

Table 10
Canadian Direct Investment Abroad by
Location of Investment, 1975-83

(Can. \$ millions)

	<u>All foreign countries</u>	<u>United States</u>	<u>United States as percentage of total</u>
1975	10,526	5,559	52.8%
1976	11,491	6,092	53.0
1977	13,509	7,116	52.7
1978	16,422	8,965	54.6
1979	20,027	12,104	60.4
1980	25,803	16,387	63.5
1981	32,37	21,832	67.1
1982	33,865	22,990	67.9
1983	35,833	25,027	69.8

Source: Statistics Canada, System of National Accounts: Canada's International Investment Position - Cat. No. 67.202

Although it is recognized that increased direct investment in the United States is a worldwide phenomenon, generally caused by high confidence in the American economy, the geographic proximity and relatively close integration of the two countries would conceivably lead Canadian firms to export rather than invest in the United States. The reasons why this has not happened throw considerable light on the role of trade barriers in Canadian direct investment south of the border.

In 1985, the C.D. Howe Institute conducted a questionnaire survey of some 700 Canadian controlled subsidiaries in the United States. The final sample consisted of approximately 11% of these firms, with assets totalling some 28% of the value of total Canada direct investment in the United States. The sample was considered as quite representative of the population in terms of geographic distribution, but had a slight bias towards larger firms. In addition, although the mining, manufacturing and finance sectors in the sample correctly portrayed the profile of the population, the petroleum industry was underrepresented, while the trade, real estate and services sectors were overrepresented. Nevertheless, the Institute considered the reliability of results to be quite good, particularly since adjustments were made to take into account these deviations.

The survey produced the following results of relevance to our purposes:

- The overwhelming majority of respondents, save those in primary industries, rated market potential, market size and proximity to customers as the major factors influencing past, present and future views on investment in the United States. Primary industries considered access to raw materials, market size and corporate taxation as major criteria.
- About one third of firms surveyed considered tariff and non-tariff barriers as very important or important in influencing their decision to invest in the United States rather than in Canada.
- There were significant differences in the attitude of manufacturing and that of all other firms towards trade barriers as illustrated below: