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*Le délégué commercial à Hong Kong
au sous-secrétaire d'État aux Affaires extérieures*
*Trade Commissioner, Hong Kong,
to Under-Secretary of State for External Affairs*

LETTER NO. 67

Hong Kong, April 19, 1961

CONFIDENTIAL via Diplomatic Bag

CANADIAN WHEAT BOARD MISSION TO CHINA

Dear Sir:

The Canadian Wheat Board Mission led by W.C. McNamara, Chief Commissioner, and including D.H. Treleaven and C.E.G. Earl, departed for Peking on Saturday, April 15th. Although permission had been granted for me to accompany the group, it was decided that our best interests would be served by my not going. The course of events leading up to this decision was as follows:

After three weeks of hard negotiations in which both Mr. Forsyth-Smith and I participated, the Wheat Board and China Resources had narrowed their basic differences on sales to China to a single outstanding matter of three months in credit terms. The Chinese had accepted in principle a long-term contract covering the next 2½ years, the extension of \$50 million worth of credit, and a down-payment by the Chinese of 25% cash on each shipment, but were demanding a usance period of nine months whereas the Wheat Board was holding out for six months. At this juncture in the negotiations L.C. Pu, Assistant General Manager of the China Resources Company (who has not been a member of the Cireco negotiating team but has confined his efforts to the Australian deals), telephoned Mr. McNamara to ask for a personal meeting. At this, he made the point merely as "an old personal friend" that it might be useful for the Wheat Board officials to visit Peking to meet Cireco's principals. On the basis of this conversation both Mr. Forsyth-Smith and I were convinced that it would be advantageous for the Wheat Board officials to visit Peking and we urged them to do so, not only to speed the conclusion of current contract negotiations but also in the interest of future trade with China. Mr. McNamara advised Mr. Pu that he would be willing to go and stated that he wished me to accompany the group. Mr. Pu replied that, if Mr. McNamara insisted, I could of course proceed with the Board officials but made it clear my doing so would not be favoured by the Chinese side because I was a member of the Department of External Affairs. After full consideration, Mr. Forsyth-Smith and I concluded that, rather than insist on my accompanying the Wheat Board officials to Peking, it would be wiser to forego this trip to ensure subsequent approval to accompany Mr. Forsyth-Smith on our projected trade promotional trip in May. My services might have been of some benefit to the Wheat Board but, because of the advanced stage already attained in the wheat negotiations, it appeared to all concerned that I would be more useful on the trade promotional trip in May than on the present one.

When they departed, the Wheat Board officials expected to be able to conclude their discussions in Peking today in order to fly to Canton tomorrow and return to Hong Kong on Friday, April 22nd. It is my personal opinion that this schedule is very optimistic as, on the basis of past performance, the Chinese will almost certainly delay their departure beyond tomorrow.

It has been clear throughout the negotiations that the Chinese are anxious to obtain an additional million tons of grain from Canada before the end of this year and they have