NEW WHEAT SALE TO CHINA

Mr. Robert Winters, the Minister of Trade and Commerce, has announced the sale of two million long tons of Canadian wheat to China. In a recent statement to the House of Commons, Mr. Winters said:

...The Canadian Wheat Board, following prolonged negotiations in Canton, has succeeded in concluding a sales contract with mainland China to provide for the export of two million long tons, 5 per cent more or less, of wheat – to be shipped from January through October 1968.

This contract is under the provisions of the Third Long Term Agreement with China, and consists of 1, 2, and 3 Northern wheat and a small quantity of Duram wheat.

Assuming that full tolerance is taken, the sale amounts to 78.4 million bushels.

Including the contract covered by this announcement, total sales under the Third Long Term Agreement amount to 4.7 million tons, or approximately 177 million bushels. The Long Term Agreement provides for a minimum of 4.5 and a maximum of 7.5 million tons over the three-year period commencing August 1, 1966, with the amounts for each year to be negotiated separately.

TERMS

As in the previous contracts, payment terms for sales under the Long Term Agreement are 25 per cent cash when each vessel is loaded, and the balance of 75 per cent in 18 months, with interest. The deferred payment provision is made possible by a guarantee to the Canadian Wheat Board by the Government of Canada....

MACHINERY PROGRAMME

A programme with substantial benefits for Canadian producers and users of machinery worth $1.25 billion annually was announced recently by Mr. C.M. Drury, Minister of Industry.

Mr. Drury said that the Machinery Programme had two purposes. The first was to encourage improved efficiency by permitting Canadian industry to acquire capital equipment at the lowest cost possible; the second was to facilitate the development of the Canadian machinery industry along more specialized lines of production.

Under the Machinery Programme, a new tariff item will replace 18 existing items whose rates range up to 22.5 per cent, depending on whether the machine is of a "class or kind" made in Canada. Mr. Drury announced that the "class or kind" distinction would disappear and a common rate of 2.5 per cent British preference, 15 per cent most-favoured-nation would be established. Mr. Drury noted that while the tariff was being reduced it would now be applied with greater certainty. As such, it will result in a major simplification in tariff administration. Of prime importance, is that the Programme will provide for remission of duty when this is in the public interest and the machinery being imported is not available from production in Canada.

For the most part, the products coming under the Programme are production machinery and equipment used by Canadian manufacturing industry. Machinery and equipment for the service industries and some miscellaneous products are also included. Imports of these items are approximately $700 million annually.

Mr. Drury stated that if Canadian manufacturers were to increase their productivity and become competitive in international markets, it was vitally important that they acquire the most modern and efficient machinery. "Remission of duty on advanced equipment which is not available from production in Canada will make an important contribution in this regard," he said.

INDUSTRIAL BENEFITS

The Minister emphasized that the Machinery Programme also had many benefits for the Canadian machinery manufacturing industry. He pointed out that the proposed rate of 15 per cent provided a reasonable measure of protection, having in mind the tariff-rates of other industrial countries. He said the new tariff rate would apply to any products under the item which Canadian machinery manufacturers could produce as soon as they were in a position to supply. Under present tariff provisions, a Canadian-made machine is not entitled to the protective rate until such machines account for 10 per cent of domestic consumption in that class. Mr. Drury noted that this was specially important to Canadian producers of custom-engineered machines. Under the present system, the usefulness of the "made in Canada" and the anti-dumping provisions for custom-made products are somewhat limited because of the difficulty of demonstrating that domestic firms supply 10 per cent of Canadian consumption. "This situation will be corrected with the introduction of the Machinery Programme," the Minister said.

CANADA-U.S. TAXATION AGREEMENT

The Secretary of State for External Affairs, Mr. Paul Martin, and United States Ambassador W. Walton Butterworth have recently exchanged legal instruments ratifying and bringing into force a Supplementary Income Tax Convention between Canada and the United States.

The Supplementary Convention, which was signed in Washington on October 25, 1966, further modifies and supplements the Income Tax Convention of March 4, 1942 between Canada and the U.S. for the avoidance of double taxation and the prevention of fiscal evasion in the case of income taxes.

This modification was proposed by the United States and will eliminate the unintended preferential treatment accorded to persons resident outside both the United States and Canada who have received investment income from the U.S.A. at substantially reduced tax tates through companies that are incorporated in Canada but which are not resident in Canada for purposes of Canadian income tax.