

bonds increased by 5% to \$9.9 billion while portfolio holdings of other Canadian securities rose by \$0.8 billion to \$8.6 billion.

Historically Canada has drawn heavily on external sources of capital for its economic development. During the exceptional growth period that occurred before World War I, non-resident investment was very high and the main source of that investment was the United Kingdom. However, during the first part of the interwar period, the United States became the principal source of external capital and thereafter the international debt owned in the United States exceeded that in the United Kingdom. The increase in United States investment in Canada was particularly strong during the resource boom following World War II. At the end of 1973, United States long-term investment in Canada at \$42.1 billion comprised about 77% of all non-resident long-term investment in Canada (Table 21.34). This was down, however, from the high of approximately 81% recorded in 1967. About 62% of the stock of US investment at 1973 year-end was direct while 18% or \$7.5 billion was invested in government bonds. United Kingdom long-term investments in Canada totalled \$5.0 billion at the end of 1973. As a proportion of total non-resident investments in Canada, the United Kingdom's share was 9%, well below their 36% share at the end of 1939 before wartime repatriations. After reaching a low point in 1948, the value of United Kingdom investments in Canada increased each year until 1962. In 1963 repatriation of investments in railways (in Canada) and further provincial takeovers of other utilities caused a slight decline. Since then, UK investment in Canada has grown slightly.

Long-term investment by residents of countries other than the United States and the United Kingdom amounted to \$7.5 billion at the end of 1973. The growth rate of long-term investment from this source was above the rates for the United States and the United Kingdom. They comprised just under 10% of total foreign long-term investment in 1968, 11.6% in 1970 and approximately 13.7% in 1973. About 47% of total long-term investment owned by residents of this group of countries was direct investment while government bonds comprised 27%.

### 21.5.3 Foreign investment in Canadian industry

Foreign investment in Canadian industry is measured in terms of both the proportion of foreign-owned capital to long-term capital employed in selected industry groups and the proportion of total capital employed in non-resident controlled enterprises. The estimated book value of total long-term capital employed in non-financial enterprises rose to \$115.9 billion at the end of 1973, a 10% increase over 1972. Although foreign-owned investment in Canadian non-financial industries has remained unchanged at 34% there was a shift of one percentage point between ownership by United States investors, which decreased to 27%, and ownership by investors in countries other than the United States, which increased to 7%.

In the manufacturing sector, the degree of foreign ownership remained relatively stable at 53%. The proportion of foreign control in 1973 also remained unchanged at 59% of the total. The share of foreign ownership of total investment in petroleum and natural gas was 58%, up one percentage point from 1972. In other mining and smelting the proportion of foreign ownership remained at 56%. The percentages of foreign-controlled capital in the preceding two extractive industries were 76% and 57% respectively. In the utilities categories where foreign control is low, some 15% of total capital in railways was foreign-owned but only 2% was employed in foreign-controlled enterprises, while in the "other utilities" sector non-residents owned 18% of the long-term capital (mainly in the form of funded debt) but controlled enterprises employing only 7% of the total capital.

## 21.6 Financial activity, 1975 and 1976

During 1976 the domestic non-financial sectors of the Canadian economy raised over \$37.9 billion on financial markets, an increase of \$5.6 billion over the