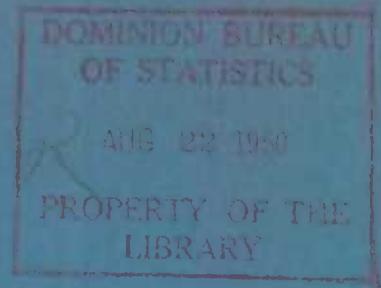


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GOVERNMENT OF CANADA



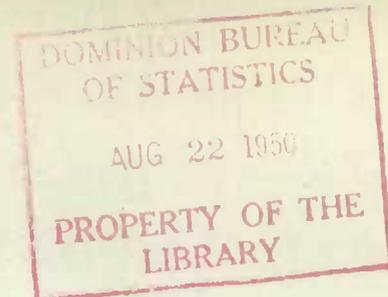
# CANADA'S INTERNATIONAL INVESTMENT POSITION

SELECTED YEARS 1926 to 1949





DOMINION BUREAU OF STATISTICS  
DEPARTMENT OF TRADE AND COMMERCE



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SELECTED YEARS 1926 to 1949

Published by authority of the  
RIGHT HONOURABLE C. D. HOWE,  
Minister of Trade and Commerce

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Prepared in the Balance of Payments Section,  
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## FOREWORD

This report consolidates and brings more up to date various statistical series related to Canada's international investment position. Statistical tables are presented showing the two aspects of this position, foreign investments in Canada and Canadian investments abroad. The accompanying textual comment describes and elucidates the principal statistical data.

Records of international investments have been kept by the Dominion Bureau of Statistics for a period of over two decades. During this period there have been many changes affecting Canada's international investment position and the system of records has been developed accordingly. Some large parts of this branch of statistics are based upon accurate records, whereas other aspects of indebtedness are dependent upon estimates.

The work has been under the direction of Mr. C.D. Blyth, Chief of the Balance of International Payments Section.

HERBERT MARSHALL,  
*Dominion Statistician.*



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## BALANCE OF CANADIAN INDEBTEDNESS

Canada is still a debtor nation even though the Canadian balance of payments has shown that the country has been a net exporter of capital for a period of almost several decades. The balance of Canadian indebtedness to other countries is still substantial being approximately \$3.8 billion at the end of 1949. But this is much less than a decade earlier when the balance of indebtedness was \$5.5 billion.

The value of Canadian assets abroad rose very sharply during and after the recent war. A large part of this growth was in the official reserves of gold and United States exchange which, however, have fluctuated in size during the post-war years. There was also the large-scale extension of loans to overseas governments by the Canadian government, contributing the largest part to the growth in Canada's assets abroad. The effect of this sharp rise in Canadian assets abroad has been to reduce materially the balance of Canadian indebtedness to other countries. But during the same period the value of foreign investments in Canada has continued to grow, although proportionately much less than the increase in assets.

### STATEMENT 1. — Summary of Canada's Balance of International Indebtedness, Selected Year Ends

(Millions of dollars)

Items	1930	1939	1945	1949 <sup>1</sup>
Gross Liabilities to Other Countries ...	8,000	7,373	7,565	8,543
Gross External Assets .....	1,443	1,876	3,715	4,763
Net Indebtedness .	- 6,557	- 5,497	- 3,850	- 3,780

1. Including Newfoundland and subject to revision.

The balance of indebtedness is determined by comparing the claims of foreigners against the Canadian economy with the claims of Canadians against other countries. The totals of international obligations and investments which have accumulated over the years, arising from long-term capital transactions, constitute the international assets and liabilities determining a country's long-term international financial position. This accumulation of assets and liabilities should not be confused with the net movement of capital during any one year or period. The international movements of capital which may occur

in any period are something distinct from the net long-term debtor-creditor position of a country. The term, creditor country, is sometimes applied to a country exporting capital on balance over an extended period. This is a misleading and superficial use of the term, however, in so far as a country's long-term debtor-creditor position is concerned.

Canada was the largest debtor country in the world before the recent war. Other prominent debtor countries at that time included the other dominions of the British Commonwealth, the larger Latin American republics, and some countries of Europe and Asia like Germany and China. The significance of a position like this can, of course, only be judged in relation to other factors such as the economic development of a country and its future potentialities. The inherent strength and potentialities in the Canadian position were demonstrated by the extent of the Canadian contribution to the recent war. One aspect of that contribution is revealed by the extent of Canadian Mutual Aid and other contributions to Canada's allies during the war which amounted to considerably more than \$3 billion. This is apart from other forms of financial assistance like the war loan to the United Kingdom and other special financing of wartime export balances by such means as repatriations of securities held in the United Kingdom. The inherent strength and capacity of the Canadian economy were demonstrated further in the post-war years by the large measure of Canadian assistance to reconstruction taking the form of export credits and loans to the United Kingdom and other overseas governments, net drawings on which to the end of 1949 totalled some \$1,659 million.

In recent years Canada continues to be one of the prominent debtor countries in so far as the net position of the country is concerned. But many major shifts have occurred in the position of some other countries. In some cases, like that of the United Kingdom, these changes have been from a creditor to a debtor position whereas the change in the Canadian position since before the recent war has been in the direction of reducing the net indebtedness as a result of the rise in Canadian assets abroad. At the same time Canadian indebtedness to the United States increased and the former net indebtedness to the United Kingdom has been virtually eliminated by repatriations of investments formerly held in the United Kingdom and by the extension of Canadian loans to that country. Other prominent debtor nations have also reduced their indebtedness from the pre-war levels. Among these are various British countries which reduced net indebtedness to the United Kingdom, and Latin American republics which improved their position in relation to both the United States and European countries. In the same period the position of most European countries has deteriorated

as a result of assets liquidated, depreciated or destroyed during the war and liabilities incurred in connection with their post-war rehabilitation.

Another clear indication of Canada's international indebtedness position is the net payment of interest and dividends to investors in other countries. These amounted to \$307 million in 1949, the highest level which these net payments have ever reached. This compares with \$255 million in 1948 and \$249 million in 1939. But payments fluctuate from one year to another and the real earning power of the investments is not fully disclosed by the remittances of cash income. The level of payments in 1949 to some extent reflects the high earnings of the previous year when

an exceptionally large amount of earnings were re-invested. Receipts of income, on the other hand, are low on certain types of asset such as Canada's official reserves and a major part of the government loans which have been extended by Canada were interest free in 1949. At the same time there were some reinvestments of earnings by companies abroad owned in Canada which were not distributed as dividends during the year. Even though the net payments of interest and dividends may not proportionately reflect the balance of indebtedness the existence of these current claims against Canada are an important element in Canada's current accounts, particularly in the account with the United States to which country most of the payments are made.

## FOREIGN CAPITAL INVESTED IN CANADA

Investments of foreign capital in Canada have contributed most significantly to the development of the country. Canada depended more on external capital in early periods of development than has been the case in recent years. As a result of inflows in early periods of development and the subsequent growth in the value of investments the total of externally owned capital in Canada is still a substantial part of total investments of all forms of capital in the country. The total value of British and foreign capital invested in Canada at the end of 1949 is

estimated provisionally at \$7,977 million. This compares with \$7,513 million in 1948 and \$6,913 million in 1939. But while the total has grown substantially during the last decade it is still not greatly different than the \$7,614 million invested in 1930, the period when the aggregate value of this group of investments was at a peak. The growth in recent years has occurred principally in investments of United States capital. In 1948, for example, there was a rise from \$5,200 million at the end of 1947 to \$5,588 million at the end of 1948.

### STATEMENT 2. — Summary of Non-resident Investments in Canada, Selected Year Ends 1926-1949

(Millions of Canadian dollars)

Item	1926	1930	1933	1939	1945	1948	1949 <sup>1</sup>
Held in United Kingdom.....	2,636.3	2,766.3	2,682.8	2,475.9	1,750.0	1,593.0	1,752.0
Held in United States.....	3,196.3	4,659.5	4,491.7	4,151.4	4,990.0	5,588.0	5,890.0
Held in Other Countries.....	170.0	188.0	190.0	286.0	352.0	332.0	335.0
<b>Total — Non-resident Investments.....</b>	<b>6,002.6</b>	<b>7,613.8</b>	<b>7,364.5</b>	<b>6,913.3</b>	<b>7,092.0</b>	<b>7,513.0</b>	<b>7,977.0</b>

1. Including Newfoundland and subject to revision.

### Relative Importance of Foreign Investments to Total Investments

But foreign investments now represent a lower ratio of the ownership of all investments in Canada than was the case formerly because of the great development during the recent war and post-war period which has been largely financed in Canada. It is difficult to express this relationship in terms of any simple ratio, however, because of the variety of types of investment which must be compared. Furthermore important changes have also taken place in the relative position of different types of investments. Non-resident holdings of Canadian bonds constitute a much smaller proportion of the outstanding funded

debt of Canadian governments and corporations than was the case before the recent war. In 1949 the external holdings of Canadian bonds only represented about 14 per cent of the total Canadian funded debt compared with about one-third in 1939. A very great change has occurred in this period in the total bonded debt of Canadian governments and corporations which has grown from approximately \$10,000 million in 1939 to an estimated \$21,729 million in 1949. A great rise during the recent war in the funded debt of the Canadian Government, which was largely financed in Canada, has been the principal factor bringing about

this growth in total funded debt and reduction in non-resident ownership. The total of Canadian bonds held outside of Canada during this period declined from \$3,508 million in 1939 to about \$3,041 million

in 1949, due to a large extent to wartime repatriations of Canadian bonds from the United Kingdom. In statement 3 the estimated distribution of ownership of Canadian bonds is shown.

**STATEMENT 3. — Estimated Distribution of Ownership of Funded Debt of Canadian Governments and Corporations, End of 1949**

(Millions of dollars)

Items	Distribution of Ownership				
	Amounts Outstanding <sup>1</sup>	Canada	United States	United Kingdom	Other Foreign Countries <sup>2</sup>
Dominions — Direct and Indirect excluding Railways.....	15,222	14,247	844	84	47
Provincials — Direct and Indirect excluding Railways.....	2,342	1,808	492	41	1
Municipals.....	961	715	198	46	2
<b>Total — Government Bonds .....</b>	<b>18,525</b>	<b>16,770</b>	<b>1,534</b>	<b>171</b>	<b>50</b>
<i>Per cent Distribution.....</i>	<i>100.0</i>	<i>90.53</i>	<i>8.28</i>	<i>.92</i>	<i>27</i>
Steam Railways .....	1,124	400	377	315	32
Other Corporations.....	2,092	1,530	437	100	25
<b>Total Bonds and Debentures .....</b>	<b>21,741</b>	<b>18,700</b>	<b>2,348</b>	<b>586</b>	<b>107</b>
<i>Per cent Distribution.....</i>	<i>100.0</i>	<i>86.02</i>	<i>10.80</i>	<i>2.69</i>	<i>49</i>

1. Amounts outstanding exclude sinking funds, and in some cases are estimated. The total for other corporations excludes some domestic issues held in Canada.

2. Some securities shown as held in the United States and United Kingdom are beneficially owned in other countries.

But non-resident ownership of Canadian industry and commerce, mines, railways, and public utilities has been estimated to have been about 32 per cent of the total capital invested in 1948. This is lower than at the beginning of the recent war when the ratio was estimated at 38 per cent. But most of the expansion in Canadian industry which has occurred since then has been financed from Canadian sources. It is also likely that the corresponding ratio in 1949 was appreciably lower too. The Canadian financed investment in recent years has been widely distributed throughout all classes of business in Canada. The investment boom which has been under way for some years has also been widely distributed throughout the country, although a major portion of industrial investments continue to be concentrated in central Canada. Some of the capital has gone into the establishment of new industries, a trend which has diversified Canadian secondary production. Another important aspect of the investment boom has been the modernization of Canadian industry. In many industries replacements of equipment have led to greater productivity and increased mechanization. Besides the development of productive resources there has also been the extension of public utilities and other improvements introduced by government outlays.

All of this development, mainly financed from Canadian sources, has made for a new maturity in Canadian industrial development even though the ratio of non-resident investment continues to be substantial. Much of this originated in earlier periods of development as the growth in the totals of non-resident investments revealed in the accompanying statistical tables shows.

**STATEMENT 4. — Percentage of Non-resident Ownership of Canadian Industry, End of 1939 and 1948**

Type of Industry	Per Cent of Non-resident Ownership	
	1939	1948 <sup>1</sup>
Manufacturing.....	42	45
Mining and smelting.....	40	37
Steam railways.....	57	44
Other utilities.....	27	17
Merchandising.....	9	9
<b>Total of above concerns.....</b>	<b>38</b>	<b>32</b>

1. Subject to revision.

The ratio of non-resident ownership in Canadian manufacturing companies is somewhat greater than in the case of the broader group of investments referred to, being estimated at about 45 per cent in 1948. The percentage of different groups of Canadian industry owned abroad varied considerably in 1946. This ratio was greatest in the non-ferrous metal industry, being 72 per cent compared with 25 per cent in the textile industry. In other groups of industry non-resident ownership was also high reaching 58 per cent in the chemical industry in 1946. In other groups in that year the ratio was between one-third and one-half, including vegetable products, animal products, wood and paper products, iron and its products and non-metallic minerals. Furthermore in some subdivisions of these industries non-resident ownership and control were predominant even though only the minor parts of the groups when taken as a whole were owned abroad. Other important industrial subdivisions are mainly Canadian owned and controlled as is the case with the primary iron and steel and cotton textile industries.

Non-resident ownership of railways is still large, the percentage being 44 per cent in 1948, but in other public utilities it was only 17 per cent. The mining and smelting field has also been developed to an important extent by external capital, the ratio of ownership being 37 per cent. Some major units in this field are also non-resident controlled. In financial institutions non-resident ownership is substantial but non-resident control is largely limited to branches of foreign insurance companies, as Canadian banks, trust companies, and most Canadian insurance companies are for the most part Canadian controlled.

In arriving at the above comparisons some publicly owned investments have been included in the group of industries covered. An example is the equity of the Canadian Government in the Canadian National Railways. Also there are some public utilities owned

by provincial and municipal governments which are included even though the investments are covered by direct as well as indirect bond issues of these governments which are shown elsewhere. If these public utilities were excluded in the total the ratio would of course be increased somewhat in the public utilities group.

It should be noted furthermore that the groups of business firms covered do not include all types of Canadian asset. Among the business firms which are excluded from the calculation are financial institutions and other concerns in the financial field. This group has not been included in arriving at the over-all ratios of non-resident investments in Canadian industry as many of the assets of Canadian financial institutions are securities already included in the totals of investment in other groups of industries and utilities. Certain kinds of businesses, like professional firms and small manufacturing concerns owned by individuals are also excluded from the figures of total investments used because of the scarcity of information on the total capital invested in these small non-corporate business concerns. But from the point of view of investment this type of investment is not likely to be comparatively large. An estimate has, however, been included to cover total investments in non-corporate merchandising and service establishments as some information is available on this sector. But a very large area of Canadian activities, which is mainly Canadian owned — investments in farming — is also excluded. Likewise all residential properties both urban and rural are also excluded from the calculations. These are virtually all owned in Canada and certain other types of urban property which tend to be predominantly owned in Canada are similarly excluded from the calculations. The ratios referred to above are consequently more representative of a sector covering privately owned businesses excluding farms than they are of all types of Canadian capital investment.

#### Relative Importance of International Capital Movements in Recent Years to Total Canadian Investment Activity

This is a particularly difficult comparison to express in any simple ratio because the relevant factors depend to a large extent on selection. It is apparent, however, from the comparisons which follow that imports of capital have played only a minor role in Canadian investment activity in recent years in contrast to the major role which foreign capital occupied in financing earlier periods of high investment activity in Canada. The results of the following comparison must be taken with some reservations, however, applying to the area of investments chosen and the material used in arriving at the comparison.

If capital inflows for direct investment are taken the comparison reduces itself to dealing with the business sector of home investment. But to the inflows of capital there should be added reinvestments of earnings. There is then the problem of selecting the appropriate net investment figures since reinvested earnings are after the provision of depreciation allowances. The concept of net home investment moreover is in itself subject to the complications which arise out of the nature of depreciation.

A calculation for 1948, taking into account the known relevant factors, suggests that direct investments of United States capital in that year (including reinvested earnings owned by United States investors) accounted for less than 15 per cent of the net private home investment in plant and equipment in the business sector of the economy including the accumulation of inventories. This is, of course, exclusive of other kinds of home investment such as in housing and expenditures by governments. The percentage would be reduced appreciably if these types of investment were included in the comparison as well. It should also be emphasized that, while the home investment described above was financed by imports of capital for direct investment from the United States and reinvested earnings, there were large outward movements of capital from Canada as well. In fact, in 1948 there was a very substantial net outward movement from Canada, including all types of capital, as is indicated by the current account credit balance of \$452 million and the large accumulation of official reserves.

It is apparent as illustrated above for the year 1948 that the investment boom, which has characterized Canada's economic activity in the post-war years, has been principally financed from Canadian sources at a time when the economy has also exported capital on balance. Further emphasizing the role of Canadian capital in recent years is the size of gross home investment and inventory accumulations. The value of both of these types of capital formation has been much higher than in any earlier period. Gross home investment in plant, equipment, and housing in each of the last two years has been between two and three times the value in the earlier peak year of 1929.

In earlier periods of high Canadian investment

activity Canada has been an importer of capital on balance and imports of capital have amounted to a large proportion of home investment. In earlier periods of heavy investment, like 1929 and 1930, imports of capital amounted to something like one-third of gross home investment in plant, equipment, and housing. In the latter year there was also a substantial disinvestment of inventories and consequently the capital imports represented an even greater ratio of the gross home investment in all forms. A comparison of the capital inflows with net private investment in those years would indicate for the two-year period as a whole that non-resident capital accounted for much more than half of the total net investment.

#### Analysis of Foreign Investments

Foreign investments in Canada chiefly fall into two broad groups, direct investments and portfolio investments. The direct investments are foreign investments in Canadian concerns which are controlled in other countries, whereas the portfolio investments are made up chiefly of holdings by non-residents of public issues of Canadian bonds and stocks. Typical examples of direct investments are the Canadian branches and subsidiaries of United States companies which constitute an important group of Canadian industries. Direct investments are a particularly significant part of total United States investment in Canada, amounting to about half of the total in 1948. In contrast direct investments constituted only a minor part of the total of British investments in Canada.

From the statistics which appear in summary tables showing all foreign investments by type of investment both direct and portfolio investments are included along with miscellaneous unclassified investments. In the summary tables all of the holdings of government bonds are portfolio investments. There are also some substantial portfolio holdings of railway securities and many other issues of corporation stocks and bonds. The direct investments are largest in the manufacturing group but are also significant parts of totals shown for investments in other Canadian businesses of different kinds. A separate breakdown of all investments in bonds appears in Statement 3 which is made up mainly of portfolio investments. The other main group of portfolio investments is holdings of stocks.

#### Geographical Distribution of Investments

The relative position of British and United States investments in Canada has changed greatly during the past half century. British capital was the principal source of investment funds in the nineteenth century and also in the first decade and a half of rapid development which characterized the opening of the twentieth century. At the beginning of the First World War British capital constituted much the largest part of total foreign capital invested in Canada. Portfolio investments in government, railway, and utility securities were particularly important. Since then little change occurred in the total until the recent war when repatriations greatly reduced the total. In the present decade the proportion has declined sharply with the rise in investments of United States capital which has taken place as well as the reduction in British investments.

investments as well as large floatations of government and other bonds. A feature of the development during the 1920's was the establishment of plants in Canada by United States companies in the manufacturing field as well as large developments in other spheres of business activity including mining and smelting and financial institutions. While some developments in industrial investments also occurred during the 1930's there were general reductions in the amount of external capital invested in Canada through the redemptions of Canadian bonds held abroad as well as in the value of United States direct investments in Canada.

United States investments in Canada developed during the First World War and in the early inter-war period, at a time when British investments were declining slightly in value. By the early 1920's the value of United States investments in Canada exceeded the value of British investments in Canada and by 1926, the first year for which official estimates are available, United States investments totalled \$3,196.3 million in comparison with British investments of \$3,636.3 million. Large increases occurred between then and 1930 during the period when investment activity was unusually high. This latter growth was widely distributed among industrial

As a result of the growth in United States investments in Canada and the repatriation of Canadian securities held in the United Kingdom during and since the recent war the relative position of British investments is now much less important than in any earlier period. At the end of 1948 British investments were 21 per cent of total non-resident investments in Canada compared with 36 per cent in 1939 and 44 per cent in 1926. The growth in United States investments continued during the recent war and by the end of the war these investments had reached a new peak. Further growths have occurred since then with the total of United States investments in each succeeding year reaching new high levels. In 1948 United States investments made up 74 per cent of total foreign investments in Canada in comparison with 60 per cent in 1939 and 53 per cent in 1926. The total of

foreign investments in Canada now, however, represents a much smaller ratio of the total capital invested in Canada than in any earlier period as is discussed at greater length elsewhere.

By the end of 1948 United States investments with a value of \$5,588 million were greater than ever before. Of this total \$2,829 million was made up of direct investments in Canada in companies controlled in the United States. Most of the remainder was made up of portfolio investments which had a value of \$2,596 million. In addition there were miscellaneous investments estimated at \$163 million. The largest part of portfolio investments were holdings of government bonds which amounted to \$1,467 million. Other holdings of bonds had a value of \$880 million including some \$293 million of bonds of companies included in the direct investment group. The principal

part of the remaining portfolio investments was the holdings of stock in Canadian controlled companies which had a book value of \$540 million.

British investments at the same time had a value of \$1,593 million of which \$388 million was in the form of direct investments. The major part of the portfolio investments was in the stock of Canadian controlled companies. The remaining foreign investments in Canada in 1948 had a value of \$332 million. Most of these investments are owned in Continental Europe, a region which also owned some of the investments shown as held in the United Kingdom and the United States. These investments are chiefly scattered portfolio investments and have had a smaller relative effect on Canadian developments than have investments from the two countries which have been the major contributors of external capital invested in Canada.

### Portfolio Investments

Portfolio investments are made up of scattered minority holdings by non-residents of public issues of Canadian stocks and bonds. Being widely distributed as to ownership this group of investments does not give rise to non-resident control of Canadian business. Nevertheless this source in the past has provided capital for many industrial and other developments. Frequently it has also been a source supplementing Canadian capital being employed by residents for development purposes. In contrast to direct investment capital the portfolio investments do not normally lead to the same introduction of new industrial techniques, however.

Holdings of debtor securities make up a more typical and larger group of portfolio investments than holdings of equity securities. Portfolios of Canadian bonds payable in foreign currencies and originally floated in the capital markets of England and the United States are perhaps the most characteristic group of foreign portfolio investments in Canada. There has also been a substantial volume of international trading in outstanding bonds and debentures which has on balance normally led to further introductions of the portfolio type of capital, although the principal channel has in the past been flotations of new issues in New York and London. Portfolio holdings of public issues of stock of Canadian companies are the other principal group in this class of investment. In contrast to holdings of bonds most of the holdings of stock appear to have been acquired through current trading of outstanding issues on the security markets rather than through new flotations abroad, although the latter have been employed in various important instances. It would appear that a greater variety of motives affect investments of this type in equity securities than investments in Canadian bonds floated abroad.

Usually portfolio investments in stock have a more volatile character and have been influenced by more venturesome motives. Consequently while many of the portfolio investments described above are comparatively static, being held for long periods of years, there is also a considerable turnover in many holdings of both stocks and bonds. The volume of international trading in Canadian securities is nor-

mally heavy and the movements of capital arising from it are variable. The widest fluctuations in the direction of capital movements arising from these transactions occurred in the period before exchange control. Some Canadian securities are payable in various currencies adding to the international interest in them. Other important Canadian issues are listed on security exchanges in New York, London, and elsewhere, and this gives rise to arbitrage transactions as well as an increased international interest. There has consequently been a variety of influences affecting the trade in outstanding securities and giving rise to wide and sudden fluctuations in the direction of the resulting movements of capital. Since the introduction of exchange control the capital movements arising from these transactions have been predominantly inwards from the United States but have varied very considerably in size.

Portfolio holdings of Canadian securities are held by both non-resident individuals and institutions. Holdings of Canadian bonds by insurance companies and other institutions in the United States make up a particularly large and generally stable proportion of these portfolio investments. There are also widely distributed holdings of both stocks and bonds by individuals, estates and trusts, and corporations located throughout the United States.

Most of the Canadian bonds held outside of Canada are payable in foreign currencies, sometimes with an option as to the currency of payments. These bonds were originally designed to suit external capital markets. There has, however, been a substantial reduction through retirements in the amount of these bonds outstanding in recent years. In only a comparatively few cases in recent years have there been new Canadian issues floated abroad and with a few exceptions these have been for the purpose of re-financing issues being redeemed which were held abroad. But there has been a significant growth in non-resident holdings of Canadian domestic bonds, particularly issues of the Canadian Government. Much of this occurred in 1945 and 1946. Canadian domestic issues held in the United States now have a par value in the neighbourhood of \$600 million. Holdings by non-residents of issues of stock of Canadian compa-

nies are also large and are likewise widely scattered among investors, particularly in the United States and the United Kingdom. The shares of some of the Canadian companies are quoted in foreign stock exchanges but the largest part of this group of investments are only quoted on Canadian exchanges. There are also portfolio holdings of shares in Canadian companies which are not publicly quoted.

**STATEMENT 5. — Summary of Portfolio Holdings of Canadian Securities by Non-residents of Canada, 1939 and 1948**

(Millions of dollars)

Distribution	1939	1948
Government Bonds .....	1,703	1,599
Other Bonds .....	1,434	992
Stocks.....	1,185	1,327
Other Securities .....	10	20
<b>Total Portfolio Holdings Abroad</b>	<b>4,332</b>	<b>3,938</b>
Estimated Amounts Held in:		
United Kingdom.....	1,990	1,139
United States.....	2,165	2,596
Other Countries.....	177	203

At the end of 1948 United States portfolio investments in Canada had a value of \$2,596 million compared with \$2,497 million in 1947 and \$2,165 million in 1939. One of the principal changes during the year was the sale by the Canadian Government of a new issue of bonds of \$150 million to a group of insurance companies in the United States. This was for the purpose of paying off the short term borrowing earlier in the year from the Export-Import Bank of Washington. Other changes in portfolio holdings in the year were comparatively small apart from redemptions which totalled some \$96 million. Some increase in the value of holdings of stock resulted from reinvested earnings. Transactions in outstanding Canadian securities between Canada and the United States were largely offsetting during the year with only a small balance of repurchases by Canadians. The major part of United States portfolio holdings in 1948 was in government bonds which totalled \$1,467 million. The largest part of the remainder was \$640 million invested in railway stocks and bonds. Smaller amounts were distributed throughout Canadian businesses, the largest groups being \$193 million in manufacturing, \$103 million in other utilities, and \$88 million in financial concerns. The growth in portfolio investments in the United States since 1939 has occurred chiefly in holdings of issues of the Canadian Government and in the value of holdings of stocks of public companies. The latter have increased by some 50 per cent in value during this period due both to a large number of shares held and to a higher book value in most cases.

Portfolio investments in Canada held in the United Kingdom declined moderately during 1948 to

\$1,139 million at the end of the year. Redemptions were comparatively small and repurchases by Canadians of outstanding securities were less than in earlier years. British holdings of Canadian Government bonds in 1948 were relatively small (exclusive of Newfoundland issues which have been included for the first time in 1949 totals). The largest portfolio investments were in railway stocks and bond issues which in themselves had a book value of close to \$710 million. As is discussed elsewhere in the comments on valuations of investments the market values of this particular group have been less than the book values but the opposite is generally the case with other groups of securities held. Portfolio investments in manufacturing of \$146 million were the largest group in any branch of Canadian business. These investments were followed by some \$93 million invested in financial concerns and \$65 million in public utilities. The above total of \$1,139 million in British portfolio investments in 1948 compared with \$1,990 million in 1939. The largest factor in the decline was the official repatriations of securities during the recent war. These made particularly heavy reductions in British holdings of government and Canadian National Railway bonds. Other large reductions in holdings have resulted from redemptions and repurchases by Canadians of outstanding stocks and bonds.

In the case of portfolio investments held in other countries a small decline also occurred due to liquidations of holdings. At the end of 1948 holdings of portfolio securities had a value of \$203 million. Government bonds made up \$51 million of this total. The largest single group was holdings of \$62 million of railway stocks and bonds. The remaining portfolio investments were distributed among other groups of Canadian businesses with important parts falling in the securities of manufacturing, public utilities, and financial concerns.

The statistics of portfolio securities held in the United Kingdom and the United States discussed above include certain indeterminable amounts of Canadian securities held by nominees in those countries for beneficial owners residing elsewhere. Consequently the figure for other countries understates the amount of Canadian securities beneficially owned in that group of countries.

In addition to the direct and portfolio investments which have been discussed above there were comparatively small miscellaneous investments some of which have a portfolio character. These include a great variety of assets in such forms as mortgages, some estates and trusts, and investment companies and a variety of real holdings of a non-corporate character, and certain other assets administered for persons or corporations abroad. Miscellaneous investments by United States investors in Canada were estimated at \$163 million in 1948. The corresponding figure for British investments was \$69 million and for other countries \$66 million. These figures do not include balances in Canadian banks owned by non-residents nor short-term commercial indebtedness. A more complete description of this group appears elsewhere.

## Direct Investments

## General Characteristics

United States direct investments in Canada rose to a new peak of \$2,829 million in 1948. This represents a rise of \$281 million from the level of \$2,548 million in 1947. The rate of increase exceeds that of any other year for which records are available. In addition to substantial inflows of capital for the establishment or expansion of investments estimated at over \$70 million there was a large accumulation

of earnings by Canadian branches and subsidiaries which were not remitted to parent companies but instead were reinvested in the Canadian concerns. The largest part of this rise occurred in the manufacturing field. This group of investments rose \$260 million in value to a total of \$1,753 million. The increase was distributed over a number of groups of manufacturing industries.

**STATEMENT 6. - Summary - Book Value of United States Direct Investments in Canada in Companies Controlled in the United States, by Forms of Investment, 1926-1948**

(Millions of Canadian dollars)

Kind of Security	1926	1930	1939	1945	1946	1947	1948 <sup>1</sup>
Capital Stock .....	1,000.0	1,329.4	1,289.2	1,613.0	1,691.0	1,804.0	2,061.0
Bonds.....	187.6	336.3	305.8	292.0	320.0	306.0	321.0
Other Investments.....	214.9	327.0	285.9	399.0	417.0	438.0	447.0
<b>Total .....</b>	<b>1,402.5</b>	<b>1,992.7</b>	<b>1,880.9</b>	<b>2,304.0</b>	<b>2,428.0</b>	<b>2,548.0</b>	<b>2,829.0</b>

1. Subject to revision.

The direct investment group as distinct from the portfolio group is made up of investments in Canadian businesses which are controlled by foreign companies or other non-residents, most typically in the United States. The most typical examples are "the branch plants" operated as Canadian branches or subsidiaries by United States companies. By introducing business enterprise direct investments generally represent a more active form of investment than do scattered portfolio holdings of public issues of securities. In practice the direct investment group has been taken to include all investments in Canadian companies where fifty per cent or more of the capital was owned in one country. In addition certain other instances of important minority holdings by United States or other foreign companies have been included where they are known to have constituted control. Because of the principle of taking all instances of holdings of fifty per cent or more of the capital in one country there are certain instances where the majority of the shares may be widely held abroad rather than concentrated with one company. The group, therefore, is not limited to investments which are actively controlled abroad but includes those where potential control may rest with the majority of non-resident shareholders.

Direct investments are widely distributed throughout Canadian industries as the accompanying analysis discloses. But the importance and degree of non-resident control vary with different industries and many non-resident controlled concerns are in competition with one another. In many respects the significance of direct investments to the Canadian economy lies more in the close industrial contacts and other business relationships between Canada

and the United States which have been brought about by this form of investment rather than in any widespread control in the administrative sense. But many of these industries which have been developed in the United States are the source of materials and components because of similar types of product made by the parent company and subsidiaries. This is particularly the case in the automobile industry and in the field of other durable goods where common research facilities and industrial designs and advertising all make for close connections between Canada and the United States. Besides the heavy imports of parts and materials from the United States there are numerous payments for management and professional services, royalties and research as well as the payments of profits to parent companies and other investors in the United States. Other branches and subsidiaries have been established in Canada as a source of supply for the American parent companies and lead to exports of materials and supplies required in the United States as in the case of wood pulp and certain kinds of mining. The production in Canada consequently increases the extent of Canadian processing of many Canadian raw materials. The existence of Imperial preferences has often been advanced as a reason for the establishment of many United States concerns in Canada as the existence of overseas markets in Commonwealth countries has normally made it possible to maintain an economic level of output. Other overseas markets have also been allocated to Canadian subsidiaries by American parent concerns to maintain output of the subsidiaries.

Investments of non-resident concerns in Canadian businesses have always been of special significance to Canada. This has been one of the ways in which

Canadian industry has developed and matured. The foreign businesses have often brought industrial "know-how" to Canada as well as capital and have played an important part in the development of the Canadian economy. The relative importance of this type of investment has varied greatly in different periods of growth, being a comparatively greater contributor in earlier periods of Canadian expansion than in the current post-war period. Because of its relative importance in earlier periods of development this group of non-resident controlled industries now occupies a very significant and substantial part of Canadian industry and business as a whole. Foreign controlled firms which were established in earlier periods have grown up with the country and often now occupy prominent places in the various branches of Canadian business, even though much of the largest part of recent Canadian developments has been financed by Canadian firms and Canadian capital. While non-resident capital no longer contributes as large a portion of current Canadian investment as formerly it continues to be of special significance in certain types of development. This is particularly the case with the development of natural resources where large quantities of risk capital are required.

Direct investments are developed and financed in various ways. The principal means are through the

#### Relative Importance of Investments and Operations

In appraising the relative position of foreign controlled companies in Canadian industry various objective criteria are available. In the last analysis, however, much of the place occupied by these concerns can only be judged by less tangible factors. In many industries the significance of foreign controlled concerns may be greater than might be inferred from their relative proportion of the total investments in Canadian industry which they occupy. Among the more objective criteria are those such as the ratio of total investments owned, the proportion of production carried on in non-resident controlled firms, and other ratios occupied by the non-resident controlled firms.

In 1948 the United States owned part of direct investments represented less than one-fifth of the total capital invested in Canadian industry and commerce, mines, railways, and public utilities. In the field of manufacturing alone in the same year the United States investment in the United States controlled firms made up less than one-third of the total capital investment. The total investment controlled in the United States does, however, in each case represent more of the total than these two ratios.

A special investigation has been made into the position which United States direct investments occupy in Canadian industry, in so far as this position can be measured statistically. This special investigation comprises an analysis of the investment, value of production and operating expenses of the larger Canadian manufacturing companies controlled in the United States. The scope of the investigation was limited to companies having a capital investment in Canada of at least a million dollars. At the end of 1946 there were 154 companies in this field, comprising 81 per cent of the total investment

transfer of new capital to Canada and the reinvestment of earnings or alterations in the form of non-resident assets in Canada. Transfers of new capital to Canada may be for the purchase and expansion of an existing industrial plant, the construction or establishment of an entirely new plant or industry or the development of a natural resource. Industrial development and diversification may result from any of these types of investment. Even the purchase of an existing establishment often leads to the introduction of new techniques and facilities for extending business made possible by the influence of the new non-resident corporations. The establishment of new industries also accelerates development when the new industry is set in operation by industrialists with experience in the same branch of production abroad. The development of natural resources frequently entails exceptionally large outlays of capital on such necessary ancillaries as power and transportation facilities. The development by non-resident sources may also ensure the markets for products which would be less certain without the connections of the non-resident concerns. The relative extent to which transfers of capital and reinvested earnings are employed in direct investments varies greatly, of course, between the types of investment and periods in which they are made. In recent years each has been very substantial, reinvestments of earnings providing much the largest source in some periods.

in all United States controlled manufacturers in Canada. The relationship between the investment in the selected United States controlled companies and the investment in all manufacturing companies in Canada is presented in Table 9. In the aggregate the total investment in the United States controlled firms constitutes 30 per cent of the investment in all companies. This percentage may be looked upon as a measure of the extent to which Canadian manufacturing enterprises were controlled in the United States in 1946. But the percentage is a minimum, of course, due to the fact that the investment in United States controlled firms is limited to the larger companies whereas the Canadian totals relate to all Canadian manufacturers, large and small. If the investment in United States controlled companies is extended to include small as well as large companies the percentage of United States control rises from 30 to 37 for the same year.

An important feature disclosed by the investigation is the wide range in the extent of United States control throughout the various types of manufacturing operations carried on in Canada. Extreme examples are offered by the motor vehicle industry which is controlled in the United States to the extent of almost 100 per cent and the sugar refining industry in which there is no United States control. The extent of United States control of the principal groups into which manufacturing operations in Canada are classified is shown in Table 9. It ranges from a maximum of 72 per cent in non-ferrous metals to a minimum of 4 per cent in textiles. Other groups appear in the following order: non-metallic minerals 42 per cent, chemicals and allied products 36 per cent, iron and its products 31 per cent, miscellaneous products 31 per cent, animal products 26 per cent, wood and paper

products 25 per cent, and vegetable products 20 per cent. These data show that manufacturing in Canada is not dominated by non-residents. Owing to the dispersion of non-resident investment over a wide field there are only a few industries in which foreign enterprises predominate, and even in these industries the foreign interests generally consist of a number of competing enterprises.

Table 9 shows that the capital investment in the selected United States controlled companies amounted to \$1,329 million at the end of 1946. Although the whole of this amount is controlled in the United States it should be noted that only 82 per cent of the total or \$1,094 million is owned in the United States. The balance — \$235 million — represents minority investments owned by non-residents of the United States. Such minority investments are owned principally by residents of Canada although substantial amounts are held in the United Kingdom in the chemical and one or two other fields.

Operating statistics of the selected United States controlled companies show that business was carried on in 1946 in 467 Canadian factories or other establishments, giving employment to 160,400 employees who were paid \$301 million in salaries and wages. The value of all commodities produced in these establishments during the year was \$1,594 million while the cost of raw materials used in their production was \$876 million. The net value of production obtained by deducting cost of materials, fuels and electricity from the gross value of production amounted to \$665 million.

The highest gross production occurred in industries producing iron and steel products. Bolstered by automotive products and supplies the production of the iron and steel industries totalled \$396 million. Other important groups were non-ferrous metals, vegetable products and wood and paper products. The principal industries in the latter groups were smelting and refining of non-ferrous metals, electrical apparatus and supplies, rubber products and pulp and paper. The above groups with the addition of petroleum refining had a gross production of \$1,267 million or 79 per cent of all commodities manufactured during the year by the selected companies.

In Table 10 is shown the relative importance of the United States controlled manufacturers in relation to the operations of all manufacturing concerns in Canada. In the aggregate their production amounts to 20 per cent of the value of all products manufactured in Canada in 1946. While in a few specific cases, such as the automotive industry, American controlled firms are in a predominant position, in only one of the industrial groups under consideration is their production more than half the national total. The group referred to is non-ferrous metals in which the selected companies accounted for 55 per cent of total Canadian production. Other groups were in the following order: non-metallic minerals 36 per cent, chemicals and allied products 35 per cent, iron and its products 28 per cent, miscellaneous manufactures 21 per cent, vegetable products 17 per cent, wood and paper products 15 per cent, animal products 12 per cent, and textiles 2 per cent.

From a regional point of view there is a heavy concentration of United States controlled establishments in the central provinces of Ontario and Quebec. In 1946 Ontario alone contained more than half the total number of plants of the selected companies and Ontario and Quebec together accounted for 78 per cent of the total. The other provinces were in the following order: British Columbia, Manitoba, Saskatchewan, Alberta and the Maritime Provinces. The greatest concentrations occurred in the two largest cities — Montreal and Toronto — where the number of plants were respectively 51 and 70. Proximity to the parent company has been an important consideration in the location of Canadian establishments, as have the many advantages resulting from a situation in one of the leading industrial provinces. The great majority of the controlling interests in the United States are located closer to Ontario and Quebec than to other provinces. This fact has played an important part in the development of industrial areas in the southern parts of these provinces. The prosperity of cities such as Sarnia, Windsor, Oshawa and Peterborough is largely dependent upon United States controlled industry, while many other centres have profited by the presence of one or more subsidiaries or branches, and the Canadian economy as a whole has derived immense benefit from the stimulus to industrial development provided by United States direct investments.

Further information on investment and operating statistics of the selected United States controlled companies is contained in the report, "United States Direct Investments in Canada" issued in 1949.

The dividend payments by United States controlled companies are a major component of the total dividends paid to residents of the United States by Canadian companies. Direct investments through the form of holdings of stock make up some four-fifths of the capital stock of Canadian companies owned in the United States. It is, therefore, to be expected that dividends paid on direct investments will constitute much the largest part of total payments of dividends to the United States which in 1949 amounted to a record level of \$242 million. The relative proportion represented by dividends of United States controlled companies has been influenced in recent years by various special factors affecting particularly the transfer of profits by subsidiary companies to parent companies. Among these special influences have been changes in foreign exchange rates and the nature of exchange controls on transfers of current earnings. Consequently the dividends paid in one year have not always been closely related to the profits earned in exactly the same period. In 1947 dividends paid to shareholders in the United States by the direct investment group of companies amounted to about \$160 million or some 87 per cent of total dividends to the United States in that year. Dividends paid by manufacturing firms constituted about two-thirds of the total dividends and mining companies made up the next largest industrial group in the direct investment field in that year although they only constituted a minor part of the payments by manufacturing concerns.

## Distribution and Growth of Investments

More than half of United States direct investments in Canada has been in Canadian manufacturing industries. This concentration has been growing in recent years, being not much less than two-thirds in 1948 compared with a little more than half at the beginning of the war a ratio which was also characteristic of the situation in 1926 before the rapid period of development which followed. As it is in industrial developments that some of the characteristic advantages of direct investment arise this is a natural growth and characteristically much of the growth indirect investments has been in the direction of development of Canadian industry. The relative importance of direct investments varies greatly from industry to industry as has already been described. A large part of total investment is in some of the groups of industry characteristic of Canadian development like the pulp and paper industry and the non-ferrous metal industries. These investments have also been large in industries where the need for advanced techniques is inherent such as the automobile industry, other durable goods industries like electric appliances industries and the chemical industry where United States controlled companies occupy a predominant place. The value of investment is also significant in other branches of Canadian industries such as mining and smelting, merchandising, many types of public utility and financial institutions, particularly insurance companies.

In the years since 1926 the earliest year for which complete data are available there have been two periods of rapid growth and development in United States direct investments in Canada. The earlier period of rapid expansion occurred between 1926 and 1930 when the value of these direct investments increased by 42 per cent in four years. This period of expansion in direct investment coincided with a period of general industrial development in Canada. An opposite trend occurred in the value of United States direct investments in the succeeding decade. During the 1930's repayments of advances and reductions in investment were typical of many concerns as there was a reduced scale of operations and new developments were infrequent. But during the 1930's

## Number of Canadian Concerns Controlled in the United States.

In the three years from the end of 1945 to 1948 the number of Canadian controlled companies in the United States increased from 1,985 to 2,172 as is shown in Table 8A. This increase of 187 or close to 10 per cent does not seem large in comparison with the great expansion which occurred in Canadian business during the same post-war period of exceptional development. In 1947 alone income tax returns show 4,396 newly incorporated businesses. Furthermore many of the American controlled concerns which were established or acquired were comparatively small in size. The increase of 187 concerns was well distributed over each class of business shown. Manufacturing firms accounted for 105 of the total or about half. While each broad group of manufacturing was represented in the gains, 25 of the new firms were in the non-ferrous metal industries and 25 in chemicals and allied products and 16 in other metal industries. In other branches of manufacturing in-

there were a number of new concerns established in Canada to take advantage of Canadian opportunities for trade in the markets of British countries. The new investments in this type of undertaking were generally not large.

The second period in which there have been notable expansions occurred during and after the recent war. During the war there was a steady growth in the value of these investments due mainly to the reinvestment of earnings associated generally with the development of war production in Canada. The same trend occurred on an even greater scale following the close of the war when another period of concentrated industrial expansion in Canada got under way. The accompanying developments in United States direct investments have been on an increasing scale and the most notable growth in value occurred in 1948 when the value of direct investments rose by \$281 million or more than 11 per cent in one year. In the three years between the end of 1945 and 1948 there has been an increase in value of 23 per cent. In the eight years from the end of 1939 the value rose by about half in the case of all United States direct investments in Canada and by about 78 per cent in the manufacturing field alone. In that period increases have been particularly notable in most groups of industry with the exception of animal products and utilities. A particularly large part of the growth occurred in wood and paper products, iron and non-ferrous metal products, non-metallic minerals and chemicals.

A statistical analysis showing the distribution of United States investments by types of business is given in Table 7 for the period from 1926 to 1948. An analysis of the distribution of ownership by types of business in the year 1948 is given in Table 6. This latter analysis shows the extent of minority interests in companies controlled in the United States. Of the total capital invested of \$3,720 million in this group of companies \$2,829 million was owned in the United States. Minority holdings in the same companies included \$756 million owned in Canada and \$123 million owned in the United Kingdom.

creases in the number of new establishments were less. The mining, smelting and petroleum groups of industries accounted for 22 new concerns controlled in the United States while public utilities increased by seven. In the merchandising field there were 24 more establishments controlled in the United States than in 1945. But this latter represents only a small percentage of the United States controlled group and a quite small ratio of the very large number of Canadian controlled merchandising establishments.

The total number of Canadian concerns controlled in the United States, 2,172, is not large in comparison with the total number of all Canadian business concerns. While an up-to-date figure of the total is not readily available an indication of the number is given by the number of active companies in Canada. In 1947 there were 40,076 taxable companies in Canada according to data published by the Department of

National Revenue. In addition there were very large numbers of unincorporated business firms, particularly in the field of merchandising and services. There were, for instance, in 1947, 96,971 Canadian taxpayers classified as sole business proprietors and 44,026 classified as business partners. In the same

#### British and Other Direct Investments in Canada

British direct investments in Canada had a value of \$385 million at the end of 1948 compared with about \$366 million in 1939 as shown in Statement 7.

#### STATEMENT 7. — Book Value of British Direct Investments in Canadian Branches, Subsidiaries and Other Companies Controlled in the United Kingdom, End of 1939, 1947 and 1948

(Millions of dollars)

Kind of Business	Value of British Owned Investments		
	1939	1947	1948
Manufacturing .....	152.9	173.1	193.4
Mining and smelting.....	29.1	17.9	19.3
Railways and public utilities ....	15.3	18.0	17.8
Merchandising .....	45.5	52.3	55.1
Financial .....	119.9	92.1	94.9
Miscellaneous .....	3.2	4.1	4.7
<b>Total Direct Investment.....</b>	<b>365.9</b>	<b>357.5</b>	<b>385.2</b>

This is still only a minor part of total British investment in Canada although it is a larger ratio than before the contraction which has occurred during the past decade in the size of British portfolio investments. A marked gain in value occurred in 1948, there being an increase of \$28 million or about 8 per cent. Most of this increase was in the capital invested in manufacturing which rose by \$20 million, a proportionately large gain. The increase in capital invested in manufacturing has been distributed over a number of industries, most notably in vegetable products, textiles, non-metallic minerals and chemicals. Smaller increases occurred in the investment in merchandising, mining, and financial concerns. Re-investments of Canadian earnings and investments in Canadian securities by insurance companies both contributed to these increases in value as well as the transfer of new capital for the establishment or expansion of branches or subsidiaries.

There is a concentration of British direct investments in the manufacturing and financial fields. This has been characteristic of this group of investments over a long period. As the total investment is low in comparison to similar types of United States investment, British firms do not, as a group, occupy a particularly prominent place in Canadian manufacturing. Total British direct investments in manufacturing of \$193 million in 1948 compare with United States direct investments in the same field of \$1,753 million. In some industries, however, there are leading firms which are controlled in the United Kingdom.

year there were 9,230 Canadian manufacturing concerns included among taxable companies. The number of manufacturing concerns controlled in the United States, 1,097 in 1948 was only a little over 10 per cent of the total active manufacturing companies reporting tax returns in the previous year.

Consequently a few large firms make up important parts of the total investment. Examples are provided by the tobacco business in the vegetable products group of industries, rayon textile firms in the textile group, and a newsprint concern in the wood and paper products group. Generally British direct investments are more important in the consumers' goods industries than in durable goods, a form of investment in which United States controlled companies are particularly prominent. Some large firms also account for an appreciable part in merchandising and service establishments and British investments in this group are not as small proportionately as they are in the case of manufacturing, the ratio being approximately one to four.

The ratio of British controlled firms to United States controlled firms in the financial field is about one to two, a ratio, however, which has been declining in recent decades. In 1926 British investments in the financial field exceeded United States investments. In some branches of finance, like the insurance business, some British firms have been prominent over a long period of years and continue to have an important business, particularly in certain types of insurance. But in this type of business also some of the largest units are British or United States owned and British firms appear to occupy a less important place than some decades ago.

During the two years from 1946 to 1948 there has been an increase of about 7 per cent in the number of Canadian concerns controlled in the United Kingdom. These have risen from 443 in 1946 to 475 on record at the end of 1948. A number of other establishments were set up early in 1949 or had not yet been included in the records for the end of 1948. Most of the increases have been in the field of Canadian manufacturing, the number of British controlled concerns increasing from 135 to 160. This gain of 25 compares with an increase of 75 new manufacturing establishments controlled in the United States in the same period. While it is proportionately a much larger gain than in the case of the United States the total number of establishments controlled in the United Kingdom is still very small in relation to the 1,097 manufacturing concerns controlled in the United States. Furthermore with a few exceptions the British branches or subsidiaries are comparatively small whereas many of the American controlled manufacturing concerns occupy a dominating place in their respective branches of Canadian industry. The increase of 25 new manufacturing establishments is distributed among various groups of industry with five more in the vegetable products field and four in each of textiles and wood and paper products and smaller gains in various metal and mineral industries. Another growth which has been stimulated by the British drive for Canadian markets has been an increase of 11 in the number of merchandising and service establishments controlled in the United Kingdom, bringing

the total of these in which there is some appreciable investment to 143. This total, however, is exclusive of some small branches located in Canada in which the amount of capital invested is comparatively small. Some reductions have occurred in the number of financial and miscellaneous other establishments.

Direct investments by countries other than the United Kingdom and the United States have shown only minor changes in recent years. The value of the direct investments in concerns controlled in this group of countries was \$63.2 million in 1948, about the same total as in 1946. More than half of the investment was in the financial field which amounted

#### Miscellaneous Investments

This item is a consolidation of various types of investment including such things as holdings of real estate, mortgages, assets administered for non-resident private investment companies, etc. While estimates of individual components of this group are less well determined than in the case of direct and portfolio investments there is a considerable amount of evidence supporting the general magnitude of the estimates shown. Information on these investments originates in a variety of sources and is consolidated into one item. Consequently the group is heterogeneous including some investments which in some respects might belong to the portfolio or direct investment group if they could be as satisfactorily segregated as the data supporting these groups.

Among the United States investments there is included a variety of investments in property, generally through a non-corporate form. Many holdings of real estate and mortgages are therefore reflected. There are also some investments held through nominees in Canada and private investment companies which are not included in the general data on direct and portfolio investments. In the case of some of these investments there is information on transfers of foreign exchange to cover income originating from them. From this it is possible to estimate the amounts of capital involved. A new element entering into this item in recent years has been the blocked assets of residents of Canada emigrating to the United States. This movement assumed large proportions following the end of the recent war and a portion of assets of persons obtaining change of status is also left in Canada in so far as the total value of the assets owned by the emigrants exceeds the amounts which may be withdrawn annually. While some assets of this kind are included in estimates of portfolio holdings of Canadian bonds there are other types of assets which are more suitably classified in the item of "miscellaneous assets". Another useful source of information relating to miscellaneous assets owned by residents of the United States has been made available in publications of the United States Government. Information on many miscellaneous assets was obtained in the census of foreign assets of residents of the United States taken by the United States Treasury during the recent war.

One of the major components of British investments of this group is made up of the assets of non-resident owned investment companies. Various data are available on certain aspects of investment companies making it possible to estimate the general size of these forms of investment. It should be noted,

to \$35.8 million. The next largest type of business was manufacturing where the direct investments had a value of \$16.2 million. Europe is the principal source of parent companies in this group of investments. Changes in the number of concerns controlled in countries other than the United States and the United Kingdom have not been large in recent years. At the end of 1948 the total number of concerns was 85, about the same as two years earlier. Some changes have occurred in the composition of the total however. An increase in the number of merchandising and service establishments has been offset by some reduction in the number of insurance and other financial firms controlled in other countries.

of course, that, in the case of many investment companies owned in Canada and incorporated in the United Kingdom or elsewhere, the assets are not all Canadian. Often there are large holdings of British or foreign securities or other assets appearing in the balance sheets of private investment companies incorporated in Canada. This item aims at only including the Canadian assets in these cases as the other assets do not involve any international liability by Canada. British holdings of agricultural lands and mortgages on property in Canada used to be more important than is now the case. Although some of these investments have been held through mortgage companies and are included elsewhere in the investment records, there were many instances where there was no separately established business intermediary in Canada. But a good many of these investments, particularly those secured by agricultural properties, have been liquidated in recent years. Other substantial investments are in the form of irrevocable trusts.

In the case of investments by other countries in Canada the amount of nominee holdings in comparison with the total declared investments is large. This presumably arises out of a tendency for investors in continental countries to employ the services of Canadian intermediaries to manage their investments. Consequently the securities held do not always appear in the share registers, for example, as held overseas, the securities being held by nominees who are residents of Canada. Information on many of these types of holdings became available during the recent war when the overseas countries were occupied by the enemy and the investments came under Custodian control. Some nominee holdings which could be distributed among portfolio investments according to classes of securities are not included in the miscellaneous group. These are investments which have been classified among the general holdings of portfolio investments. There are, however, some substantial nominee holdings for the account of overseas investors which are included in this group of miscellaneous investments.

The item, miscellaneous investments, it should be noted does not include non-resident cash balances in Canada. These balances, particularly in the case of United States owned, have customarily been important. While information on a consecutive basis has been available since the introduction of exchange control data for earlier periods were collected less frequently and are not always directly comparable with what has been available more recently. In arriving at Canada's balance of international indebtedness these non-resident cash balances are taken into account.

## CANADIAN INVESTMENTS ABROAD

### General Development

Canada's external assets take a variety of forms. Private investments by Canadian companies and individuals for a long period before the recent war made up the substantial core of these investments. In addition, the Canadian banking system was formerly in the practice of carrying short-term assets abroad before the establishment of the Bank of Canada. Short-term balances of various kinds were carried by the Canadian banks in New York and London as part of their secondary reserves prior to the consolidation of Canada's short-term external assets in the hands of the Foreign Exchange Control Board. Subsequently the short-term assets, including holdings of gold by the Bank of Canada and later by the Foreign Exchange Control Board, have constituted the official reserves for meeting the fluctuating needs of the economy. These have been

a widely variable element in the total of Canadian assets abroad and the total has also been greatly augmented by the rise in loans and credits extended by the Canadian Government to overseas governments during and after the recent war. The great rise in these government credits and the fluctuations in the official balances of foreign exchange and gold have constituted the major element and principal source of variations in the total of Canadian assets abroad since 1939. The privately held investments which formerly were the largest element are now only a minor part of the total. But these investments have remained comparatively stable in value in the aggregate and constitute the largest source of Canada's income from foreign assets. Gross external assets, which had a value in 1939 of \$1,876 million, have grown to \$4,277 million in 1948 and \$4,763 million in 1949.

**STATEMENT 8. — Summary of Canadian Investments and Other Assets Abroad, at Selected Year Ends 1926 to 1949 (Excluding Investments of Insurance Companies)**

(Millions of Canadian dollars)

Kind of Investment	1926	1930	1939	1945	1946	1947	1949 <sup>1</sup>
Direct Investments in Businesses Outside of Canada .....	397	443	671	720	772	822	893
Portfolio Holdings of Foreign Securities.....	493	789	719	621	551	579	638
Government Credits .....	36	31	31	707	1,362	1,816	2,000
Net External Assets of Canadian Banks .....	370	180	2	2	2	2	2
Official Liquid Reserves <sup>3</sup> .....	2	2	455	1,667	1,251	511	1,232
<b>Total .....</b>	<b>1,296</b>	<b>1,443</b>	<b>1,876</b>	<b>3,715</b>	<b>3,936</b>	<b>3,728</b>	<b>4,763</b>

1. Subject to revision.

2. Not available.

3. Including holdings of gold.

### Government Loans and Advances

The greatest single rise in Canadian assets abroad has been in the loans and export credits extended by the Canadian Government to the United Kingdom and other overseas countries. During the war there was the loan of \$700 million to the United Kingdom in 1942. Following the war there has been the post-war loan to the United Kingdom of \$1,250 million most of which was drawn by the end of 1949 and export credit loans to other overseas governments, the amounts outstanding on which by the end of 1949 amounted to close to \$524 million. There were also some comparatively smaller loans of a special character, some of which have already been liquidated. The increase in all government credits

outstanding was from \$31 million in 1939 to approximately \$2 billion in 1949.

The greatest growth in these credits occurred in 1942, and again in the years from 1945 to 1947. The loan to the United Kingdom in 1942 of \$700 million was for the purpose of converting into a long-term Canadian dollar obligation the major part of the accumulation of sterling by Canada in the early years of the war. This was followed by Canada's Mutual Aid programme which provided assistance without any subsequent indebtedness. Total shipments of goods financed by this procedure exceeded \$3 billion. There was consequently no rise in Cana-

dian assets abroad accompanying this form of aid. Later following the close of the war there were substantial interim payments by the Canadian Government to the United Kingdom to finance continuing shipments of food and raw materials after the close of the Mutual Aid programme. But these were cancelled under the terms of the financial agreement and settlement of war claims between Canada and the United Kingdom in March 1946. Following this in 1946 the Canadian Government extended the loan of \$1,250 million for the purpose of facilitating purchases of Canadian goods and services and of assisting the United Kingdom in meeting its balance of payments deficit with Canada. The other major financial assistance by the Canadian Government to its former allies in the post-war period was the extension of export credit loans under Part II of the Export Credits Insurance Act. Export credit loans originally authorized to foreign countries totalled \$594.5 million apart from the above post-war loan to the United Kingdom. By the end of 1949 \$524 million was the amount outstanding on these export credit loans. The largest loans outstanding were \$234.2 million to France, \$118.1 million to the Netherlands and \$62.3 million to Belgium. Loans were also extended to China, Norway, Czechoslovakia, Indonesia, and the U.S.S.R.

**STATEMENT 9. — Loans and Export Credits by the Canadian Government Outstanding as of December 31, 1949**

(Millions of dollars)

A. War Loan to United Kingdom.....	298.9
B. Post War Loan to United Kingdom.....	1,135.0
C. Export Credit Loans:	
Belgium.....	62.3
China.....	50.2
Czechoslovakia.....	16.7
France.....	234.2
Indonesia.....	15.5
Netherlands.....	118.1
Norway.....	23.7
U.S.S.R. ....	2.9
Total.....	523.6
D. Miscellaneous Credits.....	42.1 <sup>1</sup>
Total — as above.....	1,999.6

1. Includes loans to Greece and Roumania, advances to U.S.S.R. and funded interest on advances to France.

**Official Reserves**

The annual totals of Canada's external assets have been affected materially by fluctuations in the level of official holdings of gold and foreign currencies by the Canadian Government. The highest point which these have reached at any year end was at the end of 1945 when the total was \$1,667 million in terms of Canadian dollars. This compares with \$455 million at the end of 1939 and a post-war low of \$511 million in 1947 when reserves of gold and United States dollars had declined to \$502 million. This was followed by substantial gains in 1948 and

1949 when the totals rose to \$1,006 million and \$1,232 million respectively at the year ends. The latter figure is higher than the United States dollar value of foreign exchange and gold as the amount is expressed in terms of Canadian dollars. Holdings of gold are included as a foreign asset as they represent part of Canada's official reserves of convertible exchange being a potential source of United States funds. At the end of 1949 the gold holdings had a United States dollar value of \$486 million.

**Direct Investments by Canadian Companies**

Although Canada is a prominent debtor nation investments of Canadian capital abroad have been large. A particularly large portion of Canadian private investments has taken the form of direct investments by Canadian businesses. In relation to Canada's population these investments are almost as large as are the direct investments abroad by United States companies in relation to the population of the United States. But certain important elements in the Canadian situation grew out of special circumstances and some significant parts of the total are represented by certain large investments where conditions connected with their establishment were unique.

Many Canadian direct investments abroad are of long standing, but some important units with a Canadian connection have had non-resident sources of capital behind them and are not a product of Canadian capital formation in the normal sense. Consequently the total value of Canadian direct investments abroad is not indicative of what has grown out of the normal expansion of Canadian industry. Nevertheless the direct investments abroad by Canadian companies have a significance for the Canadian

economy even when there is a non-resident interest in their ownership. But many of the direct investments are wholly owned by Canadian companies and have grown up from the expansion of Canadian businesses which have taken advantage of the special opportunities for the extension of Canadian enterprises in the United States particularly. Generally speaking, the developments under the special circumstances mentioned above (where non-resident capital has played a part) are of older origin than some of the investments arising out of the growth of purely Canadian businesses. In recent years the growth in the activities of a few Canadian concerns abroad has been outstanding. In addition a large number of smaller ventures have been established.

Important new investments have been made in recent decades and the total capital invested has shown a steady expansion. Investment in all countries has more than doubled during the last two decades, having increased from \$397 million in 1926 to \$893 million in 1949. More than three-quarters of the investment is in the United States and a substantial part of this is made up of the investments of Canadian railways in the United States which re-

sulted from their extensions into that country in the nineteenth and early twentieth centuries in order to obtain direct routes or access to important points like United States cities, ports, and industries. Other extensions of Canadian industry abroad have been for the acquisition of wider markets through exports. The development of Canadian businesses in the United States is a natural line of expansion for many concerns looking for a higher output and a wider field for growth. These developments have often been affected by tariffs in countries abroad. The acquisition and development of sources of raw materials, fuels, or other supplies required by Canadian industries has provided another reason for expansion outside of Canada. In other cases opportunities for special types of development, as in the mining field, attracted Canadian enterprise to invest abroad.

The exports of capital from Canada have been comparatively small in any one year, of course, as the accumulation of the existing group of investments is the result of a long period of years of development and reinvestment. In the case of most individual direct investments the transfers of capital connected with one establishment are not usually large and only a limited number of concerns are normally likely to be undertaking large developments requiring financing from Canadian sources. This is the case with Canadian capital movements to the sterling area and other overseas countries particularly as the largest number of active and developing investments have customarily been in the United States. Furthermore under conditions of foreign exchange control transfers of capital for direct investment are limited to certain approved types. But even in the pre-control period when there was freedom of transfers for direct investment the amounts were not customarily large and were overshadowed by other movements of capital in Canada's capital account both inwards and outwards.

While the most typical direct investments abroad are through the establishment of foreign subsidiary companies, in some cases the channels of investment are through branches of Canadian companies. In some important instances the investment abroad has been in companies of Canadian incorporation whose principal activities are outside of Canada. But these latter are only included as direct investments if the ownership and control rest with some Canadian company or group. Many Canadian companies owning subsidiaries or other direct investments abroad are in turn partly owned or controlled by non-resident interest. There is consequently a non-resident equity in many of the Canadian direct investments abroad. As already pointed out, often the investments when originally made were for the most part investments of foreign capital through a Canadian intermediary. The accompanying statistics of Canadian direct investments abroad include investments by Canadian companies regardless of the beneficial ownership of these companies. Consequently it should be noted that the amount of investment in which there is a clear Canadian beneficial ownership would be considerably less than the total of all direct investments by Canadian companies.

The largest part of the total direct investments of \$893 million in 1949 was in the United States. The remainder was widely distributed abroad but a considerable part of the total overseas was concentrated in the activities of a few large Canadian parent concerns. Industrial and commercial establishments made up more than one-half of total Canadian direct investments abroad. Railways in the United States and other utilities in the West Indies and South America made up an important part of the remainder and there were substantial investments in mining and petroleum in the United States and elsewhere.

The principal growth in the value of investments since before the recent war has been in the industrial and commercial field, particularly in the United States in which country there has also been an appreciable expansion in Canadian investments in mining and petroleum. A major decline has occurred in investments in the petroleum industry in South America with the sale by Imperial Oil Limited in 1948 of its interest in International Petroleum. The growth which has occurred in direct investments abroad has resulted through reinvestments of earnings as well as by exports of capital permitted by the Foreign Exchange Control Board for certain types of business development abroad in recent years.

Direct investments in the United States, which had a total value of \$690 million in 1949, were chiefly in manufacturing and in railways with some undertakings in mining and petroleum developments. This marks a great growth during the past decade, the corresponding value in 1939 being \$412 million. Most of this growth has occurred in the industrial and commercial field which has risen from \$176 million to \$418 million in the decade. The rate of increase in mining and petroleum from \$21 million to \$56 million has also been very great but this group still only constitutes a minor part of the total. In contrast, no significant change has occurred in the value of investments in railways and utilities which have a high book value in relation to earnings. The opposite has generally been the case in the industrial field and in mining and petroleum and some of the growth in value in these has occurred through the reinvestment of earnings. Many types of industry make up the total in the industrial and commercial field but an outstanding part of the total is represented by the distilling industry in which some large organizations have Canadian parent companies.

In the United Kingdom most of the direct investments are in the industrial and commercial field. Distilleries and non-ferrous metals industries make up an important part of the total in the United Kingdom. But there are also included a large number of other manufacturing concerns as well.

In the years before 1949 an appreciable part of the investments in other Commonwealth countries was made up of Canadian investments in Newfoundland before the entry of the latter into Canadian Confederation in 1949. Investments in the industrial and commercial field made up about two-thirds of

the total in other Commonwealth countries in 1949. Prominent among these are investments in a number of British dominions and colonies in such industries as the assembly and manufacture of automobiles and farm implements and non-ferrous metal products. There are also some investments in mining and petroleum and public utilities in this group of countries. A considerable part of the investments in British countries is made up of investments by companies in which there is a substantial non-Canadian interest. The non-Canadian interest in industrial investments in other foreign countries is also large particularly in the manufacture of non-ferrous metals throughout the world. This was similarly the case in the petroleum field in South America before the liquidation of the major investment in 1948 referred to above. Investments in the

overseas world, which have an entirely Canadian source of capital and ownership, have never constituted an outstandingly large total.

The total direct investments in other foreign countries of \$67 million in 1949 are chiefly concentrated in two regions, Latin America and Europe, although small investments exist elsewhere. The total invested in the same group of countries in 1939 was \$146 million but this included the substantial investment in petroleum in South America already referred to which has since been liquidated. Investments in public utilities in Central and South America and in industrial and commercial establishments in Latin America and Europe are prominent. Various investments have also been made in Latin America and elsewhere.

### Portfolio Holdings of Foreign Securities

A great variety of foreign securities are held by Canadians. These have been acquired over a long period. There are many reasons why these investments took place. Before the expansion in the Canadian capital market there were more opportunities for investments in certain types of security which presented themselves abroad than existed in Canada. Similarly Canadian funds used to be attracted to foreign capital markets especially in New York in periods of abnormal investment activity or speculation. Many foreign securities have been inherited by Canadians from relatives in the United Kingdom and the United States particularly and this led to ownership of a great variety of foreign securities which would not normally have been bought by residents of Canada. Ownership of other foreign securities originated from the migration of persons of means to Canada.

Since the introduction of foreign exchange control there has been a marked tendency for Canadian portfolios of foreign securities to be liquidated because of the effects of controls on exports of capital. While there has been a considerable turnover in the Canadian holdings of foreign securities arising through permitted switching and trading, there has been during the past decade, with a few exceptional periods, a well sustained liquidation of aggregate holdings of United States securities. Most of the holdings of foreign securities by Canadians were acquired in the 1920's when interest in the New York Stock Exchange was high. In the same period there were large purchases by Canadians of dollar bonds of Latin American governments, parts of which were distributed in Canada along with the main flotations in the United States. With the collapse of the New York stock market in 1929 there was a contraction in the Canadian holdings and the trend in holdings in the 1930's was generally downward. There were also many liquidations of the Latin American and other foreign bonds which had been purchased in the 1920's. Repatriations, retirements, and sinking fund purchases have contributed to the reductions in Canadian holdings. The Canadian interest in certain companies which operate abroad has also given rise to important portfolio investments by Canadians which are generally less now than was the case in former decades.

The reduction in the volume of holdings of foreign securities since 1939 has been greater than the change in the total value suggests. This is because of the increases which have occurred in the book value of foreign securities due mainly to reinvestments of earnings. This has been a notable feature affecting the valuation of Canadian holdings of United States stocks particularly. Of the total estimated value of portfolio holdings of \$638 million in 1949 about \$477 million was made up by the book value of holdings of stocks of foreign companies. At the same time holdings of foreign bonds had a par value of approximately \$161 million.

The largest part of the total is made up of holdings of United States securities which totalled \$443 million in 1949. This compares with \$501 million at the end of 1939. A great variety of United States stocks and bonds are held although holdings of a relatively small number of issues of prominent United States corporations constitute a large part of the total. A detailed analysis of the holdings is available for 1939 when a declaration of Canadian holdings was required by the Foreign Exchange Control Board. This analysis showed that about 70% of the total of \$380 million of United States stock at that time was made up of industrial and commercial issues and 15% was in public utility issues other than railroads. The remainder was distributed in smaller totals among railroads, mines, financial, and other companies. A calculation of the book value of the major part of stocks held in 1939 shows an increase of approximately 33% in this value by 1947 while market values were up by over 40% at that time. By the end of 1949 both the book and market value of the same group of stocks had increased by approximately 50% from 1939.

British securities had an estimated value of \$40 million at the end of 1949. These were divided fairly evenly between stocks and bonds. These securities are widely held in Canada but usually in comparatively small amounts. The holdings were often originally acquired through inheritances or resulted from migration to Canada of former British residents. A concentration occurs in holdings of certain issues of the United Kingdom Government, although a great

variety of stocks and bonds of British companies is held. Canadian holdings of other foreign securities are also widely distributed over a great variety of foreign stocks and bonds. But with these groups also there is some concentration in so far as the value of investments goes. In the case of holdings of foreign stocks, which had a value of \$105 million at the end of 1949, the greatest concentration has

been in the holdings of stock of a few companies operating in Latin America in the fields of petroleum products and public utilities. The most important concentration in the holdings of \$36 million foreign bonds in 1949 are in issues of Latin American and European bonds. These holdings are now much less than at the beginning of the war and in earlier periods.

#### International Operations of Canadian Banks and Insurance Companies

The external assets of Canadian insurance companies have been excluded from totals of Canadian investments abroad as these assets must be considered in relation to the external liabilities of the same concerns arising from their business outside of Canada.

The external assets of the Canadian chartered banks have also been excluded in the period from 1939 on. Prior to then the net external assets of Canadian banks were included as during that period there were substantial assets abroad in excess of the liabilities to foreign depositors and other non-residents. Following the introduction of exchange control in 1939 there was a reduction in the external assets of Canadian banks with the return of surplus funds at a time when residents of Canada were required to repatriate foreign currencies owned by them. Since then the assets held abroad by the chartered banks are assumed to be generally for the purpose of covering liabilities to non-residents. The net external assets of Canadian banks were largest in the decade of the 1920's when they constituted part of the liquid reserves of the Canadian banking system. Substantial reductions occurred in the assets abroad between 1927 and 1929 as funds were withdrawn from New York by the Canadian banks.

A public statement on the position of the Canadian chartered banks is issued each month. Although the business of foreign branches cannot be exactly segregated from the items shown in this statement certain items indicate the general extent of this business. The chief item of external liabilities, deposits abroad, totalled \$651 million in 1949. But this item includes deposits by residents with branches abroad as well as by non-residents. Among the external assets at the same date were current and call loans of \$211 million and \$70 million respectively, \$242 million of foreign government securities and other holdings of foreign currencies and gold. In addition there were deposits with other banks and amounts due to banks abroad as well as certain other external assets not shown in the statements.

Numerous branches outside of Canada are operated by Canadian chartered banks. In 1947 there were 105 located in the United Kingdom, the United States, France, the British West Indies, Cuba, and various other Latin American countries. In addition there were at that time 31 located in Newfoundland.

Canadian insurance companies have large holdings of United Kingdom, United States, and other foreign securities but because of the fiduciary nature of these assets the liabilities to the policyholders must be considered. Total liabilities outside of Canada have customarily exceeded total assets

outside of Canada. This is possible because the assets underlying the reserve funds need not all be held in foreign securities. The trend in the external assets and liabilities of Canadian life insurance companies is shown in Statement 10. The net liabilities abroad have been reduced materially in recent years even though the gross liabilities have continued to grow. In 1947 net liabilities outside of Canada amounted to only \$29.8 million compared with \$210.4 million in 1939. British and United States securities constituted the larger part of the total assets outside of Canada of \$1,610.7 million at that time as shown in Statement 11. While the figures showing the distribution of securities are based upon the countries in which the securities are held it is probable that the nationalities of the securities held at that time coincide in general with the countries in which the assets were held. There would in any case be a generally close agreement between the currencies in which securities were payable and the countries in which they were held.

STATEMENT 10. — Canadian Life Insurance Companies, Liabilities and Assets Outside of Canada, Selected Year Ends, 1926-1947  
(Millions of dollars)

Year	Total Liabilities Outside of Canada	Total Assets Outside of Canada
1926.....	321.9	237.3
1930.....	607.6	484.3
1937.....	941.5	673.6
1938.....	1,004.6	752.9
1939.....	1,045.6	835.2
1940.....	1,092.3	840.7
1941.....	1,146.0	910.1
1942.....	1,208.4	984.7
1943.....	1,281.2	1,086.9
1944.....	1,364.7	1,199.0
1945.....	1,491.0	1,401.4
1946.....	1,536.6	1,490.4
1947.....	1,640.5	1,610.7

Considerable variations have occurred in the relative distribution of assets and liabilities of in-

insurance companies by countries and currency areas. In the United States, for example, assets have usually exceeded liabilities whereas in the United Kingdom and some other areas the reverse has normally been the case. The relative mobility and liquidity of many of the assets make this possible. Because of this situation and the limited significance in the distribution of insurance assets by countries figures of insurance companies' investments have not been included in the statements of Canadian investments abroad.

Some important changes have occurred in the extent to which liabilities in different currencies have been covered. Assets payable in United States dollars exceeded liabilities in United States currency by about \$93 million in 1948 while with the United Kingdom and some other areas the reverse was the case. At that time liabilities in sterling exceeded sterling assets by about \$32 million and the same tendency was evident in the liabilities and assets in other sterling area countries, with liabilities exceeding assets by an appreciable extent in such countries as India, the British West Indies and South Africa. In 1939 there were similar variations in the extent to which liabilities in the different currency areas were covered. At that time both the surplus of United States dollar assets and the excess of liabilities in sterling were greater than was the case in 1946. These unbalanced relationships between assets and liabilities were appreciably reduced during the latter part of the wartime period.

**STATEMENT 11. — Analysis of the Assets  
Outside of Canada of Canadian Life Insurance  
Companies, End of 1947**

(Millions of dollars)

<b>Securities Held in:</b>	
United Kingdom.....	389.4
Other British Countries.....	119.1
United States.....	875.4
Latin America.....	18.9
Other Countries.....	8.3
<b>Total Securities.....</b>	<b>1,411.1</b>
<b>Other Assets:</b>	
Loans on Policies.....	67.0
Mortgage Loans.....	43.4
Cash.....	37.5
Real Estate (unencumbered).....	1.7
All other Assets.....	50.0
<b>Total, Other Assets.....</b>	<b>199.6</b>
<b>Total Assets Outside of Canada</b>	<b>1,610.7</b>

## STATISTICAL NOTES AND DEFINITIONS

### Valuation of Investments

Investments in equity securities shown throughout this report have been valued at their book values. This is the valuation appearing in the balance sheet of the Canadian companies in the case of non-resident investments in Canada. This basis is generally indicative of the capital invested and reflects reinvestments of subsequent earnings. The values shown are, of course, subject to the limitations of balance sheets and the effects of such factors as changing values of assets in different periods. But on the whole they are the best determined and most accessible source for a basis of valuation which has to cover a great variety of different companies.

The general significance of book values is more clearly demonstrated when compared with other criteria like market values and capitalized yields. The latter two sources are somewhat related and fluctuate widely in different periods while the book values are kept comparatively stable by the principles upon which they are established. Market values reflect to a large extent extraneous influences like the general attitude of the investing community as to both the economic climate and the relation of the individual firm's prospects to this. To some extent market values anticipate subsequent trends in business and general economic conditions as well as the actual position of the firm at a particular time or during a previous period. But subject to public appraisals of conditions they usually lack stability, not being based on purely objective criteria. Likewise values which employ capitalized yields as a principle are subject similarly to wide fluctuations. Influencing these fluctuations are such factors as the variations in past earnings and prevailing appraisals by the public of the general earning power of equity investments in relation to other forms of yield on capital.

While each of the above principles of valuation has some special features making it desirable for specific purposes it cannot be maintained that any one is ideal in every respect. Book valuations, however, because of their closer relationship to the actual amount of capital invested have a special significance in any study of international investments.

The values of funded debt and other contractual obligations have been shown at the face values of the obligations. In cases where bonds are payable in foreign currencies these have been expressed in Canadian dollars by converting the obligations at the prewar par of exchange.

Consequently these securities appear in statistics of indebtedness at the same value throughout the period covered in the statements. Changes shown in the amounts outstanding therefore reflect alterations in holdings due to such factors as new issues, retirements, or the trade in outstanding securities.

The values shown also tend to be generally representative of the original investments in so far as these were made at prices close to the nominal values converted at the par of exchange. While this procedure makes for stability in the investment series over the longer period it has some anomalous results when data on non-resident bond holdings are considered in relation to market values or to the cost of redeeming obligations. For example in periods when the United States dollar was at a premium in relation to the Canadian dollar the value of non-resident holdings of United States dollar issues of Canadian debtors have continued to be shown at par although their market value was higher and the cost of redeeming issues during such periods was also greater than the par value. Likewise British holdings of Canadian sterling issues have continued to be shown at par although the cost of redeeming these in terms of Canadian currency has been reduced by the depreciation of sterling.

Calculations of the market values of stocks listed on the Canadian stock exchanges, when compared with book values, show that the market value of United States holdings has generally been much greater than the book value for the same groups of stocks under the comparatively high market conditions prevalent in recent years. In the case of British investments the opposite type of relationship has appeared in certain recent periods, market values having been greater than the book values mainly because of the predominance of holdings in railway stocks. But with the higher market values of railway stocks current in some recent periods there has been little divergence in the aggregate between the total book and market value of British portfolio holdings of Canadian stocks. If the bond holdings were valued at market prices converted at current rates of exchange the general differences indicated above would be accentuated in periods in which exchange values have been different from the original prewar par. Thus when the United States dollar has been at a premium in terms of Canadian dollars Canadian bonds held in the United States would have a higher value if converted at current rates, further augmenting the difference between market values and book values of stocks noted above. The opposite would be the case with British holdings of Canadian sterling issues. The values of these converted into Canadian dollars at current rates of exchange would result in a substantially lower value than is shown in the accompanying statistics.

The difference between the book and market values of United States holdings of Canadian stocks are most accentuated in the case of stocks of United States controlled companies in Canada which are quoted on Canadian stock exchanges. But this group of stocks only accounts for about one-third of the

value of stocks of United States controlled companies. Most direct investments are only available on a book value basis as there is no public market for their securities. The market value of the quoted group has in recent years been substantially higher than the book value. This difference was concentrated in a small number of stocks and was particularly wide in mining, non-ferrous metal and petroleum companies' stocks. In the case of United States portfolio investments in Canadian stocks there has been less divergence in recent years between the total market values and the book values although there were substantial offsetting differences between the market and book values of various groups of issues and individual issues. At the end of 1948 a somewhat similar comparison appears when the market values of British portfolio holdings of Canadian stocks are compared with the book values. While there was only a comparatively small difference between the total value calculated under these two bases there were wide differences between the two in different groups of issues. The higher book values of Canadian railway issues at that date were more than offset by higher market values than book values in the case of most other types of Canadian stock held by British portfolio investors. In the case of British direct investments in Canada the market values for some public issues of stock of British companies which are quoted on Canadian stock ex-

changes have been appreciably greater than the book values. But British direct investments only represent a comparatively small proportion of total British investments in Canada.

Canadian investments abroad have been calculated in terms of Canadian dollars at rates of exchange prevailing at the times at which the investments are shown. This is because of the necessity of expressing such a variety of investments in common terms. As in the case of foreign investments in Canada the basis of valuation employed in evaluating Canadian equity investments abroad is the book value as shown by the balance sheets of the issuing companies abroad. The market values of Canadian holdings of United States stocks have not been widely different from the book values shown in the balance sheets of American companies whose stocks are held in Canada. Under the market conditions of recent years the market values of Canadian holdings of United States stocks have been moderately higher in total value than book values in the aggregate. There were wider differences between the market values of many of the Latin American and European bonds held by Canadians and the par values at which these issues have been shown. Market values of this type of issue in the aggregate were considerably depreciated.

#### Type of Business

In the investment statistics companies have been classified according to the principal kinds of business in which they are engaged. Some large companies have activities extending over a variety of types of business. For example, some of the principal petroleum companies have been included in the petroleum refining group of the non-metallic manufacturing industries even though their activities extend into

other types of business. Some of these companies, for instance, are engaged in the exploration for and development of crude petroleum as well as refining and production of petroleum products and have also extensive investments in the spheres of marketing and transportation. But as the corporation is the unit of classification in these statistics it is not feasible to carry the breakdown beyond the principal kind of business.

#### Forms of Investment

Investments have been classified according to the following forms: capital stock, funded debt and other investments.

In 1948 capital stock accounted for the major part of the total value of United States direct investments in Canada. This item which had a value of \$2,061 million in 1948 includes issues of common and preferred stock. Covering investments in equities this is a particularly suitable form for direct investments to take.

United States holdings of bonds with a par value of \$321 million accounted for another large part of the total of United States direct investments in Canada in 1948. This item includes the usual forms of funded debt like various kinds of bonds and debentures, that is generally contractual obligations paying fixed interest. Some of the issues included are public issues of bonds originally floated in Canada or abroad. Often these are held by unrelated creditors and may even be widely distributed among the investing public. There is consequently a portfolio character to a certain part of the investments in bonds shown in the direct investment group which

cannot, however, be readily distinguished. Other issues may be closely held by institutions or other private creditors abroad. On the other hand, there are issues included which are held by parent organizations. In some of these cases there may be only a thin line of demarcation between this form of investment by parent companies and other forms of equity investment which they have in the Canadian subsidiaries.

The form of direct investments described as "other investments" is composed of two general types of investment - net assets of unincorporated branches in Canada and other long-term indebtedness of subsidiary companies to non-residents. The former group amounted to \$260 million in 1948 out of a total of other investments aggregating \$447 million. A little over half of the total net assets represents the net assets of Canadian branches of United States insurance companies. The remainder is distributed over most other types of business. The other long-term indebtedness, which amounted to \$187 million in 1948, was distributed mainly among manufacturing and merchandising concerns. Included in other long-term indebtedness are such forms of obligation as

notes, accumulated advances from parent companies, mortgages, and other forms of indebtedness of a type extending for a term of more than a year.

Most of the growth in the value of United States direct investments since the beginning of the recent war has occurred in the book value of holdings of capital stock. Changes in total holdings of bonds issued by companies included in the direct investment group have not been significant and increases in other investments, although proportionately large,

only form a minor part of the total growth in non-resident ownership. The growth in portfolio holdings has been greatest in United States holdings of government bonds and the stocks of Canadian controlled companies. But British portfolio holdings of both stocks and bonds have been greatly reduced.

Some characteristics of the various forms of investment are also described in sections of this report dealing with direct investments, portfolio investments, and miscellaneous investments.

### Classification of Direct Investments

The term "direct investment" which is used freely in this report on international investments applies, with a few exceptions, to the non-resident ownership of a group of concerns where 50% or more of the capital is owned in one country outside of Canada. United States direct investments in Canada, therefore, for example, generally include investments in Canadian concerns where 50% or more of the capital is owned in that country. In addition certain other instances of important minority holdings by United States companies have been included where they are known to have constituted control. This principle of classifying investments has been selected as the most practicable solution of the problem of classifying investments in which some non-resident control exists either actively or potentially. In practice the classification includes a variety of situations as corporate interrelationships and ownership take many forms. Classification according to any procedure of necessity involves some arbitrary features.

The most typical instances of United States direct investments in Canada are the branches and subsidiaries of United States companies operating in this country. The former type of establishment, unincorporated branches, is less common now than was the case some decades ago. Only a minor number of United States companies operate unincorporated branches in Canada and most of these are in selected fields like the insurance business where separate incorporation is less common. The more frequent form of operation of a direct investment is through a Canadian subsidiary company incorporated in Canada under dominion or provincial charter to carry on the activities of the United States concern in Canada. A subsidiary established for this purpose is typically wholly owned or virtually wholly owned by the parent company, the only other shares being held by directors as qualifying shares. These instances of direct investments are clean-cut and clearly reflect non-resident ownership and control.

But often the United States parent companies do not own all of the capital of a Canadian company even though it may be regarded as a subsidiary. The proportion of capital owned by a foreign company may vary greatly. Even minor portions of certain issues of stock may lead to effective or potential control. A few exceptional instances of minority investments by United States corporations have been included as direct investments where corporate relationships are well established and control is either active or potential.

Then there are a few cases of public companies in Canada where more than half of the ownership of the stock rests in the United States. The extent of non-resident control in these instances varies. In some cases there may be a special concentration of ownership among certain shareholders in the United States which influences the management of the Canadian company. The non-resident shareholders may be American corporations in the same field of activity or they may be groups of shareholders who have controlling interests in some American industry of a related type. Various degrees of possible control exist in some situations of this kind and it would be virtually impossible to establish clearly the extent to which control is exercised in actual practice. But often the existence of potential control has a significance not unrelated to the active exercise of control in other typical cases. Direct investments as classified are, therefore, not limited to investments which are actively controlled abroad but include a minor number of instances where potential control may rest with either a majority or minority of shareholdings outside of Canada. Because of the variety of degrees of possible control care should be taken not to draw too sharp distinctions from classifications of non-resident investments. Numerous variations may also occur in the extent and form of management and direction of Canadian concerns controlled abroad, a subject which is beyond the ambit covered in this report on investments.

### Total Investments

Total investments in United States controlled companies should be distinguished from the value of United States direct investments in Canada. The latter is limited to the United States ownership of the Canadian company. In the case of some companies there are minority holdings of securities owned by residents of Canada or other countries. The total investment in Canada in companies con-

trolled in the United States consequently is greater than the investment owned in the United States by the amount of these minority holdings. Some of the minority holdings arise out of public issues of securities by a Canadian company established or controlled by a United States corporation. "Total investment" therefore refers to all of the investments which are controlled actively or potentially outside of Canada.

### Sources of Information

An extensive set of records has been developed with the purpose of recording information on non-resident investments in Canada. Details relating to investments are maintained in the International Payments Section for each Canadian company in which there is an appreciable investment by non-residents of Canada. The details recorded include information on the capital of companies with data on the amount of various issues of stocks and bonds owned outside of Canada. The foreign ownership is divided into holdings in the United Kingdom, the United States, and other countries. With this information it is possible to classify foreign investments in Canadian companies according to the country or area of ownership and control and by the kind of business or industrial group or subdivision in which the companies are engaged. These returns provide a particularly reliable record of non-resident ownership of most stocks of Canadian companies since the ownership of most issues of stocks can be obtained from share registers. There are, of course, some cases of non-resident ownership which are not disclosed in this way such as instances where shares are held by nominees in Canada for the account of beneficial owners abroad. However, there are other sources of information on some non-resident investments through nominees which supplement the general corporation records.

Available information on the distribution of ownership of bearer bonds and debentures is less exact although many companies are able to provide an estimate of non-resident holdings. Where estimates of ownership are not available the circumstances connected with the original sale of the bonds are taken into account. This latter procedure is followed with regard to issues of municipal and government bonds. The ownership of this type of issue is not usually known by the debtors because of the usual wide distribution of the bonds. Consequently bond records are maintained for all Canadian bond issues originally sold outside of Canada. These cover bond issues payable in foreign currencies as generally this type of issue has been floated outside of Canada. Estimates of the original distribution of bonds have been obtained from various British, American, and Canadian sources. When adjusted by available information on the subsequent changes in ownership since the original distributions these data are believed to provide a fairly reliable record of non-resident holdings of the principal groups of Canadian bonds although the amounts of individual issues held abroad are not usually known exactly. Assisting in making these adjustments are the figures reported by security dealers and other agencies on the international trade in securities which are available for different groups of bonds.

Indirect indications on the volume of Canadian bonds held abroad tend to corroborate the general accuracy of the adjusted bond records in the aggregate.

In showing estimates of the relative importance of foreign investments to total investments in Canada it has been necessary to have some measure of the total investments of capital in Canada by Canadians as well as by non-residents. In earlier periods the capital employed statistics of the Census of Industry were used towards this end but this information was discontinued during the recent war. But a new source of information on the balance sheet value of all Canadian companies has become available through the tabulation of financial data for Canadian companies by the Taxation Division of the Department of National Revenue. These data, available for several years up to 1947, have been used in estimating the proportions which non-resident capital represents of all investments of capital in Canadian industry and business. Estimates for later years for which the more comprehensive survey is not yet available have been made by using data on the net private investments made in Canada in recent years.

In covering private investments of Canadian capital abroad the most comprehensive data are the records which are maintained of Canadian companies with direct investments in branches, subsidiaries or controlled companies located outside of Canada. Up-to-date information on the location of the investments and their value is collected on schedules.

The other main group of private investments abroad which are recorded is the portfolio holdings of foreign securities held by Canadian individuals and companies. Estimates of these were built up before the recent war and are described in Chapter VI of *The Canadian Balance of International Payments, A Study of Methods and Results*. More comprehensive and detailed sources of information became available early in the recent war when the declarations of holdings of foreign securities were required from residents of Canada by the Foreign Exchange Control Board. These holdings were tabulated in detail showing the foreign companies and governments issuing the securities. Subsequent changes in Canadian holdings of the principal groups of United States and foreign securities have been estimated from data reported currently on the international trade in securities. Data relating to Canadian portfolio holdings of foreign securities for recent years are consequently not as satisfactory as for the year 1939 when there was the declaration of holdings because of the element of estimation entering the calculation of subsequent changes in holdings.

**STATISTICAL TABLES**



TABLE 1. — Foreign Capital Invested in Canada, as at Year Ends, Representative Years, 1926-1948

Classification by Types of Investment  
TOTAL NON-RESIDENT INVESTMENT IN CANADA  
(Millions of Dollars)

Types of Investment	1926	1930	1933	1939	1945	1946	1947	1948
<b>GOVERNMENT SECURITIES:</b>								
Dominion .....	638.0	682.0	751.9	823.0	726.0	750.0	713.0	823.0
Provincial.....	421.6	592.3	571.7	536.0	624.0	394.0	551.0	528.0
Municipal.....	374.1	431.5	394.4	344.0	312.0	267.0	264.0	248.0
<b>Total .....</b>	<b>1,433.7</b>	<b>1,705.8</b>	<b>1,718.0</b>	<b>1,703.0</b>	<b>1,662.0</b>	<b>1,611.0</b>	<b>1,528.0</b>	<b>1,599.0</b>
<b>PUBLIC UTILITIES:</b>								
Railways.....	1,938.4	2,244.3	2,244.7	1,870.6	1,599.0	1,583.0	1,586.0	1,504.0
Other.....	394.5	633.4	625.4	549.4	494.0	557.0	473.0	468.0
<b>Total .....</b>	<b>2,332.9</b>	<b>2,877.7</b>	<b>2,870.1</b>	<b>2,420.0</b>	<b>2,093.0</b>	<b>2,140.0</b>	<b>2,059.0</b>	<b>1,972.0</b>
Manufacturing.....	1,198.3	1,573.0	1,421.6	1,445.2	1,829.0	1,895.0	2,029.0	2,339.0
Mining and Smelting.....	219.1	334.1	338.5	329.1	403.0	386.0	396.0	424.0
Merchandising.....	149.8	202.9	191.5	189.3	226.0	238.0	248.0	262.0
Financial Institutions.....	343.6	542.9	479.6	472.7	525.0	557.0	553.0	541.0
Other Enterprises.....	65.2	82.4	75.2	69.0	70.0	69.0	71.0	78.0
Miscellaneous Assets.....	260.0	295.0	270.0	285.0	284.0	282.0	290.0	298.0
<b>Total Investment.....</b>	<b>6,002.6</b>	<b>7,613.8</b>	<b>7,364.5</b>	<b>6,913.3</b>	<b>7,092.0</b>	<b>7,178.0</b>	<b>7,174.0</b>	<b>7,513.0</b>

TABLE 2. — Foreign Capital Invested in Canada as at Year Ends, Representative Years, 1926-1948

Classification by Types of Investment  
INVESTMENTS HELD IN THE UNITED KINGDOM  
(Millions of Dollars)

Types of Investment	1926	1930	1933	1939	1945	1946	1947	1948
<b>GOVERNMENT SECURITIES:</b>								
Dominion .....	250.1	234.5	291.4	238.0	—	—	—	—
Provincial.....	72.6	69.3	74.2	58.0	45.0	37.0	35.0	33.0
Municipal.....	187.0	182.1	143.9	157.0	112.0	78.0	55.0	48.0
<b>Total .....</b>	<b>509.7</b>	<b>485.9</b>	<b>509.5</b>	<b>453.0</b>	<b>157.0</b>	<b>115.0</b>	<b>90.0</b>	<b>81.0</b>
<b>PUBLIC UTILITIES:</b>								
Railways.....	1,371.0	1,351.7	1,353.8	1,215.3	806.0	795.0	792.0	724.0
Other.....	96.6	99.7	87.7	89.3	90.0	85.0	72.0	69.0
<b>Total .....</b>	<b>1,467.6</b>	<b>1,451.4</b>	<b>1,441.5</b>	<b>1,304.6</b>	<b>896.0</b>	<b>880.0</b>	<b>864.0</b>	<b>793.0</b>
Manufacturing.....	234.4	274.7	236.3	257.3	301.0	295.0	307.0	340.0
Mining and Smelting.....	50.9	73.8	72.1	61.4	62.0	56.0	52.0	56.0
Merchandising.....	49.2	61.6	56.5	54.9	57.0	60.0	57.0	61.0
Financial Institutions.....	175.5	242.7	213.0	220.9	186.0	182.0	186.0	188.0
Other Enterprises.....	4.0	5.2	3.9	3.8	6.0	5.0	5.0	5.0
Miscellaneous Assets.....	145.0	171.0	150.0	120.0	85.0	75.0	70.0	69.0
<b>Total Investment.....</b>	<b>2,636.3</b>	<b>2,766.3</b>	<b>2,682.8</b>	<b>2,475.9</b>	<b>1,750.0</b>	<b>1,668.0</b>	<b>1,631.0</b>	<b>1,593.0</b>

## CANADA'S INTERNATIONAL INVESTMENT POSITION

TABLE 3. — Foreign Capital Invested in Canada as at Year Ends, Representative Years, 1926-1948

Classification by Types of Investment  
 INVESTMENTS HELD IN THE UNITED STATES  
 (Millions of Dollars)

Types of Investment	1926	1930	1933	1939	1945	1946	1947	1948
<b>GOVERNMENT SECURITIES :</b>								
Dominion.....	381.9	440.5	450.5	567.0	682.0	701.0	665.0	775.0
Provincial.....	342.0	517.0	492.5	473.0	574.0	554.0	515.0	494.0
Municipal.....	185.1	247.4	248.5	181.0	194.0	183.0	207.0	198.0
<b>Total .....</b>	<b>909.0</b>	<b>1,204.9</b>	<b>1,191.5</b>	<b>1,221.0</b>	<b>1,450.0</b>	<b>1,438.0</b>	<b>1,387.0</b>	<b>1,467.0</b>
<b>PUBLIC UTILITIES :</b>								
Railways.....	510.4	832.6	830.9	588.3	720.0	717.0	724.0	718.0
Other.....	289.9	521.7	524.7	432.1	375.0	441.0	372.0	372.0
<b>Total .....</b>	<b>800.3</b>	<b>1,354.3</b>	<b>1,355.6</b>	<b>1,020.4</b>	<b>1,095.0</b>	<b>1,158.0</b>	<b>1,096.0</b>	<b>1,090.0</b>
Manufacturing.....	952.9	1,286.3	1,172.3	1,159.9	1,482.0	1,554.0	1,676.0	1,958.0
Mining and Smelting.....	165.2	255.3	260.4	250.7	322.0	311.0	324.0	347.0
Merchandising.....	98.6	137.3	131.0	129.4	164.0	173.0	185.0	194.0
Financial Institutions.....	125.1	251.2	220.6	200.8	285.0	321.0	312.0	297.0
Other Enterprises.....	60.2	76.2	70.3	64.2	62.0	62.0	65.0	72.0
Miscellaneous Assets.....	85.0	94.0	90.0	105.0	130.0	140.0	155.0	163.0
<b>Total Investment .....</b>	<b>3,196.3</b>	<b>4,659.5</b>	<b>4,491.7</b>	<b>4,151.4</b>	<b>4,990.0</b>	<b>5,157.0</b>	<b>5,200.0</b>	<b>5,588.0</b>

TABLE 4. — Foreign Capital Invested in Canada as at Year Ends, Representative Years, 1926-1948

Classification by Types of Investment  
 INVESTMENTS HELD IN ALL OTHER COUNTRIES  
 (Millions of Dollars)

Types of Investment	1926	1930	1933	1939	1945	1946	1947	1948
<b>GOVERNMENT SECURITIES :</b>								
Dominion.....	6.0	7.0	10.0	18.0	44.0	49.0	48.0	48.0
Provincial.....	7.0	6.0	5.0	5.0	5.0	3.0	1.0	1.0
Municipal.....	2.0	2.0	2.0	6.0	6.0	6.0	2.0	2.0
<b>Total .....</b>	<b>15.0</b>	<b>15.0</b>	<b>17.0</b>	<b>29.0</b>	<b>55.0</b>	<b>58.0</b>	<b>51.0</b>	<b>51.0</b>
<b>PUBLIC UTILITIES :</b>								
Railways.....	57.0	60.0	60.0	67.0	73.0	71.0	70.0	62.0
Other.....	8.0	12.0	13.0	28.0	29.0	31.0	29.0	27.0
<b>Total .....</b>	<b>65.0</b>	<b>72.0</b>	<b>73.0</b>	<b>95.0</b>	<b>102.0</b>	<b>102.0</b>	<b>99.0</b>	<b>89.0</b>
Manufacturing.....	11.0	12.0	13.0	28.0	46.0	46.0	46.0	41.0
Mining and Smelting.....	3.0	5.0	6.0	17.0	19.0	19.0	20.0	21.0
Merchandising.....	2.0	4.0	4.0	5.0	5.0	5.0	6.0	7.0
Financial Institutions.....	43.0	49.0	46.0	51.0	54.0	54.0	55.0	56.0
Other Enterprises.....	1.0	1.0	1.0	1.0	2.0	2.0	1.0	1.0
Miscellaneous Assets.....	30.0	30.0	30.0	60.0	69.0	67.0	65.0	66.0
<b>Total Investment .....</b>	<b>170.0</b>	<b>188.0</b>	<b>190.0</b>	<b>286.0</b>	<b>352.0</b>	<b>353.0</b>	<b>343.0</b>	<b>332.0</b>

TABLE 5. — Foreign Capital Invested in Canada, End of 1948

Classification by Countries of Origin and by Types of Security

(Millions of dollars)

Types of Security	United States <sup>1</sup>	United Kingdom <sup>1</sup>	Other Foreign Countries	Total Non-Resident Investment
<b>BONDS AND DEBENTURES:</b>				
Dominions.....	775	—	48	823
Provincials.....	494	33	1	528
Municipals.....	198	48	2	248
Steam Railways.....	445	316	32	793
Other Corporations—controlled in Canada.....	142	23	14	179
Other Corporations—controlled outside of Canada.....	293	61	12	366
<b>Total.....</b>	<b>2,347</b>	<b>481</b>	<b>109</b>	<b>2,937</b>
<b>CAPITAL STOCK OF CANADIAN COMPANIES:</b>				
Companies controlled in Canada.....	540	604	90	1,234
Companies controlled in the United States.....	2,061	63	12	2,136
Companies controlled in the United Kingdom.....	13	263	3	279
Companies controlled in other Foreign Countries.....	1	1	29	31
<b>Total.....</b>	<b>2,615</b>	<b>931</b>	<b>134</b>	<b>3,680</b>
<b>OTHER CORPORATION ASSETS:</b>				
Companies controlled in Canada.....	13	—	—	13
Companies controlled in the United States.....	446	3	—	449
Companies controlled in the United Kingdom.....	3	109	—	112
Companies controlled in other Foreign Countries.....	1	—	23	24
<b>Total.....</b>	<b>463</b>	<b>112</b>	<b>23</b>	<b>598</b>
<b>MISCELLANEOUS INVESTMENTS:</b>				
Real estate, mortgages, assets administered for non-residents, private investment companies, etc. ....	163	69	66	298
<b>Total.....</b>	<b>5,588</b>	<b>1,593</b>	<b>332</b>	<b>7,513</b>

1. Includes some investments held by nominees in the United Kingdom and the United States for residents of other countries.

TABLE 6. — Distribution of Ownership of Investments in Canada Controlled in the United States, End of 1948

(Millions of dollars)

Type of Business	Distribution of Ownership				
	Total Investment	Canada	United States	United Kingdom	Other Countries
Manufacturing .....	2,160	318	1,753	88	1
Vegetable Products .....	196	17	179	—	—
Animal Products .....	51	2	49	—	—
Textiles .....	40	5	35	—	—
Wood and Paper Products .....	516	64	451	1	—
Iron and Products .....	378	31	346	—	1
Non-ferrous Metals .....	366	60	250	56	—
Non-metallic Minerals .....	357	117	229	11	—
Chemicals and Allied Products .....	209	22	167	20	—
Miscellaneous Manufactures .....	47	—	47	—	—
Mining and Smelting .....	404	91	274	31	8
Utilities .....	665	312	347	4	2
Merchandising .....	195	12	183	—	—
Financial .....	215	7	208	—	—
Miscellaneous .....	81	16	64	—	1
<b>Total — All Companies .....</b>	<b>3,720</b>	<b>756</b>	<b>2,829</b>	<b>123</b>	<b>12</b>

TABLE 7. — Value of United States Direct Investments<sup>1</sup> in All Canadian Businesses by Types of Business, Selected Years 1926 to 1948

(Millions of dollars)

Type of Business	Value of United States Investment						
	1926	1930	1939	1945	1946	1947	1948 <sup>2</sup>
Manufacturing .....	818	1,041	984	1,285	1,366	1,493	1,753
Vegetable Products .....	69	94	96	140	146	155	179
Animal Products .....	18	38	47	44	42	46	49
Textiles .....	18	20	20	28	29	32	35
Wood and Paper Products .....	256	334	281	316	350	383	451
Iron and Products .....	180	199	188	272	283	312	346
Non-ferrous Metals .....	83	113	130	203	208	225	250
Non-metallic Minerals .....	109	126	112	133	138	152	229
Chemicals and Allied Products .....	60	86	88	118	134	147	167
Miscellaneous Manufactures .....	25	31	22	31	36	41	47
Mining and Smelting .....	141	210	198	255	245	254	274
Utilities .....	249	423	399	359	366	345	347
Merchandising .....	89	122	119	153	165	175	183
Financial .....	58	136	126	198	232	222	208
Miscellaneous .....	48	61	55	54	54	59	64
<b>Total — All Companies .....</b>	<b>1,403</b>	<b>1,993</b>	<b>1,881</b>	<b>2,304</b>	<b>2,428</b>	<b>2,548</b>	<b>2,829</b>

1. Direct investments include branches, subsidiaries and controlled companies.

2. Subject to revision.

TABLE 8. — Number of Canadian Concerns Controlled in the United States, End of 1948

Type of Business	Number of Subsidiaries or Controlled Companies	Number of Unincorporated Branches	Total Number
Manufacturing.....	1,006	91	1,097
Vegetable Products.....	100	7	107
Animal Products.....	46	2	48
Textiles.....	60	2	62
Wood and Paper Products.....	120	15	135
Iron and Its Products.....	212	15	227
Non-ferrous Metals.....	135	7	142
Non-metallic Minerals.....	64	3	67
Chemicals and Allied Products.....	215	34	249
Miscellaneous Manufactures.....	54	6	60
Mining and Petroleum.....	89	15	104
Utility.....	101	16	117
Railways.....	10	2	12
Other Utility.....	91	14	105
Merchandising.....	373	49	422
Financial.....	67	196	263
Insurance.....	10	189	199
Investment Trusts.....	22	-	22
Other Financial.....	35	7	42
Miscellaneous.....	153	16	169
<b>Total, All Concerns.....</b>	<b>1,789<sup>1</sup></b>	<b>383</b>	<b>2,172</b>

1. Includes 286 wholly-owned subsidiaries.

TABLE 8A. — Number of Canadian Concerns Controlled in the United States, End of 1945 and 1948

Type of Business	Total Number of Branches, Subsidiaries or Controlled Companies	
	1945	1948
Manufacturing.....	992	1,097
Vegetable Products.....	97	107
Animal Products.....	47	48
Textiles.....	56	62
Wood and Paper Products.....	130	135
Iron and Its Products.....	211	227
Non-ferrous Metals.....	117	142
Non-metallic Minerals.....	60	67
Chemicals and Allied Products.....	224	249
Miscellaneous Manufactures.....	50	60
Mining and Petroleum.....	82	104
Utility.....	110	117
Railways.....	14	12
Other Utility.....	96	105
Merchandising.....	398	422
Financial.....	261	263
Insurance.....	194	199
Investment Trusts.....	17	22
Other Financial.....	50	42
Miscellaneous.....	142	169
<b>Total, All Concerns.....</b>	<b>1,985</b>	<b>2,172</b>

**TABLE 9. — Investment Statistics of Selected United States Controlled Manufacturing Companies as Percentages of Total, End of 1946**

Type of Operation	Value of Investment in All Manufacturing Companies in Canada	Value of Investment in Selected U.S. Controlled Companies	Extent of U.S. Control <sup>1</sup>
	\$ Million	\$ Million	%
<b>Total.....</b>	<b>4,376</b>	<b>1,329</b>	<b>30.4</b>
Vegetable Products.....	665	135	20.3
Animal Products.....	169	44	26.0
Textiles.....	324	12	3.7
Wood and Paper Products.....	1,198	299	25.0
Iron and Its Products.....	864	268	31.0
Non-ferrous Metals.....	374	270	72.2
Non-metallic Minerals.....	396	166	41.9
Chemicals and Allied Products.....	321	115	35.8
Miscellaneous Manufactures.....	65	20	30.8

1. Column 2 as percentage of column 1.

**TABLE 10. — Operating Statistics of Selected United States Controlled Manufacturing Companies as Percentages of Total, 1946**

Type of Operation	Number of Establishments	Gross Production	Net Production	Cost of Materials	Salaries and Wages	Number of Employees
	%	%	%	%	%	%
<b>Total.....</b>	<b>1.5</b>	<b>20.5</b>	<b>19.4</b>	<b>21.1</b>	<b>17.5</b>	<b>15.3</b>
Vegetable Products.....	1.3	17.1	18.8	16.0	17.5	15.0
Animal Products.....	1.6	12.1	10.5	12.7	10.5	8.6
Textiles.....	0.2	2.0	2.1	1.9	2.2	2.1
Wood and Paper Products.....	0.6	14.6	12.6	15.8	10.1	7.8
Iron and Its Products.....	3.3	28.2	22.4	35.2	20.8	20.6
Non-ferrous Metals.....	7.5	54.8	55.2	53.0	53.7	51.1
Non-metallic Minerals.....	2.3	36.5	25.3	45.9	20.8	17.5
Chemicals and Allied Products.....	7.8	34.9	35.5	33.6	31.4	30.9
Miscellaneous Manufactures.....	1.1	21.2	20.8	21.9	17.2	14.0

**TABLE 11. — Selected United States Controlled Manufacturing Companies Geographical Distribution of Establishments, End of 1946**

Type of Operation	Total Number of Estab- lishments	P.E.I.	N.S.	N.B.	Quebec		Ontario		Man.	Sask.	Alta.	B.C. and N.W.T.
					Total	Montreal	Total	Toronto				
					<b>Total.....</b>	<b>467</b>	<b>3</b>	<b>5</b>				
Vegetable Products.....	78	-	1	-	9	5	51	11	6	6	4	1
Animal Products.....	72	2	1	1	6	3	30	6	10	4	5	13
Textiles.....	7	-	-	-	3	-	4	-	-	-	-	-
Wood and Paper Products.....	68	-	-	2	22	5	30	9	3	-	1	10
Iron and Its Products.....	78	1	-	-	21	10	51	13	1	1	1	2
Non-ferrous Metals.....	56	-	-	-	18	5	34	19	1	-	-	3
Non-metallic Minerals.....	21	-	1	1	4	2	10	2	-	1	1	3
Chemicals and Allied Products.....	79	-	2	-	33	20	31	8	6	1	1	5
Miscellaneous Manufactures.....	8	-	-	-	3	1	3	2	1	-	-	1

**TABLE 12. Canadian Investments and Other Assets Abroad as at Selected Year Ends**  
(Millions, of Canadian Dollars)

Particulars	1926	1930	1939	1945	1947	1949 <sup>3</sup>
<b>A. TOTAL INVESTMENTS AND ASSETS:</b>						
Direct Investments .....	397	443	671	720	822	893
Portfolio Investments .....	493	789	719	621	579	638
<b>Sub-total</b> .....	<b>890</b>	<b>1,232</b>	<b>1,390</b>	<b>1,341</b>	<b>1,401</b>	<b>1,531</b>
Government Credits .....	36	31	31	707	1,816	2,000
Net External Assets of Canadian Banks .....	370	180	1	1	1	1
Official Balances Abroad .....	1	1	215	1,278	224	697
<b>Total of above Assets</b> .....	<b>1,296</b>	<b>1,443</b>	<b>1,636</b>	<b>3,326</b>	<b>3,441</b>	<b>4,228</b>
Gold Holdings .....	2	2	240	389	287	535
<b>Gross Assets as above</b> .....	<b>1,296</b>	<b>1,443</b>	<b>1,876</b>	<b>3,715</b>	<b>3,728</b>	<b>4,763</b>
Canadian Life Insurance Companies:						
External Assets .....	237	484	835	1,401	1,611	1
External Liabilities .....	322	608	1,046	1,491	1,641	1
<b>B. INVESTMENTS IN THE UNITED STATES AND OTHER CONVERTIBLE ASSETS:</b>						
Direct Investments .....	250	260	412	455	531	690
Portfolio Investments .....	195	459	501	409	366	443
<b>Sub-total</b> .....	<b>445</b>	<b>719</b>	<b>913</b>	<b>864</b>	<b>897</b>	<b>1,133</b>
Net External Assets of Canadian Banks .....	262	90	1	1	1	1
Official Balances in U.S. dollars .....	1	1	204	1,270	215	694
<b>Total of above Assets</b> .....	<b>707</b>	<b>809</b>	<b>1,117</b>	<b>2,134</b>	<b>1,112</b>	<b>1,827</b>
Gold Holdings .....	2	2	240	389	287	535
<b>Gross Assets as above</b> .....	<b>707</b>	<b>809</b>	<b>1,357</b>	<b>2,523</b>	<b>1,399</b>	<b>2,362</b>
<b>C. INVESTMENTS IN THE UNITED KINGDOM:</b>						
Direct Investments .....	7	14	59	54	64	60
Portfolio Investments .....	45	45	43	53	52	40
<b>Sub-total</b> .....	<b>52</b>	<b>59</b>	<b>102</b>	<b>107</b>	<b>116</b>	<b>100</b>
Net External Assets of Canadian Banks .....	42	40	1	1	1	1
Sterling Balances of F.E.C.B. ....	-	-	11	8	9	3
Government Credits .....	-	-	-	561	1,331	1,434
<b>Total of above Assets</b> .....	<b>94</b>	<b>99</b>	<b>113</b>	<b>676</b>	<b>1,436</b>	<b>1,537</b>
<b>D. INVESTMENTS IN OTHER COUNTRIES:</b>						
Direct Investments .....	140	169	200	211	227	143
Portfolio Investments .....	253	285	175	159	161	135
<b>Sub-total</b> .....	<b>393</b>	<b>454</b>	<b>375</b>	<b>370</b>	<b>388</b>	<b>296</b>
Net External Assets of Canadian Banks .....	66	50	1	1	1	1
Government Credits .....	36	31	31	146	485	566
<b>Total of above Assets</b> .....	<b>495</b>	<b>535</b>	<b>406</b>	<b>516</b>	<b>873</b>	<b>864</b>

1. Not available.

2. Gold holdings are limited to gold held by the Bank of Canada or Foreign Exchange Control Board as part of Canadian official liquid reserves.

3. Subject to revision.

## CANADA'S INTERNATIONAL INVESTMENT POSITION

**TABLE 13. Value of Canadian Direct Investments Abroad<sup>1</sup> in Branches, Subsidiaries and Controlled Companies, as at Year Ends 1939, 1945, 1947 and 1949<sup>4</sup>**

(Millions of Canadian Dollars)

Location and Year	Railways and Utilities	Industrial and Commercial	Mining and Petroleum	Other Concerns <sup>1</sup>	Total Direct Investments
<b>IN THE UNITED STATES:</b>					
1939.....	211	176	21	4	412
1945.....	212	214	25	4	455
1947.....	213	272	41	5	531
1949.....	212	418	56	4	690
<b>IN THE UNITED KINGDOM:</b>					
1939.....	2	53	-	6	59
1945.....	2	53	-	1	54
1947.....	2	64	-	2	64
1949.....	2	60	-	2	60
<b>IN OTHER BRITISH COUNTRIES:<sup>3</sup></b>					
1939.....	7	30	17	2	54
1945.....	7	34	28	2	69
1947.....	8	47	30	2	85
1949.....	6	52	18	2	76
<b>IN OTHER FOREIGN COUNTRIES:</b>					
1939.....	31	30	85	-	146
1945.....	20	36	85	1	142
1947.....	21	31	88	2	142
1949.....	23	32	10	2	67
<b>TOTAL - ALL COUNTRIES:</b>					
1939.....	249	289	123	10	671
1945.....	239	337	138	6	720
1947.....	242	414	159	7	822
1949.....	241	562	84	6	893

1. Excluding insurance companies and banks. 2. Amounts are less than \$500,000. 3. Including investments in Newfoundland prior to 1949. 4. Subject to revision.

**TABLE 14. Canadian Portfolio Investments in Foreign Securities, as at Year Ends 1939, 1945, 1947 and 1949**

(Excluding Investments by Insurance Companies and Banks)

(Millions of Canadian Dollars)

Nationality of Securities	Kind of Security		Total Portfolio Investments
	Stocks	Bonds	
<b>UNITED STATES SECURITIES:</b>			
1939.....	380	121	501
1945.....	317	92	409
1947.....	283	83	366
1949.....	345	98	443
<b>UNITED KINGDOM SECURITIES:</b>			
1939.....	22	21	43
1945.....	26	27	53
1947.....	26	26	52
1949.....	21	19	40
<b>OTHER BRITISH SECURITIES:</b>			
1939.....	7	15	22
1945.....	7	12	19
1947.....	7	11	18
1949.....	6	8	14
<b>OTHER FOREIGN SECURITIES:</b>			
1939.....	102	51	153
1945.....	104	36	140
1947.....	110	33	143
1949.....	105	36	141
<b>TOTAL FOREIGN SECURITIES:</b>			
1939.....	511	208	719
1945.....	454	167	621
1947.....	426	153	579
1949.....	477	161	638

**TABLE 15. Loans and Advances by the Canadian Government to Other Countries Outstanding as at December 31, 1939, 1945-1949**

(Millions of dollars)

Items	Total Loans Authorized Originally	Amounts Outstanding December 31					
		1939	1945	1946	1947	1948	1949 <sup>2</sup>
<b>POST WAR LOANS AND ADVANCES:</b>							
Export Credits <sup>1</sup> .....	594.5	-	104.6	314.3	454.3	527.9	534.7
Loan to United Kingdom .....	1,250.0	-	-	540.0	963.0	1,015.0	1,135.0
<b>OTHER LOANS:</b>							
Loan to United Kingdom in 1942 .....	700.0	-	561.3	471.9	367.9	304.1	298.9
Wheat loan to U.S.S.R. ....	10.0	-	10.0	5.0	-	-	-
Loans made after War of 1914-1918 to Greece and Roumania .....	-	31.0	31.0	31.0	31.0	31.0	31.0
<b>Total</b> .....	-	<b>31.0</b>	<b>706.9</b>	<b>1,362.2</b>	<b>1,816.2</b>	<b>1,878.0</b>	<b>1,999.6</b>

1. Net amounts outstanding include interim advances as well as drawings on Export Credit loans less repayments of interim advances and loans. All advances had been repaid by December 31, 1947, with the exception of \$8.8 million to the U.S.S.R. For details of loans and drawings by countries see statement 8. Interest which has been funded is included at the end of 1949.

2. Subject to revision.

**TABLE 16. Number of Canadian Concerns Controlled in the United Kingdom, End of 1948**

Type of Business	Number of Subsidiaries or Controlled Companies	Number of Unincorporated Branches	Total Number
<b>Manufacturing</b> .....	149	11	160
Vegetable Products .....	33	2	35
Animal Products .....	3	1	4
Textiles .....	17	3	20
Wood & Paper Products .....	19	1	20
Iron & Its Products .....	20	-	20
Non-ferrous Metals .....	12	-	12
Non-metallic Minerals .....	9	-	9
Chemicals & Allied Products .....	28	4	32
Miscellaneous Manufactures .....	8	-	8
<b>Mining</b> .....	9	3	12
<b>Utility</b> .....	8	2	10
Railways .....	3	-	3
Other Utility .....	5	2	7
<b>Merchandising</b> .....	120	23	143
<b>Financial</b> .....	45	91	136
Insurance .....	26	78	104
Investment Trusts .....	5	-	5
Other Financial .....	14	13	27
<b>Miscellaneous</b> .....	11	3	14
<b>Total, all concerns</b> .....	<b>342<sup>1</sup></b>	<b>133</b>	<b>475</b>

1. Includes 73 wholly-owned subsidiaries.

TABLE 17. - Number of Canadian Concerns Controlled in Countries Other Than the United States and the United Kingdom, End of 1948

Type of Business	Number of Subsidiaries or Controlled Companies	Number of Unincorporated Branches	Total Number
Manufacturing .....	15	1	16
Vegetable Products .....	-	-	-
Animal Products .....	3	-	3
Textiles.....	3	-	3
Wood and Paper Products.....	2	-	2
Iron and Its Products .....	1	-	1
Non-ferrous Metals .....	-	-	-
Non-metallic Minerals .....	-	-	-
Chemicals and Allied Products .....	6	1	7
Miscellaneous Manufactures .....	-	-	-
Mining.....	1	-	1
Utility.....	3	-	3
Railways.....	-	-	-
Other Utility .....	3	-	3
Merchandising.....	28	1	29
Financial.....	9	21	30
Insurance .....	1	20	21
Investment Trusts .....	4	-	4
Other Financial .....	4	1	5
Miscellaneous.....	6	-	6
<b>Total, All Concerns.....</b>	<b>62<sup>1</sup></b>	<b>23</b>	<b>85</b>

1. Includes 5 wholly-owned subsidiaries.

TABLE 18. - Summary of Net Payments of Interest and Dividends by Canada to Other Countries in Selected Years

(Millions of dollars)

Account	1926	1939	1947	1949
<b>WITH UNITED KINGDOM:</b>				
Payments by Canada .....	97	78	53	55
Receipts by Canada .....	2	2	8	9
<b>Net Payments .....</b>	<b>- 95</b>	<b>- 76</b>	<b>- 45</b>	<b>- 46</b>
<b>WITH UNITED STATES:</b>				
Payments by Canada .....	138	220	274	325
Receipts by Canada .....	12	27	35	40
<b>Net Payments .....</b>	<b>- 126</b>	<b>- 193</b>	<b>- 239</b>	<b>- 285</b>
<b>WITH OTHER COUNTRIES:</b>				
Payments by Canada .....	5	8	10	10
Receipts by Canada .....	18	28	19	34
<b>Net Receipts.....</b>	<b>+ 13</b>	<b>+ 20</b>	<b>+ 9</b>	<b>+ 24</b>
<b>ALL COUNTRIES:</b>				
Payments by Canada .....	240	306	337	390
Receipts by Canada .....	32	57	62	83
<b>Net Payments.....</b>	<b>- 208</b>	<b>- 249</b>	<b>- 275</b>	<b>- 307</b>



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