

Foreign Investments in Canada.—The relative importance of British and United States capital invested in Canada has changed greatly in recent decades. British capital constituted the largest part of the external capital invested in Canada before World War I but United States investments underwent a rapid development during and after that War. By 1926, the first year for which official estimates are available, United States investments in Canada had a value of \$3,196,000,000 compared with British investments of \$2,636,000,000. During the 1930's, reductions occurred in the amount of external capital invested in Canada.

Further growth in United States investments in Canada took place during World War II and, by the end of the War, these investments had reached a new peak, whereas British investments in Canada were sharply reduced by repatriation of securities. As a result of these divergent trends in British and United States investments, total non-resident investments in Canada increased only moderately during World War II.

In the post-war years, there have been substantial increases in the value of United States capital invested in Canada; by the end of 1953, the total reached approximately \$8,600,000,000, a growth of about \$3,600,000,000 in the eight years from 1945. The largest increases occurred in the years following 1948, and more particularly since 1950, as a result of substantial net inflows of capital for long-term investment. Direct investments in nearly 3,000 companies in Canada, controlled in the United States, are the most important form of that country's investment in Canada, and were valued at about \$5,000,000,000 at the end of 1953. The growth in this group of investments amounted to \$2,700,000,000 in the eight post-war years, more than 40 p.c. of this representing the retention of earnings. The rate of this growth has been accelerated in recent years by the development of petroleum and other resources. In 1946 to 1953, petroleum development has accounted for about one-half of Canada's net capital import from the United States, so that by the end of 1953, United States investment in the industry in Canada amounted to \$1,144,000,000, a dramatic increase from the total of \$117,000,000 at the end of 1945. This investment now represents about one-sixth of United States investment in all Canadian industry.

Holdings of government, municipal, and corporate portfolio securities, which amounted to about \$3,355,000,000 at the end of 1953, were the other major form of United States investment in Canada. The growth since 1945 of \$800,000,000 in these holdings has been relatively much smaller than growth in direct investments. In recent years, the sale abroad of new issues of Canadian securities has been the principal factor contributing to the increase.

By the end of 1953, British long-term investments in Canada were valued at about \$2,000,000,000, an increase of \$300,000,000 since 1949. Despite recent increases, however, British investment in Canada is still much smaller than in the pre-war period. The value of investments in Canada of all other overseas countries amounted to almost \$500,000,000 at the end of 1953—much lower than the investment from Canada's historic sources of capital, the United States and the United Kingdom.

Canadian capital has been the principal source of financing for Canadian development for many years past. Even in the recent years of current account deficit, the net contribution by non-residents and foreign-controlled companies to the savings used for all types of investment in Canada was only a small fraction of the total. Thus, the ratio of investments of external capital in relation to total