

their parent companies in the United States. I am thinking, for example, of iron-ore mining, where the product is required by the steel mills of the parent companies in the United States to take the place of the ores formerly supplied from domestic sources, and no longer available.

In the case of our manufacturing industries, the Canadian tariff on imported manufactures has long since served, by design, to encourage the establishment of various manufacturing industries in Canada, and this has often been done by subsidiaries of foreign, including American parent companies. This has been particularly marked in the automobile, rubber, electric-apparatus and chemical industries.

In addition to these direct investments, there is a substantial and continuing interest on the part of outside investors in the bonds and shares of Canadian provincial and municipal governments and corporations. Some of these borrowers have found it more convenient and less costly to borrow their requirements in New York and, to a much lower degree, in some of the European money markets.

Types of Foreign Investment

Leaving aside the inward and outward flow of short-term capital movements, which anyway tends to cancel out over the long run, it may be said in quite general terms that the flow of foreign investment into Canada today consists of three equal types. Using the statistics relating to 1959 the amount directly invested (that is, in branch plants and the like) totalled about \$500 million. Second, the amount of new issues of Canadian securities sold abroad, these being mainly municipal and provincial bonds, and a certain number of corporation shares and bonds, totalled about \$540 million. And third, there was a net inflow of funds to purchase existing Canadian securities and for other capital purposes amounting to some \$530 million. Against this there was an outward movement of funds arising from the investments of Canadian concerns in their subsidiaries abroad or from the purchase of American and other external securities, amounting to about \$60 million. Taking into account all inward and outward movements the net capital inflow in 1959 was slightly more than \$1400 million.

This experience makes Canada by far the world's largest importer of long-term capital at the present time. At the end of 1958, the last year for which estimates have been made, gross foreign investment of all kinds on capital account was \$20.7 billion. On the other side of the ledger the gross external assets of Canada were then about \$7.7 billion, or about one-third as large as our external liabilities. This results in a net foreign indebtedness of \$13 billion. Just seven years ago (in 1953) the comparable figure was only \$6.0 billion. This means that in the last seven years the net foreign investment