

# Stains on the great white north

## Canada's good reputation, while still largely intact, has suffered some high-profile blows in recent years

By Derek Abma, Postmedia News July 2, 2011 Edmonton Journal

**Alberta's oilsands industry is derided around the world for its production of "dirty oil."**

**Photograph by: Bruce Edwards, The Journal, File, Postmedia News**

As many as five dead, and a dozen wounded.

The grim headlines after a violent clash between protesters and police in Peru last week cast a pall over the operations of Vancouver-based Bear Creek Mining Corp.

But it certainly wasn't the first time in recent months and years that a Canadian company, individual or industry has been seen in a less-than-flattering light internationally.

This country has long benefited from a strong corporate reputation abroad - a "halo effect," as some call it, from being seen as a kinder, gentler version of our American neighbours.

But some might question whether that's still the case, as the country gains attention, and sometimes notoriety, for everything from the oilsands to now re-jailed former media baron Conrad Black.

Bear Creek has lost its rights to mine silver in Peru following the recent protest, which was sparked by concerns the company's activities would pollute water while giving few economic benefits.

The company has called it "purely a reaction to a political situation."

Meanwhile, Calgary-based Niko Resources Ltd. pleaded guilty last week to bribing an official in Bangladesh, in a scandal that has since prompted a Canadian senator to deny he used political influence to benefit the company.

Engineering firm SNC Lavalin Group Inc., based in Montreal, found itself in the worst kind of PR spotlight after news emerged a few months ago that it played a role in building prisons for the Libyan regime of Moammar Gadhafi. SNC has now been named as the buyer of the CANDU nuclear-reactor division from federally owned Atomic Energy of Canada Ltd.

In 2009, Norway's government pension fund sold off about \$230 million worth of stock it held in Toronto-based Barrick Gold Corp. -the world's largest gold miner -because of what it saw as irresponsible environmental practices in Papua New Guinea.

Canadian oil producer Talisman Energy Inc., about a decade ago, was forced to divest holdings in Sudan because people saw it as being too cozy with the oppressive rulers of that country.

Alberta's oilsands industry in general is derided around the world for its production of "dirty oil."

Then there's Black, the Canadianborn tycoon who's been convicted on fraud and obstruction-of-justice charges in the United States.

Lori Tansey Martens, president of the Washington, D.C.-based International Business Ethics Institute, says these events haven't hurt the Canadian brand in international dealings -at least, not yet.

"For years and years, Canada has been held so highly with respect to its business practices," she says. "Some of the issues that have come up recently are registering, but I'm not sensing that it's got to the point where it's affecting the overall reputation of Canada. I think it's seen as exceptions. Every country, of course, has high-profile cases, from time to time, which flare up."

However, she adds that the situation could change "if things continue with a number of high-profile scandals that get a lot of international attention. But as of now, I think Canada is lucky to have some past laurels of which to rest on."

But for the time being, she says, being Canadian is, if anything, a plus when a person or company is trying to win customers or partners abroad.

Michael Marx, executive director with San Francisco-based interest group Corporate Ethics International, agrees that being Canadian is still mostly seen as a good thing.

"I think for the most part, for the general public in the U.S., (it is) positive because Canadians are perceived as being more environmentally and socially responsible," he says. "And I think Canadian companies benefit from that halo effect."

"But if you're an environmental group, particularly dealing with oil issues, mining issues, timber issues around the world, then Canadian companies certainly don't get the benefit of that halo effect. . Canadian companies are seen as just as bad as the most ruthless of American companies.

"I think people are always shocked when it's a Canadian company (involved in a scandal). Environmentalists are no longer shocked."

An issue Marx's group has been fighting against is TransCanada Corp.'s plan to build a 2,700kilometre pipeline to carry oil from Alberta to Texas. He notes that TransCanada's threats to have land expropriated from unco-operative U.S. landowners along the route is offensive to many Americans.

It certainly doesn't help TransCanada's case, Marx says, that this pipeline would carry product from the oilsands, which is criticized for a production process that takes a far heavier environmental toll than other types of petroleum extraction.

As well, the Canadian pipeline industry wasn't done any favours in the U.S. when a line run by Enbridge Inc. -which like TransCanada is based in Calgary -failed and dumped three million litres of oil into the Kalamazoo River in Michigan last year.

Marx adds that the Harper government's international support for the oilsands could lead to a more significant deterioration of Canada's reputation internationally.

"The (Canadian) government now is being seen as kind of a cheerleader or a salesman for the oil industry."

Christopher Wilson, a lecturer and researcher at the University of Ottawa's school of management, says some scandals involving Canadian business interests are indicative of a corporate culture that emphasizes the immediate appeasement of shareholders, often at the expense of other stakeholders such as workers, customers and communities.

"The orientation is to see the profits in the next quarter as opposed to the long-term health of the organization and the long-term value addition to society," he says.

Wilson says English-speaking countries tend to have a business culture that emphasizes short-term shareholder needs over other considerations. Canada, he says, is perhaps even more this way than the United States, because the relatively small pool of significant shareholders in Canadian companies limits the diversity of opinion that goes into shaping corporate policies.

"It makes it really, really difficult for Canadian companies to make a change because everybody sort of thinks the same way," Wilson says. "Whereas in the more diverse, less closely held environment of the United States, there's so many other perspectives that come into play."

Recently, Canada was chastised by anti-corruption group Transparency International for being the only G7 country that continually provides "little or no enforcement" of the Organization for Economic Co-operation and Development's anti-bribery convention, which took effect in 1999.

Despite this, James Klotz, president of Transparency International's Canadian chapter, says Canadian businesses continue to enjoy high standing abroad.

"Canadians have a fabulous reputation around the world," he says. "We've always had a great reputation. Who knows if it's deserved or not. We're English speaking and we're not Americans, and we're perceived as a kinder version of Americans.

"What we have to do is not squander that good reputation."

Klotz says the recent Niko case, which involved a \$9.5-billion fine, should be seen in a positive light because it shows the federal government is starting to take seriously the international conduct of Canadian companies.

"What we're doing is we're telling Canadian companies: 'You can't behave badly by participating in corruption internationally anymore because you're going to get punished and it's going to hurt,' " he says.

The RCMP had been investigating the case against Niko for six years, and Klotz says there are at least 22 other ongoing investigations involving Canadian companies suspected of bribery.

The University of Ottawa's Wilson agrees, calling the Niko case "precedent-setting.

"It was in a whole other jurisdiction and Canadian authorities have decided to call the company to account for things that wouldn't be expected at home," he says, adding that "little things like that may begin to shift the culture."

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