



PROSPERITY AND DEVELOPMENT IN THE MIDDLE KINGDOM

Reflections on a Tour of China's Modern Economy

Daniel Lincoln

TABLE OF CONTENTS

Introduction	3
Beijing	4
Nanjing	9
Hangzhou	12
Shanghai	15
Looking Forward: Opportunities and Challenges for Canadian Businesses and Investors in China	19
About the Author	23

INTRODUCTION

Throughout human history, several significant events have caused tectonic changes in the dynamics of global economic development. One is immediately reminded of the European colonization of the Americas and its permanent transformative effect on global commerce, or the Industrial Revolution, which led to the rapid rise of Western economies and the resulting paradigm shift in economic development throughout the world. In more recent times, however, an event of no lesser significance than these universally famous examples has taken place, and continues to take shape, influencing the nature of the world we inhabit today - that being the rise of China.

Indeed, since Deng Xiaoping's decision to embark on a mission of "Reform and Opening Up" following the Third Plenary Session of the 11th Central Committee of the Chinese Communist Party (CCP) in 1978, China has seen itself transform rapidly from a nation impoverished and isolated during the infancy of the People's Republic to an indisputable centre of the global economy. China established itself as the manufacturing powerhouse of the world, ushering in an era of substantial prosperity for the country. As China amassed wealth through its status as the "world's factory", it increasingly invested in creating a highly sophisticated and diversified economy, which is a process that is still continuing today. The developmental trajectory that China has embarked upon has solidified its position as one of central nodes of the global economy and led to a monumental reconfiguration of the world's wealth, leading to the increasing shift of economic gravity from the developed world to developing and emerging markets, chief among them China.

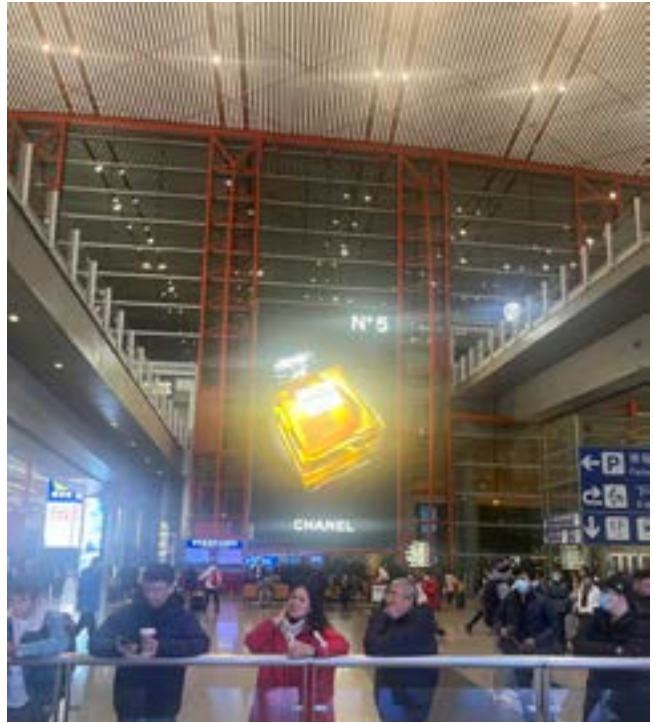
While one may marvel at this still-developing chapter of human history from afar via the vast literature on China's rise and the media's ceaseless attention paid to it, one cannot truly appreciate it fully until they visit China. In December 2023, along with several other Canadians, I had the privilege to visit China and bear witness to the dynamism and resilience of the Chinese economy. This tour, organized by the Canada China Business Council (CCBC) and Chinese People's Institute of Foreign Affairs (CPIFA) showcased four centrepieces of China's economy - the cities of Beijing, Nanjing, Hangzhou, and Shanghai. I left the country with an even deeper appreciation for the ancient culture and history of China, and the things I saw there have left an indelible impression on me and continue to shape my analytical approach in studying modern China. In sharing my observations, I wish to relay two highly important themes for businesses and analysts who are observing developments in the Chinese economy: firstly, China's economy is far more resilient, dynamic, and fast-moving than often appreciated in the West; and, secondly, the Chinese market offers a wide array of both short- and long-term opportunities for Western businesses and investors.

BEIJING

Immediately when one arrives in China's capital city of Beijing, they are greeted by a testament to China's meteoric economic growth - the Beijing Capital International Airport. This massive complex, characterized by a futuristic architectural style and populated extensively with stores of luxury brands such as Gucci and Chanel, from the very get-go displays to visitors the great wealth that China has amassed in recent decades. As I passed through the airport, I was reminded of an anecdote I had been told by "China hands" (that is, those foreigners who have gained extensive expertise on the country) with decades of experience in the country: until the 1990s, the Beijing Capital International Airport was quite small, and when expansion projects started in the late 1990s and 2000s, they thought that such undertakings were unjustified given the relatively small amount of traffic that transited the airport. In other words, even highly experienced China experts that I know were surprised by the breakneck speed of China's economic growth, and the Beijing Capital International Airport stood as a reminder of this as soon as I touched down in the city.

As we drove into Beijing from the airport at nighttime, I was drawn in by yet more imposing reminders of the country's economic development. Intricately designed skyscrapers, lit up in various neon colours, reached into the sky, with some even surpassing the clouds. The feeling of power, wealth, and energy was palpable as we entered Beijing and traversed its sprawling streets, and that impression remained with me for the duration of our time in the capital of the People's Republic.

Following a night of restful slumber, we set out to visit the headquarters of Chinese e-commerce titan JD.com (known in China as Jingdong). As a Westerner, when I often imagine a corporate headquarters, I envision a large skyscraper in a downtown core. However,



Beijing Capital International Airport on the night of our arrival - the massive advertisements for Western luxury brands immediately reminded me of China's wealth and deep interconnectedness with the world economy.

JD.com's headquarters - which the company's tour guides aptly described as a "campus" - was in fact a massive network of many large office buildings which occupied a significant tract of land within Beijing, thus demonstrating the considerable size and success of the company.

As we were guided through the large marble-adorned lobbies of JD.com's campus amid armies of workers commuting between its buildings, the company's tour guide informed us of its history, achievements, and ongoing activities. Essentially acting as a Chinese version of Amazon, JD.com is one of the leaders of China's burgeoning e-commerce industry, with a staggering 1600 warehouses and 600,000 employees acting as part of its network throughout the country. One factor that has led to JD.com's success among Chinese consumers is its commitment to never sell counterfeit merchandise, as it only offers authentic items from famous brands, thus magnifying its credibility and popularity in the Chinese market. One facet of JD.com's operations that was highlighted to us that has great significance for Canadian businesses is the "national suite" feature on their website. "National suites" are essentially a section of the e-commerce giant's website that allows Chinese



As the enormity of JD.com's campus was impossible to capture in a single picture, this model of the campus in one of the building lobbies portrays part of the company's offices, undeniably a point of considerable pride for them.

customers to browse for items that are specifically from certain countries. The “national suites” of Western countries, such as France and Canada, attract significant attention from customers, as products from them are synonymous with high quality and luxury in the minds of China's vast - and still growing - middle and upper classes. Canada's “national suite” features items such as Inniskillin ice wine from British Columbia, Coureur des Bois maple whisky from Quebec, and, naturally, Canada Goose jackets, which are a ubiquitous fixture of everyday fashion in Chinese city centres.

It is interesting that Chinese consumers should seek products due to their country of origin, a concept not entirely foreign to Westerners (just think of the hype among Western consumers for wine specifically from France, for example), yet clearly more important in China, as few analogous services exist on Western e-commerce platforms. The privileged position that the “Canada brand” occupies in China was a recurring theme throughout our time in the country. One anecdote told to me by a CCBC representative was that amid the Meng Wanzhou incident in December 2018 (which led to a [low point in Canada-China](#)

[relations](#)), the Canada Goose flagship store in Beijing was scheduled to open just mere weeks after Meng's arrest in Vancouver. Chinese police were dispatched to the store for the grand opening, anticipating the possibility of nationalist protests against the Canadian brand. However, nothing of the sort happened, and lines of eager Chinese consumers circled the block to enter the store and purchase merchandise. This simply underscores the strength of the “Canada brand” in China, even amid substantial diplomatic tensions, and highlights significant opportunities for Canadian businesses wishing to take advantage of lucrative opportunities in the world's second-largest economy.



One of the spotless marble lobbies on JD.com's campus, flanked by the company's canine mascot.

Following our visit to JD.com, we engaged in sightseeing around the storied capital of the People's Republic. Of particular interest was a visit to the Nanluoguxiang area in the city centre - just a stone's throw from Tiananmen Square and the very seat of political power, the Zhongnanhai. The quaint alleys of Nanluoguxiang are lined with various shops selling everything ranging from antiques to street food, and the energy in the air was palpable. Indeed, in the late afternoon on a weekday, even amid uncharacteristically cold weather by Beijing

standards, the narrow walkways of the historic district were packed with people who were shopping. While undoubtedly China has encountered some problems stemming from slightly subdued domestic demand, the reality on the ground paints a very different picture than the [headlines in Western media](#) that imply that Chinese consumers are dramatically cutting back on spending.



One of the many bustling alleyways of Nanluoguxiang, typified by classical Chinese architecture and, on this chilly December afternoon, covered by a canopy of trees dusted by fresh snow from the night before. by the company's canine mascot.

As an adventurous person, once the evening arrived, I was unable to simply sit in my hotel and rest - I was impelled by my wanderlust to leave the hotel on my own and explore the streets of Beijing. Beijing at night time is a special experience, as you go from nightclubs, to noodle shops operating in the middle of the night and packed with groups of friends, to the skyscrapers that are visible throughout the entirety of the capital. While my hometown of Edmonton,



A patriotic and joyful snowman greets pedestrians on one of Nanluoguxiang's winding streets.



The Drum Tower of Beijing (in Chinese, 鼓楼 (Gǔlóu)) as seen from the area of Nanluoguxiang, a marvel of traditional Chinese architecture dating from 1272 during the Mongol-led Yuan dynasty, back when Beijing was not known by its current Chinese name, but rather by the Mongol name Khanbaliq.

Alberta is often very quiet - if not deserted - in the middle of the night on a weekday, the back alleys and main thoroughfares of Beijing are heavily populated and, indeed, truly alive even in the middle of the night. Armed with only the most rudimentary Chinese skills - that is to say basic pleasantries and food items - I was a bit worried at first that much of the activities in Beijing on my own would be inaccessible to me, but the opposite was the case. I was able to go to restaurants and enjoy the city with no issues, and locals were extremely friendly and hospitable towards me. In fact, I finished my night in Beijing with a midnight snack of Korean barbecue and Russian beer in a restaurant that was filled just as if it were lunchtime - something that would be difficult to experience in my home city.

Upon independently exploring Beijing, I was filled with a feeling that China is not what I had been led to believe it was throughout my life in the West. Despite undeniable concerns regarding China's non-democratic governance model, far from a restrictive, totalitarian, and insular society, I saw with my own eyes a lively, dynamic, and immensely welcoming society. Even as a professional China analyst, I often read about widespread [growing nationalist sentiment](#) and hostility to foreigners, yet, an obvious foreigner such as myself who speaks little Chinese was treated warmly and hospitably by strangers as a guest.

The following morning, as we set out to depart our Beijing hotel to travel south to China's former capital city of Nanjing, we made a detour to first visit the historic Temple of Heaven complex in Beijing. This massive piece of land in central Beijing, filled with some of the most notable landmarks in all of China, was truly a delight to visit. Originally constructed in the 15th century during the Ming dynasty, the complex contains many temples devoted to deities of Chinese traditional religion, and acted as a site of grand imperial processions for centuries. In addition to this, the Temple of Heaven complex witnessed some of the most consequential events in Chinese history, and contained evidence to this day of the centuries-long formation of the Chinese nation. For example, the complex acted as the headquarters of a coalition of Western powers who occupied China in



Beijing's Central Business District (CBD) at nighttime, with its skyscrapers that reach into the heavens even so far as to be partially obscured by clouds, stand as yet another testament to China's rapid economic development.

the early 20th century, a period that has had a [lasting impact on the Chinese national consciousness](#). The Temple of Heaven complex also contained other subtle reminders of China's historical development, namely the centuries-old inscriptions over buildings in both Chinese and Manchu, the language of the ethnic group that led the final chapter of China's imperial history, the Qing dynasty. Seeing the two languages side-by-side throughout such a jewel of China's cultural heritage reminded me that China is not a "nation-state" in the way familiar to Westerners, who are informed by 19th-century theories of nationalism arising in Europe, but rather is the product of centuries - and, indeed, millennia - of collaborative development by numerous ethnic groups, thus forming a unified and multiethnic Chinese civilization.



The snow-capped roofs of the Temple of Heaven complex made for a unique and beautiful sight.

NANJING

The train ride from Beijing to Nanjing alone was a significant experience during our time in China. Practically all Westerners are aware of China's famous high-speed trains, but to experience it is an entirely different affair. It was remarkable that we were able to travel the over 1000 kilometres that lies between the two cities in a mere three-and-a-half hours. Furthermore the bullet train, which often reached speeds as fast as 300km/h, was extremely comfortable - indeed, one could hardly even feel the rapid acceleration or deceleration of the train as it entered and left stations along the line. This highly advanced form of transportation has also played a significant role in China's economic development, which is a large reason for the government's large investment in the country's extensive rail network. It has [increased the logistical interconnectedness of the country](#), allowing for the rapid and affordable transportation of human and physical capital alike. On the train, I imagined to myself that one could ostensibly leave Beijing at breakfast for an afternoon meeting in the country's financial hub of Shanghai and still have time to return home to Beijing for the night. This potential for human capital mobility has undoubtedly had a deep-reaching effect on China's economic dynamism and growth.

As the train progressed on its journey towards Nanjing, we traversed what one might term China's "countryside", although it is far from a countryside in the Western sense. Instead of vast open landscapes and small towns, as we see in Canada, the Chinese countryside on the country's densely populated and economically vibrant east coast is more akin to a never-ending urban expanse, briefly punctuated by smaller towns and industrial/power plants. This also speaks to China's economic development and continued potential for further growth. Indeed, urbanization is a great impetus for economic growth, and it was clear that China is very visibly highly urbanized - an observation [corroborated by statistics](#). However, it is also evident that further progress can be made in urbanization - which is a [major goal of the](#)

[CCP](#) - which in turn will lead to a greater growth of the Chinese middle class and economy at large, just as has happened in recent decades.

Upon arrival in Nanjing, Beijing's snow had departed us in China's "southern capital", yet the atmosphere of prosperity and dynamism that we experienced in Beijing remained. One major difference was that moreso than Beijing, amid the seemingly endless rows of skyscrapers and high-rise residential developments, there was a more obvious presence of older, traditional Chinese architecture.



A morning picture of a traditional-style Chinese garden in Nanjing, complete with intricately decorated pagodas and a serene little pond.

In Nanjing, we visited the local offices of WPIC Marketing and Technologies, a firm that helps Western businesses establish a presence primarily in China, but also throughout East Asia. The services provided by WPIC Marketing and Technologies - which was founded by, and continues to be staffed by many,

Canadians - are indispensable for many large Western companies that wish to establish a market presence in China, which is the [world's largest consumer market](#). Drawing on local expertise of market dynamics, pertinent laws, and cultural/linguistic skills particular to the locale of interest, WPIC essentially acts as a facilitator and aids in the continued market presence of Western firms in China. As evidence of WPIC's esteemed reputation and deep expertise, the firm has accrued a portfolio of many high-profile clients, including famous brands such as Lululemon and Ford Lincoln. However, the company also has many smaller firms on its client list, and provides them with the same services as their more well-known counterparts.

WPIC's company representative who talked to us also touched on the importance of e-commerce and the advantages that smaller Canadian companies can leverage in the Chinese market. In their capacity as a marketing firm, WPIC has the ability to advertise their Western clients' products and services in ways that are uniquely tailored to Chinese consumer behaviours. Namely, they leverage the culture of streaming, wherein famous online influencers are paid to advertise products, which in turn generates considerable revenue for businesses. This is a unique facet of the Chinese consumer culture, wherein people watch these streamers - who are essentially professional salespeople - for the explicit purpose of being advertised to; this contrasts with Western markets, where products are marketed in more subtle ways, such as product placement.

WPIC highlighted growing niche markets that they are helping smaller Canadian firms break into, such as beauty, health and wellness, and pet food. These industries are growing significantly in China, especially among the massive and ever-growing middle class, who are increasingly spending their disposable income on luxury goods to improve their perceived quality of life. Canadian goods, in particular, are highly coveted by such Chinese consumers due to their perceived high quality and reliability. WPIC has the infrastructure to allow such small firms to break into the lucrative Chinese market with great effectiveness,

which is a valuable service given the difficulties of breaking into an entirely new market, with its own specific characteristics and steep competition.

For the remainder of our time in Nanjing, criss-crossing the city across the Yangtze River, I was very impressed by how comprehensively developed the transportation infrastructure even within the city was. Several large bridges allowed for easy connectivity between central Nanjing and its surrounding subdistricts, and traffic was seldom an issue. Similar to China's extensive rail network, this stood to me as yet another tangible example of how much emphasis the economy's central planners in Beijing have placed on logistics and infrastructure in their decades-long mission to develop China's economy. Of course, this infrastructure investment has definitely slowed down in recent years due to diminishing marginal returns on further projects, but the infrastructure in place is omnipresent and illustrates yet another competitive advantage that China has over much of the world.

From the perspective of tourism, Nanjing is a spectacular city. The old city centre, which is almost entirely dominated by structures in traditional Chinese architectural styles, comes alive and is filled with people from all walks of life who are spending money on dinners, street food, and goods ranging from artisan jewelry to the Hànfú (in Chinese, 汉服), the ubiquitous traditional costumes of the Han Chinese. As an avid reader of history, Nanjing was an utterly fascinating city to visit, not only from the perspective of events that have occurred in the city over the ages, but also due to the pervasive feeling of Chinese culture that is imbued throughout the city. I also fell in love with a hitherto unknown local culinary delicacy, Nanjing salted duck, which I continue to buy from local Asian supermarkets back home in Canada (although it pales in comparison to the real deal).



One of the many small alleyways scattered throughout the old city of Nanjing, populated with shops of all varieties.

HANGZHOU

Just a mere hour away from Nanjing lies Hangzhou, the next destination on our tour of this major heartland of the Chinese economy. The feeling in Hangzhou was very laid back, which became apparent as soon as we departed the train station, as we were greeted by extremely pleasant weather and lush greenery. Indeed, Hangzhou is filled with beautiful natural scenery that gives it something approximate to the appearance of a resort town throughout much of the city.



Hangzhou's semi-tropical and relaxed atmosphere stood out compared to the other cities we visited.

I believe, as I have already stated, that many Westerners, when they imagine China, envision a cold and hostile place that is overpopulated, dirty, and dominated by what essentially amounts to an Orwellian police state. Although no polling exists regarding such specific characterizations people may or may not make of China, my anecdotal experience living in the West aligns with this. Tellingly, currently only [13% of Canadians](#) and [19% of Americans](#) hold a favourable opinion of China. Despite the fact that China's non-democratic political system does differ vastly from Canada's governance model, traveling to places in China such as Hangzhou dismisses such overly bleak and pessimistic impressions. Not only does the natural beauty and atmosphere of Hangzhou lend itself to being similar to Hawaii or Vancouver Island, but the vivacious energy that permeates the city does not resonate with such stereotypes that often surround China in the West. Indeed, one sees that life in Hangzhou - and China as a whole - is remarkably lively and "normal", so to speak. Westerners are often led to believe that a [new Cold War has commenced between China and the West](#), and thus that China lies behind a proverbial "Iron Curtain", complete with the repression that typified life of the former Soviet-aligned Eastern Bloc of the 20th century. However, my experiences in Hangzhou - and throughout all of the cities we visited - did not align with this, even though there are also ubiquitous reminders of [China's comprehensive surveillance system](#) when one visits the country.

Hangzhou's semi-tropical and relaxed atmosphere conceals the fact that it is a major hotbed of Chinese economic growth, with the city being viewed as one of the most prosperous and livable cities in the country. Titans of Chinese industry have emerged from this colourful capital of China's wealthy Zhejiang province, perhaps most notably among them Jack Ma, the founder of the famous Alibaba Group. Our delegation

of visitors had the opportunity to survey some of the most dynamic and innovative firms based in Hangzhou, namely Tuya Inc., and Hangcha Group Co.

Arriving at the headquarters of Tuya Inc. in Hangzhou, one is immediately impressed by the sleek space-age design of the offices. We were greeted by a group of company representatives who eagerly explained to us in thorough detail what exactly they do. I must admit that while my educational and professional background is not technical in nature, Tuya's representatives did an excellent job of outlining the nature of their technologically advanced business.

While many foreigners think of the Chinese economy as primarily consisting of large factories producing cheap consumer goods for Western markets, Tuya challenges this assumption and indeed undoes it completely. Tuya primarily acts as an IT company, providing intelligent technological solutions to its clients through the development of highly advanced software, with a particular focus being placed on the Internet of Things (IoT). Although an explanation of IoT is beyond the scope of this report, rest assured that this innovative technology has a great impact on everything ranging from smart household appliances to the burgeoning digital economy, with the latter being a field that [China is making remarkable progress in](#). Tuya has expanded into many overseas markets, with its products and services available in nearly 200 different countries and regions around the world. Even in Canada, one can find Tuya smart appliances being sold by a variety of large domestic vendors, such as Canadian Tire and Home Depot. Indeed, Canadians - and Westerners in general - ought to be aware of the fact that China is no longer just a source of cheap goods such as toys and furniture, but a rapidly emerging producer of technologically innovative goods and services. Tuya Inc. stands as a shining example of this ongoing paradigm shift in the Chinese economy.

Following our visit to Tuya's offices, we switched gears towards a more traditional facet of the Chinese economy, that being heavy industry. Our next destination was Hangcha Group Co., a large producer of industrial vehicles. Founded in the 1950s in the



An infographic on a screen in Tuya Inc.'s headquarters proudly boasts to guests many of the major achievements that the company has made.

early days of the People's Republic, this former state-owned enterprise (SOE) is now a privately owned company that has established itself as a world leader in the production of vehicles ranging from forklifts to pallet jacks and airport luggage vehicles. Hangcha currently commands 8% of the global market share for trade in industrial vehicles, which illustrates their expertise and reputation in the industry. Hangcha has recently expanded into Canada, and one may find Hangcha vehicles being sold widely by vendors throughout our country; it is very likely that if you are Canadian, many items you buy in your daily life were placed on shelves by Hangcha's vehicles.

While Hangcha did initially seem to evoke the stereotypical "steel and iron" image of the Chinese economy, it became clear that the company is highly innovative and at the cutting edge of upgrading its vehicles to be environmentally friendly. Indeed, many of their new models do not use traditional combustion engines, but rather run on electric batteries. In this sense, Hangcha is part of the larger tapestry of Chinese industries that are focusing on green technologies such as lithium-ion batteries,

solar panels, and electric vehicles (EVs), with China becoming an indisputable global leader in such industries. As such, Hangcha, much like their counterparts in the EV industry like BYD Auto Co., are able to provide clients with electric-powered vehicles at a highly affordable price. Canadian businesses could be wise to take advantage of Hangcha's products, given that they offer a low-cost and high-quality avenue of fulfilling many green transition requirements.



An outside view of Hangcha Group Co.'s head offices in Hangzhou, guarded faithfully by the ubiquitous stone statues of the imperial guardian lions (in Chinese, 石獅 (shíshī)).



The showroom of Hangcha Group Co., which displays some of the company's leading industrial vehicles, namely forklifts of various specifications.

SHANGHAI

Following our time in Hangzhou, we arrived in the legendary port city of Shanghai. China has countless cities that have attained fame throughout the world for a variety of reasons, but Shanghai undoubtedly ranks near the top. It is also arguably one of the most “Westernized” cities in the country, given its long history of settlement by people from across the European continent and the city’s enduring status as one of the world’s preeminent financial hubs. Indeed, a cosmopolitan feeling surrounds the city, and I encountered more foreigners on the streets of Shanghai than in the other cities that we visited. This contributes to a unique blend of European and Chinese cultures in the city. This cross-pollination of different peoples is evident even from the road leading into the city centre. I was shocked to see an imposing building off in the distance along the freeway which greatly resembled the Soviet-era palaces scattered around Moscow, complete with a large red star glimmering on the top of the structure’s central spiral that looked identical to the one perched at the peak of the iconic Spasskaya Tower of the Kremlin. My eye for architecture turned out to be correct, as I was promptly informed this was the Shanghai Exhibition Centre, which was fittingly known formerly as the Sino-Soviet Friendship Centre when it was built in 1955. This was just the first of many examples of Shanghai’s diverse history that I would see in the city.

Shanghai would be our final destination in China before returning home, and I was bursting with excitement to explore such a renowned metropolis. I imagined that Shanghai, as one of the world’s most populated cities, would be chaotic and even disorienting for someone such as myself, who hails from a modest city on the Canadian prairies. Yet, the city was remarkably orderly, and I never felt overwhelmed by my surroundings; on the contrary, as with all of the cities I visited in China on this trip, I felt very comfortable. It truly is no wonder that

businesspeople from all over the world settle in Shanghai - while they may be lured by ambitions of riches to be reaped from the city’s dynamic and globally integrated financial industry, many certainly stay due to the welcoming infrastructure and culture of the city.

On our first evening in the city, we visited what is arguably Shanghai’s most famous site, the Bund. Indeed, this legendary promenade along the Huangpu River acts as a monument to China’s modern history. The western side of the Huangpu is lined with grand buildings dating from the 19th and early-20th centuries that were built by different European powers, such as the Russians and English, during their partial occupation of the city prior to the founding of the People’s Republic in 1949. The opposite side of the Huangpu, directly across from these historic structures, tells the story of China’s ongoing revival and rise to prosperity, with sleek modern skyscrapers such as the Oriental Pearl TV Tower and Shanghai Tower dominating the skyline. In the Huangpu River itself, there is a seemingly endless procession of container ships in transit to and from the Yellow Sea, which acts as the port city’s gateway to international commerce. Indeed, this single site, with its breathtaking panoramas, impresses upon visitors a feeling of awe, as it displays many facets of China’s monumental transformation in recent decades. While Beijing left me with an impression of the considerable political power that modern China holds, Shanghai imparted onto me a tangible feeling of the country’s immense wealth.

Following our first night in Shanghai, the next morning we departed our hotel to visit the local offices of two Canadian companies - Clearwater Seafoods and Tim Hortons. Both of these businesses specialize in the food and beverage industry, and have adopted an adept business strategy that has allowed them to



The historic European architecture of the Bund, which tells the story of Shanghai's cosmopolitan and multicultural history.



A large container ship, one of many, traverses the Huangpu River, with Shanghai's modern financial district of Lujiazui and its iconic Oriental Pearl TV Tower in the background.

break into the Chinese market with great success. Lessons garnered from these companies are highly valuable for other Canadian firms that may be looking towards the massive Chinese consumer market as a lucrative opportunity.

Clearwater Seafoods specializes in fish and crustaceans caught in the waters of Atlantic Canada, with operations in many countries throughout the world. What makes Clearwater's business endeavours in China unique, however, is the degree to which they have adapted their offered products to the palate of Chinese consumers, as opposed to offering the same seafood that they offer elsewhere. For example, Clearwater has experienced great success in selling surf clams in China, a mollusk that features prominently in dishes such as sashimi and sushi, which are very popular among Chinese diners. It is worth noting that Clearwater, like many other Canadian brands offered in China, heavily leverages its status as Canadian to Chinese consumers due to the perception of Canadian imports being of high quality. This perception has actually been amplified with seafood in particular, as recent actions taken by the Japanese government vis-a-vis the release of wastewater from the devastated Fukushima nuclear power plant have caused Beijing to [restrict the import of Japanese seafood](#) on the grounds of safety concerns. Canadian seafood companies such as Clearwater have gained significantly from this development, as evidenced by [significant growth in exports of seafood from Canada to China](#) throughout 2023. Ultimately, Clearwater stands as yet another example of the great success Canadian firms can enjoy in China specifically via the competitive advantage they gain from leaning heavily into the "Canada brand".

Arriving at the Tim Hortons headquarters in Shanghai was a surreal experience, in the most positive meaning of the word. This is because, as Canadians, although we are aware of Tim Hortons having locations in many countries, we naturally view it as a uniquely Canadian restaurant; some might go so far as to even term it a national institution, acting as a major feature of modern Canadian cultural identity. To encounter a Tim Hortons in Shanghai of all places

was pleasantly surprising for me, as a Canadian who was starting to feel subtle pangs of homesickness in spite of the great degree of fun I was having. One feature of Tim Hortons in China is that, just like all Canadian businesses we encountered in China, they leverage their status as a Canadian brand very visibly as a means of marketing themselves to Chinese consumers. When you walk into the Tim Hortons flagship location on the ground floor of the tower the company's offices are in, the emphasis on Tim Hortons' Canadian heritage is made very apparent - designs in the form of a maple leaf and hockey stick-shaped door handles decorate the restaurant, and employees wear red-and-black checkered flannel shirts, evoking the image of the stereotypical Canadian lumberjack. The restaurant was quite busy, and I was told that going to Tim Hortons was viewed almost as a status symbol in China, with the restaurant being an attractive place for many to meet business partners.

Tim Hortons has experienced significant commercial success in China, with the company generating a record [US\\$221.9 million in 2023](#) in revenue, which represented an impressive 56% year-on-year growth. Just as with Clearwater, Tim Hortons has adapted its menu to appeal to the Chinese palate, leading to some surprising experiences for Canadians accustomed to the "original" menu at home. For example, the sweetness of practically all of the pastries has been decreased in accordance with Chinese preferences. However, many familiar items still exist, albeit under different names; for example, I was surprised that when I ordered a "cheesecake" flavoured coffee, I immediately recognized it by taste to in fact be what we know in Canada as a French vanilla.

Once our visits to Clearwater and Tim Hortons concluded, we had free time for the remainder of the day to explore Shanghai before we left for Canada in the morning. With a bittersweet feeling in light of our fast-approaching departure, I embarked on my mission to soak in as much of the city as possible before our flight home. Just as with the other cities we visited, Shanghai seems to be a city that never sleeps - arguably, it is in many respects a nocturnal city, as many famous areas of the city are seemingly far busier



Workers at the flagship Tim Hortons location in Shanghai wear lumberjack-style plaid shirts, thus emphasizing to consumers the Canadian heritage of the company - a clear asset in the Chinese market of today.



The lobby of the corporate offices for Tim Hortons in China proudly displays the Canadian maple leaf as soon as you enter, further illustrating the emphasis the company places on its Canadian origins.

at night than during the day. For example, Nanjing Road, one of Shanghai's largest shopping districts and pedestrian-only roads, was overflowing with people who were shopping in the street's many large department stores, leisurely strolling with friends and family, or simply enjoying the lively ambience on the street. In many respects, it felt as if I had encountered the Chinese counterpart of New York City's Times Square, adorned with its large crowds and flashing neon signs. Yet again, the enormity of the crowd and the constant traffic in and out of stores was a far cry from headlines of collapsing domestic consumption in China we have seen recently in Western media.



Nanjing Road at night, lined with a litany of large and luxurious stores.



Skyscrapers adorned with eye-catching neon lighting stretch into the foggy night sky in Shanghai's Lujiazui financial district.

LOOKING FORWARD

OPPORTUNITIES AND CHALLENGES FOR CANADIAN BUSINESSES AND INVESTORS IN CHINA

Economic forecasting is often a daunting task that can be flawed, leading to a common derision directed towards economists that they are [similar to astrologers](#) in terms of their ability to predict future events. While this is a significant hyperbole that unfairly discounts the empirically sound and technically complex process that economists employ in developing forecasts, the fact remains that forecasting is often inaccurate, and is not an exercise I intend to engage in in this report. Instead, I wish to finish my recounting of the tour I took of some of China's most prosperous cities with a summary of some trends that have potentially taken hold in this current stage of China's continued economic development, and my analysis of what I believe this means for Canadian businesses and investors moving forward.

Since at least [Q2 2023](#) following the abrupt and unexpected end of China's zero-COVID policy, headlines around the world have been dominated with [pessimistic appraisals of China's future economic prospects](#). It is true that the Chinese economy's post-pandemic recovery has been uneven, and that the CCP's economic planners are confronted with several structural macroeconomic challenges that need to be addressed. The consequences of decades of debt-driven infrastructure and real estate investment have manifested in the form of [highly indebted local governments](#), a [beleaguered property sector](#), and [suboptimal domestic consumption](#). Furthermore, troubling demographic trends place pressure on the Chinese economy in the longer term, as [the country is rapidly aging](#), which in the future will contribute to a smaller workforce that is working to support the needs of a large population of senior citizens. Finally, China's current external environment is characterized by significant geopolitical tensions with many Western countries, which has in turn [led to pressure on trade ties](#) with increasing calls for Western countries to

“decouple” from China and [reshuffle their commerce towards](#) other developing countries.

Chinese policymakers are not acting as passive bystanders to these developments and have been developing strategies that are intended to not only address these challenges, but further to create a new paradigm that will, they hope, ensure China's continued prosperity, growth, and security. While many of these policy plans have been met with understandable skepticism by certain Western analysts, the fact remains that some of such policies have already started to bear fruit. Furthermore, the broader dynamics and trends that will likely shape the global economy for decades to come could be quite favourable for China in the long-term, thus challenging the doomsaying that is so pervasive in media coverage of the Chinese economy at the moment.

For decades following the beginning of “Reform and Opening Up” in 1978, the general formula that the central economic planners in Beijing applied to accomplish their development goals was to invest heavily in manufacturing and infrastructure, thus allowing China to become the “world's factory”. This strategy yielded significant dividends particularly in the first decade of the 21st century, when China attained an average GDP growth rate of around 10% per year. This process was facilitated further by China's 2001 accession to the World Trade Organization (WTO), which opened up global markets further for the country and allowed it to more efficiently pursue its export-led growth model.

Three developments in recent years have contributed to these traditional engines of Chinese economic growth becoming largely obsolete, which in turn has prompted policymakers in Beijing to recalibrate and reorient the country's economic development strategy to be more sustainable in the long-run. Firstly, it was

only a matter of time before debt-driven investment in infrastructure would [become unsustainable](#), partially due to diminishing marginal returns on investment. As one China expert told me on my trip to the country, it makes economic sense to build several bridges to reduce transit times and increase logistical efficiency in a given city; however, at a certain point, with every additional bridge, the return on investment decreases, until further such investment is no longer viable. Secondly, [rising wages](#) that naturally accompanied China's growing wealth made the country less attractive for the outsourcing of cheap manufacturing to the country, as when the cost of labour inputs rise, profits decrease as a result. Such manufacturers have increasingly turned to other emerging economies near China such as Indonesia and Vietnam to fulfill their purposes as the [cost of labour is lower there](#). Thirdly, exporting to wealthier developed countries is not as viable as it once was amid heated trade disputes and a global geopolitical landscape increasingly fraught with conflict and tension. These changes are likely quite permanent, and Beijing has had to respond decisively as a result.

Anyone who watches developments in China closely would likely recognize several catchphrases that the CCP leadership has used extensively in recent years to succinctly encapsulate many of their ambitious policies meant to confront this changing landscape - for example, "high-quality development", "the new three", and the "dual circulation strategy". Some Western observers dismiss these terms as empty and superficial in nature, but the fact is that considerable substance lies behind them and the policies that they encapsulate could quite possibly accomplish Beijing's goals of ensuring sustainable future growth.

["High-quality development"](#) roughly describes the Chinese government's overarching goal of transforming the developmental paradigm from a focus on obtaining the double-digit growth rates that the post-1978 period often saw towards ensuring economic growth that is sustainable, secure and reliable in the long term. Naturally, this contains an implicit concession from the government's central economic planners that there essentially exists an

inevitable trade-off between the staggeringly high growth rates of yesteryear and the development of an economy that achieves sustainable growth moving into the future. This initiative is a realization of the fact that the environment Beijing has found itself in for the last several decades is completely changing, and thus that adaptation is necessary for continued growth and prosperity. In particular, two major pillars of broad-sweeping policy initiatives that the CCP has put forward to achieve such "high-quality growth" are: 1) an increasing emphasis on boosting domestic consumption while simultaneously diversifying its international trade ties away from those countries it has diplomatic tensions with (i.e., the "dual circulation strategy"); and, 2) massively increasing investment in innovation and manufacturing of emerging technologies of tomorrow that will prove indispensable and thus highly lucrative as the world undergoes its green transition, namely electric vehicles (EVs), solar panels/cells, and lithium-ion batteries (i.e., "the new three").

Before examining "the new three" and the "dual circulation strategy" in more detail, it is worth noting what the omnipresence of "high-quality development" in official statements by the CCP as of recent means for those who are trying to understand China's current economic trajectory. Many headlines these days [portend dark days ahead](#) for the Chinese economy because it is not performing up to the standard of the baseline of the era when it would regularly showcase double-digit annual growth rates. However, several elements of the logic underpinning these arguments put forward in the media are dubious. Firstly, it is quite normal in economic history for [countries to experience slower growth over time](#) as they grow richer given that the returns on increased investment gradually diminish. Secondly, it is not as if the Chinese economy has contracted or is in a recession as it is [commonly defined in economics](#); China exhibited an [annual GDP growth rate of 5.2% in 2023](#), even while facing substantial economic headwinds. Thirdly, in a similar vein to the preceding point, the International Monetary Fund (IMF) predicts growth in the Chinese economy to slow until at least 2028, at which point they [forecast a growth rate of 3.4% in that year](#). While this is seemingly an economic disaster if one

were to compare the China of today with the China of the early 2000s, in a contemporary global context, this is far from the case; compare, for instance, this figure with the [contraction of -0.3%](#) that the German economy experienced in 2023, or the [American GDP growing by 2.5% last year](#). When compared with its peer economies, it is clear that the Chinese economy is far from collapse despite the challenges it undeniably faces at the moment. It stands to reason that the analytical lens that many observers are approaching the Chinese economy from is flawed. Finally, some Western analysts have asserted that “high-quality development” is a mere discursive trick employed by the CCP to make it appear as if they are embracing low growth rates as a means of not losing their legitimacy with the Chinese people, which is largely tied to ensuring economic prosperity. While this argument may seem compelling at first, it must be mentioned that [President Xi Jinping publicly acknowledged](#) in 2017 that the Chinese economy would enter a new developmental trajectory that will be characterized by slower quantitative growth, and implored policymakers to work to ensure that China smoothly transitions to this paradigm shift. In 2017, the [Chinese economy grew by an impressive 6.9%](#), so it can hardly be argued that the CCP was at that point in time referring to the future reality of slowing growth as a duplicitous means of justifying their governance. Canadian business and investors ought to be aware of these nuances when assessing the current state of the Chinese economy and making decisions based on their analyses.

As the world places increasing importance on the adoption of green technologies in the fight against climate change, China has invested heavily in becoming a leader in the development and manufacturing of such technologies, namely electric vehicles (EVs), solar panels/cells, and lithium-ion batteries. These three industries are referred to as “the new three” by the Chinese government and have assumed a position of great significance among Beijing’s economic policymaking circles, with CCP economic planners viewing them as a major engine of future Chinese economic growth, particularly in the field of exports. This policy has already yielded significant dividends, although it has

also attracted substantial blowback from many of China’s major trading partners, namely those in the West. Chinese exports of EVs, solar panels/cells, and lithium-ion batteries have experienced considerable growth in recent years, [with output of “the new three” collectively growing by 30% in 2023](#). China’s dominance in the EV sector alone has positioned it as the [leading global manufacturer of automobiles](#), dethroning long-standing industry heavyweights Japan and Germany. Nonetheless, the Chinese government’s policy of subsidizing firms producing “the new three” has led to what [many analysts have termed as overcapacity](#). This has prompted some of Beijing’s top trading partners, such as the US and the EU, to launch anti-dumping and [anti-subsidy investigations into Chinese hi-tech exports](#) - with EVs in particular drawing the ire of lawmakers in these jurisdictions - leading to tariffs on many Chinese “new three” exports. Canada is currently also investigating Chinese trade practices surrounding EVs, and [it is quite likely that Ottawa will enact similar tariffs](#) against Chinese EVs. Nonetheless, China’s highly integrated global supply chain in conjunction with the relatively cheap price of Chinese EVs means that the country will be able to continue to export its EVs to other countries, particularly those in the Global South, meaning that the ongoing trade dispute between China and Western countries is [far from the end of the burgeoning Chinese EV industry](#).

On the topic of trade disputes, the advent of China’s [“dual circulation strategy”](#) is intimately tied to Beijing’s desire to decrease the national economy’s dependence on export-led growth. Indeed, in the wake of the US-China trade war that occurred during the Trump administration, the CCP leadership realized that they need to become more self-reliant in future economic growth, particularly by boosting domestic consumption. However, this should not be interpreted as the Chinese economy closing itself off from the outside world and embracing a policy of autarky - the “dual” element that the strategy entails refers also to trade with the outside world. It’s just that China wishes to place greater emphasis on the domestic consumption element of economic output moving forward, as it is far more predictable and stable than export-led growth models, which is evidenced by

recent developments in Beijing's commercial ties with many Western countries. There is great potential for Chinese domestic consumption to increase. For example, China currently has an [extremely high household savings rate](#), among the highest in the world; a key objective of the government at the moment is to unlock these savings to increase domestic consumption. While this high savings rate is a challenge in and of itself, it does not negate the fact that Chinese consumers, at least theoretically, have the means to increase their discretionary spending. Furthermore, China's continuing urbanization will increase incomes as more people move from rural areas to the economically vibrant cities around the country. Currently, the hukou household registration system is an obstacle to this, but many highly esteemed Chinese economists that consult directly with the government have [called for the hukou system to be relaxed](#) as a means of spurring further economic growth via urbanization.

China's growing emphasis on "dual circulation" has also been buttressed by its increasingly diversified international trade portfolio. In its efforts to decrease dependence on Western markets while also not sacrificing its ability to export vast amounts of goods, Beijing has invested heavily in fostering commercial ties throughout the Global South, which includes well-known policies such as the Belt and Road Initiative (BRI). This is not a mere hypothetical that lies on the horizon; indeed, China has seen its trade with developing economies grow astronomically in recent years. For instance, [in the first two months of 2024](#), as exports overall grew annually, shipments of Chinese goods to the US and EU shrank while they simultaneously experienced significant growth in emerging markets such as India, Vietnam, and Indonesia. Furthermore, outbound Chinese investment to Indo-Pacific markets [increased by 37% in 2023](#), further highlighting the extent of Chinese economic interests in the region. China's [substantial integration into Asia-Pacific supply chains](#), in conjunction with its deep ties throughout the Global South (particularly in Africa, the Middle East, and, increasingly, Latin America) means that the country has secured numerous future markets for its exports. It must be noted that [the rapidly growing wealth of](#)

[the Global South - especially in the Indo-Pacific region](#) - means that China could enjoy significant growth opportunities via trade ties with emerging markets for decades to come.

As outlined above, it is clear that China has taken concrete steps to ensure it has the opportunity to take advantage of rapidly changing domestic and international dynamics and continue on its path towards prosperity. While this indicates significant opportunities for Canadian businesses and investors looking to expand into the Chinese market, it must be reiterated that none of these factors weighing in China's favour are guaranteed to bear fruit. The Chinese economy is still confronted by significant short- and long-term challenges that are exerting negative pressure on its growth prospects. Nonetheless, the ambitious policy trajectory that Beijing's central economic planners have sketched must be taken into consideration by those attempting to ascertain the lay of the land in modern China, as these policies are not simply empty rhetoric.

Beyond current macroeconomic headwinds in China such as the faltering real estate market and subdued domestic consumption, complex challenges unique to foreign investment and business in China also exist. For example, Beijing's recent [preference to prioritize security over economic freedom](#) has hampered the activities of domestic and foreign firms alike. The CCP under Xi Jinping has raised the issue of national security to a position of primacy on the policymaking agenda, with ["anti-espionage" legislation](#) being enacted that has led to recent [raids on foreign due-diligence firms](#). This has led to the perception among many foreign businesses that their operations in China could be hindered by the country's state security organs; this, in conjunction with the ongoing economic challenges facing the country, has likely contributed to [2023 seeing the lowest level of FDI inflows into China since 1993](#). Naturally, [business concerns regarding geopolitical risk](#) also figure prominently. Furthermore, many foreign investors are hesitant to invest in China not only due to concerns regarding developments in the country itself, but also because of [increasing scrutiny that investment in China is facing](#) from the media, government, and

civil society in much of the West, largely stemming from national security and human rights concerns surrounding the CCP's governance.

These are highly complex issues for foreign businesses and investors to navigate. However, regarding the concern of Beijing's increasing securitization of the economy, the CCP has sent [signals in recent high-level communiqués and meetings](#) that they want to take steps to increase the country's attractiveness to foreign investors. Such efforts are being spearheaded by Premier Li Qiang, who is nominally responsible for managing the country's economy, and is also viewed by many observers as a champion of furthering pro-market economic reforms. Nonetheless, analysts posit that it is [unlikely that Xi will decide to let national security take the back seat](#) in favour of deeper "reform and opening up", especially amid deteriorating relations with the country's geostrategic competitors in the West.

The Chinese economy, like practically all facets of modern China, is extremely dynamic and fast-moving. For this reason, it is very difficult for many observers to keep properly abreast of developments in the country's economy. Nonetheless, it is also clear that the Chinese economy, despite the challenges it currently faces, also offers many opportunities. This is clear from both the perspective of the long-term factors that are in China's favour, and from the perception Chinese consumers have of Canadian products, as outlined earlier in this report. Therefore, China still renders significant opportunities in the short- and long-term for Canadian firms and businesses looking to expand into the world's second-largest economy, and it would be short-sighted and mistaken to write the country off as a whole. Any visit to China, such as the one I had the opportunity to participate in, makes this very clear.

ABOUT THE AUTHOR



Daniel Lincoln is a Policy Research Analyst at The China Institute at the University of Alberta, which is Canada's largest independently funded think tank devoted to the study of China. Daniel holds a BA With Distinction and Certificate in Globalization

and Governance from the University of Alberta. His research focuses primarily on Canada-China trade, Chinese international investment, the emerging leadership role of China in the Global South, and great power competition between the US and China.

The views expressed in this report by Daniel Lincoln are solely representative of his personal opinions, and do not necessarily reflect the views of his employer, The China Institute at the University of Alberta.