

(f) As the Minister of Finance already had the authority under the Wheat Board Act to authorize the extension of credit in such cases, additional legislation would not be needed unless a default should occur. Default was highly unlikely in respect of initial deliveries because the remaining deliveries would be cancelled forthwith by Canada. Any possible default in final payments would be offset by the large savings in grain storage charges.

(g) The official representing the government of Canada in the negotiations should try to arrange the deal on a cash basis. If this should fail, he might then undertake preliminary negotiations on the extension of limited credit, but should report back to the Cabinet before agreeing to any such credit arrangement.

17. *The Cabinet agreed,*

(a) that the Minister of Agriculture be authorized to instruct the Chief Commissioner of the Canadian Wheat Board to proceed with negotiations with representatives of the China Resources Company on the following basis:

(i) every effort should be made to effect sales on a cash basis;

(ii) if sales on the scale contemplated could not be negotiated on a cash basis, Ministers should be prepared to give consideration to extending limited credit facilities, with every effort being made to keep the credit period to a minimum and to obtain a cash down payment; and

(iii) in any consideration of granting credit, the terms should require a down payment of 25 per cent against delivery and the term of credit should not exceed 180 days and a maximum risk at any one time of \$50 million;

(b) that, in the event that Ministers decide to permit an element of credit, the Minister of Finance should at that time 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 implement credit sales to China under the conditions set forth in (a) above;

(c) that, in the event of default, the government would invite Parliament to reimburse to the Canadian Wheat Board the amount of the loss incurred;

(d) that the Minister of Agriculture be authorized to communicate privately to the Secretary of Agriculture of the United States, at the forthcoming meeting of the Joint Committee on Trade and Economic Matters, the fact that consideration was being given by the government of Canada to further sales of grain to China on a cash basis, but that, if cash sales proved impossible, the Canadian government was prepared to consider facilitating short-term credit; and

(e) that the Minister should not communicate with the representatives of the government of Australia until after the meeting at Washington. (N.B. As approved by Mr. A. Hamilton)

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789.

PCO

*Extrait des conclusions du Cabinet*

*Extract from Cabinet Conclusions*

SECRET

[Ottawa], April 11, 1961

*Present*

The Prime Minister (Mr. Diefenbaker) in the Chair,  
The Secretary of State for External Affairs (Mr. Green),