

period. But during the same period there was considerable investment of Canadian capital in the United States and elsewhere, partly arising from the expansion of Canadian enterprises abroad and partly from Canadian portfolio purchases of foreign securities usually floated in the United States. The Canadian position before the War of 1939-45 was predominantly that of a mature debtor country, and this situation had significant effects upon the Canadian balance of international payments, giving rise to substantial payments of interest and dividends to foreign investors, and leading to large movements of capital between Canada and other countries, particularly for the redemption of Canadian securities held abroad.

The effect of the War of 1939-45 has been to reduce the balance of Canadian indebtedness to the United Kingdom very materially. Canadian repatriations of securities held in the United Kingdom amounted to more than \$1,000,000,000 during the War. About \$703,000,000 of this took the form of official repatriations. In addition there was the loan to the United Kingdom in 1942 of \$700,000,000, although Mutual Aid and the \$1,000,000,000 contribution by Canada to the United Kingdom provided the principal means of financing the British wartime deficiency of Canadian dollars (see also pp. 560-572). As a result of these changes, British investments in Canada at the end of the War were reduced to a total of the general order of \$1,600,000,000. British holdings are now limited to relatively small amounts of provincial and municipal securities in addition to the variety of Canadian corporation securities still held in the United Kingdom. Canadian investments in the United Kingdom, which were small at the beginning of the War, show minor changes apart from the 1942 loan to the United Kingdom of which about \$561,000,000 was outstanding at the end of 1945. The additional credit to the United Kingdom by the Canadian Government of \$1,250,000,000 arising out of the financial agreement between Canada and the United Kingdom of Mar. 6, 1946, will further affect the balance of indebtedness when the credit has been drawn upon.

In contrast to the reduction in Canadian indebtedness to the United Kingdom there has been an appreciable increase in United States investments in Canada, arising out of private capital movements. United States investments in Canada are now larger than before the War and Canadian private investments in the United States are smaller. But, offsetting this increase in long-term indebtedness to the United States, there was during the War, a very substantial increase in Canada's official liquid reserves of gold and United States dollars, which, at the end of 1945, had a value of \$1,508,000,000. As increases in United States investments in Canada, plus private liquidations of Canadian holdings of United States securities and other assets were of the same general magnitude as the wartime increase of \$1,115,000,000 in liquid reserves, the balance of Canadian indebtedness to the United States at the end of the War was not much different from that existing at the beginning of the War, although the composition of assets and liabilities was altered. The principal form which the inflow of United States capital to Canada took during the War was increased purchases of Canadian bonds, particularly direct and indirect issues of the Dominion Government and Provincial Governments. There has also been a considerable increase in the value of direct United States investments in branches and subsidiary companies arising mainly out of re-investments of earnings.

Another development affecting Canada's international investment position is the extension of export credits under the Export Credits Insurance Corporation Act. The export credits of \$750,000,000 now authorized under the Act along with