

Time to start playing hardball

Dr. David McGrane, *Saskatoon StarPhoenix*, August 26th, 2010, A6.

The following is the viewpoint of the writer, a political studies professor in St. Thomas More College at the University of Saskatchewan.

You know you've made the big times when you hit the front pages of the Wall Street Journal and the business section of London's The Times in the same week.

This double whammy is exactly what happened to Saskatchewan politics when news of BHP Billiton's hostile takeover bid of Potash Corp. of Saskatchewan was splashed across business pages around the world.

All of the sudden, on a sleepy August day at the legislature, the world was interested in the reaction of the Saskatchewan government and the Opposition. Saskatchewan politicians should get used to being occasionally in the spotlight of the world's business media. Gwyn Morgan recently observed that there are three pillars to the global economy: Asia's manufacturers, North American and European consumers, and natural resource producers.

Saskatchewan clearly falls into the last category. The province has become a place for the global mining, agribusiness, and oil. It may be PotashCorp today that attracts offers from foreign multinational companies but it could be Viterra or Cameco tomorrow.

Politicians have to decide how to react when the world's largest corporations want to buy the companies that form the foundation of Saskatchewan's economy. The government could try resist foreign ownership, but that would just deny the capital to create jobs and economic growth.

Besides, such a course of action would be senseless since most Saskatchewan companies are already largely foreign-owned and controlled.

Some may think of PotashCorp as a local company, but foreign hedge funds and institutional investors mostly own it, and the majority of its management and board of directors are located outside of Saskatchewan and Canada.

Another option for the government would be to follow a policy of non-interference when it comes to changes in the ownership of companies operating in Saskatchewan. However, this approach would make the province a pawn in the global commodities game and deny provincial control over the natural resources that are owned by the people of Saskatchewan.

It's best to constructively engage these multinational corporations that seek to exploit Saskatchewan's resources.

This would mean Saskatchewan politicians, as the elected representatives of those who own the resources, must negotiate fair commitments for jobs, the scope of the head office, production targets, environmental regulations, and royalties. Some jurisdictions, such as Newfoundland, even demand that local governments be given a small ownership stake in the extraction operation in order to maintain democratic oversight.

In essence, Saskatchewan shouldn't mind multinationals exploiting its resources, as long as they meet stipulated conditions in order to do so.

The BHP offer for Potash Corp. should be seen as an opportunity for Saskatchewan to re-negotiate the terms under which its resources are exploited. Since any company looking to take over PotashCorp needs political approval, politicians now have more their normal leverage over these companies.

A problem governments face, however, is one of divided jurisdiction.

Under the constitution and the Investment Canada Act, the federal government can deny an application for a foreign takeover if it deems the deal doesn't provide a "net benefit to Canada." Although the Saskatchewan government couldn't stop the foreign takeover of a company operating in the province, it could implement a number of taxation and regulatory measures to make life very difficult for the new foreign owners.

Ultimately, co-operation between the federal and provincial government is needed to ensure that any takeover (foreign or otherwise) of a Saskatchewan resource company is in the interest of the owners of the resource being exploited -- the people of Saskatchewan.

The Investment Canada Act already contains a provision for the consultation of the government of the province being affected by the sale of a Canadian company to a foreign owner.

Premier Brad Wall and his cabinet should be clear with the federal government on what kinds of commitments are expected of BHP in order to obtain federal approval of this takeover bid of PotashCorp.

And Saskatchewan's federal MPs -- especially its representatives in cabinet -- should be very engaged in ensuring that any deal for a change in ownership of PotashCorp is in the best interests of the province's economy.

These politicians shouldn't ask for such onerous commitments that multinational suitors for PotashCorp are scared away. But Saskatchewan shouldn't be afraid to play a little "hardball" either.

In short, we are in the big leagues now and if our politicians don't watch out the big guys will just roll over us.