

III TRADE

Ottawa seeks Chinese investors

Agreement would protect businesses in both countries, provide legal standing

BY PATRICK BRETHOUR, CALGARY
AND STEVEN CHASE, OTTAWA

Eager to promote Chinese investment, the federal government is preparing to forge a wide-ranging pact with Beijing that will lay the foundation for investments in the energy sector and other key areas of the Canadian economy.

Ottawa quietly began negotiating a foreign investor promotion and

protection agreement with China during talks in Beijing this fall. Such an agreement would take trade relations to a new level because it would safeguard the rights of investors in each of the countries, giving them the legal standing as domestic businesses.

It is part of a push by Prime Minister Paul Martin — who visits China later this month — to increase Canada's share of direct foreign in-

vestment. "China has been identified as one of the key markets for Canada in terms of trade and investment over all," said Andrea Lanthier, press secretary to International Trade Minister Jim Peterson.

And the agreement comes as talks between Chinese and Canadian energy firms gain momentum, with Husky Energy Inc. being eyed by one state oil company, and pipeline operator Enbridge Inc. aiming to ink a deal shortly that could give a Chinese company a 49-per-cent ownership stake in a pipeline designed to carry crude from Alberta's oil sands to British Columbia — and across the Pacific. At the same time,

China is pursuing investment opportunities across the globe, with Unocal Corp. in the United States the target of a takeover bid from Chinese state oil firm China National Offshore Oil Corp., according to the Financial Times.

The Martin government's focus on China is part of its campaign to expand trade beyond the United States amid concerns that a string of recent free-trade deals signed by Washington is diluting Canada's special access to the U.S. market. China is Canada's second-largest trading partner with two-way merchandise trade of \$23.3-billion in 2003, up 16 per cent from 2002. Mr.

Martin leaves for Asia next week on a marathon trade mission to China, Japan and India. He is leaving earlier than scheduled, on Jan. 15, in order to visit tsunami-ravaged Thailand and Sri Lanka first.

According to The Wall Street Journal, China and Canada are close to signing an accord on investment in Canadian oil resources, which could be signed some time this month. However, an official with the Prime Minister's Office said he is not aware of any broad bilateral agreement on energy.

See CHINA on page B2

■ Chinese firm eyeing Unocal. B6

Officials fear declining foreign investment

CHINA from page B1

But the federal government is concerned about arresting a troubling, long-term decline in the share of foreign direct investment that Canada receives.

It aims to make it more attractive for emerging and mature economies to invest capital here.

"Canadian assets must be promoted to international investors

... in partnership with provinces, territories and municipalities," says a declassified July, 2004, briefing book for the Trade Minister's office that The Globe and Mail obtained under access to information law.

Senior trade officials have warned the Liberal government that Canada is facing an alarming decline in the share of direct foreign investment it receives — a threat to future job creation and innovation.

"Our share of world foreign direct investment has dwindled significantly over the past 20 years," the briefing book said, to 3.1 per cent in 2002, from 7.7 per cent in 1980. Canada's share of North American foreign direct investment has also fallen to 12 per cent in 2002, from 21 per cent in 1990.

With files from
reporter Dave Ebner