



The politics of  
cross-border  
deals today

Spotlight on  
Canada

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## Executive summary

Canada's foreign investment regime has continued its steady evolution toward more assertive screening. Recent changes formalize what has been implicit in recent practice: economic security is now explicitly national security under the Investment Canada Act (ICA), and geopolitical realities are driving broader application of scrutiny across both sectors and investor jurisdictions.

### Political context: Economic security codified

National security reviews under the ICA continue trending upward as the tool is used broadly. The [March 2025 National Security Review Guidelines](#) formalized what was previously implicit: economic security is now an explicit consideration in national security assessments. Authorities examine whether investments could create dependency on foreign-controlled entities for critical goods or services, undermine supply chain resilience or compromise Canada's ability to respond to future crises.

Geographically, while investments from “non-like-minded countries” face presumptive skepticism, geopolitical trends have forced Canada to apply the ICA more broadly in terms of countries of concern. Even capital from traditional allies now receives closer examination where transactions touch upon sensitive sectors or strategic assets, reflecting shifting trade and security dynamics as well as supply chain considerations. Particular scrutiny applies where investments might concentrate control in sectors dominated by certain countries or fundamentally alter the competitive landscape in areas critical to the security of supply chains.

Global trade disruptions have caused the Canadian government to view domestic manufacturing capacity and the security of inputs in a new light. This strategic imperative now shapes how authorities evaluate foreign investment across the economy.

### Amendments to the Investment Canada Act (C-34)

Legislative amendments to the ICA from March 2024 are being implemented throughout 2025, reshaping the foreign direct investment review process. The changes introduce mandatory pre-closing filing requirements for prescribed sensitive sectors. The government is preparing to launch consultations on implementing this new statutory authority to determine what will be captured, drawing on existing lists of sensitive technologies, critical minerals, and critical infrastructure, as well as examples from peers like the United Kingdom.

The changes also create new opportunities for the Canadian government through the Minister of Industry to approve investments with negotiated mitigation measures. Previously, reviews were trending towards binary outcomes—approval or denial—with the government only able to impose mitigation measures but not truly negotiate terms. These changes remove the reactive nature of a Cabinet decision and replace it with a negotiated process with the Minister of Industry.

The ability to negotiate undertakings to mitigate national security concerns can be positive for investors who might otherwise have been denied approval under the ICA. Success requires greater advance planning and thoughtful engagement, as authorities now expect investors to proactively propose mitigation frameworks. Additionally, the government increasingly requires ongoing compliance monitoring, often without fixed terms, meaning that post-closing obligations may extend indefinitely.

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## Expanding scope: Sectors and geographies

Beyond the “special sectors” outlined in the [National Security Review Guidelines](#)—including critical minerals, sensitive technology, and critical infrastructure—standalone policy statements released in 2025 touch on investments in Interactive Digital Media (e.g. social media; video games; streaming and content creation) and in critical minerals, particularly by state-owned enterprises or “private investors assessed as being closely tied to or subject to direction from foreign governments.”

The February 2025 release of [Canada's Sensitive Technology List](#) further clarifies which technologies national security agencies view as primary concerns. This list reflects growing government focus on technology transfer and data sovereignty—themes emphasized in the [Director of the Canadian Security Intelligence Service's \(CSIS\) Annual Speech](#) in November 2025.

## A flexible tool with evolving application

The ICA remains a combination of technical analysis and political judgment, making it a flexible instrument that allows the Canadian government to adapt its application to changing circumstances. While this adaptability serves government policy objectives, it means past precedent provides limited certainty about future outcomes. How a particular type of investment was treated in 2015 or 2020 is not a predictor of how it is treated in 2025.

Cooperation with Five Eyes and European allies remains important in how Canada reviews investments, particularly for supply chain security assessments. However, this coordination increasingly reflects shared concern about economic vulnerabilities rather than merely traditional security threats. Cooperation on critical minerals and how foreign investment into the sector is treated is a helpful example of this.

## Strategic imperatives for dealmakers

Success requires integrating political and policy risk assessment into both the investment due diligence and economic modeling, as well as the execution. This work should not be left until after deals are signed or final investment decisions are taken. Advanced planning that understands the people and political context, combined with thoughtful engagement strategy, is essential. Communications relating to investments should factor directly into this process as they can impact how decisions ultimately unfold.

Canada's trajectory on foreign direct investment in 2025 has been: more comprehensive screening, expanding sectoral coverage, broader geographic scrutiny and greater intervention rates. The question is no longer whether political-regulatory considerations will affect your transaction, but how decisively they will shape deal structure, timing and ultimately viability.

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