

More common than bribes are requests for 'favours.' To many Canadian businesses, these favours, which can include visits to Canadian operations, are legitimate business practices and can mean a lot more to prospective Chinese partners than bribes.

Risk

It isn't too surprising that the risks in China are as great as the potential rewards.

Each year thousands of migrant Chinese workers arrive at the Guangzhou train station hoping to find work so that they can repay the modest costs of their train journey, and to send money home to expectant family members. Some succeed, some don't. Juxtapose these workers next to the ranks of the new entrepreneurs, whose monthly incomes exceed the yearly incomes of the most fortunate workers, and a picture of the uneven distribution of income becomes clear, even within the relatively prosperous Guangdong province.

Crime and corruption are at all-time highs. Dr. Steven Cheung, economics professor at Hong Kong University, predicts that the future outlook for China is now more bleak than at any other time since 1981 due to corruption and lack of expertise at policy levels of government.

Moreover, many analysts believe that a downturn in the Chinese economy is imminent. No one knows when or how intense it will be, and how it will effect overseas investors. The central government is also concerned with its overheated economy and plans to limit growth in 1994 to nine per cent.

The risk of operating in China is one of the reasons Canadian businesses have not moved quickly to exploit opportunities in southern China, says Canadian Chamber President Eliza Chan. "The vacillation within China between liberalism and repression, free enterprise and collectivism, troubles many Canadians," she says.

Most business people, like Metcorp's Ng, accept that there will be short-term fluctuations in the China market, but believe the long-term prospects are positive. "People are getting rich and once they have driven a Mercedes Benz they won't drive a bike," he says. ♦

FASTFOOD IN FOSHAN

Canadian entrepreneur to see if fried chicken will fly in China

Ward Rogers had just set up an office in Vancouver and was looking at establishing a restaurant in the west coast city when a business acquaintance in Hong Kong convinced him to look at the booming consumer market in Guangdong province. With double digit growth rates and the highest per capita income in China, southern China seemed the logical location for a business.



Rogers' first fast food restaurant in Foshan

Tapping into the China contacts of his Hong Kong partner, Rogers established a joint venture with a state-owned enterprise in Foshan. Early this year, he opened his first fast-food restaurant there, and plans to open another three shops this year in Guangzhou.

While the retail market has only recently been opened to foreign investment, Rogers Fastfood already has stiff competition in Foshan as it competes against McDonalds. However, Rogers Fastfood, which specializes in fried chicken, is attempting to cater its products to the Chinese market by offering hot and spicy chicken dishes and Irish stew with rice for that Chinese-Western combination.

One of Rogers' biggest problems has been securing restaurant locations. While southern China is booming, infrastructure development is not keeping pace. Opening a business often requires entrepreneurial ingenuity like laying your own power lines, as Rogers recently discovered.

Rogers, who now speaks some Mandarin, has also had to deal with labour shortages and is now enticing

out-of-province labour with staff quarters and other benefits.

At the moment, Rogers doesn't have to worry about taking his profits out of China since he's planning to reinvest his surplus funds in other restaurants. While he is concerned about the risks of investing and doing business in China, he thinks that China has progressed so far it can't go back. "I have a lot of confidence in the China market. They have a lot of natural resources not yet tapped."

He is currently tapping some of those resources himself as all food is sourced locally, except spices which he brings in from Canada. His restaurant hardware is also imported from Canada and the U.S. as quality equipment is unavailable in China.

While connections and perseverance are important to success in China, Rogers also advises that a good contract and letters of association drawn up by a lawyer who is familiar with Chinese law is crucial. "You have to ensure that you have a proper contract in case you have trouble in the future," he says. ♦