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G. F. TOWERS, CHAIRMAN,
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When I was in New York recently, I spoke to a friend who is connected with a large publishing organization. He told me that they had sent a representative to Canada in the expectation that a country at war should be able to produce sufficient news to make it worth their while to have a man here permanently. The experiment did not succeed, for reasons which my friend still does not understand, but he suggests the possibility that Canadians are not exciting people. I hope that is not entirely true, but I think it may be the case that Canadians are not generally good makers of headlines. It can certainly be said that foreign exchange control is not exciting news, except perhaps during the first few days of its existence - yet that is the subject on which I am to make some remarks to-day. The remarks will be quite brief. They do not need to be lengthy because foreign exchange control, in spite of what anyone may say, is an exceptionally simple subject unless details are brought in - and then it becomes hopelessly complicated.

Exchange control is simply a means of making a scarce commodity last as long as possible by doling it out carefully. The scarce commodity in our case is U. S. dollars. We felt when the war commenced that we would need to buy more from the United States than we had ever done before. That has proved to be the case. We hoped that we would manage to sell more things to the United States than we had been selling in recent years - but not enough to balance our increased purchases. That too has been true up to the present time.

In these circumstances, there was only one course of action open to us. First of all, we had to prevent capital leaving the country so that no part of our previous supply of U. S. dollars would be used up in this way. Then we had to find ways and means of reducing our

ordinary requirements for U. S. dollars, so that we could continue to buy war materials in quantity, and continue to pay our current debts. In implementing this policy, we have curtailed or prohibited certain imports of a non-essential character, - non-essential, that is, in terms of war-time standards. We have also had to cease selling U. S. dollars for purposes of pleasure travel.

The administration of this travel policy has been the most unhappy task of the Foreign Exchange Control Board. The restrictions have been a bitter pill for many Canadians to swallow. A few object to restrictions for purely selfish reasons. But a great many dislike them because Canada is losing so many of the contacts which made for mutual understanding and friendship between our two countries. The Government has stated that if there were any way of changing the policy without injuring our war effort the change would be made. In the meantime, however, the hard facts of the case are that we simply have not got enough U. S. dollars to provide our people with the \$60 millions or \$80 millions which they would require each year if the restrictions were lifted. I know that bankers are supposed to be very prosaic people who cannot lift their minds above financial matters. I know that is their reputation, because I have been told it on many occasions during the last twelve months when travel restrictions have been under discussion. We have been urged to think less of dollars and cents, and more of the really important question of frequent contacts and friendly relationships between our two peoples. Spurred on by these remarks, we have tried to work our imagination overtime, but I am sorry to say that we have found no way to make bricks without straw.

In the meantime, we have tried to ameliorate the situation in any way that we possibly could. It goes

without saying, of course, that necessary business travel is freely permitted. So is travel for health purposes - and for purposes of education. Canadians who have embarked on an educational course in the United States are being provided with funds to finish their courses, and those who require special training of a kind which can best be obtained in the United States are continuing to go to your country. We have also tried to remove irritating difficulties at border points where many of our people were in the habit of visiting friends in the United States. We do not suggest that we have achieved perfection along these lines, but we are constantly trying to make improvements.

I should like to refer here to the arrangements which have recently been made as a result of discussions between your President and our Prime Minister at Hyde Park. The agreement reached on that occasion leads us to expect that the United States will buy quite substantial quantities of war materials which we are in a position to produce, and that the United Kingdom will obtain under the Lend-Lease plan the articles which have to come from the United States to be incorporated in the things which are being produced here for United Kingdom account. It would be impossible to say too much in praise of the friendly spirit displayed by the United States when entering into this undertaking. The arrangements are bound to be extremely helpful to Canada and the United Kingdom, and I believe that they will, in fact, prove to be in the best interests of all concerned. We do not conceal the fact that our foreign exchange situation versus the United States would otherwise have been extremely bad. Our shortage of U. S. dollars for the present fiscal year had been estimated at \$450 millions. This deficit should be very substantially reduced as a result of the arrangements to which I have just referred,

but, of course, the improvement will not take place over-night, and in the meantime our position remains difficult. So we have to ask your people to exercise patience and understanding to the extent that our war-time restrictions affect their interests. At some time in the future we all hope these restrictions will disappear. If you can take a message back to your people I hope it will be this: Ask those who have Canadian friends not to forget them. Warn them that in due course they must face an invasion - an invasion of Canadians. The moment the barriers are down, I expect to see our people in their hundreds of thousands pour across the border - jostling American cars off their own roads - in their anxiety to revisit old haunts and to renew old acquaintances. Each one of us, I am sure, has a particular place in his mind's eye. I have one, I know, and when the time comes I am bound and determined to get there, even if it is necessary to walk. Our consolation in Canada for the moment is that some of our American friends manage to get to see us here. When we express the wish that many more will come, I hope you will believe that our reasons are not entirely selfish.