

approximate global figure of \$400-450 million owed by Brazil on US dollar account. Some exchange was gradually being released by Brazil in payment of Canadian accounts up to March 1953 but since then such payments have ceased. (However a few debts were settled at the time of the payment of the first two \$60 million dollar instalments of the Export-Import loan, presumably because of difficulties in segregating Canadian from US accounts.)

We are concerned lest Brazil's preoccupations with United States indebtedness and her negotiations over the Export-Import loan, as well as similar negotiations with other countries, may tend to give priority to these debts; and that if no action is taken by Canada, the payment of Canadian accounts will be delayed indefinitely and considered together with remaining miscellaneous dollar debts.

It has therefore been decided that we should make formal representations to the Brazilian Government. I should be grateful if you would present the following note to the Foreign Ministry as soon as possible.

Text of note begins:

The Canadian Embassy presents its compliments to the Ministry of Foreign Affairs and has the honour to refer to the long history of close and friendly trade relations between Brazil and Canada. These cordial relations and the desire of both countries to expand and develop their mutually advantageous trade were warmly reaffirmed during the visit to Brazil early this year of the Canadian Goodwill and Trade Mission headed by the Rt. Hon. C.D. Howe.

The Canadian Government is aware of the serious exchange difficulties which during the past few years have tended to delay payments for Brazilian imports from other countries, including Canada. The amounts owing to Canadian firms are believed to be in the neighbourhood of \$10 million, and relate to shipments made as far back as the latter part of 1951 and through 1952. This estimated total, though relatively small, represents of course a very substantial commitment for the Canadian suppliers concerned.

Canadian exporters with outstanding accounts in Brazil had expected that the recent measures undertaken by the Brazilian Government would have led to an accelerated rate of repayment. Unfortunately, such is not the case. On the contrary, while funds had previously been released from time to time by the Bank of Brazil in partial settlement of overdue Canadian accounts, since March of this year there has been an almost complete cessation of such interim payments. Canadian suppliers have thus been placed at a further disadvantage in recent months vis-à-vis their competitors in the Brazilian market.

The Canadian Government is confident that the Brazilian Government, in releasing funds in settlement of commercial arrears, does not intend to place Canadian suppliers in a position less favourable than heretofore. In consequence, the Canadian Government wishes to bring this matter to the attention of the Brazilian Government in the hope that the Brazilian Government will take steps to ensure that settlement of arrears on goods of Canadian origin will be resumed as soon as possible, thereby correcting a harmful situation and protecting the long-run trade interests of both Canada and Brazil. Text ends.