

To: Chairman Eccles
From: Mr. Knapp

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Governor Towers of the Bank of Canada, in the course of a conversation today, gave the following information concerning Canada's foreign lending during 1946.

He stated that the general anticipation was that such lending would have to be undertaken to an amount of some Can. \$900 million (say U. S. \$800 million). He said that in the current Canadian war loan drive this figure was being given to the official canvassers and workers as a measure of the extent to which the proceeds of the loan would be used to finance foreign countries. He emphasized, however, that the figure had no firm basis. No such sum has been promised up to this time to foreign governments nor has the Government secured authority from Parliament to extend credits in such an amount.

Governor Towers offered the following remarks concerning the particular credits which might be offered:

1. The United Kingdom would require extensive assistance from Canada during 1946, but Governor Towers named no specific figure and insisted that no discussions concerning a figure or concerning credit terms had so far taken place with the British. He said that Lord Keynes, in his visit to Canada before the opening of negotiations here, had simply brought up-to-date information concerning the British position and had deferred any negotiations with Canada pending the outcome of those with this country. It was clear, however, that Governor Towers expected Britain to account for the bulk of the United States \$800 million.
2. Relatively small loans were being made to a number of liberated countries including France, Belgium, The Netherlands, Norway, Czechoslovakia, and the Netherlands East Indies. These loans were specifically for the purchase of Canadian exports.
3. Tentative loan negotiations with Russia had fallen completely flat. It appears that the Russians came in with a proposal for a "very large" loan to be amortized over a long period at a very low rate of interest, and as a condition of the loan asked that 25 per cent be knocked off the price of all Canadian exports to be financed by the loan. Governor Towers obviously took a "dim" view of this proposal and said that the Russians were politely but firmly told that their offer did not constitute a reasonable basis for negotiation.

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