

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 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 1951. At \$15,725,000,000, United States investments in 1959 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 1951. The main rise occurred in direct investments in companies controlled in the United States, which are prominent in many branches of Canadian industry. By 1959 these had increased to two and one-half times their value in 1951. In the same period portfolio investments in Canada owned in the United States rose by more than two-thirds. A considerable part of this latter rise occurred in the period 1956-59 when large sales of new issues of securities were made in that country.

British investments in Canada totalled \$3,250,000,000 at the end of 1959. Although these investments then exceeded by some hundreds of millions of dollars the levels reached at the end of the First World War and again in the early 1930's, they accounted for only 16 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. British investments in Canada had more than doubled from the low point in 1948; the increase had been particularly concentrated in direct investments which had more than tripled and which, at the end of 1959, represented 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 \$1,700,000,000 at the end of 1959. Approaching four times the corresponding 1951 figure, this represented a much higher rate of increase than had occurred in either United States or British investments and large increases had taken place in portfolio holdings of securities as well as in direct investments. At 8 p.c. of the total, this group of countries, mostly in Western Europe, made up a larger portion of total investments than ever before. Nearly 90 p.c. of the direct investments, which totalled \$493,000,000 in 1957, also came from Western Europe; more than one-quarter was of Belgian origin with French, Swiss and German investments making up the next largest groups.