIRD IMAGE FROM LEFT: © ISTOCKPHOTO/ANDRE BLAIS. ALL OTHERS: ©VEER

celebrity blogs and other micro blogs also play an important role when building a brand image in China.

Luxury companies therefore need to think about how their strategies reach key online influencers. Advertising and marketing channels in China are fragmented in terms of location and ownership of media. With the advent of digital media they increasingly vary. Brands face a range of choices as they develop their marketing mix, each with the potential to impact consumer sentiment in different ways. Technology can be a game-changer and the emergence of more innovative formats such as iPad applications are creating new possibilities for interaction with consumers. While the click rates for luxury are lower than that for fast moving consumer goods or consumer electronics, online firms are nevertheless luxury focused.

Holding high-profile events is another popular approach used in the top tier cities, as a way to attract consumers and build prestige

around the brand. As brands seek to extend their reach to more cities and provinces, luxury brands will need to consider a more multi-pronged approach.

The traditional entry route for overseas brands has been through partnerships with local franchises and distributors. In recent years, as the business landscape has become more open and transparent, many companies have now fully acquired their retail operations in China, including some that have entered the market directly with a wholly foreign-owned enterprise model.

In terms of issues to be aware of, China's tax authorities, for example, are increasingly focused on ensuring that China secures its share of the global value chain, by, for example, scrutinizing transfer pricing practices. As such, effectively managing cross-border, related-party prices to mitigate any potential transfer pricing risks is key for luxury goods companies looking to unlock the revenue potential of the China market.

Given the importance of brands in commanding a premium price, extensive advertising, marketing and promotional activities are common. These promotional expenses are often associated with the creation of marketing intangibles. The definition of marketing intangibles is not always clear. However, the term can include brands, trademarks, local market position of a company or its products, distribution channels and customer relationships. Since many luxury brands operating in China are on the cusp of generating profits, the value attributed to these intangibles is also unclear.

The China market is also characterized by another unique factor, namely that identical goods may attract a higher price in China than in the global market. This 'local market premium' can be something that local tax authorities may raise, contending that this premium should be allocated to the China entities within the group's value chain. Developing supporting

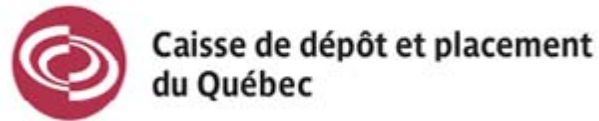
counter-arguments requires an upfront assessment of the drivers of this premium, as well as recognition that the lifespan of the premium is often limited.

Customs expenses are another factor to bear in mind. Most luxury goods remain subject to customs duty within China, in addition to consumption taxes which generally range from 5 percent to as much as 40 percent. However, there are many avenues for direct cost savings and therefore, a better understanding of the key customs issues can help companies in the luxury sector to identify risks and opportunities.

To conclude, China offers many opportunities for luxury brands to expand and establish a presence in this market, particularly as the consumer base and wealth starts to extend from the top tier to the smaller cities. Luxury brands entering this market must do so with a long-term vision, as it takes a while to build up brand presence and to turn a profit. ☺☺

CCBC Benefactors

The CCBC Benefactor is a new category of member, comprised of companies that support CCBC staffing and services geared towards small and medium-sized enterprises (SMEs) in Canada and China. CCBC gratefully acknowledges its first six Benefactors and their support of the Council.



POWER CORPORATION OF CANADA

Founding Members

In 1994, ten CCBC members had the wisdom and foresight to provide CCBC with foundation funding. This funding enables CCBC to offer unmatched service and support to its members in both good and bad economic times. CCBC extends its gratitude to these members for their continuing support.



POWER CORPORATION OF CANADA

China—A growing opportunity for Agri-foods in Saskatchewan

The Honourable Brad Wall, PREMIER OF SASKATCHEWAN

China's rapidly growing population and increasing demand for Canadian exports presents significant opportunities for Canada and Saskatchewan.

China is currently undergoing a well-publicized population movement from rural areas to the cities – the largest migration of people in recorded history. This rural exodus, combined with China's population growth and shortage of arable land, is expected to result in a major increase in demand for higher-value food products. It is interesting to note that China's middle-class, which is largely responsible for these changes in food demand, is now 10 times larger than the entire Canadian population.

As Premier of a province with 43 per cent of Canada's arable land that exported over \$8 billion worth of agri-food products to the world last year, we welcome this opportunity to increase our trade with China. We anticipate and value a long-term trading partnership with China that will involve increasing both the volume and dollar value of our agri-food exports.

In 2010, China imported \$73.9 billion worth of agricultural products, half of which were soybeans and edible (mostly palm) oil. Saskatchewan accounted for \$877 million of the nearly \$3 billion worth of Canadian food exports to China in 2010. Canola (seed, oil and meal) accounted for the majority of Saskatchewan's agri-food exports, but peas, barley and flax seed are also key exports to China.

China is Canada's largest canola export market, with approximately \$1.8 billion worth of canola exported to China in 2010. Blackleg disease in our canola shipments has become an issue in recent years, resulting in import restrictions. Recently, the governments of Canada and China extended a temporary agreement to allow Canadian canola exports to China while research is ongoing to address the blackleg issue. With provincial canola exports (seed, oil and meal) of \$566 million to China in 2010, this is certainly welcome news for Saskatchewan producers.

As food policies in China evolve to meet consumer demand, we must remain competitive by focusing on:

- innovative crop science research and biotechnology to enhance our food products;
- improving transportation infrastructure to get our products to China in an effective and efficient manner;
- emphasizing trade policy discussions to pursue expanded market access; and
- market development activities to increase our market share.

China will be an increasingly important trading partner for Canada in the future. As the demand for safe, reliable food in China continues to grow, so too will the opportunities for Canada and Saskatchewan's producers and agri-businesses. Our government will continue to work with our trading partners to expand market opportunities in China. ☺☺



10 THINGS #1
YOU NEED TO KNOW
ABOUT DOING BUSINESS IN
CHINA 8

NEED CASH? THERE IS A CHINESE PERSON NAMED WANG WHO WANTS TO GIVE YOU SOME.

If you need to re-invest in your company, China is a great place for partners. The country's economic growth has led to the emergence of a wealthy elite with few easy investment options at home. Volatility in Chinese stock markets, government measures to curb real estate speculation and an underdeveloped financial market have encouraged some to look abroad. Many Chinese already have personal connections with Canada through resident family members or dependents studying at Canadian schools. They are interested and ready to diversify. The key is to present a concrete project proposal. The most popular investments in Canada continue to be mines, sawmills, commercial real estate and tourism developments. So how do you find your Mr. Wang? Good communications are a bridge. Use your China business network. Let it be known that you have an opportunity. Organizations like CCBC can help. Canadian banks who work with Chinese immigrant investors can help make the connection. Whether it is \$300,000, \$3 million or \$30 million that you need, finding Mr. Wang is easier than you might think.

"...One thing that is constantly overlooked or misunderstood is the importance of clear and precise communications.... Keep your dialogue simple and to the point, and ask ... them to confirm what they understand. That way you will know if they really grasp all the details. This method will eliminate second guessing from your interlocutor and avoid many problems."

—Marcel Morin, Restaurant Operator, Julie's Bistro, Shanghai



TOP 10 THINGS[®] YOU NEED TO KNOW ABOUT DOING BUSINESS IN CHINA 9

SERVE THE PEOPLE

Human resources needs to be part of your China strategy. China has a lot of people but they're getting hard to find. One of the greatest obstacles to doing business has been hiring and retaining skilled employees, according to the American Chamber of Commerce in Shanghai. Annual wage increases of around 10 per cent have been commonplace in East China. At the upper end of the labour market, increases of 20 per cent are more common. Think twice about your new plant's location. Satisfy yourself that the engineers and scientists you need to hire will be happy to move their families there. Some Canadian companies have developed successful internship programs with local technical institutes. Managing directors frequently complain about a local education system that graduates brilliant mathematicians who have difficulty solving real life problems. Some take advantage of North American MBA programs delivered in China. With more than 60,000 Chinese students studying in Canada, consider taking your recruitment efforts to Canadian campuses. Once you are staffed up, remember that building staff loyalty through personal gestures and deference to local culture are key to managing successfully in China.

"When recruiting senior level executives... consider bringing finalist candidates for advanced discussions to the home office. This will allow relationship-building with the successful candidate to begin early in the process. Balance the long-term goal of localization with the realities of where your business is today: keep an open mind to individuals from outside China who have been on the ground for a while."

—David Nagy, Executive Vice President, Industrial Practice Leader Asia-Pacific, DHR International

» China's Burgeoning Sectors

China—Global Cleantech Supermarket and Partner

When it comes to the environment, we're all Chinese. What I mean is, the way that China handles its energy and environment challenges has huge global implications, both in terms of planetary ecological stability and collective economic prosperity. Hence, we all have a major stake in how China resolves its massive environmental dilemmas. China's increasing claim on the world's natural resources in itself means that we all need to be more efficient and responsible in our extraction, use, and recycling of resources if we are to avoid major scarcities and negative impacts. As business people and investors, the opportunity resides in "cleantech"—the enabling technology of twenty-first century sustainability.

While many of us are aware of the scale of energy, resource and environmental challenges in China—for example the Yangtze River is down three meters this year—and the global impacts—for instance up to 25% of West Coast air pollution comes across the Pacific from China—less of us are aware of the scale of the opportunities now represented by China's high level commitment to effectively address these challenges. As a headline grabber, it's worth noting that China's 12th Five Year Plan (FYP), approved in March, calls for spending the approximate equivalent of \$1.4 trillion on clean and green investments over the coming decade. Apex organizations such as the National Development and Reform Commission and the State Council now acknowledge that the environment is the number one constraint on future growth and development.

The 12th FYP aims to create more mandatory "green" targets, promote industries for energy saving and cleantech, set green development indicators to hold local government officials accountable, and expand renewable energy. The FYP represents a shift in China's economic model: urbanization and industrialization will continue, but growth is unlikely to

follow the pattern of the past decade. Greater efficiency in infrastructure and encouragement of technological innovation will have a strong green and clean focus.

The 12th FYP aims to increase non-fossil energy to 11.4% from the current 8.3%, reduce water consumption per unit of value-added output by 30%, cut energy consumption per unit of GDP by 16% and carbon dioxide by 17%, while rapidly boosting reforestation. As a result of these audacious targets, and Beijing's increasing willingness to back them up with hard cash and policy incentives, there's enormous scope for Canadian and other international companies to grasp a huge range of cleantech opportunities. These range from offshore wind expertise, utility scale solar, HEV, PHEV, BEV vehicles, plug-in vehicle solutions, advanced battery solutions, alternative fuels, integrated water solutions for heavy industry, water usage and management technologies, water recycling solutions, advanced building materials, energy saving solutions for smartbuildings, among others such as urban design services, enhanced resource recovery and carbon management software.

China's focus on clean energy and the environment is news but is not that new. Recognition that the environment is strategically important to national development has been growing in Beijing over the past decade. Indeed, just over a third of China's \$650 billion stimulus package was allocated to clean infrastructure and related technologies. Last year, China invested \$54 billion in clean energy. The country now leads the world in solar and wind companies, filing more new patents in these technology areas and in marine renewables than any other jurisdiction. Its rapidly becoming a world class competitor in "green mobility". Mayors and governors across the country are scrambling to deliver on green objectives, such as the plan to build five hundred new "eco

by Nicholas Parker,
FOUNDER AND CEO,
THE CLEANTECH GROUP LLP

cities,” if for no other reason than to achieve central government recognition and career ambitions.

So how should Canada and Canadian investors and businesses focused on cleantech capture the Chinese opportunity? First we need to recognize that the Chinese don't need our money, are making a major push to develop indigenous innovation, and are increasingly interested in partnering to expand their interests abroad. Massive pools of RMB venture capital are now available domestically, the country is boosting its private sector R&D to GDP ratio (FYP plan target is 2.2%) and Chinese cleantech companies are becoming significant foreign direct investors. (For instance, ENN Group, China's largest private clean energy solution provider, announced in September that the company intends to invest \$8 billion in clean energy projects in the United States over the next decade). Hence, we must dispose of old ideas, think big and think partnerships beyond borders.

We need to think about the full range of cleantech—resource efficiency enhancement and substitution, not just renewable energy. We need to pick some areas and strategically pull together to engage Chinese partners – companies, investors and public decision-makers. For example, our “metals, mining and materials” sector has lots of technology and know how for extracting and adding value to natural resources in an environmentally sustainable way. Another example might be a strategic alliance around next generation green automobiles, with the Chinese becoming major partners in the Ontario economy with a view to US market access. Among other technology-based areas of mutual interest might be Canada's strengths in smart IT systems for managing cities and natural resources.

Consideration should be given to developing cross-border capital pools and combining Chinese and Canadian funds to invest in growth-stage Canadian cleantech companies that are



BOTH IMAGES © VEER

ready to participate in China's booming green economy. Indeed, much more can and should be done to encourage the listing of Chinese cleantech companies in Toronto. After all, two thirds of all cleantech IPOs last year were completed by Chinese entities. Underpinning such investment initiatives can be cooperation at the academic and institutional level, such as Modern Green Development Company's (China's largest green property developer) multi-million dollar contribution to the University of British Columbia's urban sustainability research program. Indeed, when it comes to environmental business, we must all think of China. The moment is now, the opportunities are vast, and the goodwill between our countries considerable. ☺☺

First we need to recognize that the Chinese don't need our money, are making a major push to develop indigenous innovation, and are increasingly interested in partnering to expand their interests abroad.

Year-End Snapshot

by Sarah Kutulakos,
EXECUTIVE DIRECTOR, CHINA CANADA BUSINESS COUNCIL

CCBC exists to help member firms navigate the complexities of the Chinese market, facilitate networking and business opportunities, and advocate for policies that enable Canadian firms to achieve their goals in China. We also act as a catalyst for Chinese companies developing relationships in Canada and investing in the country's many vibrant sectors. After 33 years in this role, we are still fine-tuning our services, expanding our presence, and developing frameworks for doing business that serve both new and established members. The result this year has been three main successes—the opening of a new Montreal office in January, the creation of a business incubation centre in Shanghai, and the introduction of a new category of membership called 'Benefactor.' These endeavours have been carried out in concert with over 60 CCBC events across Canada and China.

The opening of our new Montreal office

In January, CCBC celebrated the opening of our new Montreal office with over 250 members and guests attending a business luncheon with His Excellency Zhang Junsai, China's Ambassador to Canada, as keynote. Thanks to the leadership of Montreal Chapter Manager Travis Joern and encouragement from the Quebec government and Montreal business community, CCBC is now able to offer more programs and services for our member firms. The result has been an 86% increase in Quebec membership from 2010

— a sure sign that Quebec-China relations are on the upswing and that Quebec firms recognize China as a key component of their long-term growth. This also shows in the number of companies attending our events in Montreal – 161 firms represented by 540 individuals to be exact. Collaboration has also been strong, and we've had the privilege to work on events in Montreal with 15 different organizations (many more than once) – a good sign that we have established a presence in this important city. CCBC greatly appreciates the support of the many Montreal members who have generously provided their facilities for many events, and a particular note of thanks goes to Heenan Blaikie LLP for hosting the CCBC office in its first year.

The Opening of the Business Incubation Centre in Shanghai

Canada's small and medium-sized enterprises (SMEs) are a vibrant part

of this organization, making up roughly 60% of our membership. However, the challenge of securing ample resources and establishing an on-the-ground presence can easily outweigh ambition, keeping the dreams of many SMEs on Canadian soil.

In response to market entry challenges, we have expanded our operational support services to include a newly-defined Business Incubation Platform. A suite of services specifically geared towards the infrastructure needs of Canadian SMEs entering China, this platform provides physical and virtual office space in Beijing and access to our new Business Incubation Centre (BIC) in Shanghai. Located in Shanghai Mart – a superb international trading center that hosts a mix of showrooms and trade offices, the BIC space includes a conference centre, desk space, and support staff, enabling residents of the BIC to grow their businesses more efficiently.



TORONTO 2011

A new environment for cross-border settlement in RMB - regulations, issues, and what to expect		Joint Canada China Business Council and Canada-India Business Council Cleantech Forum		Let's Talk Asia		Doing Business in China: Getting to the Next Level and Staying There (Calgary)		A Luncheon with Mr. Nadir Patel Consul General of Canada in Shanghai		China and the Five Year Plan: a Report Card for the 11th and a Preview of the 12th	
FEB 10	MAR 10	MAR 21	APR 20	APR 26	MAY 4	MAY 9	MAY 12	MAY 18	MAY 25	JUN 2	
	Chinese Investments in Canada— Navigating the Cultural Differences		The President's Dinner		Doing Business in China: Getting to the Next Level and Staying There (Regina)		Spotlight on Anti-Corruption: Current Events Day of Dialogue		Breakfast with the mayor of Zibo, China		

TORONTO 2011



1 Mr. Douglas Horswill, Senior Vice President, Sustainability and External Resources, Teck Resources Ltd. is thanking Ambassador ZHANG and Madame Yin for coming to Vancouver and speaking at the CCBC BC Chapter Luncheon. **2** CATA-Invest in Canadian High-tech Industry Seminar. **3** Hélène Desmarais, Chairman of the Montreal Economic Institute and Peter Kruyt, Chairman of the CCBC presenting Felix Chee with a bottle of Canadian icewine. **4** On October 12th, the Montreal office of the CCBC and the Montreal Economic Institute teamed up to host a luncheon with Felix Chee, the Chief Representative to Canada for the China Investment Corporation. **5** Premier Christy Clark is delivering her welcoming remarks at the Aug 23 Luncheon with Ambassador ZHANG in Vancouver. She informed the audience that she would be leading a business delegation to China and India in November 2011.

Introducing the CCBC Benefactor

Another major initiative that enables us to provide specialized support services for our SME members is a new category of membership called the 'CCBC Benefactor.' The motion for this new category was passed by the Board of Directors in early 2011, and it represents a key step towards fulfilling SMEs' requests for increased staffing and services. As of October, Caisse de Depot, Manulife Financial, NEO Material Technologies, Power Corporation of Canada, Research in Motion, and Sun Life Financial had upgraded their membership to this new category, and we hope to have upwards of 10 members by year-end.

Benefactor membership fees are set at C\$15,000 per year and include front-of-the-

line member services, exclusive access to speakers, events, and reports, and special recognition on the CCBC website and in CCBC publications. More information about becoming a Benefactor member is available on page 55 of this magazine.

Staffing Changes

At the center of what we do is an exceptional team of staff, and I'll mention a few of the major changes here. Daniel Cheng, who leads the China operations as Managing Director, China, brought on board ZHANG Wei as Deputy General Manager, Beijing, and promoted Daniel Ding to Deputy General Manager, Shanghai. In Canada, Eumie Leung was promoted to Managing Director, Canada and Director of Global Operations; and

Alexis Milinusic joined the team as Director of Communications. There were a number of other changes and promotions, and you can see a full list of staff in the "About Us" section of ccbc.com. I have also relocated to Beijing until mid-2012, where I am focusing on CCBC's pan-China presence and on deepening member relations and official connections in China.

Looking forward, the frameworks that we've built this year not only aid our member firms, but also enable CCBC staff to nimbly offer our support to you. We are always glad to connect with you and discuss your ideas, issues, or feedback. Our contact information is listed on page five of this magazine, so please don't be a stranger – the Council can only be made stronger with your involvement. ☺☺

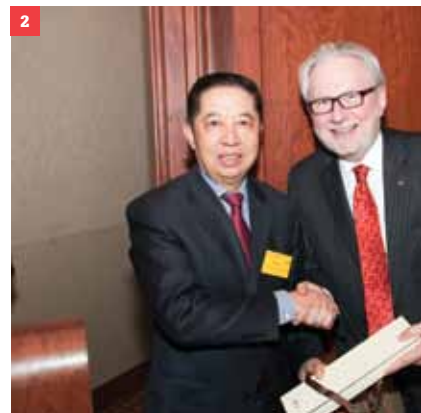
MONTRÉAL 2011					VANCOUVER 2011					
	2011 CCBC Luncheon with the Honourable John Baird, Minister of Foreign Affairs		Série « les leçons apprises en chine »— Le contrôle de la qualité en chine		Let's Talk Asia		China-Quebec Business and Investment Seminar		Case Studies in Corruption: Anti-Corruption/Anti-Fraud: Protecting Your China Operations	
JUN 3	JUN 29	JAN 19	MAR 8	MAR 14	APR 29	MAY 16	JUL 4	FEB 25	MAR 8	MAY 6
China Import and Export Fair Informational Session	Luncheon with Mr. ZHANG Junsai Ambassador of the People's Republic of China to Canada		China and the Five Year Plan: a Report Card for the 11th and a Preview of the 12th		A Roundtable with Mr. Nadir Patel, Consul General of Canada in Shanghai		Joint CCBC and HKCBA Luncheon - State and Trade Secrets in China		BC-China Update: Business Luncheon with Minister Pat Bell Ministry of Jobs, Tourism and Innovation	
MONTRÉAL 2011					VANCOUVER 2011					



TOP 10 THINGS YOU NEED TO KNOW ABOUT DOING BUSINESS IN CHINA

HI, I'M FROM THE FEDERAL GOVERNMENT AND I'M HERE TO HELP YOU

Canada's greatest competitive advantage is our natural resources. In China, it's also the federal government. Canada's trade commissioners are often China experts who speak the language. In a country where more than half the economy is state-run, they can open doors, gather intelligence, set up meetings and fix problems. The Trade Commissioner Service has 11 points of service in China, and it's free. Get these people working for you. Make a habit of stopping by to see them. Work with the ones you like. Ask lots of questions. If the information you receive isn't useful, tell them. Trade commissioners like working with companies that are committed to the market. In China, our offices work together like a network. That's a lot of free knowledge and resources. They also work closely with provincial offices on the ground. And don't forget about other Canadian institutions such as the Business Development Bank of Canada, Canadian Commercial Corporation and Export Development Canada. EDC, in particular, is very active in China with staff in Beijing and Shanghai. They offer credit checks on Chinese buyers and provide an increasingly creative array of financing solutions in support of business. They also offer insurance solutions and bonding services to help free up working capital. Knowledgeable representatives from all of these federal organizations are out there now, waiting for your email.



VANCOUVER 2011

SHANGHAI 2011

BEIJING 2011

Manufacturing Insights 2011

CSR Roundtable—Building Responsible Businesses

Consular Briefing with Mr. Nadir Patel, Consul General of Canada in Shanghai

Inter-Chamber New Year Networking

Social Networking Night

MAY 30

JUN 7

AUG 23

MAR 10

APR 12

JUN 16

JUL 20

JAN 26

FEB 28

MAR 2

MAR 3

China and the Five Year Plan: A Report Card for the 11th and a Preview of the 12th

Business Luncheon with His Excellency Zhang Junsai

China's 12th Five-Year Plan—How it actually works and what's in store for the next five years

Business Leaders Luncheon with Canada's Foreign Affairs Minister John Baird

CCBC Beijing Chapter 2011 Annual General Meeting

DFAIT's Investment Cooperation Program

VANCOUVER 2011

SHANGHAI 2011

BEIJING 2011



1 Invest in Toronto Seminar, hosted in the Canada Centre in Shanghai. **2** CCBC President Peter Harder with People's Bank of China Deputy Governor MA Delun at CCBC's President's Dinner. **3** Ben Boehm from Bombardier and Chris Pennington from Fraser Milner Casgrain with WANG Qingyun of NDRC at the President's Dinner. **4** Scotiabank was host to a table at the President's Dinner. **5** April 26 luncheon with Canadian hero Rick Hansen in Shanghai. **6** Mr. Norm S. Pitcher, CEO, Eldorado Gold Corporation is engaged in conversation with Ambassador ZHANG Junsai about the company's progress at the private meeting prior to the August 23 luncheon in Vancouver. **7** Dr. Rui Feng, Chairman and CEO, Silvercorp Metals Inc. is chatting with Madame Yin Guo Mei at the August 23 luncheon in Vancouver. **8** On January 19th 2011, Ambassador ZHANG Junsai, Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to Canada, gives the first speech of his new appointment in Canada at the opening celebration of CCBC's Montreal office. **9** The Canadian business community was encouraged by Ambassador's ZHANG's objective of growing Canada-China trade.



China New Anti-Monopoly Law Seminar		Coface: Payment Risks of the Fast-growing Dragon		CCBC New Board Networking		Change of Leadership in China in 2012		Yuan, Yangtze, WWF and You: Making Your Business Grow with Nature		Investing in China
MAR 10	MAR 31	APR 8	APR 15	APR 21	APR 27	MAY 10	MAY 21	JUN 9	JUN 28	JUN 28
	Le développement durable et ses opportunités pour les entreprises en Chine		THE PRICE IS RIGHT: A look at valuation issues arising in acquisitions		Fifth Chinese Enterprises Outbound Investment Conference		Global Village—The 24th Annual Canadian Charity Ball		Canada Day Celebrations	

FOR A COMPLETE LISTING OF EVENTS THIS YEAR, LOGON TO OUR WEBSITE, AT WWW.CCBC.COM/ABOUT/EVENTS/PAST-EVENTS/

» Some Experiences in a Foreign Company's China Operation

Jianwei Zhang, Ph.D.
(HEC Montreal),
PRESIDENT, BOMBARDIER CHINA

Editor's Note: *Achieving success in China reflects a combination of organizational and individual resources. A strong business plan, adequate capital and reliable infrastructure does not guarantee success without the equally important cultural knowledge, negotiation skills, and personal relationships that are brought by the individual. However, these important skills are not innate to every company entering China markets - for many they must be gained over time, and this means lots of exposure to the challenges, opportunities, and partnerships that develop on the ground in China.*

Jianwei Zhang is President of Bombardier China, and since 1995 has held a variety of positions with rapidly increasing responsibility, including Director, Projects and Business Development, Vice President of Bombardier Transportation, and Chief Country Representative (China) for both Bombardier Transportation and Bombardier Aerospace. Over the course of his impressive career, Mr. Zhang has acquired unique insight into the idiosyncrasies of doing business in China, and shares in the following reflection, some of the ideas, actions, and knowledge that he deems to be most valuable for companies entering China markets. Mr. Zhang's overall message to readers is that in order to succeed in China, they must understand not only the unique business culture but other important elements, including the importance of leadership, execution, diplomacy, and loyalty. The first step however, is to research—talk to people, read, and learn everything you can. His hope is that these notes will be a step along that journey for you.

Differences in cultures and business practices

It is dangerous to simply follow a list of "Do's and Don'ts" because a situation can be different from case to case. There are no "absolute" "Do's and Don'ts."

Because of differences in culture and business practices, if you say "X," your "foreign" counterpart may interpret it as "Y," if you say "Y," your "foreign" counterpart may interpret it as "X." It is important to know how to make the transposition.

In Western business, "aggressive" is quite positive. But in Chinese business, "aggressive" is often interpreted as "arrogant." So if you want to obtain an "aggressive" result, you should use a non-aggressive way. If you use an

"aggressive" way, you may not obtain an "aggressive" result.

It is worse for those Chinese who don't really know China, because Chinese expect *all* Chinese, including overseas Chinese or Chinese returnees, to act and react in a Chinese way. If you don't, people often say with disdain, "you are Chinese, you should understand China."

The culture, the values, the governmental system, the laws and regulations, the decision process, the business methods and practices, and the customer needs, all vary from country to country, from society to society, from market to market, and from situation to situation. A global leader needs a broad vision and multi-cultural understanding





and experience. We have to avoid being a “frog in a well.”

The best approach is to organically combine a Western management system with Chinese culture. Simply copying Western systems will not work in China.

You cannot expect a Chinese customer or partner to answer your e-mail promptly as in the Western business world because they don't read e-mail daily. If we send a fax or an e-mail, we always make a phone call to confirm the receipt.

Always try to make constructive proposals.

In business negotiations and cooperation between Chinese and Western companies, more than 50% of issues are caused by miscommunications and misunderstandings instead of conflicts of interests. This is because of the differences in the ways of doing business, the different cultures and languages.

In a business negotiation, we should try not to use the words “mandate from my boss,” or “I have no mandate”

to persuade his/her boss/management.

In a business negotiation, it is important to respect your counterpart individually. But “respect” does not mean “concession.” If your counterpart does not feel respected individually, you are close to an impasse.

In high level meetings, be it with Chinese authorities, a customer, or a partner, you should not attempt to take the place of your leader. Unless you are specifically empowered to answer



One thing that we, as employees, should always aim to avoid is to put our top leaders in the front of the negotiations. By keeping our leaders out of the actual arguing, we are giving them a barrier against “losing face.” When the leader loses face, it is much more difficult to resolve the issues being discussed.

E-mail is one of the most important methods in daily communication in Western enterprises, but Chinese executives don't read e-mail often. One of the worst communication habits is to send an e-mail in English, without a pre-agreement in advance, to a Chinese stakeholder who does not understand English well.

Business Development and Negotiation

As an investor, it is obligatory to find a “good” project. But good projects may not always be listed on a “List of Foreign Investment Projects.” In many cases, it is important to “develop” a good project.

In order to achieve a win-win result, it is important to know and to understand the real interest of the Chinese counterpart, and to think from their perspective. Otherwise, your concessions might not be appreciated as you wish.

In a business negotiation, try to avoid an impasse.

because these words could be interpreted by our Chinese partner or customer as “you agree, but you have no decision power.” The most important thing is that one should explain and argue for his or her position.

In a business negotiation, you should try to “huan wei si kao” (use “transposition thinking:” thinking by putting yourself in the position of your counterpart) and thus understand your counterpart. In this way you may find the best arguments to persuade your counterpart.

In a business negotiation, your counterpart negotiator may have “two faces.” In front of you he/she argues with you because of his/her mandate, but in front of his/her boss/management, he/she would try to persuade his/her boss to give a new mandate in order to close the deal. So it is important for you to clearly explain your position and your rational analysis. Then your counterpart negotiator can use your explanations

questions, or to express the company's position, the meeting should stay between your leader and the other party. If we keep trying to answer questions that are directed at our leaders before they have deferred to us, we give the other side the impression that we are only trying to please our leaders and not necessarily add anything constructive to the negotiation. But, you may always be “tough” in negotiations when your boss is not present

In many cases, combining formal/official meeting/discussions with informal, even private meetings/discussions will be much more efficient than formal/official meetings/discussions alone.

Knowing competitors is important, just as Sun Tsu said, “Knowing your enemy and knowing yourselves, you win 100 battles in 100 battles.” But in many cases, I don't pay much attention to our competitors, I pay attention to my business.

I have found that the most important thing is to do my homework well.

People complain often about doing business in China, “In China, everything is difficult!” But I want to say, “Yes, but every thing is possible!” It depends largely on your efforts. It is important to ask yourself, “Do we understand the issues? Do we know the interests of our counterpart? Do we know the decision process, and who is at the decision points? Do we know who is behind the picture?”

When I succeed, I keep a low profile. When I don't achieve our target, I keep encouraged. I never give up until the last minute, and I never congratulate/celebrate until after signing the contract because the situation could change at any time before signing the legal contract.

Relationships

When a customer complains, the most important thing is to find a solution and to concentrate on problem-



resolving instead of being defensive.

One must always be careful that our customer would think that our luxury is paid by them. For example, arriving in a very expensive car or living an ostentatious lifestyle can have a very negative impact on commercial negotiations.

Our Chinese counterparts work with individuals at first, then with their company. If they don't like us individually, they won't want to work with the company we represent. So our individual behaviors, credibility and reputation are very important for our company's success.

Each of us, particularly our expats in China, are a representative of our company. People interpret our behavior as our company's image.

In terms of relationship building, the Chinese way of long-term relationships is quite different from the typical western business relationship. The long-term nature is very important. It means you are willing to help the other person without expectation of immediate return. It also means that you will not be concerned about owing them

because you know you will pay them back in the future when they need you. The relationship will usually evolve into personal friendship based on trust and honor as opposed to rank or seniority.

China has more than 1.3 billion people. Many of them declare that they have contacts. The same claims are made by many Westerners in China. Of course, the relationships are important. But we need to know and understand what the real decision process is, and who are at the real decision making points. I don't like people to tell me "I have contacts," and I hate people that tell me "I know China."

Chinese leadership

As a manager working in an environment of Chinese culture, you need to personally set a good example, otherwise, it will be difficult for people to respect you and to listen to you.

As a leader, you need to have the willingness to sacrifice your self-interest for the company's success. You focus on what is best for the company, not on what is best for you. This can mean that you must be willing to

spend your efforts on long-term strategic initiatives as opposed to projects with just a short-term return.

Chinese culture stresses interpersonal relations whereas Western management focuses on professional relationships. I want my employees to see me as their big brother. I want employees to have a sincere respect for me as a person, and not to be afraid of me because of my authority.

Leaders lead through informal power whereas bosses use formal power. I like leading by example, not by talking. I do not criticize staff. I focus on where the mistake is and how it could have been avoided. Sometimes if someone is not doing their job properly, I do it for them. Then they are surprised, quite embarrassed, and usually learn to do it right next time.

Loyalty

Many Chinese employees in a foreign company's China operation criticize foreigners in front of their compatriots in order to show their love of the motherland, but they criticize their Chinese compatriots in front of their foreign bosses and colleagues in order to show their loyalty to the company. This is neither "love of China" nor "loyalty" to the foreign employer. This is also dangerous because this kind of behavior may cause bigger gaps or misunderstandings between the Chinese customers/partners and foreign suppliers/partners.

Making your boss/management happy does not mean that you are loyal to them. The most important thing is to tell the truth.

As a manager in China, in particular, we are responsible for reporting the facts and realities to

our management at head office as truthfully and as accurately as we possibly can. We must do this even if this means we need to take responsibility for some of our own mistakes. If our reports are faulty or inaccurate, our head offices will be unable to make the correct decisions based on our reports.

There is a proverb in the Chinese old imperial system saying that "zhong chen mei you hao xia chang." This means that you may put yourself in a dangerous situation if you tell the truth to your emperor. But I can not lie to my management in order to protect myself.

As a representative of a foreign company in China, my bottom line is, I can not let my company's top management make a bad decision because of my bad judgment or wrong suggestion. And I will not let my successor pay a price in the future because of my mistake today.

There are many additional challenges for an overseas Chinese who is hired by a foreign company for their China business. In front of Western colleagues, I can say, without doubt, "I am a Chinese, but I am much more loyal to our company than you." In front of my Chinese compatriots, I can say, also without doubt, "I am a Chinese-foreigner, but I love my motherland more than you."

In front of people who trust me, I have both professional and moral obligations.

As a representative of your company in China, you have to be accustomed to being a "wu ming ying xiong" (an unsung hero). People recognize your tangible achievements, but they rarely understand how much efforts you have made to reach the achievements.

Politics and diplomacy

As a senior executive in a big international enterprise, you are often obliged to spend more energy in dealing with internal political issues than in dealing with external business issues.

"Politics" and "taking credit" for what others have done are very bad but unavoidable behaviors in a big organization, particularly among executives.

A company's management often listens more to external voices than their internal voices, partly because they think that the external voice comes from a neutral position.

It is very important to have our home-country's diplomatic support for our business in China, and we wish to have it. But even though we have diplomatic support, we should consider it

as "complementary," and we must still do our own work.

Our Chinese counterparts often told me, "you should have your home-country government's diplomatic support," and I told to them, "Yes, without a diplomatic lobby from our side means an advantage to you because you don't need to worry about diplomatic pressure in our negotiation."

Execution

When facing an issue or problem, a bad executive tries to argue or defend himself, while a good executive takes an attitude of problem-solving and is solution-driven, just like a Chinese proverb that says—"feng shan kai dao, yu he jia qiao"—which means when faced with a mountain in your way you must explore the paths to continue, when

stopped by a raging river you must build bridges to continue your journey.

The execution is always among the most important success factors. Execution includes "follow up" after a discussion. In particular, before a meeting between your company's high level and the Chinese high level, you must make good preparations, and then after the meeting, you must do the follow up.

My major while doing my Ph.D. study was "enterprise strategy." But now I have found that it is useless to establish a "strategy" without knowing how to achieve "execution." When you recommend an objective or target and a strategy to your management for your business in China, you have to think about how to achieve and how to execute it.

The organizational structure is important, but

the people involved are often more important. Few large organizations can actually function according to the lines drawn on the organizational chart.

A strong organization consists of people at various levels who are not necessarily at the peaks of the formal organization. It is these performers, often not the people with great position power, who ensure the performance and success of the organization. It is not surprising if one third of executives are not performers.

"Power Point" is a very useful tool for presentation and report. But for a leader, it can be very dangerous. If leaders base their decisions on the information presented by the "power point" document, they may fail. Often the real issues are concealed in the briefing summary. ☺☺



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The Asia Pacific Foundation of Canada

The National Conversation on Asia

The National Conversation on Asia (NCA) is an initiative by the Asia Pacific Foundation of Canada to get Canadians thinking and talking about the importance of Asia for Canada, and acting on the implications of Asia's rise in ways that are specific to their interests.

The Foundation has been conducting Angus Reid National Opinion Polls of Canadian Views on Asia for a number of years. The 2011 poll reveals some startling contradictions about Canadians' views on Asia in general and China in particular.

- Canadians understand the global shift from west to east, and the growing importance of China and other Asia powers. Two-thirds of respondents believe that the influence of China in the world will surpass that of the United States within ten years.
- China is second only to the United States as a contributor to Canada's prosperity. (See chart 1)
- APF "Points of View" surveys of Canadians engaged in Asia believe it is important to focus on Asia to lessen reliance on the US.
- Respondents to the same survey believe Canada should focus on four Asian countries. China tops the list at 95%. (See Chart 2)

However, APF Canada polling shows that while Canadians think that China is important to Canada, they are wary of China's intentions:

Chart 1

Importance of Various Countries to Canada's Prosperity

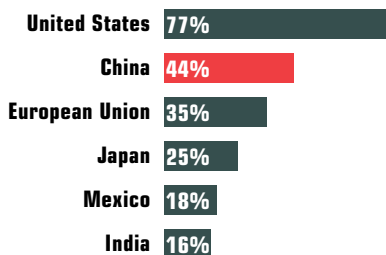
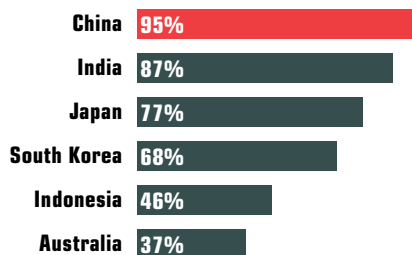


Chart 2

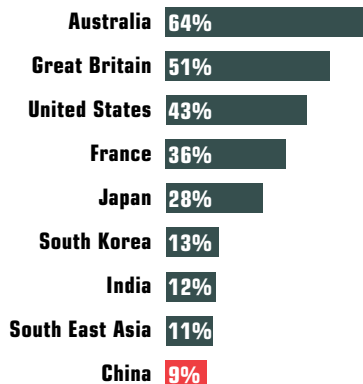
Asian Countries Canadian Government Should Target



- Only 9% of respondents feel warmly towards China, compared to 64% for top rated Australia, and 43% for the US. (See chart 3)
- Virtually as many respondents believe that China is as much an economic threat as an opportunity (threat, 44%; opportunity 43%).
- Only 16% of Canadians support deals in which the Chinese government attempts to buy a controlling stake in a Canadian company (compared to 40% for the U.S. government).
- Only 26% of respondents believe that manufactured products made in China are of high quality. The number drops to 12% for food products.

Chart 3

Warm Feeling Towards Countries of Region



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Source: China Foreign Exchange Trade System (CFETS) 2010 Awards for FX Markets. BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A. and Bank of Montreal Ireland p.l.c., and the institutional broker dealer businesses of BMO Capital Markets Corp., BMO Nesbitt Burns Trading Corp. S.A., BMO Nesbitt Burns Securities Limited and BMO Capital Markets GKST Inc. in the U.S., BMO Nesbitt Burns Inc. in Canada, Europe and Asia, BMO Nesbitt Burns Ltée/Ltd. in Canada, BMO Capital Markets Limited in Europe, Asia and Australia and BMO Advisors Private Limited in India. © Registered trademark of Bank of Montreal in the United States, Canada and elsewhere.

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