

Although the balance of Canadian indebtedness to other countries was materially reduced during the recent War, Canada was still a debtor nation at the end of 1945. The balance of Canadian indebtedness to other countries at that time was estimated at about \$3,750,000,000, gross liabilities to investors in other countries being close to \$7,500,000,000 and gross external assets amounting to about \$3,750,000,000 if Canada's liquid reserves in United States dollars and gold and Canadian dollar credits to other countries are added to privately owned Canadian investments abroad. This compares with a net external debt of over \$5,000,000,000 at the end of 1939 and to over \$6,000,000,000 in 1930.

There are some striking contrasts in the composition of Canada's international assets and liabilities. A major part of the assets are owned by the Canadian Government in the form of cash balances, gold, and loans to other governments. Privately owned assets abroad in the form of foreign securities and property owned by Canadian companies and individuals amounted to a minor part of the total value of all assets at the end of 1945, whereas in 1939 these assets constituted most of the total. In the case of Canadian liabilities abroad, there is no intergovernmental indebtedness, although a substantial portion is represented by non-resident holdings of bonds of the Canadian Government, as well as railway and corporation issues. In addition to the large contractual portion of Canada's external debt giving rise to regular payments of interest, there is the large non-resident equity interest in Canadian businesses, a specially significant part of which takes the form of direct investments by foreign companies in Canadian branches and subsidiaries.

Important changes have taken place in the geographical pattern and currency significance of Canada's position. Total foreign investments in Canada in 1945 had an aggregate value close to the total in 1939, but a larger percentage of the 1945 total, (70 p.c.) represented investments held in the United States. During the same period there was a large increase in Canada's official liquid reserves in United States dollars and gold, if the latter is regarded as a foreign asset, because of its readily convertible character. When these assets are taken into account, the balance of Canadian indebtedness to the United States remained close to \$3,000,000,000. The balance of Canadian indebtedness to the United Kingdom, on the other hand, was reduced to approximately \$1,000,000,000, if government indebtedness, later settled in the Settlement of War Claims of March, 1945, between Canada and the United Kingdom is excluded. The principal factors in the wartime reduction in net indebtedness were the repatriations of British investments in Canada and the loan of \$700,000,000 to the United Kingdom in 1942, \$561,000,000 of which remained outstanding at the end of 1945. Since 1945, the balance of indebtedness has been further reduced, mainly by United Kingdom drawings on the new loan of \$1,250,000,000 which, by the end of 1946, totalled \$540,000,000. But, at the same date, the 1942 loan to the United Kingdom had been reduced to \$471,900,000.

The net investment position which Canada has reached with respect to all other overseas countries was further increased in 1946 by net drawings of over \$200,000,000 by foreign governments receiving export credits.

British and Foreign Investments in Canada.—At the end of 1945, the total value of British and foreign investments in Canada was estimated at \$7,095,000,000. Investments held in the United Kingdom were estimated to have had a book value of \$1,766,000,000; this figure included British-owned investments and some investments held in the United Kingdom by nominees for residents of other countries. The