

Particularly significant is the fact that direct investments in Canadian businesses controlled in the United States and elsewhere have risen at an even greater rate than total investments and there have also been large increases in other types of investment in Canadian equities. In contrast, the increase in non-resident portfolios of Canadian Government, municipal and corporation bonds has been relatively moderate.

Investments of non-resident capital have been closely related to the high rate of growth in Canada. Large development projects have been initiated and financed by investors from other countries and the growth effects from this investment have, in turn, led to Canadian borrowing in capital markets outside of Canada. While capital inflows have been the principal source of the increased indebtedness abroad, another substantial contributor has been the earnings from non-resident-controlled branches and subsidiaries which were retained in Canada. New resource industries depending to a large extent on non-resident financing include all branches of the petroleum industry, iron ore and other mining, aluminum, nickel, pulp and paper, and chemicals. In addition, secondary industry has also benefited from non-resident investment.

Foreign Investments in Canada.—Dependence upon external sources of capital for financing in earlier periods of heavy investment activity has been characteristic of Canadian development. During the exceptional growth period that occurred before World War I the rate of increase in non-resident investment was very high and dependency upon external sources of capital was greater than in later periods. Total non-resident investments in Canada increased from an estimated \$1,232,000,000 in 1900 to \$3,837,000,000 by 1914, mainly in the form of bonded debt for railway and other expansion guaranteed by the Canadian Government. This was the period when the principal external source of capital was London, and by 1914 British investments in Canada, estimated at \$2,778,000,000, were at about their highest level. By the same date, United States investments, although they had been increasing rapidly, had only about one-third of the value of British-owned investments.

During the first part of the inter-war period the United States became the principal source of external capital, and by 1926 the United States-owned portion of Canada's international debt exceeded that owned in the United Kingdom which had not increased since 1914. Growth in United States investments in Canada continued for some years but was interrupted in the 1930's when the total was reduced by repatriations of securities and other withdrawals of capital. Increases began again in the 1940's and by the end of World War II, United States investments of \$4,990,000,000 compared with British investments of \$1,750,000,000. The latter had been reduced by wartime repatriation measures and the proceeds were used in financing British expenditures in Canada. Following the War, up to 1948, some further declines occurred in British investments in Canada but since then they have increased.

United States investments have risen each year since the end of the Second World War, particularly since 1948. Between that year and 1956 the total more than doubled. At \$11,651,000,000, United States investments in 1956 continued to represent more than three-quarters of all non-resident investments in Canada and also made up a similar ratio of the increase during this recent period. The main rise occurred in direct investments in companies controlled in the United States, which are prominent in many branches of Canadian industry. In 1956 portfolio investments in Canada owned in the United States were about one-half as high again as in 1949. A considerable part of this latter rise occurred in 1956 when large sales of new issues of securities were made in that country.

British investments in Canada totalled \$2,675,000,000 in 1956 and were at a new postwar peak which was not far below the earlier maximum levels maintained for several decades following 1914. But these investments now account for only 17 p.c. of the total non-resident investments in Canada compared with 36 p.c. at the end of 1939 before most of the wartime repatriations. The rise in British investments in Canada from the low point in 1948 was more than \$1,000,000,000 up to 1956, particularly concentrated in direct investments which have more than doubled since then and which now represent a