

763.

DEA/14500-3-1-40

*La délégation auprès de l'OCED
au secrétaire d'Etat aux Affaires extérieures*

*Delegation to the OECD
to Secretary of State for External Affairs*

DESPATCH NO. O-156

Paris, July 19, 1962

CONFIDENTIAL

CANADIAN ECONOMIC EMERGENCY MEASURES:
STATEMENTS BY THE CANADIAN DELEGATION TO WORKING PARTY 3
OF THE ECONOMIC POLICY COMMITTEE

The following is a record of the statements made by the Canadian Delegation at the outset of the discussion of the Canadian situation in Working Party 3 of the Economic Policy Committee on July 17. Mr. Plumptre and Mr. Lawson have approved this record. They will be preparing a report† on the discussion which followed.

2. Mr. Plumptre expressed appreciation to those countries and persons who had collaborated in providing emergency support for Canada in June. He included those who had offered help which in the end had not been needed, as well as those whose help had been used. The latter group included the IMF, which had extended a credit of \$300 million, the Federal Reserve System with a credit of \$250 million and the Bank of England with a credit of \$100 million. These credits totalling \$650 million had actually been added to the Canadian reserves. In addition, a stand-by credit of \$400 million had been arranged with the Export-Import Bank, making a grand total of \$1,050 million. The emergency had arisen suddenly in a period of great political uncertainty; the Canadian authorities appreciated not only the help provided but also the fact that it had been provided so quickly.

3. The way in which it had been possible to take quick action to meet the emergency illustrated the usefulness of Working Party 3. It had been fortunate that officials of Treasuries and central banks in all of the important countries concerned had been well informed of the Canadian background through previous meetings of the Working Party, since there would have been no time for detailed discussion and briefing. The Secretariat's familiarity with the background was also well illustrated by the paper which was put forward as a basis of discussion (CPE/WP3/62.24). The patterns of assistance which had been the subject of previous discussions in the Working Party had proven their usefulness in the emergency. The Canadian Government appreciated in particular the initiative which the French Government had taken in making an accelerated [war loan] debt repayment of \$67 million early in July.

4. As to the actual reserve movements and balance of payments developments in 1962, the level of the reserves had fallen from \$2,050 million at the beginning of the year to \$1,100 million on June 22. This loss of \$950 million had occurred in three stages. In the first quarter of 1962, there had been a fall in the reserves of \$350 million; in April and up to May 2 (when the fixed exchange rate was announced), there had been a further loss of \$220 million; and in June, a loss of \$380 million which had begun just at the time of the last meeting of Working Party 3 and very rapidly increased shortly before June 24. In the first quarter, there had been a deficit of \$14 million on merchandise trade account and a deficit of \$349 on non-merchandise account. On capital account, instead of the normal inflow, there had been an actual loss of \$1 million. Thus the total exchange loss in the first quarter was \$364 million. For the second quarter, statistics were most incomplete. The merchandise account had probably shown another small deficit. Together with "invisibles," the current account deficit was probably about \$350