

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 1947 when the period of intense activity in the petroleum industry got under way following new discoveries. More than half the growth in United States investment in Canada has occurred since 1950. At \$12,900,000,000, United States investments in 1957 continued to represent more than three-quarters of all non-resident investments in Canada and also made up a similar ratio of the increase since 1950. The main rise occurred in direct investments in companies controlled in the United States, which are prominent in many branches of Canadian industry. By 1957 these had increased to two and one-half times their value in 1950. In the same period portfolio investments in Canada owned in the United States rose by about one-half. A considerable part of this latter rise occurred in 1956 and 1957 when large sales of new issues of securities were made in that country.

British investments in Canada totalled \$2,915,000,000 by the end of 1957, having during the year overtaken in value the levels reached at the end of the First World War and again in the early 1930's. But these investments accounted 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 \$1,300,000,000 up to 1957, particularly concentrated in direct investments which have nearly tripled since then and which now represent a much larger portion of the total than in the prewar period. In absolute terms, this rise in total British investments in Canada is more than the rise in investments by all other overseas countries in the same period, although the rate of increase has been lower.

Investments of countries other than the United States and the United Kingdom reached a record total of \$1,285,000,000 at the end of 1957. Being well over three times the corresponding 1950 figure, this represents a much higher rate of increase than has occurred in either United States or British investments and large increases have taken place in portfolio holdings of securities as well as in direct investments. At 7 p.c. of the total, this group of countries, mostly in Western Europe, makes up a larger portion of total investments than ever before. About 90 p.c. of the direct investments, which totalled \$325,000,000 in 1955, also came from Western Europe; more than one-third was of Belgian origin with French and Swiss making up the next largest groups. Since then, German direct investments have risen significantly.

The degree of dependence upon non-resident capital for financing Canadian investment has been relatively much less in the postwar period than in the earlier periods of exceptional expansion, even though the rise in non-resident investments has been so great. Thus, from 1950 to 1955 the net use of foreign resources amounted to about one-fifth of net capital formation in Canada, and direct foreign financing amounted to about one-third. But in 1956 and 1957 when these ratios had increased considerably to about one-third and two-fifths, respectively, they were still less than the corresponding ratios in the short period 1929 to 1930 when inter-war investment activity was at its highest point. In that period more than one-half of net capital formation was financed from outside of Canada, and in the period of heavy investment before World War I an even larger ratio of invest-