



# FIRST CONTACT

By combining culture and commerce, an **aboriginal trade group** is going where few entrepreneurs have gone before: attracting **Chinese investment** in northern Canadian natural resources >

BY GRAHAM CHANDLER | ILLUSTRATIONS BY VIGG



**AS FAR AS BUSINESS PITCHES GO**, it was something the Chinese hadn't encountered before. A 100-strong First Nations trade mission showed up last November at Beijing's Diaoyutai State Guesthouse – where President Nixon stayed during his historic visit in 1972 – sporting traditional dress and invoking millennia-old rituals.

Grand Chief Morris Shannacappo, for example, representing 36 indigenous communities in southwestern Manitoba, opened each presentation, eagle feather in hand, with a somber traditional prayer in his native language. It was the same approach that would once have been taken with neighbouring groups in the pre-European contact days, and it captured the fascination of the Chinese. Chen Haosu, president of the delegation's host, the Chinese People's Association for Friendship with Foreign Countries, and 30 top Chinese government investment and business officials proved an attentive audience.

In invoking culture and tradition, the delegation aligned its business approach with that of the Chinese. If you take the anthropological long view, it made sense. Fourteen thousand years ago, people from what is now northern China emigrated to the Americas. To date, the evidence overwhelmingly shows they were the first humans here.

Like the aboriginal take on commerce, that of the Chinese "is based on their culture," says delegate Kevin Menicoche, MLA for the N.W.T.'s Nahendeh constituency. "When we look to the future we tend to look to culture to build our business, too." And that's a commonality that could be leveraged to draw direct investment in the natural resource riches in the lands of northern First Nations. "Aboriginal communities now have a huge voice in how resources are developed," he adds. "So... the partnerships should be with the aboriginals from the ground floor." An understanding of the culture is a good starting point for that.

"There's a kind of cultural synchronicity between aboriginal people and the Chinese," says Calvin Helin, CEO of the Native Investment and Trade Association (NITA), a non-profit group dedicated to boosting aboriginal participation in the economy. Helin, a member of the Lax Kw'alaams community of the Tsimshian Nation, chaired the Chinese mission wearing his traditional red and black button blanket. "The two sides just hit it off," he says.

Making that connection could see First Nations succeed where Canadian corporations and governments have failed in selling the

Asian superpower on investing in the country. And while that could lead to significant improvements in the North, where infrastructure shortcomings have stifled development in general, the Chinese opportunity represents the possibility of an even more fundamental impact on the North. Just as those cultural displays suggest, a key driver in this initiative has been pride. Should the group succeed, the new partnership could break a long-standing dependency on government funding.

**THAT MOVEMENT AWAY** from government support is already happening, gradually. A report completed for the Assembly of First Nations showed government transfers in 2005 were down to 21.8% of native income from 28.6% in 1995. But Helin, a Vancouver-based lawyer who has researched the issue extensively, says that's not enough.

"There's a demographic tsunami coming," he says. "First Nations and Inuit people are the fastest growing ethnic population in Canada."

In his 2001 book *Dances With Dependency: Indigenous Success Through Self-Reliance*, Helin claims some 650,000 Inuit were receiving about \$10 billion in transfer payments and another \$10 billion in services from the provinces and territories. The Métis, he adds, as constitutional First Nations, are eyeing the same government benefits. "So now we're talking \$30 billion in social welfare costs," he says. Worse still, that "tsunami" of need will arise just when Canada's boomers retire into their own dependency on the social welfare system.

"If you talk about what we're doing on this China mission," says Helin, "we have a situation where we are able to put the assets of aboriginal people to work as well. The 12 northern treaty groups have half the land mass of Canada – that's bigger than almost any country in the world. It's an enormous resource." And it's made that much more attractive by virtue of being politically stable.

The stars seem to be lining up propitiously. The Chinese have been on a tear in recent months, investing in resources around the world, capitalizing on recession-smashed, bargain-basement prices from Australia to Russia. Some examples: Chinalco, the state-owned aluminum company is after a \$20-billion stake in Rio Tinto's assets; metals trader China Minmetals Corp. has offered to buy Australia's Oz Minerals, the world's second largest zinc producer; China is advancing Russia \$25 billion to guarantee a 20-year supply of crude oil; Chinese interests have offered to fund a large part of development costs of Brazil's monstrously expensive offshore sub-salt deposits; the list goes on, thanks to foreign currency reserves some estimate at US\$2 trillion.

But it hasn't gone unnoticed that China's investments have been mostly in ongoing and turnkey operations rather than new raw resource development, and rarely in Canada. So far, it has preferred Africa, North Asia and Eastern Europe – "areas where assets tend to be cheaper because they carry a larger political risk discount in the eyes of western investors," said Warren Gilman, head of Asia-Pacific at CIBC World Markets in Hong Kong in a *Financial Post* interview this March.

Nevertheless, precedent has been set at least for exploring Can-



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adian investment opportunities. October 2007 saw Yukon's economic development minister, Jim Kenyon, host a delegation of Chinese companies scouting opportunities in Yukon's mineral industry. Also, last summer the B.C. First Nations Forestry Council spent an intensive week in Beijing promoting its forest products. Delegates returned with a letter of intent from the largest forestry remanufacturing company in Shandong province, Qingdao Liangmu, interested in B.C. western hemlock, spruce, pine and fir.

The potential for investment isn't restricted to raw resources. Mission delegate Darrell Beaulieu, president and CEO of Yellowknife-based Denendeh Investments Inc., sees opportunities for infrastructure projects, too. "We are basically owned by 27 First Nations which cover over a million square miles," says Beaulieu of the company. "There's not only oil and gas. There's the [Mackenzie Valley natural gas] pipeline, and we've been looking at building the Mackenzie Valley Highway."

Beaulieu believes the highway would have a catalytic effect, making investments in the North more attractive by bringing down living costs in remote communities. "Right now in Norman Wells it costs \$47 for a little one-pound ham and \$12 for a litre of milk," he says. "The highway would deal with a lot of those issues."

In reality, building that highway would require a public-private partnership, says MLA Menicoche. "And to attract foreign dollars for our partnerships would certainly help."

**A RETURN TRIP IS PLANNED** for this summer, led again by Helin, who believes continued exposure is key. He'll be accompanied by largely the same group, which has been doing its homework. Denendeh, for one, will have a complete business plan in hand. "We're looking at oil and gas initiatives, we're looking at diamonds, rare earth elements and gold," says Beaulieu. "There's so much up here. For example, in the Slave geological province, which comprises probably a third of the N.W.T., only 15% of it has been explored in the last 80 years. So, what's in the other 85%?"

For an investment vehicle aimed at raising a total of \$2 billion, NTIA recently launched two hedge funds for the Chinese to invest in resources on aboriginal lands. Managed by Vancouver's RCI Capital Group, the funds are a means to ensure that native groups will be partners within and benefit from any resulting corporate structures, guaranteeing the values upon which the group based its presentations last November.

So what are chances of pulling it all off? Clint Davis, president and CEO of the Canadian Council for Aboriginal Business, and former senior adviser for Robert Nault, minister of Indian Affairs for the Chrétien and Martin governments, is optimistic. To move from attracting Chinese interest to landing real investment, he says First Nations will have to maintain stable governance and a commitment to fostering economic development. They'll also have to continue to draw upon the skills they've used to build what he sees as a track record of successful business partnerships. And perhaps nowhere has this already been more evident than north of 60.

"I found that there was a level of business maturity up there," says Davis. "There's something very different. When you look at the Yukon which is 25% aboriginal, the N.W.T. which is 50% and Nunavut, 85%, clearly the aboriginal communities are in a position of government, business and political leadership."

To their advantage, he notes, several northern aboriginal leaders are past premiers with well-appointed contacts, influence, a sound understanding of the issues and needs, and informed perspective on how these should be addressed. But, perhaps most importantly, when it comes down to simply having a product to peddle, northern First Nations' land claims have, by and large, been settled since the mid '80s, freeing them from the bureaucracy in which many of Canada's aboriginal groups remain mired. With culture as a guide and the Chinese out shopping, that position couldn't be better. **AV**