awareness of the public of the U.S. balance of payments situation may be a factor contributing to some of the views one encountered, and that there was a practical limit to how far U.S. government people could go in explaining the need for free movement of capital to Canada without creating confusion about other balance of payments matters. When people came to him he tried to make the administration's position clear. Mr. Hayes said that when people had come to him he had told them that he was aware of no official reservations about exports of capital to Canada.

4. On the Canadian foreign exchange rate there appeared to be full agreement with the view expressed by Mr. Rasminsky that the defence of the present rate is clearly in the interests of both Canada and other countries.

5. On the Bank of Canada – Federal Reserve swap both Messrs. Hayes and Martin made it clear that the swap was renewable and that they were happy that it should remain outstanding as long as it increased our comfort to have it. There are no plans on either side to use the proceeds of the swap. Mr. Coombs reported that there is some tendency to shift Federal Reserve swaps to a standby basis – the Dutch swap and part of the Swiss swap were now on this basis. It was made clear that the relevance of this to the swap with us was that when the time came that we felt we could relax and were ready to retire the swap in whole or in part we might wish to consider a standby arrangement.

6. On Canada's drawing from the I.M.F., Mr. Rasminsky said that we were not thinking of asking for a larger drawing either to repay other credits or for other purposes, and this position was not questioned. There was some discussion of the form of repayments to the Fund but it was recognized that any Canadian repayment was too far off to make any discussion of its form useful at this time.

7. On the adequacy of Canadian foreign exchange reserves there was agreement with the view expressed by Mr. Rasminsky that with a fixed exchange rate the Canadian target ought to be a level of reserves higher than the $1,800-$2,000 millions that we had kept with a floating exchange rate. The movements in our gold holdings were reviewed, and Mr. Roosa welcomed Mr. Rasminsky's observation that one important reason that we had been happy to sell gold to the Federal Reserve in June at $35, rather than elsewhere for a slightly higher price, was that we knew that we could buy gold from the Fed at $35 whenever we wanted. Mr. Rasminsky repeated what he had told the Americans when we started selling gold to them that we would have no inhibitions about buying gold from them to maintain a normal gold proportion in reserves and this statement was well received on the U.S. side. He said that he believed that Canada would not for the time being be selling any more gold.

765. PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET [Ottawa], November 8, 1962

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
The Secretary of State for External Affairs (Mr. Green),
The Minister of Justice (Mr. Fleming),
The Minister of Transport (Mr. Balcer),
The Minister of Veterans Affairs (Mr. Churchill),
The Minister of Public Works (Mr. Fulton),
The Minister of Finance (Mr. Nowlan),
The Minister of National Defence (Mr. Harkness),