

SECTION C

ACCORD SUR LE COMMERCE
TRADE AGREEMENT

521.

PCO

*Note du ministre du Commerce
et du secrétaire d'État par intérim aux Affaires extérieures
pour le Cabinet*

*Memorandum from Minister of Trade and Commerce
and Acting Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 321-58

[Ottawa], November 18, 1958

SECRET

CANADA-U.S.S.R. TRADE AGREEMENT

The Trade Agreement concluded between Canada and the USSR in 1956⁶⁰ is due to expire on February 28th next year. It may be extended by mutual agreement prior to November 29th. Alternatively, a revised agreement might be negotiated if the two Governments were willing.

The main benefit to Canada under the present arrangement is an undertaking by the USSR to purchase a minimum of 400,000 tons of wheat annually for the three years of the Agreement. This undertaking is contained in a separate exchange of letters. In return for these guaranteed purchases, Canada in the Agreement extended most-favoured-nation tariff treatment to the Soviet Union. In addition, provision was made for MFN treatment for Soviet merchant ships in Canadian ports. On the Canadian side, in order to prevent injury to Canadian industry from possible low-priced imports from the USSR, Canada, in a separate exchange of letters, reserved the right to impose special values for duty purposes on Soviet goods. A general security clause in the Agreement permits either country to impose prohibitions or restrictions of any kind to safeguard its essential security interests.

The Agreement has been of substantial value from the point of view of our wheat trade. Continued annual sales of about 15 million bushels of wheat (the equivalent of 400,000 tons) to the USSR would be of considerable importance to Canada and to Western wheat producers. This amount represents about 5 per cent of Canada's average annual wheat exports. Sales to the Soviet Union of this order could not be counted upon in the absence of a specific undertaking by the USSR to purchase minimum quantities.

A continuation of the Agreement would appear desirable also from the political point of view. Political considerations played an important part for both sides when the present Agreement was negotiated in 1956. It was the view of the Canadian Government that a trade agreement could help to establish mutual trust and reduce suspicion. Trade agreements provide one of the few points of mutually advantageous contact between East and West, and may help to influence the Soviet leaders away from their isolationist approach. Renewal of the Canada-USSR Agreement would not be without value in this direction. On

⁶⁰ Voir/See Volume 23, Document 531.