U.S. subsidiaries, there has been a clear trend in recent years for Canadian businessmen to see their future in continental terms. The leader among the Canadian manufacturers in the U.S. is Northern Telecom which rivals Cadillac Fairview as the largest Canadian investor south of the border. Former Chairman Scrivener, stated Telecom's reasoning in clear terms: "No matter how we projected the Canadian telecommunications market, we could see no way in which we could afford, on returns from the Canadian market alone, the enormous and continuing Research and Development costs that will be required to establish a viable, profitable position in these new technologies. We saw that we could not even expect to hold our share of the Canadian market against foreign competition. It appeared to us that even if we took the total Canadian market (and we have not), we would still end up in the 1970s as a relatively small Canadian company unable to keep up with the technological advances of others. . .Instead, we concluded we must expand our markets and go international to find the revenues we needed to support the R & D costs required to permit us to go as fast as, or faster than, the multinational companies that we faced, or would be facing, in our own domestic markets."

Northern Telecom's major international thrust has been into the United States because, "it is the largest single telecommunications market in the world. The California market is bigger than the whole of Canada. Quebec is only half the market for Ohio. It is the most open market in the world and the most competitive." Northern Telecom's objective, according to Scrivener, was to do more business in the U.S. by 1982 than it will be doing in Canada. Sales of equipment manufactured in the U.S. jumped from $129.9 million in the first half of 1978 to $346.1 in the first half of 1979. Sales of products manufactured in Canada were $526.6 million in the first half of 1979.

"As tariffs in Canada and the United States are likely to be substantially reduced over the next decade, Domtar is assessing the future competitive situation for its existing facilities so as to position itself to function more effectively in the years ahead," the company told its shareholders in 1977. What this meant, in part, became clear the following year when Domtar Gypsum America was formed to take over the Kaiser Cement and Gypsum Corporation, of California, in a $34.5 million deal. For its money, Domtar got gypsum wallboard plants near San Francisco and Los Angeles, a wallboard paper mill near San Francisco and a gypsum mine—actually an island of solid gypsum—in Mexico. It is now engaged in a $50 million program to expand production by some 30% and to build a new wallboard plant at Tacoma, Washington. The company serves markets in California, Arizona, Nevada, Oregon and Hawaii. Other divisions of Domtar own a rock salt mine in Louisiana, and lime quarries and kilns in Washington and Pennsylvania. The 1979 report showed assets in the U.S. of $69.9 million and ope
ing profits of $32 million.

Positive climate

The reason for expansion in the United Sta
says L. Srebrnik, Manager, Market Economics, Co
rate Business Development, is that, "Domtar has a s
nificant market share in virtually all product li
which we now manufacture and domestic investm
opportunities are relatively limited. . .growth oppor
nities for Domtar could be in the United States." Th
is another reason, he adds: "a more positive busin
climate in general is perceived to exist in the Uni
States." Domtar is continuing to invest and diversify
Canada but Srebrnik comments, "currently, Dom
would be best described as a Canadian company w
subsidiary interests in the U.S. However, in the lon
term, Domtar is gradually evolving towards a m
continental outlook though still based in Canada."

Explaining the corporate development strategy
the Molson Companies, President and Chief Executi
Officer J.T. Black says the sort of business in which
wants to invest ". . .will likely be of a marketing or d
tribution nature, and of medium as opposed to hi
technology. It will be a leader in its particular field
business which produces high quality products or se
ices, and in all probability international in scop
Those were certainly the criteria in the $60 milli
purchase, in 1978, of the Diversey Corporation of C
cago. Diversey produces and markets chemicals a
specialty products, primarily cleaning and sanita
compounds. It has plants in 32 countries and mark
its products in more than 100 countries. In April, M
son enlarged the Diversey empire by paying about $
million for B.A.S.F. Wynadotte Corporation, of N
Jersey, also a producer of chemical specialities. A
tional Canadian brewer until a few years ago, Mols
now sees itself as a "company based in Canada with i
ternational outlook."

Burns Foods Limited of Montreal has only a sma
investment in the U.S.—two small plants in Oreg
freezing fruit and corn for supermarkets and the fa
food industry—but it is looking for other U.S. opport
nities. President and Chief Executive Officer A.J.
Child explains, "we have not outgrown opportuniti
in Canada, but it is wise to hedge against political a
economic problems in Canada by expanding across t
border."

Dominion Textile expanded into the U.S. mark
five years ago and recently announced a $24 millio
three-year plan to increase output at Swift Textiles,
Columbus, Georgia, a major producer of denim for j
ans and other uses. President Bell told shareholde
last year, "looking down the road, some years into t
future, trade relations with the United States a
likely to be liberalized to a more significant degr
than at present and taking such events into accou
expansion outside Canada must form part of the int