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A NEW ESTIMATE OF AMERICAN INVESTMENTS ABROAD

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FOREWORD

American private long-term investments in foreign countries at the end of 1930 amounted to between $14,900,000,000 and $15,400,000-000. This estimate includes all foreign holdings except (1) short-term capital items, which are discussed in The Balance of International Payments of the United States; (2) the obligations of foreign governments to the United States Treasury; (3) investments in missionary and educational institutions abroad; and (4) investments in Alaska, Hawaii, and Porto Rico. The principal of the war debts outstanding on November 15, 1930, was $11,640,000,000; figured on a 4 per cent compound discount basis, the worth on June 30, 1930, of the payments to be received on these debts was $7,740,000,000.

Europe has obtained more American capital than any other area—approximately $4,500,000,000, as compared with $3,790,000,000 for Canada. South America is third with $3,040,000,000. Canada, of course, leads among individual countries, and is followed by Germany, Cuba, and Argentina. Others in the first 10 are Mexico, Chile, Great Britain, Brazil, France, and Japan. American investments in Germany are estimated to be between $1,350,000,000 and $1,500,-000,000, the great bulk of which has been made since October, 1924, when the Dawes plan loan was floated.

Direct investments, comprising $7,840,000,000 or more than one-half of the total, are distributed more widely than are the portfolio, or security, investments. The latter are concentrated to a remarkable extent in Europe. Both types of investment are subject to frequent changes, but the security holdings fluctuate more widely because of the ease with which they can be transferred between countries. Although it is impossible to obtain precise data on such transfers, account must be taken of them in making estimates of foreign investments. These transfers have resulted, according to figures based to a large extent upon questionnaires to bankers and others, in a net repatriation of foreign securities amounting to $630,000,000.

Sinking-fund and redemption payments by foreign governments and corporations have brought about a larger reduction in the total holdings of foreign securities than a casual investigation leads one to suspect. Three-tenths of the total net nominal amount of all the foreign issues brought out in the United States from 1914 to 1930 have been repaid in this way by the borrowers. The operation of sinking funds is becoming more and more important each year, while redemption payments vary greatly according to financial conditions in the foreign countries.

This bulletin was prepared by Paul D. Dickens of the finance and investment division, under the direction of Grosvenor M. Jones, chief of that division.

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SEPTEMBER, 1931.

A NEW ESTIMATE OF AMERICAN INVESTMENTS ABROAD

Paul D. Dickens, Finance and Investment Division

INTRODUCTION

American private investments in foreign countries have been the subject of much study and many estimates. Among these estimates are those which have been made in connection with the annual studies of The Balance of International Payments of the United States, issued by the Department of Commerce for each of the last nine years. Compilers of those surveys, in estimating the yield from our long-term investments abroad, had to decide upon a figure for the amount of capital involved. They relied at first on previous estimates of investments and on the compilations of foreign securities outstanding in the United States made by J. P. Morgan & Co. in 1919 [1] and the Guaranty Trust Co. in 1921,[2] plus the net growth of investments each year as found in the capital section of the balance of payments.

In furthering the accuracy of these annual estimates the Finance and Investment Division of the Bureau of Foreign and Domestic Commerce has spent several years compiling and rechecking the annual schedules of foreign securities publicly offered in the United States and collecting data on direct investments and private takings. A "Handbook of American Underwriting of Foreign Securities, 1914–1929" [3] published last year was the result of the first part of the division's work. It contains detailed schedules of such issues.

As world business conditions became stabilized following the war, the activities of American industrial and commercial corporations in foreign countries became more extensive. The data collected each year were correspondingly less satisfactory, and it became necessary to make an exhaustive study of the distribution, character, and value of those foreign affiliations and extensions of American enterprise. That study took the form of a census, the results of which were published in November, 1930.[4]

Several recent months have been devoted to eliminating duplication from the two studies just cited; to adding foreign securities taken in the United States before 1914 and those privately taken since then; to ascertaining carefully the amount of each issue outstanding

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[1] Harvard Review of Economic Statistics, Supplement, June, 1921, p. 190.

[2] Federal Reserve Bulletin, August, 1921, pp. 942–949.

[3] Young, Ralph A.; Trade Promotion Series No. 104 (25 cents). This handbook will be kept up to date by bulletins each year, such as Trade Information Bulletin No. 746, "American Underwriting of Foreign Securities in 1930" by the present writer (10 cents).

[4] Trade Information Bulletin No. 731, "American Direct Investments in Foreign Countries," (10 cents). This study, having been reprinted, is now available for all who wish to use it in connection with the present bulletin.

at the end of 1930 after refunding, sinking-fund, and redemption operations; to allowing for "foreign securities transferred to and from the United States through stock markets;" and to arranging the statistics by countries. The result of these months and years of study is a new estimate of private long-term American investments abroad, as set forth herein.

This bulletin is primarily a study of the American holdings of foreign securities. However, in order to present a complete account, direct investments are estimated as of the end of 1930. A detailed statement of the direct investments as of December 31, 1929, which is still substantially correct, is available in the bulletin on "American Direct Investments in Foreign Countries," already cited.

CHANGES IN DIRECT INVESTMENTS IN 1930

In this bulletin American direct investments are discussed only briefly, and a few general observations on the trend of 1930 are made.

First, there was a noticeable falling off in Latin American investments. During several of the immediately preceding years American public-utility companies had rapidly extended their holdings of electric and telephone utility properties in that area. During 1930 there was less activity in that line, and it is possible that for several years any expansion in our public-utility investments in Latin America will take the form chiefly of consolidating and improving properties previously acquired.

Second, in 1930 American capitalists, associated with Europeans, acquired electric utilities and established subsidiaries in several European countries, among which were Germany, Greece, Luxemburg, Portugal, Turkey, and Yugoslavia. Earlier American investments in European public utilities were largely confined to the purchase of bonds. A few exceptions to this were the acquisition of electrical properties in England, of interests in various hydroelectric enterprises in Italy, and of telephone systems, principally in Spain.

Third, the chief activity in manufacturing expansion in 1930 was in Europe, especially in Germany. Much of this expansion took the form of participation in established companies, although outright purchases, the establishment of new plants, and extensions to old investments took place also. New branches continued to be established in Canada during 1930 at a rate nearly, if not entirely, equal to that of 1929. A few plants were set up in South America, continuing the postwar development in that area.

Fourth, properties producing raw material were not involved in the year's expansion to any great extent. Some projects in Canadian mineral industries that had been started previously were pushed to completion, and some new interests were acquired in Africa and Australia.

METHODS EMPLOYED IN THIS STUDY

Direct investments defined.—American direct investments in foreign countries, as given in this bulletin, embrace corporate investments (1) in American-controlled manufacturing and selling organizations, (2) in the stocks and bonds of foreign-controlled manufacturing and selling corporations, (3) in purchasing agencies, (4) in petroleum lands and petroleum refining and distribution facilities,

(5) in mining and smelting properties, (6) in public utilities, (7) in plantations, and (8) in other miscellaneous properties. Properties owned by missionary and other charitable organizations, including educational institutions of noncommercial character, are not considered in these estimates.

Data as to the value of these investments were obtained by means of a questionnaire, mailed to American corporations asking for " the present book value or fair market value " of their foreign properties or, in cases of partial ownership, the market value of shares held plus the amount of advances and loans. The value figures given, therefore, cover the value of common and preferred stock, surplus, loans and advances by the parent company, and American holdings of the bonds of the foreign subsidiary.[5]

In preparing the present estimates the data obtained as a result of the census of direct investments were used as a basis. Those figures were for December 31, 1929. To bring them up-to-date it was necessary to add for the new holdings acquired and old ones expanded and to subtract for properties sold or abandoned during 1930. The estimates of the necessary changes were made on the basis of a collection of clippings obtained by scanning several of the leading daily newspapers and financial magazines and from the reports of the foreign officers of the Department of Commerce and the consular offices of the Department of State. Likewise, private compilations, such as that by Dr. Max Winkler,[6] were carefully studied.

Portfolio investments defined.—Portfolio investments consist of (1) foreign bonds publicly offered in the United States as far back as 1904, (2) foreign bonds privately taken in the United States in large blocks, so far as they are known, (3) the shares of foreign corporations that are owned in the United States and traded in on American stock exchanges in the form of "American shares," or are held in their original form, and (4) bonds of American subsidiaries of foreign corporations, and of American corporations, that lend abroad directly. Portfolio investments are held primarily by individual investors resident in the United States and by insurance companies, investment trusts, and other financial institutions. The foreign security holdings of industrial and commercial corporations are considered as " direct investments." The capital employed by insurance companies in foreign subsidiaries and by banks in their foreign branches, which may be estimated arbitrarily as between $100,000,000 and $150,000,000, can not be divided geographically and is, therefore, simply added to total investments as given later.

Short-term loans and advances to foreigners[7] by American banks, deposits with foreign banks, and other short-term accounts due from foreigners are not included in the estimates given in this bulletin. The details of this investment are given in " The Balance of International Payments of the United States in 1930."

The figures used herein for portfolio investments represent the American portion of the amount outstanding at the end of 1930 of

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[5] For a more full discussion of the method of valuation see Trade Information Bulletin No. 731, "American Direct Investments in Foreign Countries," pp. 4–5.

[6] Foreign Policy Association, Information Service, Vol. VI, No. 24, Pt. II, "America's Stake Abroad," February, 1931.

[7] The term " foreigners " as here used includes the foreign branches of American banks.

each individual foreign bond issue and the present American holdings of foreign stocks. This information is carded in such form that it can be kept current—on a year-to-year basis. In most cases information as to the bonds still outstanding were obtained from the fiscal agent and/or trustee for the issues; but data contained in private compilations, the manuals of statistical agencies, and Government budget statements were also used. The American share was calculated by allocating to this country the same proportion of each issue outstanding on December 31, 1930, as was taken here at the time the issue was originally offered. Bonds called for redemption on January 1, February 1, and subsequent dates in 1931, but not yet canceled, are included in these totals, although the funds may have been deposited in this country at the end of the year, because those funds were credited to foreigners in the short-term capital account.

Investments in foreign corporate shares were ascertained from the finance and investment division's studies of foreign securities publicly offered or privately taken in the United States—that is, in large lots—after checking to ascertain their present status.

FOREIGN SECURITIES INTERNATIONALLY TRANSFERRED

A questionnaire is mailed each year to all leading American stock brokers, investment bankers, and investment trusts, that do an international business in securities, asking for estimates of the total yearly purchases from and sales to foreigners of foreign stocks and bonds in small lots. The returns from this questionnaire are carried and analyzed in each balance of international payments. The difference between the total purchases and total sales represents an increase or decrease in American security holdings during the year; in other words, it takes account of (1) repurchases of foreign dollar bonds by residents in foreign countries (repatriation), (2) the purchases of foreign dollar and foreign-currency bonds and stocks by Americans, which would include the foreign shares to be issued in this country as "American shares," and (3) the resale of those two types to Americans or to foreigners. Taken over a sufficient period of years, the net movement added to or subtracted from the outstanding American share of foreign securities publicly offered and privately taken in the United States gives a figure which covers the whole range of private long-term American portfolio investments in foreign countries. Such transactions were not very important until after the World War, and the task of estimating their amount is, therefore, not impossible, although it can not be done with fine accuracy.

Security arbitrating—that is, buying and selling securities quoted on two exchanges, say New York and London, to take advantage of a spread in the price of the same stock on those markets—is more important in the international movement of American than of foreign shares. Nevertheless, it may result in a net transfer internationally of foreign securities and as such is accounted for in this study through the returns from the above-mentioned questionnaire.

Taken as a whole, the returns from the questionnaire to American stock brokers indicate that there has been a repatriation of foreign securities and that, therefore, a deduction from the outstanding amounts of the foreign loans is necessary in order to arrive at the present investment. Those returns are admittedly little better than rough estimates, and reservation must be made as to their accuracy. However, since no other quantitative data are available and the adjustment made reduces the total investment by only about 4 per cent, those figures have been used here.

Figures on the annual volume and net flow of foreign securities to and from the United States as already published are set forth in the following table:

TABLE 1.—THE INTERNATIONAL SECURITIES MOVEMENT SINCE 1913

[In millions of dollars]

Period	Foreign stocks and bonds bought by Americans in small lots	Foreign stocks and bonds sold to foreigners in small lots	Net movement [1]
Up to 1922	200		+200
1922	318	193	+125
1923	40	125	−85
1924	92	177	−85
1925	64	216	−152
1926	110	299	−189
1927	166	398	−232
1928	556	451	+105
1929	588	442	+129
1930	360	806	−446
Total	2,494	3,107	−630

[1] A plus sign indicates an addition to American investments; a minus sign a subtraction from them.

NOTE.—Data from 1922 to 1930 from annual reports The Balance of International Payments of the United States, prior to 1922 estimated by the present compiler.

The above table shows that a repatriation of foreign securities has taken place during six of the last nine years, and that there was a net flow away from the United States of $630,000,000 of securities, even after allowing $200,000,000 for net purchases by the United States before 1922. No accurate measure of the movement during that early period exists; the estimate is necessarily arbitrary. The direction, geographically speaking, of this repatriation up to the end of 1930 can not be determined exactly but may be discussed in a general way and a distribution by areas suggested.

EUROPE

A few instances of repatriation, principally to Europe, have attracted a great deal of attention. Among the issues repatriated are the Republic of Czechoslovakia 8's offered here in 1922, the Swiss Confederation 8's offered in 1920, and a number of the early Belgian, Danish, and French issues. However, the movement is much more widespread and is extremely difficult to allocate to the various countries or even areas. It is known that the repurchase of some of the securities named above was in substantial volume, and it is reasonable to believe that many of the German bonds sold in this country were returned to Germany, particularly during 1930 when their quotations in the United States fell to the 60's, 70's, and 80's. A large proportion of the foreign bonds floated in the United States just after the war drew higher interest rates than are usual for the issues of those governments or corporations. Investors in the borrowing country who were thoroughly familiar with home conditions thus had a strong incentive to purchase dollar issues of bonds. Furthermore, the stability of dollar exchange made securities written in dollars doubly attractive a few years ago when many currencies were fluctuating widely. Because of the preferred position of most foreign securities in their home country as investments for insurance companies, trustees, and investment trusts, they enjoyed a more attractive market there than in the United States and tended to return there as investmen funds became more plentiful in those countries.

Europe probably repatriated its dollar issues in greater volume than other areas because greater capital resources are located there than in other foreign areas. Many European countries that were borrowers immediately after the war are normally capital-lending countries, but they were forced to seek the temporary assistance of outside capital only because of the destruction of capital during the war and the extraordinary drain on their budgets of war-debt service and reconstruction costs. France and Great Britain may be mentioned in this connection. Under the circumstances it seems justifiable to suggest the allocation to Europe of, say, $430,000,000 of the entire deduction for the international securities movement.

CANADA

Accurate quantitative conclusions regarding the transfer of securities between the United States and Canada, likewise can not be obtained. Prof. Kenneth W. Taylor of McMaster University, who has made careful studies of this subject, estimated that in 1927 and 1928 the movement was toward Canada in the net amounts of $71,000,000 and $39,000,000, respectively. In 1929 and 1930 the movement was thought to have been toward the United States to the extent of $28,000,000 and $49,500,000.[8] These figures suffice to show that there are wide fluctuations in the American holdings of Canadian securities. Canadian investment bankers have branches in New York and American bankers have branches in Canada. Besides, Canadian brokers have ticker service from the New York Stock Exchange where many Dominion Government and corporation bonds and stocks are listed. Due to the growing wealth and its increasing financial independence, Canada is probably purchasing its securities held abroad just as the United States was doing between 1900 and 1914, and especially during the early war years. The repatriation to Canada may be estimated, therefore, to amount to close to $150,000,000.

LATIN AMERICA AND THE FAR EAST

In the case of Latin America we can not be sure even as to the general direction of the movement. British investment trusts and

[8] Financial Post, Dec. 21, 1928, and the Financial Post Business Yearbook, 1930, p. 31.

continental banks were familiar with Latin-American securities before the United States began to invest in them at all. It is possible, therefore, that they may have purchased some of those securities from this country. On the other hand, considerable portions of the dollar Latin-American issues were sold abroad originally. Being dollar bonds with their listing and largest market, in most cases, in this country, many of them may have been returned here. It seems certain that no large amounts were returned to Latin America, but the uncertainty of the movement to and from Europe makes it impossible to say whether the investment in that area was reduced or increased as a result.

The repatriation of far eastern securities centers about the Government bonds of Australia, Japan, and the Netherland East Indies. Australia has probably bought back very few of its dollar issues, and none is listed on the exchange at Sydney; but British investment trusts and investors may have purchased some of them from this country. Likewise, it is probable that the Government of the Netherland East Indies 5½ and 6 per cent dollar bonds, floated in the United States in 1922 and 1923, have been attractive to Dutch investors. The very fact that they have been quoted above par on the New York Stock Exchange ever since 1925 might be an indication of such a demand. Furthermore, they are not very actively traded in at New York—sales on the stock exchange during 1930 amounting to only about $3,500,000, while the total originally floated here and still outstanding is over $135,000,000. Some Japanese dollar issues have probably been repurchased either by the Government for its own holdings or by private banks and investors. Taken as a whole, it may be estimated that American portfolio investments in the Far East have been reduced by at least $50,000,000 in the international securities movement.

ESTIMATE OF AMERICAN FOREIGN INVESTMENTS

Private long-term American investments in foreign countries at the end of 1930 amounted to between $14,900,000,000 and $15,400,000,000 (expressed in range figures because errors in such estimates are unavoidable). Their rapid growth is brought out clearly when the present total is compared with the estimates of investments in 1900 of $500,000,000 and in 1912 of $1,902,500,000. In the last 18 years this country has increased its holdings abroad by about $13,268,000,000, or by about $737,000,000 a year,[9] excluding, of course, the war debts to the United States Treasury and short-term investments.

The distribution of private long-term American investments abroad at the end of 1930, divided geographically and by major types, is estimated as follows:

[9] At the end of this bulletin the reader will find a more detailed comparison of the present and past investments. Also there is given a brief discussion of other recent estimates of American foreign investments.

TABLE 2.—PRIVATE LONG-TERM AMERICAN INVESTMENTS ABROAD, BY TYPES AND GEOGRAPHIC AREAS, AT END OF 1930

[In thousands of dollars]

Area	Direct	Portfolio	Total
Canada	2,048,787	1,892,906	3,941,693
Europe	1,468,648	3,460,629	4,929,277
Mexico and Central America	930,843	[1] 37,733	[1] 968,576
South America	1,631,105	[2] 1,410,821	[2] 3,041,926
West Indies	1,072,000	161,484	1,233,484
Africa	115,329	2,500	117,829
Asia	419,504	[3] 603,445	[3] 1,022,949
Oceania	154,594	264,700	419,294
Total	7,840,810	7,834,218	15,675,028
Deduct for international securities movement		[4] 630,000	[4] 630,000
	7,840,810	7,204,218	15,045,028
Add for insurance company and bank capital			125,000
Estimated foreign investment at the end of 1930			[5] 15,170,028

[1] Exclusive of holdings of Mexican Government and Mexican National Railway Co. securities and very small holdings of Nicaraguan guaranteed customs bonds of 1918. (See text under Mexico and Central America.)

[2] Exclusive of very minor holdings of various Ecuadorian issues.

[3] Exclusive of holdings of Chinese securities. (See text under China.)

[4] It is estimated that this deduction might be distributed as follows: Canada $150,000,000, Europe $430,000,000, and Asia $50,000,000.

[5] This estimate of total investments should be expressed in range figures, that is, from $14,900,000,000 to $15,400,000,000, because such estimates can never be entirely accurate. The figures given in this bulletin are the sum of all items for which reliable evidence could be obtained. The possibility of some errors is admitted and corrections and additions will be gladly received.

The largest amount of American capital is invested in Europe, or about $4,500,000,000. Canada is second and South America third with approximately $3,790,000,000 and $3,040,000,000, respectively. The other areas in order of importance are the West Indies, Asia, Mexico and Central America, Oceania, and Africa.

Direct investments in Europe total somewhat less than half as much as the portfolio investments, while in Canada and South America they are slightly higher. The size of the securities holdings in Europe is largely the result of the enormous volume of German capital issues floated in the United States since 1924, and to a lesser degree to the offerings of French, Italian, Swedish, and British securities. In Asia and Oceania the American interest is principally in securities, while in the West Indies, Mexico and Central America, and Africa practically all of our holdings consist of direct investments.

The reasons for this distribution by types of investment are national rather than continental, and they vary greatly. In general, however, it may be said that security holdings predominate in the "older" and better-established countries, and that the two types balance in countries which have undeveloped natural resources and at the same time are relatively stable politically. Great Britain, however, where there is a remarkable predominance of direct investments, is a striking exception to the rule. Close cultural and business ties and a favored commercial and industrial position are the principal factors causing this exception.

CANADA

American investments in Canada are the largest in any single country and exceed those in every continent except Europe. The ownership of branch plants, mines, public utilities, and other similar properties exceeds portfolio investments, as is to be expected in a relatively new country with great natural resources that are near enough to exert a constant and strong attraction to business men in the United States. It is remarkable, nevertheless, that the total private corporate investments, direct and portfolio, are over twice as large as the holdings of government and government-guaranteed corporate securities.

Canadian governmental bodies started borrowing in the United States before the World War, though not in very important volume, as England was their banker at that time. The various Provinces, especially Ontario, have drawn most heavily upon American capital; the Dominion Government has been a very close second. Municipal bonds held in the United States are principally those of the cities of Montreal, Quebec, and Toronto; but examination of the portfolios of American insurance companies reveals holdings of the bonds of many of the smaller and little-known cities. According to the Association of Life Insurance Presidents, 52 life insurance companies with 91.8 per cent of the admitted assets of all United States legal reserve companies held $408,000,000 of Canadian Government bonds at the end of 1930.[10] Fire and other insurance companies have lesser amounts.

Canadian Northern Railway and Grand Trunk of Canada Railway bonds and equipment trust certificates, later assumed by the Canadian National Railways, were well known to American investors before those of any of the Government divisions, and it is not surprising that more of them are held in this country to-day than of either the Dominion Government or provincial issues.

Private long-term investments in Canada and Newfoundland by classes are given below:

TABLE 3.—AMERICAN PRIVATE LONG-TERM INVESTMENTS IN CANADA AND NEWFOUNDLAND AT END OF 1930

[In thousands of dollars]

Type	Direct investments, total	Portfolio investments			Total
		Canada	Newfoundland	Total	
Governmental:					
Dominion	----------	298,000	23,592	321,592	321,592
Provincial	----------	387,896	----------	387,896	387,896
Municipal	----------	108,897	----------	108,897	108,897
Other	----------	38,800	----------	38,800	38,800
Total government	----------	833,593	23,592	857,185	857,185
Government-guaranteed corporate: Railroad	----------	412,674	----------	412,674	412,674
Corporate:					
Manufacturing	554,598	30,149	----------	30,149	584,747
Mining and smelting	428,052	----------	----------	----------	428,052
Paper and pulp	284,525	128,728	----------	128,728	413,253
Public utility, total	558,601	440,315	----------	440,315	998,916
Communications	----------	500	----------	500	----------
Electric and gas	----------	283,634	----------	283,634	----------
Railroad	----------	144,451	----------	144,451	----------
Other	----------	11,730	----------	11,730	----------
Miscellaneous	223,011	23,855	----------	23,855	246,866
Total corporate	2,048,787	623,047	----------	623,047	2,671,834
Grand total	2,048,787	1,869,314	23,592	1,892,906	3,941,693

[10] Proceedings of the Twenty-fourth Annual Convention of the Association of Life Insurance Presidents, p. 102.

NOTE.—The figures given in this table for portfolio and total investments are subject throughout to adjustments made necessary by the international securities movement.

American holdings of Canadian corporate bonds and stocks are important by themselves, although they amount to less than one-third of the direct investments. They are found principally in the public utility enterprises (hydroelectric and railroad) and in the paper and pulp industry. In these two fields Canadian management is especially prominent, and corporations have developed of sufficient size to become well known in the United States and to draw "interest capital" unaccompanied by "entrepreneur's capital." The total American interest in public utility enterprises in Canada, both direct and portfolio, is close to $1,000,000,000 and in the paper and pulp industry close to $410,000,000.

A more detailed discussion of the ownership of corporate undertakings in Canada as of the end of 1929 is given in Trade Information Bulletin No. 731, previously referred to. The data contained therein are substantially correct for the end of 1930, except for the addition of about $80,000,000 spread over the entire field.

There was considerable speculation as to the effect the Canadian tariff advances during 1930 would have on the establishment of new branches. While the movement was very large, as shown by press notices and the lists of new incorporations published in the Monetary Times, it is doubtful whether it equaled that of 1929, when a high state of industrial activity prevailed generally. Several of the new properties were acquired in the continuation of a policy that had been pushed with great vigor during 1928 and 1929. In some cases the tariff may have been a factor, possibly the deciding one. New public utility properties were acquired, and extensions and improvements to old mining properties took place.

EUROPE

Private long-term American investments in Europe are given by countries and types in the following table:

TABLE 4.—PRIVATE AMERICAN LONG-TERM INVESTMENTS IN EUROPE, BY TYPES, AT END OF 1930

[In thousands of dollars]

Country	Direct	Portfolio	Total
Austria	17, 377	97, 688	115, 065
Belgium	65, 246	188, 965	254, 211
Bulgaria	812	13, 281	14, 093
Czechoslovakia	4, 875	30, 518	35, 393
Denmark	15, 924	167, 799	183, 723
Finland	1, 206	78, 043	79, 249
Other Baltic States	10, 124	6, 867	16, 991
France	161, 809	309, 525	471, 334
Germany	243, 969	1, 176, 988	1, 420, 957
Great Britain	497, 305	143, 587	640, 892
Greece	10, 136	42, 851	52, 987
Hungary	9, 520	109, 358	118, 878
Irish Free State	3, 129	3, 497	6, 626
Italy	121, 216	279, 924	401, 140
Luxemburg	600	6, 957	7, 557
Netherlands	44, 024	122, 574	166, 598
Norway	23, 470	190, 878	214, 348
Portugal	17, 546		17, 546
Poland	53, 193	124, 130	177, 323
Rumania	15, 836	9, 375	25, 211
Saar Territory		7, 952	7, 952
Spain	91, 480	3, 000	94, 480
Sweden	19, 230	253, 536	272, 766
Switzerland	17, 834	43, 503	62, 237
Turkey	13, 755		13, 755
Yugoslavia	8, 132	49, 833	57, 965
Total	1, 468, 648	3, 460, 629	4, 929, 277

NOTE.—The portfolio and total investment figures contained in this table are subject throughout to adjustments made necessary by the international securities movement.

Germany.—Germany has been the recipient of a larger amount of American long-term capital than any other European country. Approximately 130 separate stock and bond issues, of which the American share outstanding totals $1,177,000,000,[11] constitute the largest part of the American investment in Germany. Practically all of this tremendous sum may be considered as dating from October, 1924, when the $110,000,000 American share of the Dawes plan loan for the Government of the German Republic was offered in this country. During the four years beginning with 1925 over $1,000,000,000 of German bonds were floated here. There probably has never before been so large a movement of long-term capital between two countries in such a short time.

This postwar movement is not the only occasion on which American capital has gone to Germany. In 1900 German Empire, 4 per cent treasury notes were offered in the United States and a substantial sum taken here. These notes were only of 4 and 5 year terms and were thought to have been repatriated before maturity. During the same year City of Cologne and Free City of Hamburg bonds were offered and purchased in New York. Again in 1901, 1908, and at the beginning of the World War obligations of the Empire were sold in the United States. However, none of these are still outstanding.

The class of German securities held in the United States in the largest amount is composed of Government guaranteed or controlled corporate issues. (See Table 5.) Municipal and other government public utility company bonds amount to nearly $235,000,000, while government-guaranteed banking obligations outstanding total $167,000,000. The balance of over $12,000,000 is made up of miscellaneous municipal and State enterprises.

Private corporate securities follow in volume. Over 50 per cent of these are the obligations of manufacturing corporations, followed by a miscellaneous group, including shipping companies, religious organizations, banking, public utility, and mining enterprises.

Including direct investments, it is estimated that at the end of 1930 over $290,000,000 of American long-term capital was employed in public utilities in Germany, over $330,000,000 in manufacturing, and $210,000,000 in banking.

Purely governmental securities outstanding are principally the obligations of the National Government. (Some large credits granted to the German Government by American and international groups of banks during 1930 are not included in these figures because they were short-term investments.) Among the municipal issues were several by the cities of Berlin and Frankfort on the Main and the consolidated municipal loans.

Several new manufacturing affiliations and branches were established in Germany during 1930. The affiliation of American with German corporations through holdings of minority interests, important in other years, was prominent again in 1930. Managerial interests in German public utilities, previously unimportant, were increased considerably.

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[11] When not specifically stated to the contrary, all figures in the text for individual countries will be without deduction for the international securities movement.

Great Britain.—Great Britain is second among the European countries in the volume of American capital invested in its industries and securities. More than two-thirds of the total of $641,000,000 consists of direct investments, and more than half of the direct investments are in manufacturing enterprises. There were several additions to the number of branch factories in England during 1930; in fact, that was the principle field in which our investments there increased.

American holdings of British securities are principally of two types, namely, National Government obligations and "American shares." The $143,500,000 issue of National Government 5½'s listed in Table 5, is the only one still outstanding of all the British loans floated in the United States during the World War. It is impossible to estimate how much of this issue is still held in this country; but the reduction in the volume of the American investment in those particular bonds may have been completely offset by purchases of other British sterling issues, and of the "American shares" of British corporations. The latter alone amounted, at the end of 1930, to over $70,000,000. American holdings of sterling issues at that time were probably larger than they might have been otherwise, because early in 1928 $12,000,000,000 of British Government bonds were listed on the New York Stock Exchange to facilitate trading in them. During 1930, sales of the 5½'s amounted to $5,262,000, of the sterling 4's to $1,340,000, and of the 5's to $238,000. The above figures only indicate that some of these issues are owned in the United States; they do not give any very close indication as to the amount so owned.

"American shares" representing the ordinary and preference shares of British corporations seem to be popular in this country. The shares of more than 50 corporations, with a value of over $70,000,000, are traded in on the New York Stock and Curb Exchanges in this way. By this device the technical differences between stock issues in the two countries is overcome and a broader market made possible. The listing of "American shares" has been possible since October, 1927, on the stock exchange and since November, 1927, on the curb exchange, but the privilege was used most frequently in 1929. The number, as well as the market value, of American shares outstanding declined during 1930.

Western and southwestern Europe.—Two-thirds, or $179,000,000, of the American investment in Belgium is in the bonds of the National Government. Direct investments are large, especially in manufacturing and assembling enterprises.

Belgian securities have probably been repatriated to a considerable extent. They range from 6's to 8's and were issued during the period from 1921 to 1926. Such high interest rates have been very attractive to Belgian investors. (One of these issues—the 8's of 1921—was called and redeemed on February 1, 1931.)

Investments in France are comprised primarily of the various classes of governmental issues and small holdings of private corporate securities. The American share of the National Government obligations outstanding at the end of 1930 was $137,000,000, while the bonds of the government guaranteed or controlled railroads totaled $87,000,000. It is very probable, however, that repatriation has greatly reduced our holdings of these, as well as of French provincial and municipal securities. The rising tide of prosperity in France since the stabilization of the franc, coupled with the high interest rates and the relatively low prices of those bonds in the United States (especially during 1929 and 1930), made it both possible and profitable for French investors to repurchase them. Their quotations rose substantially during the first few months of 1930, largely, it is said, under the stimulus of such buying. The Department of the Seine 7's offered in 1922 is the only French provincial issue offered in this country that is now outstanding, while the municipal list is made up of the 6 per cent loans to the cities of Marseille, Lyon, and Bordeaux and to the city of Soissons.

Direct investments have been made principally in the manufacturing, petroleum, and public utility industries. The petroleum properties are of course, entirely for refining and distributing petroleum products. Public utility holdings are largely in the telephone field.

Italy follows France in the total volume of American long-term capital investments. Security holdings are larger than direct investments, but, contrary to the condition in France, private corporate bonds comprised the largest class held. Repatriation is thought to have been relatively unimportant in the case of Italy. Public utilities were the largest borrowers, followed by manufacturing and banking enterprises. The issues of the Italian Credit Consortium for Public Works and of the Italian Public Utility Credit Institute are classified here as government-guaranteed corporate obligations. Investments by public utility and industrial corporations comprise about 30 per cent of the total and amount to $121,000,000.

American interests in Spain are mostly in the form of corporate properties. The $3,000,000 item under National Government issues in Table 5 is an estimate of the portion of an internal issue offered in 1930 that was purchased by American bankers. Changes in the direct investments during 1930 occurred in both public utilities and manufacturing industries, principally the former.

The amount of our investment in Portugal is shown in Table 4 as $17,546,000.

Corporate issues comprise the largest part of the American interest in the Netherlands. They are composed principally of debentures of the Royal Dutch Co. and one of its subsidiaries. Our figure, therefore, involves an unavoidable element of error in geographic distribution, since that company is distinctly international in its operations.

Kingdom of the Netherlands 6 per cent guilder bonds of 1922, floated jointly in New York and Amsterdam and quoted on the exchanges of both cities, were particularly desired in the Netherlands. The offering price was below par, but since 1925 the quotations have ranged between 102¾ and 109¼. Sales during 1930 on the New York Stock and Curb Exchanges totaled only $559,000, which is not a large amount and indicates extensive previous repatriation. The American investment in the Netherlands may, therefore, be considerably less than the sum given in Tables 4 and 5.

Central Europe.—Among the central European countries, Germany, already discussed in considerable detail, has received the most American capital. Hungary, Austria, Switzerland, and Czechoslovakia follow, in the order of their importance. National Government bonds are the principal items in the case of Austria and Switzerland.

Mortgage and banking institution bonds account for a considerable share of the American interest in Austria and Hungary. These are backed in large part by land and industrial mortgages.

Repatriation has undoubtedly been very important in the case of the Czechoslovak and Swiss issues. The bonds still outstanding in each case were parts of offerings brought out between 1921 and 1926, drawing interest at 5½ and 8 per cent, and not callable until 1932, 1933, or some subsequent date, and then frequently at high premiums. For example, the Czechoslovak 8's are redeemable as a whole only, on and after May 1, 1932, at 108. The Swiss Confederation 8's of 1920, which became callable at 105 on July 1, 1930, were called January 1, 1931. Such securities would naturally be favored by home investors, but the amount repatriated is not shown.

American portfolio investments in Europe, by countries and major classes, are given in the following table:

TABLE 5.—AMERICAN PORTFOLIO INVESTMENTS IN EUROPE, BY CLASSES, AT END OF 1930

[In thousands of dollars]

Country	Governmental				Private corporate	Total
	National	Provincial	Municipal	Government-guaranteed corporate		
Austria	44,301	15,238	24,902	8,267	4,980	97,688
Belgium	178,965		10,000			188,965
Bulgaria	13,281					13,281
Czechoslovakia	21,137		7,954		1,427	30,518
Denmark	100,438		46,759	16,631	3,971	167,799
Finland	46,899		14,392	9,900	6,852	78,043
Other Baltic States	3,903		2,964			6,867
France	137,656	23,986	51,000	86,883	10,000	309,525
Germany	179,423	94,590	112,133	414,569	376,273	1,176,988
Great Britain	143,587					143,587
Greece	42,851					42,851
Hungary	7,315		23,924	17,727	60,392	109,358
Irish Free State	3,497					3,497
Italy	91,374		51,513	28,449	108,588	279,924
Luxemburg					6,957	6,957
Netherlands	47,375		5,900		69,299	122,574
Norway	122,636	8,000	22,255	16,162	21,825	190,878
Poland	87,094	8,800	7,800	20,436		124,130
Rumania	9,375					9,375
Saar Territory			6,115	1,837		7,952
Spain	3,000					3,000
Sweden	30,000				223,536	253,536
Switzerland	43,503					43,503
Turkey						
Yugoslavia	38,500			11,333		49,833
Total	1,396,110	150,614	387,611	632,194	894,100	3,460,629

NOTE.—The figures given in this table are subject throughout to adjustments made necessary by the international securities movement. (See text.)

Other European countries.—Security holdings comprise the great bulk of American investments in Sweden, Norway, Denmark, Poland, and Finland. This is particularly noticeable in the case of Sweden, due principally to American holdings of the bonds and debentures of the Swedish Match Co., including its American subsidiary. Many foreign governments have received capital from the United States through the medium of this organization. Holdings of private corporate securities are relatively unimportant in the other countries.

Obligations of the National Government bulk largest among our holdings in Denmark, Finland, Norway, and Poland. A few provincial, municipal, and government guaranteed corporate bonds are included among the investments in these countries. Of the government-guaranteed bonds, mortgage banks are of chief importance with public utilities second.

Americans have relatively few investments in the Balkans, either direct or portfolio. Loans to the national governments are the larger in most of these countries. The details of our holdings in that area and in other countries not specifically mentioned in other parts of the text are found in Tables 4 and 5.

Russian securities have frequently been offered in the United States. The first occasion was in February, 1900, and again in 1901 when American insurance companies and the public took close to $25,000,000 of the Vladikawhas & Southeastern Railway 4 per cent bonds, guaranteed by the Imperial Russian Government. In 1916 American investors took $75,000,000 of Imperial Government 5½ and 6½ per cent bonds of short maturity. The 1916 issues are still outstanding, are in default, and at the end of 1930 were quoted on the New York Curb Exchange at prices ranging between 1 and 2½. Accordingly, they have not been included among our present-day foreign investments, since their value is so problematical. American corporations operating in Russia do so under contract and can not be considered as having investments there.

LATIN AMERICA

American long-term investments in all Latin America at the end of 1930 aggregated between $5,150,000,000 and $5,350,000,000. Of that total only three-tenths was in the form of securities. It is significant that corporate bonds occupy so small a place in the American holdings of Latin American securities. Of the total of about $1,600,000,000 of portfolio investments, private corporate bonds make up only about 2 per cent and government-guaranteed corporate bonds a little over 6 per cent. This condition might be compared with that in Canada, where 30 per cent of the American portfolio investments consist of private corporate securities and over 20 per cent of government-guaranteed corporate. Likewise, over 20 per cent of our holdings of European bonds are private corporate and about 18 per cent government guaranteed. These facts simply show that when investments have been made in corporate undertakings in Latin America, a direct and dominant management interest has been a prerequisite in practically every case.

Cuba is first and Mexico second in the value of American investments. Argentina, Chile, and Brazil follow in the order of importance. Americans began investing heavily in Latin America in about the same order, chronologically speaking, except that Mexico would probably come first. The rich mineral resources of the latter exerted a strong pull on American capitalists earlier than Cuba's agicultural wealth. In 1912 it was estimated that Americans had $800,000,000 invested in Mexico—our largest stake in any country at that time—and only $220,000,000 in Cuba. It is probable that at a later date, during the World War, American investments in Mexico exceeded the 1912 total because of the extensive developments in the petroleum industry up to 1922. Since that time the depletion of oil resources and the transfer by American companies of their operations to Venezuela, coupled with unfavorable conditions in other industries, have tended to reduce our investments in Mexico. Our interests in Cuba, on the other hand, have expanded steadily until the last few years, when the depression in the sugar industry has tended to reduce the valuation of the properties as earning assets.

South America has been the recipient of steady increasing American investments. They have differed from those in Cuba and Mexico in being more evenly distributed between direct and portfolio.

TABLE 6.—PRIVATE LONG-TERM AMERICAN INVESTMENTS IN LATIN AMERICA, BY TYPES, AT END OF 1930

[In thousands of dollars]

Area	Direct	Portfolio	Total
Total	3,633,948	1,610,038	5,243,986
Mexico and Central America:			
Costa Rica	22,416	10,247	32,663
Guatemala	70,729	4,378	75,107
Honduras	71,735		71,735
Nicaragua	13,002	(1)	13,002
Panama	28,709	17,842	46,551
Salvador	29,466	5,266	34,732
Mexico	694,786	(2)	[3] 694,786
Total	930,843	[4] 37,733	[4] 968,576
South America:			
Argentina	358,519	449,258	807,777
Bolivia	61,619	54,424	116,043
Brazil	210,166	346,835	557,001
Chile	440,843	260,092	700,935
Colombia	129,994	171,698	301,692
Ecuador	11,777	(5)	11,777
Guianas	5,688		5,688
Paraguay	12,615		12,615
Peru	124,742	75,343	200,085
Uruguay	27,904	53,171	81,075
Venezuela	247,238		247,238
Total	1,631,105	[4] 1,410,821	[4] 3,041,926
West Indies:			
Cuba	935,706	130,845	1,066,551
Dominican Republic	69,822	17,367	87,189
Haiti	15,191	13,272	28,463
Jamaica	21,941		21,941
Other West Indies	29,340		29,340
Total	1,072,000	[4] 161,484	[4] 1,233,484

[1] Some small holdings of guaranteed customs bonds of 1918; amount unknown.
[2] Estimated by Edgar Turlington, "Mexico and Her Foreign Creditors," p. 319, at $115,785,000 (232,500,000 Mexican pesos converted at par), including principal and accrued interest. See text for further discussion on this point.
[3] Excluding portfolio investments.
[4] Subject to adjustments made necessary by the international securities movement. See text.
[5] Some small investments in Republic of Ecuador 8's, Mortgage Bank of Ecuador 7's, and Guayaquil & Quito Railroad first 5's, the amounts of which are unknown.

West Indies.—Our total investments in Cuba are larger than in any Latin American country and are exceeded only by those in Canada and Germany. As would be expected, investments in the sugar industry constitute the largest item. Next in importance are the holdings of public utilities. Our direct investments comprise 90 per cent of our entire interest in Cuba.

Government bonds, of which the American share is estimated at $122,000,000, have been among our portfolio investments since 1904, when a $35,000,000 loan was underwritten by an American and European syndicate. This total does not include short-term credits in connection with the recent special public works financing.

Our holdings in the other West Indies Islands are overshadowed by those in Cuba. They are, however, fairly important in the Dominican Republic, Haiti, and Jamaica. Direct investments, especially in the sugar industry and public utilities, are the largest in all of them. Fairly large blocks of Dominican and Haitian Government bonds comprise the security holdings.

Mexico and Central America.—Direct investments make up $931,000,000 of a total of $968,500,000 of American capital in Mexico and the countries of Central America, as recorded in this study. Security holdings at the end of 1930 were very small—$37,500,000—being comprised chiefly of a few small issues to the respective National Governments. (See Table 7.)

No figure is inserted for the bonds of the Mexican Government and of the Mexican National Railway owned by American investors, for the reason that no one knows what the ultimate settlement with the bondholders will be. Furthermore, information as to the proportion of those issues held in the United States is extremely uncertain. Most of them were brought out between 1899 and 1910. Although in several cases American underwriters headed the syndicates, their European affiliates and syndicate members were thought to have sold by far the largest share. The movement of these securities back and forth across the Atlantic before the World War when Europe was probably buying them, and during and since that time when this country may have been the purchaser, renders an estimate of the amount held in the United States extremely hazardous.

The problem is further complicated by the condition of the market for Mexican securities. At the end of 1930, Mexican issues were quoted on the New York Stock Exchange at prices between 8½ and 11½ bid. If, in order to arrive at an estimate of the present value of our holdings of Mexican securities, we took Turlington's figure[12] of $115,785,000 as the American share (it was figured on the par value of the issues plus accrued interest) and gave it a present market value on the basis of the stock exchange quotations, it could not possibly be over $15,000,000 for the direct Government and Government-guaranteed railway debt.

The possible value of the American share might be calculated in another way. According to the Lamont-Montes de Oca agreement of July 25, 1930,[13] as yet unratified, bonds to the amount of $267,493,250 would be issued and represent the entire direct foreign debt of the Mexican Government. Turlington allotted about 25 per cent of the total issues in controversy to the United States, so that the American share of the foreign debt might amount to as much

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[12] Op. cit., p. 319.

[13] As summarized in the Boletin Financiereo y Minero de Mexico, of July 7, 1931, and reprinted in Latin American Financial Notes No. 87, p. 8, prepared by the Finance and Investment Division of the Bureau of Foreign and Domestic Commerce.

as $70,000,000. According to the same agreement, the railway debt (partly guaranteed by the Mexican Government) would be fixed at $225,000,000, and since a much larger share of this is foreign owned than of the direct Government debt, the total American holdings of both classes would be only a little over $100,000,000.

As a result of these uncertainties, it has been thought more accurate to omit Mexican security holdings from the table until such time as their amount and value are definitely fixed.

South America.—Argentina is first among South American countries in the total volume of American investments. Argentine national, provincial, and municipal government securities outstanding in the United States at the end of 1930 greatly exceeded the total for any other Latin American country. In the matter of direct investments, however, Argentina ranked fourth among the countries of Latin America. The outstanding bonds of the Government of the Argentine Nation held by Americans totaled $322,000,000, or almost twice as much as that of any other national government except Canada.

One of the Government issues making up the total was brought out in the United States in 1909—a one-fifth part of a £10,000,000 sterling loan. It is quoted on the New York and London Stock Exchanges. This is one of the few cases where foreign government securities floated in this country before 1914 are still outstanding.

American holdings of Argentine provincial and municipal bonds were principally those of the Province and the city of Buenos Aires.

Direct investments in Argentina are largely concentrated in the public utility and manufacturing fields. Changes during 1930 took the forms of the acquisition of an interest in a railway and subway project and some additions to the list of American branch plants.

The second largest American investment in South America is in Chile. There, however, the largest amount is placed in mining properties, public utilities, and other direct investments. Total bond holdings amounted to $260,000,000, of which $155,000,000 were obligations of the National Government and $85,000,000 issues of the Mortgage Bank of Chile, guaranteed by the National Government. The city of Santiago is the only municipality whose direct issues are held in the United States. Most of the total for municipalities is comprised of a consolidated municipal loan approved by the Government of Chile.

Brazil, while ranking third among South American countries in the total American capital invested in it, is second in the amounts placed in securities, which total $347,000,000. More of this total is in provincial bonds than in bonds of the National Government, while an important sum is composed of holdings of municipal bonds. Nine States and three cities are included in the list, among which the State of Sao Paulo and the city of Rio de Janeiro come first, the former comprising nearly half of the total for all the States. The coffee realization loan of the State of Sao Paulo, floated in the United States in 1930, is one of the largest single items.

Colombia and Venezuela rank fourth and fifth, respectively, among the South American nations in the volume of American capital employed by them. The Venezuelan investment is predominately in petroleum resources. Venezuela has no governmental foreign debt.

Petroleum investments in Colombia are large, but they are overshadowed by provincial, national, and municipal bond holdings. The obligations of government-guaranteed and private banking corporations form a substantial part of the portfolio investments in the latter country.

Peru, Bolivia, and Uruguay come next in order. National Government securities comprise most of the portfolio investments in each case. Direct investments in Peru and Bolivia are almost entirely confined to mining properties.

The following table shows American portfolio investments in Latin America, by countries and classes.

TABLE 7.—AMERICAN PORTFOLIO INVESTMENTS IN LATIN AMERICA, BY CLASSES, AT END OF 1930 [1]

[In thousands of dollars]

Country	Governmental				Private corporate	Total
	National	Provincial	Municipal	Government-guaranteed corporate		
Total	1,013,761	292,961	162,366	105,826	35,124	1,610,038
Mexico and Central America:						
Costa Rica	8,447			1,800		10,247
Guatemala	2,311			2,067		4,378
Nicaragua	(1)					(1)
Panama	14,785		480	2,577		17,842
Salvador	5,266					5,266
Mexico	(2)			(2)		(2)
Total	30,809		480	6,444		37,733
South America:						
Argentina	322,457	86,578	40,223			449,258
Bolivia	54,424					54,424
Brazil	139,643	142,049	62,260		2,883	346,835
Chile	154,930		19,790	85,372		260,092
Colombia	43,800	63,039	23,185	14,010	27,664	171,698
Ecuador	(3)			(3)		(3)
Peru	71,121	1,295	2,927			75,343
Uruguay	43,471		9,700			53,171
Total	829,846	292,961	158,085	99,382	30,547	1,410,821
West Indies:						
Cuba	122,467		3,801		4,577	130,845
Dominican Republic	17,367					17,367
Haiti	13,272					13,272
Total	153,106		3,801		4,577	161,484

[1] Some small holdings of guaranteed customs bonds of 1918. Exact amount unknown.

[2] Estimated by Edgar Turlington, "Mexico and Her Foreign Creditors," p. 319, at $115,785,000 (direct government obligations and guaranteed railroad debt). See text for a fuller discussion of this point.

[3] Some small investments in Republic of Ecuador 8's, Mortgage Bank of Ecuador 7's, and Guayaquil and Quito Railroad 5's, the exact amounts of which are unknown but not very large.

NOTE.—The figures given in this table are subject throughout to adjustments made necessary by the international securities movement.

OTHER AREAS

Africa.—The only American holding of African bonds, except those arising out of the international securities movement, consists of a loan to the Liberian Government. A considerable amount of private American capital is invested in the shares of British companies operating in Rhodesia, Tanganyika, and the Union of South Africa, as is shown by the volume of outstanding "American shares" representing the ordinary shares of South African mining companies. It is impossible to estimate the extent of the investment; because some or all of the "American shares," which amount to between $5,000,000 and $10,000,000, may be held by British nominees or by Canadian investors—that is, listing as "American shares" is not conclusive evidence of American ownership. Similar holdings by American mining companies comprise a large part of the direct investments in Africa.

The distribution of American investments in Africa, Asia, and Oceania is shown in Table 8 below:

TABLE 8.—PRIVATE LONG-TERM AMERICAN INVESTMENTS IN AFRICA, ASIA, AND OCEANIA, BY TYPES, AT END OF 1930

[In thousands of dollars]

Country	Direct	Portfolio	Total
Africa:			
Algeria	3, 204		3, 204
British Africa	89, 846		89, 846
Egypt	6, 534		6, 534
French Africa	1, 200		1, 200
Portuguese Africa	9, 000		9, 000
Other Africa	5, 545	2, 500	8, 045
Total	115, 329	2, 500	117, 829
Asia:			
British Malaya	27, 103		27, 103
China	129, 768	(1)	2 129, 768
India	39, 176		39, 176
Iraq	6, 218		6, 218
Japan	61, 450	383, 189	444, 639
Netherland East Indies	66, 212	135, 121	201, 333
Palestine, Syria, and Cyprus	7, 050	325	7, 375
Persia	1, 092		1, 092
Philippine Islands	81, 435	84, 810	166, 245
Total	419, 504	603, 445	1, 022, 949
Oceania: Australia and New Zealand	154, 594	264, 700	419, 294

1 Estimated at about $46,000,000 by Prof. C. F. Remer, "American Investments in China," p. 37; published by the Institute of Pacific Relations, 1929 (see text).
2 Excluding portfolio investments.
NOTE.—Subject to adjustments made necessary by the international securities movement (see text).

Asiatic countries.—China has attracted relatively little capital from the United States. Bonds and notes of the Chinese Government, or corporate bonds backed by it, have been publicly offered in this country on three occasions; first in 1911 when £1,500,000 40-year 5's of the Chinese (Hukuang) Railway loan—part of £6,000,000 loan offered at the same time in England, France, and Germany—were placed; second, in November, 1916, when $5,000,000 3-year gold treasury notes were sold here; and, third, in 1919 when $5,500,000 2-year secured treasury notes were brought out to refund the notes of 1916. The first and last of these issues are still outstanding and in default. The balance of the American portfolio investments in China are obligations of the Government or of governmental agencies to American financial, industrial, and trading companies.[14] Only one of the Chinese issues is listed on the stock exchange and none on the curb. The Hukuang Railway bonds were quoted at

14 For a detailed treatment of these investments, see Remer, C. F., "American Investments in China," published by the Institute of Pacific Relations, Honolulu, 1929; and Coons, A. G., "The Foreign Public Debt of China," University of Pennsylvania Press, 1930.

around $26\frac{3}{4}$ in December, 1930. The actual value of Chinese securities held in the United States is so problematical that it has been thought best to eliminate any estimate of it from the totals.

American direct investments in China were increased during 1930 by the acquisition and extension of utility properties and of other miscellaneous enterprises. They remain largely concentrated in the petroleum distribution and public utility fields.

More than twice as much American capital has been invested in Japan as in any other country in Asia. While branch plants and trading interests are fairly substantial, the holdings of Japanese securities are far larger. Imperial Japanese Government bonds were first introduced to the American public in May, 1904, during the Russo-Japanese War, when a £10,000,000 issue was offered in equal shares in New York and London. That issue was followed by others in November, 1904; April, July, and November, 1905; and March, 1907. The last of those pre-war flotations to remain outstanding, the 4's of November, 1905, were refunded during 1930.

One pre-war Japanese issue is still outstanding—the city of Tokyo 5 per cent sterling loan of 1912. The American share of this £9,175,000 loan was £2,000,000. More than half of this issue has been repaid. The $43,000,000 of Japanese municipal loans outstanding on December 31, 1930, includes one other city of Tokyo loan and one for the city of Yokohama.

The only Government-guaranteed Japanese corporate securities held in the United States are the debentures of the Oriental Development Co. (Ltd.). The larger part of this $35,000,000 investment has probably been used in Chosen and Manchuria rather than in Japan proper.

Japanese corporate bonds held in the United States to the amount of $143,000,000 are entirely the obligations of public utilities—electric light and power. They were all publicly offered between 1924 and 1929.

The Netherland East Indies are second to Japan in the amount of the American investment. A substantial sum is in the form of rubber plantations, petroleum fields and plants, and other properties, but two-thirds of the $201,000,000 invested there is placed in the bonds of the Government of the islands. Three loans, drawing interest at 6 and $5\frac{1}{2}$ per cent, were sold in the United States in 1922 and 1923 and are, in large part, still outstanding. It is believed that considerable amounts of these issues have been purchased by investors in the mother country.

Portfolio investments in other parts of Asia are insignificant, except those in the bonds of the Government of the Philippine Islands. Those securities have a favored position in the United States by reason of being exempt from all taxation except estate and inheritance taxes. Their interest rate ranges from 4 to $4\frac{1}{2}$ per cent. The United States Government, according to an opinion by the Attorney General's office, is not legally guarantor of the Philippine government issues, but since they were negotiated under the auspices and with the aid of the Government "there can be no doubt that the national power will * * * protect the purchasers in good faith." Starting in 1904, when the $7,200,000 four per cent Friar bonds were sold in the United States, the islands have frequently come to this country for capital in amounts varying from $500,000 to $10,000,000. Most of the present outstanding debt is held here.

Three issues by the Commonwealth of Australia have been sold in the United States and the American share outstanding amounted, at the end of 1930, to $162,000,000. Likewise, the obligations of two States—New South Wales and Queensland—and of two cities—Brisbane and Sydney—are held here. All of these were offered in this country between 1921 and 1930.

The American portfolio investments in Africa, Asia, and Oceania are as follows:

TABLE 9.—AMERICAN PORTFOLIO INVESTMENTS IN AFRICA, ASIA, AND AUSTRALIA, BY CLASSES, AT END OF 1930

[In thousands of dollars]

Country	Governmental				Private corporate	Total
	National	Provincial	Municipal	Government-guaranteed corporate		
Africa: Liberia	2,500					2,500
Asia:						
China	(1)			(1)	(1)	(1)
Japan	161,935		43,130	35,409	142,715	383,189
Netherland East Indies	135,083				38	135,121
Palestine			325			325
Philippine Islands	65,000		3,750	2,310	13,750	84,810
Total	362,018		47,205	37,719	156,503	603,445
Australia	162,006	65,225	35,208		2,261	264,700

1 Estimated by Prof. C. F. Remer, "American Investments in China," p. 37, at about $46,000,000 (all types combined).

NOTE.—The figures in this table are subject throughout to adjustments made necessary by the international securities movement.

ESTIMATES BY PRIVATE SOURCES

A detailed study of American foreign investments is prepared each year for the Foreign Policy Association by Dr. Max Winkler. His estimates at the beginning of 1931 were as follows:

Europe	$5,607,332,000	Australasia	$995,051,000
Canada	4,436,011,000	Miscellaneous	490,790,000
South America	3,013,935,000		
Central America	2,985,135,000	Total	17,528,254,000

Doctor Winkler does not describe his method in detail, simply stating that his figures comprise "foreign issues publicly offered and privately placed in the United States, as well as so-called direct investments and the acquisition by American investors of foreign internal securities." It is clear from a study of his bulletin, however, that he includes short-term advances to foreign governments and corporations by American banks, which at the end of 1930 amounted to

$345,000,000, according to the replies by American banks to the short-term capital questionnaire of the finance and investment division. If all short-term investments were included by Doctor Winkler, the estimates here given would compare fairly well with his. It can not be assumed, however, that any short-term investments other than those mentioned above are included, since they are not mentioned in his study. There remains, therefore, a difference of about $2,000,-000,000 between the two estimates to be explained.

That difference may be explained in part as follows: First, Doctor Winkler has carried $162,800,000 for the American investment in Mexican Government obligations and close to $200,000,000 in securities of the National Railways of Mexico.[15] These items have been eliminated from this compilation for reasons set forth fully in the discussion of investments in Mexico. Second, he includes as new investments the full amount of authorized increases in common stock by foreign subsidiaries and affiliates of American corporations, even though they are not entirely issued at the time and even though Americans may not have even a majority of the stock. For example, in 1930, $75,000,000 was carried as new investment in Canada because the authorized capital stock of the Bell Telephone Co. of Canada (Ltd.) was increased from $75,000,000 to $150,000,000.[16] Comparative balance sheets of the company show that common stock outstanding at the end of 1929 amounted to $61,359,900 and at the end of 1930 to $74,623,000, an increase of a little over $14,000,000. Furthermore, a large share of the capital of the company is held in Canada. Third, other differences in method, probably account for the larger part of spread between the two estimates.

Leaving the differences in method aside, students of foreign investments will find Doctor Winkler's studies exceptionally rich in details. They are particularly valuable because they contain a list of corporations making new investments with the estimated capital involved in each.

Foreign investments in Canada have been the subject of considerable intensive study for several years by Prof. Kenneth W. Taylor, of McMaster University. His estimate of American investments there on January 1, 1931, was $3,784,000,000. Subtracting the $150,000,000 estimated repatriation of Canadian securities from the total given in Table 3, we have $3,792,000,000 for the estimate of this writer.

INVESTMENTS IN 1900, 1909, AND 1912

A comparison of American investments abroad at earlier dates is given on next page.

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[15] Winkler, Max, "Investments of United States Capital in Latin America," World Peace Foundation Pamphlets, Vol. XI, No. 6, 1928, p. 224.
[16] Foreign Policy Association, op. cit., p. 463.

TABLE 10.—AMERICAN INVESTMENTS ABROAD IN 1900, 1909, 1912, AND 1930

[In thousands of dollars]

Area	1900	1909	1912	1930 [1]
Europe	$10,000	$350,000	$200,000	$4,929,277
Canada	150,000	500,000	400,000	3,941,693
Mexico	185,000	700,000	800,000	807,777
Central America	10,000	50,000	40,000	160,799
South America	35,000	100,000	175,000	3,041,926
Cuba	50,000	[2] 130,000	220,000	1,066,551
Other West Indies	[2] 10,000	15,000	7,500	166,933
Africa				117,829
Asia	5,000	175,000	[3] 60,000	1,022,949
Oceania				419,294
Life insurance guarantee investments	45,000			
Total	500,000	2,020,000	1,902,500	15,675,028

[1] The figures in this column are subject to several qualifications as noted in Table 2, particularly an estimated deduction of $630,000,000 for the international securities movement and the addition of $125,000,000 for insurance company and bank capital. Neither of these items could be divided by areas.
[2] Including Porto Rico.
[3] Near East and Far East combined.

NOTE.—The 1900 estimates were by Nathaniel T. Bacon, "American International Indebtedness," Yale Review, November, 1900, p. 265 et seq.; the 1909 estimates by Charles F. Speare, "Foreign Investments of the Nations," North American Review, July, 1909, pp. 82–92; and those for 1912 by John B. Osborne, North American Review, May, 1912, p. 687 et seq.

While the increase up to 1930 in investments in all areas (except Mexico and Central America) has been remarkable, it has been particularly large in Europe, South America, and Asia. The principal expansion has been in holdings of securities, which were very small in 1900 and 1912. A few Canadian (mostly corporate), Cuban, Japanese, Mexican, and Philippine bonds constituted the bulk of the portfolio investments before the World War. They probably did not amount to more than $25,000,000 in 1900 and $200,000,000 in 1912. To-day American holdings of European securities alone are at least half again as large as our total foreign investments in 1912.

The fallibility of foreign investment estimates is emphasized by comparing those for 1909 and 1912. There undoubtedly was an increase between those years rather than a decrease, but which estimate was in error can not be stated definitely. That question is discussed in a later section of this bulletin.

PRESENT ESTIMATE CARRIED BACK TO 1922

On the basis of the present investment data and the data on the capital movements contained in the annual balances of international payments of the United States, estimates of American foreign holdings have been constructed for the years back to 1922. These calculations make no pretense to fine statistical accuracy, inasmuch as they involve the use of two such uncertain estimates as "the net growth of American direct investments abroad" and the figures on the "international securities movement." However, all estimates of investments admit a wide range of error, and these calculations have the merit of being based upon the most reliable statistical data that can be found. Furthermore, the fact that the estimates for the earlier years are figured back from the present estimate, which is so largely based on inductive studies, gives these calculations some additional merit.

The annual data are presented in tabular form in Table 11 below.

TABLE 11.—ANNUAL GROWTH OF PRIVATE AMERICAN LONG-TERM INVESTMENTS ABROAD, 1922 TO 1930

[In millions of dollars]

Year	Outstanding on Jan. 1 (median of range estimate [1])	Transactions of the year: Add new public offerings (par value, minus refunding)	Deduct sinking-fund and bond-redemption receipts from foreigners	Add net growth of American direct investments abroad	Adjustment for international securities movement [2]	Years' net growth (par value)
1922	8,020	728	92	96	+125	857
1923	8,877	413	81	11	−85	258
1924	9,135	1,001	119	72	−85	869
1925	10,004	1,072	221	173	−152	872
1926	10,876	1,130	322	189	−189	808
1927	11,684	1,302	304	206	−232	972
1928	12,656	1,246	361	328	+104	1,317
1929	13,973	661	276	277	+129	791
1930	14,764	900	250	202	−446	406
1931	15,170					
Total, 9 years		8,453	2,026	1,554	−831	7,150
Average, 9 years		939	225	173	−92	794

Source: Based on annual balances of international payments, as revised in the 1930 survey.

[1] Figures for the years 1922 to 1929 are reached by working backward from the 1931 figure, which is so largely an exact compilation.

[2] This adjustment is carried exactly as in the 1930 balance of payments.

INCREASE IN PORTFOLIO INVESTMENTS

Foreign investments are increased each year by new security flotations and by new direct investments. They are increased or decreased by the net international movement of foreign securities to and from the United States and are decreased substantially each year by sinking-fund and redemption payments. The resultant of those four items is the net change; during the years under consideration here it has been the net growth of private long-term investments abroad. During the nine years 1922 to 1930 this growth has amounted to \$7,150,000,000, or an average of \$794,000,000 each year. The annual increase during those nine years is seen to have been only about \$114,000,000 greater than during the nine years 1913 to 1921, excluding, of course, the war loans of the United States Government.

Investments in foreign securities have been by far the most important item in the increase in American investments abroad from 1922 to 1930—\$4,606,000,000, compared with \$2,544,000,000 for direct interests.[17] Figuring back from our present totals, we arrive at a total of \$2,598,000,000 for security holdings on January 1, 1922, and \$5,422,000,000 for direct investments, including insurance company and bank capital. The total investment in securities compares very well with the compilation of the Guaranty Trust Co. as of June 1,

[17] Figures for public offerings include the issues of American corporations the proceeds of which are known to be for foreign use. They are added to the net growth of direct investments here because the direct-investment total at the end of 1930 included them. Their net growth from 1922 to 1930 was about \$1,100,000,000. The balance of payments figures for direct investments each year include some private takings of securities which were subtracted from the \$1,554,000,000 to make the figures strictly comparable. Such private takings as are included in the 1930 totals for portfolio investments amount to \$110,000,000.

1921,[18] which amounted to $2,396,000,000. Foreign securities publicly offered in the United States from June to December, 1921, amounted to $383,000,000 net nominal, while 1921 maturities in the Guaranty list amounted to $197,000,000 (a few small serial maturities omitted), leaving a total of $2,582,000,000. Some issues were omitted from the Guaranty list which, with the estimated American portion outstanding in 1922, were as follows:

Republic of Cuba, 5's of 1904	$12,500,000
Republic of Cuba, 4½'s of 1909	9,000,000
Argentine Nation, 5's of 1909	8,000,000
French Midi Railway, 6's of 1920	3,250,000
Shell Transport & Trading Co. (American shares)	19,113,000
Republic of Panama, 5's of 1914	1,500,000
Republic of Panama, 5's of 1915	420,000
Manila Railway, 4's of 1916	4,000,000
Other Philippine Government issues (particularly the 4's of 1904, 1905, 1906, and 1909)	13,000,000
Government of Poland, 6's of 1920	17,500,000
Solvay & Cie., 8's of 1920	10,000,000
Total	98,283,000

There were also a number of smaller Canadian and other foreign corporate issues.

The above list totals over $98,000,000 which, after adding $15,000,000 for the miscellaneous corporate securities, would raise the Guaranty Trust Co. list to $2,695,000,000. However, the Guaranty list included $256,000,000 of Mexican, Russian, Chinese, and Porto Rican securities that have been eliminated from the present compilation.

There is, in addition, the exceedingly uncertain amount of net foreign security purchases by Americans through stock exchanges before 1922, which has been estimated previously in this bulletin at $200,000,000. It is well known that Americans were making some purchases of British, German, and other European stocks and bonds during the war and early postwar period. Adding that figure to the Guaranty total leaves a net difference of only $41,000,000. We may, then, with due regard for the uncertain character of many of the items entering into these calculations, state that American portfolio investments on January 1, 1922, amounted to approximately $2,600,000,000. The adjustments to the Guaranty Trust Co. figure for foreign securities outstanding in the United States on June 1, 1921, as discussed above, are tabulated below:

		Million dollars
Total as given by Guaranty Trust Co		2,396
Plus:		
Net nominal foreign flotations, June to December, 1921	383	
Issues omitted	113	
Estimated additional foreign securities acquired through securities movement	200	
Total additions		696
Minus:		
1921 maturities not otherwise eliminated	197	
Mexican, Russian, Chinese, and Porto Rican securities not included in present estimate	256	
Total subtractions		453

[18] Federal Reserve Bulletin, August, 1921, pp. 942–949.

	Million dollars
Net accountable variation from present estimate	243
Guaranty Trust total adjusted by net variation	2,639
Present estimate	2,598
Unaccounted difference	41

INCREASE IN DIRECT INVESTMENTS

Direct investments made by American corporations without recourse to the securities market, plus a small amount of private takings, averaged $173,000,000 and, after adding the public offerings, averaged $282,000,000 during the 9-year period 1922–1930. It is significant, however, that when world conditions became fairly stable around 1925 the annual volume expanded greatly. The averages of the last six years were $229,000,000 and $421,000,000, without and with recourse to the money market, respectively. The peak was reached in 1928 followed by 1929—years of good business.

The present calculations on the basis of balance of payments data indicate that direct investments increased from about $1,702,000,000 in 1912 to $5,422,000,000 in 1922, an increase of $3,720,000,000. This would amount to $410,000,000 each year, a larger figure than the average of the following nine years. Judgment as to the accuracy of this figure depends upon the answer to three questions: (1) Was this a period of heavy direct investments? (2) Was the estimate in 1912 too low? (3) Were the yearly estimates in the balances of payments too low?

On first thought, the answer to the first question would be "no," because of the turmoil of the war. Second thought, however, brings up the war stimulation of manufacturing in the United States, which had its counterpart in the establishment of branches in Canada and in Great Britain starting in 1919, the tremendous war demand for metals and the resulting heavy investments made in Canadian, Chilean, and Mexican mining properties, and the war-time sugar, petroleum, and rubber prices which encouraged the flow of American capital into those enterprises in Cuba, Mexico, and the Far East. These facts were pointed out in the survey of direct investments previously quoted. It is also known that important public utility, meat packing, and paper and pulp properties were acquired. The data obtainable are sufficient to lend some support to this explanation of the large indicated increase in direct investments from 1912 to 1922.

Was the 1912 estimate too low? That question can not be answered categorically. Both estimators were men in positions to be well informed on their subject. Both based their final estimates very largely on the estimates for individual countries made by other men. A considerable margin of error naturally existed in both studies. There is little doubt that the 1912 figure should have been the larger of the two, because it is certain from data obtained in the census of direct investments that such investments increased very rapidly from 1909 to 1912. The establishment of new branch plants in Canada and Europe, principally in England, and the acquisition of mining properties in Canada and Latin America and plantations in Central America were numerous and important. It is this writer's judgment that the 1912 estimate should be increased by at least $200,000,000, making a total of $2,100,000,000 at the end of 1912.

Were the yearly estimates of direct investments as carried in the Balance of International Payments of the United States reports too low? One check as to their accuracy is available, namely, the data on the value, at the end of 1929, of direct investments made during the years 1925–1929, obtained in connection with the census study. According to those data, new direct investments during those five years totaled $1,871,000,000 (after adding $200,000,000 to cover new capital invested in old properties and acquisitions made during that period but concerning which the dates of establishment were not known.) That made an average of $374,000,000 each year, which is $47,000,000 less than the average estimates made in the balance of payments. It is apparent, therefore, that this possible explanation of the seemingly more rapid increase in direct investments from 1912 to 1922 than from 1922 to 1930 is not satisfactory. Since there are no available data to indicate otherwise, we can only conclude that the earlier period was one of greater activity than the latter.

IMPORTANCE OF SINKING-FUND AND REDEMPTION PAYMENTS

Few people realize the rate at which American capital invested in foreign securities is being repaid. Sinking-fund and redemption payments during the nine years are shown in Table 4 to have amounted to $2,026,000,000, or an average of $225,000,000 each year. In recent years more than half of these receipts have been from redemption at or before maturity.

During the 18 years since the United States became a world lender our investment in foreign securities has been reduced $3,300,000,000 by these methods. Redemption operations were more important before 1922 than now because some of the large loans to the Allied Governments were for 1, 3, and 5 years and were repaid shortly after the war. Sinking funds have been increasing in importance as more of them became operative and as the amount of securities outstanding increased. The variations in the totals by years reflects the improvement in European money markets and their increased ability, up to 1929, to redeem their dollar loans from the proceeds of domestic issues and ordinary government revenues. In 1929, money stringency, and in 1930, depression, gripped almost the whole world and prevented large redemption payments.

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