

with representatives of Canada respecting the terms of Union between the two countries in accordance with the statement issued by the Right Honourable the Prime Minister of Canada on the 30th July, 1948.<sup>4</sup>

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Dated the 5th day of August, 1948.

W. M. MARSHALL  
 Acting Secretary of  
 Commission of Government

677.

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*Mémorandum du sous-ministre des Finances au ministère des Finances*  
*Memorandum from Deputy Minister of Finance to Department of Finance*<sup>5</sup>

SECRET

Ottawa, August 13, 1948

RE: NEWFOUNDLAND — THE INTERIM PROBLEM

This is to confirm the suggestion which I made the other day for dealing with the problem of probable loss of Customs revenue to Newfoundland and possible evasion of Canada's exchange restrictions during the interim period before Confederation can be consummated.

If the danger of loss of Customs revenue through failure to purchase goods in fairly normal quantity becomes a real one, it may prove desirable to get the Commission of Government to lower tariff rates to the Canadian level on condition that we undertake to make up to some extent for the resultant loss of revenue, but this should not be done unless the Commission of Government agrees at the same time to put into effect import restrictions on approximately the same basis as the Canadian ones. This would give us what we would regard as a *quid pro quo* for the additional financial payments to Newfoundland.

I think, however, that it is important not to get this suggestion to Newfoundland (or even to some of our Departments here) until a fairly late stage — at least as late a stage as is practicable, having in mind the Customs considerations. It should, I think, be brought in during the negotiations as part of our Canadian answer to the new financial claims which the Newfoundland delegation will undoubtedly make. If, however, the suggestion is made too soon, it will cease to have any value as a bargaining lever and will be merely added as another item in

<sup>4</sup>Voir le document 669.

<sup>5</sup>A. B. Hockin.

<sup>4</sup>See Document 669.