

paid the better the chances. We have been making our position quite plain to Brazilian officials).

14. When, however, payments to any country were made out of Brazil's own resources we felt we too should receive our share particularly when payments to some countries were made in return for treatment which we had freely given to Brazil without driving a bargain for it. Other countries whose markets were guarded by restrictions could demand their price for granting Brazil access to it. Others with exchange control could bargain with granting of exchange to their importers, who wanted trade with Brazil. Stating traders have their weapons too, which we do not use like in saying to our coffee importers that they should hold up their purchases, amounting to over twenty million dollars a year, until we could come to terms with Brazil. We made exchange freely available: we offered Brazil an open market, simple customs procedures and a low tariff, on the whole far lower than the United States. We should not be penalized on this account. It was in Brazil's interests to treat a country that acted as we did favourably, as an encouragement to others to follow our lead: against her interests to put us at a disadvantage.

15. I suggested now was a profitable moment for Brazil to begin payments to us. The Aranha plan, though it had not put Brazil in funds, opened new prospects and gave a fairer chance to all to enter the Brazilian market. On the strength of Aranha's actions, we were advising all Canadian firms interested in Brazil to take a new look at prospects under his plan. A beginning on arrears would be an added stimulus to trade. For a small outlay, a fair share of what Brazil is devoting to such payments from her own resources, she stood to benefit, perhaps even in direct commercial credits, far more than she stood to lose.

16. Aranha said it was time Brazil gave some thought to Canadian case. He certainly saw no reason for Canada being at a disadvantage for he thought Brazilians might prefer to deal with Canada. But Brazil's position was bad; far worse than he had thought when he took office. (I will send you data separately). The terms of American loans weighed very heavy. True, the original terms have been modified: the date of beginning of payments had been deferred; but payments have been compressed into shorter periods. He seemed to resent it as a hard bargain. Nevertheless, he would see if anything could be done and would discuss it with his advisers. I expect to hear within the next few days.

17. Because Brazilian foreign exchange outlook is so dark I am not hopeful, still there is an outside chance that Aranha may see fit to make some payments on our accounts. If he does not I think we will have to let the matter rest for a while. There seems no point in forcing the Ministry of External Relations to answer our old note. Without Aranha's consent there is nothing they can do for us and if we press them to answer they will have to say no. It seems better to leave note unanswered and wait for another opportunity.