

to pay by instalments. We accordingly requested the British Embassy to draft, in conference with the Spanish authorities, an exchange of letters for this purpose.

4. All through the present year the Spanish authorities have been deferring action, ostensibly because of the illness of the Director-General of their foreign exchange organization. They have now put forward the claim that, since Canada's diplomatic relations with them are not normal and since the Canadians have treated them badly, they would find it difficult to pay the debts until diplomatic relations were made normal.

5. This evidently refers to the reception by the Canadian Government of a Spanish proposal made in September, 1945, for an exchange of diplomatic representatives. The proposal was not accepted. Instructions to the Canadian High Commissioner in London were to tell the Spanish Ambassador, orally, that the Canadian Government was not prepared to receive a diplomatic mission from the present Spanish Government. While there is some doubt whether Mr. Massey actually included the word "present" in conveying this message, Count de Morales, on making similar inquiries at Ottawa, was given a reply identical with that which Mr. Massey had been instructed to give.

6. The Spanish Government are now trying to force us to exchange missions with them by withholding repayment of the commercial debts. Mr. Robertson has drafted a letter which he proposes to send Mr. Weston if it is approved. Attached is a copy of his despatch† with the draft letter.†

7. In view of the Assembly resolution on Spain, it will, I think, be necessary to alter the text of this letter. The Spanish Government, which has for so long, on the flimsiest excuses, maintained its barrier against the repayment of these debts, is even less likely at the present moment to be influenced by any considerations we could put forward. Moreover, the account in the draft letter of the reply made to the Spanish Government's proposal for an exchange of missions is quite different from anything indicated by our records. There is no precise information here as to what was said to the Spanish Ambassador in London during his call at the High Commissioner's Office, but in any case Count de Morales, during his visit to Ottawa, was definitely told that we were not prepared to receive a diplomatic mission from "the present Spanish Government", and there is no record of any pretexts having been given him along the lines of those in the draft letter.

8. To avoid any wording that might be taken to imply dissent from United Nations policy, I think the statement in the last sentence of para. 2, that "Canadian diplomatic relations with Spain are exactly as they have been in the past", will have to be modified. Para. 3, as noted above, is inconsistent with what the Spanish Government learned from its Ottawa inquiries as well as with the instructions sent to the High Commissioner in London, and in any case its tone would be out of keeping with the present situation. As it seems necessary to make some immediate reply to this preposterous attempt to blackmail the Canadian Government into accepting