

Investment dollars fleeing Canada

by FRANK STRONACH

Investors, it seems, are increasingly losing confidence in Canada and putting their money elsewhere.

Here's the thing about money: it has no heart, no conscience, and no homeland. It flows along the path of least resistance in search of the greatest return possible.

You can't blame investors for wanting a decent return on the money they invest.

At Magna, the company I founded, we gave the biggest chunk of our annual profits to shareholders ? around 20 percent paid out in the form of a dividend.

Magna's investors provided the capital we needed to build new factories, purchase new equipment, and fund product research. Without them, we wouldn't have been anywhere near as successful as we were. Business is driven by three forces: smart managers, motivated employees, and confident investors. At Magna, we had all three.

But investors today are growing increasingly wary about sinking money into Canada ? whether its foreign companies looking to acquire Canadian businesses or mutual funds investing in Canada's stock markets.

According to the latest World Bank data on Canada, net outflows of foreign direct investment are nearly double the amount of investment dollars coming into this country.

There was a string of other troubling reports in recent months as well, including news that foreign investors sold nearly \$50 billion worth of Canadian equities in 2023 ? the largest exodus of securities investment dollars in our history.

Canadians, meanwhile, were busy buying up a record amount of foreign stocks and bonds, according to BNN Bloomberg. The common thread that runs through all of these reports is a disturbing lack of conviction and trust on the part of investors in Canada's economic fundamentals.

The investment climate here in Canada was never ideal, but it has significantly deteriorated in the past decade or so. To make matters worse, the new capital-gains taxes introduced in last month's federal budget will likely increase the flood of money leaving Canada in search of better returns and less government meddling elsewhere.

If we fail to retain the businesses and individuals that create products and services and hire Canadian workers, then our living standards will inevitably fall. It's why you hardly ever see factories being built anymore, why good-paying jobs are drying up, and why investment capital is fleeing our country.

The reality is that in today's borderless world, it's difficult to cage in money. Investors will simply move to jurisdictions where there are less restrictions, lower taxes and fewer headaches.

So how do we create an environment that would allow Canada to retain the brains and investment dollars needed to build new businesses and generate new jobs, while also attracting foreign investment?

For starters, we need to dismantle and rebuild our tax system so that it's flat-out simple, black-and-white and stripped of all loopholes, deductions and exemptions. And we need to stop treating income differently ? all income should be treated the same in terms of taxation.

We also need to claw back the regulations choking the life out of small businesses, cut government spending, and give our entrepreneurs the breathing room they need to grow their businesses.

All of these policies are part of the economic charter of rights I've been touting as a way to halt the further erosion of our economy and rejuvenate business growth in Canada.

If no one wants to invest in Canada ? including even Canadians ? what does that say about the true state of our country and our economy?

To learn more about how an economic charter could help restore investor confidence and fuel new economic growth, contact info@economiccharter.ca.