

within a short period in cash, the rate of interest should be  $\frac{3}{4}$  of 1 per cent. In each case, these interest rates were based on the cost to Canada of borrowing money for corresponding periods. Mr. Krotov replied to Mr. Ilsley that he was informing the appropriate authorities in Moscow of these proposals. As no objection has been raised since that time to these proposed rates, we assume they are satisfactory to your Government.

As no agreement has been reached on terms for a long term credit, and as negotiations for such a credit have been suspended now for many months, it is evident that this form of repayment for the amounts advanced on your account by the Government of Canada is not now practicable. Consequently repayment should now be made in cash. The schedule enclosed shows the appropriate amount of interest payable at the rate of  $\frac{3}{4}$  of 1 per cent, up to September 15th, and interest beyond that date at the same rate amounts to \$181.21 per day.

Repayment of the amounts advanced by the Government of Canada and the interest thereon should be made in Canadian dollars obtained by the sale of U.S. dollars or other foreign exchange convertible into gold to the Foreign Exchange Control Board or an authorized agent of that Board. If, however, it is more convenient to your authorities to make payment directly in U.S. dollars, that would be satisfactory.

Accept etc.

H. H. WRONG  
for the Secretary of State  
for External Affairs

1258.

DEA/1076-C-40

*Mémorandum du sous-secrétaire d'État aux Affaires extérieures*

*Memorandum by Under-Secretary of State for External Affairs*

TOP SECRET

[Ottawa,] November 15, 1946

ESTHONIAN REPUBLIC; RECOGNITION OF INCORPORATION IN THE U.S.S.R.

At the meeting of the Cabinet on November 15th,<sup>1</sup> the Secretary of State for External Affairs reported that it was necessary in connection with certain judicial proceedings arising out of the sale of an Esthonian vessel by a Canadian Admiralty Court to reach a decision with respect to the status of the Esthonian Republic. The Republic now formed part of the Union of Socialist Republics.

The Cabinet, after discussion, agreed that Canada should not extend de jure recognition to the Esthonian Republic but should recognize it as the de facto government of Esthonia; also that a reply to that effect should be given only on the formulation of an enquiry by a court of law.

<sup>1</sup> Voir le document 989, paragraphe 26.

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