

States companies for what he says are specific abuses. He has been quoted as going so far as to try to deprive foreign investors of any credit for economic development of Brazil, though he has denied it. In one way or another his most extreme remarks have been explained away or toned down. Sometimes, as in the latest *New York Times* incident, he has done it himself: but others including victims themselves of his attacks have done it for him.

7. They are ready, even eager, to make allowances for Aranha because they think he is the best man in sight for Brazil and for foreign interests here, political and economic.

8. Because of this background, I decided I would try to use my official call for more than the customary formal exchange of politenesses. What little hope we have rested, I felt, with him and not in importuning helpless officials of Foreign Ministry to whom we put in our note and who have for three months left it unanswered.

9. Aranha received me for half an hour in an intimate, direct way that made it easy for me. I have no doubt he did so because of your letter to him about me. Aranha began by mentioning it, speaking in warmest and highest terms of you and I know he has mentioned the letter to others in and out of government.

10. I found Aranha not only ignorant but I consider (group corrupt) about the way Canada trades with the world and the way Brazil trades with Canada. He did not know that we dealt in United States dollars. He thought his own exchange would not allow Brazilians to buy Canadian goods with United States dollars they bought at auction.

11. His ignorance about Canada was not [a] complete surprise to me. When his plan was introduced, we had to induce the Bank of Brazil to telegraph all agencies that United States dollars *could be* used for Canadian purchases, to correct the impression Aranha had created when answering questions about his plan in the House.

12. I had first to explain to him how his plan worked for Canada: that Brazilians could (group corrupt) United States dollars for Canadian imports. I said that this meant, in the last analysis, that Canadians competed directly with United States produce markets for limited supply of United States dollars the Brazilian importers had at their disposal; that we accepted this stiff competition but could not afford to work under any disadvantage vis-à-vis our United States competitors or those of any other country. Canadian traders *were* at the moment under a disadvantage in that the commercial arrears totalling some eleven million dollars were unpaid from April, 1952, while Brazil was to some extent paying other creditors out of her own resources under one scheme or another — the loan agreement with the United States, the settlement with the United Kingdom and agreements of various descriptions with other countries.

13. When payment was being made out of proceeds of a loan, as from 300 million dollars from United States there was little practical point in our complaining about it. It happened that we could not lend to Brazil because we were not like the United States a creditor country. Like Brazil we needed capital. (I think it is time that the Brazilians be given to understand we will not lend them money. I suspect they have been vague hoping we might and that [the] longer arrears remained un-