

Subsection 3.—British and Foreign Capital Invested in Canada and Canadian Capital Invested Abroad.*

Because of the increasing complexity and the great variety of forms investments take and the difficulties inherent in arriving at satisfactory valuations, along with the continual changes in ownership in some cases, these estimates should be considered as approximations rather than exact representations. They are, however, indicative of the general proportions of the investments involved. In using these statistics it should be recognized that changes in value from one year to another do not always reflect actual capital movements between Canada and other countries as there are important changes in the value of 'equity' investments arising from internal operations, such as reinvested profits, for instance, which are quite independent of external factors.

Revised estimates of British and foreign investments in Canada and Canadian investments in other countries were issued in 1938 by the Dominion Bureau of Statistics. Revisions went back to 1926 and revised statistics of international investments will be found for the years 1926 and 1929 to 1937 in tables at p. 930 of the 1939 Year Book. Very marked changes have taken place in Canada's international indebtedness during the present century. The industrial expansion in Canada in the years preceding the War of 1914-18 was related closely to the heavy inflow of capital from Great Britain. In 1914 the value of United Kingdom investments in Canada was not much different from the value shown for recent years, although slightly higher than in 1926. The rapid growth in United States investments in Canada took place after 1914. Part of this increase in the investments of the United States in Canada came after 1926 and there was a change in these investments between 1926 and 1930 of from \$3,161,200,000 to \$4,298,400,000. This influx of capital followed two contrasting channels. A large part of the capital was raised through the sale of new issues at New York but the capital coming to Canada through the channel of direct investment was also especially heavy and this capital invested directly in Canada has given to such United States investments a particular character. Since 1930 there has been a reduction in the value of United States investments in Canada, as a result of the redemption of Canadian securities owned in the United States, changes in the values of equity investments in Canada, and other factors.

In 1937 the indebtedness abroad of Canadian governments amounted to \$1,698,000,000 of which \$514,200,000 represented government securities held by British investors and \$1,180,600,000 government securities held by residents of the United States. The total non-resident investments in Canadian railways, \$1,632,900,000, was about the same as the total government securities held abroad, but the British investments predominated in this group, being \$1,065,600,000 compared with a United States investment of \$538,500,000. In most other classes of investment the amounts owned in the United States were larger than the British although the latter were generally substantial.

In appraising Canada's international indebtedness, consideration must also be given to Canadian investments abroad. These have grown from \$1,352,800,000

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