

# Canada's investment capital moves south of the border

by Anthony Westell

While the rush of Canadian corporations to establish themselves in the United States market has been widely reported, the implications have not been much analyzed or understood. *Maclean's* magazine, for example, in a report on Canadian investment in the U.S. described the entrepreneurs as "The New Imperialists." But that is not the case. Imperialists seek to impose the power of one nation on another, while Canadian businessmen are busily engaged in erasing national distinctions and continentalizing the economy.

An increasing number of Canadian businessmen now look to the North American continent rather than to Canada alone as their natural sphere of operation. Some have reached the limits of expansion at home and are seeking new markets to conquer in the United States. Others are attracted by the free enterprise business climate in the United States. A few are drawn almost reluctantly into the U.S. market by the need to compete with U.S. and Canadian corporations already operating on a continental scale. Whatever the motives, the movement of Canadian corporations into the U.S. has political and economic implications. It is creating new economic links between the two countries at a time when the Liberal government in Ottawa is seeking to move in another direction, that is, towards less dependence on the U.S. market. It is demonstrating that Canadian capital and management can compete successfully with Americans, helping to overcome the conventional Canadian inferiority complex which says we are too small, too cautious, too inexperienced to deal with the legendary American capitalists.

Describing the attraction and challenge of the U.S. market, Robert C. Scrivener, then Chairman and Chief Executive Officer of Northern Telecom, said in 1979: "It is next door, we speak the same language, and our business cultures are almost identical." "Seattle is virtually a suburb of Vancouver," remarked Jack Poole,

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President and Chief Executive Officer of Daon Development. Thomas R. Bell, President and Chief Executive Officer of Dominion Textile, tells his shareholders: "The size of the corporation is now such that we can no longer pursue opportunities only in the Canadian market."

One of the difficulties in describing Canadian investment in the U.S. is to obtain accurate figures. Many commentators use the statistics published annually by the Bureau of Economic Analysis in the Department of Commerce in Washington, D.C., but on examination these turn out to be hopelessly inadequate. The figures are merely a spinoff of numbers gathered to report the U.S. balance of payments, and they reflect mainly the actual flow of capital into the United States.

## Direct investment

Most Canadian entrepreneurs borrow in the U.S. much of the money which they wish to invest in the United States and these transactions do not show up in the balance of payments figures. A major benchmark study by the Commerce Department in 1974 reported Canadian direct investment in the United States at \$5.177 billion, but found that assets controlled by Canadian corporations in the U.S. totalled \$23.856 billion. For what it is worth, the Bureau now reports that Canadian direct investment in 1979 totalled \$6.974 billion up \$794 million from 1978, but the assets controlled are obviously much larger. For example, when the Canadian Institute of Public Real Estate Companies reported last year on a survey of investment in the United States by six major developers, it said that they had acquired U.S. assets totalling \$1.5 billion with an investment of only \$100 million in Canadian funds. To take another example, Domtar has assets in the U.S. of about \$70 million and reports that it has financed them by issuing U.S. debentures. The company expects to continue to finance each U.S. operation in the same way.

Another measure of Canadian activity comes from the Office of Foreign Investment in the U.S., established by Congress to try to get a handle on foreign activities but given very few powers. The Office clips newspapers for reports of foreign investments, moni-