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CANADA CHINA
INVESTMENT POLICY FORUM
中加投资政策高层论坛

September 9, 2013
Beijing, China

Forum Summary Report
论坛总结报告

Forum Summary Report

September 24, 2013

By Ron MacIntosh, Research Fellow, China Institute

- The Forum, comprising of 140 representatives of business, government and the academic community, was welcomed by **Alberta's Associate Minister of International and Intergovernmental Relations, the Honourable Teresa Woo-Paw**, and by **Dr. Zhang Yuyan, Director of the Institute of World Economics and Politics, Chinese Academy of Social Sciences**.
- The Forum featured an address by **the Honourable Alison Redford, Premier of the Province of Alberta**, Canada as well as remarks on the progress of the Canada-China bilateral economic relationship by **His Excellency Guy Saint-Jacques, Canadian Ambassador to the People's Republic of China**.

Premier Alison Redford's Keynote:

- Premier Redford's key message was that Alberta is open for business and presents an excellent business environment in terms of resource endowments, innovation, labour force quality, and taxation.
- Nevertheless, policy development in the area of investment must continue to realize Alberta's resource development potential and of Canada-China trade and investment more broadly.
- The implications of recent amendments to Canada's Investment Canada Act will have to be followed closely to ensure Chinese investment is seen as welcome, and that both the clarity and certainty of investment rules are preserved. China's willingness to reciprocate access for Canadian firms will also be important in building the necessary confidence.

Scene-Setter Presentation by Mr. Simon Rabinovitch:

- A scene-setting presentation on recent Chinese economic developments was delivered by **Mr. Simon Rabinovitch, China Correspondent for the Financial Times**.
- Mr. Rabinovitch emphasised that recent trends in policy and in performance had to be understood. Not unlike the experience of other newly industrializing nations, China's days of double digit growth would give way to rates closer to 7-7.5 percent in the near term, and ultimately settle in the 5-6 percent range.
- Rebalancing to a greater accent on consumption over investment would be an evolutionary process and possibly not proceed as quickly as needed to relieve pressure on the financial system occasioned by rising debt levels.
- Slower growth in China would also follow labour force trends and waning rates of productivity growth.

Panels considered individual themes in the progress of the Canada-China investment relationship and the issues which require ongoing attention by both sides. Panel 1, chaired by Mr. Rabinovitch, looked at the Overview of Recent Investment Trends and Developments:

- Pressure was noted on Western multinationals in their early rush to China, which would now be on SOEs in building competitiveness as enterprises in a global setting. Faster approvals would be critical in this regard – as would enhanced reciprocity for Canadian firms in China.
- It was noted by a Chinese panelist that Canadian Investment in China lagged in comparison to other developed countries. Both sides need less politics, more strategy and better business performance, proven over time.
- Chinese investment in Canada can be mobilized through the variety of opportunities ranging from non-conventional oil deposits and plays (including uranium) as well as mining, forestry and financial services.
- Improved infrastructure is needed to reach non-US markets if new markets are to be successfully pursued.

- The importance of the Canada-China Foreign Investment Promotion and Protection Agreement (FIPA) was noted, although the FIPA still requires ratification in Canada.
- Chinese policies affecting investment have become more facilitative and market-oriented, with further easing of capital controls, interest rates and exchange rate flows.

Panel 2, chaired by the Honourable Stockwell Day, Senior Strategy Advisor with McMillan LLP and Canada’s former Minister of International Trade, considered the state of Investment Public Policy Dialogue – Canadian and Chinese Perspectives:

- Following a review by Mr. Day of relevant policy developments such as the “net benefit test”, Investment Canada Act amendments, the FIPA, competition policy, etc., the discussants remarked that, in relation to SOEs, it was perhaps less important who owned the company investing than that the company follow host country laws and standards.
- Canadians need a more nuanced understanding of Chinese SOEs today, and their evolution, particularly the overseas subsidiaries which operated much more on a commercial footing, with less subsidized access to capital, and with more sensitivity to costs of operating than commonly supposed.
- From China’s perspective the challenge of energy projects is such that only SOEs are large enough to participate.
- Canada is determined to diversify its energy market, especially due to higher US self-reliance. China appreciates Canadian political stability and its lower natural gas prices; nevertheless, shorter lead times on infrastructure and related projects is seen as essential for Canada to remain competitive.
- Just as Canadians fear SOEs as opaque in their governance and subsidized in their operation, China finds Canadian resource and investment policy complicated by the strength of Canada’s energy links to the US (including their estimate of \$13/bbl discount) and by federal-provincial, First Nations and NGO environmental issues. These circumstances can be seen as a “barrier” to added investment.
- The reality is that China is emerging as the world’s largest net importer of oil as soon as next year and that it would represent 22 percent of global energy consumption.

Panel 3, led by Dr. Indira Samarasekera, President of the University of Alberta, examined Challenges and Future Prospects, Including Energy and Environmental Issues:

- In addition to considerations of the broader economic setting, the performance of investments in relation to specific policy objectives - whether energy security for China, or sustainable resource development in Canada - would affect the degree of public acceptance of growing investment flows notably from Chinese SOEs where the politics remain “difficult”.
- Impressions of China’s economic weakening, moreover, are misleading. It was noted that a China growing at a more modest rate of 7.5 percent was still adding \$600 B in additional demand for the world economy much more than the \$200-250B in demand when it was growing at 10 percent a decade before.
- The pressure on commodity markets is overall trending upward.
- More Chinese investment in renewable would be welcome.
- China represents an opportunity for Canadian firms where carbon credits can be purchased.

Panel 4, headed by former Canadian Ambassador to China, Howard Balloch, on Business in Canada: The Practical Aspects – Best Practices, Cases and Experiences:

- Similar to performance on specific goals and objectives, well handled investments will close gaps in the public mind between fears and perceptions on one hand and actual experience on the other. They will demonstrate that the financial risks, while ever-present, can, with good strategy and planning, be managed successfully.
- Research was presented on a possible set of guidelines for best practices by Chinese companies operating in the resources sector, as a basis for benchmarking performance against local expectations.

- More Chinese investment in the renewable sector was seen as desirable, not only in oil and gas.
- One Chinese representative felt investments were treated fairly and equally overall but that costs (eg in the oils sands) remain too high and that infrastructure also remains a challenge in getting products to markets.

In Summary:

- The major themes to emerge from the Forum included the degree of commitment evident by both Canadian and Chinese participants to the development of investment ties and the recognition that ongoing work is essential in realizing its potential.
- It was acknowledged that the public needs to be better informed and engaged as resource sector investments continue to be controversial with certain groups and among the broader population.
- It is also clear that constraints of infrastructure need to be addressed in a thorough and timely way, consistent with both countries’ commitment to responsible and sustainable development.
- Certain issues and vulnerabilities notwithstanding, confidence is high in Canadian economic policy and its performance. While further improvements are encouraged, confidence is also high in China’s path of opening and reform.

ABOUT THE AUTHOR

Ron MacIntosh is a native of Halifax, N.S. but grew up in Toronto. He holds a BA in Political Science with minors in economics and history from Dalhousie and an M.A. (International Affairs – Economic Development) from Carleton. Ron joined the then named Department of External Affairs in 1975 as a political-economic stream officer. Over the years, he held diverse headquarters positions, with an accent on economic, trade and development matters, and with a geographic focus on Asia Pacific. He became an EX on the trade side in 2005 while serving on a cross-stream assignment as Director of the TCS Policy and Partnerships Division. During his career, Ron served at five posts abroad. In Bridgetown in the late 70s, he handled development assistance programs. In Tokyo 1982-85, he was responsible for trade policy matters. In Seoul 1991-94, he was PERPA manager with a variety of roles ranging from education promotion to following the security situation on the Korean peninsula. In Washington DC, Ron was Counsellor (Environment and Fisheries) 1997-2001. From 2006- 09, Ron was Head of Mission at the Canadian Trade Office in Taipei. Ron retired from DFAIT in 2010 as Director General Strategic Planning, Resources and Coordination. Ron is now doing part-time writing and research with the China Institute of the University of Alberta and other organizations. He is also an amateur artist enrolled at the Ottawa School of Art.