

United States investments in Canada and capital from that country supplemented domestic capital in the development of Canadian industry. During the next decade and a half, Canada was a consistent net exporter of capital. In the later 1930's before the outbreak of the second world war when economic and investment activity in Canada was still subnormal, Canada's balance of indebtedness to other countries was reduced moderately, mainly by repatriations and other withdrawals of capital. Later that reduction was sharpened by special measures associated with wartime and early postwar arrangements for financing the movement of Canadian commodities abroad. The reductions in balance of indebtedness occurred through official repatriations of securities from the United Kingdom, by the extension of Canadian loans to the United Kingdom and other overseas countries, and by a rise in Canada's official reserves of gold and foreign exchange.

Considering the great economic development that has taken place in Canada since 1948 the actual burden of the rising balance of indebtedness is likely to be very much less than it was during the earlier development periods.

Foreign Investments in Canada.—Foreign investments in Canada reached a new peak by the end of 1955, rising to well over \$13,000,000,000 from \$12,469,000,000 at the end of 1954. Almost half of the outside capital invested in Canada during the present century has come in since the end of World War II, the greater part of it after 1948. In absolute terms this postwar investment is much heavier than that during the earlier growth periods even though Canada is much less dependent upon foreign capital than it was then.

United States investments, which reached \$9,622,000,000 at the end of 1954, have accounted for the greater part of the increase since 1948 and in 1954 constituted more than three-quarters of the total non-resident capital invested in Canada. Recent growth of investments owned in the United Kingdom and western Europe has also been of significant proportions: British investments in 1954 reached a new postwar peak at \$2,143,000,000 and investments by other overseas countries amounted to \$704,000,000. However because of the sharp decline in British investments during and immediately following World War II, investments by British and overseas countries in 1954 were just about at their 1926 level, whereas United States investments were three times as large as they were in 1926.

A striking feature of the recent growth in foreign investment has been the extent to which it has been concentrated in Canadian business. More than 90 p.c. of all the postwar non-resident capital invested in Canada—British, other overseas and United States investment—has been placed in Canadian business, more than 50 p.c. of it in manufacturing, over 25 p.c. in mining, smelting and petroleum exploration and development, and most of the remainder in merchandising, financial institutions and utilities. While each of the main groups of manufacturing industries has received a share, concentration has been most marked in the pulp and paper, metal products, and chemical industries and in establishments engaged in petroleum refining.

Another noteworthy feature in the investment picture is the increase in the proportion of direct investments controlled outside of Canada; such investments more than doubled in value from 1948 to 1954 through transfers of capital and retained earnings. In the manufacturing and mining industries non-resident investments constituted more than half of the total investments in these industries from 1948 to 1954. In the petroleum industry alone, which cuts across these two branches, non-resident investment made up about two-thirds of the total. Statistical studies of resident and non-resident shares of ownership have revealed also that, after omitting the predominant non-resident contribution to capital invested in the petroleum industry, non-residents have also contributed about 50 p.c. of the increased investment in other manufacturing industries and more than two-thirds of the increase in other mining industries. However these high ratios contributed by non-residents are not typical of other spheres of Canadian business. For