

term assets while net official monetary assets, with repayment of short-term borrowings under standby credit facilities during 1978, rose to \$4.2 billion.

Reflecting largely an inflow of portfolio capital and the growth in reinvested earnings accruing to non-residents, foreign long-term investment in Canada increased to \$109 billion. With the addition of other long-term liabilities (such as non-resident equity in Canada's assets abroad and official SDR liabilities) and short-term claims by non-residents, Canadian liabilities amounted to about \$135 billion.

Canada's balance of international indebtedness rose by \$6.5 billion to \$48.5 billion at the end of 1976, the last year for which full estimates are available, following a growth of \$6.9 billion in 1975. The balance of international indebtedness represents the amount by which Canada's outstanding liabilities or obligations to other countries exceeds Canada's assets or claims against other countries. Following increases of 20% in 1975 and 12% in 1974, net indebtedness expanded sharply by 15% in 1976. At year-end 1976 Canada's gross liabilities, the amount owing to other countries in long-term and short-term forms, stood at \$97.3 billion, an increase of 17% over 1975. This was offset partially by \$48.8 billion in gross assets, the total amount owing to Canada by non-residents, which grew by 19% from \$41 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 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

23.6.1

Among the assets, Canadian long-term investment abroad rose 9% in 1976 to \$23.5 billion with direct investment rising 9% to \$11.5 billion, and miscellaneous investments due largely to export credits increasing 9% to \$4.0 billion. Net official monetary assets rose by half a billion dollars to \$5.9 billion during the year while short-term receivables rose 7% to \$4.7 billion.

The book value of Canada's direct investment abroad at the end of 1976 amounted to \$11.5 billion, an increase of \$975 million or about 9% over that recorded a year earlier. Net direct investment capital outflows abroad, as recorded in the balance of payments, accounted for some \$590 million of this growth, with the reinvestment of earnings accounting for most of the balance.

At \$2,034 million, about 18% of total Canadian direct investment abroad in 1976 was invested in Europe, an increase of \$169 million for the year. The United Kingdom, with \$1,037 million, was the third largest recipient country after the United States and Brazil, and together with the \$712 million invested in other countries of the European Economic Community, accounted for 86% of Canadian direct investment in Europe.

In African, Asian and Australasian countries Canadian direct investment grew by \$39 million to \$1,108 million, with this group representing 10% of the direct investment total. Direct investment in Asian countries other than Japan rose by 44% to \$350 million, with Indonesia, the Philippines and India having the largest investments.

Manufacturing was the most important industrial category with 49% of Canadian direct investment abroad at the end of 1976. Investment in utilities at \$1,591 million comprised about 14% and petroleum and natural gas at \$1,376 million about 12%. During the period 1972 to 1976 investment in petroleum and natural gas grew at a yearly average of 20%, while utilities recorded a modest 4% gain. Canadian direct investment in mining and smelting at \$1,228 million increased at an average annual rate of 26% from 1972 to 1976.

External liabilities

23.6.2

At the end of 1976 Canadian gross external liabilities amounted to \$97.3 billion. Long-term investment owned by non-residents comprised \$81.4 billion or 84% 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 8% to \$43.1