

However, during the first part of the inter-war period, the United States became the principal source of external capital and by 1926 the portion of Canada's international debt owned in that country exceeded that owned in Britain. With some interruption during the 1930s, United States investment in Canada continued to increase, particularly after 1947 when the period of intense activity in the petroleum industry got under way. Over half of the United States investment in Canada at the end of 1964 was accumulated since 1955. At \$21,443,000,000, United States investments in the later year continued to represent more than three quarters of all non-resident investments in Canada and made up 80 p.c. of the increase since 1955. The main rise occurred in direct investments in companies controlled in the United States, which almost doubled in the 1955-64 period. In the same period, portfolio investments in Canada owned in the United States more than doubled, due mainly to large sales of new issues of securities made in that country.

British investments in Canada totalled \$3,463,000,000 at the end of 1964 and accounted for only about 13 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. After reaching a low point in 1948, the value of British investments in Canada increased each year to 1962, declined slightly in 1963, partly as a result of Canadian repatriation of investments in railways and other utilities, and increased again in 1964.

Investments of countries other than the United States and Britain reached a record total of \$2,448,000,000 at the end of 1964. Exceeding three times the 1954 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 about 9 p.c. of the total, compared with 6 p.c. in 1954, this group of countries, mostly in Western Europe, accounted for a slightly smaller proportion of total foreign investments than in 1960, 1961 and 1962. Over 90 p.c. of the direct investments, which totalled \$1,044,000,000 in 1964, also came from Western Europe; about one quarter was of Netherlands origin, with Belgian, French, Swiss and German investments making up the next largest groups.

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 1953 both the net use of foreign resources and direct foreign financing amounted to about one seventh of net capital formation in Canada. But from 1958 to 1961 when these ratios had increased considerably to 34 p.c. and 47 p.c., respectively, they were still less than the corresponding ratios in the 1929 to 1930 period when inter-war investment activity was at its highest point. In that shorter 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 investment was financed by external capital. After 1961 these ratios declined somewhat; from 1962 to 1965 the net use of foreign resources comprised 19 p.c. of net capital formation in Canada and direct foreign financing 43 p.c. In considering these changes it should be noted that for a decade and a half, between 1934 and 1949, Canada was a net exporter of capital and that Canadian assets abroad have been rising over a long period.

It should also be noted that the above ratios relate to the place of non-resident investments in all spheres of development including those where Canadian sources of financing