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In switch, Canadian papers back CNOOC's Nexen bid

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OTTAWA (Reuters) - Canada's Sun newspaper group on Tuesday reversed its opposition to federal government approval of a \$15.1 billion bid by Chinese state-owned oil company CNOOC Ltd for Canada's Nexen Inc, saying a bilateral agreement signed last week was a "game changer."

The Sun group, which has a conservative editorial bent, had been the loudest public opponent to the proposed deal, running a hostile editorial after it was announced, commissioning a poll that showed public opposition to it and pressing Prime Minister Stephen Harper on the issue in a news conference.

The chain, whose papers include the Ottawa Sun and Calgary Sun, said in July the government should stop the deal, or insist on a quid pro quo if approved. The papers are owned by Quebecor Media Inc.

In an editorial on Tuesday, however, it hailed the signing on Saturday of a Foreign Investment Promotion and Protection Agreement between China and Canada, saying the pact cast the Nexen deal in a fresh light.

Canadian Prime Minister and Chinese President Hu Jintao witnessed the signing of the agreement on Saturday on the margins of an Asia-Pacific meeting in Vladivostok, Russia.

It is intended to ensure that two-way investment can take place in a secure manner, with legally binding provisions ensuring greater protection against discriminatory and arbitrary practices, though it does not require each country to approve each proposed investment.

The "China-Canada investment agreement is a game changer toward serious consideration of approving the Nexen sale to the state-owned China National Offshore Oil Corp (CNOOC)," the editorial said.

Ottawa is required under its foreign investment legislation to determine whether the CNOOC bid would provide a "net benefit" to Canada, a review that could extend into November.

Harper's cabinet appears to be divided on how to handle the bid. At least two senior ministers are opposed to the a Chinese state-owned company making such a large investment in the country's resource sector, government sources say, while at least one or two other senior ministers are leaning toward approval.

Ultimately, Prime Minister Stephen Harper, who has promoted closer business ties with Asia, will make the final decision.

He said on Friday his government would study the proposed transaction particularly closely because it is so large and because CNOOC is state owned. He has also said reciprocity and public opinions were important considerations.

Nearly two years ago, Canada blocked the proposed \$39 billion takeover of Potash Corp of Saskatchewan - the world's largest fertilizer producer - by Anglo-Australian mining giant BHP Billiton Ltd.

That decision raised questions about the Conservative government's willingness to allow foreign ownership of the country's major energy and mining assets.

(Reporting by Randall Palmer; Editing by Frank McGurty)

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