

APPENDIX

EXPLANATORY MEMORANDUM REGARDING CANADA-UNITED KINGDOM CEREALS AGREEMENT

Under this co-operative agreement the government of Canada, other co-operating governments and the government of the United Kingdom declare their agreed objectives with respect to world trade in cereals. These are, first, that the world market for cereals should be improved through the establishment of a better and more economic balance between world supplies and commercial demand and that to this end there should be the provision of acceptable conditions of access into world markets for cereals in the furtherance of a significant development and expansion of world trade in cereals. Second, that there should be the assurance of supplies of cereals and cereal products at equitable and stable prices and the creation of greater stability in the levels of international prices for them. We have agreed that these objectives should be sought in such ways as would take into account the interests of both producers and consumers and of importing and exporting countries.

As the house is aware, negotiations are now going forward under GATT auspices, and in the context of the forthcoming Kennedy round of trade negotiations, for a comprehensive world grains agreement. In these negotiations we shall be co-operating closely with the United Kingdom, cereals exporting countries and other countries in pursuit of these broad objectives. Pending the conclusion of long term international cereals arrangements the government of the United Kingdom declares in this agreement its intention of introducing adaptations into its existing cereals policy with the objectives of permitting greater stability in the United Kingdom market and of maintaining a fair and reasonable balance between home production and imports. This balance would be broadly based on the present supplies to the United Kingdom market from domestic production on the one hand and cereals imports on the other and would provide the opportunity for domestic producers and overseas suppliers to share in the future growth of the United Kingdom market in a fair and reasonable way.

The new British cereals arrangements are to be introduced on July 1. Under this arrangement the British will seek to discourage the growth of domestic cereals production above a level consistent with their stated objectives by disincentives limiting financial assistance to producers in relation to specified volumes

of production. In addition a system of minimum import prices is to be applied designed to prevent prices in the United Kingdom from falling to very low levels and so to limit the amount of the deficiency payment which would otherwise be payable to producers. A list of the products involved and of the minimum import prices to be applied to them have been tabled with the exchange of letters. There has also been made available to the house a comparative table showing the dollar per bushel equivalent of the minimum import prices, basis c.i.f. United Kingdom, for items of direct interest to Canada and the current market prices for these items. The minimum import prices for Canadian wheat are well below current market prices. Accordingly, trade will proceed in the normal way without a levy.

The proposed minimum import price for screenings of a fibre content of 15 per cent or less could give rise to a levy on Canadian exports. There was insufficient time to clear up this point before the United Kingdom government considered it necessary to issue its minimum import price order. However, the United Kingdom government has given the assurance that it will consult with the Canadian government and other co-operating governments with the object of working out a mutually satisfactory solution which would avoid possible damage to Canadian trade in this product. In the meantime no levy would be imposed on Canadian screenings. Finally, special arrangements have been made for wheat flour which will fully safeguard Canada's preferential position in the British market. Paragraph 13 of the United Kingdom letter sets forth the general British assurances concerning the maintenance of the benefits enjoyed by Canada as a preferential supplier to Britain.

Under the exchange of letters procedures are established for making any necessary changes in the products covered by the minimum import price system and in the minimum prices to apply. Such changes are to be worked out in consultation or agreement with the co-operating governments concerned.

The government of the United Kingdom will take action to maintain the levels of the prescribed minimum prices by such levies as may be necessary for this purpose. The government of Canada has undertaken to cooperate so far as practicable in the operation and observance of the prescribed minimum