

support for a request to the Canadian Wheat Board to lower the Canadian price for Chinese purchases. It appears that the Australians did in fact reduce their price and provided certain other marginal concessions such as a guarantee of the quality of the wheat to the Chinese discharge port which is contrary to custom and China Resources has sought our help in obtaining similar concessions from Canada. We have given them no encouragement whatsoever in this respect and they have throughout endeavoured to hold off saying that unless we could provide concessions they would not buy from us. At the same time, it has been apparent that they urgently require more wheat and our continuing belief that this is the case seems to have been justified by events today. The China Resources Company telephoned Mr. Forsyth-Smith early this morning asking him to discuss wheat and, at the interview which followed immediately, they stated that there was an opportunity for big business and urged us once more to recommend to the Canadian Wheat Board further price concessions. (The Board, in the meantime, had offered a minor price cut from today's price on their deferred payment basis).

It is very clear that the Chinese do in fact want more wheat and want it urgently and in substantial quantities. It seems clear, too, that they are endeavouring to play off the Canadian Wheat Board against the Australian Wheat Board and vice versa. Perrett of the Australian Wheat Board has returned to Hong Kong and we know is again discussing sales with the China Resources Company and it is almost certain that further sales will be concluded, either with the Australians or with ourselves. For this reason, we are not recommending any substantial concessions to the Chinese, although we believe that a very minor price concession and deferring to their wishes on the quality guarantee question would secure the business for Canada. Although we have not been kept fully informed of the Canadian Wheat Board's actions in Canada, we understand that they did in fact offer a 6/9 per ton reduction on 750,000 tons Canadian wheat on a deferred payment basis. China Resources Company still argues that this is too high but we have gained the impression that even a nominal reduction by the Canadian Wheat Board would result in business for Canada. This is the customary Chinese procedure and frequently the amount of a foreign seller's concession is less important than the actual fact of making a small concession. In any case, even if the Australian Wheat Board should gain the present business that we believe the Chinese intend to do, Canada would not be the loser since this would, to all intents and purposes, clear out the balance of the Australian 1960 surplus and Canada would be bound to benefit from this fact in other markets. It is for this reason that we do not believe anything more than a nominal price concession should be made to the Chinese at the present time.

The obvious urgency of the Chinese requirements has been clear from their demand that the first 210,000 tons of Australian wheat be delivered in January, 1961, and from the urgency of our latest discussions with the China Resources Company.

At the same time as they were discussing wheat the China Resources Company indicated the need for 200,000 tons of barley and there appears to be a fair possibility that this business will go to Canada, although the Australians may be successful on a price basis.

The Chinese, throughout our discussions, have endeavoured to convince us that the reason they are buying wheat abroad is because they are exporting so much of their own rice. While it is true that they are exporting rice to Cuba and to some of the Communist bloc countries, they are also importing it from Burma and it seems clear that their rice argument is a face saving device and that they are desperately in need of grain from abroad to replace some of the short fall of their own production. Even if their latest indicated interest in 750,000 tons of wheat results in business, the million odd tons of wheat imported would be neither here nor there for the whole of China. Nevertheless, such a quantity, and possibly more to be purchased, could be extremely useful in alleviating the worst shortages in specific areas where famine or near