

come to the conclusion that we should not any longer withhold permission to export.

The Department of Trade and Commerce, however, intends to withhold permission for war-like materials such as parachutes and parachute cords, which have been purchased, and new equipment of United States origin, such as a Diesel engine which is also now in the hands of the representative of the Council.

The Department has not held very strong views on this subject. We have not opposed the sale of non-war-like goods to Yugoslavia in general, but we did, however, concur in the recommendation of the Interdepartmental Committee on External Trade Policy that permission to export in this particular instance should be withheld. As matters now stand, however, the prior agreement with the Foreign Exchange Control Board removes any argument we might advance to the Council of South Slavs for refusing permission to ship except for the categories mentioned above.

I would propose, if you agree, to instruct our Minister in Belgrade to inform the Yugoslav Government that the Canadian Government, in order to clean up this particular arrangement, has now granted permission to export, but add a word of caution so as to make it clear that the Canadian Government is not encouraging further exports to Yugoslavia of this nature.<sup>34</sup>

Last Friday the Interdepartmental Committee on External Trade Policy, after reviewing the facts, agreed that permission to export should now be granted.

1105.

PCO

*Extrait des conclusions du Cabinet*

*Extract from Cabinet Conclusions*

TOP SECRET

[Ottawa], December 21, 1948

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EXTERNAL AFFAIRS; COMPENSATION AGREEMENT; CLAIMS  
AGAINST YUGOSLAVIA

34. *The Secretary of State for External Affairs* said that in July 1947, the U.K. government had been informed that Canada accepted a U.K. offer to negotiate with Yugoslavia on behalf of Canadian claimants with respect to property nationalized in Yugoslavia. Subsequently, submission of claims from Canadians had been invited by public advertisement.

The U.K. and Yugoslavian representatives had now completed a general agreement for compensation. This agreement included settlement of the Canadian claims which had totalled in the neighbourhood of \$7 million. Of these, the largest had been a claim for \$5,600,000 for a nationalized mine.

<sup>34</sup> Ces instructions ont été envoyées le 24 juin.  
This instruction was sent on June 24.