

the list of claims. Furthermore, I think the danger from the point of view of evasion of our exchange restrictions will not become real until we get closer to the effective date of Confederation. We cannot wait too long if adequate supplies are going to be made available to the Island but I think there is still a leeway of perhaps two or three months.

W. C. C[LARK]

678.

PCO-CRF

Mémorandum du bureau du Conseil privé

Memorandum by Privy Council Office

SECRET

Ottawa, August 13, 1948

NOTES ON ECONOMIC PROBLEMS DURING TRANSITION

At an informal gathering held on Tuesday, August 10th, 1948, in room 123 of the East Block, the economic problems that might arise in Newfoundland during the transitional period between the referendum and the date of union were discussed. The following were in attendance:

Mr. F. Gordon Bradley, Newfoundland
 Mr. J. R. Smallwood, Newfoundland
 Mr. R. Petton, Newfoundland
 Mr. R. A. MacKay, External Affairs
 Mr. A. R. Crépault, External Affairs
 Mr. Alex Skelton, Trade and Commerce
 Mr. G. A. Newman, Trade and Commerce
 Mr. A. B. Hockin, Finance
 Mr. J. R. Baldwin, Privy Council Office
 Mr. Paul Pelletier, Privy Council Office

Mr. Bradley and Mr. Smallwood were invited to express their views on the effect the transitional period might have on Newfoundland's economy.

Mr. Bradley was of opinion that neither the consuming public nor the mercantile classes would be seriously affected during the transitional period but that there undoubtedly would be a serious drop in national revenue. He did not see, however, how this could be avoided no matter what steps were taken during the interim period. It was foreseeable that if Customs and Tariff matters were left untouched, imports of heavily dutiable goods would fall off considerably, with a consequent diminution in Newfoundland's revenue from customs duty. On the other hand, if Canadian Customs were to be extended immediately to Newfoundland, imports would undoubtedly remain normal but the drop in the Newfoundland's revenue would be even more serious than if the *status quo* were maintained. In the circumstances, he was of opinion that the actual date of union should be announced immediately but that no further action need be taken.

Mr. Smallwood generally agreed with Mr. Bradley's views. He added that no matter what provisional arrangements were made, food-stuffs would obviously