

II. Letters of intent were exchanged relating to the period ending December 31, 1963, during which time between three and five million tons of wheat and between 600,000 and 1,000,000 tons of barley will probably be sold. Converted, these would be:

3,000,000 tons	=	112,000,000 bushels
5,000,000 tons	=	186,700,000 bushels
600,000 tons	=	28,000,000 bushels
1,000,000 tons	=	46,700,000 bushels

The value of the minimum shipments would be \$220,000,000, approximately, and of the maximum, \$365,000,000. The Wheat Board hopes to ship \$150,000,000 worth of grain in 1962 and again in 1963.

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*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], June 6, 1961

#### DIFFICULTIES RE SHIPMENT OF GRAIN BY TANKER TO CHINA

Much of the grain being shipped to China from Eastern Canadian ports is to be carried by oil tankers which have been chartered by the Chinese authorities for this purpose. Oil tankers used to carry grain require special unloading equipment, namely suction devices called vacuators for drawing out the grain. This equipment for five oil tankers was ordered some time ago from the United States firm Dunbar Kapple of Batavia, Illinois. Yesterday shipping agents for the *Belfast*, Norwegian owned, and for the *Eskfield*, United Kingdom owned, telephoned the Department of Trade and Commerce to say that delivery of five vacuators for each ship was being held up on instructions of the United States Treasury on the basis of Foreign Assets Control regulations. The agent for the *Belfast* indicated that the Norwegians were making representations in Washington for the release of the equipment on order for the *Belfast*. The sailing of the *Belfast* is now being held up by this difficulty. The equipment is physically at Quebec City consigned to the manufacturer whose representative was to take delivery and apparently assist in the installation. He has now been ordered by the United States Treasury to ship it back to the United States. Some 8,000 bushels had already been loaded on the *Belfast* but loading has now been stopped.

This would seem to be a rather extreme application of FAC regulations since the equipment will not pass to the Chinese but will be the property of the owners as ships' stores. However, since the ships are currently on charter to the Chinese authorities, the FAC regulations can no doubt be made to cover the case. One of the agents thought there was no alternative source of supply but the other indicated that the problem was mainly of the delay involved in seeking another source. Although the United States authorities may be strictly within their rights in applying FAC regulations, the fact that the shipment of grain to China is involved could cause a difficult public reaction. The agents of the *Belfast* have already had press enquiries, but they have so far avoided any public statement.

It was agreed yesterday that Trade and Commerce, which had the full information from the shipping agents, would telephone the details to our Embassy in Washington and ask them to make enquiries of the United States authorities and indicate our concern that nothing should be