

Where is this portfolio investment coming from? In 1993, the United States held the largest share of portfolio investment (roughly 45%). In the 1980s, U.S. portfolio investment in Canada grew quite slowly, while portfolio holdings by Japanese and European investors increased substantially. As a result, the U.S. share of portfolio investment in Canada fell to roughly 36% of the total in 1988. U.S. portfolio investment in Canada increased rapidly in the 1990s, however, restoring the U.S. share of portfolio investment to its current, somewhat higher level. The present U.S. share of foreign portfolio investment in Canada is nonetheless considerably reduced compared to that of 20 years ago. In 1973, Americans held 79% of foreign portfolio bond investment and 65% of foreign portfolio investment in stocks.

After the United States, the Japanese held the largest share of portfolio investment of any individual country in 1993 (roughly 14%, compared to 4% in 1983). Almost all Japanese portfolio investment was in bonds. Statistics Canada has reported, however, that Japanese investment in Canadian bonds fell from \$49.5 billion in 1992 to \$46 billion in 1993. Independent surveys by the Canadian Embassy in Tokyo have shown the same trend.²⁷ The Embassy's surveys indicate that Japanese investors' holdings of Canadian portfolio paper fell by \$8.4 billion between 1993 and 1994. The Japanese share of foreign portfolio investment in Canadian bonds fell from 21% in 1992 to 17% of total foreign holdings in 1993. It remains to be seen if Japanese portfolio investment flows into Canada will return to the levels of the 1980s.

The total European share of portfolio investment in Canada (21% for the EU in 1993 and 1983) is larger than that of the Japanese (14%), but smaller than that of the U.S.. This investment grew steadily during the 1980s, although at a rate slower than that of Japanese investment.²⁸ The U.K. remains the largest European portfolio investor in Canada and its investments are becoming particularly important (9% in 1993 vs 4% in 1983). Portfolio investments from the U.K., primarily in bonds, grew at a much faster rate than those of other EU members during the ten years between 1983 and 1993.

²⁷ Canadian Embassy, *Japanese Portfolio Investment in Canada 1994 Survey* (Tokyo, August 1994), p. 1. It should be noted that Statistics Canada refers to this data when preparing their statistics on portfolio investment.

²⁸ EU portfolio investment in Canada grew 233% between 1983 and 1993, while Japanese portfolio investment grew by 984% during this period.