

## INSIGHT

## Trade lubricant

**G. Bin Zhao** says unlike CNOOC's failed bid in 2005 to buy Unocal, its proposal to acquire Nexen has considerably more chance of success, and, on the whole, a deal would benefit both China and Canada

China National Offshore Oil Corp announced last month that it was proposing to buy Canada-based Nexen in a US\$15 billion deal. This caused quite a stir in Canada, with the domestic mainstream media reporting it widely. By contrast, the response of the Chinese media and public appears rather muted.

Perhaps the Chinese have become insensitive to the ambition of their rich and powerful state-owned enterprises to conquer the world, or perhaps the torrential rains in Beijing the previous weekend gave people a more sober view of national strength; they recognise perhaps that there is a need to do more locally to build a powerful nation.

So far, the mainstream attitude in Canada's financial and media sectors on the acquisition and the prospects for government approval is optimistic, but it is difficult to judge whether the conservative government, led by Prime Minister Stephen Harper, will prevent the sale or not. After all, the Canadian government has many considerations when making its decision.

First, Canada determines whether or not it should approve a large foreign acquisition based on the important but ambiguous "net benefit" principle, which gives the Harper government plenty of room for interpretation. In 2010, the Canadian government blocked BHP Billiton's attempt to acquire the fertiliser company Potash Corporation at a price of US\$40 billion. The reason was that it could not be demonstrated that there would be practical benefits for Canada.

However, in contrast to BHP Billiton's hostile acquisition, which faced significant opposition from the beginning, thereby making it easy for the Canadian federal government to block the transaction, CNOOC has received active co-operation from Nexen. It is expected that at least the provincial government will not oppose the deal.

Second, whether the acquisition is approved in one country is also determined by economic and political interests, not to mention other factors. The high-priced proposal by CNOOC to acquire Nexen has won the support of shareholders and the management team. CNOOC has also promised to establish Calgary as the head office for its North and Central American operations, to retain the current management team and employees, to increase future capital investment, and to list its common shares on the Toronto Stock Exchange.

CNOOC has clearly tried to make its offer of economic benefits attractive, but it is unclear whether these concessions will have an impact on political factors.

Third, Nexen in Canada and Unocal in the United States are both important energy companies, so we have to ask, since the United States said no to CNOOC's bid to take over Unocal in 2005, why would Canada agree to a

similar proposal? Although CNOOC has drawn some lessons from its failed attempt to acquire Unocal, and its strategies have definitely improved, from the Canadian perspective there is no essential difference between the two attempts.

Perhaps the benefits that CNOOC, as a state-owned company, can bring to Nexen and Canada are worth considering. These are benefits in addition to financial and market advantages.

Since 2009, Chinese companies have invested about C\$16 billion (HK\$124 billion) in Canada, a figure which is quite small compared to the proposed offer of US\$15 billion for Nexen. China is Canada's second-largest trading partner and third-largest export market; trade

**A deal would have far-reaching implications for Sino-Canadian partnership**

volume between the two countries reached US\$47.5 billion in 2011; both bilateral trade and investment have developed very quickly in recent years.

In January, the US formally rejected an oil pipeline construction project proposed by Canada, which was expected to export 700,000 barrels of Canadian crude oil to the United States each day, an incident which caused a great deal of shock in Canada. In early February, Harper visited China, and he indicated that strengthened co-operation in oil and gas has become an important option for Canada after hitting the wall in the US.

In the current period of global economic malaise, the Canadian economy is very stable compared with that of other developed countries', but its resource- and energy-based economic structure faces severe challenges due to falling demand. In this context, the huge foreign investment by CNOOC in its bid for Nexen should be attractive to the Canadian government and the energy industry.

If the Harper government approves the acquisition, the deal will have great significance. Not only will it encourage Chinese enterprises

to continue investing in Canada, promoting Canadian economic and trade co-operation, but it will also have far-reaching implications for long-term development of a strategic Sino-Canadian partnership.

Roger Martin, dean of Rotman School of Management at the University of Toronto, has written that if Canada approves the acquisition of Nexen, to be fair, the Canadian acquisition of equivalent Chinese enterprises should also be automatically approved.

I have previously called on Ottawa to strengthen financial co-operation with Beijing, allowing direct exchange between the Chinese renminbi and the Canadian dollar, and gradually establishing an offshore renminbi market in Toronto. Canada has some of the world's most robust large banks and financial institutions, and China may consider appropriately relaxing business development controls for Canadian financial institutions in China and supporting the development of offshore renminbi business in Toronto.

G. Bin Zhao is executive editor at China's Economy & Policy



## First priority

**Tom Yam** says China's fixation on Olympic golds betrays how it really views sporting success – to boost the standings of nation and party

As you cheer China's Olympic gold medalists, spare a thought for the winners of silver and bronze medals. They toiled as long and as hard to bring glory to the motherland, but get little or no acclaim. This state-sponsored gold fever afflicts other countries too, but at least their runners-up are often celebrated at the team level.

A system that lauds only gold medals raises disturbing questions. What happened to the Olympic creed that values participation? And what does this gold fixation say about the values promoted by the Chinese government?

China's state-run system for producing national athletes is still modelled on the Soviet "sports factories" that train potential Olympians from a young age. Their sport is chosen for them and becomes their life. Like China's world-beating consumer goods, Chinese Olympians are intensely engineered products manufactured in factories, to be discarded when they reach the end of their life cycle. Of the hundreds of thousands enrolled in sports schools in China, only 396 made it to this year's Olympic team. Their singular goal: to win gold. Anything less amounts to losing.

Due to a public outcry, China has recently begun to give some recognition to its silver and bronze medalists. Asking them to join the gold medalists during their post-Olympic "victory lap" in Hong Kong would be a good start.

The gold medalists will also be rewarded with cash, cars, apartments and positions arranged by the government. After the 2008 Olympics, for example, each received US\$1,000 from the General Administration of Sport; nothing was announced for the silver and bronze winners. When the gold medalists visit Hong Kong, local tycoons give them more goodies. Raised only to excel in their sport, most have no marketable skills. The government has yet to come up with an official plan to address the needs of retired athletes.

You only hear about the few who do move on to a viable future: Li Ning (李宁), the winner of six medals in gymnastics (three gold) in the 1984 Olympics, who built a sportswear empire; Deng Yaping, who won four table-tennis golds in the 1992 and 1996 Olympics, then went on to study at Tsinghua University and later earned a doctorate at Cambridge in Britain.

But the majority struggle to make a normal life. Weightlifter Cai Li, a gold medalist at the 1990 Asian Games, could only find a job as a security guard and died in 2003 from causes related to years of hard training. *The China Sports Daily* has estimated that 80 per cent of China's retired athletes suffer unemployment, poverty or health problems from overtraining.

So what's behind the Chinese state's fixation on gold? A comment by Chinese Olympic Committee president Liu Peng is revealing. He told the London-bound national team to do their best as a contribution to the Communist Party congress later this year at which China's new leadership will be unveiled. The Olympic spirit is reduced to confirming the party's hold on power. China's sports system is organised to win gold medals not for the athletes, or even for Chinese citizens, but for boosting nationalism and the legitimacy of the ruling party.

Tom Yam is a Hong Kong-based management consultant. He holds a doctorate in electrical engineering and an MBA from the Wharton School of the University of Pennsylvania

## Government must not allow politics to get in the way of a good education

The protest rally organised by secondary school students, parents and the Professional Teachers' Union against the introduction of national education in local schools attracted over 90,000 people last Sunday, according to the organisers' estimate. The turnout was much larger than expected.

The protest was notable for the less prominent involvement of political and grass-root groups. Even the outspoken union, one of the organisers of the march, seemed to have taken a back seat as students and parents who took their young children with them led the rally.

The mostly middle-class protesters are seriously concerned about the introduction of national education courses in some primary schools next month. They criticised the plan as a brainwashing exercise and demanded that the government scrap it immediately.

I have warned that the controversial subject of national education would almost certainly touch a raw nerve among middle-class parents because they fear it will erode their much-cherished core values and affect the future of their children.

It's not hard to see why. Introducing propaganda to primary schools amounts to brainwashing impressionable young minds, which is horrifying. Parents are merely following their natural instincts when it comes to protecting their children and their future. There's no way to convince parents to compromise and allow their children to be used as guinea pigs.

Unfortunately, the government appears unmoved by it all and

**Albert Cheng** says Hong Kong officials have clearly been given the task by Beijing of brainwashing our young in the run-up to the introduction of universal suffrage



insists on pushing ahead with the plan.

Chief Secretary Carrie Lam Cheng Yuet-ngor tried to play down the controversy by saying that the Education Bureau will set up a committee with broad representation to monitor the implementation of national education.

Meanwhile, Chief Executive Leung Chun-ying, who had remained silent on the issue, finally commented on it on Monday. He said the bureau would upload some of the teaching material onto its website so that the public can better understand the curriculum.

He stressed that launching national education was not a political task of this administration, but a leftover policy of the last one. He further reassured the public that this policy will be rolled out over three years and that the government will not unilaterally push ahead without public support.

But, without a doubt, the introduction of national education is a political task. It's obvious that there is a hidden agenda, which is to begin indoctrinating the young in preparation for the introduction of universal suffrage for the chief executive election in 2017, and legislative elections in 2020.

With national education being rolled out on a voluntary basis in primary schools this year and in

secondary schools next year, young voters will be programmed to blindly support pro-establishment candidates in the elections. The subject will be compulsory at the primary level by 2015, and at the secondary level by 2016.

The central government is determined to change the political mindset of Hong Kong people.

If it's not a political task, why hasn't the administration shelved the plan for good? By saying that the plan will be rolled out over three years, Leung is hoping the public outcry will eventually die down.

Lam insulted our intelligence by saying that the monitoring committee will have broad representation. Everyone knows that the real representatives are parents and students and obviously they will not join it. So it's clear that the only members are those who support the plan. This committee is a waste of time. In the end, the plan will be forced on students with little consultation or compromise.

So far, the government has done little to placate parents' fears. The outcry will only intensify. Teachers plan to boycott lessons while students are trying to garner more community support. They seem determined to take on the government and fight a long battle.

Meanwhile, the government has pulled out all the stops to counter the opposition by applying pressure

on teachers, parents and students. It tried to discredit some of the parent representatives by claiming they had politicised an educational issue. Even more revolting was its questioning of the source of donations in support of the students' campaign.

It's clear that the tens of thousands of people who took to the streets to denounce the plan have the support of many others. The government must heed their demand and scrap national education.

The introduction of national education aims to boost knowledge of mainland China and enhance a sense of patriotism. It's a practice that's not uncommon in other countries and it's something that should be encouraged if it's done properly, with correct information being provided for the curriculum.

Building a sense of national unity and patriotism is not merely about educating young minds about the achievements of a country and covering up its dark history.

To inspire our young people towards patriotism and produce honest young citizens, we must be honest about our country's past.

The last thing we want is a national education that degrades our education system.

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## Hong Kong courts disaster with culture of opposition

**Lau Nai-keung** says national education uproar outs the city as a troublemaker

With the anti-national education campaign on a rampage and half of the new government busy defending the curriculum, any objective observer will easily come to the conclusion that launching national education in Hong Kong schools is a fool's errand.

It would be like expecting Muslims to teach the Bible in an Islamic country with the objective of enabling the students to view Christianity critically. No Christian could be converted this way, if, from primary one, children were taught that they should take Genesis with a pinch of salt.

After so many concessions as to totally disable the original objective of national education, Hongkongers still find it blasphemous, call it brainwashing and want to get rid of it. This is how ridiculous things are getting here 15 years after the handover.

This absurd situation is clearly unsustainable. Like McCarthyism and Nazism, such populist fervour will disappear, but the process may take as long as a decade and will be excruciatingly painful, leaving behind a gaping wound.

There are only a handful of scenarios for Hong Kong, a tiny administrative region within China. The first one is what is happening now, with the central government keeping a benevolent eye on the ongoing madness and reaching out with a helping hand when needed. But this happy state will not last.

In fact, it will soon end, as both the internal and external

environment of the country dictate it must. The mainland is going through its most difficult period of transition since the opening-up policy was implemented in 1978. It will have to make drastic changes in response to both internal and external challenges.

In this respect, Hong Kong is not helping. It has become part of the problem and is posing as a springboard for external threats to

internal and external pressures and that this development will be good for Hong Kong. This is the common basic premise among our dissidents and is the rationale for distancing Hong Kong from the mainland.

They argue that an effective firewall between Hong Kong and the mainland will insulate us from any political and economic disruptions and guarantee our prosperity.

This has happened many times in the past and our dissidents believe the same pattern will play out again. All they have to do is foster such a trend and hasten its development.

Let us not forget that China is such a vast country that it took the much weakened Qing dynasty 70 years to crumble after the first opium war in 1842. Now that China is in the ascendancy, any regime change would take much longer.

In the interim, Beijing would inevitably fight back, and if Hong Kong were actively taking a leading role as troublemaker it would bear the brunt of the retaliation. Hong Kong would be the first to suffer should anything bad happen to the mainland.

The lesson of the story is, if Hong Kong continues along its present pathetic path, no matter what happens on the mainland, it will bode ill for Hong Kong. It is up to Hongkongers to collectively steer clear of disaster.

stir internal troubles. The central government will be forced to deal with Hong Kong in a way drastically different from before.

Should China come out of the present storm unscathed, it will soon grow to become the No 1 economy in the world and will not have to entertain the feelings of the United States and the rest of the West. Economically, Hong Kong will then become much more dispensable. Unless it changes its attitude, it will surely be marginalised and wither.

Some harbour wishful thinking that the mainland will sink under

**Beijing will be forced to deal with Hong Kong in a way drastically different from before**

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