



**National security, national interest and natural resources:
What should Canadians think about CNOOC's bid for Nexen?**

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Speaking notes of Ray Boisvert

Being here

- FIRST, MANY THANKS TO BRIAN, MLI AND MY CO-PANELISTS
- TO PREFACE MY REMARKS:
 - > PRACTITIONER OF ALMOST 30 YEARS
 - > DOING SECURITY RISK MGT& ADV ANALYTICS AS I BELIEVE IN SOLUTIONS
- THREATS OR RISKS CAN BE MITIGATED OR MANAGED
 - > BEEN "HAWKISH" ON SOME AREAS WHERE NO SAFE WIGGLE ROOM
 - > BUT LOGICAL / DISPASSIONATE WE MUST REMAIN
- Q: WHAT'S THE THREAT FROM SOE's? A: WELL IT'S COMPLICATED
- SITTING WITH CSIS ANALYSTS TO DEFINE SOE WAS NOT EASY
- SOME THREATS ARE ACCUTE AND EASY TO DEVELOP APPROACHES OR POLICY;
OTHERS ARE MORE TRANSLUCENT OR AMORPHOUS - - LIKE SOEs

the challenge of balancing security concerns with investment imperatives

- CEOs UNDERSTAND SECURITY CONCERNS, BUT CHINA IS BUSINESS CRITICAL
- TOO MANY IN MY PROFESSION GIVE REASONS WHY TO NOT ENGAGE



- CANADIAN COMPANIES MUST EXPLORE & EXECUTE INVESTMENTS
- EQUALLY, CANADIANS MUST BE OPEN TO INVESTMENT FROM THE PRC
- THE ADVICE TO FOLLOW IN SUM IS TO APPROACH THIS NEW AUTHORITARIAN CAPITALISM WITH EYES WIDE OPEN (NOT CLEAR, BUT VERY PRESENT DANGER)

the nature of PRC-IS collection priorities

- THE PRC-IS (INCLUDING PLA) SERVE THE PARTY (STATE) - - NO SEPARATION
- SOEs MUST DO SO EQUALLY, BUT I'LL COME BACK TO THAT
- ECONOMIC PRIORITIES: AEROSPACE; AGRICULTURE; NATURAL RESOURCE EXTRACTION; OIL AND GAS INDUSTRY; MANUFACTURING TECHNOLOGY
- TARGET IS SIGHTED OR OBJECT OF ACQUISITION, ALL RESOURCES WILL BE USED
- BHP BILLITON EXAMPLE
- NORTEL
- CANDU SLOW POKE REACTOR
- CYBER ATTACK OR THE JOINT VENTURE DEATH BY A MILLION BITES

the nature of SOEs (in the context of national security interests)





- NEW CAPITALISM WITH REPURCUSIONS
- YES ITS TRADED ON NYSE
- INTRN'L ENERGY AGENCY SAYS: PRC INVESTMENT, NOT STATE-RUN (I WOULD NOT BE SO CATEGORICAL)
- IS IT REASONABLE TO CALL IT "OPAQUE"??? Absolutely
- NORMAL OR TYPICAL RULES OF CORPORATE GOVERNANCE? Absolutely Not
- RULE OF LAW ? Yes, But Not As We Know It
- CORPORATE TRANSPARENCY? Yes, Only Enough For Regulatory Requirements
- ONE PARTY STATE WITH CENTRAL CONTROLLED ECONOMY
- PROFIT IS NOT A CORE DRIVER
- OUTCOME ASSURANCE DUE THE PRESENCE OF PARTY CADRE ON BOARDS
- SO HOW MUCH INVESTMENT IN CDN IS APPROPRIATE IN STRATEGIC AREAS?
- CNOOC, SINOPEC, PETRO-CHINA AND SUBS REPORTEDLY \$30 B IN INVESTMENTS IN CANADA (ALL CONTROLLED BY CPC)
- TREND TOWARDS PICKING OFF TROPHY ASSETS – DIANE FRANCIS
- RECIPROCITY CONCEPT NOT A CLEAR SECURITY ISSUE: IS IT TO ENSURE THEIR OWN SECURITY & FIELD OF PLAY



- CHINA'S AFRICAN POLICY: PATTERN OF STRATEGIC ACQUISITION (GAME PLAN)
- IS IT STRICTLY ABOUT OIL RESERVES? OR IS ALSO ABOUT TECHNOLOGY?
(OrCrude technology from OPTI)

the core security issue

GENERALLY

- CSIS PUBLIC REPORT: SOE LINKS TO INTEL AGENCIES AND HOSTILE GOVERNMENTS REPRESENT A THREAT
- WHAT DOES THAT ALL MEAN? CHINA AN OPTIMUM EXAMPLE
- MEETING STATE REQUIREMENTS MEANS: SUPPORT TO OR FROM THE MILITARY AND SECURITY COMPLEX (PREPARED TO SPEAK TO THAT IN MORE DETAIL)
- BEYOND ONE ACQUISITION OR OIL PLAY; POSSIBLE ONE PARTY STATE CONTROL OVER AN INDUSTRY
- THREAT TO STRATEGIC ASSETS AND RESOURCES (INTELLECTUAL PROPERTY or NATURAL RESOURCES)

SOVEREIGNTY

- ARE THEY TRULY SUBJECT TO CANADIAN LAW AND WHAT DOES THAT MEAN TO RESPECTING RULES ON FOREIGN INTERFERENCE (IT'S STATE TO STATE RELATIONSHIP; NO LONGER STATE TO COMPANY)



- IN MY VIEW, WITH PRC MASS INVESTMENT COMES FOREIGN INFLUENCE & INTERFERENCE

- SYNOPEC CLAIMING SOVEREIGN IMMUNITY IN AN ALBERTA COURT ON HEALTH AND SAFETY (DEATH OF TWO WORKERS)

- OTHER EXAMPLES: BLOCKING BLOOMBERG FOR EXPOSING FINANCE IRREGULARITIES AFFECTING THE PRC LEADERSHIP (THEY CAN PLAY HARD BALL)

GEOPOLITICALLY

- SUPPORT FOR SYRIA, NORTH KOREA, AND IRAN: - - HOW WILL ALL THIS AFFECT FOREIGN POLICY AND SECURITY DECISIONS?

- WOULD INTERNATIONAL COMMUNITY DECISIONS ON SANCTIONS AGAINST THESE BE TWARTED?

- CAN WE IMPOSE CANADIAN POLICY WHICH AFFECT ACTIVITIES ABROAD WITH NATIONAL SECURITY IMPLIATIONS?
(CNOOC CLAIMS: "MOBILE NATIONAL TERRITORY")

- UNFORTUNATELY MORE QUESTIONS THAN ANSWERS

the way forward



- THERE IS A REVIEW PROCESS AND A CANADIAN DECISION THROUGH CABINET, WILL SOON BE MADE

- THERE IS NO CLEAR INDICTMENT FROM A SECURITY INTELLIGENCE PERSPECTIVE

- BUT IN THAT BUSINESS ONE NEVER WORKS WITH EVIDENCE – ITS ASSESSMENTS OF AVAILABLE FACTS

- THE FACTS AT HAND INDICATE CLEARLY TO ME THAT THERE IS A REAL THREAT IMBEDDED IN THIS INVESTMENT OPPORTUNITY

- ITS NOT IMMEDIATE OR SINGULARLY LINKED TO THE NEXEN DEAL

- BUT WE SHOULD NOT / NOT BE NAÏVE OR NARROW VIEWED AS THIS HAS MUCH BROADER IMPLIATIONS

- SOE's HAVE CONNECTIONS TO SERIOUS THREAT ACTORS, SUCH AS THE PRC-IS

- ONE PARTY STATE CAPITALIM WILL BRING SERIOUS COMPLEXITIES FROM INTERFERENCE TO NON-COMPLIANCE WITH SOVEREIGN DECISIONS IN THE CANADIAN NATIONAL INTEREST

- HOWEVER, IF APPROVED ONE WOULD HOPE THEY WOULD INCLUDE A RAFT OF CLEAR MITIGATION STRATEGIES FOR ALL OF THE ABOVE

- POLITICAL RISKS OUTWEIGH THE SECURITY ONES, SO I'LL DEFER TO THE WISDOM OF OTHERS

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