

was offset partially by \$40.5 billion in gross assets, the total amount owing to Canada by non-residents, which grew by 8% from \$37.5 billion.

The term balance of international indebtedness is used here, in a balance of payments context, to include equity investment and contractual borrowing. It is determined by offsetting Canada's outstanding claims against other countries with the outstanding obligations of Canadians to other countries. The totals of international claims and obligations which have been acquired over the years, arising from capital transactions and other factors, constitute the international assets and liabilities determining a country's international investment position.

Canadian assets abroad

21.5.1

Among the assets, Canadian long-term investment abroad rose 14% in 1975 to \$21.6 billion with direct investment rising 15% to \$10.7 billion and miscellaneous investments, due largely to export credits, increasing 19% to \$3.7 billion. Net official monetary assets which remained at \$5.8 billion during the two previous years declined to \$5.4 billion at year-end 1975 while short-term receivables rose 8% to \$10.9 billion.

The book value of Canada's direct investment abroad at the end of 1975 amounted to nearly \$10.7 billion, an increase of nearly \$1.4 billion or about 15% over that recorded a year earlier. Net direct investment capital outflows abroad as recorded in the balance of payments accounted for some \$795 million of this growth, with the reinvestment of earnings accounting for most of the balance.

An advance of \$771 million boosted Canadian direct investment in the United States to nearly \$5.7 billion, to maintain its share of total Canadian direct investment abroad at 53%. Over 75% of this growth occurred in the manufacturing and mining and petroleum industries although direct investment in merchandising at \$257 million jumped 44% over 1974. A small increase of \$40 million brought direct investment in all other North American countries, including those in the Caribbean, to \$929 million.

Brazil, with nearly \$1.1 billion of accumulated Canadian direct investment, was the second largest recipient country and represented nearly 90% of the \$1.2 billion invested in South and Central America.

Investment in the United Kingdom, at more than \$1 billion, rose \$140 million, accounting for over half of the advance of \$262 million registered for all countries in the European Economic Community. Offshore petroleum exploration in the United Kingdom sector of the North Sea contributed heavily to the increase of \$39 million in mining and petroleum, which rose to \$98 million at year-end 1975.

In the Afro-Asian countries Canadian direct investment grew 25% to \$474 million. While this group represents only 4% of the direct investment total, investment in Asia (other than Japan) has grown significantly in recent years, with investment in mining and petroleum accounting for some 90% of the \$81 million increase for 1975.

Canadian direct investment in manufacturing, over \$5.3 billion, continued to represent half of total direct investment. Over three-fourths of the \$628 million addition in manufacturing occurred in the non-ferrous metals, beverages, and iron and products sectors. Investment in mining and petroleum, and merchandising rose by 21% and 28% to nearly \$2.4 billion and \$485 million, respectively, while a 15% rise in the "other" category brought investment to over \$1 billion. The utilities sector recorded a moderate gain of \$80 million to nearly \$1.5 billion.

External liabilities

21.5.2

At the end of 1975 Canadian gross external liabilities amounted to \$82.8 billion. Long-term investment owned by non-residents comprised \$68.6 billion or 83% of the total.

Direct investment, representing basically foreign capital (both long-term debt and equity) in Canadian enterprises attributable to the country of control, grew 10% to \$39.8 billion. Direct investment continued to be the largest single component at 58%, down from 60% at year-end 1974.

During 1975 portfolio transactions in Canadian securities gave rise to record net capital inflows of \$4.5 billion in the balance of payments. Foreign investment in government bonds increased 31% to reach \$15.1 billion at the end of 1975 with