

its regulation of international capital movements, particularly affects the structure of the balance of payments. This is more clearly demonstrated when the balances of payments between Canada and the United States and the United Kingdom are examined separately.

In 1939 there was a debit balance on current account with the United States of about \$90,000,000. On the other hand, in the current account with the United Kingdom, net credits amounted to about \$125,000,000 and net credits from current transactions with other countries were approximately \$100,000,000. They were mostly from non-Empire countries.

The effect of the War upon this geographical distribution of the Canadian balance of payments has been to set into operation certain forces. These forces make the balances with the United Kingdom and the United States much larger, under circumstances in which the peace-time system of settling them in a free exchange market is no longer present. Greatly increased British purchases in Canada of supplies for the prosecution of the War produce a large credit balance with the United Kingdom. At the same time Canadian purchases in the United States are also sharply increasing, mainly because of war requirements. Meanwhile, the credit balance with other foreign countries has contracted with the decline in trade with continental Europe, while the credit balance with other Empire countries has increased. The problem of settling these large international balances is accordingly a major aspect of war-time finance. The repatriation of Canadian securities formerly held in the United Kingdom was employed in the settlement of the credit balance with the United Kingdom in the early months of the War. (See also the article on Foreign Exchange Control in Chapter XXII.)

1.—Estimated Balance of International Payments, 1939

NOTE.—If the estimates of the current and capital items below were absolutely correct and all inclusive, the balancing item of the current account and the balancing item of the capital account would be equal. The difference between these two amounts in this table represents either errors in the computations or the omission of transactions that could not be traced at the time the tables were prepared. Figures are subject to revision.

Item	Credits (Exports, Visible and Invisible)	Debits (Imports, Visible and Invisible)	Net Credits (+) or Debits (-)
	\$'000,000	\$'000,000	\$'000,000
Current Account of Goods, Services and Gold			
Merchandise trade (adjusted for balance of payments purposes) ¹ . . .	906.0	713.0	+193.0
Net exports of non-monetary gold ²	184.4	-	+184.4
Freight receipts and payments, <i>n.o.p.</i>	86.6	119.1	-32.5
Tourist expenditures	164.0	86.0	+78.0
Interest and dividend receipts and payments	56.6	311.0	-254.4
Miscellaneous services, etc.	36.4	67.8	-31.4
Totals, Current Account	1,434.0	1,296.9	+137.1
Capital Account			
New issues of Canadian securities sold outside of Canada	154.8	-	-96.3
Retirements of Canadian securities owned outside of Canada	-	251.1	+72.1
Sales and purchases of outstanding securities	311.0	238.9	+9.1
Other transactions in outstanding securities	11.5	2.4	-73.0
Net capital transactions of international direct investments, etc. ³ . . .	-	73.0	-35.0
Insurance transactions, <i>n.o.p.</i>	18.1	53.1	-33.0
Other capital movements—net	-	33.0	-
Totals, Capital Account	495.4	651.5	-156.1

¹ The recorded merchandise trade has been adjusted to allow for the effects upon the balance of payments of such factors as: non-commercial transactions, imports declared by tourists, other over-valuations of imports and movements of wheat. Estimates form the basis of some of these adjustments. ² Net exports of non-monetary gold" includes domestic monetary purchases. ³ Included in this item are the net movements of funds resulting from the operations of the branches, subsidiaries, etc., of British and foreign companies in Canada, subsidiaries, etc., of Canadian companies operating outside of Canada and the net movements of funds resulting from the international transactions of Canadian trust companies. Although the more important current transactions of these concerns, such as dividends, have been included in the current account, various small items of current transactions that are difficult to segregate remain in this item