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DEA/9030-40

*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, January 13, 1961

## POSSIBLE SALE OF WHEAT TO COMMUNIST CHINA

This Department was represented by Mr. Ritchie at the meeting held this morning in Mr. Hamilton's office to discuss the attached draft memo for Cabinet;† also present were the Deputy Ministers of Agriculture and Trade & Commerce, and a senior official of the Canadian Wheat Board.

2. Mr. Ritchie reported that you were opposed both to the proposal to make a gift to Communist China and to the inclusion of a sum for that purpose in the estimates for this Department which you, of course, would have to defend. Notwithstanding this Mr. Hamilton decided to take this matter to Cabinet on Monday morning, and he intends to seek the concurrence of the other members of the Cabinet Wheat Committee. He also hopes to win the support of Mr. Fleming on the grounds that there would in the end be no direct additional cost to the Treasury, since the value of the gift wheat would be recovered next winter through reduced storage charges under the Temporary Wheat Reserves Act. However, Mr. Fleming had not yet been consulted, and his Assistant Deputy Minister's quick reaction this morning was that he would oppose both a gift to China and the cutting of the Canadian price. As you know, the reason it is out of the question to reduce the price openly is that this would simply have the effect of depressing world wheat prices without an offsetting increase in consumption, and Canada would sell no more wheat than before.

3. It was clearly understood at the end of the meeting that neither you nor this Department were in any way associated with the Memorandum for Cabinet, which will undergo some further minor revisions and be distributed later today.

N.A. R[OBERTSON]

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[Ottawa], January 14, 1961

## POSSIBLE SALE OF WHEAT TO CHINA

The draft Memorandum for Cabinet attached to mine of January 13 is being revised by the Department of Trade and Commerce for consideration in Cabinet on Monday morning and we have not yet seen a copy of the final document. Our comments are therefore based in part on the earlier draft (attached)† but are in the main, as you requested, a summary of the arguments directed against the principle of making a gift of wheat in connection with this operation. We assume of course that in no circumstances would you agree to the inclusion of \$6.7 million in this Department's estimates for the reasons given in my first memorandum of January 13, but