

## Canadian assets abroad

### 21.5.1

There has been considerable growth in foreign investment in Canada and in the balance of Canadian indebtedness to non-residents, but Canadian assets abroad, rising at a faster rate than Canada's external liabilities, at the end of 1973 were equal to about one half of liabilities abroad compared with 45% at the end of 1970 and 26% at the end of 1939. This development was accompanied by a change in the structure of Canada's assets abroad (Table 21.33). The share of private long-term investment (including direct, portfolio, and miscellaneous investment) in Canada's foreign assets fell from almost 75% of the total in 1939 to 42% in 1973. Canadian long-term investment abroad has grown since 1970 at an average annual rate of 11% to 15.9 billion at 1973 year-end. The bulk of Canadian long-term investment abroad is in the form of private capital, especially in the direct investment sector. The remainder consists mostly of government loans and advances and subscriptions to international investment agencies.

At the end of 1973 the total book value of Canadian long-term direct investment abroad in subsidiaries, controlled companies, affiliates and branches totalled \$7,810 million, an increase of \$1,104 million over 1972. This was the largest increase ever recorded for Canadian direct investment. Direct investment for 1972, which grew only marginally to \$6.7 billion, was affected by the exclusion of the foreign assets of IU International Corporation (formerly International Utilities Corporation) which had ceased to be a Canadian resident by the end of 1971. Since the move of IU International to the United States, the Canadian participation in this enterprise has been measured as Canadian portfolio investment abroad.

Direct investment in United States firms increased 14% to \$3,924 million at the end of 1973 to account for just over one half of Canadian investment abroad. Direct investment in the United Kingdom, which had remained relatively static from 1968 to 1971, rose by 7% in 1972 and then by about 27% to \$797 million in 1973. Despite the large gain in 1973, the United Kingdom remained in third place after Brazil, the second largest recipient country. In other Commonwealth countries, direct investment has also been the predominant form of Canada's assets. Although at the end of 1973 direct investment accounted for about two thirds of Canada's long-term investment in these countries, its share was somewhat lower than in most of the previous years due to the expansion of Government of Canada credits made under the new international development assistance or "soft" loan program. Direct investment, rising by 15% to \$1,929 million, at 1973 year-end, continued to represent the largest part, at 40%, of Canada's assets in all other countries. However, export credits made directly or indirectly at the risk of the Government of Canada have grown significantly to represent an important element in Canada's assets in this group of countries. Miscellaneous investment, of which export credits is the largest component, rose by 19% to \$1,559 million.

Net official monetary assets, other Canadian short-term holdings of exchange and short-term receivables taken together have expanded to \$16.4 billion, to represent one half of gross assets at the end of 1973 (Table 21.32).

## External liabilities

### 21.5.2

At the end of 1971 Canadian gross external liabilities amounted to \$64.6 billion. Non-resident owned long-term investment comprised 90% or \$58.1 billion of this total. Direct investment (investment in Canadian enterprises from the foreign country of control) totalled \$32.8 billion accounting for 57% of all non-resident owned long-term investment in Canada. There was a sharp increase of 11% in 1973 in foreign direct investment compared to rises of only 6% recorded in each of the two previous years. The figures for 1971 and 1972 were affected significantly by the reclassification of large enterprises. These enterprises, previously treated as United States-controlled, were reclassified to Canadian control following shifts in share ownership. Non-resident holdings of government