

remove a substantial quantity of wheat from the rest of the world market, and thus ease the surplus disposal problems of ourselves and the United States.

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*Note du ministre des Finances,  
du ministre de l'Agriculture,  
et du ministre du Commerce  
pour le Cabinet*

*Memorandum from Minister of Finance,  
Minister of Agriculture,  
and Minister of Trade and Commerce  
to Cabinet*

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CONFIDENTIAL

#### SALES OF WHEAT TO CHINA

1. In mid-February, at the request of China Resources Company, the Canadian Wheat Board sent a two-man mission to Hong Kong to give technical assistance in finalizing arrangements for implementing a sales contract involving 28 million bushels of wheat and 12 million bushels of barley. During the course of these discussions, the Chinese representatives made reference, on several occasions, to future trade arrangements which would involve the sale of additional significant quantities of Canadian grain. The proposition was made to Board representatives that future sales could be consummated, provided acceptable trading arrangements could be agreed upon.

After detailed discussions of traditional sales procedures followed by the Board, the representatives of China Resources Company made the following proposals, on a tentative basis:

(1) That the Company, as acting agents for China National Cereals, Oils and Foodstuffs Import and Export Corporation, were prepared to enter into a contractual arrangement with the Canadian Wheat Board for the purchase of approximately 190 million bushels of wheat and 47 million bushels of barley, over a 2½ year period, provided:

(a) Some flexibility in payment arrangements could be negotiated; and

(b) The Board would provide assistance in the development of trade in Chinese products to Canada, to increase the availability of dollar exchange to pay for the grain.

(2) A new contract, to take effect immediately following the completion of the current Agreement, would be entered into covering Chinese grain requirements for a 6-month period, and be followed by further contracts for each 6-month period up to a total of 2½ years.

(3) Firm sales proposals, embodying the conditions contained above should be submitted to China Resources, and their principals, prior to March 31st next.

2. The mission was subsequently informed that the tentative proposals outlined above had been confirmed by the Government of the Chinese People's Republic. It was further indicated that the "flexible payment" arrangements referred to involved the extension of credit on additional purchases for periods up to one year in duration. Assuming a uniform shipping program over the period under consideration, the maximum liability, basis the Chinese