

CANADA EXPANDS NATIONAL SECURITY REVIEWS OF FOREIGN INVESTMENT IN THE FACE OF TRADE WARS

Posted on March 7, 2025

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On March 5, 2025, after the United States proceeded with tariffs on imports from Canada, the Minister of Innovation, Science, and Industry [announced](#) that the Canadian Government has expanded the grounds for conducting national security reviews of foreign investments. The Minister added investments that could undermine Canada's "economic security" to the [Guidelines on National Security Review of Investments](#)^[1] under the *Investment Canada Act* ("ICA").

The updated Guidelines come in the wake of a shifting global economic and political environment and follow significant amendments to the ICA made in 2024 that have expanded the Government's ability to scrutinize foreign investments.^[2] The revisions also modify the list of sensitive technologies that may raise national security concerns.

Economic Security

The concept of economic security forming part of Canada's national security emerged during COVID^[3] and was followed by policy changes to restrict foreign investment in Canada's abundant critical mineral resources.^[4] However, the March 2025 updates are the first formal inclusion of the concept in the Guidelines. The Minister explicitly referenced that economic security has been added in part "[a]s a result of a rapidly shifting trade environment" where "some Canadian businesses could see their valuations decline, making them susceptible to opportunistic or predatory investment behaviour".^[5]

This revision to the Guidelines followed immediately after the United States imposed sweeping 25% tariffs on all Canadian goods and Canada announced two broad sets of retaliatory tariffs.^[6] The Guidelines now include the following factor as a possible basis for a national security review:

- 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;

This new factor allows Canada to consider whether its economic security could be negatively impacted through an existing or new Canadian business being integrated or further integrated with the economy of a

foreign country. The Government's [explanatory note](#) indicates that “[i]n applying this factor, the Government will consider, among other things, the size of the Canadian business, its place in the innovation ecosystem, and the impact on Canadian supply chains”.

The Sensitive Technologies List

Another increasingly important factor that could lead to a national security review is the potential effect of an investment on the transfer of sensitive technology or know-how outside of Canada.

The previous guidelines contained an annex listing 16 technologies that were considered “sensitive”. No descriptions of the technologies were provided. The updated Guidelines replace this annex with a reference to the recently-published [Sensitive Technologies List](#).

On February 6, 2025, the Minister of Public Safety released this list, which identifies 11 broad technology areas that the Government considers to be sensitive and that may have national security implications:

1. Advanced Digital Infrastructure Technology
2. Advanced Energy Technology
3. Advanced Materials and Manufacturing
4. Advanced Sensing and Surveillance
5. Advanced Weapons
6. Aerospace, Space and Satellite Technology
7. Artificial Intelligence and Big Data Technology
8. Human-Machine Integration
9. Life Science Technology
10. Quantum Science and Technology
11. Robotics and Autonomous Systems

These 11 technologies generally cover the areas listed in the previous annex. The Sensitive Technologies List provides important additional detail about what is captured within each technology area.

Practical Implications

The revised Guidelines confirm that the Government's increasing focus on national security will now include a broad view of economic security as well as close attention to sensitive technologies. Foreign investments into Canada from the U.S. or other historically non-problematic countries may face heightened scrutiny where Canada's economic security is threatened. It would be reasonable to expect additional scrutiny of foreign investment deals involving:

1. Canadian businesses important to Canada's critical infrastructure or supply chains;
2. Canadian businesses focused on innovation and those associated with new technologies;
3. Canadian businesses that, if integrated through foreign ownership or control with a sector of the economy of a particular foreign country, could have a material impact on Canada's future economic well-being;
4. Large Canadian businesses (particularly those that have seen their value, however measured, recently decline); and
5. Other investments into Canada that could be seen as predatory by taking advantage of temporary poor economic conditions.

Canadian businesses seeking foreign investment, or to be acquired by a foreign purchaser, will want to carefully assess liquidity options when any of the above factors may be in play. It will be increasingly important to address possible risks under the ICA in deal documents.

For more information about these Guidelines, the rules relating to inbound investments into Canada, or the Canadian responses to tariff and other trade developments, please contact any member of McMillan's [Foreign Investment Group](#), [McMillan Vantage](#) or McMillan's [Trade Group](#).

[1] The Guidelines were first issued in 2016 and offer a non-exhaustive list of factors that may trigger the operation of the ICA's national security regime. Updates to the Guidelines have been periodic. In 2021, the government expanded the list of areas of concern, adding cybersecurity and critical infrastructure as national security considerations. You can read our prior bulletins regarding the Guidelines [here](#) and [here](#).

[2] We have previously written about Bill-C-34 [here](#). The Guidelines have also been updated to conform with recent amendments made to the ICA by Bill C-34. These amendments allow the Minister to accept (or reject) legally binding representations and undertakings from investors to address national security concerns, rather than requiring Cabinet approval.

[3] In particular:

- The Minister's April 2020 [policy statement on the COVID-19 pandemic](#) highlighted that state-owned enterprise investments could be "motivated by non-commercial imperatives that could harm Canada's economic or national security interests".
- In December 2021, the Prime Minister's [mandate letter](#) instructed the Minister to "promote economic security and combat foreign interference by reviewing and modernizing the *Investment Canada Act* to strengthen the national security review process and better identify and mitigate economic security threats from foreign investment."
- In October 2022, the Government published its [Annual Report](#) on the ICA for the fiscal year ended March

31, 2022, which was the first such report to reference “economic security”: “This is consistent with the recognition that Canada’s economic prosperity, as well as access to critical goods and services, can be a target of hostile states or actors who may seek to disrupt Canada’s economic security through our open-market economy.”

- In July 2023, the ISED department responsible for handling ICA filings changed its name from the Investment Review Division to the Foreign Investment Review and Economic Security (FIRES) branch.

[4] We have previously discussed updates to foreign investment policy and critical minerals [here](#) and [here](#).

[5] See the [Minister’s statement of March 5, 2025](#).

[6] We have previously written about the imposition of these tariffs and their evolution prior to March 5th [here](#) and [here](#). As of the time of this writing, the United States subsequently decided on March 6th to [suspend](#) the US tariffs in relation to all goods that meet the USMCA rules of origin, including automotive sector goods.

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A Cautionary Note

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