

Follow the rules, and doors open

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The issue of foreign investment has long been a sensitive topic in Canada. For years, we have debated concerns about the "hollowing out" of Canada and, more recently, the investments from state-owned enterprises in the oil patch from less familiar trading partners in Asia and the Middle East. Given the list of recent controversial deals, it's no wonder investors and Canadians alike are concerned with understanding the actual state of play toward foreign investment in Canada.

Many questions were raised regarding how open we remain to foreign investment with the first effective government rejections of the proposed foreign takeovers of MacDonald Dettwiler in 2008 and Potash Corp. of Saskatchewan in 2010. What's Canada's national interest with foreign investment? Where do we stand in relation to other global competitors for investment? Is there a need for further policy reform with changes to global flows in trade and investment?

The reality is that Canadians benefit from having others invest in our country and help us fund projects and expand our businesses more quickly and cost-efficiently than we could on our own. All Canadians benefit; we all depend on strong businesses operating in Canada.

The reasons for this are simple: The pool of capital available within our population of 35 million people is much less than that available within a global population of seven billion. If Canadian business were to rely on seeking capital only within Canada, the laws of supply and demand would dictate that our cost of capital would be much higher than the cost for our global competitors. This would hinder the growth and competitiveness of our economy. And competition drives lower costs and prices, not passports and residency. These facts are hard to overcome.

The benefits of international trade and investment have played a key role in our economic history. For example, the Canada-U.S. Auto Pact, which guaranteed a minimum volume of U.S. manufacturers' production in Canada and removed tariffs, facilitated investment in, and development of, a world-class automotive industry in Canada, a key part of Ontario's manufacturing sector for decades. As a result, the Auto Pact led to generations of quality jobs and livelihoods for Canadians.

Accordingly, in today's world, there's no logic in fearing investment from any particular country as a matter of principle. This is especially so in a world where significant wealth and capital have accumulated in new places such as Asia and South America. While challenges to the continued growth of global trade and investment remain, it's clear that the benefits of global commerce are too compelling to developed, emerging and developing countries alike to be seriously reversed at this stage. At the same time, it's perfectly acceptable for Canada to insist on ensuring that significant foreign investments offer tangible benefits to our economy.

Our operating principle should be: We generally don't care where you come from or your background, but if you invest here and act like a genuine partner and follow the rules, your investment is welcome.

The art of remaining open to vital foreign investment and maximizing the benefits is to have clear foreign investment rules that provide certainty to the process and encourage the right kinds of investment serving the national interest.

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