Apart from crude petroleum, major contributions to the advance in imports were made by higher purchases of automotive products, coal and wheel tractors. Imports of automotive products increased by more than $1.0 billion and the deficit in automotive trade increased by over one third to $1.7 billion.

The non-merchandise deficit of $4.3 billion was $1.1 billion higher than in 1974. Net payments in respect of service transactions rose by $979 million to $4,732 million. The surplus on transfers declined by $157 million to $406 million. The expansion in the services deficit was largely due to increased deficits recorded on the travel and interest and dividends accounts. The deficit on international travel transactions widened by more than $400 million to $727 million. Net payments in respect of interest and dividends rose by 29% to $1,970 million. The decline in the surplus in unilateral transfers was more than accounted for by a 55% increase to over $500 million in official contributions to developing countries. The International Food Aid Program represented a substantial element of this assistance. Other important elements were economic and social assistance by way of exports, training and grants, and contributions to international organizations and to non-governmental groups in Canada engaged in foreign aid programs.

Capital movements 21.4.2

Capital movements between Canada and other countries during 1975 produced a record net inflow of $4,561 million, substantially higher than the net inflow of $1,516 million recorded in 1974. Long-term capital inflows amounted to $4,106 million and short-term capital inflows to $455 million. These massive inflows were less than the current account deficit of $4,965 million, and were accompanied by a reduction in Canada's net official monetary assets of $404 million.

Direct investment. Net inflows for foreign direct investment in Canada, constituting the investment of parent companies in their subsidiaries and affiliates in Canada, amounted to $630 million in 1975, compared with $725 million in 1974. Net outflows occurred in the petroleum and natural gas sector, mainly due to the acquisition of foreign-owned assets by the Canada Development Corporation. The manufacturing and mining sectors, on the other hand, experienced net inflows of funds.

Canadian direct investment abroad declined by $125 million to $650 million. This was still relatively high by historical standards. Investments abroad by companies in the mining and manufacturing sectors, each constituting about one quarter of total Canadian direct investment abroad, were the most important elements in the annual outflow, followed by the financial and petroleum sectors. Geographically, the United States, the European Economic Community (including the United Kingdom), and all other countries accounted for about 50%, 12% and 38% respectively of the direct investment outflow.

Security transactions. International transactions in Canadian and foreign long-term portfolio securities gave rise to a record net inflow of $4,727 million, surpassing by a wide margin the previous record inflow of $1,772 million in 1974. At $5,150 million, sales of new Canadian issues abroad were of unprecedented magnitude. The value and number of new Canadian issues floated on the Eurodollar market reached record levels in 1975. Traditionally, most foreign funds acquired by Canadian borrowers originate in the United States. In the latter part of 1975, however, Canadian dollar issues on the Eurobond market totalled more than $500 million, compared with a total of $63 million raised from this type of issue during 1974. During 1975, Canadian currency issues on the Eurobond market exceeded issues in all other currencies except United States dollars and Deutschmarks. The removal of the 15% Canadian withholding tax on interest payments to non-residents on certain types of new corporate issues in July 1975, the high credit rating of the borrowers, and high coupon rates offered, combined to make such issues highly attractive to non-residents. Moreover, the combination of generally lower interest rates in the Eurobond market than in