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## NEWS RELEASE

### ***Canada has nothing to fear from foreign direct investment***

#### ***Benefits of foreign investment far outweigh any drawbacks***

**Montreal** – Fears about the adverse economic effects of foreign direct investment are largely unfounded, according to a new study from the Institute for Research on Public Policy.

The study, “Dispelling Canadian Myths about Foreign Direct Investment,” by Walid Hejazi, argues that investment in Canada has brought new technology, high-paying jobs and more head offices, while Canadian investment abroad has stimulated the domestic economy through increased exports and head-office activities. Worries about corporate takeovers and the “hollowing out” of high-value head-office functions in Canada are also misplaced. Foreign takeovers have actually increased head office activities in Canada in recent years, because foreign firms typically find it to their advantage to keep such activities geographically close to their Canadian operations.

“Foreign firms operating in Canada are more innovative, more productive and pay higher wages than their Canadian counterparts,” says Hejazi. “More importantly, they import significant amounts of technology and the benefits of those technologies spill over to firms here at home.”

Canadian direct investment abroad has exploded in the past 30 years, and Canadian firms now own more foreign operations – in terms of dollar value – than foreign companies own in Canada. The role of government should be to assure the necessary elements are in place so that domestic and foreign firms can compete on an equal footing.

“Trade liberalization and low corporate tax rates help Canadian companies compete more effectively in foreign markets,” notes Hejazi. “Foreign investment, like trade, flows in two directions, and the Canadian government must be careful to consider the policy responses of other countries when deciding how much, if at all, to protect domestic firms.”

“Dispelling Canadian Myths about Foreign Direct Investment,” by Walid Hejazi, can be downloaded free of charge from the Institute’s Web site, [www.irpp.org](http://www.irpp.org).

This is the inaugural *IRPP Study*, the Institute’s new publication for its peer-reviewed research papers.

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