

Dragon Fears:

An Examination of Canadian Perceptions of Chinese State-Owned Enterprises

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Abstract: “What’s so scary about the CNOOC-Nexen deal?”¹ reads an article regarding the recent takeover bid. Although the deal has been fully approved, the question is one of many still gripping the issue over CNOOC’s (China National Offshore Oil Corporation) takeover bid of Nexen, a Calgary based oil and gas company.² However, this ongoing issue has broader implications; specifically if Chinese state-owned enterprises (hereafter SOEs) present a challenge or opportunity for Canadian national security interests. With the decline in trade and economic activity in the United States, Canada’s largest trading partner, new opportunities for Canada have presented themselves. China is one of them, a rapidly developing state whose hunger for energy continues to grow. The uneasiness that has come with the CNOOC-Nexen deal and the Canadian government’s recent response, displays the misguided approach of Canada towards the growing Chinese power. This paper explores the erroneous conceptions of Chinese SOEs, the implications of this and the possible solutions that can benefit Canada in the long term.

“What’s so scary about the CNOOC-Nexen deal?”³ reads an article regarding the deal itself. Although the deal has been fully approved, the question is one of many gripping the issue over CNOOC’s (China National Offshore Oil Corporation) takeover bid of Nexen, a Calgary based oil and gas company. However, this ongoing case study has broader implications; specifically if Chinese state-owned enterprises (hereafter SOEs) presents a challenge or opportunity for Canadian national security interests. I will argue that Canadian perceptions of Chinese foreign investment through SOEs has prevented Canada from seizing a great opportunity to grow and develop economically in a positive manner. I will first identify the sources of Chinese foreign direct investment, with a focus on SOEs and their perceived threats. Secondly, I will briefly discuss the nature of Sino-Canadian relations historically from a Canadian perspective, and how different perceptions on the relationship have been generated by different governments over time. I will then address the often misguided and overblown concerns over investment by Chinese SOEs. Finally, I will end by acknowledging the importance of cultural competency when it comes to understanding Chinese foreign investment in Canada.

Before continuing, it is important to note why Chinese SOEs are the focus of this essay and why they are perceived to have a greater affect Canada, rather than Chinese private companies or OECD (Organization for Economic Co-operation and Development) countries’ own SOEs. In the recent case study of Nexen-CNOCC, Prime Minister Harper approved the

¹ James Munson, “China syndrome: is sinophobia driving dread of Nexen takeover?” *iPolitics*, October 9, 2012, accessed October 11, 2012, <http://www.ipolitics.ca/2012/10/09/china-syndrome-is-sinophobia-driving-dread-of-nexen-takeover/>.

² Bertrand Marotte, “China’s CNOOC clears final hurdle for \$15.1-billion Nexen takeover.” *The Globe and Mail*, February 11, 2013, accessed February 12, 2013, <http://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/chinas-cnooc-clears-final-hurdle-for-151-billion-nexen-takeover/article8481757/>.

³ Munson, “China syndrome: is sinophobia driving dread of Nexen takeover?”

deal, but stated: “When we say Canada is open for business, we do not mean that Canada is for sale to foreign governments.”⁴ Harper’s qualification to the approval displays the common perception of SOEs, especially those from non-Western liberal democracies. Furthermore, surveys show that only 18% of Canadians favor a Chinese SOE buying a controlling stake in a Canadian company (this also resonates in policy circles and media).⁵ So what are the factors responsible for these beliefs? Firstly, geopolitical distance of China, in which geopolitically distant and/or emerging states are seen as potentially risky or harmful, while OECD states are seen as benign.⁶ For example, SOEs from other OECD countries are more likely to share Canada’s understanding of business and trade practices compared to China. The second is the potential CCP’s (Chinese Communist Party) influence on SOE strategy and operations, since top executives of SOEs are generally selected from The State Council, China’s top government decision-making body.⁷ This aspect of SOEs is seen as unique proof that these companies respond to political directives of the state. In addition, the institutional separation between SOEs’ economic and political decision-making process remains unequal in China today.⁸ This connection to the state may create an unequal playing field in global trade, such as, easier access to financing, market information, resources, key government networks, preferential supply contracts, etc.⁹ State involvement in overseas investments can be particularly harmful as the possibility of a SOE to prioritize national interest is likely, especially under duress.¹⁰ However, something absolutely unique to SOEs is its susceptibility to prioritize national interests, such as when China used its economic power to threaten a possible embargo of crucial minerals to Japan during another clash in the Senkaku/Diaoyu Islands dispute.¹¹ In other words, the power of the state can be unfairly applied to further the interests of the SOE. Finally, Chinese SOEs are not well-known to the public compared to private Chinese companies, such as computer hardware giant *Lenovo*. This “foreignness” is the result of an initial failure to grasp subtle differences from home market structure, regulation, and business practice.¹² This lack of connection with consumers can understandably generate misconceptions and mistrust, compared to trusted brands from private companies. It becomes evident that Chinese SOEs differ from other sources of foreign investment, such as private companies and SOEs from OECD countries. However, are these concerns justified? What are the actual motivations behind Chinese foreign investment, particularly with SOEs?

When considering China’s FDI initiatives, one must think of the forces of globalization and how China has entered as a power in the global economy. “Global China,” defined by Paul

⁴ Laura Payton, “Government OK’s foreign bids for Nexen, Progress Energy,” *CBC News*, December 7, 2012, accessed February 12, 2013, <http://www.cbc.ca/news/business/story/2012/12/07/cnooc-nexen-takeover.html>

⁵ Massot, “Chinese State Investments in Canada: Lessons from the Potash Saga,” 5.

⁶ Margaret Cornish, *Behavior of Chinese SOEs: Implications for Investment and Cooperation in Canada*, (Toronto: Canadian International Council, 2012), 14.

⁷ *Ibid.*, 15.

⁸ Pascale Massot, “Chinese State Investments in Canada: Lessons from the Potash Saga,” in *Canada-Asia Agenda*, ed. Brian Job and Trang Nguyen (Vancouver: Asia Pacific Foundation of Canada, 2011), 4.

⁹ *Ibid.*, 5.

¹⁰ *Ibid.*, 5.

¹¹ *Ibid.*, 5-6.

¹² Cornish, *Behavior of Chinese SOEs: Implications for Investment and Cooperation in Canada*, 17.

Evans, describes a China grabbing the world's attention by opening its door to the forces of globalization, looking outward, connecting to supply chains, production networks, and foreign investment that have both regional and global reach.¹³ China's emergence as a global power is cleverly described by Evans: "If Japan once led a formation of flying geese in eastern Asia, China is provoking a buffalo charge that extends across Asia and into emerging markets around the world."¹⁴ As a result, faced with increasing pressures of globalization, China's investment strategy has expanded. Dubbed "go global," the outward investment strategy began at a small scale during the reform era of the 1980s and has gradually expanded in the past two decades.¹⁵ The strategy was clearly articulated when President Hu Jintao urged to accelerate the establishment of China-based multinationals and internationally recognized brands, and to actively carry out international cooperation in the development of energy and other resources on the basis of mutual benefit as part of the "go global" strategy.¹⁶ It can be understood that China has accepted its position on the global stage and exhibits a willingness to exert its influence abroad. Even so, what is one of China's most important reasons for a continually aggressive FDI program?

The answer is energy. Since 2003, energy shortages have become a major obstacle in the growth of the Chinese economy.¹⁷ To put it in perspective, "From 1994 to 2004, China's dependence on imported oil grew from 6 percent to 42.6 percent; Chinese demand for oil is estimated to double in the next 10 years, from six million barrels a day in 2005 to about 11.5 million bpd."¹⁸ Furthermore, following this trend, China is expected to import 60 percent of its oil supply by 2020; whereas its reliance on coal, which accounts for 67 percent of China's energy supply, cannot meet the increasing demand due to China's domestic growth.¹⁹ China's growth rate, which has growing at over 9 percent annually for the past three decades, has come at a steep price, in energy and resource costs.²⁰ The need for alternative energy sources has induced the central government to create initiatives for Chinese enterprises to "go out" and secure, explore and extract these sources around the world.²¹ While China has invested tens of billions of dollars into countries such as Australia, Brazil, Kazakhstan, Russia and Iran, Chinese investment in Canadian energy assets were largely absent until the fall of 2009, when renewed interest in Canadian energy sources was spurred.²² Taking this into account, the understanding of a "global China" and its increasing need for energy sources outside its borders, raises questions about the possibility that SOEs are merely simple agents of the state. These questions which are present in Canada, specifically regarding the , will be discussed further on in the paper. However, before

¹³ Paul Evans, "Canada meets global China," *International Journal* 61 (2006): 284.

¹⁴ *Ibid.*, 285.

¹⁵ Peiwei Yu, "The rise of China's foreign trade: from FDI to 'go global,'" *China Economist* 19 (2009): 63.

¹⁶ *Ibid.*, 63

¹⁷ Wenran Jiang, "Chinese Industry and Foreign Economic Policy: Lessons for Canada," *Canadian International Council: China Papers* 14 (2010): 4.

¹⁸ *Ibid.*, 4.

¹⁹ *Ibid.*, 4.

²⁰ Wenran Jiang, "The Dragon Returns: Canada in China's Quest for Energy Security," *Canadian International Council: China Papers* 19 (2010): 5.

²¹ *Ibid.*, 9.

²² *Ibid.*, 15.

continuing, an understanding of how Sino-Canadian bilateral relations have developed since China's modernization and rise is necessary to put the discussion into context.

Canada officially recognized The People's Republic of China (PRC) in 1970 under Pierre Elliot Trudeau's Liberal government, in fact, bilateral trade between the two entities had already begun in 1961 when CA\$ 422 million worth of aid was shipped to China over two and a half years due to the disastrous results of Mao Zedong's "Great Leap Forward" campaign.²³ The initial stages of bilateral relations were up and down as exhibited through China's economic reforms under Deng Xiaoping, which allowed The Canadian International Development Agency (CIDA) to help with development assistance.²⁴ Furthermore, the Tiananmen Square incident, which led to a negative reaction from Prime Minister (PM) Brian Mulroney and the subsequent stagnation in the relationship.²⁵ It was not until Liberal PM Jean Chretien's "Team Canada" trade missions to China in 1996, 1998 and 2001, which initiated strong economic ties between the two nations.²⁶ The issue of liberal democracy and respect for human rights was addressed by Chretien and the Canadian business community, where they believed that economic opening would eventually produce political democratization/neoliberalism.²⁷ Furthermore, Chretien famously displayed his skepticism in directly raising human rights concerns with the Chinese leadership: "I'm the Prime Minister of a country of twenty-million people. He's the President of a country with 1.2 billion. I'm not allowed to tell the Premier of Saskatchewan or Quebec what to do. Am I supposed to tell the President of China what to do?"²⁸ This and Chretien's frequent visits to China when he was in office, forged strong personal and economic ties with China's leaders.²⁹ Liberal PM Paul Martin continued the "Team Canada" approach by elevating the bilateral relationship from "cooperative partnership" to "strategic partnership – a status reserved for Beijing's most valued international partners."³⁰ More significantly, Martin signed the Canada-China statement on energy during his official visit to China in 2005, which identified three priorities of cooperation in energy and related areas.³¹ Both Chretien and Martin benefited from their subtle stance on China's difference in political system and national values, which garnered respect from Chinese leaders. Their openness towards China and recognition of its importance to Canada allowed the Liberal led government to develop the established bilateral relationship that still exists today.

In contrast, the current Conservative government of PM Stephen Harper displayed a more disengaged approach compared to his Liberal predecessors in his early years in office. Several examples of this behavior include the Conservative government's stoppage of using the term "strategic partnership" to characterize bilateral relations, Harper's refusal to participate in the

²³ Charles Burton, "The Canadian Policy Context of Canada's China Policy," in *The China Challenge: Sino-Canadian Relations in the 21st Century*, ed. by Huhua Cao and Vivienne Poy. (Ottawa: University of Ottawa Press, 2011), 34.

²⁴ Ibid., 37.

²⁵ Ibid., 37-39.

²⁶ Ibid., 40.

²⁷ Ibid., 40.

²⁸ Ibid., 41.

²⁹ Ibid., 41.

³⁰ Wenran Jiang, "Seeking a strategic vision for Canada-China relations," *International Journal* 64 (2009): 897-898.

³¹ Ibid., 898

2008 Beijing Olympics and meeting the Dalai Lama and granting him honorary Canadian citizenship.³² Harper's leadership signaled a change in Canadian foreign policy by emphasizing human rights, while making trade a mutually exclusive goal as well.³³ This view on Sino-Canadian relations is exemplified through this statement by Harper: "I think Canadians want us to promote our trade relations worldwide..., but I don't think Canadians want us to sell out important Canadian values...(or) to the almighty dollar."³⁴ This statement compared to the Chretien's stated above, displays the stark differences in how the different governments have approached China. Furthermore, the Canadian government enhanced the Investment Canada Act in 2006 based on national security concerns, which was seen as targeting large-scale Chinese investment in Canada.³⁵ To further this, Peter Mackay, the Minister of Foreign Affairs in 2006, claimed that the government was "very concerned about economic espionage" from China.³⁶ This take on the concerns of Canadian national security still exist today, and most recently in the CNOCC-Nexen deal. The deal, which has been approved by the Canadian government, was plagued with speculation and suspicion by the media and even the government. For example, Conservative Member of Parliament Rob Anders stated: "I'm never a fan of state ownership of resources, particularly in China's case because I don't believe it's a benevolent state. In the case of Norway, it's a much more benevolent state than China is. It doesn't have the human rights record that China does."³⁷ The more surprising statement came from the annual public report by the Canadian Security Intelligence Service (CSIS), which was released during the CNOCC-Nexen review (September 20, 2012), stated that:

While the vast majority of foreign investment in Canada is carried out in an open and transparent manner, certain state-owned enterprises and private firms with close ties to their home governments have pursued opaque agendas or received clandestine intelligence support for their pursuits here.³⁸

Although the report does not explicitly point to China in its concerns towards national security, the nature of the message is certainly directed towards countries such as China, whose SOEs have permeated Canadian businesses. The messages by Harper, Anders, and CSIS serve as examples of Canada's unwillingness to engage China in a cooperative manner. It also displays Canada's lack of a fully understanding the role and behavior of SOEs. For example, Anders and Harper's comments represent a misguided incorporation of liberal democratic values into what SOEs represent, namely human rights. This shift from the pragmatic and accommodating Liberal governments to a more restrained and ideologically driven approach by the current Conservative government exemplifies vastly different approaches to China. Moreover, it can be appreciated that how the ideological stance of a Canadian government in power has a profound effect on the

³² Ibid., 898-900.

³³ Ibid., 900.

³⁴ Ibid., 900.

³⁵ Ibid., 901.

³⁶ Ibid., 902.

³⁷ Bill Curry, "'Non-benevolent' China a concern in Nexen deal: Tory MP," *The Globe and Mail*, September 17, 2012, accessed November 7, 2012, <http://www.theglobeandmail.com/news/politics/non-benevolent-china-a-concern-in-nexen-deal-tory-mp/article4549293/>.

³⁸ Canadian Security Intelligence Service, *Public Report 2010-2011*, (Ottawa: Public Works and Government Services Canada, 2012), 19.

bilateral relationship as well. Although Harper's government has engaged China more actively in recent years through state visits and cooperation, many scholars agree that it is not enough. Is the Canadian government willing to commit to a non-bias and open view of Chinese SOEs? Do liberal values and xenophobia supersede economic benefit? In spite of these questions, it is important to consider why this bilateral relationship is so important in the first place.

Canada's dependence on China has steadily increased in recent years and this has placed a greater importance on the bilateral relationship. In 2003 China became Canada's second largest trading partner; trade has grown from 2.3 percent to 7.2 percent from 2001 to 2010.³⁹ While the United States remains Canada's primary trading partner, the two-way trade flows between the countries has fallen, from 76.3 percent in 2001 to 62.6 percent in the same period.⁴⁰ This has left Canada to find other opportunities to maintain a healthy economy, and a growing energy demand in China made it a perfect match. However, it appears that the trade relationship between Canada and China is imbalanced and skewed. Chinese exports to Canada have grown substantially faster than Canadian exports to China; quantitatively, Chinese exports grew by 249.9 percent, while Canadian exports grew by 210.3 percent between 2001 to 2010; investment bilaterally has also grown, but has also been minimal.⁴¹ Although the relationship is clearly not a win for Canada, the economic decline of the United States presents a situation where the importance of engaging China more comprehensively is needed. Scholars generally agree that the reason behind Canada losing out in the trade relationship is because of a lack of initiative by the government. The Canadian government's aforementioned actions have definitely induced a negative aspect towards the relationship. Specifically, the "rights versus trade" debate has put the Harper government in a situation where they have not abandoned economic relations with China, but at the same time, these relations have not improved for the better of both nations.⁴² Furthermore, the government's actions displays a lack of commitment and enthusiasm, if present, would create a more inclusive working relationship between the two countries. Although the solutions or recommendations on how the Canadian government can re-establish a better standing in bilateral relations with China is not the focus of this essay, it is important to note Canada's shortfall in comprehending the massive potential China holds for the future growth of Canada's economy. Even though this missed opportunity has been the result of varying factors, the overblown misguided fears of Chinese SOEs have had a major impact on the stagnated nature of trade relations between Canada and China.

Following Stephen Harper's 2009 visit to China, relations between the two countries has warmed back up especially with China's renewed interest in Canadian energy and resources. As mentioned before, China's need for new sources of energy has resulted in large Chinese energy companies actively seeking potential investment targets, many of those in the province of Alberta.⁴³ The Harper government has seemingly recognized the faults of a "cold politics, warm economics" approach towards China and has steadily welcomed Chinese investment into

³⁹ Daniel Poon, "Canada-China Economic Relations: Beyond Petroleum," *The North-South Institute Occasional Paper* (2011): 3.

⁴⁰ Ibid., 3.

⁴¹ Ibid., 3.

⁴² Jiang, "Seeking a strategic vision for Canada-China relations," 900-901.

⁴³ Jiang, "The Dragon Returns: Canada in China's Quest for Energy Security," 4.

Canadian businesses.⁴⁴ However, the recent CNOCC takeover bid for Nexen has rekindled fears of SOEs and their ulterior motives. The beginning of this essay referred to three factors that differentiated SOEs from private companies or OECD SOEs, which included geopolitical distance, the potential of the CCP's influence on SOE strategy and operations, and the perception of "foreignness" towards Chinese SOEs. In addition, some have expressed concern over the economic viability of a SOE's. Jack Mintz, a Canadian policy expert, states: "The economic role of takeover markets is to enable those with better management skills, technologies or other economic strengths to buy up companies operated less efficiently...With the SOE takeover, inferior performance means a loss in profits and potentially job layoffs."⁴⁵ These factors addressed feelings of uneasiness when dealing with Chinese SOEs and surprisingly, research has contradicted these claims. Karl Sauvant, a leading academic on investment from emerging countries, argues that instead of the belief that emerging states such as China are harmful, a protectionist element among OECD states may explain the appearance of this belief – noting a sharp rise from 2002 onwards in protectionist and anti-terrorist legislation in these states.⁴⁶ Secondly, the potential for the Chinese State to impose their agenda onto SOEs may not be true in all cases. Erica Downs argues that:

The power of the NOCs (i.e., energy SOEs) vis a vis the government has grown substantially...due to surging profits, their listing of subsidiaries on foreign stock exchanges, their globalizing senior management, and their reliance on international banks and consultancies for investment advice.⁴⁷

It seems that during this period of growth and globalization for China, influence has shifted towards the SOE's management. Although it is possible that this corporate power could shift back to the CCP, this shift would require a major change in economic and political philosophy. Regarding Mintz's comments, a consideration of a successful Chinese SOE takeover is needed to refute his claim that management by SOEs could entail inferior economic performance. A return to the previous example regarding *Lenovo* can display the success of a SOE's takeover. *Lenovo* Group was founded by members of the Chinese Academy of Sciences in 1984, and after years of success they acquired the American computer firm, *IBM* in May 2005.⁴⁸ Since then, the company has been touted as the world's leading PC maker and has recently been included as a constituent stock of the Hang Seng Index; "this selection positions *Lenovo* among the 'blue chip' companies listed on the Hong Kong Stock Exchange and represents significant market recognition of *Lenovo*'s leadership position in the global IT industry."⁴⁹ Finally, the issue of "foreignness" regarding Chinese SOEs should be addressed with increased levels of cultural

⁴⁴ Ibid., 17.

⁴⁵ Jack Mintz, "Harper is right on SOE takeovers," *National Post*, December 12, 2012, accessed February 9, 2012, available from: <http://opinion.financialpost.com/2012/12/13/jack-mintz-harper-is-right-on-soe-takeovers/>.

⁴⁶ Cornish, *Behavior of Chinese SOEs: Implications for Investment and Cooperation in Canada*, 15.

⁴⁷ Erica S. Downs, "The Fact and Fiction of Sino-African Energy Relations," *China Security* 3 (2007): 49.

⁴⁸ Jing Sun, "Analysis of *Lenovo* Globalization Strategy and Enlightenment to Chinese Enterprises," *Canadian Social Science* 8 (2012): 86.

⁴⁹ Businesswire, "Lenovo Selected as a Constituent Stock of the Hang Seng Index," *National Post*, February 6, 2013, accessed February 9, 2013, <http://www.financialpost.com/markets/news/Lenovo+Selected+Constituent+Stock+Hang+Seng+Index/7926658/story.html>.

competency. Cultural competency, or familiarization, can be used to overcome the misguided fears and perceived threats of not only Chinese SOEs, but also in China as an emerging power.

As Josephine Smart explains, “cultural competency is necessary for any individual wishing to conduct meaningful and successful interactions in a social setting.”⁵⁰ This of course involves the learning of Chinese language, cultural knowledge such as Chinese practices of *guanxi* can be understood with informed awareness, leading to more informed choices. Due to Canada’s abundance in natural resources and energy, Canada can expect to receive more and more Chinese investment and interaction in the near future. The “sinophobic” nature of the CNOOC-Nexen deal exemplifies the “lack of understanding and information on China as Canada undergoes the growing pains of deeper economic ties.”⁵¹ As a result, cultural competency is integral to creating a more balanced trade relationship and a more dynamic overall bilateral relationship. Furthermore, trade is not the only factor that needs to be considered. The increase presence of Chinese businesses means the inevitable increase in Chinese nationals immigrating to Canada. For example, statistics show that the second highest number of new permanent residents in between 2009-2011 came from the PRC.⁵² Yet, how can cultural competency be attained? Although Chinese-funded Confucius Institutes exist to assist in capacity building within Canada and throughout the world, Smart suggest that federal and provincial funding is needed to display institutional support.⁵³ Smart suggests that this could involve strengthening federal funding through the SSHRC (Social Sciences and Humanities Research Council) to support a greater number of relevant research projects and scholarship developments; CIDA may consider reinstating the funding to Areas Studies that was cut some years ago; and more Centers of Asian Studies should be created to serve as centers of training of future Chinese experts.⁵⁴ On a smaller scale, Canada’s service sector remains largely English speaking, except for Quebec; where very few Canadian businesses have staff that speak one of the major Chinese dialects. As a result, these businesses have lacked the cultural sensitivity needed to tailor services to the needs of Chinese visitors. An excellent, but largely unknown example, is the almost universal Chinese practice to boil water for drinking. Contrary to the common practice within Western societies to drink water with ice, drinking hot water is preferred in Chinese society. Therefore, an electric kettle or thermos is a common fixture in Chinese hotels, whereas a coffee maker is common in Canadian hotels. If a simple adjustment was made by Canadian hotels for Chinese visitors, it would highlight the importance of cultural competency as it pertains to good business practices between the two nations and cultures. Other methods could involve tapping into the vast Chinese-Canadian diaspora community, which in the 2006 census reported to be at about 1.36

⁵⁰ Josephine Smart, “Dancing with the Dragon: Canadian Investment in China and Chinese Investment in Canada,” *The School of Public Policy Research Papers* 5 (2012): 11.

⁵¹ Munson, “China syndrome: is sinophobia driving dread of Nexen takeover?”

⁵² Citizenship and Immigration Canada, *Facts and figures 2011 – Immigration overview: Permanent and temporary residents: Canada – Permanent residents by source country*, accessed February 9, 2013, available from: <http://www.cic.gc.ca/english/resources/statistics/facts2011/permanent/10.asp#figure8>.

⁵³ Smart, “Dancing with the Dragon: Canadian Investment in China and Chinese Investment in Canada,” 13.

⁵⁴ *Ibid.*, 13.

million.⁵⁵ Out of the many Chinese-Canadians, there is bound to be an abundance of knowledge, relationships and experience which could help Canadian businesses and civil servants capitalize on the growing relationship with China. This opportunity, along with others, can be used to increase the cultural competency of the Canadian public unfamiliar with China and Chinese investment. Many of the concerns outlined in this essay were proved to be incorrect with further examination and a deeper understanding of topics ranging from the differing attitudes of different Canadian governments to the behavioral aspects of Chinese SOEs.

Although this essay did not cover the many concerns over SOEs in detail, its intention was to give an overview about the misconceptions that do exist with these concerns. Furthermore, the growing interdependence between Canada and China, especially concerning energy, should be taken as a basis to understand Chinese investment intentions more clearly, specifically SOEs. Canada's traditional dependence on the United States as a major trading partner is on the decline. This requires Canada to take necessary steps to find alternatives to stay competitive and strong in an unpredictable global economy. China's "rise" and emergence as a global economic player should be taken as an opportunity for Canada which finds itself in a fortunate position with its abundance in natural resources. While investment from Chinese SOEs do come with certain risks, a greater understanding of the relevant ideas will prevent overblown fears and worst yet, the existence of "sinophobia" within the relationship. As a result, cultural competency and a cooperative dialogue is an integral part of Canada's growing understanding of China and its resulting endeavors on Canadian soil.

⁵⁵ Statistics Canada, *2006 Census of Ethnic Origins for Canada, provinces and territories - 20% sample data*, Ottawa, Ont., 2002, accessed November 12, 2012, available from: <http://www12.statcan.ca/census-recensement/2006/dp-pd/hlt/97-562/pages/page.cfm?Lang=E&Geo=PR&Code=01&Data=Count&Table=2&StartRec=1&Sort=3&Display=All&CSDFilter=5000>.

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