

delegation would be to lay before you the considered views of the League in what is regarded to be the best interests of both Newfoundland and Canada. Our delegation would be prepared to leave for Ottawa at once to meet with you at a time to be arranged at your convenience. An immediate reply is respectfully requested.

RESPONSIBLE GOVERNMENT LEAGUE
W. L. COLLINS, SECRETARY

661.

PCO-CRF

*Mémorandum du directeur, la direction de la politique économique,
le ministère des Finances, au sous-ministre des Finances*

*Memorandum from Director, Economic Policy Division,
Department of Finance, to Deputy Minister of Finance*

SECRET

Ottawa, July 29, 1948

RE: NEWFOUNDLAND

1. As soon as the Canadian Government has announced its intention of asking Parliament to take action designed to bring in Newfoundland as a tenth province, it is desirable that immediate consideration be given to a number of problems that are bound to arise. I should like to have a fairly clear spell for my vacation this year but I feel that I should bring the following points to your attention:

1. As soon as it is known that Newfoundland is likely to come in as a province, some Newfoundland or perhaps Canadian businessmen may see the opportunity to circumvent our exchange controls by importing banned goods into Newfoundland before date of union, shipping them into other provinces when union is consummated, thereby making a rich profit. I have spoken to Donald Gordon about this problem and I think he realizes the seriousness of it but is of the opinion that adequate control cannot be assured through the Foreign Exchange Control Board. Ken Taylor's suggestion, and I think it is a good one, is that we should approach the Commission Government in Newfoundland to ask them to prevent abnormal imports, that is imports in excess of ordinary Newfoundland requirements. I think someone should approach the Commission immediately to acquaint them with our views and to work out suitable arrangements.

2. Already there are reports from Newfoundland that imports from Canada are declining rapidly in anticipation of the removal of tariffs between the two countries at time of union. I had anticipated this and had urged upon Mr. St. Laurent and Mr. Abbott the desirability of bringing forward the date of union to, say, October 1st or November 1st of this year. The response was, as you know, negative. If some way could be found of assuring the Newfoundland Government that any deficit in their accounts resulting from such action would be looked after, I would recommend that the Commission of Government should immediately enact a Canadian customs tariff which would, of course, remove all these difficulties, but I am doubtful whether this is a feasible alternative if the date of union is to be fixed for April 1, 1949, or later. I do recommend most strongly,