

THE Province

GREAT CITIES: A LEGACY PROJECT

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Shanghai B.C.'s new business frontier



Shanghai is an oasis of capitalism built on the sands of communism.

And it's putting out the welcome mat to businesses from B.C.'s Lower Mainland.

The 700-year-old fishing village hosts the world's largest corporations with its heady metropolitan mixture of modern trends and ancient elegance.

Boasting a skyline that resembles launching pads for alien spacecraft, Shanghai is a city of 16 million now engaged in an orgy of urban renewal.

And that, financial analysts predict, means billions of dollars of business will be up for grabs for companies from around the world - including from the Lower mainland.

Virtually every global economic analysis today lists Shanghai, traditionally China's most open city, as its most promising haven for foreign investors.

Pouncing on that prediction, Premier Gordon Campbell headed here last month, knowing that China's entry into the World Trade Organization (WTO) had effectively opened up a multi-billion-dollar market.

Currently, B.C. exports \$752 million worth of products to China, while importing \$3 billion worth of goods from that nation.



■ Fireworks explode over Shanghai.

On a national level, Canadian exports total nearly \$3.7 billion while imports from China amount to \$11 billion.

Thanks to Gordon Campbell's quick visit, B.C.'s forest industry, under attack by U.S. lumber trade protectionists, found a friend in China's housing market.

"It's a huge opportunity," Campbell said in Hong Kong, before signing a Memorandum of Understanding with Shanghai's leaders on the export of forest products from our province.

If that memorandum materializes into real trade, the people of Prince George and other B.C. lumber towns can heave a sigh of relief, because China has 30 million

housing starts a year.

Toby Chu, of the Vancouver-based Capital Alliance Group, said the prospects for doing business in China are exciting.

"Vancouver, and B.C. on the whole, has a great opportunity to capitalize on the growth of China because of the close proximity and the existing connections," said Chu, who moved from Hong Kong to Vancouver 30 years ago.

Chu saw this opportunity seven years ago when he opened his Canadian Institute of Business and Technology in Beijing. Today, it's one of the most respected pools of local MBA talent for the international business sector in China.

With China's entry into the World Trade Organization, a multi-billion-dollar market is opening up to B.C. 'It's a huge opportunity,' says Premier Gordon Campbell

By Fabian Dawson
Staff Reporter

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Among the school's client are the Chinese arms of IBM, Motorola, Nestle, Shell and General Electric, all of whom are hungry for home-grown grads.

Chu, who has traveled to more than 100 countries in the last 18 months drumming up business, said the biggest difference between Hong Kong and China is the flow of money.

"Hong Kong has always been a trading place where money goes in and out," he said.

"China, on the other hand, is a place where money goes in and stays there. That is why you have a huge and wealthy consumer market. Over there, cash is still king."

Chu said that for Lower Mainland business people to capitalize on this huge consumer market, we have to change the way we think and do business.

"Look at the car market in China for instance. There is a 250-per-cent tax on imported cars there now," he noted.

"Over the next five years, that tax will come down between five and 15 per cent, with the opening of the market. You will be able to compete with the local manufactures.

So the question is, do you make cars in Canada, despite Canada's high labour costs and overhead, or do you set up a factory over there?"

"The bottom line is to be quick to adapt to whatever brings the most benefit. Being stubborn does not work," Chu said.

Chu urged Campbell to quickly set up a B.C. trade office in Shanghai to help our business people establish the connections they need to seek opportunities in China. And that's something Campbell has promised to consider doing.

Sam Porteous, a former analyst with the Canadian spy agency, points out that Shanghai is one of the world's greatest cities, culturally and commercially.

"Essentially if B.C. is looking for growth it cannot afford not to be here," said Porteous, now based in Shanghai as the vice-president (China) for business consulting firm Kroll and Associates.

He advises Lower mainland businessmen to learn as much as possible about the realities of doing business in China, still coming to grips with the idea of private-sector commercial activity.

By 2005, retail sales in the city's 3,000-square-kilometre zone will exceed \$50 billion - at least if it maintains its projected annual growth rate of 7.8 per cent.

A recent released city plan estimates that Shanghai will have 1,300 supermarkets and 3,000 convenience stores by the middle of this decade.

Last week, Shanghai city leaders announced a multi-billion dollar revitalization of Nanjing Road, the epitome of commercialism. It will undergo a 10-year facelift aimed at bringing it into the league of New York's Fifth Avenue.

Shanghai hopes to achieve these development goals through both domestic and foreign investment.

And that could mean big profits for Lower Mainland business people willing to take the risks.

**Campbell**

What we can learn from Asia

Business experts recommend that B.C.:

- Adopt Hong Kong's attitude of "positive non-interference" towards business. It means educating civil servants to be business-friendly.

- Adopt Hong Kong's one stop shop approach to attract business investors. A government department should be set up specifically to guide investors and help them get everything from work visas to licences.

- Reduce the overall tax burden on business. Abandon the attitude that the more you earn, the more you pay-allow people to keep more of the money they earn.

- Set up offices in Shanghai and Hong Kong to target potential Asian investors and look for export markets in Asia.

- Develop a public-private mega project to show the world that it is indeed open for business. Ideas range from a bridge to Vancouver Island, a large Vancouver convention centre or a tunnel under Burrard Inlet.

- Capitalize on our lifestyle and geography by wooing the best and brightest to work and invest here, perhaps with tax breaks.