Canada’s economic shield: Fortifying national security in a fractured trade landscape

March 06, 2025

As the North American trade war unfolds, Canadian Minister of Innovation, Science and Industry, François-Philippe Champagne (the Minister), announced on March 5, 2025, that Canada will now factor economic security into national security reviews (NSRs) of foreign investments under the *Investment Canada Act* (ICA). Though not explicitly tied to the trade war, the move reflects a “rapidly shifting trade environment” and an “increasingly geopolitically fractured world,” hinting at reactions to the Trump administration’s recent trade actions.

What you need to know

- The Canadian government will now explicitly consider the potential of foreign investments to undermine Canada’s economic security in the NSR process.
- This continues a trend of blending national security and economic impacts under the NSR process.
- While not closing Canada to inbound US foreign investment, the announcement was clearly spurred by the ongoing trade war, and suggests that Canada will seek to more broadly protect its national interest in assessing inbound investment.

Economic security is officially national security

The ICA governs Canada’s review of foreign investments. The NSR provisions allow scrutiny of virtually any investment of any value into Canada by a non-Canadian, including non-controlling investments, to determine whether they “would be injurious to national security”, and afford the government significant scope to block or impose conditions on investments.

In 2021, the government published *Guidelines on the National Security Review of Investments* (Guidelines), which provides a list of factors that that may be taken into account in conducting NSRs. With the latest announcement, “economic security” joins the list, defined as:

> "**The potential of the investment to undermine Canada's economic security through the enhanced integration of the Canadian business with the economy, or any sector of it, of a foreign state**".

The Minister noted that "as a result of a rapidly shifting trade environment, some Canadian businesses could see their valuations decline, making them susceptible to opportunistic or predatory investment behavior by non-Canadians." In a statement accompanying the announcement, the government noted that in applying this factor, it will consider, among other things, "the size of the Canadian business, its place in the innovation ecosystem, and the impact on Canadian supply chains."

Consideration of economic security in the NSR process is not new

This echoes Covid-19-era policies, when the "unique" and "extraordinary circumstances" of the global pandemic and "sudden declines in valuations [that] could lead to opportunistic investment behaviour" were the rationale for the government using the ICA to "subject certain foreign investments into Canada to enhanced scrutiny." Following that announcement, the government took action in blocking the acquisition of a Canadian gold mine by a Chinese state-owned investor under the NSR provisions of the ICA.

More recently, the government has been clear, particularly in the context of critical minerals, that it is concerned about safeguarding access to global supply chains, which is clearly related to economic security amongst other factors. A recent approval under the NSR provisions of a Canadian mining company's sale of a mine in Peru to a Chinese company involved extensive economic security considerations, and may have been influenced by sale proceeds indirectly being applied by the Canadian company to extend the life of and expand mines in Canada.

No threat of broad action against U.S. investment

Though the statements and revised Guidelines do not explicitly target inbound foreign investment from U.S. investors, and there is no indication that Canada is closing to U.S. investment, the announcement is consistent with the Canadian government's strong response to current U.S. trade and tariff policies - suggesting that Canada will seek to more broadly protect its national interest in assessing inbound investment under a national security lens.

All foreign investors must be prepared for increased scrutiny of investments under the ICA, with significant changes to the NSR provisions, including much broader pre-closing filing requirements, expected to come into effect in the near future.

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