

No. 7452

**UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
and
CANADA**

Exchange of letters (with annex) constituting an agreement regarding the changes which the Government of the United Kingdom propose to introduce in their production and trade policies relating to cereals. London, 15 April 1964

Official text: English.

Registered by the United Kingdom of Great Britain and Northern Ireland on 4 November 1964.

**ROYAUME-UNI DE GRANDE-BRETAGNE
ET D'IRLANDE DU NORD
et
CANADA**

Échange de lettres (avec annexe) constituant un accord relatif aux changements que le Gouvernement du Royaume-Uni envisage d'apporter à sa politique en matière de production et de commerce de céréales. Londres, 15 avril 1964

Texte officiel anglais.

Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le 4 novembre 1964.

No. 7452. EXCHANGE OF LETTERS CONSTITUTING AN AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF CANADA REGARDING THE CHANGES WHICH THE GOVERNMENT OF THE UNITED KINGDOM PROPOSE TO INTRODUCE IN THEIR PRODUCTION AND TRADE POLICIES RELATING TO CEREALS. LONDON, 15 APRIL 1964

I

*The Parliamentary Under-Secretary of State for Commonwealth Relations
to the High Commissioner for Canada*

COMMONWEALTH RELATIONS OFFICE

London, 15 April, 1964

My Dear High Commissioner :

I should like to refer to previous exchanges and discussions between representatives of the Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as "the Government of the United Kingdom") and of the Government of Canada regarding the changes which the Government of the United Kingdom propose to introduce in their production and trade policies relating to cereals. In framing their proposals the Government of the United Kingdom have had in mind their responsibility for maintaining conditions under which a stable and efficient agricultural industry in the United Kingdom can develop its prosperity and also their responsibility as one of the major importers of cereals in the world towards their overseas cereals suppliers.

2. The Government of the United Kingdom have also taken into account that they, and the Governments of other countries who are major importers and exporters of cereals, are at present taking part in discussions in the Cereals Group of the General Agreement on Tariffs and Trade² convened for the negotiation of appropriate international arrangements for cereals under the terms of the resolution of Ministers at the Ministerial Meeting of the General Agreement on Tariffs and Trade, 21st May, 1963.³

¹ Came into force on 15 April 1964 by the exchange of the said letters.

² See footnote 2, p. 4 of this volume.

³ See footnote 3, p. 4 of this volume.

It was not the desire or intention of the Government of the United Kingdom to put forward proposals which might in any way hamper that work, but rather to introduce arrangements so designed as to further the main objectives which both the Government of the United Kingdom and the Government of Canada desire to achieve.

3. Our two Governments are agreed that these main objectives are 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. We are also agreed on the importance of the assurance of supplies of cereals, cereal products and by-products at equitable and stable prices ; and of the creation of greater stability in the levels of international prices for them. These objectives should be sought in such ways as would take into account the interests both of producers and consumers and of importing and exporting countries.

4. Pending the conclusion of long-term international cereals arrangements, the Government of the United Kingdom have declared their intention of introducing adaptations into their existing cereals policy with the objectives of promoting greater stability in the United Kingdom cereals market, and of maintaining a fair and reasonable balance between home production and imports. This balance would be broadly based upon the present supplies to the United Kingdom market from domestic production on the one hand and cereals imports on the other, and as regards the future growth of the United Kingdom market would provide the opportunity for both domestic producers and overseas suppliers to share in this in a fair and reasonable way. The intentions of the Government of the United Kingdom with respect to the balance between domestic production and imports and the domestic guarantee arrangements for the year 1964/65 are set forth in paragraph 6 below. The balance for subsequent years will be reconsidered in the light of supply and marketing conditions, including the relative efficiency of suppliers, and changes therein, and to this end the Government of the United Kingdom shall consult with the Government of Canada and the Governments of other principal co-operating countries in accordance with the review procedure in paragraph 10.

5. The measures which the Government of the United Kingdom intend to introduce for securing the objectives in paragraph 4 above are : first, to restrain financial assistance so as to discourage the increase of domestic cereals production above a level consistent with these objectives, and second to operate, in co-operation with their principal overseas suppliers, a system of minimum import prices for the main cereals, cereal products, and by-products.

6. The Government of the United Kingdom have decided that any necessary restraint of financial assistance should be applied through the effective reduction of guaranteed prices by means of the price mechanisms described in the United Kingdom White Paper on the Annual Review for 1964/65. These mechanisms would in the case of wheat start to operate when production exceeded 3.2 million tons and would operate fully when production exceeded 3.3 million tons and in the case of barley would start to operate when production exceeded 6.3 million tons and would operate fully when production exceeded 6.5 million tons. The range of wheat and barley production aimed at would therefore be from 9.5 to 9.8 million tons. Other cereals production, which is declining, is at present about 1.5 million tons. Total consumption of cereals (including wheat equivalent of flour) is expected to rise to 20.5 million tons in 1964/65 and to continue increasing thereafter. In accordance with the objectives in paragraph 4 above, the annual volume of imports of cereals (including wheat equivalent of flour) should, on average taking one year with another, increase above the present level of about 9 million tons as the United Kingdom market expands. On the basis of the above estimate of consumption, the volume of imports of cereals (including wheat equivalent of flour) in 1964/65 would, if domestic production did not exceed the ranges for wheat and barley stated above, be about 9.2 to 9.5 million tons. Changes in the above data shall be considered each year under the review procedure in paragraph 10 with a view to securing a fair and reasonable balance between home production and imports. It is the intention of the Government of the United Kingdom that changes in their domestic guarantee arrangements should be made as necessary so that these arrangements are effective for the purposes described in paragraph 4 above.

7. The Government of the United Kingdom, after consultation with the Government of Canada and other co-operating Governments, have advised the Government of Canada of the cereals, cereal products and by-products for which, subject to the approval of Parliament, it is proposed initially to specify minimum import prices, and these are set out in the attached agreed Annex.¹ As regards the minimum import prices to be applied to the initial range of products the Government of the United Kingdom have consulted the Government of Canada and other co-operating Governments and it is understood that if the prices prescribed are as agreed, they will be acceptable to the Government of Canada. Any subsequent changes shall be a matter for joint consultation between the Government of the United Kingdom and the principal co-operating Governments, and as regards any changes which affect the particular interests of the Government of Canada, the Government of the United Kingdom shall seek the agreement of the Government of Canada. In addition, the Government of the United Kingdom shall not make any significant change in the

¹ See p. 50 of this volume.

general level of minimum import prices except after agreement with the Government of Canada and other principal co-operating Governments.

8. The Government of the United Kingdom shall take action to maintain the levels of the prescribed minimum import prices by such levies on imports as may be necessary for this purpose. Subject to your confirmation of the willingness of the Government of Canada to co-operate in these arrangements, the Government of the United Kingdom shall exempt from levies all imports of products in the attached Annex which originated in and were consigned from Canada to the United Kingdom except in the following circumstances :

- (i) When the general level of offering prices to the United Kingdom market from Canada for any product in the attached Annex is (after taking into account any customs duty chargeable) below the appropriate prescribed minimum import price for that product, the Government of the United Kingdom may, after notifying the Government of Canada, apply a levy generally equivalent to the difference between the two to that product for so long as such conditions make it necessary.
- (ii) When an individual parcel of any product in the Annex originated in and was consigned from Canada to the United Kingdom and the price paid for that parcel, together with any customs duty chargeable and any levy applicable under subparagraph (i) above is less than the appropriate minimum price, a levy equal to the difference between the two may be applied.

In the circumstances described in sub-paragraph (i) and (ii) above such levies may be applied by the Government of the United Kingdom notwithstanding their commitments to the Government of Canada with respect to the products listed in the Annex, as specified in Schedule XIX¹ annexed to the General Agreement on Tariffs and Trade, and under the relevant provision of the Exchange of Letters of October 30th, 1947 between our two Governments relating to the Trade Agreement of 1937. It is also the intention of the Government of the United Kingdom that in the implementation of these arrangements suitable provision shall be made to avoid prejudice to normal trade practices of forward contracting.

9. The Government of the United Kingdom shall review the minimum import price arrangements before the beginning of each crop year commencing on the 1st July, or on request during a crop year, in consultation with the Government of Canada and other co-operating Governments.

10. The Government of the United Kingdom shall, not later than the beginning of December in each year, start to review in consultation with the Government of Canada and other principal co-operating Governments the extent to which the

¹ See footnote 1, p. 7 of this volume.

objectives set out in paragraphs 3 and 4 of this Letter are, having regard to all relevant factors, being achieved.

11. If it is found as a result of a review of the minimum import price arrangements under paragraph 9 that they have resulted in an appreciable distortion of the pattern of trade in the products which this Letter covers between co-operating Governments supplying the United Kingdom and in consequence have damaged or threaten to damage the trade interests of the Government of Canada, the Government of the United Kingdom shall take effective corrective action in consultation with the Government of Canada and other co-operating Governments and in accordance with the procedures outlined in paragraph 7 to remedy the situation. In addition, consultation will take place between the Government of the United Kingdom and co-operating Governments and if it is thereby found that the total imports of cereals (including the wheat equivalent of wheat flour) have shown or threaten to show an appreciable decline below the average volume of such imports during the three years preceding 1st July, 1964, and that this decline has taken place or threatens to take place because the changes outlined in paragraph 5 have failed to be effective for the purpose of maintaining that volume of imports, the Government of the United Kingdom shall take effective corrective action at the earliest practicable time to remedy the situation.

12. The Government of the United Kingdom believe that the introduction of the measures outlined in this Letter for the purpose of attaining the objectives in paragraph 4 above would further the prospects of attaining the longer term objectives set out in paragraph 3 for the attainment of which the Government of the United Kingdom and the Government of Canada will be working. Accordingly, any arrangements contained in this Exchange of Letters shall be without prejudice to, and indeed are intended to facilitate the negotiation of, international cereals arrangements embodying more comprehensive commitments by all participating countries, whether importing or exporting. Moreover, it is understood that any measures taken as a result of this Exchange of Letters shall be terminated in so far as it is mutually agreed that they may be inconsistent with, or superseded by, the provisions of such later international arrangements to which both the Government of the United Kingdom and the Government of Canada are parties.

13. It is the intention of the Government of the United Kingdom so to operate the minimum import price system that it shall not result in an impairment of the benefits enjoyed by preferential suppliers from their existing preferences in the United Kingdom market. Moreover in the case of wheat-flour it is the intention of the Government of the United Kingdom not to provide under minimum import price arrangements any additional advantages to millers in co-operating countries or in the United Kingdom. If it is found that either of these intentions is not fulfilled or threatens not to be fulfilled, the Government of the United Kingdom shall take effective corrective action after consultation with other co-operating Governments.

14. In the light of all these considerations it is the understanding of the Government of the United Kingdom that the Government of Canada will co-operate so far as practicable in the operation and observance of minimum import prices prescribed for the products covered in the Annex to this Letter subject to the understandings set out herein.

15. If the foregoing is acceptable to the Government of Canada, I have to suggest that this Letter, together with its Annex, and your reply to that effect, shall be regarded as constituting an agreement between the two Governments which shall enter into force on this day's date and shall be terminable in the circumstances envisaged in paragraph 12 or by either Government giving not less than four months' notice in writing to the other. Consultations regarding the operation of this agreement may be held at any time at the request of either Government.

Yours sincerely,

John TILNEY

His Excellency the Honourable Lionel Chevrier, P.C., Q.C.
High Commissioner for Canada

ANNEX

COMMODITIES TO BE SPECIFIED

| <i>Tariff heading</i> | <i>Description</i> |
|-------------------------|---|
| B.N. 10.01 | Wheat and meslin. |
| B.N. 10.03 | Barley. |
| B.N. 10.04 | Oats. |
| Ex B.N. 10.05 | Maize other than sweet corn on the cob. |
| Ex B.N. 10.07 | Grain sorghum. |
| Ex B.N. 11.01 | Cereal flours other than rice flour. |
| Ex B.N. 11.02 | Cereal groats, cereal meals, other worked cereals and germs of cereals other than : (a) rice groats, rice meal, germ of rice and other worked rice ; (b) blocked, pot and pearled barley. |
| Ex B.N. 23.02 | Bran, sharps and other residues derived from the sifting, milling or working of cereals other than of rice, and excluding the residues of leguminous vegetables. |

II

*The High Commissioner for Canada to the Parliamentary Under-Secretary
of State for Commonwealth Relations*

OFFICE OF THE HIGH COMMISSIONER FOR CANADA

London, 15 April, 1964

My Dear Minister :

I acknowledge the receipt of your Letter of the 15th of April, 1964 which reads as follows :

[See letter I]

In reply, I have to inform you that the foregoing is acceptable to the Government of Canada, who therefore regard your Letter, together with its Annex, and this Reply as constituting an Agreement between the two Governments in this matter which shall enter into force on this day's date and shall be terminable in the circumstances envisaged in paragraph 12 of your Letter of the 15th of April, 1964 or by either Government giving not less than four months' notice in writing to the other.

Yours sincerely,

Lionel CHEVRIER

J. D. R. T. Tilney, Esq., T.D., M.P.
Parliamentary Under-Secretary of State
for Commonwealth Relations and for the Colonies