

production be free from this emergency tax. We think other countries with whom we have trade agreements (e.g. members of GATT) will accept these emergency limitations on our imports as required for balance of payments reasons – few countries have had so dramatic a case and such action is provided for in the GATT Agreement. Finance officials have found legal devices by which these can be introduced by Order in Council, pending consideration of them by Parliament, so that we can avoid budgeting by radio, as in 1947.⁴ In addition we propose that Parliament be asked to suspend, during the emergency, the tourist exemptions of \$100 worth of purchases every four months.

In the third field – borrowing – we propose that we seek about \$300 million from the International Monetary Fund. Of this about \$170 million should be easy – it is just borrowing back the gold we contributed. The next slice – say \$130 million – should not give rise to much difficulty or delay if we are acting to correct the situation. Beyond that, the Directors of the Fund (representatives of other countries) would want more time and convincing argument. In addition Rasminsky hopes he could borrow \$100 million from the Federal Reserve Bank of New York, and perhaps \$250 million from insurance companies, etc., in New York by a privately placed bond issue. If possible this should all be arranged and announced by the end of the week along with the various budgetary decisions. As you can see this will take prompt and decisive action if we are to accomplish it all before our reserves get so low as to imperil the whole effort to regain confidence.

We feel that these emergency plans should be put before the new Parliament at the very first opportunity – which will be July 25th, the date on which it has been summoned on a *pro forma* basis. This prompt summoning of Parliament for what would be in effect an emergency mid-summer session (presumably short – to be adjourned until October) would be part of the effort to show the seriousness with which we are tackling our emergency. We propose the measures be incorporated in a single Emergency Financial Measures Act.

R.B. B[RYCE]

760.

J.G.D./XIV/D/17

*Note du secrétaire du Cabinet
pour le premier ministre*

*Memorandum from Secretary to Cabinet
to Prime Minister*

SECRET

[Ottawa], June 19, 1962

EXCHANGE CRISIS

1. In accordance with your request to Mr. Rasminsky and myself, we have met this afternoon with the other officials who have been working on the dollar crisis (with the exception of Mr. Roberts who has to be in Montreal today). We have looked at our proposals in the light of the election results and the problems which confront you.

2. We feel we should start from the memorandum which we prepared yesterday⁵ and which I attach hereto, as it gives you the background and the essential principles which he feel it is necessary to have in mind in approaching the problem.

⁴ Voir/See R.D. Cuff and J.L. Granatstein, *American Dollars—Canadian Prosperity: Canadian-American Economic Relations, 1945-1950* (Toronto: Samuel-Stevens, 1978), pp. 54-62.

⁵ Peut-être le document précédent./Possibly the preceding document.