

## Canada needs foreign investment “without nationalism, protectionism and politics” – new report from The School of Public Policy

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Calgary – Foreign direct investment, where Canadian firms are bought or owned wholly or partly owned by an overseas company, is a good thing. It brings fresh management ideas, capital and creates growth – few economists would argue that point. But if it’s a good thing, why does Canada throw up roadblocks in the way of foreign investment?

According to a report released today and authored by Grant Bishop, Canada needs to stop putting the onus on companies to prove they are creating benefits for the Canadian economy. Instead, the onus should be on the federal government to prove otherwise. “Canada needs a new regime without nationalism, protectionism and politics. Ideally, this new regime would require decisions based on economically-grounded criteria, with the onus placed on the federal government to prove that a given transaction would be detrimental to the domestic economy. This would shift the government’s role from its current one, in which the minister of innovation, science and economic development approves a proposal deemed to be beneficial to Canada, and has broad powers to withhold federal approval. The reforms to the ICA should also include establishing a specialized tribunal where foreign acquirers can challenge negative decisions,” said Bishop today.

There is extensive empirical evidence demonstrating that foreign investment is beneficial to Canada because it results in improvements in productivity and competitiveness. As well, foreign-controlled firms in Canada pay higher wages, make large investments in R&D, innovation and skilled labour, experience fewer layoffs during economic downturns, and impart their technologies to domestic firms, among other benefits. Indeed, from 1980 to 1999, **2/3** of Canada’s manufacturing sector labour productivity growth came from foreign-controlled companies, even though they comprised only **40 per cent** of that sector’s employment.

Bishop points to the Competition Act with its tribunal model as a possible framework to replace the current politically fraught Investment Canada Act process. But, the process should similarly entrench the promotion of competition, economic efficiency and domestic welfare as its core objectives.

The paper can be downloaded at [www.policyschool.ca/publications/](http://www.policyschool.ca/publications/)

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