

(e) Payment for the grain would be in convertible sterling, and this would hamper efforts to reduce the premium on the Canadian dollar in U.S. currency.

(f) The proposed sale offered the only possibility of solving the chronic problem of the grain surplus, and should not be jeopardized by a refusal to agree to a modest extension in the period of credit.

11. *The Cabinet* agreed,

(a) that the Minister of Agriculture be authorized to instruct the Chief Commissioner of the Canadian Wheat Board to conclude an agreement for the sale of about 40 million bushels of wheat and barley to the China Resources Company on the basis of 25 per cent cash and the balance payable in a period not exceeding 180 days from the date of each shipment, the outstanding credit balance not to exceed \$50 million at any one time;

(b) that receipt of an agreement of intent and undertaking covering approximately 180 million bushels of wheat and 46 million bushels of barley over a period of 2½ years, including the amount mentioned in (a) above, would be an integral part of the negotiations;

(c) that, if the initial agreement could not be concluded on the basis of a credit period of 6 months, the Minister of Agriculture should instruct the Chief Commissioner to agree, as a last resort, to a maximum credit period of 9 months for this initial transaction; and,

(d) that the Minister of Finance be authorized to increase the government guarantee under which bank loans were made to the Canadian Wheat Board in an amount not to exceed \$50 million, to permit the Canadian Wheat Board to make credit sales to China under the conditions set forth in (a) above.

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*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], April 12, 1961

SALE OF GRAIN TO CHINA

Now that Cabinet has approved the recommendations in Mr. Hamilton's memorandum of April 11 concerning credit terms for the large scale sale of wheat and barley, it may be expected that the current negotiations in Hong Kong will be concluded fairly quickly. We understand that Mr. Hamilton intends to make an announcement at the first sitting of the House following receipt of confirmation of this.

2. The question of informing the United States Government about this therefore arises. It would be very much to our advantage to let the U.S. Government know *before* the announcement is made in the House. This would reinforce the close relations that have existed for many years between our two countries in the area of consultations on agricultural matters of mutual interest. In particular it would safeguard the claim we have on them to be kept informed of major developments involving large U.S.A. grain movements abroad, and it would also be consistent with the Cabinet decision of a month ago that Mr. Hamilton should forewarn Mr. Freeman at the Washington joint-Cabinet Committee meetings of this possible credit wheat sale to China.