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agreement was reached on forming a Baltic battalion which will be English-speaking and put at the UN's disposal for peace-keeping operations outside the FSU. The fundamental aims of Estonian foreign policy remain to project herself as belonging naturally in the Western European camp while at the same time maintaining a stable relationship with Moscow.

8. Bilateral relations are in good shape. We continue to enjoy excellent access at all levels. Foreign Minister Velliste paid an official visit to London in March while the Ministers of Agriculture and Health were Category 1 visitors in July (for the Royal Show) and September respectively. I hope to see an invitation to President Meri before long. No British Ministers visited Estonia other than Mr Tim Boswell MP, Parliamentary Under Secretary of State in charge of higher education, who was in Tallinn in September on Conservative Party business but called on the Estonian Minister of Education. HRH The Duke of Kent led a successful BOTB Trade Mission to the Baltic States in May and we had welcome and useful visits by the PUS and Lady Gillmore in September and Mr Logan, AUS, in July.

9. The British Council's English Language Teacher's Resource Centre opened in March and has proved an instant success with several hundred Estonian teachers regularly using its excellent facilities. After a slow start trade is beginning to pick up but we are minor players compared with the Nordic countries, Russia and Germany. However the recently-established ECGD medium and long-term cover has helped and a number of joint ventures are now up and running. Hopefully the long-delayed Investment Promotion and Protection Agreement will be ready for signature in the Spring and will attract further British investment. We are also nearing agreement on a convention for the avoidance of double taxation.

#### INTERNAL

10. After a number of defections, the government coalition in Parliament ended the year in some disarray and, able to count on only 46 votes, no longer enjoys an overall majority. A mini-crisis arose last week when the Prime Minister's proposed Cabinet re-shuffle was initially turned down by the President. After some unseemly public mud-slinging the President backed down and approved the changes but has lost considerable standing and damaged, possibly irreparably, his already fragile relationship with Prime Minister Laar. The Cabinet changes involved sacking the Foreign, Economy and Finance Ministers and replacing them with Pro Patria stalwarts from the Riigikogu. The Defence Minister moved sideways to take over the MFA and was also replaced by a Pro Patria deputy. These changes have followed two previous casualties involving the Ministers of Defence and the Interior in August and November respectively. Both were encouraged to resign over their mishandling of a mutiny by an Army unit in late July.