

will no doubt be talking to the heads of Canadian companies that might be affected by the guidelines applicable to their United States parents.

I intimated also, in answer to a question today, something about our attitude on the financial implications of these guidelines. I should like to amplify that. The United States balance-of-payments position is basically protected by the agreement on reserves. It would be most undesirable if the effect of the United States guidelines were to induce strong new pressures of a distorting sort on credit and capital markets in Canada. This would be harmful to Canada and, in view of the overall character of our arrangement with the United States, it would be of no benefit to that country, since it would merely push Canadian borrowers into the new issue market in the United States.

The Governor of the Bank of Canada, on December 10, immediately after the publication of the American guidelines, informed the chief executive officers of the five largest Canadian banks that it was his hope and expectation that, if the banks found themselves confronted with new applications for credit resulting from the American guidelines at a time when they were unable to meet in full the normal demands for business loans for credit-worthy customers, they would continue to look after customers who had relied on them in the past to meet their financial needs. The chief executive officers indicated that they agreed this was the proper course for them to follow. The Governor's views were reiterated at a meeting with the chief executive officers of all the banks held on January 5.

So far as long-term issues of American subsidiaries are concerned, I should hope and expect that there would be no abnormal recourse to the Canadian capital market but, if there were, the Government would have to decide what action to take. As I mentioned in my speech last Thursday, the United States new-issue market is open to American subsidiaries as well as to other Canadian companies. If abnormal borrowing in our capital market developed, this would merely push other Canadian borrowers into the new-issue market in the United States and so provide no benefit whatever to the United States balance of payments.

These are the general comments I wanted to make supplementary to the questions that I answered today. May I just say in conclusion that this is a time, as I said on an earlier occasion, for vigilance and watchfulness on the part of the Canadian Government and, indeed, on the part of Canadians. May I suggest, in the interests of Canada and in the interests of helping the United States overcome its problems, which have repercussions upon us in Canada, that it is also a time for restraint, for forbearance and for understanding.