

German Consulate General  
907 Victoria Bldg.

Abschrift.

Deutsches Generalkonsulat fuer  
Kanada und Neufundland  
Ottawa, August 25th, 1937

Sir,

On June 11<sup>th</sup>, 1937, I had the honour to explain, in an interview, to the Canadian Minister of National Revenue, the Hon. J. L. ILSLEY?, that the German Government, while studying the effect of the Order-in-Council (P.C.930) of April 23<sup>rd</sup>, 1937, on German exports to Canada, wished to reserve for themselves the right to ask the Canadian Government at a later date, to re-consider the matter in question and to fix the value of the Reichsmark for Customs purposes at a rate more equitable and more favorable to German-Canadian Trade than 32 cents. At the time, I left in the Minister's hand a memorandum dated June 11<sup>th</sup>, 1937, in which the arguments speaking for my Government's point of view are summarized and corroborated by statistical figures drawn from the publications of the "Statistisches Reichsamt" in Berlin as well as of the "Dominion Bureau of Statistics" in Ottawa. Receipt of the above memorandum has kindly been acknowledged by a letter of the Commissioner of Customs, Mr. Scully, dated June 16<sup>th</sup>, 1937.

The German Government intend to now ask for the fixation of the Reichsmark at a better rate than 32 cents. Before doing so, they would like to learn the reasons which governed the decision of the Canadian Government to fix the value of the Reichsmark at a rate not better than 32 cents. In explaining this request, I may say that Mr. Scott Macdonald's letter of April 29<sup>th</sup>, 1937 to the undersigned was restricted to

Dr. O. D. Skelton,  
Under-Secretary of State  
for External Affairs,  
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communicating



communicating the fixed rate of 32 cents, without mentioning the reasons for this fixation and for the refusal to grant the gold rate (par value rate) asked by me in my letter of April 13th, 1937. In this my letter, I based my argumentation on the assertion that "home market prices in Germany and Dollar prices obtainable in Canada are today practically the same as before the depreciation", and in my memorandum of June 11th, 1937, I presented the respective statistical figures to prove that "from 1929 to 1936 wholesale prices in Germany have developed, on the whole, along the same lines as the figures indicating the trend of the Canadian paper dollar". The Canadian Government have not accepted these arguments and figures as convincing, as the Order-in-Council of April 23rd, 1937, proves; but without having the reasons for this negative stand, it is difficult for me to make "a just case" for Germany, other and more convincing than I have already tried to do. I therefore should be very grateful if I could have a detailed statement of the Canadian Government on the facts and arguments presented with my memorandum of June 11th, 1937, and generally on the reasons why a rate of 32 cents, and not the gold rate as was asked by me, has been decided upon, and is considered, as justly meeting the interests of German-Canadian Trade.

As you are aware that the terms of Article XI of the Payment Agreement make early decisions necessary, I should highly appreciate if I could have the statement asked for hereabove at your earliest convenience.

Thanking you very much in advance,

I have the honour to be,

Sir,

Your obedient servant,

sgd. Dr. H.U.Granow

O (Dr. H. U. Granow)  
Acting Consul General for Germany



Abschrift.

Department of External Affairs Canada

Ottawa, October 20th, 1937.

Sir,

I have the honour to acknowledge the receipt of Dr. Granow's letter of August 25th, addressed to Dr. Skelton, asking to be informed of the considerations on which the decision of the Canadian Government to fix the Reichsmark at 32 cents for Customs purposes was based.

In reply I may say that, in dealing with this question, careful consideration was given to the views set forth in Dr. Granow's letter of April 13th. The contention, however, that the action of the Canadian Customs authorities, in taking the Reichsmark at its current exchange value in the depreciated Canadian currency, was a discrimination against Germany and increased the rate of duty on German goods, cannot be regarded as an accurate statement of the situation. Other appreciated currencies were treated in exactly the same manner and while the amount of the duty was, of course, greater when expressed in the depreciated Canadian currency it was greater only to an extent represented by its depreciation. Some misapprehension appears to exist, also, with respect to special or dumping duty. It may be pointed out such duty applies only in cases where the selling price to the purchaser in Canada is less than the fair market value as sold for home consumption in Germany. This fair market value is necessarily expressed in Reichsmarks. If the export price were for no lesser amount either in

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Consul General of Germany,  
Ottawa.



Reichsmarks, or in Canadian currency equivalent thereto at the current rate of exchange, no special or dumping duty applied.

The other consideration alluded to by Dr. Granow, namely, the comparative price levels in Canada and Germany, was carefully examined. Data sufficient to establish a definite formula to equate the relative purchasing power of the Reichsmark and the Canadian dollar were, however, not found to be obtainable. Official price index numbers in Canada and Germany were found to be based upon widely different lists of commodities and their weighting principles were not the same. Moreover, they do not represent free market prices but rather prices obtaining in markets sheltered by tariffs and other restrictions upon free exchange. They could not, therefore, be regarded as representing the comparative purchasing powers of the two currencies.

On careful consideration it appeared that the fairest and most practical method of determining the value that should be fixed for the Reichsmark for Customs purposes was by examination of invoices of representative importations and the cost to the importers of the Reichsmarks in which settlement was made. From this investigation it developed that 32 cents would constitute a fair average price at which the Reichsmark was actually available to Canadian importers for the purchase of German goods. Accordingly, on April 23rd, shortly after the necessary enabling legislation had been passed by Parliament, an Order-in-Council was made fixing the value of the Reichsmark at 32 cents in Canadian currency for computing the value for regular duty and special duty purposes of goods imported into Canada from Germany.

I have the honour to be,

Sir,

Your obedient servant,

sgd. Laurent Beaudry

Acting Under-Secretary of State  
for External Affairs.