

**China's Oil Sands Purchase—
Government of Canada Should Impose
Tough Conditions on an Irresponsible Player**

**Widespread Concern about China's Legal System, Environmental and
Human Rights Practices, and Destructiveness in International Affairs**

**BDO Dunwoody Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business*
For Publication September 7, 2009**



**COMPAS Inc.
Public Opinion and Customer Research
September 7, 2009**

China

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1.0 Overview

By a large margin, business leaders and CEOs on the COMPAS panel call for the federal government to impose tough conditions on the oil sands sale to a Chinese state-owned enterprise. Panelists said that each of the following considerations should prompt the Government of Canada to stall or block the sale: China's legal system, poor health and environmental practices, human rights abuses against minorities, support for North Korea, and support for dangerous regimes in the Middle East.

The main reason for ultimately allowing the sale to proceed is that this would "send a signal to U. S. decision-makers that Alberta has alternative markets for its oil sands, regardless of the environmental concerns routinely raised within the Democratic-controlled Congress and White House."

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.

2.0 Detailed Findings

Panelists are widely concerned about Chinese domestic and international practices, as detailed in table 2a. The widest and most intense concern is about a chauvinistic bias in China's domestic legal system, reflected in arrests of Rio Tinto executives for ostensibly stealing state secrets. But panelists have many other human rights and other concerns as well.

The best reason to allow the sale is to send a message to the Obama White House and the Democratic party-controlled Congress, as detailed in table 2b. The outspoken support for the sale expressed by the Alberta provincial



China

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government resonates poorly among panelists—so poorly that the Alberta government might have been better advised not to pronounce on the issue.

On balance, most would favour allowing the same to proceed provided that tough conditions are imposed, as shown in table 2c.

Table 2a: Reasons to Stall or Block the Sale
(1=Disagree Strongly, 7=Agree Strongly)¹

	Mean	7	6	5	4	3	2	1	DNK
China's legal system plays favourites and allows theft of western patents and technology.	5.6	37	22	19	6	6	2	3	5
China cruelly abuses its Tibetan, Christian, Muslim, and Falun Gong minorities.	4.9	25	16	20	8	11	10	4	6
A Chinese government owned enterprise is apt to be less respectful of health and environmental considerations than the existing players.	4.9	24	22	21	6	10	10	6	2
It's a national security issue.	4.8	24	21	19	10	10	10	6	1

¹ (Q1) As you know, a Chinese state-owned corporation wants to invest about \$2 billion in major projects in the Alberta oil sands. Under the *Investment Canada Act*, any international firm acquiring controlling interest of a company with assets of more than \$312 million will be reviewed by the federal government. On a 7 point scale where 1 means disagree strongly and 7, agree strongly, how much do you agree with the following reasons for stalling or blocking the sale? RANDOMIZE.



China

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	Mean	7	6	5	4	3	2	1	DNK
China supports North Korea, the most dangerous proliferator of nuclear weapons technology in the world today.	4.7	23	16	15	10	16	8	6	7
China supports Iran and other dangerous regimes in the Middle East.	4.7	21	17	18	10	12	9	7	6

Table 2b: Reasons to Allow the Sale
(1=Disagree Strongly, 7=Agree Strongly)²

	Mean	7	6	5	4	3	2	1	DNK
China's involvement would send a signal to U. S. decision-makers that Alberta has alternative markets for its oil sands, regardless of the environmental concerns routinely raised within the Democratic-controlled Congress and White House.	4.9	20	17	28	13	9	6	5	3
The oil sands need more investments.	4.4	9	18	28	19	7	7	10	3
A free market country should not play favourites.	4.0	10	16	17	16	13	14	12	1
The Alberta provincial government wants the sale to go through.	3.6	4	12	15	21	10	9	20	10

² (Q2) On a 7 point scale where 1 means disagree strongly and 7, agree strongly, how much do you agree with the following reasons for allowing the sale to proceed? RANDOMIZE.



China

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Table 2c: "(Q3) On balance, should Ottawa..."

	%
Block the sale	31
Allow the sale to go through but with tough conditions	64
Allow the sale unconditionally	4
Don't know or no opinion	1

The following verbatims provide a nuanced sense of panel opinion:

The oil sands are an expensive venture requiring large amounts of investments. While all investments require scrutinizing, the sands also create economic stimulus [and] outside investment provides new capital as opposed re-circulated capital.

The federal government should formulate a clear and firm policy that establishes free trade in the resource sector, not just free trade that suits the Americans. An essential foundation of such policy should be that if restrictions on softwood lumber and other commodities are put in place, it will have a direct impact on the availability of essentials such as energy. The U.S. needs to learn that it cannot bite the hand that feeds them without consequences.

The Chinese don't endorse an even playing field. They allow the rip off of our intellectual property without blinking an eye. I have no faith that they will honour any condition that we set for them. On the flip side the oil is here so if they monkey around we can confiscate it back.

China plays by its own rules - hardball. Look at the arrest of the Rio Tinto executives. A passive role in investments is one thing; a role in the governance of a Canadian company of Canadian assets should be blocked. By the way, the U.S. plays hardball too and if we want to run our own country then we need to have strong trade options. It took the U.S. administration about 10 nanoseconds yesterday to express



China

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their 'concern'. This is the same administration that would not guarantee Canadian exemptions for either their GHG package, or for their stimulus package exclusions.

Control of non renewable resources should always remain in Canadian hands.

China will eventually become a democratic country.

It is obvious that there will always be a market for oil, whether it is China or the U.S. The oil sands projects should be able to stand on their own feet and live by their merits.

We sent all our jobs over there, now we want to give them our resources? I do not think so.

More and more foreign companies are being allowed to purchase Canadian companies which often sounds good on the surface but seldom works to the benefit of Canadians in the end, just ask the workers at Vale Inco in Sudbury Ontario.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted September 2 - 4, 2009. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=116 are deemed accurate to within approximate 9.1 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

