

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 latest year for which an estimate was made, British and foreign capital invested in Canada amounted to \$6,765,000,000 of which \$3,932,400,000 was invested by residents of the United States, \$2,684,800,000 by residents of the United Kingdom and \$147,800,000 by residents of other countries.

In appraising Canada's international indebtedness, consideration must also be given to Canadian investments abroad. These have grown from \$1,352,800,000 in 1926 to \$1,757,900,000 in 1937. The principal growth was in Canadian portfolio holdings of United States securities although considerable amounts of the securities of Latin American and European governments were also acquired in the earlier part of the period. The increase in the holdings of these miscellaneous investments in other countries has been greater than the increase in total Canadian investments abroad, as there has been a very marked reduction in the net assets of the Canadian banks in other countries during this period. For 1937, Canadian capital in other countries is estimated at \$1,757,900,000. The largest part of this, about \$1,097,600,000, was invested in the United States, \$40,900,000 in the United Kingdom, and \$619,400,000 in other countries.

Estimates of British and foreign investments in Canada and of Canadian investments abroad for the years 1926 and 1929 to 1937 are given at p. 930 of the 1939 Year Book and statistics of international investments as at Dec. 31, 1937, at p. 881 of the 1940 edition.

While 1937 is the latest year for which data on investments have been published, the figures for that year are generally representative of the situation at the beginning of the War. Although there were numerous relatively minor changes in composition and value of investments there were no very significant alterations in the broad outline of Canada's balance of international indebtedness between the end of 1937 and the start of the War.

Statistics on the international investment position in the period since the opening of the War have not been published. Important changes have occurred in the balance of indebtedness between Canada and the United Kingdom, with the result that the situation at any one time has been transitory.

As a consequence of the heavy British expenditures in Canada in connection with the War, the United Kingdom has experienced a large deficit in its balance of payments with Canada. The financing of this British deficiency in Canadian dollars has led to reductions in the balance of Canada's indebtedness to the United Kingdom through such operations as the official repatriation of Canadian bonds held in the United Kingdom, the accumulation of large sterling balances by the Dominion Government, and other capital exports to the United Kingdom, as for example the sale in Canada of Canadian securities vested by the British Treasury and private redemptions of securities. At the same time it should be also noted that there have been substantial British investments in war industries and other projects in Canada.

An important development in the financial relations between Canada and the United Kingdom occurred in March, 1942, when legislation was passed by the Parliament of Canada providing for a gift to the United Kingdom of \$1,000,000,000