

provincial governments and their agencies the most active borrowers, accounting for nearly \$12.4 billion, up almost \$3 billion from 1974. The spate of new issues abroad was spurred by substantial capital requirements by provincial utilities to finance large-scale developments as well as by a lower rate of interest abroad. Foreign placements of bonds by municipal governments were also quite large, increasing 32% to a level of nearly \$2.1 billion at the end of the year. Over 68% of the net growth in government bonds sold abroad was absorbed by US investors while 30% was provided by investors in overseas countries other than the United Kingdom.

Foreign investment in Canadian corporate portfolio investment rose 10%, the same rate as direct investment, to over \$10.1 billion at year-end 1975. Miscellaneous investment — comprising such things as foreign investment in real estate, mortgages, private investment companies and assets administered for non-residents — increased marginally to nearly \$3.6 billion.

Foreign long-term investment owned by US residents grew 13% to \$52.9 billion at the end of 1975. Direct investment, the largest component, rose 11% to nearly \$32.2 billion while holdings of government bonds advanced by 28% to nearly \$11.1 billion. Of these claims by US investors, the capital stock of Canadian companies at nearly \$26.2 billion comprised 49% while bonds and debentures, both government and corporate, represented 32%.

Long-term investment owned by investors in the United Kingdom rose 6%, the same rate as in 1974, to nearly \$5.7 billion in 1975. There was a sizable gain of 19% in government bonds held while direct investment grew 5% to \$3.7 billion. A breakdown of these liabilities to the United Kingdom by type of claim shows that about 60%, or \$3.4 billion, was in the capital stock of Canadian companies while only 15% was invested in bonds and debentures.

Investment owned in all other countries increased 23% to \$10 billion as investment in government bonds and other portfolio investment jumped 42% and 38% in the year to nearly \$3.6 billion and \$1.6 billion, respectively. A large number of new Canadian issues were sold in the Eurobond market in 1975, particularly in the latter part of the year. A number of factors such as the temporary removal of the 15% withholding tax on interest payments by corporations to non-residents on certain types of new issues, the high credit rating of the borrowers, and the high coupon rates offered made such issues highly marketable. Eurodollar rates in general were lower than Canadian bond yields and the registration requirements less costly to fulfil than those faced by borrowers in the United States. By type of claim, investment in bonds and debentures at nearly \$4.4 billion comprised 44% of the total investment from this group of countries while investment in the capital stock of Canadian companies at nearly \$3.6 billion, was 35%.

Long-term investment in manufacturing grew 10% to nearly \$18.4 billion at the end of 1975. Within manufacturing the largest increases were registered by iron and products, chemicals and allied products and non-ferrous metals. About 90% of the growth in each of these three sectors was due to increased US investment. Investment in petroleum and natural gas and in mining and smelting both expanded 7% to \$10.8 billion and \$5.5 billion, respectively. Long-term investment in the financial industry and merchandising rose 16% and 13% to more than \$7.5 billion and nearly \$3 billion, respectively. A substantial portion of the increase in finance was registered by sales finance, insurance and real estate enterprises.

21.5.3 Foreign investment in Canadian industry

Foreign investment in Canadian industry is measured in terms of the proportion to long-term capital employed in selected industry groups of both foreign-owned long-term capital in those industries and total long-term capital employed in enterprises controlled by non-residents in those industries.

The estimated book value of total long-term capital, debt and equity employed in non-financial industries in Canada amounted to \$129.7 billion at the end of 1974, an increase of 12% from 1973. Foreign-owned capital comprised 34% of this total, unchanged from the past three years. There was a shift, however, of one percentage point between investment owned in the United States, which fell to 27%, and