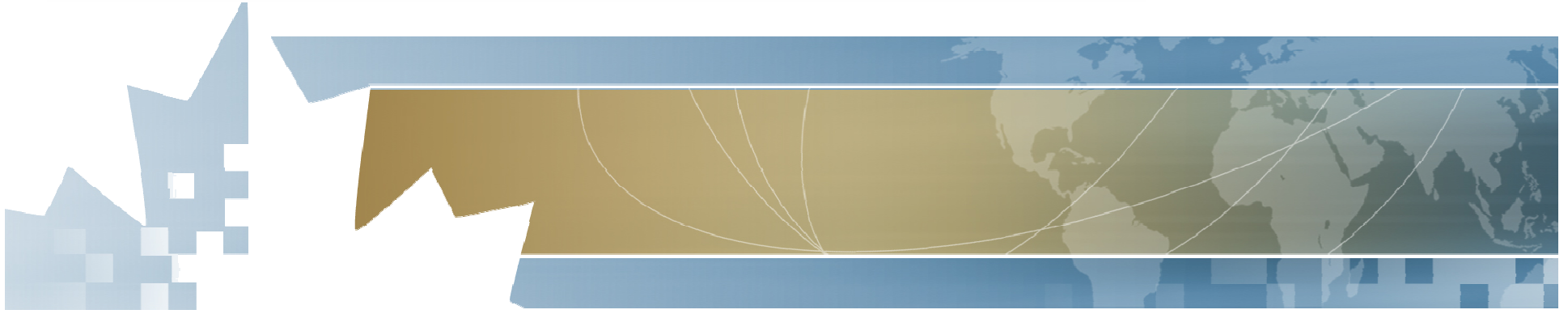




Foreign Affairs and
International Trade Canada

Affaires étrangères et
Commerce international Canada

Canada



Towards a Canada-China Foreign Investment Promotion and Protection Agreement (FIPA)

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What is a FIPA?

- A **bilateral investment agreement** between Canada and key investment partners
- A **binding legal agreement** aimed at protecting investment flows between two countries
- A **signalling device to private investors** concerning the investment climate
- A **means of recourse for private investors** in the event that things go wrong



What FIPAs Do?

- Protect investors from **discrimination** (provide national treatment and most-favoured nation treatment)
- Ensure **fair/equitable treatment** to investors and **full protection/security** in accordance with principles of international law
- Guarantee the **free transfer of capital** related to an investment
- Protect against **expropriation**
- Provide **access to international arbitration** to resolve disputes
- FIPAs also **reduce the cost of investment insurance**



Other Positive Impacts of FIPAs

- Promote **good governance** (e.g., respect for rule of law, transparency)
- Influence the **development of national laws** and generally lead to better investment climates
- Improve political and economic **bilateral relations**
- Influence the development of **bilateral and regional trade agreements**
- Reciprocal commitments **enhance two-way investment**



Canada's FIPA Programme

- **Canada has 22 FIPAs:** Russia, Poland, Czech Republic, Slovak Republic, Argentina, Hungary, Ukraine, Latvia, Philippines, Trinidad & Tobago, Barbados, Ecuador, Egypt, Romania, Venezuela, Panama, Thailand, Armenia, Uruguay, Lebanon, Costa Rica, Croatia
- Currently has **3 on-going negotiations:** China, India, Peru
- Expecting to launch **4 to 5 additional FIPA negotiations** in the months ahead



Canada-China FIPA Negotiations

- Negotiations resumed in **September 2004** in Beijing
- **Commitment made by PM Martin and Premier Wen** in January 2005
- Good progress to date but negotiations will **need to be intensified** to be successful
- Significant progress was made at the last round of negotiations which was held in **April 2006**
- Next round of negotiations likely to be held in **August 2006**
- Completion of FIPA a **key priority for Canadian Government**

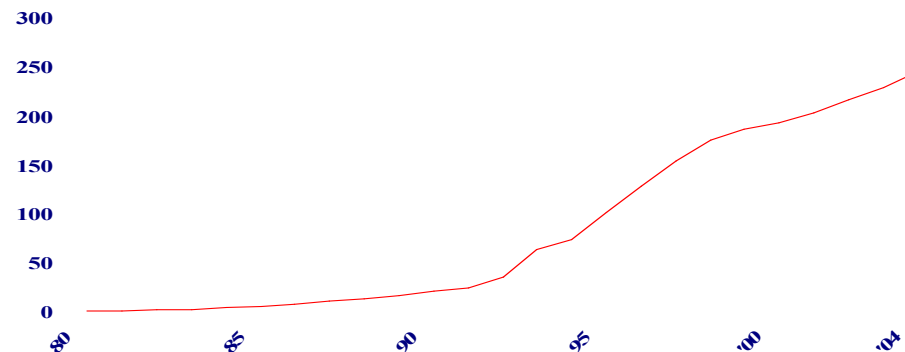
Global FDI Surging Into China

China FDI Stocks

- **FDI stocks in China surged after 1992.** In 2004 China had \$245 billion US worth of FDI stocks, making China the 11th most important destination of FDI in the world and the largest in the developing world*.
- **China's share of Global FDI increased from 0.2% in 1980 to 2.8% in 2004.** As a percentage of developing economies FDI, China has increased from 0.8% to 11.0% over the same period. Its share of Southeast Asia FDI has gone from 2.13% in 1980 to 20.8%.

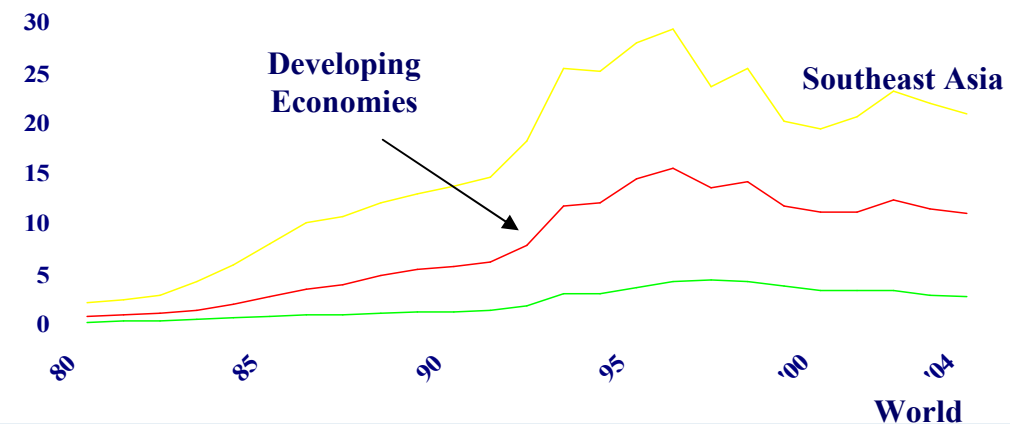
*UNCTAD has changed their method of estimation for China's inward FDI. The new method has reduced China's reported FDI from 500 billion US\$ to 245 billion US\$, taking China from 3rd largest recipient to 11th.

Billions US\$



China's Share of Inward FDI Stocks

Percent



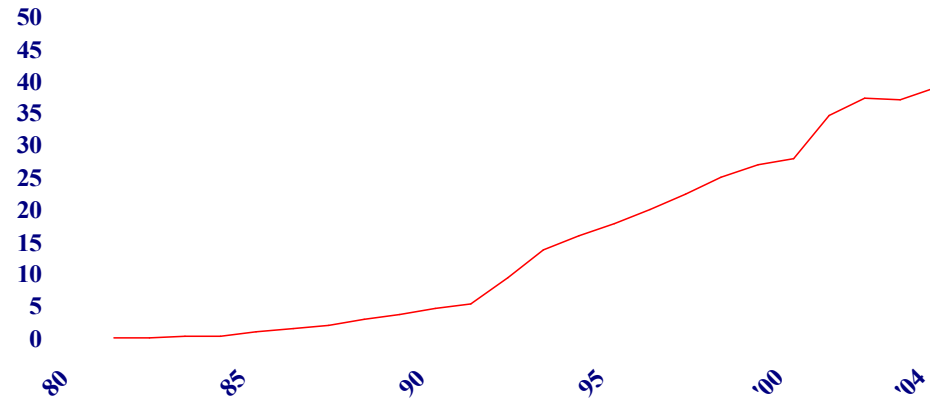
Data: UNCTAD - World Investment Report

FDI Out of China Small But Growing

- Chinese outward FDI increased sharply, rising from \$39 million in 1981, to \$38.8 billion in 2004.
- China's share of Southeast Asia and Developing economies outward FDI stock is very low with 5.5% and 3.7% respectively in 2004. Its global share was only 0.3% in 2004.

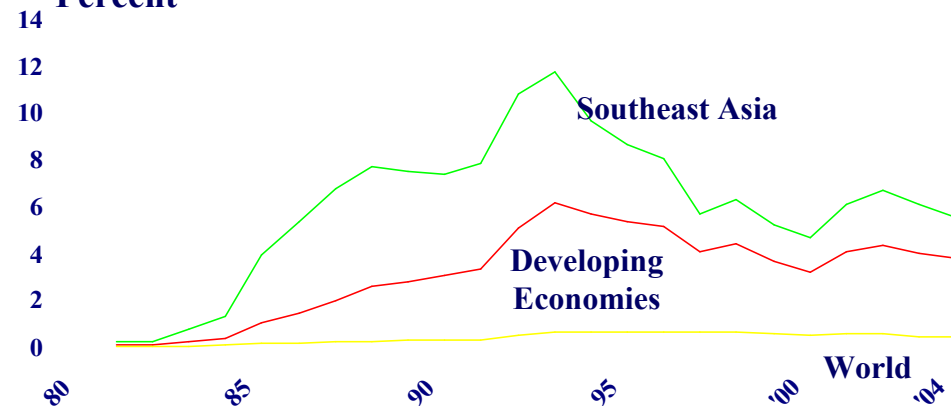
China Outward FDI Stock

Billions US\$



China's share of Outward FDI Stock

Percent



Data: UNCTAD - World Investment Report



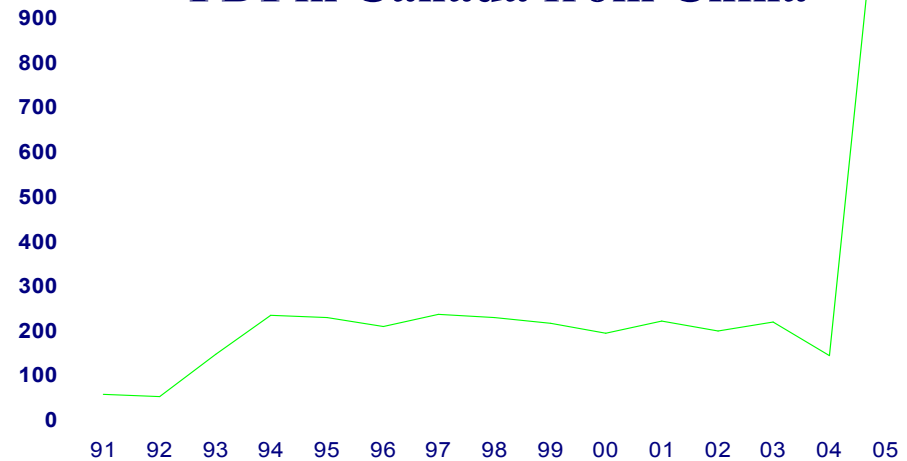
Chinese FDI to Canada is Growing

- Up until 2004, China's FDI in Canada was very small, only \$143 million in 2004.
- In 2005, China's FDI in Canada increased almost ten-fold to \$1.3 billion. This made China the 17th largest source of FDI in Canada in 2005.
- China's quest for resources may further increase FDI into Canada in the future. In 2005 China's state owned energy company Sinopec acquired the Canadian company PetroKazakstan for US \$4.2 billion.

Millions Cnd\$

1,000

FDI in Canada from China



China's share of Canadian Inward FDI

Percent

0.35%

0.30%

0.25%

0.20%

0.15%

0.10%

0.05%

0.00%

91 92 93 94 95 96 97 98 99 00 01 02 03 04 05

Data: Statistics Canada



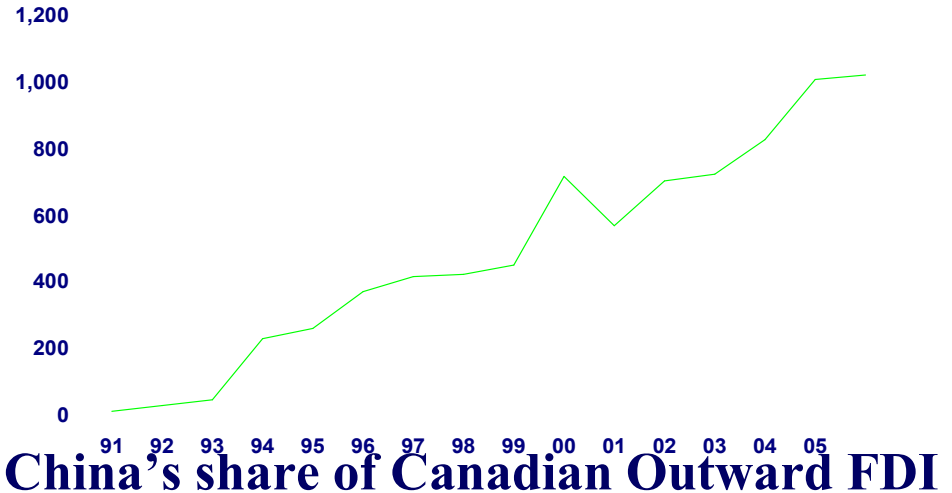
Canadian FDI in China is also Low

- In 2005, Canada had \$1.07 billion invested in China, a very low amount considering the size and growth of China's economy, in comparison Canada had \$8 billion invested in Brazil in the same year.

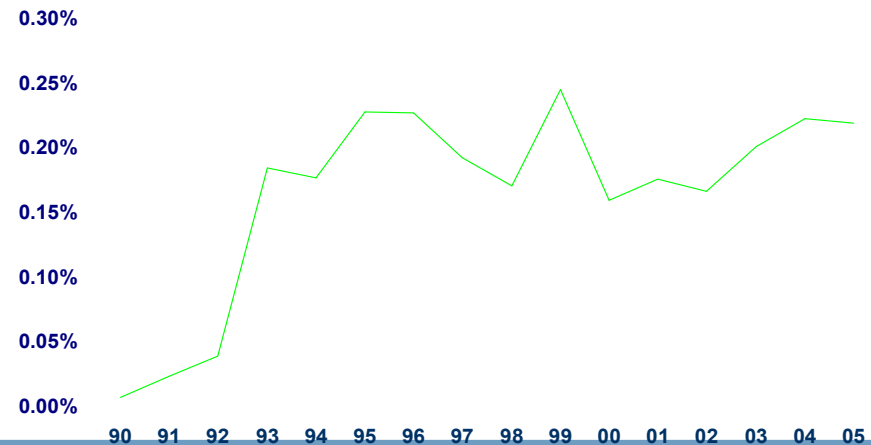
- China accounts for only 0.22% of Canada's total stock of foreign direct investment abroad.

Millions Cnd\$

Canadian FDI in China



Percent



Data: Statistics Canada



Canadian Mining Investment in China

- Canada is a **world leading player in the mining sector**
 - **65 TSX and TSX Ventures** have exploration properties in China
 - Canada is one of the **world's largest mining financing centres** – last year almost 50% of the total equity raised by mining companies around the world raised on the Canadian stock exchange
 - Canada is a **world leader in exploration and mining** – with Canadian companies present in more than 100 countries and owning/operating more than 6300 mineral projects worldwide
 - Informal survey indicates that there are more than **100 mining projects in China worth more than \$800 million** by Canadian companies
 - **Canada's experience in this sector could help** China further develop its own mineral resources
-



FIPA – A Means to Foster Investment Relationship

- A **FIPA would help to deal with challenges** faced by investors by contributing to a more predictable and transparent regime towards foreign investments
- This **added protection and predictability** would provide a **better foundation to expand Canada-China investment relations** and **facilitate mining investments** between Canada and China