

DEPARTMENT OF OVERSEAS TRADE

Report
on Economic and
Commercial Conditions in
BRAZIL

SEPTEMBER, 1936

By E. MURRAY HARVEY, O.B.E., M.C., F.R.G.S.

Commercial Secretary to His Majesty's Embassy, Rio de Janeiro

and W. G. BRUZAUD

Commercial Secretary to His Majesty's Embassy, Rio de Janeiro

(The previous Report is dated September, 1935)

Crown Copyright Reserved



LONDON

PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE

To be purchased directly from H.M. STATIONERY OFFICE at the following addresses:

Adastral House, Kingsway, London, W.C.2; 120 George Street, Edinburgh 2;

26 York Street, Manchester 1; 1 St. Andrew's Crescent, Cardiff;

80 Chichester Street, Belfast;

or through any bookseller

1937

Price 3s. *od.* net

30.981
D419

DEPARTMENT OF OVERSEAS TRADE

COMMERCIAL REPRESENTATION ABROAD.

To foster British overseas trade, the Department controls the following services of Commercial Intelligence Officers:—

1. IN THE EMPIRE.

The Trade Commissioner and Imperial Trade Correspondent Services.

At the present time there are 16 Trade Commissioners' offices. These are situated, four in Canada (Montreal, Toronto, Vancouver, Winnipeg); two each in South Africa (Capetown, Johannesburg), Australia (Sydney, Melbourne), India (Calcutta and Bombay—to cover also Ceylon), and British West Indies (Trinidad, Jamaica); and one each in New Zealand (Wellington), Irish Free State (Dublin), Malaya (Singapore) and British East Africa (Nairobi).

The Trade Commissioners have the assistance of Imperial Trade Correspondents at a number of important centres.

There are also Imperial Trade Correspondents in those parts of the Empire to which Trade Commissioners have not been appointed.

2. IN FOREIGN COUNTRIES.

2911 11 12 (a) *The Commercial Diplomatic Service attached to the British Diplomatic Missions.*

There are 38 Commercial Diplomatic posts situated in all the more important foreign markets of the world. The members of the Commercial Diplomatic Service are styled "Commercial Counsellors" in the highest grade, and "Commercial Secretaries" in the three lower grades. They are members of the staff of the British Embassy or Legation in which they serve.

The Commercial Diplomatic Officer has general supervision over the commercial work of the consular officers in his area, and with the co-operation of these two services, a complete network of Government commercial representatives is thrown over foreign countries.

The Department is represented in Brazil by Mr. E. Murray Harvey, O.B.E., M.C., F.R.G.S., Commercial Secretary, and Mr. W. G. Bruzaud, Commercial Secretary to His Majesty's Embassy, Rio de Janeiro.

(b) *The British Consular Service.*

Particular attention has been given to the commercial side of consular work since the re-organisation of the service. In certain countries where no Commercial Diplomatic Officer is stationed the senior Consular Officer undertakes duties of a similar character.

Further information regarding the above services can be obtained on application to the Department of Overseas Trade, 35, Old Queen Street, London, S.W.1.

Members of United Kingdom firms are urged to call upon the Department's representative abroad when they visit an overseas country. It is also important that they should make a point of their representatives abroad keeping in close touch with the Department's officers.

NOTE.

It should be understood that the views expressed in annual reports are the views of the officers themselves, and are not necessarily in all respects those of the Department.

TABLE OF CONTENTS

	Page
COMMERCIAL SUMMARY	viii
HINTS FOR COMMERCIAL VISITORS	viii
I.—GENERAL FORENOTE	I
II.—FINANCE :—	
Budget Outturn for 1935 (Federal)	7
Budget Estimates for 1936 and 1937 (Federal)	8
Budgets of the States of :—	
Rio de Janeiro	10
São Paulo	10
Paraná	11
Santa Catharina	11
Rio Grande do Sul	11
Minas Geraes	12
Bahia	12
Sergipe	13
Pernambuco	13
Alagoas	13
Ceará	13
Rio Grande do Norte	13
Parahyba	13
Pará	14
Amazonas	14
Maranhão	14
Piauhy	15
Budget Estimates of the Municipality of Rio de Janeiro	15
Rediscount Department of the Bank of Brazil	16
External Debts	17
Internal Debts	19
Payments in respect of commercial arrears agreements	19
Loans made by the Bank of Brazil and the National Savings Bank	19
Note Circulation	20
Balance of Payments	20
Exchange Situation	22
Exchange Regulations	24
German Compensation Marks	26
British Capital Investments	27
Bank of London & South America, Ltd.	27
Credit Conditions	28
Commercial Arrears Agreements with :—	
United Kingdom	29
Sweden	30
Denmark	30
Portugal	30
U.S.A.... ..	31
Germany	32
Switzerland	32
Norway	33
France	33
Finnish Foreign Credits	33

III.—LEGISLATION :—

Tariffs :—	
Customs exemptions and reductions	34
Two per cent. ad valorem duty on imports	34
Brazilian products similar to foreign products	34
The reduction of duties on wheat flour	34
Drawback System	35
Two-thirds Law	35
Compulsory Analysis of Foodstuffs	36
New Pensions Revenue Law	37
Proposed Legislation to rationalise freight rates	39
Minimum Wages Law	39
Law on the Compilation of Schedules for Foodstuffs	40
Miscellaneous Decrees	40

IV.—TREATIES AND TRADE AGREEMENTS WITH :—

Argentina	41
Uruguay	42
U.S.A.	42
Denunciation of Commercial Treaties	42
And Agreements with :—	
Germany	45
France	46
Finland	47
Czechoslovakia	48
Denmark	48
Iceland	48
Norway	48
Sweden	49
Hungary	49
Switzerland	49
Austria	50
Ecuador	50
Peru	50
Colombia	51
Mexico	51
Cuba	51
Poland	52
Spain	52
Belgium	52
Venezuela	52
The Netherlands	52
Egypt	52
Turkey	52
Italy	52
Chile	52
Roumania	52
United Kingdom	52
Newfoundland	52
Canada	52
Irish Free State	53
India	53
South Africa	53

V.—FOREIGN TRADE :—

Exports :—

General	...	...	...	...	...	...	...	53
First Six Months of 1936	...	...	...	...	...	...	...	54
Coffee	...	...	...	...	...	...	...	54
Cocoa	...	...	...	...	...	...	...	57
Oranges	...	...	...	...	...	...	...	59
Textiles	...	...	...	...	...	...	...	60
Rubber	...	...	...	...	...	...	...	61
Recent Measures Adopted to Increase Exportation	...	...	...	...	...	...	...	62

Imports :—

General	...	...	...	...	...	...	...	62
First Six Months of 1936	...	...	...	...	...	...	...	65
Effects of Compensation Mark Trade	...	...	...	...	...	...	...	66
Cause of Decline of United Kingdom Exports to Brazil...	...	...	...	...	...	...	...	67
Cotton Piece Goods (Bleached and Printed)	...	...	...	...	...	...	...	67
Dyed Cotton Piece Goods	...	...	...	...	...	...	...	67
Cotton Piece Goods (Unenumerated)	...	...	...	...	...	...	...	67
Cotton Manufactures (Unspecified)	...	...	...	...	...	...	...	68
Raw Jute	...	...	...	...	...	...	...	68
Woollen Yarns	...	...	...	...	...	...	...	68
Woollen Piece Goods	...	...	...	...	...	...	...	68
Linen Piece Goods	...	...	...	...	...	...	...	68
Iron and Steel Manufactures	...	...	...	...	...	...	...	68
Hoes, Shovels, Pickaxes and Similar	...	...	...	...	...	...	...	69
Barbed Wire	...	...	...	...	...	...	...	69
Plain Wire	...	...	...	...	...	...	...	69
Galvanised Corrugated Sheets	...	...	...	...	...	...	...	69
Tinplates	...	...	...	...	...	...	...	69
Tools and Utensils, including Machine Tools	...	...	...	...	...	...	...	70
Locomotives, Carriages and Waggon	...	...	...	...	...	...	...	70
Axles and Wheels, etc.	...	...	...	...	...	...	...	71
Purchases made by the following Railway Companies :—								
Central Railway of Brazil	...	...	...	...	...	...	...	71
Leopoldina Railway Co.	...	...	...	...	...	...	...	71
São Paulo Railway	...	...	...	...	...	...	...	71
Paulista Railway	...	...	...	...	...	...	...	71
Sorocabana Railway	...	...	...	...	...	...	...	72
Mogyana Railway	...	...	...	...	...	...	...	72
Noroeste Railway	...	...	...	...	...	...	...	72
São Paulo-Paraná Railway	...	...	...	...	...	...	...	72
Réde de Viação Cearense	...	...	...	...	...	...	...	72
Estrada de Ferro Paraná-Santa Catharina	...	...	...	...	...	...	...	72
Motor Cars	...	...	...	...	...	...	...	72
Motor Trucks	...	...	...	...	...	...	...	73
Spinning and Weaving Machinery	...	...	...	...	...	...	...	73
Boilers	...	...	...	...	...	...	...	74
Copper Plates and Sheets	...	...	...	...	...	...	...	74
Electric Cables and Wires	...	...	...	...	...	...	...	74
Caustic Soda	...	...	...	...	...	...	...	74
Materials and Apparatus for Electric Light	...	...	...	...	...	...	...	74
Electric Motors	...	...	...	...	...	...	...	75
Transformers	...	...	...	...	...	...	...	75
Coal	...	...	...	...	...	...	...	75
Cement	...	...	...	...	...	...	...	77
Lubricating Oils	...	...	...	...	...	...	...	77

V.—FOREIGN TRADE— <i>continued.</i>		
Imports— <i>continued.</i>		
Cinematograph Films	... ..	77
Radio Apparatus and Accessories	... ..	77
Sewing Machines	... ..	78
Dried Codfish	... ..	78
Aircraft	... ..	78
VI.—BRAZILIAN COASTWISE TRADE		79
VII.—NATIONAL INDUSTRIES		79
VIII.—AGRICULTURE :—		
General	... ..	85
Reports on Conditions in Various States	... ..	89
IX.—MINERALS :—		
Manganese	... ..	94
Coal	... ..	96
Gold	... ..	96
Diamonds	... ..	97
Oil	... ..	97
Bauxite	... ..	99
X.—MISSIONS :—		
Italian Commercial Mission to Brazil	... ..	99
Japanese Mission to Bahia	... ..	99
Brazilian Mission to Japan	... ..	99
Dutch Mission to Brazil	... ..	100
XI.—FAIRS AND EXHIBITIONS :—		
Finnish Floating Exhibition	... ..	100
1935 Rio de Janeiro Samples Fair	... ..	100
Fifth National Livestock Exhibition	... ..	101
Pernambuco Fair	... ..	101
XII.—PUBLIC WORKS AND COMMUNICATIONS :—		
General	... ..	102
Rio de Janeiro New Water Supply Concession	... ..	102
Port Works	... ..	103
Roads	... ..	105
Railways	... ..	106
Aviation	... ..	111
Brazilian Mercantile Marine	... ..	117
Naval Programme	... ..	120
New Polish Shipping Line to Brazil	... ..	121
XIII.—MISCELLANEOUS :—		
Insurance Situation	... ..	121
Labour	... ..	123
Immigration	... ..	124
Nationalism	... ..	125
Central Purchasing Commission	... ..	126
New Functions of the Section of Economic and Financial Studies	... ..	126
Brazilian Statistics	... ..	127
Acre Territory	... ..	128

APPENDICES :—

I.—External Debt of the Federal Government	129
II.—Internal Debt of the Federal Government	133
III.—Internal Debts of the States	133
IV.—Budget Estimates and Outturn for 1935	134
V.—Budget Estimates for 1936	135
VI.—Budget Estimates for 1937	136
VII.—Estimated and Actual Revenue and Expenditure of the Federal Government, after conversion to paper currency	136
VIII.—Paper Currency in Circulation on the 30th June, 1936	137
IX.—Brazilian Imports by Countries, 1933, 1934 and 1935	138
X.—Brazilian Imports by Classes of Commodities, 1933, 1934 and 1935	148
XI.—Brazilian Imports by Classes of Commodities during the first six months of the years 1934, 1935 and 1936	150
XII.—Brazilian Exports by Classes of Commodities 1933, 1934 and 1935	152
XIII.—Brazilian Exports by Classes of Commodities during the first six months of the years 1934, 1935 and 1936	153
XIV.—Brazilian Exports by Countries of Destination, 1933, 1934, 1935 and first half of 1936	154
XIVA.—Brazilian Imports by Countries of Origin, 1933, 1934, 1935 and first half of 1936	154
XV.—Agricultural Production in Brazil	155
XVI.—Export Products Subject to Official Exchange Quotas	156
XVII.—Immigration Instructions	157
XVIII.—Railway Lines in Brazil	160
XIX.—Principal Air Services in Brazil	162
XX.—Air Services in Brazil	164
XXI.—Return of British Shipping Entered and Cleared, Port of Rio de Janeiro	166
XXII.—Résumé of Shipping Movement, 1934 and 1935, Port of Santos	168
XXIII.—Payment for Imports into Brazil of Goods originating from Countries having blocked currency	169

COMMERCIAL SUMMARY

Area.—3,300,000 square miles.

Population.—(Government estimate in 1935) 47,795,000.

Total Notes in Circulation.—(31st August, 1935) 3,225,686,483 \$000 (30th June, 1936)—3,047,448,957 \$500.

Currency.—The unit of money value throughout Brazil is the real (plural reis), the smallest coin being 100 reis, and the highest unit of value one conto of reis worth 1,000 milreis. The conventional means of quoting Brazilian currency is as follows :—

1:000\$000	One conto of reis.
100\$000	One hundred milreis.
1\$000	One milreis.
\$100	One hundred reis.
\$001	One real.

Amounts of less than 100 reis are not now recognised in Brazil.

Exchange Rate.—(31st December, 1935) Paper milreis (1,000 reis)—2½d. Gold milreis (1,000 reis)—Rs.8\$000paper. 31st August, 1936, Free rate—2½¼d. Official rate—Rs.57\$540 per £.*

	£
<i>Federal Government Revenue, 1936, estimate (the rate at 86\$000 to £1 sterling)</i>	29,506,700
<i>Federal Government Expenditure, 1936 estimate (ditto)</i>	33,647,700
<i>Imports, 1935, total gold</i>	27,431,114
<i>Imports from Great Britain and Northern Ireland, 1935, total gold</i>	3,409,175
<i>Exports, 1935, total gold</i>	33,011,848
<i>Exports to Great Britain and Northern Ireland, 1935, total gold</i>	3,055,142
<i>Exports January to June, 1936, total gold</i>	17,084,000
<i>Exports January to June, 1936, to Great Britain and Northern Ireland, total gold</i>	2,143,000
<i>Imports January to June, 1936, total gold</i>	13,971,000
<i>Imports January to June, 1936, from Great Britain and Northern Ireland, total gold</i>	1,491,000
	Miles.
<i>Railway Mileage, 1936, approximate</i>	20,805
<i>Road Mileage, 1936, approximate</i>	78,205

HINTS FOR COMMERCIAL VISITORS

Copies of a pamphlet containing Hints for Commercial Visitors may be obtained by United Kingdom firms on application to the Department of Overseas Trade.

* Note by Department of Overseas Trade:—On the 31st December, 1936, the rates of exchange were 1 paper milreis=4½d. official rate (for export bills) and 2½¼d. free rate.

REPORT ON ECONOMIC AND COMMERCIAL CONDITIONS IN BRAZIL

September, 1936.

I. GENERAL FORENOTE

The Brazilian Government has been confronted with urgent problems during the difficult period through which the country has passed since the last report in this series was written [September, 1935], and has successfully dealt with them.

An attempted revolution in November, 1935, in which certain army units were involved, was suppressed with promptitude.

In spite of the favourable balance of trade being the lowest recorded for many years, the service of the foreign debts (in accordance with the reduced scale of the "Aranha Plan") has been maintained throughout the country, with the exception of the State of Bahia and the Municipality of Bello Horizonte.

In addition the provisions of the agreements made with the United Kingdom, the U.S.A. and various other countries having for their object the liquidation of "frozen" commercial credits due by Brazilian importers to their foreign suppliers, have been put into effect and are working satisfactorily; and the exchange position is such that now and for some time past, foreign exchange has been readily available for the purpose of payment for current imports. Moreover, the rate of exchange for the milreis has recovered from the low point—94\$000 to the £ sterling—which it reached in August, 1935, and for some months has been stable at between 85\$000 and 86\$000 to the £.

Another favourable factor is the gradual change which is taking place in the distribution of agricultural effort, which should in time lead to the point where Brazil will no longer be dependent to such an extent upon one crop—coffee—and other crops, such as cotton, will gain an almost equal importance as articles of export.

The prosperity of local industry has been maintained; unemployment is practically unknown in Brazil and there is in fact at times a serious shortage of labour for agricultural purposes.

The cost of living has now definitely commenced to rise, due to prices beginning at last to overtake the time-lag that always supervenes between the marked depreciation in the exchange value of a currency and an equivalent fall in its local purchasing power—a period which is naturally longer in a country where the standard of living of the bulk of the population is comparatively low, and their staple articles of diet are locally produced.

The social legislation introduced in recent times must also be a contributing cause of the rise in the cost of production and consequently in that of living in Brazil.

An interesting development of Brazilian economic life is the Federal Council for Foreign Trade, which is presided over by the President of the Republic himself, and has the widest powers to deal with all questions which are in even the most remote sense connected with the export trade of Brazil. The Council has among its members economists and technical experts in financial, commercial, industrial and agricultural matters; and it can call on any others when it deems it expedient to do so.

Anyone engaged in the production or export of any product having a suggestion to make is assured of a hearing, and full investigation and sympathetic consideration of his proposals. As an example may be mentioned the case of manufactured forms of tobacco, the exporters of which represented to the Council that they could increase their foreign sales if they were relieved of the necessity of selling at the official rate the 35 per cent. quota of their export bills. Their application was granted.

In January, 1936, the Brazilian Government, on the recommendation of the Council for Foreign Trade, denounced, with six months' notice, practically all the commercial agreements in force with other countries, with the principal exception of the new treaty concluded with the U.S.A., on the ground that the most-favoured-nation clause on which most of these instruments were based, did not fully meet the special requirements of Brazil. Negotiations for the conclusion of fresh treaties were commenced with a number of foreign countries; but it proved impossible to bring these to completion by the end of July, and it was therefore necessary to prolong the *status quo* of Brazil's commercial relations by means of a series of exchanges of notes, each *modus vivendi* being made subject to 30 days' notice of determination by either contracting party.

The objects of Brazilian foreign trade policy may be said mainly to be the extension of her foreign markets for produce generally and coffee in particular; and to see that her export trade is not penalised by any system of restrictions, quotas, contingents or the like introduced by any other state. It has been categorically declared on several occasions that Brazil will retaliate against the placing of any such obstacles in the way of her trade, and similarly, that the Brazilian Government is definitely opposed to any system of trade limitation. Nevertheless when Germany refused to purchase cotton excepting against payment in "compensation" marks Brazil, in order not to lose an extensive market for her products, was constrained to give way, at the cost of the loss to her exchange portfolio of a considerable sum of freely negotiable foreign currency, and at the risk of offending certain of her other

customers, whose return trade with Brazil is being adversely affected. The advantages already reaped by Germany from this arrangement and its unfortunate repercussion on United Kingdom trade with Brazil are dealt with elsewhere in this report.

It is perhaps not generally realized that Brazil can well claim to be the most industrialized state in South America, thanks to her wealth of raw material, large population and cheap labour and enormous fertile area, all of which factors tend to render her independent of many of the things which are necessary imports for less fortunate countries. Nevertheless Brazil is dependent on her export trade for her economic development. The sale abroad of her huge surplus of foodstuffs and of her raw materials is the only source of the exchange needed to pay the service of her foreign debts and other Government commitments, in addition to purchasing the many requirements such as machinery, locomotives, automobiles and luxury articles which cannot yet be manufactured locally.

Brazilian industry is highly protected by the customs tariff and by the " Law of Similars " under the provisions of which the local manufacturer or producer of any article can apply to have it inscribed in an ever-lengthening list of things which can in no circumstances be granted duty-free entry—a piece of legislation which has been made to override even the terms of the contracts of concessionnaire companies who had always enjoyed customs franchise for their requirements imported from abroad. In Brazil, as elsewhere, there has developed in recent years a strongly nationalistic feeling which finds its expression in various ways—among which is a tendency indirectly to restrict by legislation the earnings of foreign capital long invested in the country, and to imagine exploitation by the alien where none exists.

From the above it will readily be deduced that Brazil can no longer be regarded as an undeveloped field for foreign enterprise, and it goes without saying that foreign capital is still welcomed, but its profitable investment can now more suitably be found in industry and other forms of production than in enterprise of the nature of public utility undertakings.

States of Pará, Amazonas, Maranhão and Piauh.—The consular district of Pará, comprising the four northernmost states of Brazil and the Federal Territory of the Acre, has a total area of about $1\frac{1}{2}$ million square miles, and an estimated population of three millions. The district is thus, as a whole, very sparsely populated, especially when it is considered that probably a sixth of the population resides in the urban area. The chief towns are Belém, the capital of the State of Pará, with a population officially given at 284,000; Manáos, capital of Amazonas; São Luiz (Maranhão),

capital of the State of Maranhão; Therezina, capital of the State of Piauhy; and Parnahyba, its commercial centre, and the little town of Rio Branco, the seat of government of the Acre Territory. The economic prosperity of the district depends largely on the yield of its natural resources and the sale of their products outside its area, whether to foreign countries or to southern Brazil. In Amazonas, the Acre and Pará the chief sources of wealth are the Brazil-nut trees, the rubber trees and the many varieties of trees of the Amazonian forest felled for timber; in Maranhão it is the babassú palm, with cotton taking second place; in Piauhy the carnaúba palm. The past year has been a prosperous one for the export trade of this district as large quantities of nuts, rubber and babassú have been exported and the prices realized in currency have been exceptionally good. The increased purchasing power of the business community has been reflected in the painting and repairing of their houses and business premises and in the importation of radios, refrigerators and motor-cars from the U.S.A. This improvement, however, has been more than counter-balanced by reductions in other directions, for total imports from abroad continue to decrease as the consumption of foreign goods gives place to that of national goods manufactured in southern Brazil. Moreover, it must be emphasized that the general standard of living in this district is very low; even in the towns the average daily wage of an unskilled workman is not more than six or seven milreis, while the Indian tribes in the remoter regions of the Amazon and its tributaries are still in a primitive state. It cannot, therefore, be said that there is any immediate prospect of improvement in the trade of the United Kingdom, which has steadily declined in the last few years.

States of Pernambuco, Alagôas, Rio Grande do Norte, Parahyba and Ceará.—The statistics relating to economic activity in this part of Brazil during the period under review compare favourably in general with those for previous years. Despite the development of the textile manufacturing industry, the district remains essentially agricultural. The increasing production of raw cotton is freeing the region from the perilous dominance of a single commodity, sugar. Unfortunately climatic and soil conditions do not favour the cultivation of cereal crops or the raising of cattle on a sufficiently extensive scale and, paradoxical as it may appear, this non-industrial area has to import foodstuffs for consumption in rural as well as in urban districts. The overseas trade returns of the port of Recife reveal a disproportionate balance of imports over exports which at first glance appears alarming. In 1935 the value of merchandise imported through Recife from other Brazilian states was more than 25 per cent. in excess of the exports to those states: and the imports exceeded exports in trading with foreign countries by 70 per cent. The explanation is to be found

in the predominance of Recife in north-eastern Brazil as an importing and distributing centre. While cotton, sugar, textiles, vegetable oils, etc., from States of Ceará, Rio Grande do Norte, Paraíba and Alagoas leave these shores through the ports of Fortaleza, Natal, Cabedello and Juraguá (Maceió), their imports of manufactured goods and foodstuffs from abroad are effected largely through Recife. The foreign trade figures, published by the Department of Industry and Commerce in Rio de Janeiro support the contention that in trade with foreign countries (as opposed to inter-Brazilian State trade) the Pernambuco consular district consisting of the States of Pernambuco, Ceará, Rio Grande do Norte, Paraíba and Alagoas contributes directly to the national income. The following figures represent, in pounds (gold), the value of the foreign trade of the district:—

	1934	1935
Imports	2,104,652	2,262,388
Exports	3,028,756	4,153,695

Economic conditions at present are definitely good; money is circulating freely and there is brisk movement in retail sales. Unemployment is practically unknown. The cost of living is, however, rising rapidly and an adjustment of the low rates of wages ruling at present appears inevitable. There is every reason to believe that, given a reasonable measure of political stability, the notable progress made during the last ten years will be at least duplicated during the coming decade.

States of Bahia and Sergipe.—As there are not more than 10,000 out of the total population of $4\frac{1}{2}$ million who live more or less on European standards, the purchasing power of these States is on the whole extremely limited, consequently these territories are poor markets for imported goods other than those of the cheapest variety. The products of national industries are, therefore, those which invariably command a ready sale.

The suspension of the service of the foreign loans, alluded to in another chapter of this report, was authorized by the State Legislative Assembly on the 26th November, 1935, on the plea that the depreciation of national currency had adversely affected the gold value of exports. It was stated that in 1928 exports amounting to 142,000 metric tons realised £8,312,997 (paper), whereas in 1935, the proceeds of 192,535 tons of exports only reached £2,342,729 (gold).

State of Rio Grande do Sul.—It may be asserted, without undue optimism, that Rio Grande do Sul has turned the corner and conquered depression, since trade is flourishing, particularly with the other states of Brazil, and progress has been made in finding foreign markets for local produce. The weather conditions in April and May, 1936, were, however, unfavourable; the heavy rains having

adversely affected the crops, but as prices were high producers experienced no difficulty in finding a ready market.

State of São Paulo.—The 12 months under review have been of unprecedented prosperity in the history of the State of São Paulo. The political situation has remained quiet under the competent but firm guidance of a progressive administration, whilst industrial and agricultural production have registered surprising development. These factors, together with an increase in the population since 1920 from 4,592,000 to 6,433,000, have contributed to the building "boom" which continued throughout the year 1935 and persists unabated. Gross revenue has already increased from 759,000 contos of reis in 1934 to 870,000 contos in 1935, whilst municipal finances are in a very healthy condition.

Exports of all the principal agricultural products are increasing rapidly, cotton shipments proving especially lucrative. Imports are also rising to meet the demands of the steadily expanding local industries but German manufacturers, by means of the "compensation" mark, have succeeded in ousting goods formerly supplied by many other countries. Local industries, protected by a high tariff wall and a depreciated exchange, have never been so prosperous, although there is some danger of over-production.

The great development of cotton planting has caused an acute and chronic shortage of agricultural labour and by occupying land formerly used for other crops, has led to a lack of cereals and a corresponding increase in the cost of living, especially for the poorer classes. Agriculture, in general, however, will benefit greatly from the circulation of the 800,000 contos at which the value of present cotton crop and its by-products has been estimated.

The São Paulo State Government has a large public works programme which includes the building of roads, bridges, hospitals and schools, while heavy additional expenditure is devoted to stimulating and fostering agriculture, elementary education and public health.

In view of this general prosperity in all departments of the State's political, social and economic life, São Paulo can look forward to an even brighter future, provided the political situation maintains its present calm and the foreign exchange market remains such as to permit the unrestricted influx of the essential raw materials and machinery required for the efficient working of her industries.

States of Matto Grosso, Goyaz, Santa Catharina and Paraná.—The State of Matto Grosso progresses slowly but steadily, whilst in Goyaz new roads, air services, schools and Government assistance for wheat and cotton growing should lead to further development in another backward area. In Santa Catharina conditions would appear to be normal and the declining exportation of maté was

compensated for by heavier shipments of timber abroad. As regards Paraná, the returning prosperity noted in 1934 may be said to have continued in 1935. The improvement in the timber trade has benefited both sawmills and workers in the interior, whilst increased coffee exports contributed to a better situation in the north of the State. Factories continue to work full time, agriculture is prosperous and living conditions amongst the farmers of the interior improving. As Paraná produces most of the necessities of life, such as vegetables and meat, the cost of living remains low. The continued drought in 1936, however, has raised fears regarding the crops and a rise in prices is expected as a consequence. The one black spot is the continued precarious situation of exporters of *herva matté*, which in former years was the staple agricultural product. It is hoped that the loss of the Argentine market, however, will be compensated for by increased coffee exports and a development in cotton growing in the north of the State.

The building boom in Curitiba continues; motor-cars are selling in large numbers and cinemas and theatres are well patronized. Shopkeepers had a good year in 1935, and with increased spending power and a balanced budget Paraná appears to be far on the road to recovery.

State of Minas Geraes.—The year 1935 has been a difficult one for this State from an economic standpoint, owing to the heavy burden of liabilities incurred by the preceding Government and the fact that there has also been a decrease in revenue during the last few years due partly to the inefficient system of taxation and to the devalorization of exports, particularly coffee. The present Government is, however, endeavouring to improve the financial position of the State by tightening up the fiscal system. During the past few years expenditure has been considerably in excess of revenue. In an endeavour to improve the situation the Government has increased taxation during the current year, but in view of the multifarious calls on revenue necessary towards opening up the country by extending road and railway communications, assistance to agriculturists, particularly cotton, educational development, police force, etc., the future revenues of this State will need careful husbanding if equilibrium is to be maintained.

II. FINANCE

Budget Outturn for 1935.—Revenue and expenditure were estimated at 2,169,577 contos and 2,675,655 contos, respectively, the budgeted deficit being 506,078 contos of reis. Additional credits authorized during the year, amounting to 594,899 contos, of which only 536,512 contos was actually opened, raised the above-mentioned deficit to 1,042,590 contos. The total revenue, however, increased to 2,722,693 contos of reis, resulting from receipts in excess of those budgeted for to the extent of 553,116 contos. *Vide* appendix No. IV to this report.

The most important increases in revenue were those resulting from the customs receipts and the consumption tax, which were 286,032 and 121,493 contos of reis, respectively, over the figures estimated in the budget. Stamp and document taxes produced 82,143 contos more than was anticipated. The balance of the excess of revenue was collected by a number of other departments, such as state domains, etc. Higher customs revenue is attributable to increased imports, whilst the abnormal receipts from consumption and stamp taxes are reported to be due to the prosperity of the internal trade of the country. The textile industry, for example, has been working practically full time at remunerative prices. Thus the prosperous position of local industries in the whole market is reflected in the satisfactory receipts from taxation under these two headings. Returns from Federal railways, posts and telegraphs were greater than those of recent years, but are still insufficient to cover the cost of these services, which have shown deficits every year.

As regards expenditure the Ministry for Finance was responsible for 40 per cent. of the total budget, the services of the public debt accounting for 615,920 contos of reis, out of a total of 1,159,396 contos expended by this Ministry. The floating debt was liquidated to the extent of 33,764 contos.

The Ministry for Transport and Public Works is second in importance, with a total expenditure of 574,523 contos, and includes the cost of operating such Federal administrative services as railways, posts and telegraphs, which accounted for about 70 per cent. of this sum.

Comparatively small amounts have been spent on public works, owing to the need for strict economy, and the only item worthy of note is the sum of 1,400 contos for the new civil airport at Rio de Janeiro.

The expenditure of the Army and Navy amounted to 713,311 contos, whilst that of the Ministry for Agriculture were 67,834.

The actual deficit of the year 1935 was 149,308 contos of reis, covered by credit operations with the Bank of Brazil.

1936 Budget Estimates.—The official estimates for 1936 reproduced in Appendix V forecast a deficit of 356,129 contos of reis, which was reduced to 317,268 contos by the President's veto on certain items of expenditure considered as not being of an urgent nature. During the first six months of this year it was officially reported that, while revenue was approximately slightly in excess of the budget estimates, expenditure had been exceeded by several hundred contos, and that the deficit from 1st January to 30th June, 1936, would be nearly 600,000 contos. It is, however, anticipated that this figure will be considerably reduced, as revenue in the latter part of the year is inclined to increase, whilst on the other hand expenditure tends to diminish. The special credits opened during the first six months have contributed to upset the equilibrium of the accounts to some extent and efforts are being made by

the Government to compress these as much as possible during the second half of the year.

1937 Budget Estimates.—On the 27th June, 1936, preliminary estimates* for the Brazilian budget for 1937 were made known to the press. The total expenditure for 1937 was estimated at Rs.3,239,801 contos of reis, or the equivalent at the official rate of exchange of Rs.58\$000 to the £ sterling, of approximately £56 million (*Vide* Appendix No. VI).

Revenue was estimated to produce Rs.2,826,806 contos of reis—an increase of 289,230 contos over the figures for 1936. No details of the revenue forecast were given, but it is known that the receipts already collected in 1936 are higher than those anticipated in the budget.

The sum total of expenditure submitted to the Minister for Finance by the various ministries was Rs.3,387,507 contos, but the figure was reduced by cuts in their budgets to the figure given above.

The increase in the expenditure budgeted for by the Ministry for Finance was due to the allocation of over 140,000 contos of reis for the repayment of the loans in order to liquidate the United Kingdom and U.S.A. arrears of frozen credits under the terms of the agreements of 1935.

The Ministry for Labour, Industry and Commerce has included in its estimate an item of 30,000 contos of reis for its contribution to the pensions scheme—a new allocation.

A reform in the police force system accounts for the greater part of the increase in the expenditure of the Ministry for Justice.

The increase of 37,226 contos of reis in the budget estimates of the Ministry for Transport and Public Works is accounted for by increases in labourers' wages, in coal purchases and expenditure in connection with the electrification of the Central Railway of Brazil.

An all-round increase in the estimates of the Ministry for Marine is to be noted; whilst in that of the Ministry for War it is stated that 16,000 contos of reis will be used in increases of pay for the troops, in expenditure on new war stores, and on the Engineers Section of the Army.

The deficit forecast for 1937 was of Rs.412,995 contos of reis, which is more than the estimated deficit for 1936.

A comparison of the estimates for 1937 with the budget outturn for the year 1935—the latest figures available—particulars of which were given in the Presidential Message to Congress, is as follows :—

	<i>Outturn for</i> 1935	<i>1936</i> <i>Estimates.</i>	<i>1937</i> <i>Estimates.*</i>
	<i>(In Contos of Reis.)</i>		
Revenue	2,722,693	2,537,576	2,826,806
Total Expenditure	2,872,001	2,854,844	3,239,801
Deficit... ..	149,308	317,268	412,995

* See note to Appendix VI.

The expenditure for 1935 included extraordinary credits voted during that year, which have now in many cases passed to ordinary expenditure.

These estimates have now been submitted to Congress for the last reading and, if sanctioned, will be passed by a special law towards the end of 1936.

Budgets of the State Governments.

State of Rio de Janeiro.

The budget outturn for 1935 was :—

	<i>Contos of Reis.</i>
Ordinary revenue	62,452
Extraordinary revenue	4,657
Balance brought forward from 1934 ...	20,858
	<hr/>
	87,967
Expenditure	63,807
	<hr/>
Balance carried forward to 1936 ...	24,160

The estimates for the whole of the year 1936 have not been issued, but the figures for the first half of the year are :—

	<i>Contos of Reis.</i>
Ordinary revenue	22,213
Extraordinary revenue	18,210
Brought forward from 1935	24,160
	<hr/>
	64,583
Expenditure from 1st January to 30th June, 1936	32,476
	<hr/>
Carried forward on 30th June, 1936	32,107

State of São Paulo.—The 1935 budget estimates had to overcome many difficulties. The policy of fostering and developing education and stimulating production entailed heavy expenditure, whilst large public works and the construction of bridges and roads, etc., added a further 75,000 contos of extraordinary expenditure to the estimates of the Secretariat for Transport and Public Works. Revenue was estimated at 671,971 contos of reis, but only 656,138 contos was obtained. Expenditure fixed at 671,971 contos reached 678,620 contos. In addition special credits totalled 60,513 contos (loans to municipalities to consolidate their debts and for bridge building, leprosy defence service, expenses connected with opening of new State Legislative Assembly, agricultural fomentation, etc.).

The budget of the State of São Paulo for year 1936 assumed special importance, as it marked the initiation of many changes in the financial régime of the State. Revenue was estimated at 718,370 contos and expenditure at the same figure.

By the terms of the Federal Constitution the State may no longer collect the taxes on amusements, rents of buildings, land and buildings in the Capital, spirits and vehicles, which is a loss

in revenue of 49,000 contos. The State has also decided to discontinue the taxes on coffee and exports on its own account, in the hope of increasing the latter.

Comparing the estimated revenue of 718,370 contos with the actual revenue received in 1929 (the last normal year), the increase in total receipts is of more than 80 per cent. and tax receipts of over 50 per cent., against an increase in population not exceeding 15 per cent. Moreover, the seemingly modest rise in revenue of 46,000 contos in comparison with that of 1935 is in reality larger, since this year net figures are given for the State enterprises against gross figures for the previous 12 months. The largest single item in the estimates for expenditure is one of 135,425 contos for the services of the public debt. Of this total 19,946 contos is for the reduced service of the foreign debt (full payments would require 95,623 contos), 73,894 contos for the internal funded debt and 61,131 contos for the floating debt. These disbursements, however, only amount to 19 per cent. of total estimated expenditure and cannot, therefore, be said to be particularly onerous.

State of Paraná.—No figures of receipts and expenditure for 1935 have been published, but the following figures were obtained from the State Treasury :—

		<i>Contos of Reis.</i>	
		<i>Estimated.</i>	<i>Actual.</i>
Ordinary revenue ...	... ..	28,400	29,000
Extraordinary revenue ...	... ..	9,900	15,963
		<hr/>	<hr/>
		38,300	44,963
Expenditure ...	... ..	38,300	35,864
			<hr/>
			9,099

These figures are, of course, highly satisfactory and compare favourably with the budgetary deficits of other states of the Union. Revenue and expenditure for 1936 are expected to balance at 40,491 contos of reis each, compared with the actual revenue and expenditure in 1934 at 33,406 and 32,334 contos of reis, respectively. Up to the 30th June, 1936, revenue reached approximately 21,042 contos, an increase of about 5,000 contos over that for the corresponding period of last year. As the second half of the year is generally more productive in revenue than the first, and expenditure is said to have been amply provided for, there is every prospect of a surplus for 1936.

State of Santa Catharina.—The total revenue for 1935 amounted to 26,069 contos inclusive of a loan from the Federal Savings Bank, Rio de Janeiro, of 2,002 contos. Expenditure amounted to 25,174 contos including 1,580 contos for debt service.

State of Rio Grande do Sul.—Expenditure for 1935 was estimated at 239,521 contos of reis; supplementary credits brought the estimated expenditure up to 249,000 contos, of which, however, only 164,899 contos was actually spent. With a revenue of 193,254 contos, this left a favourable balance of 8,355 contos.

The estimated figures of revenue and expenditure for 1936 are:—

	<i>Contos of Reis.</i>				
Revenue					220,537
Expenditure					245,345
Estimated deficit					<u>24,808</u>

When these estimates were published it was stated that the estimated deficit of 24,808 contos showed no cause for alarm, in view of the careful financial methods of the local Government, which had often turned a deficit into a surplus. In July, 1936, the Secretary of Finance stated that revenue had been higher than anticipated, and that it was quite probable that there would be a surplus at the end of the year.

The estimates for the year 1937 are reported to be as follows:—

	<i>Contos of Reis.</i>				
Revenue					282,122
Expenditure					261,634
Estimated surplus					<u>20,488</u>

The estimates do not include increases in the fixed expenses of the various secretariats. Supplementary estimates in this connection might well reduce the surplus to about 4,000 contos of reis.

State of Minas Geraes.—Estimated revenue and expenditure in respect of the year 1935 were 232,913 contos and 244,554 contos, respectively. The budget outturn, however, showed a deficit of no less than 83,000 contos of reis, as against 160,000 contos in 1934. Revenue amounted to 245,000 contos and expenditure to 328,000 contos of reis.

The unfavourable position of the finances of the State has been very apparent during the last three local governments, and no adequate steps in the direction of retrenchment appear to have been taken to improve this. Deficits are met by the sale of Government apolices or treasury bills, and increased revenue is sought for in additional taxation. The outlook seems to be more hopeful, however, as the annual deficit is decreasing, and may disappear altogether if exports continue to rise and the increased taxes during the current year produce the desired result.

The estimates for 1936 are reported to be as follows:—revenue 233,432 contos, expenditure 276,744, and the estimated deficit 43,312 contos of reis.

State of Bahia.—During 1935 the State Government of Bahia

	<i>Contos of Reis.</i>				
Collected and spent				{	78,885
				{	75,686
Leaving a surplus of					<u>3,199</u>

The revenue collected in this year was a "record" and exceeded by 8,000 contos that attained in 1934. During this period, additional credits amounting to 10,926 contos were authorized, which, added to those sanctioned in 1934, brought the total additional authorized expenditure beyond that budgeted for to 20,339 contos of reis.

The estimates for 1936 and 1937 (those for the latter year are still under discussion by the State Legislative Assembly) are as follows:—

	1936	1937
	Contos.	Contos.
Revenue	72,722	76,598
Expenditure	72,797	76,597
Estimated deficit	75	+ 1

State of Sergipe.—The revenue of the State of Sergipe during 1935 amounted to 10,729 contos, expenditure also being 10,729 contos.

The estimates for 1936 show both revenue and expenditure at 11,450 contos.

States of Pernambuco, Alagoás, Ceará, Rio Grande do Norte and Parahyba.

The States of Pernambuco, Alagoás, Ceará, Rio Grande do Norte and Parahyba, finished the fiscal year of 1935 satisfactorily, and all showed an excess of revenue over expenditure. This was quite a meritorious performance in view of the unforeseen burdens arising from the political disturbances of November, 1935. The principal source of revenue for these States is the export tax on such commodities as sugar, cotton, vegetable seeds and oils, etc., and buoyant receipts at the State Treasuries reflect the brisk movement in overseas shipments. In the State of Pernambuco the amount budgeted for in 1935 as export tax was twelve thousand contos of reis, but the actual receipts exceeded fifteen thousand contos.

The actual revenue and expenditure of the above-mentioned States in 1935 and the estimates for 1936 are given below:—

	1935	1936
	(Actual).	(Estimated).
	Contos of	Contos of
	Reis.	Reis.
<i>Pernambuco</i> —		
Revenue	79,442	75,562
Expenditure	76,658	75,555
Surplus	2,784	+ 7
<i>Alagoás</i> —		
Revenue	16,084	15,462
Expenditure	14,871	15,461
Surplus	1,213	+ 1

					1935 (Actual). Contos of Reis.	1936 (Estimated). Contos of Reis.
<i>Ceará—</i>						
Revenue	...	...	...	...	22,979	23,224
Expenditure	...	...	...	...	21,479	23,893
Surplus	...	...	...	...	1,500	— 669
<i>Rio Grande do Norte—</i>						
Revenue	...	...	...	...	23,037	18,253
Expenditure	...	...	...	...	19,404	18,006
Surplus	...	...	...	...	3,633	+ 247
<i>Parahyba—</i>						
Revenue	...	...	...	...	26,348	22,065
Expenditure	...	...	...	...	21,070	22,064
Surplus	...	...	...	...	5,278	+ 1

State of Pará.—The revenue of the State of Pará in 1935 totalled 27,732 contos of reis, a sum which exceeded the original budget estimates by nearly 3,000 contos, expanding trade having increased taxation returns. The estimates had, however, allowed for a considerable deficit. Expenditure at 28,388 contos exceeded the estimates—chiefly in respect of public works—but the year closed with a deficit of only 656 contos.

The budget estimates for 1936 were almost exactly balanced: revenue at 24,518 contos and expenditure at 24,517 contos of reis. As the Legislature failed to pass the 1936 taxation bill in final reading before they adjourned on 31st December, 1935, taxation during the current year is being continued on the 1935 basis, and it is anticipated that the State revenue will again considerably exceed the estimate.

State of Amazonas.—In the State of Amazonas revenue in 1935 amounted to 11,330 contos and expenditure to 10,886 contos; part of the resulting surplus of 444 contos of reis was absorbed by additional expenditure, and a net surplus of 160 contos was carried forward to the current financial year.

The budget estimates for 1936 allowed for a probable surplus of 197 contos: revenue 12,155 contos and expenditure 11,958 contos of reis. Improved trade will probably cause the revenue to exceed the budget estimate and supplementary estimates are expected to be introduced to provide for a general increase in the salaries of civil servants.

State of Maranhão.—Revenue during 1935 amounted to 11,955 contos but the figures for expenditure are not yet available. The estimates for 1936 are:—

					Contos of Reis.
Revenue	...	...	...	...	13,575
Expenditure	...	...	...	...	13,569
Estimated surplus	...	...	...	...	6

State of Piauí.—The revenue in 1935 amounted to 10,431 contos, while expenditure was 10,518 contos, leaving a deficit of 87 contos of reis. The estimates for 1936 are :—

	<i>Contos of Reis.</i>			
Estimated revenue	9,059
Estimated expenditure	9,046
Estimated surplus	13

The financial condition of this State is satisfactory; there is no external debt and the internal debt is being steadily reduced.

Municipality of Rio de Janeiro.

The revenue for the Municipality of the Federal District of Rio de Janeiro, for the financial year 1936, has been estimated at 296,391 contos of reis, as follows :—

	<i>Contos of Reis.</i>			
Ordinary revenue	223,712
Industrial receipts	34,424
Income from patrimony	2,100
Extraordinary receipts	35,155

For ordinary revenue the largest contribution anticipated is that of the house property tax, estimated at 78,000 contos, followed by the tax on commercial and industrial licences and sites, estimated at 35,000 contos; tax on property transfers, calculated at 19,000 contos, and additional taxes of 20 per cent. and 5 per cent., the expected revenue from which is estimated at 19,000 contos for the first and 9,000 for the second. The largest contributions from industrial receipts are first-aid taxes, 4,400 contos, sanitary tax 16,500 contos, and the night-watchman's tax 10,000 contos. In the revenue from patrimony the largest contribution is attributed to the certificates for the holding of State lands (*Laudemios de terrenos de sesmarias*), which is calculated at 1,000 contos.

In the extraordinary receipts, according to the estimates, the receipts from the inspection of gaming establishments will contribute 18,000 contos, and the returns from the sale of municipal property will be 5,000 contos; credit operations will produce another 5,000 contos.

Expenditure has been fixed at an amount of 331,006 contos distributed as follows :—

	<i>Contos of Reis.</i>			
Legislative Power	4,526
Executive Power	2,948
Secretariat for the Interior	20,558
Secretariat for Finance	112,227
Cabinet of the Secretary-General	18,734
Secretariat for Education and Culture	56,522
Secretariat for Health and First Aid	35,562
Transport, Labour and Public Works	79,929

The largest allocations in expenditure are the following :—

	<i>Contos of Reis.</i>
Service of the Consolidated Debt... ..	68,964
Educational Department	46,633
Directorate of Engineering	46,527
Private and Public Cleaning Departments ...	24,964
Liquidation of the Floating Debt	13,736

It is said that there is now in force a more exacting scrutiny of tax returns such as, for example, that regarding the increasing value of land and properties. There is also evidence that non-essential expenditure is being seriously considered before it is sanctioned, with the result that some reductions are being effected.

Rediscount Department of the Bank of Brazil.—A law, No. 160, was passed on the 31st December, 1935, to enable the above-mentioned department to extend its functions, particularly those connected with cotton-producing interests, by raising the limit of its rediscounting operations from 1,250,000 to 1,550,000 contos of reis. Of this total 600,000 contos are for rediscounting bills emitted by the National Coffee Department; 350,000 contos for the issue of notes to cover advances made to Treasury over and above the 200,000 contos of bonds already rediscounted for the Government; and 300,000 contos for the purposes mentioned hereunder.

The Rediscount Department was authorised to make a further issue of currency notes up to a maximum of 300,000 contos to be utilised in connection with bills of exchange or promissory notes for periods not exceeding 180 days, the acceptors or drawers of which are engaged in agriculture generally and cotton production. Out of these 300,000 contos of reis at least 100,000 contos must be reserved for the cultivation of cotton and be distributed equitably and proportionately amongst the cotton producing states. In order to assist the cultivation of cotton and cattle raising and agriculture in general, the Rediscount Department was also authorised to operate with banks and other credit institutions, and co-operative societies engaged in production and/or consumption, on the understanding that the prompt liquidation of their rediscounted bills is assured.

The bills accepted for rediscount must be for sums of not less than 500\$000 and then only in respect of goods of a non-perishable character.

The rediscount rate is fixed each month by the Council of Administration of the Rediscount Department, after taking into consideration the situation of the money market.

External Debts.—On the 30th June, 1936, the external debts of Brazil were said to be as follows:—

	£ Paper.	Gold Francs.	Paper Francs.	U.S. Dollars.
Federal Government ...	105,427,293	229,185,500	284,435,212	171,705,745
State Governments ...	43,211,666	(See footnote)	226,694,625	140,317,500 and florins 8,366,000
Municipalities ...	10,377,067	Nil	21,520,000	58,909,500
Total ...	159,016,026	229,185,500	532,649,837	370,932,745 and florins 8,366,000

Note.—There is some doubt as to whether several of the State franc loans are to be considered gold or paper francs.

Since the 31st December, 1934, the Federal Government has reduced its foreign loans by £1,023,419 (paper), Francs (paper) 12,301,688, and U.S.A. dollars \$2,491,300. The States and Municipalities have also decreased their foreign liabilities, mainly through conversions and consolidations.

In pursuance of the "Oswaldo Aranha" plan described in the previous report in this series, whereby arrangements were made for the payment of the service of the foreign debt of this country on an agreed sliding scale until 1938, remittances for this service during the year 1935 amounted to £7,739,487, of which £4,691,186 to meet the payment of interest and amortisation of the debt of the Federal Government, and £3,048,301 in respect of the debts of the States and Municipalities. The State of Bahia, however, has defaulted, as explained in a later paragraph.

The service of the foreign debts of Brazil, Federal States and Municipalities, if paid at the full contractual rates, would necessitate some £22,500,000; but owing to the "Aranha" Scheme, this amount has been reduced until March, 1938, to a figure not exceeding £9 million a year. Not later than the 30th September, 1937, the provisions of the "Aranha" Scheme come up for revision, and consideration will have to be given to the arrangements for meeting the service of the debt after March, 1938.

The "Aranha" scheme is subject to revision not later than the 30th September, 1937, and in this connection it should be noted that the gradually diminishing gold equivalent of the trade balance has led to some press agitation for a further partial or even the total suspension of the service of the debt until such a time as economic conditions in this country warrant an increase in this connection or a resumption, if payments are eventually suspended.

A full list of the Federal, State and Municipal external debts is given in Appendix No. I to this report.

The outstanding external loans of the State of Bahia, which rank under Category VII for payment of the interest, etc. (although originally included under Category VIII) were stated to be as follows on the 30th December, 1930, and on the 30th June, 1936 :—

			<i>Francs.</i>	<i>Sterling.</i>
			£	
1888, 5 per cent. loan	...	...	6,513,500	—
1904, 5 "	"	"	—	974,920
1910, 5 "	"	"	41,672,500	—
1913, 5 "	"	"	—	975,980
1915, 5 "	"	"	—	644,280
1918, 6 "	"	"	—	97,958
1928, 5 "	"	"	—	335,711
Total, francs	...	...	<u>48,186,000</u>	<u>£3,028,849</u>

No provision was made for amortization of loans in Group VII, but interest was fixed at $17\frac{1}{2}$ per cent. of the full rate due for the first year (1934-35), 20 per cent. in the second year, $22\frac{1}{2}$ per cent. in the third year and $32\frac{1}{2}$ per cent. of the full interest in the fourth year. In 1934 the State of Bahia paid $17\frac{1}{2}$ per cent. of the interest due on the external debt according to the arrangement made in February, 1934.

In November, 1935, however, the State of Bahia suspended the service of its external debt until the 31st December, 1936. The reduced rates of interest on these loans had naturally led the shareholders to believe that the State of Bahia would no longer encounter difficulties in endeavouring to meet its external obligations punctually, and the decision of the State Government to suspend interest payments until the end of 1936 was received with great disappointment, and alarm, by the parties affected. The latter pointed out with some reason that during the years 1923 to 1927, when the average revenue of the State of Bahia was approximately 54,000 contos of reis, the sum of 6,000 contos was paid annually for the service of the external debt. In 1934, however, the revenue of the State was 70,785 contos, and the estimated revenues for 1935 and 1936 were 70,586 contos and 72,222 contos, respectively, yet the State in question was unable to meet the reduced loan charges for which 2,173 and 2,450 contos were set aside in the budgets for the years 1935 and 1936, respectively.

The State of Bahia does not appear to have made a public announcement of the reasons which prompted its decision to suspend the execution of foreign debt services.

The reduced debt service now in force made no provision for such payments by the states situated between Rio Grande do Norte and Amazonas, with the exception of the State of Maranhão. The North of Brazil is said to have been the worst sufferer during

the economic crisis and the financial situation of that territory, which has rarely been very favourable, has descended to a low level in recent years. The States of Pará and Amazonas, however, appear to be emerging out of the morass, mainly owing to the partial recovery of rubber and hopes centred on cotton production, which may well be the means of rehabilitating some of these northern States.

The reduced debt service has, it is alleged, enabled some of the more prosperous states to buy in large blocks of their own foreign loan issues at about 25 per cent. of their nominal value. The State of Rio Grande do Sul has been especially active in this direction and now holds large amounts of its own loan.

Internal Debts.—On the 31st December, 1935, these liabilities totalled 3,282,983 contos of reis, with an annual service of 190,263 contos, the equivalent in sterling paper being £38,174,000, and £2,212,000 per annum, respectively. The total increase in the internal debt since the 31st December, 1934, was reported to be 378,058 contos, mainly due to the issue of apolices for this amount out of a total of 500,000 contos of reis authorized by Decree No. 29,981 of the 9th March, 1934, for the relief of agriculture under the terms of the Economic Readjustment Law of the 1st December, 1933, which provided for the liquidation of 50 per cent. of all debts of agriculturists contracted before the 30th June, 1933.

The latest details available regarding the internal debt of the Federal Government are contained in Appendix No. II. Particulars of the internal debts of the states are given in Appendix No. III.

Floating Debt.—The floating debt of the Federal Government increased from 1,838,551 contos of reis on the 31st December, 1934, to 1,868,392 contos on the 31st December, 1935. The amount due by the Treasury in short date loans decreased during 1935, but this decrease was more than accounted for by increased loans from banks on the security of bonds, etc. The final figure on the 31st December, 1935, showed a total increase of 29,841 contos of reis.

Payments in respect of Commercial Arrears Agreements.—According to the Report of the Bank of Brazil for the year 1935 Brazil disbursed the sum of £1,398,364, paper, in respect of United Kingdom and U.S.A. commercial arrears agreements of 1933 and the French agreement of 1934. Particulars of total payments arising out of the 1935 United Kingdom, U.S.A. and other European commercial arrears agreements are not yet known.

Loans made by the Bank of Brazil and the National Savings Bank ("Caixa Economica").—The undermentioned loans were made by the Bank of Brazil and the National Savings Bank to various entities, with the guarantee of the Brazilian Treasury. The total

of these loans, which amount to no less than 1,158,644 contos of reis, is believed to include all such loans since the 1930 Revolution.

<i>Bank of Brazil to :</i>	<i>Contos of Reis.</i>
National Bank of Commerce of Porto Alegre	25,257
Bank of Rio Grande do Sul	50,077
Chamber of Stocks and Shares Brokers (Stock Exchange)	2,576
Lloyd Brasileiro Company	41,135
National Department of Coffee	599,800
State of Amazonas	2,886
" " Pará	7,220
" " Maranhão	3,211
" " Piauhy	2,071
" " Rio Grande do Norte	803
" " Parahyba	4,813
" " Pernambuco	24,000
" " Sergipe	9,032
" " Bahia	24,717
" " Espírito Santo	15,400
" " São Paulo	182,865
" " Rio de Janeiro	17,000
" " Minas Geraes	43,645
" " Goyaz	2,429
" " Matto Grosso	5,234
Industrias Brasileiras Caneco S.A.	1,759
Sugar and Alcohol Institute	31,535
Municipality of the city of São Salvador	2,096
" of the Federal District	53,124
" of Petropolis	1,621
Vladimir Bernardes	1,338
	<hr/>
	1,155,644
<i>Caixa Economica to :</i>	
State of Santa Catharina... ..	3,000
	<hr/>
Total	1,158,644

Note Circulation.—Particulars of the note circulation and gold reserves are contained in Appendix No. VIII.

Balance of Payments.—As the Brazilian Government does not issue reports on the international balance of payments of this country, no little difficulty is experienced whenever an attempt is made to compile even a rough statement of this nature, due largely to the fact that many important items usually included in such accounts are unobtainable from official or other sources. Consequently, any deductions arrived at are based solely on the meagre particulars available, in the shape of the balance of trade figures, and published data relating to the services of the foreign loans, the various arrears of commercial payments agreements, etc.

The favourable trade balance at the end of the year 1934, of over £16,000,000 (paper), was alleged by many to have been inadequate to meet the service of the external debt and other requirements for foreign currency, consequently the reduced favourable

balance for 1935 not unnaturally gave rise, on each occasion when the monthly or quarterly trade returns were published, to grave doubts as to whether and how the Government would continue to meet its current obligations without the exchange value of national currency being affected. In spite of these apprehensions, which seemed reasonable in the light of past experience, the Government honoured all its engagements, estimated at some £15,000,000 (paper), foreign exchange was available for current imports, and foreign companies were able to remit some of their accumulated dividends, yet the favourable trade balance had dwindled to some £9,000,000 (paper).

This paradoxical situation gave much food for thought and various expressions of opinion have been given as to how payment was being effected for current imports. In some quarters the view was held that Brazil was paying for imports cleared through the customs in the latter part of 1935 with the proceeds of discounted bills for coffee to be delivered at six months' date. Similar transactions are said to have taken place in 1936, to a greater degree than usual, in regard to cotton, which circumstance may well account for the adequacy of available exchange for current imports. The view has also been expressed that other factors contributing to the apparent ease with which both the Government and the public are able to obtain foreign exchange at the improved rates quoted since May, 1935, are the under-declaration of the value of many commodities by exporters and the export of certain goods which are not registered and therefore do not figure in the statistical returns issued by the customs authorities. For instance, it is no secret that there is always a clandestine export of diamonds and other precious minerals.

It is interesting to note in this connection that the Brazilian press has made some pertinent remarks to the effect that the comparative easiness of the foreign exchange market must be due to some extent to undervaluation of export prices. As the exporter must surrender a portion of his bill to the Bank of Brazil (35 per cent. in most cases) at the official rate of exchange, he sometimes, it is alleged, invoices his goods at a lower figure than the actual amount which he eventually receives, so that on negotiating the proceeds of his consignment he regains part of what he had been deprived of by the Government arising out of the official rate of exchange which he is forced to accept for part of the value of export bills. The press concluded in saying that the position of the exchange market provides sufficient proof of this practice, as there is no lack of free exchange, and furthermore, whilst prices of imports have moved but slightly, those of exports have considerably decreased, a situation which might well lead one to surmise that the world economic depression had only affected Brazilian products.

The favourable trade balance for the first six months of 1936 amounted to £5,118,421 (paper), as against £4,928,452 (paper)

in the corresponding period of 1935. No difficulties are likely to be experienced by Brazil in meeting her foreign obligations, both Government and commercial, if, as it is hoped, the export prices of commodities such as coffee, fruits, manganese, Carnauba wax, etc., continue to rise as they have during the last few months, and no abnormally large orders are placed abroad by the Government.

Exchange Situation.—The exchange situation in January, 1935, was precarious owing to the lack of sufficient foreign cover for the payment of current imports, services of the foreign loans and private remittances, etc. The crisis became so acute that a mission, headed by the Brazilian Minister of Finance, sailed for the U.S.A. and Europe in February, 1935, in order to negotiate with the principal creditor countries the liquidation of their "frozen" commercial credits in Brazil. Foreign cover resulting from exports could only be dealt in by the Bank of Brazil, which allotted a daily quota to each bank for its bill collecting department; these amounts were, however, insufficient for the requirements of the banks in this country. The rate of exchange was officially "pegged" at a figure based on a nominal gold standard. Import bills were settled on the basis of 60 per cent. at the official rate of exchange and 40 per cent. at the free rate. The 60 per cent. quota allowed to be remitted at the official rate was suspended from the 11th February, 1935, with the result that remittances from that date had to be made at the free rate of exchange, thus increasing the milreis value of imports by approximately 24 per cent. The liquidation of all bills due up to that date was suspended and currency equivalents were deposited by importers, thus constituting "frozen" arrears of commercial indebtedness.

The free rate of exchange weakened steadily until by August, 1935, it had dropped from 74\$000 per £ to 94\$000, the lowest quotation recorded. The rate of exchange began to improve however by the end of December, 1935, when the £ was quoted on the free market at 89\$000.

In August, 1935, the Foreign Exchange Manager of the State-controlled Bank of Brazil called a meeting of the principal bank managers and proposed a "gentleman's" agreement to the effect that the free market rate of exchange should be maintained at a figure oscillating between 85\$000 and 90\$000 to the £, but in view of the fact that all import bills were being liquidated at the free rate, as from the 11th February, 1935, the problem of fulfilling this agreement presented difficulties due to the scarcity of foreign cover. It was feared that if the rate was forcibly maintained on the lines suggested, arrears of commercial indebtedness to foreign countries might once more begin to accumulate. The proposal was, nevertheless, accepted in spite of the misgivings expressed. Owing, however, to the feeling of confidence engendered by the success of the financial mission, and the temporary suspension of the payments of arrears, a steady tone in the exchange has been maintained up

to the present, the rate of which has improved to approximately 86\$000 to the £.

The yearly increasing cotton crop has been one of the main factors leading to this improvement, and has to a certain extent offset the fall in coffee export values. Greater confidence in the milreis led to increased imports, which, however, absorbed the slight surplus of foreign cover available from cotton shipments. Current exchange requirements are, for the time being, carefully balanced; the foreign cover in hand from exports, after deducting the official quota of 35 per cent. for the liquidation of the frozen credits and Government requirements, is just about sufficient to meet the need for bills falling due for imports. It is known, however, that fairly large stocks of cotton still exist in São Paulo awaiting shipment, which, added to the coffee and other commodities of constant exportation, should prove sufficient to maintain the equilibrium for some time to come.

The compensation account with Germany has tended to complicate the exchange situation, as it has fostered the development of a barter system and thus increased the trade between Germany and Brazil to an unlooked-for extent. Germany's abnormal purchases of cotton and other commodities in 1935-6 resulted in an accumulation of marks which can only be redeemed by increased imports of German manufactures, since compensation marks cannot be utilized for imports from countries other than Germany.

A curious situation has arisen from the levying of the official exchange quota for exports. A stipulated percentage (35 per cent. for most articles) of foreign currency bills in respect of a wide range of exports must be disposed of at the official rate, on the basis of 57\$000 to the £, while the remainder is sold at the free rate of about 86\$000 to the £. As all imports are paid for at the free rate, it occurs that anyone trading both as exporter and importer may export goods of a higher sterling value than he imports, but the milreis received may be less than that paid. For example, a merchant imports £100 worth of goods and liquidates the bill at 86\$000 per £ for which he pays Rs. 8:600\$000. He then exports £110 worth of merchandise and liquidates the sterling bill thus:

35 per cent. of £110 =	£38.5 at Rs. 57\$000 =	Rs. 2:193\$500
65 per cent. of £110 =	£78.5 at Rs. 86\$000 =	Rs. 6:215\$000
	Total	Rs. 8:408\$500

It will be seen that at the exchange rate quoted £110 worth of merchandise exported would only produce Rs. 8:408\$500 to the merchant, while £100 worth of merchandise imported would require Rs. 8:600\$000 to liquidate.

Not all merchandise exported is subject to the quota of official exchange of 35 per cent. A list of the products subject to official exchange quotas with their quota percentages is given in Appendix No. XVI.

It is generally admitted by competent authorities that Brazil, under present conditions, needs a surplus of exports over imports of the value of £18 millions per annum. This figure includes certain invisible imports such as immigrants' remittances, interest and service of foreign capital invested in Brazil, as well as the reduced requirements of the service of the foreign debt and the liquidation of the arrears of payments agreements. Some relief from this surplus is afforded by the entry of foreign capital and by tourist traffic receipts, but the total from these sources is not great and varies in amount.

A shortage in the surplus required may not be felt for some time, as it is the general rule for export bills to be liquidated before shipments while import bills may be settled three, six or nine months after receipt of the goods. Payment may even spread over a period of years, so it is difficult to forecast the exchange situation at any given time with accuracy, by taking as a basis the statistics of imports and exports.

Exchange Regulations.—Import Bills.—Exchange for the payment of imports may be purchased on the free market provided the relevant documents are verified and found to comply with the regulations in force, particulars of which are contained in the 1935 report in this series. A translation of a circular issued on the 28th June, 1935, by the Exchange Department for the information and guidance of its branches and inspectors, may be consulted at the Department of Overseas Trade.

The following modifications were, however, introduced on the 9th of August, 1935. Exchange may be purchased to allow of payment being made against delivery of documents, and also before maturity date, where it is proved that a discount is granted in consideration of payment in advance. The amendments also permit of credits being opened abroad and the forward purchase of exchange to cover future shipments, under guarantee of fulfilment of the contracts.

As regards sight draft transactions, the procedure is understood to be as follows: the bank holding the documents and the sight draft advises the drawee, by printed form giving the main particulars, that these are to hand. The drawee presents this form to the Banking Control, who authorise him to purchase the necessary exchange by stamping the form to this effect. The drawee is required to sign an acknowledgment of responsibility for the transaction (" termo de responsabilidade ") and an undertaking to present the appropriate documents within 40 days. He then purchases the necessary exchange to liquidate the sight draft, surrendering the permit to the Banking Control and receiving from the bank the documents to permit him to clear the goods through the customs. The full set of documents relating to the transaction must be submitted to the Banking Control for inspection and cancellation within 40 days, and if they are found to be in order

the " termo de responsabilidade " is returned to the drawee and the transaction closed. It is not unusual for banks to hand shipping documents to a drawee against a letter of responsibility in order that the goods may be examined before the draft is met. This is in accordance with long standing practice.

As regards forward purchases of exchange and the opening of credits abroad, an application in writing giving full details of the proposed transaction must be sent in duplicate to the Banking Control, who may require proofs of the placing of the order and the acceptance thereof. If granted, one copy of the application is stamped and returned to the applicant, who then signs the " termo de responsabilidade ", which includes an undertaking to present the complete documents within 40 days. On the basis of the approved application the necessary cover may be purchased and remitted. The shipping documents relating to the transaction must be presented within 40 days from the issue of the permit on penalty of a fine, which may also involve the bank concerned in the exchange transaction. It is understood that banks generally are reluctant to undertake a forward exchange transaction or to open credits abroad owing to the complications which ensue if the contract is not implemented. Furthermore, there is no necessity under present conditions for pre-payment in the case of reliable firms, in view of the fact that the exchange regulations now in force permit them to meet their engagements at due date.

Foreign remittances.—Foreign firms established in Brazil who wish to make remittances abroad for purposes other than the payment of imports are required to submit an application to the Banking Control Department of the Bank of Brazil containing full particulars of the nature of the remittance, e.g., payment of interest on debentures, profits accruing from business undertakings in Brazil, etc., etc. Permission is generally granted and in most cases the purchase of the requisite foreign exchange is authorised to be effected in instalments over a stipulated period, but a concession of this kind is liable to be suspended at short notice, if a shortage of foreign cover arises. Other purposes for which sales of exchange in the free market are permitted after due authorization are :—

- (a) To meet expenses of return to the country of nationals or foreigners domiciled here, within the limit which shall in due time be established by the Banking Control Authority ; in such cases, the return passages must be bought in milreis from the shipping companies located in national territory, the sale of exchange being authorized on production of the prepaid passage-order (" bilhete de chamada ");
- (b) To defray the cost of journeys abroad, but within the said limit ;
- (c) To provide for treatment in sanatoria or hospitals abroad, on presentation of certificates issued by the hospitals or sanatoria and duly legalized at Brazilian consulates ;
- (d) To pay for books and subscriptions to reviews, the remittance being made in the name of the publishing house ;
- (e) To meet expenses for commissions, freights, arbitration, etc. which Brazilian exporters owe or may owe, arising from the sale of Brazilian products ;
- (f) The remittance of Consular revenues collected in Brazil ;

- (g) To meet the cost of maintenance of persons matriculated in specialized courses abroad, provided certificates of the said course be presented ;
- (h) To pay for the maintenance of persons residing abroad.
- In the cases of the items (a), (b), (c), (d), (g) and (h), the transferences must be made by order, by letter, in the name of the favoured party, and when for Italy the name of the father of the favoured party as well. In the cases of items (c) and (f) the transferences may be made by letter or by cheque.

Since the coming into force of the recent commercial *modus vivendi* between Brazil and Germany, the Bank of Brazil has restricted the liquidation of bills in respect of merchandise of German origin when such bills have been drawn in currencies other than marks.* It had been observed that a number of articles of German manufacture were shipped to Brazil either direct from German ports or through countries having free currencies, and that the bills in respect of such goods were drawn in negotiable international currencies; consequently a certain percentage of German exports was not included in the compensation account and left a balance in marks, uncompensated for, to the credit of Brazil.

Export Bills.—All export bills must be sold to a bank before the products to which they relate are shipped, except in the case of "consignment exports", in respect of which the shipper is required to furnish an undertaking in writing to the effect that he will dispose of the resulting exchange to a local bank, immediately following the sale of his exports. This letter of responsibility is held by the Banking Control Department until it is placed in possession of proofs that the shipper has fulfilled his obligations.

As a quota of the exchange resulting from almost all exports must be surrendered to the Bank of Brazil at the official rate of exchange, it follows that exporters, who are obliged to dispose of their bills either direct to the Bank of Brazil or to any local bank, will receive the equivalent in national currency calculated at two rates of exchange, i.e., a percentage of the export bill at the official rate of exchange and the balance at the free rate. A list of export products subject to the delivery of varying quotas at the official rate of exchange is contained in Appendix No. XVI. This list is, however, subject to revision at any time if representations are made by exporters and found to be justified, particularly as regards the percentage of the quota of export bills to be surrendered to the Bank of Brazil at the official rate of exchange.

German Compensation Mark.—Following on the recent exchange of notes and certain undertakings between Brazil and Germany described on pages 45-46, the compensation mark appears to have gained strength in this country, and is tending to become more established than hitherto. This situation is attributable to various factors, one of which is the fixation of the quantity of Brazilian

* Translations of circular letters issued in this connection to local banks by the Banking Control Department of the Bank of Brazil are contained in Appendix XXIII.

cotton which may be exported against compensation marks, which removed the fear that unlimited quantities of cotton might be sold to Germany for "Verrechnungsmark" and the resulting currency thrown on the market at a discount.

A comparison of the rates on the 3rd January, 1936, and the 30th June, 1936, taken from the official quotations given by the Syndicate of Exchange Brokers, is given hereunder:—

		<i>Free Market.</i>	
		<i>Reichsmarks.</i>	<i>Verrechnungsmarks.</i>
3rd January, 1936	... ..	7\$325	5\$500
		per mark	per mark
30th June, 1936	... ..	7\$030	5\$250
		per mark	per mark
		<i>Official Rate</i>	
		<i>for compensation</i>	
		<i>marks.</i>	
3rd January, 1936	... ..	4\$755 per mark	
30th June, 1936	... ..	3\$600 " "	

The greater confidence in the stability of the compensation mark also has its origin in the circumstance that the Banking Control Department of the Bank of Brazil has recently issued regulations by which the maximum quota of each permit for cotton to be exported against compensation marks under the terms of the Brazilian-German Commercial Agreement, has been fixed at 500 tons; and that cotton and other Brazilian exports mentioned in this Agreement may not be re-exported from Germany without the previous consent of the Brazilian Government.

British Capital Investments.—A very detailed and lengthy investigation would be essential in order to produce a fairly accurate estimate of the total amount of British capital invested in Brazil, owing to the numerous private concerns and individuals of British nationality established in this country, whose investments are factors which are not divulged.

In 1925, according to "The South American Journal" of the 7th March, 1936, no less than some £251½ million represented the total amount quoted on the London Stock Exchange of British capital invested in Federal, State and Municipal bonds, railways, and other concerns. The average rate of interest received was 4.3 per cent. on the whole of the sum mentioned, no interest having been paid in respect of about £34,354,000.

On the 31st December, 1935, British investments in this country amounted to £262¾ million; the average rate of interest, however, had declined to 2.2 per cent., and no less than £73¾ million received no interest during that year, due to conditions which are well known. Prospective investors would do well to bear in mind that nationalism is slowly but steadily manifesting itself here in a manner not very conducive to the influx of foreign capital.

Bank of London & South America, Ltd.—The Bank of London & South America, Ltd., having absorbed the British Bank of South

America, Ltd., now becomes the only United Kingdom institution of this kind operating in Brazil. The branches of the British Bank of South America are being closed, and their business transferred to the first-mentioned bank. The Royal Bank of Canada has branches in Brazil and is among the most active of the foreign banks working in the country.

Credit Conditions.—General trading conditions in Brazil have perceptibly improved since exchange was freed on the 11th February, 1935. Furthermore, the settlement of arrears of commercial indebtedness also had the effect of raising an optimistic spirit in commercial circles both in Brazil and abroad. The knowledge that imports would be settled for on due date has given an impetus to the import trade, which shows no signs of lagging; and the flourishing condition of internal trade and industry has resulted in a slight increase in interest on loans, due to an increased demand for commercial credits, the rates for which ranged in August, 1936, from 7 per cent. to 9 per cent., according to the security offered.

Loans in current account are given by banks against the deposit of trade bills corresponding to the sales of merchandise up to 80 per cent. of the value of the bills deposited, subject to a pre-arranged limit. As bills are liquidated fresh bills are substituted for them. With the increased activity in local trade the banks are better disposed to finance local industries and applications for credits which would have been refused in 1934 are now granted.

The balance outstanding of the sum total of loans made by all banks in the country to agriculture, industry and commerce increased on the average from 1934 to 1935 by 8 per cent. The actual amounts for these years were 7,406,000 and 7,752,000 contos of reis respectively. From the 1934 figure, however, should be deducted 198,000 contos of Government loans which were repaid during that year.

Cash deposits remained practically stationary, which is interpreted as a sign that private money is in circulation, and consequently that trade is in a good state. In spite of the fact that since February, 1935, imports have been paid at the free rate of exchange, thus increasing the milreis price of imported articles by about 24 per cent, no diminution in either volume or gold value of importation has occurred since that date. On the contrary, an increase is shown and the ability of consumers to pay the enhanced prices may be considered as further evidence of increased internal prosperity.

United Kingdom manufacturers who are requested by importers in Brazil to sell on extended terms are advised to obtain a guarantee of "reserved ownership" in all such sale contracts. In any case, transactions with firms in Brazil should never be made without instituting careful enquiries as to the financial standing of the prospective customer. Information of this nature can be obtained

by United Kingdom firms through the Bank of London and South America, Ltd., the British Chambers of Commerce in Rio de Janeiro and São Paulo, or through the Department of Overseas Trade. These remarks are equally applicable in cases where Brazilian exporters offer produce for sale in the United Kingdom, usually accompanied by a request for part payment in advance. On no account should the funds be remitted until careful enquiries have been made, through reliable channels of commercial enquiry, as to the financial standing and commercial reputation of the shipper. Provided care is taken in the selection of customers, United Kingdom firms need not hesitate to sell freely to Brazil, but the exchange position should be watched in order to avoid the risk of large sums being again "frozen" in this country due to the lack of foreign exchange cover. This situation has arisen on two occasions, when steps were subsequently taken for such arrears to be paid by means of commercial payments agreements. The possibility of further exchange restrictions must not be overlooked, although at the time of writing this report there is ample foreign exchange available for current imports.

Credit conditions in some of the states of Brazil are better than in others: for example, in Minas Geraes and some of the northern states, a certain lack of confidence exists in financial circles because of budget deficits or adverse agricultural conditions.

COMMERCIAL ARREARS AGREEMENTS.

Anglo-Brazilian Payments Agreements.—One of the outstanding events of 1935 has been the implementing of the Anglo-Brazilian Arrears of Payments Agreement,* signed on 27th March, 1935. The purpose of this agreement was to provide for the liquidation of commercial debts, due to entities in the United Kingdom, in respect of the sale of goods imported into Brazil prior to the 12th February, 1935. In actual fact, the detailed arrangements were ultimately arrived at on 13th March, 1936. The terms of this arrangement provided for the settlement of all approved commercial debts for which the milreis equivalents have been deposited, due to United Kingdom firms or individuals in respect of goods imported up to the 11th February, 1935, by means of cash payments for small amounts and a proportion of the other amounts in respect of debts due up to and including the 15th June, 1935, and the funding of the balance into Brazilian 4 per cent. sterling stock, redeemable within a period of about five years. Authorization was obtained from Congress to undertake the liquidation of these commercial arrears due to the United Kingdom up to an amount of £6,000,000. Such debts as were covered by Exchange Contracts concluded by the Bank of Brazil were not included under the Agreement.

* A copy of this Agreement (Cmd. 4911) can be purchased from His Majesty's Stationery Office, Adastral House, Kingsway, W.C.2, price 2d. net.

This is the second occasion within the last few years upon which Brazil has had to enter into funding arrangements for the settlement of commercial credits on foreign account, the previous schemes with the United Kingdom in May, 1933, and with U.S.A. in 1934, having also culminated in the funding of their respective credits.

These undertakings naturally involve increasing obligations upon the Brazilian Government to effect remittances through the exchange market from the funds arising out of the quota of 35 per cent. of the exchange falling from most Brazilian exports. A sum of £1,000,000 was raised by the Brazilian Government to meet the cash payments to United Kingdom creditors. The bonds are being redeemed by half-yearly drawings and the first drawing took place in London on the 1st July, 1936.

It should be noted that by agreements of this nature the Brazilian Government does not undertake to pay the commercial debts of its nationals, but only to provide over a stated period the exchange with which to liquidate these commitments, the prerequisite being the deposit in a special account of the Brazilian Treasury at the Bank of Brazil of the equivalent of these foreign debts in milreis.

Swedish-Brazilian Arrears Agreement.—An exchange of notes took place in Paris on the 7th March, 1935, between representatives of the Brazilian and Swedish Governments relative to Swedish frozen credits in Brazil. The agreement provided for the liquidation of these credits up to a maximum of £100,000 by the transfer of ten equal monthly payments as from the 1st May, 1935.

Danish-Brazilian Arrears Agreement.—An agreement was signed at Rio de Janeiro on the 14th November, 1935, between Brazil and Denmark for the liquidation of approximately £80,000 of Danish frozen credits. In consideration of an undertaking given by Denmark to purchase forthwith coffee to the value of £55,000, the Brazilian Government agreed to provide exchange at the rate of £5,000 per month as well as an extra sum of £20,000 by the end of December, 1936, until the arrears had been liquidated. Denmark, whose imports from Brazil are far in excess of the equivalent of her exports to that country, undertook to do all possible to ensure that her purchases of coffee in 1936 would not be less than those in respect of 1935.

Portuguese-Brazilian Arrears Agreement.—On the 8th January, 1936, an agreement was signed between the Bank of Brazil and a representative of the Bank of Portugal for the liquidation of Portuguese frozen credits, which amounted to approximately £360,000 (paper) and related to transactions effected prior to the 11th February, 1935, in respect of which milreis equivalents had been deposited by the debtors previous to the 30th September, 1935. These credits were to rank for payment at the "official" rate of exchange. The

Bank of Brazil undertook to liquidate the credits out of its own resources in 48 monthly instalments, with interest at 4 per cent., no credit transaction being necessary. It was also agreed that the exchange accruing from any excess of imports from Brazil over the value of Brazilian produce taken by Portugal would be employed in accelerating the liquidation of these frozen credits. This agreement was completed by an exchange of notes in January last between the Portuguese Ambassador and the Brazilian Minister for Foreign Affairs.

U.S.A.-Brazilian Arrears Agreement.—An agreement for the liquidation of arrears of commercial indebtedness in Brazil, through payments in cash to small U.S.A. creditors and the issuance of Bank of Brazil notes, endorsed by the Brazilian Government to larger creditors, was executed on the 21st February, 1936, between the Brazilian Government and the Bank of Brazil on the one hand, and by the National Foreign Trade Council Incorporated, on the other, on behalf of such U.S.A. creditors as might accept the terms of the Agreement, summarised hereunder:—

- (a) Persons eligible to the benefits of the Agreement must be persons, natural or juridical, nationals of or ordinarily resident or carrying on business in the U.S.A. and their subsidiaries or agents, who may be creditors for commercial indebtedness arising from goods imported into Brazil and cleared through the Brazilian customs prior to the 12th February, 1935.
- (b) The amounts eligible for conversion under the Agreement shall be the full amount of indebtedness arising from goods imported and cleared through the Brazilian customs prior to the 12th September, 1934, including freight and insurance, together with interest charges, if any, legally due, and
- (c) Sixty per cent. of the amount of indebtedness arising from goods cleared through the Brazilian customs between the 12th September, 1934, and the 11th February, 1935, inclusive, including freight and insurance, together with interest charges, if any, legally due.
- (d) The eligible claims for amounts not exceeding \$25,000 of all creditors accepting the Agreement (the total debts of all Brazilian debtors added together) will be paid by the Bank of Brazil in sight bills drawn on its paying agent, the Guarantee Trust Company of New York, to the extent of \$2,250,000, which sum the Bank of Brazil agreed to make available in New York on or before the 1st March, 1936. The milreis deposits in respect of claims not exceeding \$25,000 must be made to the Bank of Brazil by the 23rd March, 1936, at the exchange rates specified in the Agreement. Furthermore, if the final filings and allowance of claims in this category should exceed \$2,250,000, this sum will be utilized to liquidate in full claims up to a maximum as near as possible to \$25,000.
- (e) All eligible creditors accepting the Agreement and whose total claim exceeds \$25,000, as well as those who are creditors for sums less than \$25,000, but have not been included for the cash distribution of the \$2,250,000, will be entitled to receive serial dollar notes of the Bank of Brazil endorsed by the Brazilian Government, of equal value, payable in fifty-six monthly instalments. The first of these notes will mature on the first July, 1936, and the others on the first day of each successive month. The total amount of each claim paid in this manner will represent the net balance of the creditors' claim with the addition of ten per cent. interest on the value of the credit for the average maturity of the notes issued. At least 40 per cent. of the corresponding milreis in respect of

the larger claims must be deposited in the Bank of Brazil by the 23rd March, 1936, together with written engagements to deposit any balance of such milreis not later than the first of July, 1936, with interest computed on such deferred deposits at 6 per cent. per annum from the 23rd March, 1936, to respective dates of deposit.

(f) According to the terms of the Agreement the amounts eligible for conversion under the terms of this Agreement are limited to \$30,000,000, the conversion of any excess will not affect the small creditors who will be paid in full, but the claims of the remaining creditors who are to receive notes will be met in the following order of preference :

- I. For amounts already deposited in milreis ;
- II. For amounts which may have been deposited before the 23rd March, 1936, and, finally,
- III. For amounts deposited between that date and the 1st July, 1936.

It was also reported that the Export-Import Bank of the U.S.A. has signified its willingness to discount notes given to U.S.A. creditors in connection with this arrears agreement. Exporters who wished to avail themselves of this facility were advised to deposit their notes with the above-mentioned bank not later than the 30th June, 1936, together with a commitment fee of 1 per cent. The discount rate was said to be 4 per cent. per annum plus the commitment fee.

German-Brazilian Arrears Agreement.—In July, 1936, the Banking Control Department issued instructions in order to implement an agreement for the liquidation of certain German frozen credits in Brazil. The credits in question are in respect of bills drawn by companies, firms or individuals established in Germany in currencies other than marks or milreis, during the years 1932 and 1933. These credits had not been liquidated when due owing to the lack of foreign exchange and subsequent refusal on the part of the drawers to receive compensation marks. The amount outstanding at the time the exchange was freed was said to be £800,000, but part of this sum has been liquidated privately and through agreements with other countries, leaving a balance of arrears of not more than £250,000.

Swiss-Brazilian Arrears Agreement.—In an exchange of notes effected on the 24th July, 1936, between the Brazilian Minister for Foreign Affairs and the Swiss Chargé d'Affaires, in which both countries agreed to continue to concede to each other a régime of unconditional most-favoured-nation treatment, the following arrangements were made concerning the liquidation of Swiss "frozen" commercial credits in Brazil.

- (a) In order to facilitate and accelerate the liquidation of Swiss "frozen" credits the Swiss Government conceded, in addition to the normal quota mentioned in the provisional agreement of the 24th July, 1936 (particulars of which are alluded to on pages 49-50 of this report), an additional quota for coffee fixed at 13,019 quintals per annum, destined to the payment of the frozen credits.
- (b) In view of these normal and additional coffee quotas the Bank of Brazil undertakes to provide a sum in exchange corresponding to not less than the value of the coffee imported by Switzerland in excess of the normal quota.

- (c) The additional Swiss importation of Brazilian coffee will be fixed each month, the mean monthly average of the normal quota and the tonnage of coffee imported according to the Swiss statistics being taken as basis. The Swiss department concerned will communicate within the first fifteen days of each month the figures of extra coffee imported during the previous month to the Brazilian Legation in Berne. The corresponding amount of exchange will be delivered by the Bank of Brazil to the Swiss National Bank within fifteen days after the notification.
- (d) The milreis amounts for the payment of the commercial arrears must be delivered to the Bank of Brazil, which will send to the Swiss Compensation Bureau at Zurich, as soon as possible, a first list of names of debtors who have deposited, with the amounts and the names and domiciles of the respective creditors. Monthly complementary lists will continue to be sent; and the Swiss Compensation Bureau will notify the creditors of the amounts delivered by the Bank of Brazil.
- (e) The exchange remitted by the Bank of Brazil to the Swiss National Bank will serve to liquidate the arrears. The Swiss Compensation Bureau will distribute to the creditors, and send a list of each distribution, with all details, to the Bank of Brazil.
- (f) The following are considered to be "frozen" commercial credits:
 All credits due, resulting from the sale of Swiss goods imported into Brazil and despatched in the Brazilian customs before February 12th, 1935, interest payable by the debtor being included, if not already received by the creditor domiciled in Switzerland. Commercial credits not yet due, resulting from sales of Swiss goods imported into Brazil and customed before February 12th, 1935, with interest payable, will be considered as arrears from their due dates.
- (g) The conversion of the milreis into Swiss francs will be made at the rate of 3\$900 per franc, the official rate at the 1st February, 1935, for the 100 per cent. of the credits for goods imported before the 11th September, 1934, and for the 60 per cent. of the credits for goods subsequently imported. The transfer of the remaining 40 per cent. will be effected by the purchase of free exchange. Credits in currencies other than Swiss francs will be converted to francs at the sight rate on Zurich at the date of liquidation.
- (h) It is understood that all the Swiss credits not regarded as frozen will be paid and transferred freely on their due dates.
- (i) In case one of the High Contracting Parties fails to observe the stipulations above-mentioned, the other has the right to denounce this agreement with 30 days' notice.

Norwegian-Brazilian Arrears Agreement.—The outstanding Norwegian credits in Brazil are reported to have been liquidated in full as a result of the arrangements made in September, 1935, referred to on page 31 of the last report in this series.

Franco-Brazilian Arrears Agreement.—The payment of the arrears of French commercial debts have proceeded regularly, and it is anticipated that their final liquidation will take place in October, 1936.

Finnish Frozen Credits.—Mr. Hjalmar Procopé, Finnish ex-Minister for Foreign Affairs, arrived at Rio de Janeiro in November, 1935, primarily on behalf of the Finnish Paper Exporters' Association, of which he is the President, but he had at the same time been entrusted by the Finnish Government with the task of

endeavouring to clear up certain small matters, such as the Finnish frozen credits. These credits were stated at the time to amount to about £13,000, arising out of direct commercial interchange between Finland and Brazil, but as the export of the Finnish merchandise involved is stated to have been conducted through London and Scandinavian countries, the frozen credits resulting therefrom would appear to be a matter for those intermediary states and consequently of little importance for Finnish merchants, particularly in view of the small amount in question.

III. LEGISLATION

TARIFFS.

Customs Exemptions and Reductions.—In accordance with the regulations of Decree No. 24,023 of the 21st March, 1934, in which it was stated that a number of industries were considered as meriting exemption from import duties for their equipment, customs concessions were granted in 1935 for certain consignments of plant for alcohol distillation from sugar residuals, and machinery for the manufacture of artificial silk, cellulose and cement, and for the preparation of cotton for export.

Two per cent. ad valorem duty on Imports.—Full particulars regarding the 2 per cent. *ad valorem* duty on a large number of imports are contained in the chapter dealing with the new pensions law referred to on page 37.

Brazilian Products similar to Foreign Products.—The "Diario Oficial" of the 27th March, 1936, issued a supplement to the original list of Brazilian "similares", registered up to and in force as from 31st March, 1935, in respect of new registrations of such products between the 1st April, 1936, and 30th September, 1936. Copies of these lists may be seen at the Department of Overseas Trade.

Under the terms of Decree No. 24,023 of the 21st March, 1934, no exemption or reduction of import duties is granted in respect of "similares", i.e., goods or raw materials the like of which are produced in the country, in sufficient quantities to meet all demands.

Reduction of Duties on Wheat Flour.—Decree No. 803 was issued on the 8th May, 1936 (published in the "Diario Oficial" of the 22nd May), which reduced the import duties on wheat flour by 20 per cent., for a period of two years, and determined the appointment of a commission to establish the minimum percentage of national wheat which should be added to foreign wheat milled in Brazil, and the percentage of by-products which may be exported without prejudice to internal consumption. The preamble of the decree imputed that an "International Trust" was exerting a disturbing influence on the market by increasing the price of flour to an unjustified degree and thereby reaping profits disproportionately high in relation to the capital invested, but gave the

circumstance that most of the capital employed in the milling industry in Brazil is foreign as a reason to decrease the amount of protection afforded by the duty. It was also stated that the price of their flour was higher than that of the imported product.

The decree, which became effective on the 22nd August, 1936, gave rise to protests on the part of the industrialists concerned as well as to controversy by other parties. It was pointed out that Brazil has purchased foreign wheat for the last 40 years and that factories built under the moral guarantee of tariff protection for wheat flour give employment to thousands of Brazilians not only in the milling industry, but in the manufacture of cotton bags. It was alleged that the milling interests, in which there is considerable Brazilian as well as foreign capital, would be unable to compete with flour imported at the reduced rates mentioned in the decree, until the production of national wheat had increased sufficiently to meet the consuming capacity of the country. But even then the transportation charges for the national product would have to be lowered considerably to enable both the wheat cultivator and the miller to realize a reasonable return on their investments without necessitating Government assistance.

Drawback System.—Decree No. 994 of the 28th July, 1936, instituted a customs drawback system, with total remission of the import duties payable under the customs tariff in respect of prime materials required for the production of merchandise which is exported abroad and is acknowledged to be in a position to compete in overseas markets with similar foreign products. The benefits of this decree also apply to articles necessary for the finish and packing of national goods in an acceptable form.

A copy of this decree may be consulted at the Department of Overseas Trade.

Two-thirds Law regarding the Respective Proportions of Brazilian and Foreign Employees.—One of the provisions of Decree No. 20,291 of the 12th August, 1931, requiring all employers of labour to maintain at least two-thirds of Brazilian-born employees on their pay-rolls, established that foreigners married to Brazilians and having Brazilian children, who had on the 29th July, 1931, been in residence in Brazil for ten years, would be considered as Brazilians, and that all other foreigners who have resided in Brazil for more than ten years would also be considered Brazilians for a period of five years from the date of Decree No. 20,261 of the 29th July, 1931.

As the five years period expired on the 29th July, 1936, representations were made to the authorities by those affected by this

Note.—All decrees relating to alterations in the Customs Tariff take effect three months after the date of their publication in the *Diario Oficial* unless a date is specifically mentioned in the decree.

regulation with a view to inducing them to extend or cancel the limiting period. This has resulted in a statement furnished to the press in June last by the Minister for Labour, Industry and Commerce, which reads as follows:—

“There is no reason for these representations, because the allegations are undoubtedly the result of misunderstanding of the regulation referred to. The regulation clearly allows that, in the lack of native-born Brazilians or for strictly technical work, at the discretion of the Ministry for Labour, an adjustment may be made of the two-thirds proportion, permitting the employment of firstly, naturalized Brazilians, and secondly, of foreigners not included under the conditions laid down in the regulations.”

“In this manner the groundlessness is explained of the principal allegation of the interested parties that, on expiry of the five-year period, the industrial activities of the country would be disorganized by the compulsory dismissal of irreplaceable foreign technical experts for, by virtue of the provisions of the ruling, the Ministry for Labour is authorized to permit them to continue their work provided there are no native-born Brazilians or foreigners satisfying the requirements of the regulations, capable of carrying out the technical duties which they (the other foreigners) have up to now performed.”

A report appeared in the local press on the 22nd August, 1936, to the effect that from the 1st September, 1936, to the 31st October of the same year, all individuals, firms, companies, syndicates and associations, pursuing any kind of business or industry in Brazil, must furnish to the National Labour Department of Rio de Janeiro and to the regional inspectorates of the Ministry for Labour in the various states, a complete list of their employees with particulars of their nationality, for the purposes of the Two-Thirds Law. As the period of five years, during which all foreigners enjoyed the same privileges as Brazilian nationals in any employment, expired on the 29th July, 1936, all employers must now justify the non-occupation of certain posts in their organizations by Brazilian-born persons or naturalized Brazilians, where there is an excess of foreign employees, so that the Ministry for Labour may submit every individual case to careful examination.

Compulsory Analysis of Foodstuffs.—The application of compulsory analysis to imported foodstuffs as laid down in the law of the 1st June, 1933, gave rise to representations to the authorities by distillers and exporters of Scotch whisky, in which it was pointed out that it was not possible for the higher class Scotch whiskies to satisfy certain requirements of this law. The matter was, however, disposed of satisfactorily, an understanding having been reached by which no further obstacles would be placed in the way of importation of recognized brands.

A decree was subsequently issued, No. 24,234 of the 12th May, 1934, which regulated the carrying out of analyses of imported beverages and foodstuffs, and determined that analyses of imports recognizable by their containers, labels or marks, would be valid during 12 months of the respective clearance through customs. Under this provision Scotch whisky submitted for official analysis has continued to be imported.

The British Chamber of Commerce in Rio de Janeiro, who have taken an active part in endeavouring to remove these difficulties (vide page 35 of the 1935 Report on Economic Conditions in Brazil), has received a reply to a memorial addressed to the Minister for Finance in February, 1934. The Minister for Foreign Affairs notified the Chamber on the 2nd January, 1936, that the Minister for Education and Public Health having recognised that the official requirements for analysis of Scotch whisky amounted virtually to a prohibition of the importation of this product, was preparing an amendment to the regulations which would permit the importation of "aguardentes" and similar products containing not more than three grammes per litre of higher alcohols taken on the alcoholic content of the respective products; and that until such a time as this amendment had been decreed, Scotch whisky submitted for analysis would be approved, provided the new limit mentioned for higher alcohols was not exceeded.

New Pensions Revenue Law embodying a 2 per cent. Tax on Imports.—Law No. 159 of the 30th December, 1935, regulated the contributions of employees and employers in order to create a source of revenue for the Commercial Employees Pensions and Retirement Fund. The contributions of employees correspond to a monthly percentage of their remuneration, in any form or description, up to a maximum limit of 2:000\$000, and variable from 3 to 8 per cent., as demanded by the situation of each Pension Institute or Fund. All companies, concerns and employers coming under this law are obliged to deduct these contributions from the monthly salaries of their employees and at the same time the employers must subscribe a sum equal to the total amount paid during the month by their employees. These contributions, together with those of the Federal Union—equal to the total of all contributions of employees—must be handed over not later than the 15th of the month following to the Bank of Brazil or its agencies, for the account of the respective Fund or Institute concerned.

According to article 6 of the above-mentioned law a tax of 2 per cent. known as the "Social Provident Tax", must be collected on all payments, in any form, for goods imported from foreign countries, excepting combustibles and wheat; the new tax substituting the one-tenth per cent. tax on mercantile sales which had previously furnished the provident quota for the Commercial Employees Pensions and Retirement Fund.

In order to implement article 6 of this law, the Government issued a further decree, No. 591 of the 15th January, 1936, which determined that a tax of 2 per cent. was to be levied by the customs authorities on the value, in Brazilian currency, of all merchandise imported from abroad by sea, land, river or aerial transport, with the exception of fuel (i.e., fuel oil, diesel oil, petrol, coal, coke and briquettes) and wheat.

This law would have been made effective as from the 1st February, 1936, had it not been pointed out that under the terms of the U.S.A.-Brazilian treaty goods of U.S.A. origin enumerated in the tariff schedule annexed thereto, were definitely excepted from many new taxes or tributes, and that similar imports from other countries enjoying most-favoured-nation treatment would have to be given the same exemption. The Brazilian Government, therefore, decided to postpone the application of Decree No. 591 of the 15th January, 1936, for a period of 15 days. On the 14th February, 1936, Decree No. 643 was issued, authorizing the execution of the regulations contained in Decree No. 591, with the following modifications: (Articles 2 to 8 of Decree No. 643 of the 14th February, 1936) :—

Article 2.—In addition to fuel and wheat, the following goods are hereby excluded from the charge of the social provident tax: goods for which the Customs Tariff enforced by Decree No. 24,343 of the 5th June, 1934, did not stipulate a rate to be charged; those cleared with exemption of import duties for consumption and other customs rates, as determined in Article 12 of Decree No. 24,023 of the 21st March, 1934; those specified in the Commercial Treaty made between Brazil and the U.S.A., signed in Washington on February 2nd, 1935, and approved by Legislative Decree No. 4 of the 18th November, 1935; those imported as the result of contracts with the Federal Government in which exemption from import duties and other customs charges is expressly stated, and those that have obtained identical exemption by virtue of special concessions.

Article 3.—The social provident tax shall be calculated and charged on the duties collected, in the following cases: clearance of goods imported by international parcels post, for which no consular invoice exists nor declared value in the customs inspection documents; goods seized in Post Office departments; commercial goods found in passengers' luggage, for which the proper consular invoice has not been taken out; goods in respect of which, as provided by Article 4 of Decree No. 22,717 of 16th May, 1934, a consular invoice is not required, and parcels arrived by airmail unaccompanied by a consular invoice.

Article 4.—On goods abandoned or those seized as contraband and sold by auction in the Customs Houses, the social provident tax shall be charged on the auction sale price.

Article 5.—Abandonment of goods treated of in Article 255 of the New Consolidation of Customs Laws and Customs Revenue Offices, shall not be permitted unless the applicant has paid the provident tax provided under these regulations, the said tax being charged to the consignee or owner of the goods in the case of tacit abandonment.

Article 6.—The basis of exchange for the collection of the provident tax shall be that of the average exchange rate furnished by the Board of Brokers for charging import duties *ad valorem*.

Article 7.—This decree shall come into force on the 17th February, and shall be communicated by telegram to the Collection Offices throughout the country.

Article 8.—Provisions to the contrary are hereby revoked. The articles excluded from the social provident tax are understood to be:

- (a) Those forming the subject of tariff concessions granted to the U.S.A. in the Commercial Treaty concluded between the U.S.A. and Brazil on the 2nd February, 1935;
- (b) Those in respect of which no import duty is payable under the Brazilian customs tariff, which was brought into force by Decree No. 24,343 of the 5th June, 1934;

- (c) Those enumerated in Article 12 of Decree No. 24,023 of the 21st March 1934, granting exemptions from or reductions in import duties ; (A list of the goods under (c) is in the possession of the Department of Overseas Trade) ;
- (d) Those imports arising out of contracts with the Federal Government in which exemption from import duties and other customs charges is expressly stated, and those that have obtained identical exemptions by virtue of special concessions.

The Minister of State for Labour, Industry and Commerce issued instructions on the 20th March, 1936, relative to a census of commercial employees and employers which is to be taken between the 15th March and the 15th September of this year, in connection with the new pensions law previously mentioned.

Proposed Legislation to Rationalise Freight Rates.—The Federal Council for Foreign Trade, at its meeting of the 21st November, 1935, over which His Excellency the President of the Republic presided, approved unanimously a bill having for its object the rationalization of ocean freights. The bill then went to the Chamber of Deputies and was hurriedly passed by that body at its last session of the year. The bill is aimed at the system of rebates in use by regular shipping lines who carry Brazilian exported produce ; a system which, it may be remarked, has been of great benefit to Brazilian exporters by maintaining the stability of freight rates and the regular provision of space for their shipments.

On the attention of the Brazilian Government being drawn to the difficulties which the law, if put into effect in its original form, would create, a commission was appointed to discuss the matter with a delegation representative of the shipping interests affected which visited Brazil for the purpose.

Minimum Wages Law.—Law No. 185 of the 14th January, 1936, instituting Minimum Wages Commissions, was promulgated in order to give effect to the terms of Article 121 of the Brazilian Constitution of 1934, wherein it is premised that every worker, in exchange for his services, has the right to a living wage capable of satisfying his normal needs as to food, dwelling, clothing, hygiene and transportation, according to the conditions of the region in which he lives.

For the purpose of determining this minimum wage, provision was made for the constitution of 22 "wages commissions" each composed of from five to eleven members, in equal proportions of employers and employees, elected for two year periods by their respective syndicates or other legally recognized associations ; the president of each "wages commission" being appointed by the President of the Republic. Each Commission has jurisdiction over one of the 22 regions corresponding to the 20 states, the Federal District and the Acre Territory, but any of the 22 regions may be divided into one or more zones of not less than 500,000 inhabitants each, if varying standards of living make this course desirable. The

minimum wages fixed by these commissions for their respective districts will remain in force for a period of three years, but if three fourths of the members of the Wages Commission decide that economic factors have changed in their respective district, the minimum wage may be revised before the end of the three year period.

Any contracts stipulating wages below the minimum are to be considered null and void, and workers affected in this sense may lodge complaints; the employers being fined for infringing the law.

The publication of this law has given rise to a series of articles in the local press criticising interference in such matters and drawing attention to the danger of entrusting decisions of so serious a nature to committees for whose competence there can be no guarantee. It was also pointed out that grievous harm may be done to the nation's economy by enforcing rigid regulations on a question which requires the most elastic treatment, and that the best way of securing the just remuneration of the worker would be to concentrate on fostering the prosperity of the country and its economic development and not by adopting measures which might well prove restrictive of development.

Law on the compilation of Schedules for Foodstuffs.—The President of the Republic signed a decree on the 28th July, 1936, transferring to the Ministry for Agriculture and to the Prefect of the Federal District, the task of preparing schedules of prices of foodstuffs of first necessity. The decree in question has its origin in the fact that repeated complaints have been received from the public regarding the price of foodstuffs hitherto fixed by a commission composed for the most part of representatives of wholesalers and retailers of such articles.

Miscellaneous Decrees.

Besides those already mentioned in their appropriate sections, the following decrees were issued during the period under review:—

Decree No. 585 of the 14th January, 1936 (Official Gazette of 23/1/1936), lays down new regulations concerning mining, especially as regards prospecting, research work and the actual exploration of concessions. It also regulates the registration of areas authorized for prospecting and working, in accordance with the Code of Mines put into effect by Decree No. 24,642 of the 10th July, 1934.

Legislative Decree No. 6 of the 18th December, 1935 (Official Gazette of 19/12/1935), amends certain clauses of the Federal Constitution of the 10th July, 1934.

Law No. 175 of the 7th January, 1936 (Official Gazette of 13/1/1936), gives effect to the dispositions laid down in Article 177 of the Brazilian Constitution of 1934, which provides for defence measures in regard to droughts in the north-eastern states of Brazil. Emergency works are to be undertaken and roads and reservoirs to be constructed in accordance with the plans previously laid down by the Government.

Decree No. 622 of the 5th February, 1936 (Official Gazette of 8/2/1936), authorizes the Minister for Finance to carry out all the necessary acts for the execution of the agreement between Brazil and the United Kingdom and Northern Ireland for the liquidation of the arrears of commercial payments; and also to conclude a similar agreement with U.S.A. creditors.

Law No. 187 of the 15th January, 1936 (Official Gazette of 4/2/1936), regulates the manner in which duplicates or signed accounts must be drawn up by all commercial concerns. All credit sales should be accompanied by one of these signed accounts bearing proportional stamps according to the value of the amount declared therein.

Decree No. 946 of the 7th July, 1936 (Official Gazette of 10/7/1936), regulates the celebration of the National Statistical Convention, the object of which is the proper organization and co-ordination of all national statistics. The co-operation of Federal, state and municipal authorities is required for the co-ordination of all the statistical information at their disposal.

Decree No. 980 of the 22nd July, 1936 (Official Gazette of 29/7/1936), regarding international commercial relations of Brazil. The purpose of this decree is to increase the efficiency of the service at present performed by the Section of Economic and Financial Studies of the Ministry for Finance in connection with the foreign trade of Brazil.

Decree No. 1,016 of the 6th August, 1936 (Official Gazette of 18/8/1936), lays down modifications of the regulations governing the Council of Control of Artistic and Scientific Expeditions to Brazil, whether national or foreign, approved by Decree No. 24,337 of the 5th June, 1934. It is laid down that representatives of the Brazilian Government shall accompany all such expeditions to the hinterland and supervise the work of the members.

IV. TREATIES

Brazil-Argentine Treaties.—On the 24th June, 1935, a protocol regarding the construction of an international bridge over the river Uruguay was signed at Buenos Aires by the Presidents of Argentina and Brazil. The bridge, to be constructed in the zone between Paso de los Libres and Uruguayana, is to be divided into three parts. Firstly, the bridge properly speaking formed by its abutments, piers, girders, roadway and railway; and secondly and thirdly, the road and railway approaches with their embankments, roadways, etc. The bridge will be considered as international in the sense that the cost of its construction and maintenance will be borne by both Governments, each paying one-half of the expenditure incurred.

The Treaty of Commerce and Navigation between Brazil and Argentina signed in Buenos Aires on the 29th May, 1935, received the sanction of the Argentine Chamber of Deputies on the 27th September, 1935, but has not yet been ratified by Brazil. According to the provisions of the treaty now before the Brazilian Congress, unrestricted unconditional most-favoured-nation treatment is accorded reciprocally to the products of both signatories as regards customs duties and taxes, etc., but excluding concessions of a similar nature already conceded or which may be granted to limitrophe countries, by virtue of:—

- (a) conventions with other limitrophe countries, and
- (b) engagements resulting from a customs union with a limitrophe country.

The treaty contains a list of 22 Brazilian and 24 Argentine products on which the duties have either been conventionalized or reduced.

If and when quotas or import restrictions of this nature are imposed both parties have agreed to accord most-favoured-nation and equitable treatment to the products affected, and to fix quotas which shall not be less than the average importation registered during the previous three years.

Brazil-Uruguay Treaty.—An exchange of notes was effected in Rio de Janeiro on the 23rd November, 1935, between the Minister for Foreign Affairs and the Uruguayan Ambassador relative to the fruit trade between Brazil and Uruguay. This exchange of notes was required to supplement the Treaty of Commerce and Navigation of 1933 between the two countries, which was not considered to be sufficiently explicit. Uruguayan fruit already enters Brazil free of duty; Brazilian fruit is admitted duty free into Uruguay, with the exception of oranges and tangerines, on which the duty is unaltered, and bananas, on which the duty was reduced by 50 per cent. To compensate Brazil for the maintenance of the Uruguayan duty on tangerines and oranges, and the reduction by only 50 per cent. of the duty on bananas, it was agreed to admit Brazilian pine-wood free of duty into Uruguay irrespective of quantity, across land or river frontiers. Before this agreement came into force only 8,000 tons of Brazilian pine-wood were admitted annually into Uruguay and only across the frontier at Livramento. As this exemption is a customs concession between limitrophe countries, it was stated that a similar favour, now or in the future, granted to a non-limitrophe country, shall benefit Brazil in the same manner, so that Brazilian pine-wood may be imported free of duty equally by the sea ports of Uruguay.

Brazil-U.S.A. Commercial Treaty.—The treaty of commerce concluded and signed in Washington on the 2nd February, 1935, was ratified by Brazil on the 30th November, 1935, and proclaimed by the President of the United States of America on the 2nd December, 1935. The treaty, which entered into force in Brazil on the 30th December, 1935, and took effect in the U.S.A. on the 1st January, 1936, will remain in force for at least two years, but may be terminated on the expiration of the two-year period or at any time thereafter at six months' notice. The duty concessions granted by Brazil to specified products of U.S.A. origin are applicable to similar imports from all those countries which signed, and maintain, with Brazil, reciprocal agreements conceding unconditional most-favoured-nation treatment. Full particulars of the duty reductions resulting from this treaty may be consulted at the Department of Overseas Trade.

Denunciation of Commercial Treaties.—In December last the Brazilian Government made known through the Federal Council for Foreign Trade, its intention of denouncing all existing commercial treaties with the exception of agreements concluded after the 1st January, 1934. The "raison d'être" of this decision was to

preclude countries whose legislation had the effect of hampering imports from Brazil by such measures as compensation exchange, quotas, tariff, excessive sanitary regulations, or other restrictions, from enjoying the benefits derived from unconditional most-favoured-nation treatment in their commerce with Brazil, and incidentally to debar such countries from participating in the reductions of exemptions from import duties arising out of the Brazilian-American Commercial Agreement, which came into force on the 1st January, 1936. It was reported that treaties which Brazil had made during the last three years, on the basis of unconditional most-favoured-nation treatment, had failed to achieve the results expected, hence the reason for an all-round denunciation of commercial agreements which would leave Brazil free to enter into new or revised agreements likely to offer the advantages necessary for an expansion of her export trade.

Accordingly, on the 30th December, 1935, a decree was signed by the President of the Republic denouncing all commercial agreements concluded by exchange of notes between Brazil and foreign countries, inclusive of all such as concede reciprocal unconditional and most-favoured-nation treatment as well as any treaties which allow the minimum Brazilian tariff in respect of foreign imports.

On the 31st January, 1936, H.M. Ambassador received from the Ministry for Foreign Affairs three notes denouncing the existing commercial agreements between Brazil, the United Kingdom, the Irish Free State and India, respectively, the agreements being subject to six months notice of determination, in order to allow time for negotiating new commercial conventions.

In January Dr. Sebastião Sampaio, Director of the Federal Council for Foreign Trade, was entrusted by the Minister for Foreign Affairs with a mission to Europe with the sole object of visiting the capitals of those countries with which Brazil had commercial agreements to be revised and to collect sufficient data to enable the Brazilian Government to negotiate and conclude fresh agreements not later than June, 1936. Dr. Sampaio left Rio de Janeiro on 27th January.

Dr. Sampaio returned to Rio de Janeiro on the 3rd June after an extensive economic tour of a number of European capitals. The countries visited, in order of rotation, were France, the United Kingdom, Germany, Norway, Sweden, Denmark, Holland, Belgium, Switzerland, Austria, Hungary, Italy, Spain and Portugal. Owing to lack of time Dr. Sampaio was unable to visit a number of other European countries. On the 8th June Dr. Sampaio read a report on his mission at a plenary session of the Federal Council for Foreign Trade, in which he drew attention to the fact that the countries visited were those which imported about 95 per cent. of Brazilian exports to European markets. After the speaker had discoursed on the recent Franco-Brazilian agreement, referred to

in a subsequent chapter, he went on to say that by order of the President all new commercial agreements would be discussed by the Federal Council for Foreign Trade at public sessions which the various commercial associations and other interested parties would be invited to attend, following the signature of any agreement. The presence at these sessions of exporters and importers was particularly desired by the President so that the value of the new commercial agreements concluded might be explained to them.

Dr. Sampaio then drew attention to the terms of the denunciation decree of the 30th December, 1935, and added that the new agreements would be of two kinds—those granting complete unconditional and unrestricted most-favoured-nation treatment, and those conceding reciprocal minimum tariff rates. No special rates, however, would be conceded involving alterations in the existing tariff. Furthermore, any new agreements would be of a provisional nature, denounceable by mutual consent at three months notice.

It was emphasized that the Brazilian Government would have no hesitation in refusing to any country the tariff concessions conceded under the new agreement with the U.S.A. or those of the Argentine agreement, when the latter is approved by Congress. The policy of the Government was to obtain logical and reciprocal concessions without restricting importation from countries which found themselves obliged to impose import restrictions, either by means of quotas or by blocked currencies, which, unfortunately, the most-favoured-nation clause in commercial agreements had not succeeded in overcoming.

Dr. Sampaio dwelt on the extreme difficulties surrounding the successful drafting of proposed agreements, necessitating several distinct types of treaty. He remarked that there were countries with favourable trade balances *vis-à-vis* Brazil, and others with an adverse balance of trade with Brazil; then again there were countries applying quotas and restrictions, and those with restrictions applicable only to products which are not exported by Brazil, and vice versa; as well as blocked currency countries and those with free "international" currencies.

After alluding at some length to the duties imposed abroad on Brazilian coffee and, *inter alia*, the question of placing stocks of coffee in as many ports and markets as possible, etc., Dr. Sampaio concluded by saying that the information collected by the special mission to Europe would be divulged in due course at public sessions of the Federal Council for Foreign Trade.

The denunciation of all commercial treaties concluded prior to the 1st January, 1934, obliged every country interested in the Brazilian market to negotiate an extension of its existing agreement before the 31st July, 1936, pending the conclusion of a definite commercial treaty. Particulars of these provisional arrangements are given hereunder.

German-Brazilian Commercial Modus Vivendi.—In connection with the denunciation by Brazil of the German-Brazilian Commercial Treaty of the 22nd October, 1931, which took effect on the 31st July, 1936, the negotiations initiated by both parties in May, 1936, might well have culminated in a treaty in which Brazil would probably have subscribed to the policy of the compensation mark system being applied in respect of payments for all Brazilian produce shipped to Germany, rather than risk losing the German market. The need, however, of exporting as much as possible of the country's surplus of agricultural products, primarily to enable Brazil to meet her foreign obligations out of the gold surpluses from the trade balance, obliged the Brazilian Government to declare that it was not possible, nor was it intended, to adopt a policy of commercial compensation but to maintain full freedom of commerce. These considerations and the importance of Germany as one of the three largest consumers of Brazilian produce led the Government to adopt a formula which met the interests of both countries without prejudicing Brazilian principles, in the shape of an exchange of notes which took place on the 8th June, 1936, providing for reciprocal most-favoured-nation treatment after the 31st July, 1936, the date of expiry of the commercial treaty of the 22nd October, 1931.

This *modus vivendi* is only a temporary measure of 12 months duration (terminable at three months' notice) pending the conclusion of a commercial and shipping treaty. It is understood that the exchange of notes was accompanied by an undertaking on the part of Brazil to permit the exportation to Germany of 62,000 tons of cotton payable in compensation marks. In its turn the German Government increased the quotas for the following Brazilian products imported into Germany: tobacco, 18,000 tons; frozen meat, 10,000 tons; bananas, 4,000 tons; Brazil nuts, 4,000 tons; oranges, 200,000 cases, and 1,600,000 bags of coffee, which would not be re-exported from Germany without the previous consent of the Brazilian Government. The communication of the German Government also contained the promise not to restrict, during the next 12 months, the importation of rubber, cocoa, herba-maté, honey, oleaginous seeds, hides and skins, wool, oils and minerals, as well as other raw materials for the use of German industry. The Government of the Reich furthermore agreed to permit the maximum possible imports of Brazilian fruit, eggs, timber and other products, and also to grant licences for the importation of Brazilian coffee, in order that it should not be admitted at prices lower than those of the Brazilian coffee market. Lastly, the German Government is alleged to have stated that ocean freights in respect of Brazilian products shipped on vessels belonging to the Reich, would no longer be levied in gold but in compensation marks.

The main object of this temporary arrangement was to preserve the existing equilibrium of trade between the two countries. It

is nevertheless felt that this agreement will, in all likelihood, result in an appreciable increase of Brazilian imports from Germany to the detriment of exporters in "free currency" countries.

In view of the general misunderstanding in regard to this matter prevailing in Brazil and elsewhere, the Minister for Foreign Affairs made certain declarations to the press in which he defended his action in giving way to German demands to purchase products on a compensation basis. Dr. Macedo Soares said that he was able to state that the reports to the effect that Brazil had signed a treaty with Germany were absolutely without foundation. The commercial treaty with Germany had been denounced by Brazil to expire on the 31st July, 1936, and in order to obviate the application of the maximum tariff rates after that date, the Brazilian Government had effected an exchange of notes which merely secured reciprocal most-favoured-nation treatment until the conclusion of a new treaty of commerce. The Minister declared furthermore that the Brazilian Government was entirely opposed to any system whatsoever which raised barriers against liberty of trade. The first preoccupation of the Brazilian Government was to maintain good relations with the U.S.A. and other countries dealing in international free currencies. For this reason it had been intimated to the German Government, as well as to other countries which had adopted the compensation system, that they should not try to take advantage of the situation in order to expand their markets in Brazil for articles which Brazil was accustomed to purchase from countries whose trade was unrestricted.

In the desire to regulate German-Brazilian commercial interchange, it had been necessary to find a dividing line between the two regimes adopted; those of liberty of commerce by Brazil and controlled economy by Germany. The Minister emphasized that he had been successful in arranging satisfactorily that commerce would be maintained with Germany without prejudicing Brazilian trade with the U.S.A. and the United Kingdom, and added that the adoption of compensation systems and treaties, which might prejudice the good relations long established with countries which dealt with Brazil on the basis of free and unrestricted transactions, was entirely outside the intentions of his Government.

Franco-Brazilian Commercial Agreement.—An agreement of a provisional nature between the French and Brazilian Governments formed the subject of an exchange of notes effected in Paris on the 4th March, 1936, between Monsieur Bargeton, of the French Ministry for Foreign Affairs, and the Brazilian Ambassador. This agreement was promulgated in Paris on the 15th March and brought into effect in Brazil on the 10th June. It is understood to complete the Franco-Brazilian arrangement of the 11th May, 1934, in order to enable French products exported to Brazil to benefit by the reduced rates of duty granted to the U.S.A. Furthermore, all

advantages which either of the contracting parties have conceded or may concede in the future to a third country, both as regards customs matters and internal taxation, will immediately be extended to those products of the other which benefit by the minimum tariff under the agreement of the 11th May, 1934. The French Government has also agreed to take the necessary measures to suppress the 4 per cent. and 6 per cent. increased import taxes levied on Brazilian products since the law of the 31st March, 1932. Brazil is allotted for her fruit the following quarterly quotas of France's total import of oranges :—

1st quarter	one per cent.
2nd	„ half per cent.
3rd	„ 2·9 per cent.
4th	„ 11·0 per cent.

Lastly, the agreement mentions that no discrimination has been or will be, applied in the future as regards the application of taxes in respect of import licences. This new transitory arrangement, which has been concluded pending the signature of a Franco-Brazilian treaty of commerce and navigation, is to remain in force as long as the convention of the 11th May, 1934, is in vigour.

Finnish-Brazilian Convention.—According to President Vargas' message to Congress of the 3rd May, 1936, an understanding has been reached between the Finnish and the Brazilian Governments relative to measures to be adopted in order to facilitate the expansion of trade between the two countries. Finland reduced the duties on Brazilian coffee by 25 per cent. as from the 1st January, 1936, while the Brazilian Government in return promised to give its sympathetic support to a bill presented in Congress, conceding exemption of duties for newsprint of Finnish manufacture.

An exchange of notes was effected in Rio de Janeiro on the 22nd July, 1936, between the Minister for Foreign Affairs and the Finnish Chargé d'Affaires, by which the existing régime of most-favoured-nation treatment, which would otherwise have come to an end on the 31st July, 1936, was prolonged until the conclusion of a definite commercial treaty, for which negotiations have already been commenced. The Finnish note confirmed certain assurances previously given to the Brazilian Minister for Foreign Affairs, to the effect that the import duties levied in Finland on coffee and herva maté, amounting to 12 marks on green coffee, 14 marks on roasted coffee and 25 marks on herva maté, had been, as was hoped, effectively reduced, so that the new rates which had been introduced were of 9, 11 and 5 marks, respectively. The Finnish note also stated that no restrictions existed regarding either the quantity of Brazilian merchandise imported into Finland or the payment therefor.

Brazil-Czechoslovakia.—An exchange of notes to extend the existing régime for the mutual commerce of Brazil and Czechoslovakia was effected on the 22nd July, 1936, between the Czechoslovak Minister and the Brazilian Minister for Foreign Affairs. The notes stated that the Brazilian Government would grant most-favoured-nation treatment to Czechoslovakian products on a reciprocal basis, except that the provisions of the present temporary arrangement would not apply to favours already conceded by Brazil to South American states in virtue of agreements concluded or which might be concluded between Brazil and those states for the purpose of closer collaboration. In a further exchange of notes the Czechoslovak Minister informed the Brazilian Government that, anticipating one of the conditions for the conclusion of the definite commercial agreement now being negotiated, Czechoslovakia had not only released the Brazilian balances which were blocked, but had provided that all future imports from Brazil would be paid for in Czechoslovakia in free exchange.

This provisional agreement, as well as all the others mentioned below may be denounced by either of the contracting parties with 30 days' notice, otherwise they are to remain in force pending the conclusion of new commercial treaties now being negotiated.

Brazil—Denmark.—An exchange of notes was effected at Rio de Janeiro on the 30th July, 1936, between the Minister for Foreign Affairs and the Danish Minister, whereby both countries agreed to concede to each other unconditional and unlimited most-favoured-nation treatment until the conclusion of a commercial agreement being negotiated. This provisional arrangement excepts favours actually conceded or which may be subsequently conceded to Iceland, Norway or Sweden, and other concessions which facilitate frontier traffic, as well as those which refer to a customs union already concluded. The stipulations of the present arrangement do not apply to Greenland, where commerce and navigation are reserved to the Danish State. Most-favoured-nation treatment will, however, be applied in Brazil to the imports of produce originating in and proceeding from Greenland, as well as in Greenland to products of Brazilian origin.

Brazil—Iceland.—Notes were exchanged at Rio de Janeiro on the 30th July between the Minister for Foreign Affairs and the Danish Minister for the purpose of extending from the 31st July, 1936, until the conclusion of a new commercial agreement, the existing system of mutual most-favoured-nation treatment to trade between Brazil and Iceland. The notes were, *mutatis mutandis*, in the same form, and of the same purport, as those exchanged on the same day to prolong similarly the régime of most-favoured-nation treatment in force between Brazil and Denmark.

Brazil—Norway.—The exchange of notes effected in Rio de Janeiro on the 27th July between the Minister for Foreign Affairs

and the Norwegian Minister, conceded to both parties to the agreement unconditional and unlimited most-favoured-nation treatment, except favours granted to limitrophe countries or by virtue of a customs union, and special concessions which are or may be given by Norway to Denmark and/or Sweden. Both countries have agreed not to alter the reciprocal most-favoured-nation treatment conceded in regard to their mercantile marine and the reciprocal payment of present and future commercial credits. The Norwegian Government declared, *inter alia*, that the importation of Brazilian products was not subject to any restrictions, whether quantitative or otherwise, with the exception of coffee, which was subjected to a quota in order to facilitate the importation of an additional quantity of Brazilian coffee with the object of liquidating arrears of Norwegian commercial credits in Brazil; a measure which the Norwegian Government may revoke as soon as the liquidation referred to is complete.

The Brazilian Government declared its intention of continuing to apply to preserved fish of the type "clupea sprattus" and "clupea harengus" ("brisling or sild") the customs treatment and other facilities conceded to preserved sardines received from any other country.

Brazil—Sweden.—Notes were exchanged at Rio de Janeiro on the 28th July between the Minister for Foreign Affairs and the Swedish Minister, in which it was agreed that from the 1st August, 1936, and until the conclusion of a definite commercial agreement under negotiation, commercial relations between both countries would be maintained under the régime existing previous to the 31st July, 1936, thus prolonging the agreement of the 16th October, 1931.

Brazil—Hungary.—An exchange of notes was effected in Rio de Janeiro on the 30th July, 1936, between the Minister for Foreign Affairs and the Hungarian Minister, in which it was agreed to maintain the existing commercial relations between the two countries until the conclusion of a commercial treaty. The Brazilian Government confirmed that the importation of coffee into Hungary was regulated in a manner mutually satisfactory, and the Hungarian Government agreed to continue to maintain the present treatment and not to apply any discrimination as regards the importation of and payment for Brazilian products imported into their territory.

Brazil—Switzerland.—Three notes were exchanged between the Minister for Foreign Affairs and the Swiss Chargé d'Affaires on the 24th July, 1936, by which both countries agreed not to alter the reciprocal most-favoured-nation treatment then existing as regards taxes, internal dues, &c., and the reciprocal payment of credits. It was moreover stipulated that during the existence of this agreement, which entered into force on the 1st August, 1936,

quotas for Brazilian produce imported into Switzerland would be granted for quantities not less than those mentioned hereunder :—

<i>No. of Swiss Tariff.</i>	<i>Product.</i>	<i>Annual quota in quintals.</i>
5	Rice, with or without husk	1,000
12	Polished rice, etc. and semolina	1,000
54	Raw coffee (normal quota)	70,643
177 a.b.	Sole leather of all kinds, including necks and flanks	1,815

The Swiss Government announced its intention of augmenting the quotas or parts thereof proportionately on condition that such increases are utilized to accelerate the liquidation of frozen credits in Brazil, by an additional quota for coffee destined to the payment of frozen credits. This additional quota was fixed at 13,019 quintals per annum.

Furthermore the Swiss Chargé d'Affaires confirmed that as soon as the arrears of commercial credits had been liquidated the Swiss Government would increase the normal annual quota for Brazilian coffee by a similar quantity to that allowed for the liquidation in question. The Brazilian Government also acknowledged that this increase will not be granted if the Swiss commercial statistics do not show for the year subsequent to the liquidation of the commercial arrears, and by comparison with 1935, an increase of Swiss imports into Brazil equivalent at least to the additional coffee quota. The normal annual coffee quota will only be increased by an amount equivalent to the effective increase of Swiss exports to Brazil.

Brazil—Austria.—An exchange of notes was effected at Rio de Janeiro on the 28th July, 1936, between the Minister for Foreign Affairs and the Austrian Minister, in which it was agreed that until the signature of a definite commercial agreement, both countries would continue to concede to each other, reciprocally, unconditional and unlimited most-favoured-nation customs treatment, with the exception of favours to limitrophe or customs union countries.

Brazil—Ecuador.—Notes were exchanged on the 24th July between the Minister for Foreign Affairs and the Ecuadorean Minister in Rio de Janeiro, by which the existing régime of most-favoured-nation treatment was reciprocally prolonged as from the 31st July, 1936, pending the conclusion of a definite commercial treaty.

Brazil—Perú.—The exchange of notes effected on the 27th July, 1936, between the Minister for Foreign Affairs and the Peruvian Chargé d'Affaires, had for its object the prolongation of the existing reciprocal most-favoured-nation treatment pending the conclusion of a new commercial treaty under negotiation. Both countries

agreed to concede to each other most-favoured-nation customs treatment, and not to change the régime then in force, as regards merchant ships on regular services, internal taxation, and the payment of commercial credits for their present and future trade. A second note from the Peruvian Chargé d'Affaires was to the effect that in the forthcoming commercial treaty between both countries all facilities should be accorded, including reductions in the customs tariff, with the object of developing the sale of Brazilian products in Perú, in proportion to the volume of Peruvian exports to Brazil, particularly in the Amazon region, for the purpose of increasing commercial relations between Perú and Brazil.

Brazil—Colombia.—The provisional commercial agreement between Brazil and Colombia was not effected by an exchange of notes but by two separate acts. The Brazilian Government informed the Colombian Government on the 30th July, 1936, that in order to avoid any break in the continuity of Brazilian-Colombian commercial relations on the 1st August, 1936, and having regard to the liberal treatment accorded to Brazilian merchandise in the territory of Colombia, the Brazilian Government had resolved that the commercial relations between the two countries in force prior to the 1st August, 1936, would be maintained until the conclusion of a treaty of commerce under negotiation.

The act of the Colombian Government consisted of Executive Decree No. 1,778 and of the dispositions for its application, already published in Bogotá, which assured, until the conclusion of the future treaty of commerce between Brazil and Colombia, the maintenance of the existing special régime for Brazilian merchandise imported by the Amazon river-ways, and the existing duties for Brazilian cocoa imported by the port of Barranquilla, it being therein explained that the increase of the customs tariff of 25 per cent., provided for by the Colombian decree referred to, would not be applied to Brazil. It was stated that the future treaty of commerce and navigation would deal with the development of the interchange between the two countries, principally in the Amazon basin, where, since the Leticia settlement, Brazilian and Colombian exports had increased.

Brazil—Mexico.—An exchange of notes was effected in Mexico City on the 30th July, 1936, between the Mexican Minister for Foreign Affairs and the Brazilian Chargé d'Affaires whereby both countries agreed to maintain the existing régime until the conclusion of a definite commercial treaty under negotiation.

Brazil—Cuba.—An exchange of notes was effected in Rio de Janeiro on the 30th July, 1936, between the Minister for Foreign Affairs and the Cuban Minister, in which it was agreed to maintain existing commercial relations between the two countries, pending the conclusion of a commercial treaty.

Brazil—Poland, Spain, Belgium, Venezuela, The Netherlands, Egypt, Turkey.—On the 31st July, 1936, the Minister for Foreign Affairs prolonged the existing most-favoured-nation treatment extended to the above-mentioned territories pending the conclusion of commercial agreements with all these countries.

Brazil—Italy.—On the 14th August, 1936, notes were exchanged in Rio de Janeiro by which the existing régime of commercial relations between Brazil and Italy was prolonged until the conclusion of a treaty of commerce then being negotiated.

Brazil—Chile.—On the 19th August, 1936, an exchange of notes on the lines of those mentioned in the preceding paragraph, was effected in Rio de Janeiro between the Brazilian Foreign Minister and the Chilean Chargé d'Affaires.

Brazil—Roumania.—An exchange of notes was effected in Rio de Janeiro on the 24th August, 1936, between the Minister for Foreign Affairs and the Roumanian Minister, in which it was agreed to prolong the existing régime of reciprocal, unconditional and unlimited most-favoured-nation treatment pending the conclusion of a commercial treaty now being negotiated, but excluding favours to limitrophe countries or those resulting from a customs union.

Both countries have also agreed not to alter the most-favoured-nation treatment conceded to each other as regards merchant vessels on regular services and the payment of commercial credits of their present and future trade. Furthermore, for the duration of the present provisional accord the importation of Brazilian products into Roumania will be authorised to an amount the equivalent of the average of the value of imports from Brazil into Roumania in the years 1934, 1935 and 1936.

United Kingdom—Brazil.—An exchange of notes* was effected in London on the 11th August, 1936, between His Majesty's Government and the Brazilian Ambassador, in which it was agreed to accord to goods from the two countries respectively (in the case of Great Britain including British colonies, protectorates and mandated territories), most-favoured-nation treatment on a basis of reciprocity, pending the conclusion of a treaty of commerce and navigation. The agreement took effect on the 10th August, 1936, and is subject to three months' notice of denunciation by either Government.

Newfoundland—Brazil.—On the same day notes* were exchanged prolonging, subject to 30 days' notice of denunciation, the existing régime of Newfoundland-Brazilian trade.

Brazil—Canada.—On the 30th July, 1936, the Brazilian Government agreed to maintain existing commercial relations between

* A copy of these Agreements (Cmds. 5267-5268) can be purchased from H.M. Stationery Office, Adastral House, Kingsway, W.C.2, price 2d. net and 1d. net, respectively.

Brazil and Canada until the conclusion of a commercial agreement. This provisional arrangement can, however, be denounced by either party with 30 days' notice.

Brazil—Irish Free State, India, South Africa.—The Brazilian Government signified its willingness in September, 1936, to continue to maintain commercial relations with the territories mentioned above, provisionally, on the same conditions as hitherto, pending the conclusion of commercial treaties with each of these countries.

V. FOREIGN TRADE

EXPORTS.

The statistics given in Appendix No. XII show that the volume of Brazilian exports increased from 2,184,782 metric tons in 1934 to 2,761,762 tons in 1935, i.e. an increase of 26.4 per cent. Their value in sterling, however, decreased from £35,239,611 (gold) to £33,011,848 (gold), though in milreis the position was the reverse: 3,459,006 contos in 1934 and 4,104,008 in 1935. The increase in exports of 576,980 metric tons was neutralised by depreciation in the value of Brazilian currency; a situation which might not have occurred if prices of exportable products had risen in proportion to the loss in the exchange value of the milreis. The average price of exports was only £12 (gold) per ton as against £16 2s. (gold) in 1934.

With the exception of herba-maté, hides, maize and jerked beef, the market abroad for Brazilian exportable commodities continued to expand, the most important and valuable increases being registered in the cases of lard, preserved and frozen meats, manganese, wool, tallow, cotton, rice, sugar (dumped abroad by the Sugar and Alcohol Institute to maintain internal prices), coffee, carnauba wax, Brazil-nuts, castor seed and timber.

A further striking feature of the figures of the export trade is the increased average value, in gold pounds, per ton of the following exports:—

	1934			1935		
	£	s.	d.	£	s.	d.
Lard	15	5	0	20	3	0
Manganese	12	0	0	17	0	0
Cotton	36	17	0	37	13	0
Carnauba Wax	46	4	0	59	17	0
Shelled Brazil nuts	32	15	0	42	4	0
Unshelled Brazil nuts	10	7	0	11	2	0
Castor Seed	4	16	0	5	1	0

There was on the other hand an appreciable decrease in the price of the following products: coffee, cocoa, sugar, herba-maté, frozen meat, jerked beef, mandioca flour, bran, rice, fruits, bananas, maize, cotton seed, hides and skins, tallow, wool, rubber, tobacco and babassú nuts etc.

The prices in local currency of most of the exportable products showed an increase, although coffee, rubber, rice, sugar, herva-maté and cotton seed were notable exceptions.

Total exports to the principal purchasing countries are given in Appendix No. XIV.

First Six Months of 1936.—Appendix No. XIII contains particulars and value of the principal products exported during the first six months of the years 1934, 1935 and 1936. It will be observed that the total volume of Brazilian products shipped abroad in the first half of 1936 amounting to 1,467,986 metric tons was 17.3 per cent. above the figure for the corresponding period in the previous year, while that the gold value at £17,083,890 was only 6.43 per cent. greater than in 1935. In local currency, however, the values of these exports were 2,177,825 contos, as against 1,897,460 contos in the first six months of 1935, or an increase of 14.78 per cent.

The average price of exports per metric ton is still on the downward trend, being only £11 6s. (gold), as compared with £12 16s. (gold) for the first half of 1935. With the exception of lard, tallow, shelled Brazil-nuts, tobacco and maize, increased exports were registered in practically all other products exported.

Coffee.—Exports increased from 14,146,879 sixty-kilogramme bags, in 1934, of a f.o.b. value of £21,540,599 (gold), to 15,328,791 bags in 1935, but as the average price per bag had dropped from £1 10s. (gold) in 1934 to £1 3s. (gold) in 1935, the total value of these exports was only £17,373,215 (gold) in the latter year. The price of this commodity has fallen steadily since June, 1928, when the export price of coffee averaged £5 ls. (paper). From that date until May, 1935, the price gradually decreased and reached the lowest figure on record, namely £1 ls. (gold) per bag, at which it remained until October of that year, since which date a slight improvement occurred, the average price in July, 1936, being £1 4s. (gold) per bag.

The proportion of Brazilian coffee delivered for world consumption during 1935 was 64.43 per cent., as against 64.26 per cent. in the year 1934. The number of bags delivered was as follows:—

To U.S.A.	8,287,000
To Europe	6,238,000
To South American countries... ..	1,275,000
Total	15,800,000

World consumption in that year totalled 24,521,000 bags, of which other coffee-growing countries supplied 4,586,000 bags to Europe and 4,135,000 to the U.S.A. The unexportable surplus of coffee continues to be incinerated and from 1931, when the incineration scheme was decreed, up to the 31st December, 1935, 35,800,000 bags of coffee were disposed of by this means. During the first six months of 1936 787,000 bags were burnt.

Stocks of coffee held at Brazilian ports at the end of December, 1935, amounted to 3,280,000 bags, at the end of June, 1936, to 3,272,580 bags.

Exports of coffee during the first six months of 1936 were 7,131,702 bags, as against 6,888,951 bags during the same period of 1935.

Every effort is now being made to produce a finer type of coffee than that hitherto cultivated in this country, in order to increase foreign demand and at the same time realize higher prices. The National Coffee Department of the Brazilian Government is now undertaking a world-wide coffee propaganda campaign with a view to increasing its share of the world consumption of this beverage. The Government is also endeavouring to obtain a reduction in freight rates, and larger quotas in countries where import restrictions exist. It is stated that the world consumption of coffee increased by some three million tons for the 12 months ending 30th June, 1936, over the figure for the period July, 1934—June, 1935, and that Brazil had not maintained her percentage of deliveries. These had fallen from 65.51 per cent. in 1934-5 to 62.4 per cent. during the 12 months ended 30th June, 1936.

Exports of coffee to the principal consuming countries during the years 1934 and 1935 and the first six months of 1935 and 1936, are given hereunder:—

	1934		1935	
	Bags.	£1,000 Gold.	Bags.	£1,000 Gold.
U.S.A.	7,600,595	11,676	8,684,327	10,050
France	1,275,399	1,888	1,763,192	1,966
Germany	1,710,000	2,658	871,007	1,000
Holland	538,412	882	582,022	661
Sweden	495,117	760	489,868	562
Belgium	346,489	520	448,303	511
Italy	493,117	737	439,252	492
Argentina	298,683	437	378,511	396
Finland... ..	214,957	315	203,580	203
United Kingdom	21,231	34	813	1
Total including other countries...	14,146,879	21,541	15,328,791	17,373

	1935 (First six months.)		1936 (First six months.)	
	Bags.	£1,000 Gold.	Bags.	£1,000 Gold.
U.S.A.	3,972,469	4,919	3,978,105	4,811
France	913,550	1,079	945,251	1,084
Germany	184,397	244	458,721	561
Holland	251,295	300	273,221	331
Sweden	188,494	233	198,672	238
Italy	225,309	271	191,480	223
Belgium	236,972	282	172,080	204
Finland... ..	—	—	77,058	82
United Kingdom	674	40	451	$\frac{1}{2}$
Total including other countries...	6,888,951	8,348	7,131,702	8,449

Cotton.—In 1931 Brazil's exports of cotton only amounted to 20,779 metric tons, or 0·93 per cent. of the total tonnage of merchandise sent abroad, but by 1935 cotton shipments had risen to 138,630 tons, of a declared value of £5,223,000 (gold) and constituted 5·02 per cent. of the total volume and 15·82 per cent. of the value of all exports in that year. During 1934 and 1935 cotton ranked second in value amongst the commodities marketed overseas. Increased production and demand for this product has helped to mitigate, to the extent of about 25 per cent., the serious loss which Brazil has sustained from her reduced coffee sales abroad and the heavy drop in the world prices of that commodity since 1931.

Exports of cotton during each of the years 1934 and 1935 and for the first six months of 1935 and 1936, were as follows:—

	1934		1935	
	<i>Metric Tons.</i>	<i>£1,000 Gold.</i>	<i>Metric Tons.</i>	<i>£1,000 Gold.</i>
Germany	21,442	855	82,329	2,597
United Kingdom	66,340	2,384	25,939	807
France	11,258	414	10,664	337
Belgium	8,664	309	5,908	182
Holland	5,248	200	4,716	154
Portugal	6,857	241	2,986	90
Total including other countries	126,548	£4,666	138,630	£5,223

	1935 (First six months.)		1936 (First six months.)	
	<i>Metric Tons.</i>	<i>£1,000 Gold.</i>	<i>Metric Tons.</i>	<i>£1,000 Gold.</i>
United Kingdom	13,829	434	23,990	679
Japan	1,532	56	15,909	488
France	5,479	170	10,180	298
Germany	41,772	1,337	8,539	232
Belgium	3,273	103	5,120	144
Italy	1,474	49	3,654	114
Holland	1,398	47	2,834	86
Total including other countries	70,751	£2,817	73,021	£2,439

The principal States engaged in this trade are given hereunder with their percentage of cotton exports in 1934 and 1935:—

<i>Northern Brazil.</i>	1934	1935
	<i>Per cent.</i>	<i>Per cent.</i>
Parahyba	13·5	17·5
Ceará	11·4	14·6
Rio Grande do Norte	9·0	8·5
Pernambuco	8·8	8·2
Maranhão	6·2	4·4
Pará	1·1	0·4
Alagoas	Nil	3·5

<i>Southern Brazil.</i>				1934	1935
				<i>Per cent.</i>	<i>Per cent.</i>
São Paulo...	...	...	...	49.5	41.0
Rio de Janeiro	...	...	...	0.1	0.6

As the price of Brazilian coffee had reached the lowest figure on record, namely, £1 1s. (gold) per bag during the period May-September of 1935, a large number of coffee planters turned to cotton seeing that this commodity could be easily disposed of at remunerative prices. The average export price of Brazilian cotton rose from £31 12s. (gold) per metric ton in 1933 to £37 13s. (gold) per ton in 1935. Coffee, on the other hand, still maintains its low price level and at £1 4s. (gold) per bag in July, 1936, shows a rise of only 3s. (gold) since the end of September, 1935.

Owing to the improved methods adopted in the State of São Paulo in the grading of cotton, importing countries, and especially Japan, are now taking cotton from that State without any of the formalities (such as those relating to arbitration awards, etc.), which are necessary in purchasing cotton from other countries. The quality of Paulista cotton also has improved in 1936, 72 per cent. of the crop being of types 4 and 5, whereas 67 per cent. of last year's crop was between types 5 and 6.

Cotton exports from the 1st January to the 30th June, 1936, totalled 73,021 metric tons as against 70,751 tons during the same period of 1935, the principal purchasers being: United Kingdom (23,990 tons), Japan (15,909 tons), France (10,180 tons) and Germany (8,539 tons). Japan would appear to have reacted against restrictions on imports of her textiles into the U.S.A. by turning to Brazil for her supplies of raw cotton. During the first six months of 1936 Brazil exported 15,909 metric tons of cotton to Japan as against 2,492 tons for the whole of 1935 and 1,696 tons in 1934, and it is highly probable that Japan will continue to purchase Brazilian cotton on this scale if reciprocal trade ensues and facilities are maintained in respect of Japanese immigration to Brazil.

The local Press is somewhat jubilant over the fact that Japan is proving a satisfactory substitute for Germany, exports to the latter having fallen off considerably since May, 1935, when the Brazilian Government decided that cotton could only be sold to free currency countries, thus prohibiting further sales of cotton to Germany on the compensation mark system.

German imports of Brazilian cotton during the first six months of 1935 amounted to 41,772 metric tons (out of a total of 82,329 tons for the whole year 1935), but during the first six months of 1936 Germany had only imported some 8,539 metric tons. Exports of raw cotton to the Reich are, however, bound to increase, since under the terms of the Brazilian-German *modus vivendi* of the 8th June, 1936, Germany is allowed to import 62,000 metric tons of Brazilian cotton per annum payable in compensation marks.

Cocoa.—The third most important commodity exported from Brazil is cocoa, the exports of which amounted to nearly 112,000 metric tons in 1935, with a declared value of £1,302,000 (gold) as against £1,337,000 (gold), in respect of the 1934 exports of 101,570

tons. The export price of cocoa has fallen considerably since 1931, when a metric ton of this commodity was quoted at £18 8s. paper; in 1935 the average price was only £11 13s. (gold) per ton.

Brazil ranks second as a world producer of cocoa and practically all the exports from this country are derived from the State of Bahia, where the annual production varies between 1,700,000 and 2,000,000 sixty-kilogramme bags. The quality of this season's crop is expected to be of a higher grade, as a result of the technical help rendered to the planters by the Cocoa Institute, whose officials have been giving tuition regarding the planting and cultivation of cocoa trees. The authorities are also augmenting and improving means of transport, and as there is a consistent demand for Bahia cocoa, the industry constitutes an asset of increasing importance to the country.

Exports of cocoa during the years 1934 and 1935 and for the first six months of 1935 and 1936, by countries of destination, are given hereunder:—

	1934		1935	
	<i>Metric Tons.</i>	<i>£1,000 Gold.</i>	<i>Metric Tons.</i>	<i>£1,000 Gold.</i>
U.S.A.	69,684	910	75,784	745
Germany	9,306	120	12,351	123
Holland	4,902	64	6,444	63
Argentina	3,329	43	4,269	43
Italy	2,311	30	3,281	32
Sweden	1,111	14	1,998	20
Belgium	3,973	53	1,506	15
France	1,242	16	1,211	12
Colombia	2,052	27	1,125	11
United Kingdom	438	6	410	4
Total including other countries	101,570	£1,337	111,826	£1,302

	1935 (First six months.)		1936 (First six months.)	
	<i>Metric Tons.</i>	<i>£1,000 Gold.</i>	<i>Metric Tons.</i>	<i>£1,000 Gold.</i>
U.S.A.	14,429	142	15,298	162
Italy	1,068	10	3,596	37
Germany	3,511	35	3,452	36
Argentina	1,937	19	2,298	24
Holland	1,358	13	861	9
Colombia	675	7	832	9
Belgium	614	6	725	8
France	721	7	645	7
Sweden	852	8	492	5
United Kingdom	75	1	201	2
Total including other countries	26,546	£347	29,748	£360

Oranges.—A slight increase in the export of oranges was registered in 1935, some 2,640,000 cases having been exported in that year as against 2,632,000 cases in 1934. Their average export value during each of these years has, however, fallen from 6s. (gold) to 5s. (gold) per case since the end of 1932, though in local currency (5½d. paper). Exports from the 1st January to the 30th June, 1935, amounted to 1,062,000 cases, valued at £180,000 (gold).

Exports to the principal consuming countries in 1934, 1935 and during the first half of 1935 and 1936 were:—

	1934		1935	
	Boxes.	£1,000 Gold.	Boxes.	£1,000 Gold.
United Kingdom	1,811,851	393	1,573,986	247
Argentina	493,572	110	449,919	72
France	112,446	24	302,340	49
Holland	124,433	27	125,047	20
Belgium	75,242	16	90,566	14
Germany	6,255	2	16,680	3
Total including other countries	2,831,827	£564	2,640,420	£478

	1935 (First six months.)		1936 (First six months.)	
	Boxes.	£1,000 Gold.	Boxes.	£1,000 Gold.
United Kingdom	705,576	108	833,715	123
Holland	70,657	11	103,679	16
Belgium	38,091	6	47,729	7
Argentina	5,667	1	39,235	5
France	60,400	9	18,474	3
Germany	5,130	1	700	1
Total including other countries	909,721	£160	1,061,643	£180

The orange industry is being subjected to the strictest regulations, a number of decrees having been issued which aim at preparing the export of citrus fruit for competitive markets. Among other requirements, citrus fruit may only be washed and dried in mechanical apparatus and in properly equipped packing houses, the old-type driers where sawdust was used being forbidden. The fruit must also be graded and sorted by mechanical means, only standard sizes being eligible for export. Each case must contain only one uniform size, and only a single variety. The dimensions,

illumination and other details of packing houses are laid down ; all operatives touching the fruit must wear cotton gloves ; no spoilt or rejected fruit being allowed to remain within a certain distance of the plants. Even the paper used to wrap the fruit is regulated as to size, weight, flexibility, texture and resistance, the size and type of boxes is determined, the number of pieces and sort of woods which go to make up these boxes, and the marks which they must bear in designated places. The minimum weight per box in future must be :—

Oranges (large sizes)	...	...	33 kilos
Oranges (small sizes)	...	...	36 kilos
Grapefruit	...	...	29, 30 and 31 kilos
Tangerines ($\frac{1}{2}$ cases)	...	...	17 kilos

Railway loadings are to be made preferably at night, in cars specially built for the trade, only after a full certificate of shipment has been signed by a State inspector, and advance notice of at least a month of his intention must be given by the shipper. Any fruit remaining in the packing houses more than five days after final preparation may be refused permission for export. A number of penalties and fines are provided for the various possible infractions of these regulations, and also for any laxity or irregularity on the part of the inspector.

The Federal authorities also require a number of formalities to be fulfilled by all exporters of citrus fruits, the principal of which is registration with the Ministry for Labour and the Ministry for Agriculture at Rio, the presentation of various documents and payment of stamp dues on the same, with information as to the brand name to be used (the word "Brazil" being compulsory on all wrappings), the location of the property, amount to be exported, etc.

Textiles.—The textile industry in Brazil, largely concentrated in the State of São Paulo, is now turning its attention more and more to the possibilities offering in other South American countries for the sale of Brazilian cotton piece goods, the production of which has expanded to such an extent that there is already a danger that the aggregate output of the 350 factories in Brazil will exceed local consumption in the not too distant future.

Since 1933 small consignments from the local mills have been sent to Argentina, Paraguay, Uruguay, Bolivia and Venezuela; exports in 1935 to these and other neighbouring republics amounted to 221 metric tons of a value of approximately £30,000 (paper).

During the first seven months of 1936, exports of Brazilian cotton piece goods to various South American countries amounted to 123 metric tons, valued at £23,300 (paper), not including some £250 worth of such goods shipped to Trinidad.

Although the textile industry in this country is still in its infancy compared to that of the United Kingdom or U.S.A., the Brazilian factories are at present in a position to compete, with justifiable hopes of success, in the South American market for the cheaper quality textiles. In the first place ample supplies of the requisite raw material are available in the same state in which the mills are situated; secondly, production costs are lower than in Europe or the U.S.A., due to the cheap labour available; and thirdly, the fact that the tariff or other concessions granted to each other by limitrophe countries in the South American continent are expressly excepted from the most-favoured-nation treatment accorded by these countries to other foreign states. In other words, Brazilian textiles or other products can be accorded special tariff rates by any limitrophe republic in South America which would not be applicable to similar imports from countries which do not border on Brazil.

This matter had already been raised at a session held by the Federal Council for Foreign Trade in July, 1936, when it was suggested that steps should be taken to obtain more favourable customs treatment for Brazilian textiles in the commercial treaties about to be negotiated with certain South American countries, particularly Peru and Venezuela. It was stated in reply that a policy on these lines was being pursued in connection with these treaty negotiations.

Rubber.—According to the official customs returns, exports of rubber rose from 11,150 metric tons in 1934 to 12,370 tons in 1935; the value of rubber shipped abroad in the last-mentioned year being £292,000 (gold) or £23 12s. (gold) per ton. Total shipments to all destinations from the Amazon Valley in 1934 and 1935 were 10,304 and 12,023 metric tons, net, respectively, distributed as follows:—

	<i>To Europe.</i>	<i>To U.S.A.</i>	<i>To Southern Brazil.</i>	<i>To other places abroad.</i>	<i>Total.</i>
	<i>Metric Tons.</i>	<i>Metric Tons.</i>	<i>Metric Tons.</i>	<i>Metric Tons.</i>	<i>Metric Tons.</i>
1934 ...	4,307	3,659	2,335	3	10,304
1935 ...	5,109	4,886	2,025	3	12,023

H.M. Consul at Pará reports that the increase in rubber shipments is being maintained in 1936; total exports from the Amazon Valley to all destinations from January to June, 1936, being 7,028 metric tons, net, as against 5,721 tons in the corresponding period of 1935. Exports from Pará to Germany have nearly doubled and consignments from Manaus to Hamburg have risen to an even greater extent.

The price of this product in local currency has increased from \$8000 per kilogramme in 1935 to 5\$000 in 1936, which has had the effect of producing a shortage since rubber manufacturers in Pará are said to be experiencing some difficulty in obtaining their requirements.

Recent Measures adopted to increase exportation.—In February, 1936, the Federal Council for Foreign Trade ruled that applications for exemption from the quota of official exchange for export bills should be submitted to the Exchange Department of the Bank of Brazil in order that the latter should have an opportunity of furnishing their considered opinion on such matters from the financial aspect. Instructions in this sense were subsequently issued in order to obtain information which would enable the authorities concerned to reach a decision on the possibility of increasing the competitive power of any commodity in foreign markets by exempting it from the quota of official exchange.

On the 25th March, 1936, the Council accordingly published a list showing the commodities the export of which was still subject to the delivery to the Bank of Brazil of the quota of 35 per cent. of official exchange (see Appendix No. XVI). These are for the most part the products specified separately in the export returns, but there are several notable exceptions. The official exchange quota for castor-seed, dry and salted hides and shelled Brazil nuts is fixed at 20 per cent. and that for demerara sugar at 15 per cent., whilst those for citrus fruits and bananas are reduced, the one to 6d. per box and the other to 15 Argentine centimos per bunch. This latter clause constitutes a definite attempt to gain a firmer position in the Covent Garden market, where the demand last year proved disappointing. Apart from the products specified in Appendix XVI all other exportable commodities are exempted from this charge. The Bank of Brazil seems to have afforded exemption to all products the value of the annual exportation of which does not exceed £10,000 gold. In this way it is hoped to enlarge the foreign markets for those Brazilian exportable commodities, which are grouped together in the export returns under the headings of: "other mineral products", and "other vegetable products", the total value of which was £533,000 (gold) in 1935.

The Council is also anxious to obtain a larger share in the world market for preserved eggs (and especially in that of the United Kingdom) and has accordingly published regulations to ensure that Brazilian fowls and their eggs shall be free from disease or infection, and provide for the efficient and sanitary grading, marking, packing and marketing of this product.

IMPORTS.

Imports, 1935.—The statistical matter reproduced in Appendix No. X shows that the volume of imports has risen from 3,845,718 tons in 1934 to 4,229,269 metric tons in 1935: an increase of nearly 10 per cent. The largest increase was registered in Class II of the customs' return, i.e., raw materials, the total imports of which were 2,732,245 metric tons, or 319,000 tons in excess of the figure for the year 1934.

The currency value of all imports during the year under review amounted to 3,855,917 contos of reis, or 54 per cent. more than in 1934, due to the fact that up to the 10th September, 1934, the Bank of Brazil provided exchange at the official rate (average 59\$690 = £1) for the full amount of bills in respect of all imports cleared through the Brazilian customs by that date, whilst from 11th September, 1934, to the 11th February, 1935, the Bank supplied exchange for only 60 per cent. of the import bills, the balance having to be purchased on the free market at rates which averaged 74\$250 to the £ in 1934 and 85\$090 in 1935. From the 12th February, 1935, foreign exchange for the full value of all import bills had to be purchased in the free market. The difference between the official and free market rates of exchange accounts, therefore, for what *prima facie* appeared to be a disproportionate increase in the value of the merchandise imported in 1935.

The gold value of all foreign imports in 1935 was £27,431,000, or 7.6 per cent. more than in 1934. The average value per metric ton of merchandise imported in 1935 was £6 5s. gold, as against £6 6s. gold in 1934. Appendix No. XVI contains particulars of the total imports from each of the chief supplying countries for the years 1933, 1934, 1935, and the first six months of 1936, whilst the undermentioned table summarises the position in respect of the years 1934 and 1935:—

Country.	1934	Per cent.	1935 (In Pounds paper.)	Per cent.
U.S.A.	9,924,660	23.67	10,722,180	23.36
Germany	5,877,580	14.02	9,386,480	20.44
British Empire:—				
United Kingdom	7,188,530	17.14	5,705,940	12.43
India	346,450	2.19	467,460	2.73
Canada	198,820		366,000	
Newfoundland	279,230		277,070	
New Zealand	12,410		21,180	
South African Union	1,880		11,100	
Other British countries	78,570		99,040	
Total from the Empire	8,105,890		6,947,790	
Argentina	5,200,910	12.40	5,915,450	12.88
Belgium	2,446,480	5.83	2,655,850	5.78
Netherlands	1,698,060	4.05	1,874,470	4.08
France	1,521,300	3.63	1,565,700	3.41
Italy	1,456,090	3.47	1,145,680	2.50
Dutch Antilles... ..	670,600	1.60	737,070	1.61
Portugal	753,530	1.80	608,830	1.33
Sweden	567,140	1.35	569,810	1.24
Japan	279,100	0.67	413,220	0.90
	38,501,340		42,542,530	
48 other countries	3,436,060		3,369,210	
Total, £s. sterling	41,937,400		45,911,740	
Equivalent in £s. gold	25,467,310		27,431,110	

A study of the import returns for the years 1934 and 1935 shows an *increase* of not less than 10 per cent. in the volume of the 1935 imports of each of the following articles, exceeding £100,000 (gold) in value: raw jute; iron plates and sheets; structural iron and steel; tubes, pipes and jointings; wire, excluding barbed wire; tools and utensils, including machine tools; locomotives; railway cars and wagons; axles and wheels for railway rolling stock; motor cars; industrial machinery; unenumerated spinning and weaving machinery; copper plates and sheets; electric dynamos and generators; coal; lubricating oils; newsprint and sewing machines. There was, however, a *decrease* of not less than 10 per cent., compared with 1934, in the volume of the following categories, the imports of which exceeded £100,000 (gold) in 1935: linen piece goods; iron bars and rods; rails and fishplates; spinning and weaving machinery; general machinery and appliances (unspecified); electrical materials and appliances for electric light; and cement.

The position of the trade of the United Kingdom since the end of 1934 continues to be a matter of concern to those interested in Anglo-Brazilian commerce, seeing that the United Kingdom share of the total value of Brazil's imports from all sources dropped from 19.44 per cent. in 1933 to 17.14 per cent. in 1934 and to 12.43 per cent. in 1935, resulting mainly from the effects of the compensation mark system dealt with on page 66. This handicap, together with the reduction in trade attributed to the decision of a number of United Kingdom manufacturers to limit their trade risks in Brazil due to fears of exchange restrictions, are no doubt the principal contributory causes to our loss in trade during the year under review. The effect of competition from other countries has been negligible except in one or two lines of goods in which U.S.A. and Belgian manufacturers have obtained orders to the detriment of the United Kingdom.

The Brazilian market would offer further scope for United Kingdom manufacturers if and when the export commodities of this country augment in volume and gold value. An increase in the purchasing power of the country will result in larger imports of a wide range of high class goods, as well as equipment and materials for the use of local industries, which will be the first to benefit from any increase in the value of Brazil's export trade. The United Kingdom exporters should, in normal circumstances, be able to obtain a share of this trade, not so much in luxury articles, i.e., motor cars, radio apparatus, jewellery, fancy goods, etc., as in machinery, semi-manufactured goods, etc.

The United Kingdom has been unable to maintain her 1934 percentages during 1935 in any of the imports enumerated in Appendix No. IX with the following few exceptions:

Article.	Percentage of Volume.		Percentage of Value.		Total value of imports from all sources in 1935 (Gold Pounds.)
	1934	1935	1934	1935	
Rails and Fishplates	2.4	12.7	4.0	12.1	329,000
Sewing machines	0.7	1.9	1.3	1.8	323,000
Radio apparatus	1.6	3.1	5.7	6.3	253,000
Caustic soda	65.4	69.6	71.4	69.0	218,000
Chemical products (unspecified)	28.9	32.7	12.9	15.4	201,000
Typewriting machines	4.7	4.7	3.2	3.9	99,000
Oil and gasoline motors	9.7	13.9	9.5	12.2	98,000
Transformers	18.9	25.3	16.6	18.8	69,000
Cutlery	5.6	13.0	4.7	5.0	60,000
Agricultural machinery	2.7	29.3	2.7	25.0	36,000
Telegraph and telephone posts	7.6	60.0	22.2	57.0	7,000
Cotton piece goods (bleached)	45.0	61.5	33.3	60.0	5,000
Cotton piece goods (printed)...	48.0	64.2	50.0	75.0	4,000

The Dominions and Colonies have not suffered from competition of any kind; on the contrary, their exports to Brazil have increased since 1934 by £325,000 or 35.3 per cent.

First Six Months of 1936.—The tonnage of imports for the first six months of 1936, at 2,103,506, shows an increase of only 4.54 per cent. over the figures for the corresponding period in 1935, but the value in national currency, at 2,023,269 contos of reis, had risen by 18.23 per cent., as compared with the figures for the first six months of the previous year. The gold value of the imports under review totalled £13,971,119, as against £13,007,971 (gold) in 1935, or 7.4 per cent. increase. The average value per metric ton of merchandise imported during this period was reported, officially, as being £6 10s. (gold), as against £6 6s. (gold) in January to June, 1935.

Appendix No. XI gives particulars of the value of the principal classes of goods imported into Brazil during the first half of the years 1934, 1935 and 1936. The chief sources of supply during the first six months of 1935 and 1936 were as follows: (the gold pound figures of the provisional statistics issued in September, 1936, have been converted into pounds sterling for convenience of reference at the rate of £100 gold = £166 13s. 4d).

	1935 (£ Paper.)	Per cent. of total imports.	1936 (£ Paper.)	Per cent. of total imports.
U.S.A.	5,532,000	25.26	5,361,000	23.19
Germany	3,889,000	17.73	5,372,000	23.24
United Kingdom	2,897,000	13.21	2,485,000	10.75
Argentina	2,596,000	11.83	3,835,000	16.60
Belgium	1,430,000	6.52	623,000	2.70
Netherlands	972,000	4.43	306,000	1.33
France	783,000	3.57	752,000	3.25
Italy	573,000	2.61	495,000	2.14
Japan	153,000	0.70	238,000	1.03
Total including other countries	21,938,000		23,115,000	

The provisional customs returns show an increase in the volume of imports of iron and steel, petrol, fuel oil, wood pulp, cotton manufactures, motor cars, woollen goods, linen manufactures, chemical products, codfish, wheat, etc. The following articles registered a decrease: cement, kerosene, wool, hides and skins, iron and steel manufactures, etc.

Germany now heads the list of suppliers to this market, her percentage having risen from 17.7 per cent. in the first six months of 1935 (20.44 per cent. for the whole of 1935) to 23.24 per cent. for the same period in 1936. This sudden rise of 30 per cent. in German imports has apparently been obtained mainly at the expense of the United Kingdom. Dutch exports to Brazil would not appear to have suffered, as the statistics indicate; imports formerly entered in the customs returns as originating from Holland were really of German manufacture, and steps were taken early in 1936 to enter German goods shipped via Dutch ports as coming from Germany.

Belgian and U.S.A. manufactures have again suffered as a result of the compensation mark, which has not, however, affected Japanese trade. Imports from the latter country are rising steadily.

Effects of Compensation Mark Trade.—In 1935 the value of Brazilian imports amounted to £45,911,740 (paper) as against £41,937,400 (paper) in 1934, an increase of 9.5 per cent. Brazilian imports from Germany rose from £5,877,581 in 1934 to £9,386,478 in 1935, the increase being £3,508,897, or no less than 59.7 per cent. It will, moreover, be observed that Germany absorbed 88.3 per cent. of the extra import trade of 1935.

The rapid expansion of German trade, especially since the "compensation" system was introduced, is demonstrated by the following figures:

Year.	Total imports from all sources £ paper.	Imports from Germany		Imports from U.S.A.		Imports from U.K.	
		total value £ paper.	Per cent. of total Brazilian imports.	total value £ paper.	Per cent. of total Brazilian imports.	total value £ paper.	Per cent. of total Brazilian imports.
1931 ...	30,134,940	3,158,600	10.48	7,535,110	25.01	5,259,270	17.45
1932 ...	30,460,260	2,743,600	9.01	9,192,770	30.20	5,845,390	19.20
1933 ...	41,500,160	4,959,000	11.95	8,787,700	21.18	8,067,260	19.44
1934 ...	41,937,400	5,877,580	14.02	9,924,660	23.67	7,188,530	17.14
1935 ...	45,911,740	9,386,480	20.44	10,722,180	23.36	5,705,940	12.43

It will also be noticed that the rising tendency of imports from the U.S.A. in 1934, resulting from a cheaper dollar, was nullified in 1935 when the full effects of compensation were felt.

During the first six months of 1936 imports from all sources amounted to £23,115,000 (paper) or £1,177,000 (paper) over the figure for the corresponding period of 1935. The German share of this rose from £3,888,000 (paper), in the period January-June, 1935, to £5,371,000 (paper) during the first half of 1936, the

increase being £1,488,000 or 38 per cent. Germany is now the leading exporting country to Brazil, her percentage of the total imports being now 23.24 per cent. as against 17.7 per cent. in the first six months of 1935. It will be seen that all the *extra* trade can be accredited to Germany as well as some £306,000 of the normal trade.

Cause of decline of United Kingdom exports to Brazil.—The British Chamber of Commerce in Rio de Janeiro has recently made searching investigations in the endeavour to ascertain the reasons which have led to the loss in trade in this market on the part of United Kingdom manufacturers and exporters during 1935. The conclusions arrived at by the Council of the Chamber are given hereunder and may be considered conservative and to voice the unanimous opinion of importers and agents in this country interested in Anglo-Brazilian trade.

“The German system of trading by forcing sales of her exports to Brazil through payment of imports from Brazil in a blocked currency known as ‘Compensation Marks’, averaging 23 per cent. less than the rates for sterling on the free market, has been the greatest factor in the United Kingdom decrease of £1,482,590 sterling (paper) in 1935 as compared with 1934, in spite of the increase of the total Brazilian imports of £3,974,340 sterling (paper).”

“The import of certain United Kingdom articles such as cotton and woollen piece goods and yarns, chinaware, cement, iron and steel, were greatly reduced owing to the development of national manufacture and the very high customs duties that were put into force from September, 1934, in order to protect Brazilian industries.

“A part of the decrease was due to the reluctance of United Kingdom manufacturers and exporters to grant the usance to which the Brazilian market has long been accustomed, and in some cases their withdrawal from the market altogether. The delay in completing the Anglo-Brazilian Commercial Arrears Agreement was no doubt accountable for that attitude in many cases.”

Textiles.—*Cotton Piece Goods (bleached and printed).*—Total imports have fallen from 76 metric tons, valued at £31,000 (gold) in 1934 to 27 tons, valued at £9,000 (gold), two-thirds of which came from the United Kingdom. The steady decline in the imports of all kinds of cotton goods is due to the high protectionist tariff in vigour, which has been of considerable help to the local mills. The latter are now turning more than ever to the manufacture of fine quality tissues, which compare very favourably with the imported article.

Dyed Cotton Piece Goods.—Imports have decreased from 250 metric tons in 1934 to 77 tons in 1935, of which the United Kingdom supplied 48 tons, valued at approximately £10,000 (gold), or slightly less than one quarter of the value of the previous year's imports.

Cotton Piece Goods (unenumerated).—Imports in 1934 and 1935 were 156 and 86 metric tons, valued at £49,000 (gold) and £17,000 (gold), respectively. Nearly two-thirds of the share of the United Kingdom in this diminishing trade was lost to Germany and the U.S.A.

Cotton Manufactures (unspecified).—Imports, which in 1934 totalled 235 metric tons, dropped to 32 tons in 1935, valued at £7,000 (gold). The share of the United Kingdom also fell from 25.5 per cent. in 1934 to 14.3 per cent. (or about £1,000 (gold)) in 1935, owing to German competition which also affected the U.S.A.

Raw Jute.—Imports of this commodity increased from 18,004 metric tons in 1934 to 20,481 tons, valued at £296,000 (gold), in 1935, of which 18,602 tons came from India, and 1,421 tons from the United Kingdom. Germany appears to have entered this market for the first time; her exports to Brazil in 1935 being 457 tons of raw jute, valued at £6,000 (gold).

Woollen Yarns.—Total imports amounted to 968 metric tons, valued at £245,000 (gold), or an increase of 51 tons over the figure for the year 1934. The share of the United Kingdom fell from 26.2 per cent. (241 tons) in 1934 to 22.5 per cent. (218 tons) in 1935, owing to German and, to a lesser extent, French and Japanese competition. It has been reported, however, that weavers in São Paulo now prefer continental dry spun yarns to the heavier U.K. oil-spun article. A report on the Brazilian market for woollen and worsted weaving yarns, dated February, 1936, may be consulted by United Kingdom firms at the Department of Overseas Trade.

Woollen Piece Goods.—Local production and high import duties are largely responsible for the marked decline in imports, which were only 84 metric tons in 1935, valued at £58,000 (gold), as against 121 tons in 1934. Only the finer qualities of cashmere suitings are now imported, the market for cheaper materials being supplied by local manufacturers.

The United Kingdom supplied 66 tons, or 37 tons less than in 1934, France eight tons compared with four tons in 1934, and Germany six tons, or four tons less than in the previous year.

Linen Piece Goods.—The demand for linen piece goods continues to decline owing to the depreciated value of local currency which, in addition to the import duty, renders the cost of such articles too high for any but the wealthier classes. Imports in 1935 totalled 584 metric tons, valued at £168,000 (gold), as against 693 tons in 1934. The United Kingdom holds two-thirds of this trade, the balance being shared mainly by France and Belgium.

Iron and Steel Manufactures.—Imports of iron and steel bars, rods, plates, sheets, pig iron, structural iron and steel, tubes, pipes and fittings, amounted to 104,550 metric tons, valued at £997,000 (gold) in 1935, or 890 tons less than in 1934.

The United Kingdom share dropped from 17,197 metric tons in 1934 to 9,590 tons, whilst German exports rose from 13,895 tons to 49,107 tons in 1935, solely at the expense of the United

Kingdom and Belgium. The latter had just over 50 per cent. of this trade in 1934 and only 31,330 metric tons (or approximately 30 per cent.) in 1935.

Hoes, Shovels, and Pickaxes, and similars.—German competition since 1933 has seriously affected United Kingdom imports, as will be seen from the following figures:—

	1933	1934	1935	1935
	Metric	Metric	Metric	Value in
	Tons.	Tons.	Tons.	£s. Gold.
United Kingdom	4,918	3,228	2,143	70,000
Germany	995	1,016	1,898	63,000
U.S.A.	523	355	322	16,000
Total, including imports from other sources.	6,508	4,704	4,430	158,000

Barbed Wire.—Imports in 1935 amounted to 20,324 metric tons, valued at £160,000 (gold) of which Germany supplied 43 per cent., U.S.A. 27 per cent. and Belgium 26 per cent. The United Kingdom now hardly participates in this trade, imports having declined from 1,088 tons in 1933 to 146 tons in 1934, and to 31 tons in 1935.

Plain Wire.—A steady increase in the import of this article has been maintained since 1933. Imports in 1935 amounted to 29,438 tons, valued at £252,000 (gold), of which the United Kingdom contributed 409 tons (£5,000 gold) as against 1,189 tons in 1934, and 2,594 tons in 1933. Germany now takes just over 50 per cent. of this trade, Belgium 20 per cent. and the U.S.A. 16 per cent.

Galvanised Corrugated Sheets.—Imports in 1935 were 4,783 metric tons, valued at £46,000 (gold) or 25 per cent. less in volume than in the previous year. A slight increase was registered in the imports from the United Kingdom, which was 34 per cent. or 1,626 tons, valued at £15,000 (gold), as against 26 per cent. in 1934. The principal competitor in this trade is the U.S.A.; supplies from that country totalling 2,086 tons in 1935.

Tinplates.—Imports from all countries totalled 31,810 metric tons, valued at £418,000 (gold), as against 29,976 tons in 1934; the United Kingdom share, however, dropped from 8,346 metric tons in 1934 to 5,593 tons in 1935.

The following table shows the position of this trade during the years 1933 to 1935:—

	1933	1934	1935
	Metric Tons.	Metric Tons.	Metric Tons.
United Kingdom... ..	21,480	8,346	5,593
U.S.A.	3,149	12,158	10,637
Holland	3,471	3,751	6,861
Germany	564	4,766	5,758
Total, including other countries ...	32,859	29,976	31,810

The United Kingdom has failed to maintain her percentage in this trade owing to German competition, and in this connection it should be noted that practically all tinplates entered in the customs returns as received from Holland are in reality of German manufacture so that the total imports from Germany during the years 1933, 1934 and 1935 have not been less than approximately 4,000, 8,500 and 12,500 metric tons, respectively.

German competition has resulted from the advantages which manufacturers in that country enjoy in being able to dispose of tinplates in Brazil payable in compensation marks.

Tools and Utensils, including Machine Tools.—Imports under this heading were 1,261 metric tons, valued at £132,000 (gold), or 10 per cent. more in volume than the total imports in 1934. The United Kingdom has lost about 50 per cent. of her share in this trade, mainly to Germany and the U.S.A. Imports of these articles from the United Kingdom dropped from 257 metric tons, £23,000 (gold), in 1934, to 136 tons in 1935. The present depreciated exchange value of the milreis continues to handicap the sale of high quality tools, with the result that consumers of such goods, particularly in the interior of the country, show a preference for the cheap German article, the sale price of which has not increased in local currency owing to the fact that payment for German imports of this and many other kinds of goods is made by importers in "compensation" marks.

German publicity methods have also contributed to further trade in these goods. One of the largest importers of tools, etc., has a permanent display of tools and kindred articles where anybody is at liberty to examine any of the objects of this exhibition. The promoter of this well organised establishment is said to have increased his sales in the interior as well as in Rio de Janeiro.

U.S.A. articles of this description are still in good demand in spite of their high prices as compared with similar German products, owing to intensive propaganda and direct representation by salesmen who are constantly travelling throughout the country. A representative of the well-known Millers Falls Company has recently visited São Paulo, and is said to have offered to ship goods on consignment or on credit terms extending over two years.

Locomotives, Carriages and Waggon.—In spite of the unsatisfactory financial position of most of the railways, imports of railway material under the above heading have increased by 150 per cent. since 1934, due to the need for more rolling stock to cope with agricultural requirements. As the customs returns for the year 1935 show the number of locomotives and carriages imported instead of the weight, no comparison with the volume of these imports in 1934 is possible. The value of these was as follows :—

<i>Country of Origin.</i>					<i>1934</i>	<i>1935</i>
					£ (<i>gold</i>).	£ (<i>gold</i>).
Locomotives,	United Kingdom	...	...	...	37,000	8,000
"	Germany	...	...	...	22,000	133,000
"	U.S.A.	...	...	...	15,000	30,000
"	Other countries	...	...	...	9,000	1,000
Total					83,000	172,000
<hr/>						
Railway carriages and waggons,	United Kingdom	...	...	...	62,000	102,000
"	Belgium	...	...	...	41,000	171,000
"	Other countries	...	...	...	2,000	27,000
Total					105,000	300,000

Axles and Wheels, etc., for rolling stock at 7,728 metric tons in 1935 show an increase of 2,849 tons over the 1934 imports. The United Kingdom share, which was 37 per cent. in 1934, fell to 25.6 per cent., whereas German imports have increased from 382 metric tons in 1934 to 3,291 in 1935.

Purchases made or orders placed by some of the more important railway companies since the month of October, 1935, were as follows:—

Central Railway of Brazil.—In June, 1936, a contract was signed by the Central Railway of Brazil with the Fiat Company, of Italy, for five Pullman trains. These trains are to be delivered within 12 months and will be composed of articulated cars holding 80 passengers each; their speed is to be 85 kilometres an hour. The motive power will be supplied by Diesel engines and the journey between Rio de Janeiro and São Paulo will be made in seven hours. The cost will be five million lire, met by setting aside 50 per cent. of the profit on the operation of these trains. The rolling stock required in connection with the electrification of the Central Railway of Brazil, ordered from the United Kingdom, consists of 234 carriages and 78 motor coaches, some of which have already reached Rio de Janeiro.

Leopoldina Railway Company.—The company have ordered two railcars of metre gauge in the United Kingdom. Twenty all steel, metre gauge, ballast waggons are being purchased in Belgium through a United Kingdom firm.

São Paulo Railway.—Two locomotives, one rail coach, one railcar and 120 waggons were imported from the United Kingdom. An order for 10 more coaches has been placed, and the purchase of two additional Diesel-electric trains of the "Comet" type now in service, is contemplated.

Paulista Railway.—Two hundred one-metre gauge covered waggons of 30 tons capacity were imported from Belgium, and four one-metre "Henschel" locomotives. In addition, an order for

400 cars of 1m. 60c. gauge, constructed entirely of light high-tensile steel, was placed in the U.S.A.

Sorocabana Railway.—Four hundred and fifty waggons were bought in Belgium, and sixteen “Henschel” locomotives.

Mogyana Railway.—In 1935 the railway purchased in the United Kingdom, two six-cylinder 90 h.p. oil engines with special hydraulic transmission. These will form part of two, metre gauge, Diesel railcars, the bodies, underframes and bogies of which are being constructed in the company's own workshops at Campinas. They will hold 41 passengers, travel at an average speed of 50 kms. per hour, and serve the North-Eastern corner of the State. Their cost is claimed to be of 200 contos each as against 600 contos for a similar imported car.

Noroeste do Brazil.—Twenty-two locomotives (four “Henschel” and eighteen “Borsig”) were imported from Germany in 1935. The average price per locomotive was stated to be 500 contos. The company has opened a credit of R.M. 1,000,000 in Germany for five years at 6 per cent., and another of 8,000 contos on similar terms in Belgium, for the purchase of locomotives, waggons, machinery for repair shops, etc.

São Paulo-Paraná Railway.—Early in 1936 two locomotives and 20 waggons were purchased in the United Kingdom.

Rede de Viação Cearense.—Five locomotives were received from Germany and more are expected. It is also reported that a credit for the acquisition of 140 waggons is being arranged.

According to the local Press of the 13th June, 1936, the President of the Republic signed a decree authorising this company to purchase, by public tender, two Pullman trains of the “Micheline” or any other suitable type, for the transport of passengers on two of its lines. Payment will be made by the company in national currency, and in monthly instalments.

Estrada de Ferro Paraná-Santa Catharina.—In June, 1936, an order was placed with the Berliner Maschinenbau A.G., for six locomotives for passenger trains of the IDI type.

Motor Cars.—There was a notable increase in the number of cars imported during the year 1935. Imports amounted to 9,629 cars valued at £712,000 (gold), compared with 7,766 cars valued at £587,000 (gold) imported in 1934. The U.S.A. manufacturers still hold the lion's share of this trade although they have recently felt the effect of German competition. In 1934 the U.S.A. exporters introduced 7,586 cars into Brazil (97.6 per cent. of the imports), but in 1935 their share had dropped to 93.9 per cent., i.e. 9,047 cars instead of 9,397. German exporters, assisted by the compensation mark system, almost doubled their exports: 241 cars valued at £12,000 (gold) in 1934, and 442 cars at a declared value of £37,000 (gold) in 1935.

The United Kingdom share was, as usual, a negligible factor. Imports in 1934 and 1935 were only 51 and 20 cars, respectively. Until the United Kingdom can place high powered, showily finished cars in Brazil at the same price and on the same terms as those offered by U.S.A. manufacturers of motor vehicles, the chances of obtaining an appreciable share of this trade are too remote to be worth considering. Furthermore, price and payment on the instalments system are not the only facilities necessary in Brazil: service depôts in the main towns are a *sine qua non*.

Chrysbras S.A.—In September, 1935, a Brazilian Company, "Chrysbras S.A.," was formed in Rio de Janeiro with a capital of 3,000 contos of reis, fully paid, in order to instal and operate a plant for the assembly of motor cars manufactured by the Chrysler combine. A large site was purchased from a bankrupt Brazilian firm at Vicente de Carvalho, some 12 miles from the Federal capital, and several buildings have already been constructed; the machinery, which was imported from the U.S.A., was in full running order in March, 1936. At present, only "Plymouth" and "Dodge" cars are assembled, but later, if sufficient inducement offers, "Chrysler" and "De Soto" cars will also be included.

In order to assist the selling organization, a finance company, namely, "Credito Commercial S.A.," was formed locally, to which the financing of the new Chrysbras S.A. factory is entrusted.

This assembly plant, which is of course, virtually a U.S.A. concern, is the third to be erected in this country, both "Ford" and the "General Motors" combine having factories in São Paulo.

Motor Trucks.—There was an appreciable increase in imports in 1935, the figures being 7,892 motor trucks, valued at £550,000 (gold), as against 7,407 trucks in 1934. The U.S.A. dominates this trade to the extent of about 95 per cent. Imports from the United Kingdom during the year under review were 107 trucks, valued at £13,000. Germany nearly trebled her share; imports from that country rose from 60 trucks (£11,000 gold) in 1934 to 172 trucks (£32,000) in 1935.

Efforts to interest local agents in United Kingdom vehicles are usually unsuccessful, as firms in Brazil are not prepared to take up representations of this kind on terms less favourable than those accorded by manufacturers of competing makes. Until United Kingdom manufacturers can see their way to agree to market their vehicles in Brazil on conditions which would appeal both to agent and purchaser, the bulk of the Brazilian motor vehicle trade cannot but continue to benefit competing countries as hitherto.

Spinning and Weaving Machinery.—The volume of imports dropped from 2,456 metric tons in 1934 to 2,016 tons, valued at £161,000 (gold) in 1935, due largely to the fact that very few new factories have been erected, probably because the depreciated value of local currency greatly enhanced the cost of imported

machinery. Moreover there are restrictions on imports of machinery by industries threatened, as in this case, with the danger of over-production. Imports from the United Kingdom in 1935, which were about 50 per cent. less than in 1934, amounted to 614 metric tons, valued at £35,000 (gold). Imports from Germany in 1935 were just over 50 per cent. more than in 1934, i.e. 808 metric tons (£65,000 gold), as against 371 tons, valued at £37,000 in 1934. During the same period France increased her share from 46 tons in 1934 to 137 tons, valued at £10,000 (gold).

According to a report emanating from São Paulo, a French company is considering the erection of a plant for the manufacture of cotton textile machinery. The view has been expressed that a United Kingdom firm should establish a factory in that city to produce such machinery and to provide for the maintenance of and repairs to existing machines, which are so largely of United Kingdom manufacture.

Boilers.—Imports increased from 1,126 metric tons in 1934 to 1,516 tons, valued at £49,000 (gold), in 1935. The United Kingdom share has dropped from 85.8 per cent. to 65 per cent. since the end of 1934. Germany, on the other hand, has trebled her volume of this trade: 305 metric tons in 1935 as against 94 tons in 1934.

Copper Plates and Sheets.—According to the customs' statistics for the year 1935, imports of copper plates and sheets in that year amounted to 9,354 metric tons, valued at £248,000 (gold) as against 2,053 tons in 1934. From enquiries made it appears that in 1934 various kinds of copper products were entered in the customs' returns under other classifications, but in 1935 many of these articles were included under the heading for copper plates and sheets. Local importers stated that there were no abnormal imports of copper plates and sheets in 1935.

Electric Cables and Wires.—Imports in 1935 totalled 977 metric tons, valued at £45,000 (gold), or 263 tons less than the total volume imports of such goods during the year 1934. The Brazilian subsidiary of a well known Italian company specializing in the manufacture of electric cables etc. is able to compete successfully with foreign imports of this kind, owing to the high import tariff which shelters this and many other industries in Brazil. Imports from the United Kingdom were 486 metric tons in 1935, or approximately 50 per cent. less than in the previous year.

Caustic Soda.—The United Kingdom still supplies approximately two-thirds of the total imports. In 1935, 23,113 metric tons of caustic soda, valued at £218,000 (gold), were imported from all sources, of which 16,103 tons came from the United Kingdom, and 5,678 tons from the U.S.A.

Materials and apparatus for Electric Light.—In spite of decreased imports in 1935—1,589 metric tons, valued at £368,000 (gold), as against 1,851 tons in 1934—imports from Belgium have risen very

rapidly, and in 1935 were 309 tons, compared with only 81 tons in 1933 and 290 in 1934. Imports from the United Kingdom, which registered a slight loss since 1934 in percentage of both volume and value, were 172 tons (£25,000 gold). The U.S.A. and Germany still enjoy about three-fifths of this trade.

Electric Motors.—Imports from all sources increased from 540 metric tons in 1934 to 721 tons, valued at £74,000 (gold), in 1935. In volume the percentage share of the United Kingdom is only one half per cent. less than in 1934; Germany, however, has quadrupled her exports since 1933: 48 tons in 1933, 88 tons in 1934 and 212 tons in 1935. Imports from the U.S.A. have risen from 103 tons in 1934 to 198 tons in 1935.

Transformers.—Imports in 1935 were 892 metric tons, valued at £69,000 (gold), or an increase of just over 125 per cent. as compared with 1934. In this connection it is interesting to note that imports from the United Kingdom rose in volume from 18.9 per cent., and in value from 16.6 per cent. in 1934, to 25.3 per cent. and 18.8 per cent. respectively in 1935. Germany, however, trebled the value of her trade in this apparatus in the latter year.

Coal.—Total imports in 1935 were 1,315,000 metric tons, valued at £978,000 (gold), as against 1,080,000 metric tons, valued at £846,000 (gold) in 1934, the main suppliers being the United Kingdom, whose share in the volume of this trade has fallen from 63.6 per cent. in 1934 to 49.5 per cent. in 1935, the actual tonnage having declined from 687,000 tons to 652,000 tons, whilst imports of German coal have risen from 295,000 tons in 1934 to 530,000 metric tons in 1935, or from 27.3 per cent. to 40.3 per cent. of the total. Certain importers in São Paulo who formerly purchased United Kingdom coal are reported to have diverted their orders to Germany, where prices are said to be 20 to 30 per cent. cheaper for coal of quality similar to that supplied by the United Kingdom.

In October, 1935, the Central Railway of Brazil purchased 50,000 tons of German coal, the price being 17.40 marks, for delivery by the 31st December, 1935.

In 1935 Turkish coal made its appearance in Brazil for the first time. In July, 1935, 61,000 tons of Turkish coal was purchased by the Government on behalf of the Central Railway of Brazil, for which payment was made out of the frozen credits resulting from the sale of Brazilian coffee to Turkey. In December of the same year the director of the above mentioned railway informed the press that as Turkish coal had proved satisfactory, it was possible that further quantities of this coal would be taken in exchange for coffee, with the result that in July, 1936, the Minister for Finance authorised the Central Purchasing Commission to import 60,000 tons of Turkish coal for the Central Railway of Brazil. It is understood that payment will be effected in Brazilian currency. It has not been possible to procure particulars

of the price paid for this coal, but it may be of interest to know that the value of the 61,000 tons of coal imported in 1935 was given as £46,000 (gold) in the customs returns for that year.

In view of the declared policy of the Brazilian Government to take any steps in its power to foster the sale of the exportable surplus of Brazilian products, particularly coffee, it is not unreasonable to assume that having regard to the satisfactory results obtained in the use of Turkish coal, further important orders will be placed in Turkey provided that country agrees to take payment in coffee, or facilitate imports of this commodity to the value, at least, of the Turkish coal imported into Brazil.

In 1935 Brazilian imports from Turkey amounted to £48,823 (gold), whereas exports of Brazilian produce to that country were £69,170 (gold).

Towards the end of 1935 it was reported that the Central Railway of Brazil was still endeavouring to find a satisfactory way of blending national coal with the imported product, but their researches would appear to have failed as yet to increase the combustible properties of national coal. The company has, therefore, petitioned the Government for exemption from the provisions of the decree which stipulates that importers of foreign coal must purchase native coal to the equivalent of 10 per cent. of their imports.

In June, 1936, the Minister for Transport and Public Works asked for a special annual credit of 28,000 contos of reis for the purchase of coal for the Central Railway of Brazil. Contracts are said to have been placed with two national coal mining companies for the supply of washed coal.

In July, 1936, the Ministry for Finance instructed the Customs authorities in this country that cement factories importing anthracite were to be exempt from the requirements of submitting proof of the purchase of a quota of national coal. This favour was accorded because Brazilian coal has not the requisite characteristics for use in the manufacture of cement.

Reafforestation is frequently discussed in São Paulo as a means to reduce imports of coal. This State is among those which still possess some of the best reserves of timber in Brazil, and have made the greatest efforts in replanting areas. It is estimated that railways in São Paulo consume about 3,000,000 metres of firewood, or the equivalent of 375,000 tons of imported coal. The Paulista Railway some 20 years ago adopted the policy of planting large areas near its lines with eucalyptus (Australian blue gum), and is now able to obtain 40 per cent. of its requirements from this source. The Sorocabana Railway, State-owned, which has the greatest mileage in São Paulo, is already a large consumer of firewood (about 35 per cent. of its total fuel bill) and its newly appointed director has announced that one of the aims of the administration will be to organise plantations to ensure supplies under their own control.

The question of freeing the country from her dependence on foreign coal is constantly engaging the attention of the Government in view of the large sums required in foreign currency for these imports, at a time when Brazil is making every effort to increase her diminished favourable trade balance. The electrification of certain lines of the Brazilian Central Railway is undoubtedly the first serious move in order to reduce coal imports, and incidentally maintenance charges.

Information regarding the production of Brazilian coal is given on page 96.

Cement.—Total imports in 1935 were 114,154 metric tons, as against 125,702 tons in 1934. The demand for foreign cement would have been appreciably less if the third Brazilian cement factory, erected at Parahyba in September, 1935, had been in a position to meet all local demands. A fourth factory, erected in São Paulo, has only recently been opened and its estimated annual output of 60,000 tons cannot but have an adverse effect on the imports of foreign cement from the second half of 1936 onwards.

Imports from the United Kingdom decreased from 42,047 metric tons in 1934 to 18,656 tons in 1935, as a result of keen German competition and increased local production. German cement imports were five times greater in 1935 than in the previous year, i.e. 60,578 metric tons in 1935 compared with 11,978 tons in 1934. Swedish cement manufacturers lost considerable ground: their exports to this market dropped from 18,751 metric tons in 1934 to 2,910 tons in 1935.

Lubricating oils.—This trade continues to be dominated by several U.S.A. and one British company. Imports in 1935 amounted to 34,550 metric tons, valued at £322,000 (gold), as against 31,304 tons in 1934. The U.S.A. supplied 30,889 tons in 1935, Mexico 2,429, and the United Kingdom 1,156, or 23 tons less than in 1934.

Cinematograph Films.—Thirty-five metric tons of cinematograph films, worth £65,000 (gold) were imported from various sources in 1935, as against 30 tons in 1934. Over 50 per cent. of this business continues to be held by several well known U.S.A. concerns with whom German producers have started to compete with some measure of success. The United Kingdom has already commenced to participate in this trade; exports to Brazil were, however, insignificant, amounting in value to £6,000 (gold) in 1935.

Radio Apparatus and Accessories.—The market for radio sets and accessories continues to expand. Imports in 1935 were 740 metric tons, valued at £253,000 (gold), as against 678 tons in 1934. Three-fifths of this trade is held by U.S.A. manufacturers, such as the General Electric Company and R.C.A. Victor, whose selling organizations throughout Brazil have greatly contributed to popularise their productions. Consequently there is little scope for newcomers in this field unless they are prepared to organize an efficient service and launch an extensive advertising campaign in

this territory ; moreover U.S.A. spare parts and components of any make are standardized patterns, and obtainable without the slightest delay in any radio store, whereas the same cannot be said of all other foreign makes. Local production, though still in its infancy, is increasing, particularly in São Paulo, where two factories produced 2,600 receiving sets in 1933, valued at approximately 1,316 contos of reis (about £15,500). Owing to the heavy duties payable on imported furniture, practically all the wireless cabinets are made locally by small concerns whose workmanship and prices defy foreign competition.

Imports of radio apparatus of United Kingdom origin in 1935 were 23 metric tons valued at £16,000 (gold), or 6.3 per cent. of the total value of this trade. The share of the Netherlands rose from 122 metric tons in 1934 to 181 tons in 1935, whilst Germany contributed 36 metric tons of these goods during the latter year, as against 13 tons in 1934.

Sewing Machines.—Although the products of a well known U.S.A. factory usually dominate most foreign markets, the same position does not prevail in Brazil, since the U.S.A. only held approximately 41 per cent. of the total volume of this trade in 1935 compared with 56 per cent. in 1933. Imports from all sources in 1935 were 2,580 metric tons, valued at £323,000 (gold), as against 1,892 tons in 1934. The United Kingdom has trebled her share since 1934, imports in 1935 being 49 tons, valued at £6,000 (gold), whereas in 1934 only 14 tons of sewing machines entered Brazil from the United Kingdom.

Dried Codfish (Bacalhau).—Imports amounted to 17,158 metric tons, valued at £295,000 (gold), of which 10,308 tons came from Newfoundland, 3,841 tons from the United Kingdom, and 1,683 tons from Norway, and 714 tons from Iceland.

Newfoundland codfish goes principally to the north of Brazil, Pernambuco and Bahia being the chief centres of the trade, which was until recently carried in schooners from St. John's, but is now served by regular steamers, Swedish and Norwegian, whose chief item of return trade is cocoa, exported from Bahia to New York.

The Rio de Janeiro market for codfish is supplied principally from the United Kingdom, whilst Norwegian fish is taken by São Paulo and Santos.

Iceland, an occasional exporter to Brazil, sent more codfish than usual, owing to the European situation, Italy, after Portugal and Spain, being in normal times the chief market for Icelandic codfish.

Aircraft.—The number of aircraft imported into Brazil in 1935 was 97, valued at £130,000 (gold), as against 37 in the preceding year. The main supplying countries in 1935 were :—U.S.A., 78 machines (£71,000 gold) ; United Kingdom, 15 (£13,000 gold) and Germany 4 (£41,000 gold).

In July, 1936, an order for 15 training planes was placed in the United Kingdom by the Brazilian Minister for War.

VI. BRAZILIAN COASTWISE TRADE

Since 1930 there has been a steady increase in both volume and value of the coastwise trade attributable to the flourishing state of the country's internal trade. The remarkable development of local industries, enabling consumers throughout Brazil to be supplied with the products of national manufacture, and the stability of the purchasing power of local currency within Brazil, as well as the increased consuming capacity of the country, has undoubtedly done much to offset the effects of the significant decline in the value of the export trade.

The following figures will convey some idea of the importance of the coastwise and river traffic and of its growth from 1930 to 1935:—

	National Goods (Metric Tons).	Per cent. of Total.	Nationalised Goods (Metric Tons).	Per cent. of Total.	Total of all Goods (Metric Tons).	Value of all goods in contos of Reis.	Average price of goods per metric ton, in Milreis.
1930 ...	1,453,410	93.14	106,622	6.86	1,560,032	2,058,446	1,319
1935 ...	2,047,375	93.94	132,277	6.06	2,179,652	3,297,531	1,512

It will be observed that the coastwise trade in *national* goods has increased in volume by just over 40 per cent., whereas the conveyance of *nationalized* products, i.e., imported from abroad, was only 24 per cent. more in 1935 than in 1930.

VII. NATIONAL INDUSTRIES

Although the volume of imports increased from 3,476,141 metric tons in 1931 to 4,229,269 metric tons in 1935, thus, *prima facie*, conveying the impression that the manufacturing industries in this country had not been able to compete to any great extent with foreign manufacturers, in spite of the Government's protectionist tariff policy, a closer examination of the situation reveals the fact that the growth of imports has not been commensurate with the increase in the population and the purchasing power of the public during the last decade.

There is not the slightest doubt that in the absence of the high import duties now prevailing local industrialists would have been unable to stem the tide of imports, and that a lower rate of duty would in all probability have cramped any enterprise on the part of the majority of the present owners of the many small manufacturing ventures which, sheltered behind the Brazilian tariff wall, are gradually ousting the foreign-made article. In other words, foreign imports have increased in quantity, if not in value, but on a lower percentage basis than would have been the case if the country had not reached its present level of industrialization following the protection it now enjoys.

In the President's message to Congress in May last it was clearly stated that the Brazilian tariff system had to have a double aim: to connect internal markets which had formerly been isolated, and to defend growing industries by the application of tariffs commensurate with their importance to the economic life of the country.

The particulars given hereunder should be read in conjunction with the information given in the 1935 report on Economic Conditions in Brazil,* under the chapter headed "Industrialization"; they will convey some idea of the rapid expansion of a number of the more important Brazilian industries, whose products naturally compete to a large extent with similar articles of foreign manufacture.

A comparison of the figures of industrial development, based upon the industrial census taken in 1920, with the latest statistics compiled by the Department of Statistics and Publicity of the Ministry for Labour, shows that 15 States, as well as the Acre Territory, increased their production from 20 per cent. to 32.25 per cent., the largest increase being that of the State of Goyaz. No increase has been registered in the number of industrial concerns in the States of Bahia, Espírito Santo, Paranã, Rio Grande do Sul, Parahyba and Sergipe.

The total number of industrial enterprises in 1920 was 13,305, but in 1935 there were quite 30,000 of these concerns throughout the country.

The present annual value of Brazilian industrial production has been estimated at 6 million contos of reis, of which textiles alone account for 1,400,000 contos.

Electric Power.—The electrical industry has developed rapidly, the number of plants supplying power (thermo-electric, hydraulic and mixed plants) having increased from 306 in 1920 to 952 in 1935, with h.p. 1,010,000.

Cotton Mills.—According to the census taken by the Centro Industrial de Fiação e Tecelagem de Algodão do Rio de Janeiro (Association of Cotton Weaving and Spinning Mills of Rio de Janeiro) there were 244 cotton mills in 1924, and 355 in 1933, having 2,695,700 spindles and 83,300 looms. The cotton consumed by these factories in 1933 was 82,220 metric tons. The same census shows that there are 115,550 workers employed in this industry.

The textile industries in São Paulo are reported to be very prosperous and to be working 24 hours per day, with a consequent danger of over-production. There is a lack of spindles for the production of the lower counts of cotton yarns, which are fetching good prices. The improved quality of the 1936 cotton crop has induced many of the larger factories to consider the question of installing machinery for the spinning and weaving of cotton yarns of finer counts (1/80 to 1/120) which were impossible to produce

* H.M. Stationery Office, price 2s. 6d. net.

from the fibres of previous crops. The consumption of cotton by the mills in this district has now reached 4,000 tons per month.

The textile industry in Pernambuco and district is said to be enjoying a remarkable spell of prosperity and most of the mills have orders on hand to keep them occupied for several months. The consumption of raw cotton by the Pernambuco mills exceeded 12,000 tons in 1934-5, and will be nearly 14,000 tons in 1935-6. A number of mills have been successful in improving the quality of their products, some of which are said to compare favourably with foreign imports of this kind.

Silk.—Nearly all factories of any importance engaged in the manufacture of silk and artificial silk tissues and yarns are situated in the State of São Paulo, where the industry has grown and prospered during the last 16 years. In 1920 there were only 20 firms, with a capital of 5,000 contos of reis, producing silk goods, but by 1934 there were 129 factories, employing nearly 8,000 hands, with an annual output of silk and artificial silk manufactures valued at some 420,000 contos.

The following tables show the development of the national silk and artificial silk industries in the State of São Paulo from 1930 to 1934 :—

		<i>Local Production.</i>			
		<i>Natural Silk Yarns.</i>		<i>Artificial Silk Yarns.</i>	
		<i>Value</i>	<i>Value</i>	<i>Value</i>	<i>Value</i>
		<i>(Contos).</i>	<i>(Contos).</i>	<i>(Contos).</i>	<i>(Contos).</i>
		<i>Kilos.</i>	<i>Kilos.</i>	<i>Kilos.</i>	<i>Kilos.</i>
1930	...	25,705	2,770	420,000	12,600
1931	...	37,100	4,081	505,000	15,700
1932	...	32,569	3,562	670,000	16,750
1933	...	41,891	3,755	925,000	23,125
1934	...	48,700	4,003	1,198,744	30,950
1935	...	35,437	2,819	—	—

		<i>Silk Piece Goods.</i>		<i>Silk Ribbons.</i>	
		<i>Value</i>	<i>Value</i>	<i>Value</i>	<i>Value</i>
		<i>(Contos).</i>	<i>(Contos).</i>	<i>(Contos).</i>	<i>(Contos).</i>
		<i>Kilos.</i>	<i>Kilos.</i>	<i>Kilos.</i>	<i>Kilos.</i>
1930	...	317,358	89,035	87,340	25,476
1931	...	354,256	106,276	43,679	12,667
1932	...	443,367	110,861	39,986	11,538
1933	...	1,238,302	309,575	90,095	25,226
1934	...	1,300,000	325,000	100,000	28,000

Due to the reluctance of the two most important manufacturers of artificial silk yarns to furnish any figures, the above production statistics are given as approximate estimates only. This also applies to the other articles mentioned above.

The consumption of artificial silk yarns in the State of São Paulo during 1934 was said to be 1,416,092 kilos, of which 1,198,744 kilos is understood to be the output of two mills operating in that State.

Imports of natural silk and artificial silk yarns into the State of São Paulo were as follows during the years 1930 to 1934 :—

	<i>Natural Silk Yarns.</i>		<i>Artificial Silk Yarns.</i>	
	<i>Kilos.</i>	<i>Value (Contos).</i>	<i>Kilos.</i>	<i>Value (Contos).</i>
1930	345,309	24,468	122,934	2,658
1931	402,803	32,296	31,117	700
1932	385,484	26,500	8,012	159
1933	766,892	40,672	122,263	2,764
1934	683,457	38,079	217,348	5,687

It should be noted that as the imports of natural silk yarns increase so imports of silk textiles diminish.

In addition to local consumption of silk textiles in the State, there is an important export trade to the other states of Brazil. In 1934 some 257,000 kilogrammes of silk goods, valued at 11,180 contos of reis, were shipped through the port of Santos, besides other exports sent by rail to the adjoining states, including the Federal District.

It will be observed that the silk weaving factories cannot obtain all their requirements locally and in this connection it is reported that the two local mills using cocoons supplied by breeders of silk-worms in the State of São Paulo have succeeded in producing only some 35,000 kilogrammes of natural silk yarns in 1935. It is alleged that within a period of five years the two firms Visco-Seda Matarazzo and Companhia Brasileira de Sedas "Rhodiaseta" had succeeded in quadruplicating their production of artificial silk.

The Nitro-Chemical plant (belonging to the Klabin Irmãos-Votorantim consortium) now being built at São Miguel (about 12 miles from São Paulo) which is to cover an area of over 10,000,000 square feet, will, it is said, be the largest plant of its kind in the world. Its daily capacity of 12 tons of artificial silk will require 40,000 tons per annum of cotton linters. Fifty tons a day may be produced of concentrated sulphuric acid (an important raw material for the future industrial development of São Paulo); another 50 tons per day of nitro-cellulose and 30 tons of nitric acid. As it has been stated that not more than half of these products can be consumed locally, the remainder will presumably be exported. The factory can also be adapted to produce 50 tons per day of gun cotton and dynamite. This company will be an important addition to the local artificial silk industry, the value of production of which in 1934 was said to be about 31,000 contos, divided between the Companhia Brasileira de Sedas "Rhodiaseta" and the Visco-Seda Matarazzo Ltda.

Jute.—Jute is of great importance, since it is essential for the export of coffee, rice, maize, etc. Total Brazilian imports of jute in 1935 were valued at 54,000 contos of reis. The National Institute of Technology has made experiments and researches relative to indigenous fibres which have awakened great interest in industrial

centres. The conclusion arrived at from the scientific experiments made is that the wild poppy of São Francisco, the São Paulo jute, the "guaxima" and the "paco-paco" are fibres suitable for substituting Indian jute. In 1935 the production of São Paulo jute and São Francisco wild poppy, had already reached 2,000 tons. This production added to that of "uacima" of the Amazon, and "paco-paco" of Ceará, gives a total of 5,000 tons, or the equivalent of 20 per cent. of the raw jute imported. There are 12 jute mills in Brazil, producing nearly 51,000,000 metres of cloth annually.

Rubber.—There are at present 44 factories in Brazil engaged in the manufacture of rubber goods, of which 29 are in the State of São Paulo, eight in the Federal District, three in Pará, three in Rio Grande do Sul, and one in the State of Amazonas, with a total annual production valued at 35,000 contos of reis.

A large amount of propaganda has been made with a view to stimulating the rubber industry in Brazil, largely based on the fact that the country possesses large supplies of the finest quality of this raw product, thereby giving rise to the widespread belief that this industry should be developed so as to make the country independent of foreign imports of such goods. In spite of the fact that there are 44 factories in this country engaged in the processing of rubber, there are in reality only three of any importance manufacturing pneumatic tyres, inner tubes, electric cables, &c. The quality of their output has not yet reached the standard of that produced abroad, but the price of Brazilian manufactures of this kind is approximately 50 per cent. below that of well-known international brands. In the less important articles of household use and personal wear more success has been obtained. Rubber soled shoes, canvas tennis shoes, goloshes, &c., are now practically a monopoly of the local factories. Buffers, bottle stoppers, tubing, matting, &c., are all manufactured in regular quantities and celluloid toys are making good headway.

Chemicals.—A new chemical factory, known as the Companhia Electro-Chimica Fluminense, was opened in May, 1936, at Alcantara in the State of Rio de Janeiro. German experts and material were employed, the cost of the latter having amounted to 8,000 contos of reis. The estimated annual production was reported to be as follows:—

	<i>Tons.</i>
Caustic Soda	1,080
Liquid Chlorine	230
Chloride of Lime	1,000
Hydrochloric Acid	1,000
Hypochlorite of Sodium	1,000

It is understood that the Caixa Economica (National Savings Bank) of Rio de Janeiro helped to finance this scheme.

Oiticica Oil.—According to a report received from H.M. Consul at Pernambuco, the production of oiticica oil is a new industry which has developed largely within the last two years. The oil is stated to be equal to Chinese tung oil and is used in the preparation of paints and varnishes. There is a brisk demand for the oil, and four presses are now in operation in the town of Fortaleza, in Ceará. Other presses are in course of erection at Sobral and Iguatú, in the State of Ceará, and three oil mills (one Dutch) are being built in the interior of Parahyba for crushing oiticica nuts. In 1935 the total Ceará production reached 1,264 tons. Practically all the oiticica oil is shipped to the U.S.A.; a recent shipment was quoted at 13 cents per pound c.i.f. New York.

The State of Ceará has prohibited the export of oiticica seeds. The move is inspired by the dread of a similar fate to that of the Amazon wild rubber collecting industry, which furnished seeds to nascent rubber industries in other parts of the world and was later overwhelmed by them. Penalties have been prescribed for those who cut down trees, and certain exemptions from taxation have been granted to companies who establish mills for the extraction of this oil.

Metallurgical Industries.—The metallurgical industries have continued to expand, the production of the steel works and rolling mills during the years 1934 and 1935 being as follows:—

			1934	1935
			<i>Metric Tons.</i>	<i>Metric Tons.</i>
Rolled Steel	...	...	61,675	64,231
Pig-Iron	...	...	58,559	55,070
Rolled Iron	...	...	48,698	52,357

The principal goods made in Brazil, mainly in the States of São Paulo and Minas Geraes, are: structural iron and steel, strip and bar iron, spun iron pipes, rolled tubes, hoes, spades, pick-axes, small lathes, cement mixers, hoists, telegraph and electric light posts, &c.

According to a report received from São Paulo, the metal working, machinery and tool factories have made good profits throughout the year 1935. Local engineering firms in the State of São Paulo are now producing large quantities of heavy material such as boilers, stone crushing machinery, but the more complicated machines are still imported due to the lack of experts and mechanics.

Cement.—National production of cement has increased from 87,160 metric tons in 1930 to 363,000 tons, valued at about 75,800 contos of reis, in 1933, and it is anticipated that within the next three or four years local production will be sufficient to meet the requirements of the whole country. There are four factories engaged in this industry: Companhia Brasileira de Cimento Portland, of Ferús (State of São Paulo); Companhia Nacional de

Cimento Portland, of Guaxindiba (State of Rio de Janeiro); Companhia Parahyba de Cimento Portland, of Indio Piragibe (State of Parahyba); and the Fabrica Votorantim, of Sorocaba (State of São Paulo), opened in February, 1936.

Imports of cement have dropped from 384,503 metric tons in 1930 to 114,154 tons in 1935.

VIII. AGRICULTURE

It is from agriculture (the term being used in its widest sense) that Brazil has always derived, and must continue to derive, the revenue needed for maintaining her vast population, now estimated at some forty-eight millions, and the foreign currency with which to meet her foreign obligations; for whilst her manufacturing industries have reached a high standard of development in many directions they cater only for local needs, and mining, in spite of the existence of mineral deposits of a varied and extensive nature, has made comparatively small progress.

With a climate varying from tropical to temperate, Brazil can grow most articles of world consumption, and of the staple agricultural products wheat is one of the few whose cultivation has not yet met with much success, in spite of many attempts to foster it, including recent regulations for the compulsory use of a percentage of local wheat in the milling of flour.

The over-production of coffee in Brazil is of such long standing and has been so well ventilated in the world's Press that it need not be dealt with at any length here. The uprooting of exhausted trees has been recommended for many years; the planting of new trees being prohibited except in the case of old uprooted plantations. This has not had the desired effect of limiting production, and the situation has become so critical that it has been deemed necessary to reinstate the compulsory and almost unremunerated destruction system during the current crop year, under which 30 per cent. of the total production will be delivered to the National Coffee Department for incineration, statistical equilibrium between the estimated supply and demand being thus maintained. It is noteworthy, however, that the regulations governing this so-called "sacrifice quota" permit of the delivery for its purpose of coffees which are practically unmarketable; but the price of five milreis per bag paid by the National Coffee Department barely covers the sacking expenses and transport costs. The control of export is somewhat complicated, as the flow of coffee from the interior to the ports must be regular throughout the crop year, or the export markets would at times be glutted, and prices consequently fall. The regulations of the National Coffee Department provide, briefly, that 40 per cent. of the crop, provided that the type be suitable, will be released direct to the ports immediately on the production of documentary evidence in proof of the delivery of the 30 per cent.

destruction quota to one of the many warehouses of the Department. The remaining 30 per cent. is retained in the regulating warehouses in the interior, and released in chronological order at periods when the market is favourable. By these means two objects are served, namely, the maintenance of regular supplies at the coast, and the control of all speculation throughout the whole crop year.

The campaign for the production of finer grades of coffee which the National Coffee Department instituted in April, 1936, is calculated to open new fields of competition to Brazilian exporters. Premiums of three and six milreis per sack are paid to growers producing high grades, in accordance with the stipulations of the Department, and the mild coffees so obtained are given preferential treatment, and priority in marketing. The present production of fine grades is very low, but it is hoped that in the 1937-8 season Brazil will, as a result of this campaign, be able to compete in the mild coffee markets of the world.

It is a favourable augury that whilst Brazil, the chief coffee producer of the world, has taken the initiative in former attempts to bring about the limitation of production by international agreement, other interested countries have recently evinced the desire to recommence negotiations with this object.

Further favourable signs are to be found in the circumstances that whilst coffee is still by far the most important item of Brazil's export products, more and more attention is being paid to such other crops as cotton, cocoa and table fruits, which are taking an ever greater place in the foreign trade returns. Cocoa growing is definitely increasing, and praiseworthy efforts are being made through the Cocoa Institute at Bahia to improve the type of cocoa grown, the method of its cultivation and the preparation of the product for export, which is principally to the U.S.A.

Several factors have contributed to the marked increase in cotton production in Brazil in recent years, among which may be mentioned the restriction of cotton growing in the U.S.A. and the prosperity and high standard of development of the Brazilian industry, which not only has a very large and well protected home market but is also beginning to export cotton cloth to other South American countries. Cotton production in Brazil in 1935, whilst not fully realising the great expectations of many, showed considerable progress. Its importance may be judged from the following figures. The value of the cotton exported was £5,223,000 (gold), or the equivalent of £8½ millions paper; whilst it is estimated that local industry took some 400,000 bales. Thus the production was of 1,300,000 bales of marketable cotton, valued at some £12 million paper, as against 980,000 bales, valued at £10 millions in 1934. Japan is now taking considerable quantities of Brazilian cotton, and Germany is a ready purchaser, not only of the better qualities, but also of the low grade fibre of which the northern States produced a great deal, owing to adverse weather conditions and insect pests.

The cotton crop for 1936 will not, it is estimated, greatly exceed that of 1935, although the quality is likely to be better.

The production of table fruits for export is another branch of Brazilian agriculture which has made great strides during the past few years. Brazilian oranges have come to be greatly appreciated in the United Kingdom, their principal foreign market; their production must now be somewhere in the neighbourhood of $1\frac{1}{2}$ million tons per annum, and their export last year reached the figure of 2,640,000 boxes.

The cultivation of bananas is carried on on scientific lines, and well over 10,000,000 bunches were sold abroad in 1935; a great deal of this trade being directly due to the enterprise of a well-known United Kingdom company, which not only owns the plantations but also the line of steamers which carries the fruit to Europe.

Amongst the other table fruits whose production for export offers a field for further development are grape fruit, tangerines, pine-apples, etc. The production of lemons is especially promising.

The cultivation of tobacco is a form of agriculture particularly suited to Brazil, and great efforts are being made to find foreign markets for cigars and other forms of the manufactured product as well as the leaf itself. As a measure of assistance to the tobacco exporters they were recently exempted from the requirements hitherto in force of the delivery to the Bank of Brazil, at the "official" rate of exchange, of 35 per cent. of the foreign exchange resulting from the export of cigars, cigarettes and cheroots. Tobacco of the "Caporal" type is grown in the southern states, whilst the Turkish type is produced in Bahia, which is also the centre for the manufacture of Brazilian cigars; these are both cheap and of good quality, and resemble those made in Manila rather than the Havana cigars.

The cane sugar industry is highly developed in Brazil; in fact, the supply of sugar is greater than the demand, so that it has been found necessary not only to "dump" the surplus abroad in order to maintain local prices, but also to prohibit the installation of further sugar plants. Of recent years a further outlet has been found for the product of the cane sugar mills in the production of anhydrous alcohol, the admixture of which with petrol for use as motor spirit is compulsory in Brazil.

Maize is the cereal principally grown in Brazil, almost entirely for home consumption, the export of this grain amounting only to some 27,000 tons in 1935.

Rice is cultivated extensively in the States of São Paulo and Rio Grande do Sul, and is exported in increasing quantities to the River Plate republics.

One of the staple foods of the Brazilian is a flour made from the manioc root, which, being comparatively easy to grow and to prepare, is planted throughout the northern states; the export of this commodity is also on the up-grade, and is principally to Portugal.

The cattle raising and meat-packing industry made headway during 1935, and the export trade in meat products received a strong fillip from the contracts placed by the Italian Government for beef for the Italian army. The Brazilian Government is fully aware of the desirability of improving the standards of the cattle raised, and to this end imports from time to time pedigree breeding animals from the Argentine and also from the United Kingdom and other European countries. The Indian humped zebu breed of cattle, both pure and cross-bred, is largely used in Minas Geraes, and some other cattle raising states, owing to its ability to thrive in hot climates and to its resistance to the ravages of insect pests.

Lard is a product the export of which is increasing. The principal production of lard is in the State of Rio Grande do Sul, where the Lard Association has centralized the marketing of this commodity in its own hands. Lard was until recently the only commodity the export of which was subject to the delivery of the whole of the resultant exchange to the Bank of Brazil at the "official" exchange rate; but upon representations being made to the Federal Council for Foreign Trade by the lard producers and exporters, the Government sanctioned its being placed on the same basis as the majority of Brazilian exports; that is to say, it is now subjected to the 35 per cent. quota of official exchange. The quality of the lard for export is being improved.

In addition to the ordinary products of the agricultural industry, Brazil is fortunate in being the supplier—in some cases the only one—of a large number of vegetable products of a tropical nature which are of great value for industrial and other purposes. Many of these are not at present cultivated in the strict sense of the term, they are rather gathered wild; but as their uses are becoming more and more known, with a consequent increased foreign demand, their cultivation will surely, as in the outstanding case of rubber, be effected in the future. Among these products the following may be especially mentioned.

India rubber, which in the Amazon river basin is collected from the wild grown trees, and which at one time was a source of enormous wealth for the States of Amazonas and Pará, is showing some signs of revival, although the high prices which the product fetched before its cultivation in the East was commenced are never likely to be seen again. The Ford Company, whose efforts to plant rubber in the Amazon area have hitherto, it is understood, met with little success, are continuing their work in this direction; and the quantity of rubber consumed by the local rubber industries, which now include the manufacture of tyres, is increasing.

The demand for Brazil nuts, both in Europe and the U.S.A., is an increasing one, and the export of the nuts, both in the shell and unshelled, is expanding, especially that of the latter.

Carnauba wax, which is obtained in the form of a fine scale from the surface of the leaves of a species of palm tree, is a commodity the value of which per ton has risen enormously of recent years. The demand for this wax, which is used in the manufacture of polishing pastes, typewriter ribbons, duplicating carbon paper and the like, appears to exceed the supply.

Babassú nuts, also the produce of a variety of palm, are an oil-bearing seed with an increasing foreign market.

A vegetable oil, as yet comparatively little known, is obtained from the seed of the oiticica tree, particulars of which are given in the chapter dealing with local industries. Penalties have been prescribed for those who cut down oiticica trees, and certain exemptions from taxation have been granted to companies who establish mills for the extraction of oiticica oil.

Mamona or castor seed is yet another oil seed with an increasing export and one commanding a good price.

Herva maté, or Brazilian tea, which is the dried leaf of a species of flex, is a commodity the price of which has fallen considerably, although the quantity exported has been more or less maintained. The efforts made to popularise this beverage in Europe do not seem to have been very successful. Argentina is, of course, the principal customer for herva maté.

A large number of fibres of very long staple and otherwise suitable for industrial use is found in Brazil; but their commercial development is a matter for the future, for although interest has been evinced in some of these by United Kingdom and other firms, in many cases it has not been possible to obtain a sufficient supply of the raw fibre for the necessary tests, in spite of the fact that the plants from which they derive grow wild in great profusion.

Appendix No. XV contains particulars of the estimated production of the principal agricultural products for the years 1933, 1934 and 1935.

States of Pará, Amazonas, Maranhão and Piauh.—The two chief agricultural products of the State of Pará for the export market have hitherto been mandioca flour and rice. During 1935 the State Government, following a sharp rise in the local price of mandioca, which is an important food staple for the lower classes, prohibited its export in an attempt to stem the rising cost of living. Exports in 1935 declined for this reason to 7,570 tons, and nil since the 1st January, 1936. Rice is grown chiefly for local consumption and export to South Brazil.

Although cotton is generally considered to have great possibilities of development in the State of Pará, the 1935 crop was the smallest since 1929, 3,600 tons as against 4,167 in 1934 and 8,000 in 1933. In Maranhão also the crop proved disappointing, as a large part was destroyed by pest. American seed cotton suffered particularly,

and the crop months from August to October, 1935, produced negligible results. Brazilian seed cotton also suffered and the two types together only produced approximately 3,000 tons instead of an estimated yield of 6,000 tons. With a view to increasing the area under cotton and to improve the type grown, the Pará State Government imported 300 tons of cotton seed of the Texas type from São Paulo at the beginning of 1936. At present 98 per cent. of Pará cotton is of short staple, 24/26 mm. The Texas variety is not only more productive but has a good medium staple of 34/36 mm., a much more valuable product for manufacturing purposes.

Cocoa.—The production of cocoa continues to expand in the State of Pará, but the return per tree is still very low, owing to the primitive methods of cultivation of the agricultural population. In the valley of the Tocantins river there are over six million trees, which only produce on an average 224 grammes per tree, whereas on the cocoa estates in Bahia the average yield is about 2 kilos. It is claimed that the type of cocoa tree grown in Pará is superior to that of Bahia, so that with more scientific and intensive methods of cultivation cocoa ought to develop into an important agricultural product of the State.

Timbó.—This is a new export commodity of the Amazon Valley. The word "timbó" is derived from an Indian word which the natives of the Amazon Valley use to denote any plant, shrub or tree from which they extract the poison they employ in catching fish in the rivers, the basis of which is in most cases "rotenona." Recent experiments have shown that rotenona can replace arsenic as an ingredient in insecticides and eliminate the danger in their use, as it is not injurious to man or warm-blooded animals, and it would seem, therefore, that timbó has a big potential world market. It can be exported either as a root or a powder, but to encourage local industry export in powder form only has hitherto been allowed from the State of Pará. The largest importer is the United States, who took 227 tons of the total exports, amounting to 253 tons in 1935.

States of Pernambuco, Alagoas, Parahyba, Ceará and Rio Grande do Norte.—The trade of the North-Eastern States was reported to be in a flourishing condition due to the satisfactory position of the principal crops, namely, sugar, mandioca, maize, cotton, cotton seed, beans, tobacco, etc.

Sugar.—No less than 4,700,000 sacks of sugar, each weighing 60 kilos, were handled at Recife. Prices were poor, and it was only towards the end of the season (May, 1936), that a reasonable return was obtained.

The measures adopted and enforced by the Sugar and Alcohol Institute to meet the situation created by over-production imposed

considerable sacrifice on the Pernambuco producers. Large quantities were perforce shipped abroad, free of export tax, and sold at prices much under those obtaining locally. About 60 per cent. of the total production was consumed in Brazil. The stock of sugar in hand at the close of the season showed a reduction on the corresponding amount a year ago. The Alagôas crop of sugar exceeded 100,000 tons, which was slightly more than the preceding season.

The outlook for the forthcoming crop is not bright. Shortage of rain in the early months of the year, followed by torrential downpours in June and July caused damage to the young canes, and a conservative estimate puts at 30 per cent. the reduction in the coming season's production.

The production of *raw cotton* in the State of Pernambuco in 1935-6 exceeded 25,000 tons, as compared with about 27,500 tons in 1934-5. More than half of this season's crop was consumed in local mills. The protracted rains of August-September, 1935, delayed picking and the quality of the crop proved below average. Foreign demand as a result fell off, but the local textile industry offered fair prices. Prospects for the next season are still rather uncertain. In the State of Parahyba the total 1935-6 crop appears to have reached 90,000 tons, of which 30,000 tons were exported overseas, 21,000 tons were sent to the south of Brazil, and the remainder consumed in local mills or carried forward as stock in hand. In Alagôas the production in 1935 was 15,980 tons, and from January to April, 1936, 9,220 tons. In Ceará the 1934-5 crop was about 27,000 tons, followed by 32,000 tons in 1935-6. About 4,000 tons are consumed locally each year.

The State of Ceará has prohibited the export of *oiticica seeds*. The move is inspired by the dread of a fate similar to that of the Amazon rubber industry, which furnished seeds, etc., to nascent rubber industries in other parts of the world and was later overwhelmed.

States of Bahia and Sergipe.—The State of Bahia is essentially agricultural, but as a result of transport difficulties and climatic conditions, most of the crops cultivated are raised as near the coast as possible. The principal products of the district are : cocoa, coffee, tobacco, hides and skins, piassava, carnauba wax and castor seed. Sugar is produced in large quantities to supply local demand. Cocoa is the principal crop, and its production is tending to increase due to new plantings. The present crop is estimated to produce two million bags of 60 kilos each. Brazil ranks second as a world producer of cocoa, and practically all the cocoa exported from the country is derived from this State.

Besides the various crops mentioned, quantities of cereals and other foodstuffs are grown in the State of Bahia, but production has not kept pace with demand and, consequently, coastwise imports from other ports of Brazil are of considerable importance. Live

stock raising is becoming a major industry in the interior and drier districts, where the lack of efficient transport hampers the distribution of cultivated crops. The State Government encourages the breeding of better stock by facilitating the acquisition of thoroughbred animals for herd improvement, and also by the loan of pure bred sires to approved breeders.

State of São Paulo.—As a result of the world crisis and the collapse of the coffee market, the agricultural aspect of this State has changed considerably since 1931. At that time large *fazendas* represented 51 per cent. of total properties, whereas in 1934 this proportion had fallen to 10 per cent., showing the extension of the fruitful process of dividing up large holdings, a process which has completely altered the aspect of the economic problems of the State Government.

Coffee.—Coffee is losing its hegemony in agricultural production, and now represents barely 50 per cent. of the latter's total value.

Coffee *fazendas* have been divided up or given over to cotton planting with the result that the State Secretariat for Agriculture has had to be prepared to grant financial and technical assistance to thousands of labourers who had become small landed proprietors, as it were, overnight.

Estimates for the São Paulo coffee crop for 1935-6 predicted 11,100,000 sacks, out of a total Brazilian crop of 17,270,000 sacks. As the latter figure has proved some 7,000,000 sacks short of the actual volume produced, it must be assumed that the local crop exceeded the estimates by at least 4,000,000 sacks. The present São Paulo crop (1936-7) is estimated at about 14,500,000 sacks which, in view of an expected surplus of 6,500,000 sacks for the whole of Brazil, should necessitate a further 4,000,000 sacks of Paulista coffee being handed to the National Coffee Department for incineration.

The recent decision of that Department to impose a "*quota of equilibrio*" of 30 per cent., for which a nominal sum of 5\$000 per sack is to be paid to coffee growers, has been received with mixed feelings in São Paulo, where there prevails a general impression of apathy and despair as regards the future prospects of this product.

Cotton.—The cotton crop for 1935-6 which closed on the 29th February, 1936, only amounted to 98,200 tons, as against 102,200 tons for the preceding period. The crop proved very disappointing in many ways, especially in size, as official predictions had at one time placed the figure at over 200,000 tons. In quality also ground was lost. In 1933 (a comparatively small crop of 34,750 tons), over 92 per cent. was considered excellent, i.e., better than type five.

In 1934 this proportion was reduced to 78 per cent., and in 1935 to 48 per cent. This decline well illustrates the difficulties met

with when a large part of the agricultural community turns to the cultivation of a crop which is comparatively unfamiliar and owes much of its prosperity to circumstances not necessarily permanent, namely the recent policy of valorization adopted by the United States of America. The expectations of a large crop last year were much affected by pests and plagues, while the lack of financial facilities, general absence of confidence in the exchange policy of the Federal Government and the shortage of agricultural labour were further handicaps to be overcome. Nevertheless, the present crop is estimated to produce 170,000 tons, and prospects and prices are so good that an even greater area is expected to be sown with seed in September, 1935.

Citrus Fruit.—The cultivation of citrus fruit is also being subjected to stricter regulations than ever before, a number of new decrees having recently been issued which are intended to increase the export of oranges to world markets. (Vide Chapter headed "Exports".)

Grapes and Wine.—The Campinas Institute, by means of its experimental plantation at São Roque, has greatly increased the grape harvest of recent years, the number of vines having risen from 862,330 in 1930 to 1,492,320 in 1935, and the volume of grapes produced from 4,256 kilos in 1933, with an average sugar content of 13 per cent. to 8,854 kilos (15.3 per cent.) in 1935.

Potatoes.—From 1931 to 1933 São Paulo was the part of the Union producing the largest quantity of potatoes, but in 1934 and 1935 the crops of Rio Grande do Sul (134,469 and 145,000 tons) exceeded those of this State (125,662 and 129,800 tons) the production of the latter having declined from 179,000 tons in 1932.

Tea.—The Tea Society of São Paulo is one of the most powerful in the State. Its members during 1935 produced 15 tons, and in 1936 anticipate a crop of better quality of 50 tons. Three types of tea are cultivated:—green, black, and a tea similar to maté in appearance, but different in taste, and very popular in the United States of America and with tourists.

Cereals.—The 1936 crops of most cereals are disappointing, owing partly to unfavourable climatic conditions (i.e., drought), but also largely to the fact that large areas previously given up to cereals and root crops have been turned over to cotton. The price of maize (a staple food) has increased by 75 per cent., and that of rice (which, boiled with beans, is the principal dish of the lower classes), by 50 per cent. Beans, potatoes and wheat flour also show considerable increases.

State of Rio Grande Do Sul.—Although the area under cultivation shows no appreciable change and actual production has not increased, the monetary return is considerably up, rising from 775,739 contos of reis in 1933-4 to 855,127 contos in 1934-5. Valiant endeavours are being made by the authorities to improve the quality,

particularly of rice, and prospects, despite bad weather, are highly favourable. During 1935, $1\frac{3}{4}$ million sacks of rice were exported from Rio Grande do Sul, $1\frac{1}{2}$ million sacks going to foreign countries; of this, two-thirds went to the Argentine Republic. Recently the price has risen from 35\$000 to over 80\$000 a sack. The wheat situation is still considered unsatisfactory, and efforts are being made to increase the acreage. Production of wheat has risen from 34,000 tons in 1910 to 117,930 tons in 1935; this, however, barely covers two-thirds of the State's requirements.

State of Minas Geraes.—The principal agricultural products of the State of Minas Geraes are cotton, wheat, maize, and coffee.

As regards cotton, the production for 1936 has been estimated at 40,000,000 kilogrammes, and in this connection a separate Government Department has been organized with the object of encouraging and assisting farmers in the cultivation of this product. Advice is freely given on all matters connected with this particular kind of agriculture, and seeds are supplied in sacks of 30 kilos at a cost of \$250 per kilo. A laboratory has been installed in Bello Horizonte for testing purposes and expurging seeds, and another is being erected at Viçosa. The area under cultivation in 1934 was 20,000 hectares, 30,000 hectares in 1935, and 70,000 hectares in 1936. The results obtained so far from the impetus given to cotton planting have been most encouraging to farmers from the financial point of view, and there are indications of extensive expansion of this branch of agriculture throughout Minas Geraes.

Although cotton has been planted successfully in this State for many years, little encouragement had been given to farmers to intensify production, and this crop was of secondary importance, the fibre being sold mostly to Minas textile mills. Government interest, however, dating from 1934, has entirely altered the situation, and with technical assistance planters are interesting themselves more and more in cultivating cotton.

Previous to the collapse of the market, coffee represented approximately 50 per cent. of the total value of exports from Minas Geraes, and notwithstanding its devalorization, still heads the list by a good margin. Out of a total of 1,006,000 contos representing exports for 1935, coffee contributed with 341,000 contos or 34 per cent. More interest than hitherto is being given to other commodities, which are helping to swell the volume of exports.

IX. MINERALS

Manganese.—Manganese was exported for the first time from Brazil about 40 years ago, when a small trial shipment was sent to Amsterdam. The excellent quality of Brazilian manganese, with a 48 per cent. to 50 per cent metal content practically free from phosphorus, silica or other impurities, and the accessibility of the mines which are some three hundred miles distant by rail

from Rio de Janeiro, soon enabled Brazil to become one of the principal suppliers of manganese to the steel producing industries of the world.

From 1914 to the end of 1918 no less than $1\frac{1}{2}$ million tons of Brazilian manganese were exported from Brazil after having been transported to Rio de Janeiro by the Central Brazilian Railway over a distance of 300 to 400 miles.

Manganese is found mainly in Minas Geraes, Bahia, Ceará, Maranhão, São Paulo, Paraná, Matto Grosso and Goyaz, where deposits have been located with reserves estimated at not less than 200 million tons.

The manganese zone in the State of Minas Geraes extends from Queluz—300 miles from Rio de Janeiro—to Burnier—15 miles north. Manganese is also found in the neighbourhood of Bello Horizonte and at Santa Barbara, where it is said to exist in compact form and to be extraordinarily pure. The most important manganese mine is the "Morro da Mina", situated near Queluz, with reserves estimated at ten million tons. This mine is the property of the United States Steel Corporation and is exploited by its subsidiary, the Companhia Meridional de Mineração. There are several other mines in this vicinity, such as the "Água Preta", "Santa Mathilde", and the "Cocuruto", all of which are connected with the coast by the Central Brazilian Railway.

Approximately 90 per cent. of the manganese exported from the country, obtained from the Burnier and Queluz mines, is said to be of high quality and practically free from phosphorus, sulphur or silica.

The following is an analysis of manganese of the average quality exported from Brazil :

Manganese	...	...	44 to 50 per cent.
Iron	...	...	3 to 6 per cent.
Phosphorus	...	...	·06 to ·10 per cent.
Sulphur	...	...	·05 to ·06 per cent.

There are other manganese deposits in the States of Bahia and Matto Grosso. The Nazareth mines in the first mentioned state have not been exploited since 1920, and important deposits discovered in the mountains of Urucum, near Corumbá, in Matto Grosso, have aroused little interest in view of their great distance from the coast.

From 1900 to 1929 Brazil exported some $7\frac{1}{2}$ million tons of manganese. Exports for the years 1930 to 1935 were :

	<i>Metric Tons.</i>		
1930	192,122
1931	95,500
1932	20,885
1933	24,893
1934	2,300
1935	60,669

The significant decrease in exports in 1934 was attributed to the competition from the U.S.S.R. and Indian producers, but the depreciation of the milreis and the reduced Brazilian export tax, apart from the efforts made by the Government to foster this industry by improving means of transport, has to some extent helped to revive one of the most important industries in the State of Minas Geraes.

The chief obstacle to the further development of the manganese mining industry in Brazil is that of transport. Although railway communication exist with the coast from points within reasonable road haulage distance of the deposits, the shortage of railway rolling stock is very great, and is not likely to become appreciably less in the near future.

Coal.—The production of coal has risen from 376,000 metric tons in 1930 to 757,000 tons in 1935, largely due to legislative measures brought into effect in 1931, which compel importers to purchase national coal to the extent of 10 per cent. of their imports of foreign coal, and the fact that the imported product no longer enjoys exemptions which may in certain circumstances be accorded to goods which are not "similar" to national products.

There are 12 coal mining concerns in Brazil, but only two of these, namely the Companhia Estrada de Ferro e Minas São Jeronymo and the Companhia Carbonifera Rio Grandense, are at present of any importance. Both these mines are situated in the State of Rio Grande do Sul; their annual outputs being some 400,000 and 200,000 metric tons, respectively. The coal is of poor quality but as its average price is only 50\$000 per ton, ex wharf Porto Alegre, it is able to compete effectively with the higher grade imported article, consequently imports of coal, coke and briquettes, etc., have fallen from 1,941,946 metric tons in 1930 to 1,437,327 in 1935. It is reported that steps are being taken to adapt furnaces and boilers, etc., in order to increase the use of national coal.

Gold.—Gold is mined principally in the State of Minas Geraes, the São João Del Rey Mining Company, a British concern which exploits several auriferous deposits at Morro Velho, being the chief producer. The balance of the output for the whole country is obtained from the Passagem mine near Ouro Preto, and by small alluvial prospectors and placer miners, scattered throughout the States of Minas Geraes, Paraná, Goyaz and São Paulo.

According to reports emanating from Curityba, there is considerable interest at the present time in the possibilities of gold mining in the State of Paraná. The "Mina Trinituva Soc. Ltda.", a United States-Brazilian Company, registered in Rio de Janeiro with a capital of 1,200 contos, has during the past year been installing mining machinery on a property at Campo Largo, some 25 kilometres distant from Curityba. The mine is now ready to handle a maximum output of 150 tons of ore per day and the gold

extracted is expected fully to recompense the large outlay on machinery and installation.

It is also reported that a mine is to be worked at Morrettes. One of the first discoveries of gold in Brazil was made at this town, and old workings still exist.

Production increased from 3,664 kilogrammes in 1933 to 3,704 kilos in 1935, but it has been stated officially that the total amount of gold delivered to the Bank of Brazil by various sources during the year 1935 amounted to 8,162 kilos.

Diamonds.—The increased prices offered for diamonds has led to a great influx of miners to the banks of the Bagagem river in the neighbourhood of Estrella do Sul in the region known as the "Triangulo Mineiro" in the State of Minas Geraes. Many hundreds of persons from all parts of the country have established themselves on the river and the whole district has entered upon a period of economic prosperity such as it has not known for many years. The diamonds found in that region are stated to be among the finest in the world for colour and purity, and it is interesting to recall that the largest ever found in South America, the famous "Estrella do Sul", came from the Bagagem river.

In order to stimulate the exploitation of the diamond producing areas in Brazil, exporters were granted exemption in October, 1935, from the obligation to sell to the Bank of Brazil 95 per cent. of the resulting bills at the official rate of exchange in respect of all black diamonds, and white diamonds not exceeding the value of ten contos of reis each. This exemption should add about 11 per cent. to the export value of diamonds, thus contributing to encourage further enterprise and development in the diamond mining industry.

A preliminary estimate of the output of rough diamonds for 1935 gives the following figures :

	<i>Carats.</i>	<i>Average Price per Carat.</i>
Bahia	10,000	50\$000
Paraná	1,800	90\$000
Diamantina	6,300	200\$000
Bagagem	1,000	100\$000
Matto Grosso	20,000	80\$000

Oil Fields.—During the last 16 years the Government has spent approximately 60,000 contos on numerous drilling operations in unsuccessful endeavours to discover oil sources in the southern states, the coastal belt and the lower Amazon valley. A number of boreholes in these regions showed definite evidence of petroleum but the results were not considered of sufficient importance to warrant further exploration.

In March, 1936, the Federal Government nominated a commission of experts to carry out investigations in the north of Brazil with a view to ascertaining whether petroleum deposits existed in

that part of the country. The commission returned to Rio early in June but its findings have not yet been divulged. It is however, understood that the Lobato region of Bahia was considered worth exploiting if the results of the analyses now being carried out prove satisfactory. It is also understood that certain members of this commission are investigating the possibilities of oil deposits in the upper Amazon and Acre Territory.

Alagôas.—The promoter of a concern in Maceió known as the Companhia Nacional de Petroleo, who had assiduously continued his soundings at Riacho Doce in the State of Alagôas, since 1933, was successful in June, 1935, in finding tangible evidence of petroleum in what is expected to be a practicable oil field. In June, 1936, the above company was definitely formed and registered with a capital of 10,000 contos of reis, of which 100 contos has been issued to the public and 9,900 contos apportioned to the promoter, Senhor Edson Carvalho, who becomes responsible for all outstanding debts and services rendered.

In March, 1936, the Government of the State of Alagôas contracted with Messrs. Piepmeyer & Co., through their "Section Elbof" of Cassel and "A Aliança Mineração e Petroleo, Ltd." of São Paulo, for a physiographical study and research in the State, especially in the zone where oil is already supposed to have been located; the sum of 196 contos of reis has been allocated for three months actual work to start as soon as the German experts reached Brazil. The latter arrived late in March and have commenced boring and research work. Local opinion is optimistic of a favourable result.

In May, 1936, the Governor of the State of Alagôas signed a decree granting a chemist named Luis Francisco Freire, and the company which he is to organize in the State for the extraction of petroleum, the two following concessions:—

- (a) Exemption for ten years from taxes on the machinery, accessories and apparatus necessary for borings and the extraction of the petroleum, from taxes on petroleum and its derivatives, on its refining and its conditioning in tins or other containers; on materials imported for the technical installation of the concern, without infraction of Article 6. I, (a) of the Federal Constitution;
- (b) Exemption for a like period from the tax on industries and trades and from any other taxes which are at present being levied or may be levied during the said space of time.

The period of the first concession will commence on the day the first machine for preliminary borings is imported and that of the second from the date on which the first despatch of the product is effected. Both concessions may be extended to any other individuals or concerns who undertake to exploit the same industry on similar conditions.

Espirito Santo.—In March, 1936, the President of the Republic was notified by two engineers of Victoria (capital of the State of Espirito Santo) of the finding of a deposit of several million tons

of a new petroliferous product composed of an oleaginous substance possessing 46 per cent. of petroleum. This deposit is situated only ten kilometres from the port of Victoria. The finders have named this new product "Clyoca" (petroleum in the state of formation) and allege that being free of impurities it can be used for any industrial application and as fuel in any type of boiler without altering the fire-grates, when made into briquettes, pulverised or distilled.

Bahia.—A report issued by the Department of Mineral Production, relative to investigations carried out in various parts of the State of Bahia in connection with researches for petroleum, states that borings have been made at various points during the past ten years, to a depth of nearly 400 metres, by Government commissions and although traces of oil have been found, there are no reasonable indications of the existence of fields of practical commercial utility.

Early in January, 1936, a German geologist arrived from Europe, contracted by the State Government of Bahia, to make soundings in a likely oil field near Marahú, approximately 100 miles south of Bahia.

Bauxite.—The National Department of Mineral Production is at present investigating certain bauxite deposits recently discovered in the State of Minas Geraes. The possibilities of exploiting these deposits on a commercial basis is being studied, and a mission sent by the Argentine Government is reported to have arrived in Brazil to consider whether Brazilian bauxite can be utilized for the chemical treatment of the water supplies of several cities in Argentina. It is understood that the mission has made several purchases of this product, probably for experimental purposes.

X. MISSIONS

Italian Commercial Mission to Brazil.—Snr. Alberto Asquini, the former Under-Secretary of State for Ministerial Co-operations, arrived at Rio de Janeiro on the 23rd October, 1935, accompanied by two others, with the object, as reported in the press, of investigating the possibilities of increasing the trade between Italy and South American countries. It has not been possible to obtain any reliable particulars regarding the activities of this mission.

Japanese Mission to Bahia.—Another Japanese mission arrived in Bahia early in January, 1936, and stayed as guests of the State Governor. The members visited various parts of the interior and it is understood that they were interested in seeing how Bahia's agriculture could be used in developing local trade with Japan.

Brazilian Mission to Japan.—An economic mission, headed by Snr. Salgado Filho, former Minister for Labour, Industry and Commerce, left Rio de Janeiro on the 25th July, 1936, per the

s.s. "Buenos Aires Maru" for Japan at the invitation of the Japanese Government. The main object of the mission was to return the visit of a similar one which came to Brazil last year, and to investigate the possibilities of expanding Nippo-Brazilian trade.

Some importance appears to be attached to the object which the mission has in view, since its delegates and personnel number no less than 18, representing the Ministry for Foreign Affairs; Department of Statistics and Publicity, of the Ministry for Labour; Fairs and Exhibition Section of the last mentioned Department; the States of São Paulo, Minas Geraes, Bahia and Pará also being represented, as well as several trade associations, etc.

It is understood that a large collection of Brazilian products has been taken for display in Japan.

Dutch Mission to Brazil.—An important mission, composed of government officials, bankers, leading business men, etc., has been appointed by the Netherlands Government to visit various South American countries, including Brazil. It is understood that the mission is to study and analyse South American markets and to endeavour to open up new relations with commercial circles in those countries.

The mission intended to leave Holland in October, 1936, but for various reasons the departure has been postponed until the middle of February, 1937. On its arrival in Brazil it will visit both Rio de Janeiro and São Paulo.

XI. EXHIBITIONS AND FAIRS

Finnish Floating Exhibition.—The Finnish training ship "Suomen Jontsen", carrying a number of exhibits of Finnish manufacture, visited several South American ports, including Rio de Janeiro, in April, 1936. Among the principal articles shown were plywood, turnery, boxes and cases, granite, furniture, cutlery, some sports goods, and a small one-cylinder petrol marine motor (complete with propeller, shaft and reverse gear), paper and cardboard products, paint brushes, etc. This floating exhibition is reported to have attracted little attention.

1935 Rio de Janeiro Samples Fair.—The fair—the eighth of its series—opened on the 12th October and closed on the 15th November, 1935. Although the space occupied in 1935 was greater than that for 1934, only 304 firms participated as against 742 in the previous year. Only seven United Kingdom firms exhibited as against 21 in 1933 and 18 in 1934. Of the foreign firms there were 77 Czechoslovakian, 4 German, 2 each from the U.S.A. and Portugal, and one each from Denmark and Switzerland. Czechoslovakia and Hungary had official stands in the annex pavilion, whilst Portugal had its own pavilion in charge of the Portuguese

Chamber of Commerce, where the principal exhibits were Portuguese wines.

The ninth Samples Fair will take place during October-November, 1936.

Fifth National Live-stock Exhibition.—An exhibition of pedigree live stock, organised by the Brazilian Ministry for Agriculture, was held in Rio de Janeiro from the 18th to the 25th July, 1936, and was reported to have been a complete success from every aspect. The exhibits consisted of 758 cattle; 200 horses, donkeys and mules; 35 sheep and goats; 213 pigs; 240 head of poultry and 28 rabbits; besides bees, fish, silkworms, as well as a number of animal products. The principal cattle exhibited were: Dutch, Guernsey, Jersey, Schwytz, Simmenthal, Flemish, Normandy, Red Poll, South Devon, North Devon, Hereford, Polled Angus, Shorthorn, Charollez, Caracu, Mocho Nacional, Cyr, Nellore, Guzerat and Indobrazil. A number of English thoroughbreds, Anglo-Arabs and horses from various parts of Brazil added to the interest of this show. The principal sheep and goats exhibited were: Romney Marsh, Shropshire, Lincoln, Somalia, Angorá, Toggenburg and Saanen.

The few foreign exhibits were limited to: 22 head of cattle from France; 20 from Switzerland; 20 from Holland; 4 from Norway; 1 Devon bull; and 4 sheep (2 Ryelands, 1 Suffolk and 1 Romney). The latter were exhibited by the only dealer in English live stock who has done much to introduce English cattle and sheep into Brazil.

It has not been possible to obtain any accurate figures showing the amount of business transacted at this Fair, but it is estimated that about 100 contos of reis (£1,200) worth of cattle, sheep, etc., changed hands.

Several prizes were awarded to cattle raised in Brazil and in Uruguay from English pedigree live stock.

The English dealer referred to above stated that in his opinion an appreciable increase in the export of United Kingdom live stock to Brazil would take place if English breeders could be persuaded to reduce their prices and not to place Brazil on the same level as Argentina, when they are approached in connection with Brazilian requirements. Farmers in this country are not prepared to pay a high price until from experience they realize that they must obtain good pedigree stock if they wish to compete with other countries in the higher class meat trade. Consequently orders are being diverted to France, Switzerland and Holland, where prices are lower than those demanded by United Kingdom breeders.

Pernambuco Fair.—It is proposed to organise a commercial and industrial fair in January, 1937, in Pernambuco, to celebrate the tercentenary of the arrival at Recife of Prince Maurice of Nassau as

Governor of Dutch Brazil. The preliminary preparations have been entrusted to an organizing committee presided over by the Secretary of Agriculture.

The fair is unlikely to attract any but Brazilian concerns and possibly a few subsidiaries of foreign firms.

XII. PUBLIC WORKS AND COMMUNICATIONS

General.—The need for strict economy and the increased cost of foreign materials due to the depreciated rate of exchange for national currency, has restricted expenditure on public works to the smallest amounts necessary for repair and maintenance work which could not be postponed. No works of major importance have been initiated in the year under review other than the electrification of the Central Brazilian Railway and the construction of a civil airport in Rio de Janeiro. The under-mentioned works and projects are the only others worthy of mention.

Rio de Janeiro New Water Supply Concession.—The contract for a new water supply concession was awarded by the Federal Government on the 15th June, 1936, to Messrs. Dahne, Conceição & Cia. of Porto Alegre. The contracting firm have undertaken to construct the necessary works for their own account in return for a leasing contract for the works to be constructed for a period of 25 years as from the date of their completion, and the concession for the supply services during the same period.

The estimated cost of the works involved is understood to be 87,104 contos of reis and the concessionaires have deposited as a guarantee 435 contos in respect of the contract, and 3,484 contos for the services stipulated therein. The works comprise the laying down of approximately 70 kilometres of water conduits, divided into five sections, the first of which should be completed within 30 months from commencement. At the expiry of the period of the lease and concession the whole of the works, installations and service are to revert to the Federal Government, together with all material and accessories, without any indemnity whatsoever.

Among the other salient features of the contract there is an undertaking to supply not less than 150,000 cubic metres of water per diem, the cost of which will be paid by householders at rates varying between 200 and 115 reis per cubic metre, according to the total quantity of water supplied to the city over and above the first 150,000 cubic metres per day.

The lack of sufficient water in Rio de Janeiro and particularly in the outskirts of the town, has formed the subject of strong criticism on the part of thousands of householders who constantly have reason to complain of being without water for several days at not infrequent intervals. The scheme has therefore been hailed with

delight, though some time must elapse before the supply of water is sufficient to meet existing demands.

Shortly before the contract was signed the Tribunal of Accounts refused to register it on the grounds that it violated certain provisions of the Brazilian Constitution of 1934, but owing to the urgent need for this water supply system, the case was referred to the Chamber of Deputies who will most probably approve the contract.*

Port Works.—*São Sebastião (State of São Paulo).*—On the 13th March, 1936, the Government of the State of São Paulo approved a tender submitted by the Companhia Nacional de Construções Civis e Hydraulicas for the construction of harbour works at São Sebastião. The Federal Government has conceded to the State Government a term of 60 years for the construction and exploitation of this port, for which all materials can be imported free of duty. It is understood that the reason for the Government's preference for these contractors was that the firm offered incontestable technical advantages, greater durability of the works, and the almost exclusive utilization of national materials. The technical advantages would appear to consist of the substitution of quays constructed with steel sheet piling (which would have to be imported) by a type of quay constructed of reinforced concrete. Works were started in April, 1936, and should be concluded by the end of 1937.

The construction of road communication with São Sebastião is considered to be an essential preliminary to the efficient working of the port.

Recife (State of Pernambuco).—The Companhia de Mineração e Metallurgia do Brasil (Cobrasil), the contractors for the extensive port works, commenced in February, 1936, dredging the inner harbour which is destined for use as an airport. The section for hydroplanes will be dredged to a depth of two metres and already 700,000 cubic metres of material have been removed. This is nearly half the estimated dredging required for the naval landing basin. A dredger and a hopper from Holland are being employed. Work has not yet been commenced on the sea-wall separating the hydroplane basin from the land planes port. The latter is to be constructed by filling in an area which is at present covered by the sea at high tide. The State Government of Pernambuco, through the "Caixa Economic Federal" in Rio de Janeiro, has issued bonds for 60,000 contos of reis, of which 43,000 contos are being devoted to the financing of the port works.

Maceió (State of Alagoas).—For many years the State of Alagoas has felt the need of a proper harbour to serve the State capital, but the efforts made to obtain Federal approval for a scheme of port works at Jaraguá, near Maceió, were only crowned with success in 1936. A contract has been signed by the State Government with the Companhia Geral de Obras e Construções

* Note by Department of Overseas Trade—The contract has since been finally approved by the Chamber of Deputies.

(S. A. "Geobra"), and the work was formally declared open in February last. It is reported that the cost of the project is in the neighbourhood of 20,000 contos of reis and that the scheme should be completed within two years. Progress so far has been slow and the contractors are believed to have requested a revision of the contract agreement.

Fortaleza (State of Ceará).—The port construction project at Fortaleza, in the State of Ceará, has been held up through differences of opinion as to the most suitable location for the harbour. The firm of Christiani & Nielsen submitted a tender for the construction of a pier and a breakwater in front of the town, but the State Government procrastinated in their decision. In the meantime prices of materials and labour rose and the contractors stipulated a 10 per cent. increase on their tender price to offset these additional costs. The demands of the contractors were rejected by the State Government. Two new electric 3-ton cranes from Germany have been installed at the Customs House Pier but their location is not suitable and they are not at present in operation.

Ilhéos (State of Bahia).—A decree of the 15th May, 1935, authorized the revision of the contract signed between the Federal Government and the Companhia Industrial de Ilhéos, for the construction and operation of the port of Ilhéos.

Paranaguá (State of Paraná).—A decree of the 8th November, 1935, authorized the construction of quays, warehouses and other works in the port of Paranaguá, at an estimated cost of 19,848 contos of reis. The concessionaires of this port are the State Government of Paraná.

A number of commissions of technical experts have been busy for some months past investigating conditions at various ports, the navigability of rivers, etc., throughout the country. Most of the schemes which they have been called upon to study are in connection with unimportant seaports, canalization of lesser known rivers, etc., and are not considered to be of sufficient interest to be reported in detail, since such projects are of little value from the constructional point of view, whilst the ports or rivers in question are not of sufficient importance, at this stage, to interest United Kingdom ship owners.

At the instigation of a group of mineral ore exporters, studies have been carried through with regard to the construction of a deep-water port at Mangaratyba which would permit the embarkation of mineral ore on moderately large vessels. From the point of view of the Central Brazilian Railway this would be a feasible plan, as the coaling ships bringing fuel for the Company at present cause considerable congestion at the Maritima station docks in Rio, and the position of Mangaratyba—some 40 or 50 kilometres south of Rio—would be very convenient for the distribution of coal to points in the interior.

Port of Rio de Janeiro.—The port of Rio de Janeiro, which had up to the 16th January, 1936, been under the control of the Federal Government, the contract with the former French Company having been rescinded in May, 1934, is now administered by an autonomous body known as the Administration of the Port of Rio de Janeiro. The governing body consists of six members, two nominated by the Minister for Transport and Public Works, two representing the ship owning interests, and one each representing the interests of industry and commerce. The administration collects the revenue of the port, paying for its operation, maintenance and any improvements.

This system of port management is a novel one in Brazil and the results are being watched with interest.

Roads.—In 1934 the total extension of roads in Brazil was given as 125,126 kilometres, of which scarcely 1,500 kilometres were surfaced. During 1935 approximately 266 kilometres of roads were built, thus bringing the total mileage on the 31st December, 1935, up to 125,392 kilometres. These figures are, however, only a fair estimate since it has not been possible to obtain from any source the exact mileage of roads in existence and under construction throughout the country. The following particulars have been obtained in regard to the more important road construction schemes and credits authorized since September, 1935 :

The construction and maintenance of roads within the Federal District is undertaken by the Ministry of Transport and Public Works, which is also responsible for the upkeep of a number of main inter-state highways, whilst the authorities in the various states are concerned with the remaining roads in their respective areas.

A decree was signed on the 25th November, 1935, by the President of the Republic authorizing the opening of a special credit of 10,000 contos of reis to liquidate the obligations assumed for the building and maintenance of roads in the States of Paraná and Santa Catharina. During 1935 4,970 contos was actually spent on this work.

The construction of the "Great North Road" of Brazil to extend from Rio de Janeiro to Belém in the State of Pará, has begun at both ends. It will pass through the States of Rio de Janeiro, Minas Geraes, Bahia, Pernambuco, Ceará, Piauhy, Maranhão and Pará. An expenditure of three thousand contos was authorized, but only 2,618 contos were actually spent in 1935, practically all in the maintenance of the existing sections of this road.

In March, 1936, the Roads Department of the Federal Government reported the completion of 63 kilometres of the Fortaleza-São Salvador road.

The military authorities reported in April, 1936, that 107 kilometres of the road connecting Diamantina with Serro, in the State of Minas Geraes, was nearing completion.

In May, 1936, the President of the Republic authorized the building of a road between Caxambú and Arcias. This road has been the subject of discussion for many years, a petition for the construction having been made to D. João VI in 1818. The proposed road would bring Caxambú, which is one of the most important spas in the country, within five hours of Rio de Janeiro.

The revenue and expenditure of the Roads Department of the Federal Government in respect of the year 1935 was as follows:—

				<i>Contos of Reiss</i>
Allocation in the 1935 Budget	...	...	...	7,000
Additional Credit opened	...	...	...	2,198
				<hr/> 9,198
Actually expended	...	...	...	9,146
				<hr/> 52
Balance in hand	...	...	...	<hr/>

Railways.—During the year 1935 approximately 1,223 kilometres of line were in course of construction, of which 560, 183 and 174 kilometres represented extensions to the existing lines of the Viação Ferrea do Rio Grande do Sul, the Rêde Mineira de Viação, and the Rêde de Viação Cearense, respectively. Appendix No. XVIII of this report gives an up-to-date list of the railways in Brazil and the names of the present operating authorities.

In his message to Congress the President of the Republic drew attention to the increased cost of railway maintenance and especially of renewals, the high cost of which, due to the depreciated value of Brazilian currency, had resulted in restricted purchases, thus handicapping the railways concerned as well as the transportation of agricultural produce. It was also mentioned that the lack of sufficient rolling stock and the unsatisfactory condition of the permanent way had affected the transportation capacity of the Central Brazilian Railway, the Rêde Paraná-Santa Catharina, the Viação Federal do l'Este Brasileiro, and other railway lines.

The President also referred to the impossibility of giving consideration to the question of increasing freight rates until steps had been taken to protect the railways and their revenue from motor transport which competed successfully on routes already served by the railways. The situation outlined above had induced the Government to direct their attention to the electrification of their main railway system, the Brazilian Central Railway, in order to reduce running expenses arising out of the high prices paid for materials and fuel in national currency, and to lessen the ever increasing deficits. It was also emphasized that Brazil being rich

in water power, but poor as regards coal and mineral oils, it was incumbent on the Government to utilize the hydraulic resources available in order to stop the constant drain of gold required for the payment of imported coal; action in this sense would eventually afford opportunities for the establishment of factories for the manufacture of electrical machinery and apparatus. As the development of the vast region served by the Central Brazilian Railway depends largely on the extension of the electrification system to the remainder of the existing lines, and following the example set by several private railway companies which have electrified some of their lines, it would appear that the Government intend to embark, if and when finances permit, on further electrification schemes on any of the existing lines which would justify this course.

Electrification of the Central Brazilian Railway.—The electrification of the Central Brazilian Railway, which formed the subject of a contract awarded to a United Kingdom firm in March, 1935, is said to be proceeding in accordance with the plan and it is expected that certain lines will be ready by January, 1937. The necessary power is to be supplied at the beginning by the Rio de Janeiro Tramway Light and Power Company, Limited. The value of this contract is 180,217 contos of reis, divided into two parts; the first, estimated at 91,873 contos, comprises the electrification of the suburban lines between the Dom Pedro II Station in Rio de Janeiro, and Nova Iguassú and Bangú; the second part, the value of which is said to be 88,344 contos, is in respect of the electrification of a line running between Nova Iguassú and Barra do Pirai, and branches extending to Paracambi, Bangú, Santa Cruz and the Maritima station.

In the last report* in this series dated September, 1935, attention was drawn to a conflict of opinion which had arisen regarding the main supply of electric energy for the above-mentioned railway. A consortium of Italian engineering interests and a Brazilian firm of construction engineers submitted a scheme for the installation of a generating station at the "Salto" waterfall on the Parahyba river, to supply electric energy which would eventually be required by the Central Railway on completion of the electrification contract. The contract was provisionally awarded to the Italo-Brazilian group, but the Government subsequently cancelled the original call for tenders. On the 18th June, 1936, a decree was issued authorizing the Ministry for Communications to issue a fresh invitation to tender, not only for the construction of a generating station at the "Salto" falls, or some other suitable site, but also for the supply of electrical current from private sources as an alternative.

* "Economic Conditions in Brazil", H.M. Stationery Office, price 2s. 6d. net.

The 15 railways mentioned hereunder showed a favourable balance in 1935 :—

	1935
	(In Contos of Reis.)
Paulista Railway	36,725
São Paulo Railway	29,611
Leopoldina Railway	12,540
Viação Ferrea do Rio Grande do Sul	12,179
Great Western of Brazil Railway	10,256
E. F. Sorocabana (Federal Lines)	19,245
Rêde Viação Ferrea Paraná-Santa Catharina	5,263
Rêde de Viação Cearense	2,223
Viação Ferrea Federal de l'Este Brasileiro...	1,793
E. F. Goyaz	575
E. F. Mossoró	479
E. F. C. Rio Grande do Norte	223
E. F. Corrovido	86
E. F. Santa Catharina	63
Companhia Mogyana	7,196
Total	138,457

The following railways had a deficit on the year's working :—

	(Contos of Reis.)
E. F. Central do Brasil	40,467
Rêde Mineira de Viação	9,243
E. F. Noroeste do Brasil	2,894
E. F. Victoria a Minas	949
E. F. São Luiz a Therezina	889
E. F. Maricá	673
E. F. Central do Piahy	543
E. F. Petrolina a Therezina	447
E. F. Bragança	322
E. F. Madeira Mamoré	170
E. F. Tocantins	138
E. F. Thereza Christina	96
Total	56,831

Paulista Railway.—The profits of this company at 36,725 contos were rather less than those for 1934, owing to increased expenditure on rolling stock, etc.

The extension of the Agudos branch line between Marilia and Pompeia has been completed, whilst the gauge of the track between Ityrápina and Baurú is being widened. A new line from Baurú to Piratininga is being constructed and should be finished by the end of 1936.

Sorocabana Railway.—The net revenue of this line in 1935 was nearly 30 per cent. greater than that for the previous year, due to the notable increase in agricultural activities in the zones which it serves.

The construction of the line from Mayrink to Santos (which may prove a serious rival to the São Paulo Railway in the competition

for the transport of freights from the interior to Santos) is almost concluded. Without accounting for interest payments, capital expended on these works during the last eight years amounted to 260,592 contos. The line should be in service by 1937.

The Government of the State of São Paulo is at present studying the extension of the Mirasol line as far as the River Paraná.

Noroeste do Brasil Railway.—This railway, which covers 598 kilometres from Baurú to Jupiá on the Matto Grosso frontier, is the fourth largest system in the State and serves a potentially fertile, but as yet undeveloped, district. Like most Federal administered lines the E. F. Noroeste do Brasil before being leased to the Paulista Railway in 1935, had fallen into a bad state of neglect and disrepair and showed a large yearly deficit in its accounts (1,148 contos in 1934 and 2,894 contos in 1935). Under the efficient management of the latter concern, however, and as a result of the improvements effected by the Companhia Melhoramentos E. F. Noroeste do Brasil, it is hoped that the Railway's receipts will soon be sufficient to meet expenditure and in addition to repay its debt in small instalments to the Companhia Melhoramentos. This latter concern was formed by a contract of 1934 between the Government of the State of São Paulo (Sorocabana Railway) and the Paulista Railway, with a capital of 40,000 contos of reis (30,000 of which was subscribed by the Paulista) for the purpose of executing works and improvements on the Noroeste Railway. The two parties receive interest at 6 per cent. on capital invested and have a right to a 10 per cent. commission on all purchases. Until recently the Companhia Melhoramentos has been paying cash for all its new material, but the original sum of 40,000 contos, having proved insufficient and a total expenditure of from 80,000 to 100,000 contos being foreseen, the company has now, according to report, opened a credit in Germany and another in Belgium for the purchase of locomotives, trucks, machinery for repair shops, etc.

Estrada de Ferro São Paulo-Rio Grande.—This Company has been managed by the Federal Government since 1930 and serves the northern and southern parts of the States of Rio Grande do Sul, Sta. Catharina and Paraná. It is joined at Itararé, on the border of the State of São Paulo, by the Sorocabana Railway. The condition of this concern leaves much to be desired, since the track is bad and there is a shortage of locomotives and material. To remedy this state of affairs, large expenditure will be necessary and a loan of 50,000 contos has been authorized by the President of the Republic. With this amount general improvements will be effected in the railway and work resumed on the Guarapuava Railway (construction on which was begun in 1928 but abandoned in 1930), a line which will help to develop a very fertile region in the west of the State. Some 41 kilometres are already open for traffic.

São Paulo-Paraná Railway.—This Railway serves the northern part of the State of Paraná and is gradually opening up that valuable region. Work is steadily proceeding on the line to Jacarézinho, on the São Paulo-Rio Grande Railway, a distance of some 20 kilometres. When this connection of the two railways has been completed, the coffee zone will have direct communication by railway with the port of Paranaguá.

Rêde de Viação Cearense.—No improvement can be reported in the condition of this Government-administered system. There are at present 1,356 kilometres of track in operation, but the rolling stock resources of the system are not equal to the demands made upon them. For this reason thousands of tons of merchandise are immobilized up country for months at a time. During the year five locomotives were received from Germany and more are expected. It is also reported that a credit for the purchase of 140 waggons is being arranged.

Great Western of Brazil Railway.—The net receipts of this British company for 1935 amounted to £107,436, which was just under £8,000 short of the sum required to pay debenture interest, sinking fund, exchange losses and governmental rental. The problem of the company is largely one of exchange, as on a currency basis the revenue compares favourably with operating expenditure. The ordinary and preferred stock of the company has, with the exception of 1929, received no dividend for many years.

The traffic handled by the company in 1935, as a result of excellent sugar and cotton crops was exceptionally heavy. The ton-kilometres of goods traffic reached 128,451,744 in 1935, compared with 105,797,820 in 1934; 3,121,101 passengers were carried in 1935 and 2,548,621 passengers in 1934. As an instance of how the exchange position defeats the company's efforts, it may be mentioned that although the receipts from passenger traffic were 1,846 contos of reis higher in 1935 than in 1934, the sterling equivalent for 1935 was over £7,000 less.

No extension of the company's lines has been made during the year and the system remains at 1,742 kilometres. The rolling stock and the permanent way are being taxed to the limit of their capacity, and an appeal has been made by the directorate of the company to the Brazilian Government for assistance in rehabilitating their material resources. The company's lease of the line expires in 1960.

Floods in June and July, 1936, did considerable damage to the permanent way, especially in the Parahyba sector, and several bridges were carried away. Through passenger traffic from Recife to Natal has as a result been dislocated.

In December, 1935, it was reported that the Minister for Transport and Public Works was considering the construction of certain railway lines, which, together with others now in operation, will

eventually connect Rio de Janeiro with Bahia via Montes Claros, in the State of Minas Geraes.

Railway Congress.—In October, 1935, a Railway Congress was held at Campinas, in the State of São Paulo, attended by nearly 200 representatives of Brazilian railway companies. In addition to discussing several technical matters, the unfortunate financial position of railway and other public utility transport companies was freely ventilated, particularly the consequences of the additional burdens imposed on the companies arising from various new social laws, such as the Pension Fund, the Accident Law and the Eight Hours Act. It was also reported that the consensus of opinion of the majority of the delegates was that the use of national coal in its present state by the railways was impracticable. A telegram was sent to the President of the Republic appealing for some reduction of import duties on materials needed for the operation of these public services.

Aviation.—New and Extended Air Services.—On the 3rd October, 1935, a contract was signed between the Government of the State of São Paulo and the S. A. Viação Aérea São Paulo ("VASP") for the establishment of a regular twice-daily air service between Rio de Janeiro and São Paulo. According to the terms of the contract the VASP undertake to commence this service before the 1st January, 1937, for which they will receive an annual subsidy of 500 contos of reis. At the time of writing there is every indication that it will be in operation at a much earlier date. The duration of the agreement will be 10 years and, until the service is inaugurated, the State will grant the company, within the contracted period, a subsidy at the rate of 5\$000 per kilometre flown, limited, however, to a monthly maximum of 40 contos of reis in respect of the line already operated by this company between São Paulo and Uberaba. The Government of the State of São Paulo has shares in this concern to the extent of 1,000 contos, whilst the Municipal Authorities have invested 500 contos. The "VASP" have purchased two large triple-engined "Junker" aeroplanes, with a seating capacity of 18 passengers for their new service.

According to a report in the local press in April, 1936, the "VASP" company also intend to establish a regular service in the near future between São Paulo and Uberaba, calling at Poços de Caldas, as soon as the landing ground at the last-named spa is ready. Likewise the new São Paulo-Rio de Janeiro service will call at São Carlos, Araraquara and Jaboticabal, on the termination of the works being carried out at these aerodromes.

The Sindicato Condor Limitada have as from the 7th October, 1935, extended the Rio de Janeiro-Buenos Aires airline to Mendoza and Santiago (Chile). The planes leave Rio at 5 a.m. Sundays and arrive at Buenos Aires at 5.30 p.m. the same day. The connecting plane leaves Buenos Aires at 6.30 a.m. on Mondays

and reaches Santiago at 1.30 p.m. the same day. The return plane leaves Santiago every Wednesday at 8.30 a.m., and the connecting plane from Buenos Aires reaches Rio de Janeiro at 5.30 p.m. the next day.

The same company extended their Matto Grosso service to Corumbá on the Bolivian frontier as from the 19th January, 1936. The planes leave São Paulo at 10 a.m. on Sundays, the connecting plane of the Lloyd Aereo Boliviano from Corumbá reaching La Paz on Tuesdays.

In January, 1936, they also extended their service to Fortaleza, in the State of Ceará, and weekly departures are now being maintained with tri-motor "Junker" aeroplanes.

The Sindicato Condor Limitada extended their services to Belém do Pará as from the 12th April, 1936, and have been granted a suitable ground on the banks of the river by the municipal authorities. There are now five weekly air services between Pará and South Brazil: the thrice-weekly services of the Pan-American Airways, the Condor service, and the Military service via the interior, which is mail-carrying only. There is in addition the weekly Pan-American branch service between Pará and Manaus.

The Lufthansa Company now maintain a regular fortnightly airship service between Germany and Brazil. The 1936 Zeppelin service between Europe and Brazil was inaugurated by the new airship "Hindenburg," which arrived in Rio de Janeiro on the 4th April, its flights over the city evoking much interest. A fortnightly service is maintained and 22 trips are scheduled for the current season, but it is anticipated that a weekly service may be possible towards the end of 1936. During 1935 the "Graf Zeppelin" made 18 voyages from Germany to Rio de Janeiro via Pernambuco, and landed 309 and 86 passengers, respectively, at these two ports. On the return journeys the same airship carried 395 passengers from Rio de Janeiro and 106 from Pernambuco.

On the 4th January, 1936, the S.A. Air France started an exclusive "all-air" weekly service, with express land aeroplanes, between France, Fernando de Noronha and Buenos Aires.

The Pan-American Airways System improved their weekly service from Miami in November, 1935, by the incorporation into their fleet of new craft of the "Brazilian Clipper" type. With these new planes the journey from Miami to Rio de Janeiro is now covered in four days and to Buenos Aires in five days. On the 15th July the company doubled their existing service between Rio de Janeiro and the U.S.A.

According to a Press report dated June, 1936, the Ministry for Transport recently requested the opinion of the Minister for War in regard to the establishment by the Pan-American Airways System of a new air line, to carry passengers. The proposed route would be from Belém (Pará) to Carolina, Barra, Pirapora, Bello Horizonte, and Rio de Janeiro.

Negotiations between the Government of the State of Minas Geraes and the S.A. Panair do Brasil were concluded in July, 1936, for the establishment of an air service between Rio de Janeiro and Bello Horizonte.

The Aero Lloyd Iguassú suspended all their services in Brazil in May, 1936.

A schedule of the principal air services in Brazil is contained in Appendix No. XIX.

The figures in Appendix No. XX regarding civil aviation traffic for 1935 and the first six months of 1936, will serve to show the development of civil aviation in Brazil.

Aircraft Construction.—In September, 1935, the Central Aviation Park produced the first bi-plane designed and constructed locally from imported materials. The engine is an air-cooled De Havilland "Gipsy Major" of H.P. 130. This aircraft weighs 530 kilogrammes empty and 860 kilogrammes when loaded with persons, two parachutes, 150 litres of petrol (sufficient for 4½ hours flight) and 14 litres of oil. The machine was baptised "Muniz 7" after Lieutenant-Colonel Antonio Guedes Muniz, Director of the Technical Services of Army Aviation, who was responsible for its design and construction. The preliminary trials which took place on the 18th October, 1935, in the presence of the Director of Military Aviation, were reported to have been a complete success.

Three "Muniz 7" planes, ordered by the Aero Club of São Paulo, are being constructed in the workshops of the Companhia de Navegação Costeira, on the island of Vianna, in the bay of Rio de Janeiro.

It is reported that the Director of Military Aviation has approved the technical report, awarding the "Muniz 7" the first place in the series of tests to which a number of machines of foreign manufacture were also subjected. It is understood that the Army has resolved to try out in service machines of this type, the Minister for War having placed an order for ten such aircraft for the Aviation School. This aeroplane is inferior to similar types of foreign light aeroplanes and is unlikely to be adopted as standard equipment.

On the 7th July, 1936, the President of the Republic sanctioned a law authorizing a credit of eight hundred contos of reis (about £30,000) for the purchase of training aircraft of the "Muniz 7" type. The law prescribed that the Ministry should inspect the various works in Brazil where the aeroplanes could be constructed and decide which of them is best equipped to manufacture the "Muniz 7" machines; it was also laid down that the cost of these aircraft must not exceed the price last paid for similar aeroplanes of foreign manufacture.

National Aircraft Factory.—The proposal to establish a Government aircraft factory is reported to have materialised to the extent that the site has now been chosen at Lagoa Santa in the State of

Minas Geraes, and preparatory work has begun. The lake is considered to be eminently suitable for hydroplanes, as even in the dry season it has a depth of five metres. Due to a lack of skilled labour and trained engineers this project is not likely to materialise for many years.

It is the intention of the Government to quarter 1,600 men of the Fourth Regiment of Aviation in the vicinity of the new factory.

Aerodromes.—The new aerodrome of the Companhia V.A.R.I.G. (Empresa de Viação Aérea Rio Grandense) has been opened at Porto Alegre. This is stated to be an important step towards a general improvement in the Company's services, the programme including considerable extensions of routes. The plans for the new landing field at Iraby have already been approved by the competent authorities, the total cost being estimated at 150 contos of reis. This Company is, however, making slow progress, due to the small increase in traffic.

According to the local press Pan American Airways Inc. contracted early in 1936 with a local branch of a well-known U.S.A. firm of building contractors for the construction of a new modern terminal building on the new Federal airport at Ponta do Calabouço, in Rio de Janeiro. It is claimed that the structure, which will be the most modern installation of its kind in South America, has been specially designed to accommodate the large Pan American "Clipper" type flying-boats which are now operating on the South American and trans-Pacific routes.

The "Clipper" flying-boats will land at Rio de Janeiro in a specially reserved area of the harbour adjacent to the new airport and dock alongside a 260-ton concrete floating pier which will be connected with the new terminal building by means of a covered passageway. After the disembarkation of passengers, cargo and mail has been effected, the 19-ton "Clipper" planes may be towed up a ramp and housed in the hangar section of the construction, which has a clear span of over 150 feet. The ground floor of the new building will contain quarters for passengers, public health, immigration and customs authorities, together with a spacious waiting room and lobby, an information bureau, booking office, facilities for the reception of mail, news-stands, public telephones, lifts, etc. The second floor will be devoted to Pan-American's administrative offices and the third storey to a restaurant with terraces which will afford an excellent view of the arrival and departure of aircraft. In the opposite wing of the building fully equipped repair and maintenance shops are to be erected.

The American Company's buildings have been designed to harmonize with the general plan of the new Federal airport which the Brazilian Government intends to make one of the finest in the world. Extensive land and marine facilities have already been under construction for over two years and when completed will enable the airport to accommodate all of the airlines which serve

the east coast of South America, both national and international, coastwise and internal.

In June, 1936, the President of the Republic authorized the Minister of Transport and Public Works to incur expenditure not exceeding 300 contos for the constructional works in the airport of Rio Ceará in the State of Ceará.

A decree of the 5th July, 1935, opened a credit of 1,000 contos of reis for the establishment of a new aerodrome in São Paulo. Meanwhile, improvements being effected in the actual aerodrome at the Campo do Marte include a starting track one kilometre long and 60 metres broad and a large new hangar 30 by 40 metres in dimensions. It was reported in the local press in July, 1936, however, that the Sociedade Anonyma Auto Estrada had built a provisional starting track on a large area of land running alongside the Santo Amaro road. This experiment proved so successful that a contract has been made between this company and the State Government for the levelling of a million square metres, which are situated on a plateau and, therefore, not subject to the mist and floods experienced at the Campo do Marte. Two starting tracks, 800 by 100 metres and 600 by 100 metres, were to be completed by the end of August, 1936.

The construction of an aerodrome on the island of Fernando de Noronha has been completed, thus affording greater facilities for the air services between Brazil and Europe.

There are actually 41 aerodromes and flying fields in Brazil under the control of the Department of Civil Aviation.

Santa Cruz Airport.—The construction of the Zeppelin airport at Santa Cruz in the State of Rio de Janeiro, was completed in April, 1936. The hangar is one of the largest in the world, with a length of 270 metres, breadth of 50 metres, and 58 metres high, and was built to house the L-137, which will soon be assigned to the South American service in place of the "Graf Zeppelin." The mooring mast is 27 metres high and mounted on rails over which it can be towed into the hangar. A plant for the production of hydrogen by the electrolysis of water has been installed, which is also said to be the largest in the world, and the storage capacity for the gas will be 40,000 cubic metres.

The contract for the construction of the airport signed between the Federal Government and the airship company, provided for the necessary work to be carried out by the Government, with subsequent reimbursement by the Company over a period of 30 years. The total estimated was 11,600 contos, the company to pay 80 contos at the beginning of each year, and 16 contos for each visit of an airship, with a minimum number of 20 visits.

Aero Clubs in Brazil.—Very little information is available regarding aero clubs in Brazil, the activities of which were almost paralysed by the loss of the Federal Government subsidy since

1930. The Aero Club of Rio de Janeiro, which is the Aero Club of Brazil, has maintained a small office in the building No. 80 of Rua Visconde de Inhauma; it has less than 30 members and confines itself mainly to the registration of "brevets." On the 31st December, 1935, the club had granted 98 "brevets," of which 23 were issued during the year.

There are other clubs registered in São Paulo, Paraná (Curitiba), Rio Grande do Norte (Natal), and Rio Grande do Sul (Porto Alegre), but being inactive, little is known of them. The Gliding Club of São Paulo is active and training pilots.

In Rio de Janeiro there are two courses for the instruction of pilots, one in the Fluminense Yacht Club and the other in the Ponta do Calabouço with three aircraft. These are given by three serjeant-instructors.

Civil Aviation Vote for 1935.—The Sindicato Condor Ltda. was paid a subsidy of 582 contos of reis in respect of their Matto Grosso service, whilst the Panair do Brasil S.A. received the sum of 945 contos for their Belém-Manaós services.

In addition to the above, expenditure amounting to 8,727 contos of reis was incurred during 1935; this total comprising the sum of 1,860 contos of reis authorized in the budget, and a special credit of 6,867 contos sanctioned by Decree No. 260 of the 2nd August, 1935. Of these amounts 6,837 was spent on the Rio de Janeiro airport, 520 contos on the airport at Fernando de Noronha, and the remainder on various other airports and aerodromes, including the administration of the landing ground for airships at Santa Cruz.

The 1936 estimates amount to 7,527 contos, of which 582 and 945 contos represent the annual subsidies payable to the Sindicato Condor Ltda., and Panair do Brasil S.A., respectively; six thousand contos has been allocated for airport construction in various States.

On the 14th August, 1936, Congress authorised the expenditure of 5,000 contos of reis for the purchase of aircraft for the Army Air Service.

Control of Civil Aviation.—The direction and control of Civil and Commercial Aeronautics in Brazil are carried out by the Department of Civil Aviation, with headquarters in Rio de Janeiro and subordinate to the Ministry for Transport and Public Works. This Department has four divisions: Administration, Traffic, Operation, and Meteorology; the last-named supervising the meteorological services, which until 1934 worked independently of the Department of Civil Aviation. Subordinated to this, and under its direction, there is a Fiscal Commission of Airport Works (Comissão Fiscal de Obras de Aeroportos), which studies projects and executes and superintends the construction and installation of airports. The registration of private aircraft; the periodical overhaul inspections, and issue of certificates of airworthiness; the licensing and psychophysiological examinations of the flying personnel; the control

of air-lines; the carrying out of itineraries, and tariff applications; aerial traffic statistics; the regulating of aeronautic activities, and the study of air law questions; ground construction and organization; the charting of air-routes; the signalling and lighting of the same; and radio communication applicable to civil aviation, all come under the Department for Civil Aviation in the whole territory of Brazil.

Military Airmail Services.—The military authorities are still operating regular airmail services between some 70 towns in north, south and central Brazil. The importance of these services may be judged from the undermentioned table showing total flights and weight of mails carried during 1935:

<i>States or districts served.</i>	<i>Distance flown (in klms.).</i>	<i>No. of hours flown.</i>	<i>Weight of airmail carried (in grammes).</i>	<i>Percentage of flights completed according to Schedule. Per cent.</i>
Ceará	248,496	1,546	5,892,574	95
Piauhy-Belém	108,323	630	5,879,754	97
Goyaz	128,927	891	1,346,226	95
Matto Grosso	123,207	733	875,410	95
Paraná	86,587	343	1,825,455	69
Fóz do Iguassú	36,706	249	810,656	91
Río Grande do Sul	94,411	605	711,415	92
Interior of Rio Grande do Sul	62,885	448	1,135,127	99
Frontier of Minas Geraes (up to September, 1935)	27,090	174	552,440	97
Total	916,632	5,619	19,029,057	92

Brazilian Mercantile Marine.—According to a report received from the Department of Ports and Navigation, the movement of 18 of the most important national companies engaged in deep-sea, coasting and river traffic in 1935 was as follows:

Number of vessels	172
Gross tonnage	350,111
Nett tonnage	219,524
Total mileage navigated	3,538,595

Complaints are still heard of the high coast-wise freight rates charged by Brazilian steamers, and in this connection it has been reported that the Association of Commerce of the State of Pará drew attention to the great increase in Brazilian coastal freight tariff, which they described as now being the highest in the world. In contrast to the foreign shipping lines, which have reduced their charges for rubber and cocoa shipped to the United Kingdom and Germany from 80s. to 35s. per ton, the national shipping lines have greatly increased their rates. These increases have, according to the Association, hit the Amazonian timber trade particularly hard, and the rates for this commodity are said to have risen by 130 per

cent. during the last two years. It was also pointed out that the rates payable on a shipment to Ceará, a distance of 650 miles, are approximately equivalent to those to Oporto, a distance of 3,333 miles.

The position of practically all national shipping companies leaves much to be desired and it is highly probable that without Government help and the monopoly of the coastwise traffic very few of these concerns would survive any length of time.

Subsidies to National Shipping Companies.—During 1935 the undermentioned Brazilian shipping companies received the following subsidies :—

	<i>In Contos of Reis.</i>
Lloyd Brasileiro	20,000
Companhia Nacional de Navegação Costeira ...	7,020
The Amazon River Steam Navigation Company (1911) Ltd.	3,000
Serviço de Navegação do Autazes	96
Empresa de Navegação dos Rios Mamoré-Guaporé	150
Navegação do Alto Tapajós	136
Empresa Lloyd Maranhense	100
Companhia Fluvial Maranhense	100
Empresa Clemente C. Cantanhede	60
Empresa de Navegação do Baixo São Francisco ...	100
Empresa de Viação do São Francisco	400
Navegação Mineira do São Francisco	300
Serviço de Navegação do Alto Paraná	150
Navegação dos Rios Tocantins and Araguaya ...	300
Total	31,912

Rio Grande do Sul Shipping Line.—The scheme initiated early in 1935 to organize a new coastal shipping company, under the sponsorship of the Governors of the States of Rio Grande do Sul and Pernambuco, has not materialized due, it is alleged, to lack of support on the part of the Federal Government.

It has also been reported that the President of the Republic informed the Governor of the State of Rio Grande do Sul that in consideration of the liabilities assumed by the Bank of Brazil on behalf of agriculturalists in the State of São Paulo, it was not possible for the Federal authorities to assist in putting this proposal into practice.

Companhia Navegação Transatlantica.—Another project to inaugurate a shipping company in the State of São Paulo, to which reference was made in the last annual Economic Report in this series,* appears to have been abandoned, since no other information has been received on the subject.

Amazon River Steam Navigation Co. (1911) Ltd.—In December last the Amazon River Steam Navigation Company (1911) Ltd., which owns the largest fleet of river steamers on the Amazon, and

* "Economic Conditions in Brazil, September 1935," H.M. Stationery Office, price 2s. 6d. net.

provides the only regular services from Pará to Iquitos, the River Madeira, the Acre Territory and to the Oyapock and Cayenne, announced that it would suspend its services on the 1st January, 1936, owing to the failure of the Federal Government to provide the financial assistance necessary to maintain the Company's services. It would appear that the Company had asked for an increase of 600 contos of reis in the annual subsidy received from the Federal Government, to cover the rise in working costs with which the Company was faced as a result of the increase in seamen's wages. On the 15th January, 1936, it was announced that as a result of the combined efforts of the Governments and the Federal deputies of the States of Pará and Amazonas, an arrangement was reached in Rio de Janeiro whereby the Company would resume its services pending a definite settlement of the amount of their subsidy. The services were resumed and are said to be running normally.

Pará and River Tocantins Shipping.—Early in 1936 the Federal Government invited tenders for a service between Pará and the River Tocantins, to consist of thrice monthly departures each way between Pará and São José do Araguaia, at the junction of that river and the Tocantins, and of two twice-monthly supplementary services between São José and Balisa on the Araguaia on the one hand and São José and Piabonha on the Tocantins on the other. The vessels employed must be new or not more than ten years old, have a minimum speed of eight miles per hour, be equipped with electric light, filters, sanitary arrangements and ice chests and provide for the carriage of at least 20 persons and 20 tons of cargo. The amount of the mileage subsidy must be stated in the tender but it should not in any case exceed 300 contos per annum. In July last it was reported that the Federal deputy for Pará was negotiating the contract in Rio de Janeiro.

Companhia de Navegação Lloyd Brasileiro.—The financial position of this Company, in which the Government is the principal shareholder, is actively engaging the attention of the authorities since the President of the Republic has made it known that the Company must settle its outstanding liabilities before any steps are taken to reorganize and re-equip it with modern vessels. The Company is reported to have approached its creditors with the suggestion that they should accept in full settlement of their demands milreis bonds bearing interest at 6 per cent. and redeemable over a period of years. Whilst the local creditors would in all likelihood be prepared to accept a settlement on these lines, it is doubtful whether foreign creditors would be justified in giving their assent to the proposal unless they were given a definite assurance that the proceeds of the sale of these bonds could be remitted abroad without any delay as and when they desired.

It is understood that the reorganization of the Company has formed the subject of a bill submitted to the Chamber of Deputies

in June. According to the terms of this bill, the Government, as principal shareholder and creditor of the Company, would have a valuation made of all its assets, the total of which, added to the sums already advanced to the Lloyd Brasileiro by the National Treasury, would constitute the capital of a new company to be known as the Empresa de Navegação Lloyd Brasileiro. It is, moreover, proposed to pay creditors of the Lloyd Brasileiro in bonds bearing interest at 5 per cent. and redeemable in three years. The reorganized company, administered by a president and a council of administration of five members, would be granted an annual subsidy of 40,000 contos of reis, in order to continue its present services as well as the following :—

(a) a line to link southern Brazilian ports with the Mediterranean ;

(b) a line between southern Brazilian ports and northern Europe ;

(c) a line connecting northern Brazilian ports with those in northern Europe.

The obsolete vessels still in service would be replaced by 13 new passenger and four cargo vessels. Payment for these vessels would probably be spread over a number of years, the increased subsidy mentioned above providing the money.

The Company is now said to be paying for its current supplies with commendable promptitude.

Naval Programme.—During 1935 the arsenal displayed considerable activity in effecting improvements or repairs to several units of the Brazilian Navy, and it is now the intention of the Government to construct a vessel of the monitor type and possibly three mine-layers, as soon as the necessary plant and material have been procured abroad. These vessels are to be constructed at the Ilha das Cobras, where the new arsenal is now nearing completion. The naval dockyard at the Ilha das Cobras has two slipways, one of which is to be used for the assembly of the monitor mentioned above. The decision to construct a war vessel in Brazil is novel and is understood to be in the nature of an experiment which, if successful, will be followed by the building of a number of other units necessary to replace some of the obsolescent units of the Brazilian fleet, the complete replacement of which can only be effected over a period of years, owing to the present financial stringency. It is interesting to note in this connection that a Brazilian naval officer left for Europe on the 30th June, 1936, charged with the purchase of steel plates and other fittings needed for the construction of the first monitor which is to be named the "Parnahyba".

At the time of writing no orders have been placed with foreign yards for any of the vessels of the new naval programme, which includes destroyers, submarines and certain larger units.

Polish Shipping Line to Brazil.—The Polish shipping line Zegluga Polska inaugurated a regular monthly service in April, 1936, between Gdynia, Victoria, Rio de Janeiro and Santos. The s.s. "Pulaski" was withdrawn from the Company's North-American service for this purpose.

XIII. MISCELLANEOUS

Insurance Situation.—There are at present 46 Brazilian and 33 foreign insurance companies (19 British, five German, three French, two Italian, two U.S.A., one Swiss and one Argentine) operating in Brazil. The following brief particulars will convey some idea of the activities of these concerns during the year 1935:

Life and Endowment.

Brazilian—(12 Companies).

	<i>Contos of Reis.</i>
Aggregate Capital	17,550
Reserves	58,526
Nett premiums	120,178
Death claims and maturity payments	47,750
Ratio of payments to pre- miums	39.7%

Foreign (3)—(1 Argentine,
2 Italian).

	<i>Contos of Reis.</i>
Aggregate Capital	5,000
Reserves	375
Nett premiums	3,781
Death claims and maturity payments	600
Ratio of payments to pre- miums	16%

Land, (Fire, Accident, etc.) and Marine.

Brazilian—(38 Companies).

	<i>Contos of Reis.</i>
Aggregate Capital	80,525
Reserves	77,918
Gross premiums—	
Land	67,903
Marine	10,521
Total nett premiums	75,201
Losses	25,993
Ratio of losses to premiums	34.6%

Foreign (33)—(19 British, 5 German,
3 French, 2 Italian, 2 U.S.A., 1 Swiss,
1 Argentine).

	<i>Contos of Reis.</i>
Aggregate Capital	51,593
Reserves	31,641
Gross premiums—	
Land	41,125
Marine	6,967
Total nett premiums	47,893
Losses	17,955
Ratio of losses to premiums	37.5%

Since the beginning of the year the local Press has given prominence to the question of the nationalization of the foreign insurance companies working in Brazil, and various suggestions in the form of draft legislation with this object have been put forward. These proposals were based on Article 117 of the Constitution which lays down that legislation should be introduced for the progressive nationalisation of concerns engaged in insurance in all its aspects. In his message to Congress on the 3rd May, 1936, the President of the Republic drew attention to the relevant provisions of the Constitution, and stated that although no regulations had been issued by the Legislative Assembly to give effect to Article 117 of the Constitution, no fresh authorization had been granted to any foreign company to operate in the country and

that those already established in Brazil had been refused permission to undertake new classes of insurance. The President then went on to say that an initiative of predominant importance would be the creation of a reinsurance bank. On the 22nd June the Minister for Labour, Industry and Commerce submitted a draft law to the President for the nationalization of insurance companies and for the establishment of a State Reinsurance Bank. The draft, which was subsequently sent to Congress by the President, is a lengthy document, among the salient features of which are the following:—

NATIONALISATION.

- (a) Private Insurance (*e.g.* Fire, Accident, Marine and Life) and Workmen's Compensation Insurance can be carried on in Brazil only by Brazilian companies under previous authorization of the Brazilian Government.
- (b) To be regarded as Brazilian, companies must, *inter alia*, have their head offices in Brazil and, at least two-thirds of their capital must belong to Brazilians.
- (c) Shares must be "nominal" *i.e.*, bearer shares are not allowed and Brazilian shareholders are assured preference under equal conditions in the acquisition of ownership of shares belonging to foreigners.
- (d) Companies must not have in their administration or for the principal managerial posts more than one-third of foreign personnel.
- (e) Foreign companies now operating in Brazil are given an inextensible period of nine months in which to constitute themselves Brazilian companies.

FEDERAL REINSURANCE INSTITUTE.

- (a) The purpose of the Institute is the regulation of reinsurance in Brazil, the development of insurance operations in general and particularly such as are not yet being carried out in the national territory.
- (b) Its initial capital, of which 50 per cent. is to be paid up, is to be 15 thousand contos of reis (approximately £175,000 at current rate of exchange), and of this capital 60 per cent. is to be subscribed by Federal welfare institutions, the remaining 40 per cent. by all insurance companies operating in Brazil.
- (c) Subscription by insurance companies of shares in the Institute is obligatory in proportion to their paid up capital and reserves (except technical reserves), and under any revision of the distribution of shares companies are required to purchase or sell shares at the nominal value.
- (d) Companies are obliged to reinsure with the Institute the liabilities exceeding their own retentions on each isolated risk, but when the liabilities assumed on each risk do not exceed a certain amount, the companies may retain all of them.
- (e) The Institute may retain a part of the risk and retrocede among the companies proportionately to their respective retentions the liability which it does not deem fit to retain, placing abroad the part which cannot be covered in Brazil.
- (f) The administration of the Institute is to be exercised by a President and Administrative Council composed of six members. The President and three of the members are to be selected by the Government, the remaining three members by the companies. All the members of the administration as well as managing officials must be Brazilians.

It is to be hoped that if this measure is passed, its final form will be such as to permit of the foreign insurance companies, who

have invested much money in the country and assisted so greatly in its development, to carry on their operations and to maintain effective ownership and control of their branches in Brazil which would not seem to be possible under the bill as now drafted.

Labour.—There have been no strikes or other troubles worth mentioning possibly because the communist element has been held severely in check since the disturbances of November, 1935, and the syndicates who formerly used to flaunt their power and generally prove obstreperous are now said to be losing prestige. Furthermore, there is at present no unemployment problem to solve in Brazil; on the contrary, there is a shortage of labour, particularly agricultural, throughout the South of Brazil, and especially in the State of São Paulo, where the situation became so acute in 1935 that the State Government was obliged to re-establish subsidised migration. This resulted in the introduction of nearly 20,000 immigrants in that year from various parts of the Union, but principally from the North of Brazil, besides 19,417 foreigners and 32,936 Brazilians who went to São Paulo of their own accord and without State assistance. The lack of labourers for the cotton fields, etc., and the necessity of attracting healthy workers from Europe has led the Government of the State of São Paulo to take measures to recruit immigrants in Europe and in this connection the Federal Government has sanctioned the entry into that State of 20,000 European immigrants, during the next three years. The newcomers are paying their own passages and will sign contracts for two years with various "fazenda" owners. At the end of that period they will receive every encouragement to remain in agricultural pursuits by being granted facilities to become farmers. A further 1,000 families are to be settled in the State of Paraná where the Swiss Government are sending 500 subsidised emigrants, as part of a scheme to combat unemployment. This method of obtaining agricultural labour, apart from ensuring the recruitment of intelligent and healthy workers has the further advantage of obviating the expense of subsidising migration within the country, which is calculated at about £15 per head.

The various social laws referred to in the previous report in this series and the "Minimum Salary Law" recently introduced are being enforced throughout the country regardless of local conditions. In the State of Amazonas the results are such as to stress the difficulty of applying standards which, however suitable they may be to the more industrialized South, are unworkable in an impoverished, primitive and scattered community like that of the Amazon.

The new legislative social reforms have been the subject of a not inconsiderable amount of criticism on the part of all nationalities affected. These laws are proving somewhat burdensome, if not irksome, on all employers and particularly the railways, shipping and other transport companies operating in Brazil, many of which are now working at a loss.

The cost of living has increased by 15 per cent. since the beginning of 1935, and wages have naturally risen in consequence.

Immigration.—The entry of emigrants into Brazilian territory is governed by paragraphs 6 and 7 of Article 121 of the present Constitution which read as follows :

Para. 6. "The entry of immigrants into national territory shall be subject to the restrictions necessary for the guarantee of ethnical integration, and the physical and civil capacity of the emigrant; the immigratory flow from each country may not, however, exceed annually, the limit of two per cent. of the total number of the respective nationals permanently settled in Brazil during the last fifty years."

Para. 7. "The concentration of immigrants in any point of the territory of the Union is forbidden, and the law must regulate the selection, localization and assimilation of the alien settler."

In order to give effect to this policy two decrees were promulgated (No. 24,215 of the 9th May, 1934, and No. 24,258 of the 16th May, 1934, published in the issues of the "Diario Oficial" of the 18th May, and 11th June, 1934, respectively), in 1934, the main features of which have been alluded to in brief terms in the last annual economic report on Brazil.*

On the 16th April, 1936, the Minister for Labour, Industry and Commerce issued certain instructions, which were published in the "Diario Oficial" of the 17th April, 1936, in order to fulfil, in so far as the year 1936 is concerned, the immigration policy contained in the Constitution of the 16th July, 1934, and the provisions of the relevant decrees mentioned above. A copy of these instructions is reproduced in Appendix XVII to this report.

The authorized quota of immigrants for the year 1935 was fixed at 86,899, but only 29,585 immigrants entered Brazil in that period from the undermentioned countries, with the result that some 23,000 national workers were transferred to the State of São Paulo and other districts in the South in order to remedy, as far as possible, the shortage of labour felt in that part of the country.

				<i>Number of immigrants admitted.</i>	<i>Number allowed.</i>
Japanese...	...	...	...	9,611	2,849
Portuguese...	...	...	...	9,327	22,955
Germans...	...	...	...	2,423	3,088
Italians ...	...	...	...	2,127	28,027
Poles ...	...	...	...	1,428	2,307
Spaniards ...	...	...	...	1,206	11,542
Other Nationalities	...	...	...	3,463	16,131
Totals ...	...	...	...	29,585	86,899

* "Economic Conditions in Brazil, September 1935," H.M. Stationery Office, price 2s. 6d.

The quota of immigrants for 1936 has been fixed as follows:—

Japanese	...	...	...	...	3,480
Portuguese	...	...	...	...	22,991
Germans	...	...	...	...	2,318
Italians	...	...	...	...	27,475
Poles	...	...	...	...	2,035
Spaniards	...	...	...	...	11,562
British	...	...	...	...	417
Other Nationalities	...	...	...	...	15,068
Total quota	...	...	...	...	<u>85,941</u>

The Government has prepared a bill, which has not yet been submitted to Congress, embodying additional regulations governing the entry of immigrants, annual quotas, assimilation of immigrants and various other measures as for instance precluding the concentration of immigrants in any part of the country.

It will be observed that the quota assigned to the Japanese in 1935 was allowed to be greatly exceeded due to reasons which it has not been possible to elucidate. Japanese immigration in such large numbers and their concentration in the Amazon valley has given rise to protests in and out of Congress by those interested in immigration and agricultural matters. Several papers have devoted articles based on the views expressed by politicians and others on the dangers of allowing numerous Japanese to settle in one zone and to acquire, as they did some time ago, a holding amounting to one million hectares. In these circumstances it seems unlikely that the Japanese will endeavour to exceed their 1936 quota.

Nationalism.—Brazil, in common with her neighbours, has a strongly nationalistic outlook, which is perhaps more justified in her case than in that of the adjacent republics, because nature has endowed this immense territory with resources sufficient in variety and in quantity to render the country self-supporting in almost every respect. Advantage has been taken of this patrimony by the establishment of industries in which foreign capital, advisers and technical experts have from the first played an important role. The potential market afforded by a population of well over 40 millions has provided a real incentive to local manufacture.

Industrialization flourishes and continues to develop as a result of the support received from and the protection accorded by the Government of the Union, in the shape of tariff walls—difficult and often impossible to overcome in many cases where an endeavour has been made to enter a field reserved to local production.

The policy of fostering the expansion of local manufacture by means of protectionist or prohibitive tariffs, has been highly successful in Brazil, to the detriment of foreign manufacturers whose percentage of exports in most goods decreases more or less in proportion to the growth of local industries and manufactures.

Nationalism is also beginning to manifest itself in other directions. The nationalization of foreign insurance companies is a matter now occupying the attention of those who consider that the

time is now ripe to obtain a controlling interest in all institutions of this kind operating in Brazil which are not entirely nationally owned. It is to be hoped that the Government of a country whose people derive so large a share of their income from the sale of their produce in overseas markets, will view with sympathy, the claims of those foreign undertakings, such as the railway and public utility companies, who have done so much to assist in developing Brazil's natural resources by investing many millions of money—in many cases with but meagre returns in dividends.

Central Purchasing Commission.—The Government departments are reaping the benefits anticipated by the creation of the Central Purchasing Commission in January, 1931, although some opposition was encountered when this innovation of centralizing purchases for Government departments was instituted; but with the co-operation of all concerned these difficulties were removed and the new system is now working efficiently.

Purchases effected by the commission during 1935 amounted in value to 105,752 contos of reis, and were promptly liquidated after due registration of the contracts by the Tribunal of Accounts, except in a few cases where the suppliers themselves were responsible for delays.

Credits authorized by Congress amounted to 112,036 contos of reis in 1935, of which 105,858 contos represented the total amounts paid including unliquidated accounts, leaving a balance of 6,178 contos of reis which was not utilized. The difference between accounts actually paid and those still to be liquidated was insignificant, amounting to only 106 contos.

Owing to price differences from one year to another, the authorities have been unable to prove the extent of economies effected since the institution of the Commission. The measures taken by the Government at the end of 1935 to standardize types and qualities of materials for Government departments will, it is anticipated, result in further economy.

There is no question that the working of the Commission since its inception in 1931 has been of benefit to all concerned. Suppliers receive payment in Brazilian currency within a reasonable time from the delivery of merchandise and facilities for remitting are afforded, while the departments requiring material obtain this at much less cost than formerly when ordered in small lots.

A great deal of corrupt trading has been eradicated and dealers are generally in favour of the retention of the Purchasing Commission at all hazards.

New Functions of the Section of Economic and Financial Studies of the Ministry of Finance.—The interest which the Brazilian Government is now displaying in its international commercial relations has prompted the President to issue a decree in order to increase the efficiency of the services at present performed by the Section of Economic and Financial Studies of the Ministry of Finance.

The main provisions of Decree No. 980 of the 22nd July, 1936, read as follows:—

“Considering the need of increasing the efficiency of the services entrusted to the Section of Economic and Financial Studies of the Ministry of Finance, by giving it the elements necessary to supervise the proper carrying out of the undertakings in agreements, conventions and treaties, and the control of foreign commerce, the President decreed that:

The Section of Economic and Financial Studies, of the Ministry of Finance, as well as the attributes conferred by Article 13 of Decree No. 24036 of the 28th March, 1934, will be charged with:—

- (a) Promoting the study of questions referring to imports and exports and matters which interest or influence trade of Brazil;
- (b) Collect statistical data and information regarding importation and exportation, and also on the production of exportable articles, markets and prices;
- (c) Note the trend of exchange fluctuations and prices in the principal markets (situation, movement and tendencies);
- (d) Collect all the texts of notes, agreements, treaties and conventions having relation to foreign trade, signed by the Brazilian Government;
- (e) Keep up to date the register of basic statistics for an analytical and graphic study;
- (f) Collect all publications which treat of the subjects in its care, filing them by subjects so as to facilitate consultation and study in the interests of the service;
- (g) maintain correspondence with all the Federal, State and Municipal services, in order to obtain information and any facts necessary to carry out the work entrusted to it;
- (h) supervise the execution of agreements, treaties or conventions signed by Brazil, getting into contact with the representatives of the associations of the classes interested so as to clear up any doubts which may be raised, and report on the inobservance of those acts, suggesting the measures to be taken in each case.”

The Ministry of Finance was authorized to spend 200 contos of reis for this service.

Brazilian Statistics.—The Federal Government, realizing the importance of remedying the lack of complete and accurate statistical data for the whole of Brazil, promulgated a law, No. 24,609 of the 6th June, 1934, creating a National Council for Statistics to reorganize the present system of compiling statistics throughout the country. At present the various states prepare such statistics as they think fit, or none at all, without co-ordination with the Federal Government Department of Statistics. It was found that co-operation between Federal, state and municipal statistical bureaux was necessary, and with this end in view the Council submitted a scheme which was approved by the President of the Republic and issued in the form of a decree—No. 946 of the 7th July, 1936—whereby a body, to be known as the National Council for Statistics, should be formed to control and co-ordinate the statistics of the country as a whole, incorporating all such data in one publication which contains statistical matter

on all subjects generally considered necessary to obtain as complete a picture as possible of the finance, production, population, &c., &c., of Brazil.

It is proposed that the statistical departments which at present function independently of the Federal Government, shall supply all the information at their disposal on standardized lines, and that Federal and regional reports shall be issued every year.

Acre Territory.—During his stay in Pará, while on the way back to his post, the Federal Administrator (Interventor) of the Acre Territory, Snr. M. M. Prado, gave an interesting account of conditions in this far-off and little known part of Brazil. The Acre Territory has an area of 148,000 square kilometres with a population of about 150,000, of whom 25,000 live in the capital city, Rio Branco. Order is maintained by a police battalion of 290 officers and men distributed throughout the Territory; crime is relatively rare and the population is described as being not in the least savage even though living in the middle of the jungle.

The chief problem of the Acre is that of communications; at present it takes 40 to 50 days to travel from Rio de Janeiro to Rio Branco, 20 to 25 days by ships of the Lloyd Brasileiro to Manaus, and about as long by launch or river steamer to Rio Branco. Even a telegram, which has to be sent via Manaus and Bello Horizonte, will nearly always take 48 hours to reach the Federal Capital. One of the first acts of the Interventor, who took office in February, 1935, was to construct a landing ground for aeroplanes; for this he requested help of all the able bodied members of the population, who assembled in front of the Government House one morning with their axes, scythes and other implements and proceeded to the selected spot. An aviation field was thus quickly prepared. Arrangements were subsequently made with the Condor airline for an experimental flight from Matto Grosso to the Acre Territory which took place in April, 1936.

The principal products of the Acre are Brazil nuts, rubber, hides and skins and timber. Brazil nuts require treatment before being exported, and there is already one factory for this purpose in the Territory while another is in course of construction.

Other details given in this interview leave one with the impression that the Acre is awakening from the long abandon under which it has suffered and that, under the impulse of an active Administrator, it is making some progress towards civilization and a closer contact with the outside world. Hours of work in public departments and in schools have been doubled, in the latter case in order to accommodate a greater number of pupils; a proper system of State accountancy has been introduced; a factory for the production of tiles and other earthenware has been set up and as a result the corrugated iron sheets which have hitherto been the only roofing material used in Rio Branco have already been replaced by tiles on all public buildings.

APPENDIX No. 1.

EXTERNAL DEBT OF THE FEDERAL GOVERNMENT OUTSTANDING ON THE
30TH JUNE, 1936.

Year Issued.	Object.	Amount.	Rate.	In circulation on 30th June, 1936.
	<i>Issued in London.</i>	£ Sterling.	Per cent.	£ Sterling.
1883	Federal Railway and Rio de Janeiro water supply ...	4,599,600	4.5	1,888,400
1888	Federal Railways ...	6,297,300	4.5	3,169,900
1889	Conversion of 1865, 1871, 1875 and 1886 loans ...	19,837,000	4.0	15,873,000
1895	Oeste de Minas Railway ...	7,442,000	5.0	6,117,800
1898	First funding loan ...	8,613,717	5.0	5,956,577
1901	Purchase of various railway companies ...	16,619,320	4.0	8,972,760
1903	Rio Port Works ...	8,500,000	5.0	6,775,600
1910	Lloyd Brasileiro ...	1,000,000	4.0	344,300
1910	Conversion of Oeste de Minas Railway shares, etc. ...	10,000,000	4.0	9,165,100
1911	Rio Port Works ...	4,500,000	4.0	2,871,700
1911	Ceará Railway ...	2,400,000	4.0	2,289,260
1913	Various port works ...	11,000,000	5.0	10,262,260
1914	Second funding loan ...	14,502,397	5.0	13,298,516
1927	Consolidation of floating debt ...	8,750,000	6.5	8,372,300
1931	Third funding loan ...	10,530,752	5.0	10,069,520
	TOTAL ...	134,592,086		105,427,293
	<i>Issued in Paris</i>	Frcs. Paper.	Per cent.	Frcs. Paper.
1908-9	Itapura-Corumbé Railway ...	100,000,000	5.0	96,181,500
		65,555,400	5.0	58,564,900
1931	Third funding loan ...	135,000,000		129,688,812
	TOTAL ...	300,555,400		284,435,212
		Frcs. Gold.		Frcs. Gold.
1909	Port of Pernambuco ...	40,000,000	5.0	38,723,000
1910	Goyaz Railway ...	100,000,000	4.0	93,836,500
1911	Bahia Railways ...	60,000,000	4.0	57,735,000
1916	Goyaz Railway ...	25,000,000	5.0	24,253,000
1922	Victoria-Minas Railway ...	15,000,000	5.0	14,638,000
	TOTAL ...	240,000,000		229,185,500
	<i>Issued in New York.</i>	Dollars.	Per cent.	Dollars.
1921	Treasury Bonds ...	50,000,000	8.0	31,352,500
1922	Electrification of Central Railway of Brazil ...	25,000,000	7.0	17,503,000
1926	Consolidation of floating debt ...	60,000,000	6.5	56,108,000
1927	" " " " ...	41,500,000	6.5	39,709,000
1931	Third funding loan ...	29,524,545	5.0	27,033,245
	TOTAL ...	206,024,545		171,705,745

APPENDIX No. 1—continued.

FOREIGN LOANS OF THE STATES OF BRAZIL OUTSTANDING ON THE 30TH JUNE, 1936.

State and Year.	Rate.	Issued Amount.	Amount outstanding 30.6.36.		
	Per cent.		£ Sterling.	Francs.	U.S.\$.
Alagoas.					
1906	5.0	£ 280,000	258,420	—	—
1906-9... ..	5.0	Frcs. 15,000,000	—	13,638,500	—
Amazonas.					
1906	5.0	„ 84,000,000	—	80,236,500	—
1915	5.0	„ 20,129,500	—	20,059,125	—
1916	6.0	„ 3,958,000	—	3,000,000	—
Bahia.					
1888	5.0	Frcs. 20,000,000	—	6,513,500	—
1904	5.0	£ 1,062,360	974,920	—	—
1910	5.0	Frcs. 45,000,000	—	41,672,500	—
1913	5.0	£ 1,000,000	975,980	—	—
1915	5.0	£ 787,334	644,280	—	—
1918	6.0	£ 335,000	97,958	—	—
1928	5.0	£ 338,500	335,711	—	—
Ceará.					
1910	5.0	Frcs. 15,000,000	—	12,455,500	—
1922	8.0	U.S.\$ 2,000,000	—	—	1,980,000
Espirito Santo.					
1927	8.0	„ 1,750,000	—	—	*790,000
1928	8.0	„ 750,000	—	—	*380,000
Goyaz	—	Nil	—	Nil	—
Maranhão.					
1910	5.0	Frcs. 20,000,000	—	16,862,500	—
1928	7.0	U.S.\$ 1,750,000	—	—	1,682,000
Matto Grosso	—	Nil	—	Nil	—
Minas Geraes.					
1913	5.0	£ 120,000	55,360	—	—
1928	6.5	£ 1,750,000	1,685,100	—	—
1928	6.5	U.S.\$ 8,500,000	—	—	8,132,000
1929	6.5	„ 8,000,000	—	—	7,812,000
Pará.					
1901	5.0	£ 1,450,000	1,270,000	—	—
1907	5.0	£ 650,000	568,960	—	—
1915	5.0	£ 1,070,000	1,037,781	—	—
Parahyba	—	Nil	—	Nil	—
Paraná					
1928	7.0	£ 1,000,000	951,500	—	—
1928	7.0	U.S.\$ 4,860,000	—	—	4,642,000
Pernambuco.					
1905	5.0	£ 1,000,000	490,560	—	—
1909	5.0	Frcs. 37,500,000	—	26,385,000	—
1927	7.0	U.S.\$ 6,000,000	—	—	4,868,000
Piauhy	—	Nil	—	Nil	—
Rio de Janeiro.					
1927	5.5	£ 1,926,500	1,714,260	—	—
1927	7.0	£ 1,891,000	1,871,000	—	—
1929	6.5	U.S.\$ 6,000,000	—	—	5,344,000
Rio Grande do Norte.					
1910	5.0	Frcs. 8,750,000	—	5,871,500	—

* Considered internal loans.

APPENDIX No. 1—continued.

FOREIGN LOANS OF THE STATES OF BRAZIL OUTSTANDING ON THE 30TH JUNE, 1936—continued.

State and Year.	Rate.	Issued Amount.	Amount Outstanding 30.6.36.		
			£ Sterling.	Francs.	U.S.\$.
Rio Grande do Sul.					
1921	8.0	U.S.\$10,000,000	—	—	5,900,500
1926	7.0	" 10,000,000	—	—	9,713,000
1928	6.0	" 23,000,000	—	—	23,000,000
Santa Catharina.					
1909	5.0	£ 250,000	63,060	—	—
1922	8.0	U.S.\$ 5,000,000	—	—	3,538,000
São Paulo.					
1904	5.0	£ 1,000,000	142,700	—	—
1905	5.0	£ 3,800,000	2,143,049	—	—
1907	5.0	£ 2,000,000	1,590,508	—	—
1921	8.0	£ 2,000,000	1,755,080	—	—
1921	8.0	Fls. Holland 18,000,000	—	8,366,000	—
1921	8.0	U.S.\$10,000,000	—	—	4,548,000
1925	8.0	" 15,000,000	—	—	14,719,000
1926	7.0	" 7,500,000	—	—	6,914,000
S. Paulo.					
1926	7.0	£ 2,500,000	2,302,600	—	—
1928	6.0	U.S.\$15,000,000	—	—	14,698,000
1928	6.0	£ 3,500,000	3,429,600	—	—
1930	7.0	U.S.\$35,000,000	—	—	20,637,000
1930	7.0	£ 12,167,600	7,552,000	—	—
Guaranteed by the State of S. Paulo.					
Coffee Institute.					
1926	7.5	?	8,920,300	—	—
Bank of State of S. Paulo.					
1927	6.0	?	806,200	—	—
1928	6.0	?	1,575,000	—	—
Sergipe	—	Nil	—	Nil	—
TOTALS out- standing	—	Dutch Fls. 8,366,000	£ Sterling. 43,211,666	Francs. 226,694,625	U.S.\$. 140,317,500

(NOTE.—There is some doubt as to whether several of the francs loans above are to be considered gold or paper francs. A compromise has been made by some states while others are still discussing the question.)

BRAZILIAN MUNICIPAL FOREIGN LOANS OUTSTANDING AT 30TH JUNE, 1936.

State and Year.	Rate.	Amount Issued.	Amount Outstanding 30.6.36.		
			£ Sterling.	Francs.	U.S.\$.
Federal District of Rio de Janeiro.					
1912... ..	4.5	£ 2,500,000	1,717,920	—	—
1921... ..	6.0	U.S.\$12,000,000	—	—	7,317,000
1928... ..	6.5	" 30,000,000	—	—	24,826,000
1928... ..	6.0	" 1,700,000	—	—	1,267,000

APPENDIX No. 1—continued.

BRAZILIAN MUNICIPAL FOREIGN LOANS OUTSTANDING AT 30TH JUNE, 1936—
continued.

State and Year.	Rate.	Issued Amount.	Amount outstanding 20.6.26.		
	Per cent.		£ Sterling.	Francs.	U.S. \$.
State of São Paulo.					
City of São Paulo.					
1908... ..	6.0	£ 750,000	397,120	—	—
1919... ..	6.0	U.S. \$ 8,500,000	—	—	5,409,000
1922... ..	8.0	„ 4,000,000	—	—	3,156,500
1927... ..	6.5	\$ 5,900,000	—	—	5,602,000
City of Santos.					
1927... ..	7.0	£ 2,260,000	2,182,920	—	—
State of Rio Grande do Sul.					
City of Porto Alegre.					
1909... ..	5.0	£ 600,000	305,900	—	—
1922... ..	8.0	U.S. \$ 3,500,000	—	—	2,793,500
1926... ..	7.5	„ 4,000,000	—	—	3,025,000
1928... ..	7.0	„ 2,250,000	—	—	1,601,000
City of Pelotas.					
1911... ..	5.0	£ 600,000	430,840	—	—
State of Rio Grande do Sul.					
Towns of Cachoeira, Pelotas, Uruguayana, Sant' Anna, Caxias, Rio Grande and São Leopoldo.					
1927... ..	7.0	U.S. \$ 4,000,000	—	—	3,912,500
State of Pará.					
City of Belem.					
1905... ..	5.0	£ 1,000,000	921,040	—	—
1906... ..	5.0	£ 600,000	570,400	—	—
1912... ..	5.0	£ 600,000	590,860	—	—
1915... ..	5.0	£ 885,000	885,000	—	—
1919... ..	6.0	£ 272,660	272,660	—	—
State of Bahia.					
City of São Salvador.					
1905... ..	5.0	Fracs. 25,000,000	}	21,520,000	—
1912... ..	5.0	„ 27,500,000			
1912... ..	5.0	£ 500,000			
1914... ..	6.0	£ 1,521,000			
1916... ..	5.0	£ 840,000				782,327
State of Rio de Janeiro.					
City of Nitheroy.					
1928... ..	7.0	£ 800,000	778,000	—	—
State of Amazonas.					
City of Manaus.					
1906... ..	5.5	£ 350,000	269,800	—	—
State of Pernambuco.					
City of Recife.					
1910... ..	5.0	£ 400,000	272,280	—	—
TOTALS ...			10,377,067	21,520,000	58,909,500

APPENDIX No. II.

INTERNAL DEBT OF THE FEDERAL GOVERNMENT AT 31ST DECEMBER, 1935.

Date.	Common Stock.	Rate. per cent.	In circulation. Milreis.	Service. Milreis.
1827 ...	Old non-uniform apolices ...	5·0	1,182,100	165,975
1912 ...	Converted uniform apolices ...	5·0	529,448,500	26,472,425
1909-26	Registered apolices of various issues	5·0	1,001,449,900	50,072,495
1917-26	Bearer apolices, ditto ...	5·0	632,033,000	31,601,650
1903 ...	Bearer Port works apolices ...	5·0	17,300,000	865,000
1909 ...	Registered Bolivian Treaty apolices	3·0	1,629,000	48,870
1935 ...	Economic Readjustment ...	6·0	283,242,500	25,000,000
	TOTAL Common stock		2,466,285,000	134,226,415
	<i>Special Issue.</i>			
1921-32	Treasury bonds-bearer ...	7·0	623,373,000	43,864,380
1925 ...	Railway bonds, ditto ...	7·0	125,325,000	8,772,750
1928 ...	Road bonds (bearer and registered)	5·0	68,000,000	3,400,000
	TOTALS ...		3,282,983,000	190,263,545
	Totals at 31st December, 1934 ...		2,904,924,500	165,097,570
	Increases during 1935 ...		378,058,500	25,165,975

Floating Debt.

At 31st December, 1935, amounted to 1,868,392 contos of reis.

APPENDIX No. III.

INTERNAL DEBTS OF THE STATES.

Latest date for which information is available.	State.	Consolidated Debt.	Floating Debt.	Total.
		(In contos of reis)		
31/12/35	Alagoas ...	381	515	896
31/12/33	Amazonas ...	26,516	60,451	86,967
31/12/35	Bahia ...	135,645	48,525	184,170
31/12/35	Ceará ...	957	1,033	1,990
31/12/33	Espirito Santo ...	11,051	37,833	48,884
31/12/33	Goyaz ...	3,360	1,448	4,808
31/12/33	Maranhão ...	2,546	10,593	13,139
31/12/33	Matto Grosso ...	3,388	17,592	20,980
31/12/35	Minas Geraes ...	346,052	334,754	680,806
31/12/35	Pará ...	5,060	16,662	21,722
31/12/35	Parahyba ...	—	4,776	4,776
31/12/35	Paraná ...	94,494	22,758	117,252
31/12/35	Pernambuco ...	54,373	7,171	61,544
31/12/35	Piauhy ...	2,186	124	2,310
31/12/35	Rio de Janeiro ...	55,143	21,269	76,412
31/12/35	Rio Grande do Norte ...	3,100	—	3,100
31/12/35	Rio Grande do Sul ...	166,427	87,124	253,551
31/12/35	Santa Catharina ...	13,921	6,690	20,611
31/12/35	São Paulo ...	768,090	961,586	1,729,676
31/12/33	Sergipe ...	7,297	9,700	16,997

APPENDIX No. IV.

BUDGET ESTIMATES AND OUTTURN FOR 1935.

<i>Revenue.</i>	<i>Estimates.</i>	<i>Outturn.</i>
	(In contos of reis).	
<i>Ordinary :—</i>		
Import duties, Docks and Light dues ...	689,050	975,082
Consumption Tax	436,730	558,223
Stamp and Document Tax	252,550	334,693
Income Tax	135,000	167,366
Lottery Tax	14,350	14,457
Other Taxes	71,175	31,873
Total for revenue from Taxation ...	1,598,855	2,081,694
Revenue from State domains	11,284	5,741
Industrial Revenue	270,812	277,514
Total Ordinary Revenue	1,880,951	2,364,949
<i>Extraordinary Revenue :—</i>	288,626	357,744
TOTAL REVENUE	2,169,577	2,722,693
<i>Expenditure.</i>		
<i>Ministry for :—</i>		
Finance	1,351,104	1,150,396
Justice and Interior Affairs	135,573	132,917
Foreign Affairs	63,515	60,935
Education and Public Health	169,150	144,995
Labour, Industry and Commerce	19,709	18,090
Transport and Public Works	656,597	574,523
Marine	235,256	193,881
War	505,325	519,430
Agriculture	75,938	67,834
TOTAL	3,212,167	2,872,001
	<i>Estimates.</i>	<i>Outturn.</i>
	(contos of reis.)	
Expenditure	3,212,167	2,872,001
Revenue	2,169,577	2,722,693
DEFICIT	1,042,590	149,308

NOTE.—Special credits opened during 1935 are included in the budget estimates for expenditure given above.

APPENDIX No. V.
1936 BUDGET ESTIMATES.

	1936.	<i>Increase or decrease over 1935 outturn.</i>
<i>Revenue.</i>	(In contos of reis.)	
<i>Ordinary :—</i>		
Import duties, port and light dues	831,750	-143,332
Consumption Tax	501,150	-57,073
Stamp and Document Tax	151,100	-183,593
Income Tax	150,400	-16,966
Lottery Tax	3,750	-10,707
Other Taxes	60,775	+28,902
	1,698,925	
Revenue from Taxation		
Receipts from State lands, etc.	3,383	-2,358
Industrial Receipts	328,684	+51,170
	2,030,992	
Total Ordinary Revenue		
<i>Extraordinary Revenue</i>	282,984	+148,840
<i>Revenue with special application</i>	223,600	
	2,537,576	
GRAND TOTAL		
<i>Expenditure.</i>		
<i>Ministry for :—</i>		
Finance	927,523	-231,873
Justice and Interior Affairs	124,557	-8,360
Foreign Affairs	46,184	-14,751
Education and Public Health... ..	278,296	+133,301
Labour, Industry and Commerce	20,077	+1,987
Transport and Public Works	687,546	+113,023
Marine	247,462	+55,581
War	475,201	-44,229
Agriculture	86,859	+19,025
	2,893,705	
TOTAL		
Expenditure	2,893,705	contos of reis.
Revenue	2,537,576	" "
	356,129	contos of reis.
ESTIMATED DEFICIT		

APPENDIX No. VI.

1937 BUDGET ESTIMATES.*

<i>Expenditure.</i>	<i>1937 Estimates.</i>	<i>Increase or</i>
		<i>Decrease on</i> <i>1936 estimates.</i>
	<i>(In contos of reis.)</i>	
<i>Ministries for :—</i>		
Finance	1,069,774	+142,251
Justice and Interior Affairs	130,699	+6,142
Foreign Affairs	47,047	+863
Education and Public Health	325,895	+47,599
Labour, Industry and Commerce	51,129	+31,052
Transport and Public Works	724,772	+37,226
Marine	286,834	+19,372
War	539,776	+64,576
Agriculture	83,875	-2,984
TOTAL	3,239,801	
Revenue was estimated at	2,826,806	contos of reis.
ESTIMATED DEFICIT	412,995	contos of reis.

* Note by Department of Overseas Trade :—On the 14th November, 1936, the President of the Republic sanctioned a modification of the above proposals subject to certain vetos, which, if agreed to by the Chamber of Deputies, will reduce the estimated deficit to 388,271 contos. The real estimated deficit will therefore be this sum plus 290,000 contos which it is proposed to raise by means of credit operations for public works, etc.

APPENDIX No. VII.

ESTIMATED AND ACTUAL REVENUE AND EXPENDITURE OF THE FEDERAL GOVERNMENT AFTER CONVERSION TO PAPER CURRENCY.

	Revenue. (contos of reis.)		Expenditure. (contos of reis.)	
	Estimated.	Outturn.	Estimated.	Actual.
1931	2,354,981	1,752,665	2,330,900	2,034,343
1932	2,131,119	1,682,400	2,126,518	2,859,669
1933-4 (15 months)	2,656,743 (12 months)	2,626,800 (9 months)	2,788,543 (9 months)	3,342,751 (9 months)
1934	2,086,231	1,971,145	1,766,232	2,099,250
1935 (12 months)	2,169,577	2,722,693	2,675,655	2,872,001

APPENDIX No. VIII.

PAPER CURRENCY IN CIRCULATION ON THE 30TH JUNE, 1936.

<i>No. of Notes.</i>	<i>Denomination.</i>	<i>Amount.</i>
Bank of Brazil issue.	—	592,000:000\$000
2,708,770	1\$000	2,708:770\$000
1,418,132½	2\$000	2,836:265\$000
11,819,172½	5\$000	59,095:862\$500
10,524,950½	10\$000	105,249:505\$000
6,528,816½	20\$000	130,576:330\$000
5,140,492½	50\$000	257,024:625\$000
4,793,836	100\$000	479,383:000\$000
1,958,195	200\$000	391,639:000\$000
3,207,870	500\$000	1,603,935:000\$000
23,000	1:000\$000	23,000:000\$000
<hr/>		<hr/>
48,123,235½		3,647,448:957\$500
In circulation on the 31st August, 1935	... ..	3,225,686:483\$000
		<hr/>
INCREASE IN CIRCULATION	... ..	421,762:474\$500

The stocks of gold in the vaults of the Bank of Brazil at the 30th December, 1935, were 14,845 kilogrammes of fine gold, valued at £2,027,442 (gold). The corresponding sterling value in paper amounted to £3,379,070.

APPENDIX No. IX.

BRAZILIAN IMPORTS (a).

Principal articles classified, showing United Kingdom's position in relation to other important suppliers of each article in the years 1933, 1934 and 1935 (b).

	Weight (Met. Tons).			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
CLASS I.						
<i>Cotton, Wool, Linen, Jute and Silk.</i>						
(Raw yarns and textiles.)						
<i>Cotton Piece Goods— Bleached.</i>						
Total Imports ...	96	47	13	49	21	5
U. KINGDOM ...	43	21	8	16	7	3
Switzerland ...	43	20	3	27	12	1
<i>Cotton Piece Goods— Printed.</i>						
Total Imports ...	66	29	14	36	10	4
U. KINGDOM ...	18	14	9	7	5	3
Switzerland ...	14	1	1	18	2	1
<i>Cotton Piece Goods— Dyed.</i>						
Total Imports ...	457	250	77	168	75	22
U. KINGDOM ...	295	181	48	75	43	10
Germany ...	22	20	11	10	10	4
Switzerland ...	66	15	3	45	9	1
France... ..	28	9	2	22	5	1
<i>Cotton Piece Goods— Unenumerated.</i>						
Total Imports ...	158	156	86	58	49	17
U. KINGDOM ...	58	70	14	19	16	2
Germany ...	18	21	18	8	12	7
U.S.A. ...	38	38	46	7	9	5
<i>Cotton Manufactures— Unspecified.</i>						
Total Imports ...	280	235	32	82	47	7
U. KINGDOM ...	74	50	5	28	12	1
Germany ...	47	19	12	20	12	3
U.S.A.... ..	135	132	11	19	17	2
<i>Raw Jute.</i>						
Total Imports ...	19,407	18,004	20,481	307	247	296
U. KINGDOM ...	6,774	3,115	1,421	105	44	12
India ...	12,633	14,889	18,602	199	202	260
Germany ...	Nil	Nil	457	Nil	Nil	6

(a) Arranged as follows: U. Kingdom first, and other countries in 1935 order.

(b) 1933 values convert 78\$000—£1 (Gold).

1934 values convert 98\$000—£1 (Gold).

1935 values convert 148\$000—£1 (Gold).

NOTE.—These figures are provisional and subject to alteration.

APPENDIX No. IX—continued.

	Weight (Met. Tons).			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
<i>Wool Yarn.</i>						
Total Imports ...	1,371	917	968	417	284	245
U. KINGDOM ...	281	241	218	72	70	44
France... ..	340	333	267	109	100	69
Germany	210	95	117	67	35	35
Belgium	471	151	136	137	49	31
<i>Woollen Piece Goods.</i>						
Total Imports ...	125	121	84	104	83	58
U. KINGDOM ...	93	103	66	71	70	44
France... ..	19	4	8	20	4	6
Germany	8	10	6	4	6	4
<i>Linen Piece Goods.</i>						
Total Imports ...	1,066	693	584	348	194	168
U. KINGDOM ...	747	494	374	246	137	104
Belgium	243	168	128	71	43	27
France... ..	54	12	13	27	7	8
CLASS II.						
Iron, Steel and Manufactures.						
<i>Iron bars and Rods.</i>						
Total Imports ...	21,959	36,378	20,726	127	203	162
U. KINGDOM ...	1,967	3,072	377	13	18	2
Germany	4,594	6,546	13,075	38	46	72
Belgium	13,085	24,612	14,876	64	124	63
<i>Iron Plates and Sheets.</i>						
Total Imports ...	32,721	29,740	34,898	259	239	250
U. KINGDOM ...	10,000	5,933	1,872	95	62	19
Germany	1,538	1,730	18,753	12	14	121
U.S.A.	2,787	8,616	8,813	34	78	65
Belgium	17,537	13,181	5,239	110	85	29
<i>Pig iron, puddled iron, etc.</i>						
Total Imports ...	1,464	1,608	1,119	10	15	13
U. KINGDOM ...	951	535	300	5	2	2
Germany	258	154	243	2	2	3
Belgium	156	389	245	1	3	2
<i>Steel Bars and Rods.</i>						
Total Imports ...	2,902	4,229	5,159	51	65	67
U. KINGDOM ...	1,842	2,187	1,529	24	26	17
Germany	583	1,078	2,430	15	23	36
Belgium	149	389	794	2	3	5
<i>Steel Plates.</i>						
Total Imports ...	881	2,014	2,988	8	18	32
U. KINGDOM ...	601	969	820	5	7	7
U.S.A.	46	539	1,119	1	5	13
Germany	14	368	825	1	4	7

	Weight (Met. Tons).			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
<i>Structural Iron and Steel.</i>						
Total Imports ...	4,191	9,671	10,865	22	49	111
U. KINGDOM ...	182	312	106	3	2	2
Germany ...	289	944	5,481	2	7	68
Belgium ...	3,354	8,117	3,377	15	37	17
U.S.A. ...	106	163	1,567	2	2	16
<i>Rails, Fishplates, etc.</i>						
Total Imports ...	54,373	89,499	53,670	333	526	329
U. KINGDOM ...	5,628	2,221	6,836	43	21	40
Belgium ...	7,676	7,260	13,648	61	46	87
U.S.A. ...	25,166	51,304	5,763	165	289	37
Germany ...	499	558	5,442	3	5	28
<i>Telegraph and Telephone Posts and Parts for Bridges and Fences.</i>						
Total Imports ...	1,426	3,024	550	19	27	7
U. KINGDOM ...	327	231	330	8	6	4
U.S.A. ...	231	59	20	2	1	2
<i>Tubes, Pipes and fittings.</i>						
Total Imports ...	20,646	21,800	28,795	291	288	362
U. KINGDOM ...	4,953	4,189	4,586	88	66	50
Belgium ...	7,958	8,091	6,799	78	81	66
U.S.A.	4,265	3,955	2,801	64	58	44
Germany ...	2,076	3,075	8,300	40	53	120
<i>Hoes, Shovels, Pick-axes and similars.</i>						
Total Imports ...	6,508	4,704	4,430	295	198	158
U. KINGDOM ...	4,918	3,228	2,143	200	127	70
Germany ...	995	1,016	1,898	48	45	63
U.S.A. ...	523	355	322	34	20	18
<i>Barbed Wire.</i>						
Total Imports ...	19,024	20,791	20,324	188	166	160
U. KINGDOM ...	1,088	146	31	11	2	—
Germany ...	3,741	6,090	8,882	35	49	71
Belgium ...	6,954	4,845	5,307	68	39	39
U.S.A. ...	5,896	8,446	5,537	56	66	35
<i>Wire (Not including barbed).</i>						
Total Imports ...	22,944	25,622	29,438	243	224	252
U. KINGDOM ...	2,594	1,189	409	30	12	5
Germany ...	9,554	11,126	15,326	103	107	143
U.S.A. ...	2,617	5,864	4,895	24	46	28
Belgium ...	6,230	6,188	5,921	61	50	40

APPENDIX No. IX—continued.

	Weight (Met. Tons).			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
<i>Galvanised Corrugated Sheets.</i>						
Total Imports ...	8,874	6,376	4,783	91	62	46
U. KINGDOM ...	5,955	1,676	1,626	63	18	15
U.S.A. ...	861	3,657	2,086	10	35	11
<i>Tinplate.</i>						
Total Imports ...	32,859	29,976	31,810	414	364	418
U. KINGDOM ...	21,480	8,346	5,593	267	110	67
U.S.A. ...	3,149	12,158	10,637	40	143	122
Holland ...	3,471	3,751	6,861	42	44	87
Germany ...	564	4,766	5,758	8	56	80
<i>Tools and Utensils (including Machine Tools).</i>						
Total Imports ...	1,133	1,161	1,261	173	150	132
U. KINGDOM ...	218	257	136	23	23	13
Germany ...	471	421	576	69	59	61
U.S.A. ...	308	322	416	55	47	36
<i>Cutlery.</i>						
Total Imports ...	128	71	192	57	42	60
U. KINGDOM ...	6	4	25	4	2	3
Germany ...	95	52	141	40	31	46
U.S.A. ...	16	9	18	6	3	4
France... ..	8	4	3	5	3	1
<i>Motors, Unenumerated.</i>						
Total Imports ...	174	301	645	18	23	44
U. KINGDOM ...	79	41	50	5	4	2
Germany ...	42	209	523	4	12	30
Sweden ...	16	13	31	2	2	4
U.S.A. ...	7	20	16	1	3	3
<i>Oil and Gasoline Motors.</i>						
Total Imports ...	321	594	1,115	48	83	98
U. KINGDOM ...	26	58	156	4	8	12
Germany ...	115	273	521	15	27	42
U.S.A. ...	76	166	323	13	29	24
Sweden ...	35	51	46	6	9	7
Denmark ...	49	14	34	5	2	3
Switzerland ...	8	6	16	3	1	3
CLASS III.			1935.			
Transport Material and General Machinery.			No. of Locomotives.			
<i>Locomotives.</i>			<i>Met. Tons.</i>			
Total Imports ...	4,129	3,137	40	62	83	172
U. KINGDOM ...	714	877	2	19	37	8
Germany ...	1,186	802	32	10	22	133
U.S.A. ...	279	197	6	21	15	30

APPENDIX No. IX—continued.

	Weight (Met. Tons).			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
<i>Railway Cars and Waggon.</i>			1935.			
	Met. Tons.	Met. Tons.	No. of cars.			
Total Imports ...	60	4,827	1,758	$\frac{1}{2}$	105	300
U. KINGDOM ...	Nil	2,179	470	Nil	62	102
Belgium ...	60	2,647	1,278	$\frac{1}{2}$	41	171
<i>Axles, Wheels, etc. (for railway stock).</i>						
	Met. Tons.	Met. Tons.	Met. Tons.			
Total Imports ...	4,739	4,879	7,728	58	69	101
U. KINGDOM ...	1,454	1,806	1,977	31	36	36
Germany ...	1,253	382	3,291	8	4	30
U.S.A. ...	88	408	583	4	11	12
Belgium ...	1,787	1,599	1,146	14	4	11
<i>Motor Cars (Number of Cars).</i>						
Total Imports ...	5,113	7,766	9,629	467	587	712
U. KINGDOM ...	247	51	20	23	7	2
U.S.A. ...	4,353	7,586	9,047	393	567	634
Germany ...	84	241	442	20	12	37
Italy ...	124	19	24	11	3	3
<i>Motor Trucks. (Number of Trucks.)</i>						
Total Imports ...	3,659	7,407	7,892	309	520	550
U. KINGDOM ...	264	129	107	26	17	13
U.S.A. ...	3,248	7,054	7,564	253	466	467
Germany ...	26	60	172	40	11	32
Sweden ...	Nil	80	95	Nil	16	12
Holland ...	80	76	32	7	6	2
<i>Cycles.</i>						
Total Imports ...	194	339	441	21	29	40
U. KINGDOM ...	47	97	49	5	9	5
Germany ...	44	68	280	6	9	27
Japan ...	52	153	100	3	9	4
<i>Motorcycles.</i>						
Total Imports ...	23	34	53	5	6	10
U. KINGDOM ...	6	1	2	1	—	—
Germany ...	6	8	29	1	2	6
U.S.A. ...	10	24	19	2	5	2
<i>Spinning and Weaving Machinery.</i>						
Total Imports ...	972	2,456	2,016	78	146	161
U. KINGDOM ...	505	1,354	614	32	70	35
Germany ...	194	371	808	19	37	65
France... ..	46	46	137	5	3	10

APPENDIX No. IX—continued.

	Weight (Met. Tons).			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
<i>Spinning and Weaving Machinery, Unenumerated.</i>						
Total Imports ...	975	1,318	1,489	152	167	111
U. KINGDOM ...	657	818	539	93	103	46
Germany ...	117	132	135	31	27	29
U.S.A. ...	9	117	634	2	2	10
France ...	9	38	101	2	5	9
<i>Agricultural Machinery (unspecified).</i>						
Total Imports ...	234	592	703	14	36	36
U. KINGDOM ...	16	16	206	1	1	9
Germany ...	25	26	275	2	2	17
U.S.A. ...	86	536	191	6	31	6
<i>Printing Machines and Attachments.</i>						
Total Imports ...	110	406	382	36	99	56
U. KINGDOM ...	1	21	9	1	3	1
Germany ...	49	103	228	8	15	25
U.S.A. ...	50	217	69	26	71	20
<i>Other Industrial Machinery.</i>						
Total Imports ...	4,113	6,329	12,060	383	461	450
U. KINGDOM ...	1,014	1,709	329	82	93	26
U.S.A. ...	520	1,310	7,398	43	79	152
Germany ...	1,638	1,537	2,439	172	174	151
France... ..	441	654	139	33	44	9
<i>General Machinery and Appliances (unspecified).</i>						
Total Imports ...	5,072	6,806	2,697	605	651	196
U. KINGDOM ...	898	1,523	536	86	110	26
Germany ...	1,901	1,893	983	191	189	82
U.S.A. ...	1,348	2,194	636	173	255	49
<i>Boilers.</i>						
Total Imports ...	532	1,126	1,516	33	48	49
U. KINGDOM ...	292	967	987	22	42	27
Germany ...	137	94	305	6	5	12
CLASS IV. (Copper.)						
<i>Copper Plates and Sheets.</i>						
Total Imports ...	1,534	2,053	9,354	64	77	248
U. KINGDOM ...	852	1,448	775	34	52	21
U.S.A. ...	Nil	Nil	3,581	Nil	Nil	80
Germany ...	415	468	2,555	17	19	79

	Weight (Met. Tons).			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
<i>Copper Ingots, etc.</i>						
Total Imports ...	3,865	4,534	805	119	120	21
U. KINGDOM ...	734	954	61	26	27	2
U.S.A. ...	2,339	1,293	709	67	35	5
Germany ...	175	355	5	6	10	1
<i>Electric Cables and Wires.</i>						
Total Imports ...	612	1,240	977	33	51	45
U. KINGDOM ...	358	968	486	14	26	14
U.S.A. ...	58	71	87	8	9	10
Germany ...	94	76	162	6	5	6
CLASS V. (Chemical Products.)						
<i>Caustic Soda.</i>						
Total Imports ...	23,799	23,470	23,113	330	256	218
U. KINGDOM ...	15,832	15,248	16,103	228	183	160
U.S.A. ...	7,119	8,148	5,678	82	73	45
<i>White Zinc Paints.</i>						
Total Imports ...	3,950	4,174	4,125	67	62	54
U. KINGDOM ...	729	693	182	13	11	3
Belgium ...	1,717	1,463	1,724	29	23	21
Germany ...	389	690	1,365	5	11	17
<i>Water Paints and Paints Prepared.</i>						
Total Imports ...	822	906	765	63	57	51
U. KINGDOM ...	336	286	172	12	10	6
U.S.A. ...	342	537	510	37	38	33
Germany ...	55	32	40	7	4	4
<i>Chemical Fertilisers.</i>						
Total Imports ...	9,721	19,387	20,891	58	86	72
U. KINGDOM ...	3,378	3,299	72	13	14	1
Germany ...	4,637	8,677	13,853	35	43	44
Holland ...	1,334	4,427	4,599	6	17	14
Belgium ...	321	1,857	2,334	2	9	11
<i>Chemical Products (unspecified).</i>						
Total Imports ...	9,166	7,281	7,630	539	457	201
U. KINGDOM ...	2,430	2,105	2,494	67	59	31
Germany ...	1,729	1,929	2,142	119	129	75
U.S.A. ...	580	680	924	59	46	11

APPENDIX No. IX—continued.

	Weight (Met. Tons).			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
CLASS VI. (Electrical Material and Apparatus.)						
<i>Apparatus and Appliances for Electric Light.</i>						
Total Imports ...	1,619	1,851	1,589	318	436	368
U. KINGDOM ...	255	220	172	44	38	25
Belgium ...	81	290	309	42	163	144
U.S.A. ...	503	578	648	113	107	112
Germany ...	422	487	336	68	79	42
<i>Electric Dynamos and Generators.</i>						
Total Imports ...	247	636	2,134	39	80	193
U. KINGDOM ...	43	128	118	8	12	15
Germany ...	66	228	834	10	29	72
U.S.A. ...	61	164	457	11	15	48
<i>Electric Motors.</i>						
Total Imports ...	576	540	721	71	63	74
U. KINGDOM ...	161	132	173	20	15	13
U.S.A. ...	113	103	198	21	15	22
Germany ...	48	88	212	9	14	21
<i>Transformers.</i>						
Total Imports ...	157	395	892	15	30	69
U. KINGDOM ...	28	75	227	2	5	13
Germany ...	45	68	251	5	6	21
U.S.A. ...	15	123	192	2	11	19
CLASS VII. (Fuels, Oils and Cement.)						
<i>Coal.</i>						
	<i>Met. Tons, 1,000.</i>					
Total Imports ...	1,207	1,080	1,315	1,080	846	978
U. KINGDOM ...	785	687	652	714	551	472
Germany ...	353	295	529	314	226	354
U.S.A. ...	68	92	71	61	67	46
Turkey ...	Nil	Nil	61	Nil	Nil	46
<i>Cement.</i>						
	<i>Met. Tons.</i>					
Total Imports ...	113,870	125,702	114,154	174	157	123
U. KINGDOM ...	42,269	42,047	18,656	52	44	17
Germany ...	5,936	11,978	60,578	12	16	63
Belgium ...	13,294	17,255	18,864	19	18	16
Sweden ...	20,581	18,751	2,910	23	22	3

APPENDIX No. IX—continued.

	Weight (Met. Tons).			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
<i>Lubricating Oils.</i>						
Total Imports ...	27,888	31,304	34,550	344	293	322
U. KINGDOM ...	1,576	1,179	1,156	22	18	13
U.S.A. ...	25,210	28,023	30,889	303	259	276
Mexico ...	965	2,051	2,429	9	14	15
<i>Gasolin.</i>						
Total Imports ...	235,872	264,666	276,328	985	886	949
U.S.A. ...	89,388	115,951	129,221	468	469	506
Peru ...	84,169	82,132	67,265	258	213	162
Mexico ...	37,977	43,369	28,427	145	138	88
<i>Kerosene.</i>						
Total Imports ...	81,176	93,369	93,889	549	495	471
U.S.A. ...	52,780	70,350	67,524	394	390	345
Mexico ...	15,313	15,182	16,588	101	85	74
<i>Mineral Fuel Oil.</i>						
Total Imports ...	442,225	451,960	436,712	661	507	477
Neth. W. Indies ...	132,831	326,550	Details	199	351	Details
Mexico ...	96,205	115,225	not	136	127	not
Venezuela ...	201,583	—	available.	278	—	available.
CLASS IX. (Various.)						
<i>Window Glass.</i>						
Total Imports ...	8,326	8,076	9,525	98	92	70
U. KINGDOM ...	1,055	619	345	36	8	4
Belgium ...	5,252	5,049	7,456	58	56	46
Germany ...	1,692	2,293	1,662	21	27	14
<i>Printing Paper.</i>						
Total Imports ...	1,965	1,290	1,201	33	24	20
U. KINGDOM ...	69	77	67	2	3	2
Germany ...	883	365	629	16	6	9
Holland ...	300	375	413	5	8	7
<i>Newsprint.</i>						
Total Imports ...	35,249	40,422	44,816	237	246	263
U. KINGDOM ...	29	657	53	$\frac{1}{2}$	4	$\frac{1}{2}$
Finland ...	14,114	14,823	19,504	84	84	102
Germany ...	3,316	3,442	9,354	27	29	64
Canada ...	Nil	5,931	9,653	Nil	30	46
Norway ...	12,264	9,868	2,064	82	60	11
<i>Rubber Tyres and Inner Tubes (including solid tyres).</i>						
Total Imports ...	5,006	3,388	3,624	490	276	294
U. KINGDOM ...	1,126	775	671	84	53	47
U.S.A. ...	2,870	1,843	1,999	265	132	144
France... ..	84	101	251	10	11	27

	Weight (Met. Tons.)			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
<i>Manufactures of Skins and Leather (unspecified).</i>						
Total Imports ...	92	53	49	58	31	29
U. KINGDOM ...	42	28	23	25	15	13
U.S.A. ...	4	8	5	3	5	3
<i>Hides and Skins.</i>						
Total Imports ...	420	383	371	200	149	154
U. KINGDOM ...	14	38	8	12	13	14
Germany ...	139	108	137	96	78	83
U.S.A. ...	28	21	10	24	19	13
Argentina ...	40	171	176	7	11	9
<i>Photographic Apparatus, Plates, Paper, Films, etc.</i>						
Total Imports ...	386	359	355	121	114	126
U. KINGDOM ...	13	14	10	4	5	3
Germany ...	168	192	174	63	69	68
U.S.A. ...	70	73	88	27	24	34
<i>Cinematograph Films.</i>						
Total Imports ...	28	30	35	80	76	65
U. KINGDOM ...	—	—	1	—	—	6
U.S.A. ...	23	25	28	39	49	33
Germany ...	2	2	4	12	12	13
<i>Radio Apparatus.</i>						
Total Imports ...	431	678	740	125	174	253
U. KINGDOM ...	3	11	23	11	10	16
U.S.A. ...	350	531	479	101	142	148
Holland ...	55	122	181	10	20	62
Germany ...	21	13	36	1	3	13
<i>Sewing Machines.</i>						
Total Imports ...	1,264	1,892	2,580	198	234	323
U. KINGDOM ...	17	14	49	5	3	6
U.S.A. ...	757	1,069	1,053	112	131	127
Germany ...	443	601	859	66	78	100
Canada ...	Nil	198	613	Nil	21	71
<i>Typewriting Machines and Accessories.</i>						
Total Imports ...	129	190	213	85	94	99
U. KINGDOM ...	9	9	10	3	3	4
U.S.A. ...	101	148	130	64	73	61
Germany ...	18	30	55	14	16	25
<i>Dried Codfish.</i>						
Total Imports ...	26,162	18,793	17,158	581	371	295
U. KINGDOM ...	7,774	5,577	3,841	178	120	71
Newfoundland ...	13,218	9,602	10,308	263	170	138
Norway ...	4,752	3,012	1,683	108	70	30

APPENDIX No. X.

BRAZILIAN IMPORTS BY CLASSES OF COMMODITIES IN THE YEARS
1933, 1934 AND 1935.

	Quantity.			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
Live Animals (<i>Heads</i>)	5,942	6,132	28,328	50	33	80
Briquettes, Coal and Coke (<i>Tons</i>)	1,292,020	1,135,219	1,437,327	1,167	904	1,092
Cement	113,870	125,702	114,154	174	157	123
Aniline and Fuchine Dyes	671	631	816	474	373	411
Iron and Steel ..	59,927	73,970	98,566	456	540	702
Petrol	235,872	264,666	276,329	985	886	940
Jute	24,415	21,612	24,349	428	325	382
Kerosene	81,176	93,369	93,889	549	495	471
Wool	1,777	1,478	1,279	454	326	273
Fuel Oil	442,225	451,960	436,712	661	507	477
Wood Pulp for manu- facture of paper ..	66,582	74,191	63,410	407	451	327
Skins and Hides ..	420	383	371	201	149	154
Salt (rock and white),	10,438	10,204	1,943	13	9	2
Silk	937	786	593	662	452	343
Other raw material ..	146,099	139,395	182,507	2,684	2,558	2,788
Cotton (piece goods) ..	794	487	337	313	156	84
Cotton (other manufactures) ..	397	324	425	140	77	86
Motor Cars and Trucks (<i>Number</i>)	8,772	15,173	17,532	776	1,107	1,263
Other Vehicles and Accessories (<i>Tons</i>)	2,542	9,043	28,356	217	324	593
Rubber Manu- factures	5,363	3,668	4,049	572	331	357
Copper and Alloys ..	1,386	2,009	2,167	160	182	212
Iron and Steel Manufactures ..	181,023	223,687	204,437	2,150	2,225	2,371
Wool Manufactures ..	321	292	321	153	125	127
Linen	1,098	738	712	360	211	204
Earthenware, Porce- lain, Glass and Crystal	11,912	11,265	14,412	379	329	396
Machinery, Appara- tus, Utensils and Tools	32,016	40,690	60,481	3,724	4,044	4,926
Paper and manu- factures thereof ..	43,842	47,339	51,621	705	576	636
Chemical Products, Drugs and Phar- maceutical speci- alities	54,688	60,078	69,537	1,517	1,380	1,356

APPENDIX No. X—continued.

	Quantity.			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
Other Manufactured Goods ... (Tons)	15,162	17,607	19,896	1,578	1,249	1,273
Olive Oil ... "	4,851	4,900	4,130	268	259	211
Codfish ... "	26,162	18,793	17,158	581	371	295
Potatoes ... "	11,325	3,414	1,104	60	20	4
Beverages ... "	8,625	7,529	7,350	333	259	204
Wheat Flour ... "	48,605	98,654	45,429	307	507	226
Fruits and Nuts ... "	16,597	17,792	19,282	502	419	396
Wheat ... "	850,056	809,843	881,722	3,318	2,607	3,067
Fodder ... "	93	32	16	1	—	—
Other Foodstuffs ... "	27,829	25,898	27,091	653	544	561
TOTAL (including other goods ...)	3,837,526	3,845,718	4,229,209	28,132	25,467	27,431

NOTE.—These figures are provisional and subject to alteration.

APPENDIX No. XI.

BRAZILIAN IMPORTS BY CLASSES OF COMMODITIES FROM JANUARY
TO JUNE, 1934, 1935 AND 1936.

	Quantities.			Value in (£1,000) Gold.		
	1934.	1935.	1936.	1934.	1935.	1936.
Live Animals (<i>Heads</i>)	791	19,103	11,380	8	56	35
Briquettes (Coal and Coke) (<i>Tons</i>)	613,645	678,380	667,908	489	492	544
Cement	37,328	57,762	46,814	47	57	51
Aniline and Fuchine Dyes	304	414	267	195	212	128
Iron and Steel	30,606	52,175	53,443	228	361	385
Petrol	127,823	142,231	152,367	443	486	533
Jute	8,434	12,605	12,695	128	193	210
Kerosene	44,375	51,865	40,176	235	255	188
Wool	760	715	623	145	150	129
Fuel Oil	228,609	207,214	258,188	256	239	264
Wood Pulp for manu- facture of paper ..	33,889	26,389	35,317	208	139	179
Skins and Hides ..	165	183	150	73	92	62
Salt (rock and white),,	9,012	1,852	2,737	8	2	2
Silk	371	226	277	218	135	166
Other raw materials ..	72,448	84,300	95,621	1,157	1,298	1,363
Cotton (piece goods) ..	140	154	166	30	43	39
Cotton (other manu- factures)	218	211	242	69	44	38
Motor Cars and Trucks (<i>Number</i>)	6,307	10,013	11,112	451	718	802
Other Vehicles (<i>Tons</i>)	2,289	16,266	7,257	124	328	239
Rubber Manufac- tures	1,949	1,714	2,602	167	152	213
Copper and Alloys ..	482	794	1,073	59	91	112
Iron and Steel Manufactures ..	127,031	102,636	94,877	1,143	1,173	1,224
Wool Manufactures ..	132	162	179	66	73	71
Linen	238	274	324	64	72	94
Earthenware, Porce- lain, Glass and Crystal	4,743	7,396	6,474	136	190	171
Machinery, Appara- tus, Utensils and Tools	16,686	23,545	28,762	1,599	2,151	2,284
Paper and manu- factures thereof ..	22,334	24,792	26,733	246	331	307
Chemical Products, Drugs and Phar- maceutical Speci- alities	25,659	30,997	36,903	576	682	570
Other Manufactured Goods	6,962	8,282	10,233	487	571	638

APPENDIX No. XI—*continued.*

	Quantities.			Value in (£1,000) Gold.		
	1934.	1935.	1936.	1934.	1935.	1936.
(Tons)						
Olive Oil	2,724	2,140	2,763	142	108	138
Codfish	10,782	10,412	12,293	206	185	186
Potatoes	1,475	390	11	7	1	—
Beverages	2,648	2,806	2,652	97	85	80
Wheat Flour	52,456	21,382	27,553	257	105	174
Fruits and Nuts	7,769	8,195	7,687	151	147	139
Wheat	380,846	396,921	433,382	1,128	1,297	1,972
Fodder	15	8	15	—	—	—
Other Foodstuffs	11,834	13,918	13,680	246	294	241
TOTAL (including other goods) ...	1,898,430	2,012,069	2,103,506	11,289	13,008	13,971

NOTE.—These figures are provisional and subject to alteration.

APPENDIX No. XII.

BRAZILIAN EXPORTS BY CLASSES OF COMMODITIES IN THE YEARS
1933, 1934 AND 1935.

	Quantity.			Value in (£1,000) Gold.		
	1933.	1934.	1935.	1933.	1934.	1935.
Lard (Tons)	8,755	5,412	13,639	159	83	275
Preserved Meat ..	6,010	7,656	14,222	213	220	334
Frozen and Chilled Meat	44,012	41,707	54,174	643	453	487
Hides	43,045	50,608	49,012	841	941	824
Wool	2,495	2,588	4,898	92	135	232
Skins	5,032	4,007	4,257	555	423	419
Tallow... ..	17	8,593	23,543	—	97	247
Jerked Beef	167	508	498	3	8	7
Other animal products	19,689	25,175	28,537	238	233	238
Manganese Ore ..	24,893	2,300	60,699	14	1	52
Precious Stones ..	—	—	—	2	3	4
Other Mineral Products	25,678	21,837	54,432	549	39	54
Cotton (raw)	11,693	126,548	138,630	369	4,666	5,223
Rice	23,391	33,285	94,642	213	259	499
Sugar	25,470	23,897	85,267	174	148	361
Rubber	9,453	11,150	12,370	263	342	292
Cocoa (raw)	98,687	101,570	111,826	1,340	1,337	1,302
Coffee (1,000 sacks)	15,459	14,147	15,329	26,168	21,541	17,373
Carnauba Wax (Tons)	6,875	6,146	6,607	275	284	305
Bran (all kinds) ..	89,193	71,230	133,368	183	135	230
Manioc Meal	5,482	14,809	19,314	28	53	60
Bananas (1,000 bunches)	8,536	9,012	10,683	325	220	236
Shelled Brazil-nuts (Tons)	4,556	3,841	6,261	129	126	264
Oranges (1,000 boxes)	2,554	2,632	2,640	651	564	478
Other Table Fruit (Tons)	1,884	3,986	7,055	13	29	39
Castor Seed	35,556	42,795	71,572	198	207	363
Cotton Seed	8,884	73,849	109,787	31	191	220
Brazil-nuts (unshelled)	28,695	24,468	27,401	366	254	305
Babassu Nuts ..	623	217	9,966	5	2	71
Oil Producing Seeds (other)	822	1,543	2,798	6	18	24
Tobacco	20,097	31,141	32,963	379	527	518
Herva maté	59,222	64,702	61,500	807	735	543
Timber... ..	101,967	136,188	167,177	286	284	284
Maizo	32	59,897	27,593	—	170	69
Oil Seed Cakes ..	34,911	66,635	100,169	125	179	211
Other Vegetable Products	13,741	22,023	44,667	179	333	479
TOTAL (including other goods) ...	1,910,772	2,184,782	2,761,762	35,790	35,240	33,012

NOTE.—These figures are provisional and subject to alteration.

APPENDIX No. XIII.

BRAZILIAN EXPORTS BY CLASSES OF COMMODITIES FROM JANUARY
TO JUNE, 1934, 1935 AND 1936.

	Quantity.			Value in (£1,000 Gold).		
	1934.	1935.	1936.	1934.	1935.	1936.
Lard (Tons)	435	8,098	5,550	6	150	122
Preserved Meat ..	4,865	8,189	13,189	135	199	294
Frozen and Chilled						
Meat	29,594	32,406	44,744	313	305	449
Hides	26,775	25,897	25,643	478	433	539
Wool	1,555	3,925	5,351	80	190	308
Skins	2,323	1,953	2,336	240	196	247
Tallow	2,417	14,683	4,894	30	150	66
Jerked Beef	253	263	484	4	4	8
Other Animal						
Products	12,242	12,476	16,991	120	125	157
Manganese Ore ..	2,300	12,112	50,748	1	10	40
Precious Stones ..	—	—	—	—	3	3
Other Mineral						
Products	10,034	19,406	69,115	15	26	56
Cotton (raw)... ..	40,137	70,751	73,021	1,218	2,817	2,439
Rice	13,562	27,528	30,635	100	156	145
Sugar	17,350	53,112	86,276	106	240	323
Rubber	5,408	5,801	6,604	163	133	234
Cocoa (raw)	28,212	26,546	29,748	370	347	360
Coffee (1,000 sacks)	7,626	6,889	7,132	11,443	8,348	8,449
Carnauba Wax (Tons)	4,182	4,529	5,028	175	235	446
Bran (all kinds) ..	25,541	59,203	60,087	46	102	103
Manioc Meal	4,754	11,742	5,652	15	38	17
Bananas						
(1,000 bunches)	3,868	4,971	5,497	99	107	103
Shelled Brazil-nuts						
(Tons)	1,489	2,343	1,718	40	81	111
Oranges (1,000 boxes)	896	910	1,062	178	160	180
Other Table Fruits						
(Tons)	2,273	3,486	3,577	13	13	14
Castor Seed	13,558	19,558	43,343	61	93	249
Cotton Seed	19,352	62,087	43,832	54	136	74
Brazil-nuts						
(unshelled)	17,805	18,403	19,555	174	189	269
Babassu Nuts ..	—	3,165	17,940	—	18	153
Other Oil Producing						
Seeds	255	1,504	2,669	2	7	23
Tobacco	14,847	14,689	10,908	248	241	168
Herva maté	28,938	26,215	30,163	325	253	231
Timber	61,190	83,024	88,311	126	153	150
Maize	5	25,673	1,320	—	65	2
Oil Seed Cakes ..	25,156	47,402	64,877	67	100	152
Other Vegetable						
Products	9,251	21,798	28,439	103	229	400
TOTAL (including other goods) ...	975,023	1,250,641	1,467,986	16,548	16,052	17,084

NOTE.—These figures are provisional and subject to alteration.

APPENDIX No. XIV.

BRAZILIAN EXPORTS.

Principal Markets. Values (in £1,000 Gold).

<i>Country.</i>	<i>1933.</i>	<i>1934.</i>	<i>1935.</i>	<i>1936. 1st half.</i>
U.S.A.	16,716	13,801	13,018	6,207
UNITED KINGDOM	2,677	4,263	3,055	2,143
Germany	2,905	4,626	5,451	1,811
France... ..	3,266	2,485	2,673	1,589
Argentina	1,855	1,670	1,619	671
Italy	1,151	1,098	898	615
Belgium	1,008	1,198	1,082	561
Holland	1,642	1,489	1,188	515
Uruguay	1,168	1,055	857	490
Sweden	878	787	631	253

APPENDIX No. XIV A.

BRAZILIAN IMPORTS.

Principal Suppliers. Values (in £1,000 Gold).

<i>Country.</i>	<i>1933.</i>	<i>1934.</i>	<i>1935.</i>	<i>1936. 1st half.</i>
Germany	3,362	3,569	5,608	3,223
U.S.A.	5,958	6,027	6,406	3,217
Argentina	3,567	3,158	3,534	2,301
UNITED KINGDOM	5,469	4,365	3,409	1,491
France... ..	1,435	924	935	451
Belgium	1,492	1,485	1,587	374
Italy	1,132	884	684	297
Dutch West Indies	224	407	440	278
Canada	64	121	219	208
Sweden	291	344	340	197
Holland	1,072	1,031	1,120	184
Portugal	603	459	364	164
British India	209	210	285	148
Japan	154	169	247	143
Mexico	406	374	329	139
Peru	301	233	201	134
Uruguay	104	176	161	131
Switzerland	435	325	234	112
Newfoundland	273	170	166	108
Spain	301	247	224	83
Finland	202	136	175	69
Poland	8	19	129	28

NOTE.—These figures are provisional and subject to alteration.

APPENDIX No. XV.

AGRICULTURAL PRODUCTION IN BRAZIL.

<i>Products.</i>	<i>Unit.</i>	<i>1933.</i>	<i>1934.</i>	<i>1935.</i>
Pineapples ...	Number	—	—	82,000,000
Aguardente ...	Litres	—	—	120,000,000
Alcohol ...	"	—	—	54,307,000
Hay ...	Tons	145,000	140,000	150,000
Cotton (Raw) ...	Kilos	151,253,000	283,950,000	314,000,000
" (Seed) ...	"	352,924,000	662,550,000	732,700,000
Rice ...	60 kilo Bags	19,200,000	20,000,000	20,880,000
Sugar ...	Tons	970,000	960,000	1,080,000
Oats ...	Kilos	13,200,000	13,800,000	13,500,000
Bananas ...	Bunches	76,000,000	80,000,000	81,753,000
Potatoes ...	Tons	385,000	390,000	368,000
Cocoa ...	60 kilo Bags	1,652,747	1,779,740	1,672,000
Coffee ...	" "	29,610,000	14,298,000	17,524,600
Rye ...	Kilos	17,000,000	17,500,000	15,850,000
Barley ...	"	9,500,000	9,450,000	9,700,000
Coconuts ...	Number	127,000,000	125,000,000	123,000,000
Mandioc Flour ...	60 kilo Bags	—	—	18,000,000
Beans ...	" "	12,200,000	12,500,000	12,000,000
Tobacco ...	Kilos	92,000,000	92,000,000	100,000,000
Oranges, Lemons, Tangerines ...	Tons	1,050,000	1,225,000	33,666,000 (Boxes)
Maize ...	60 kilo Bags	100,000,000	100,000,000	94,000,000
Wheat ...	Kilos	150,000,000	145,000,000	148,700,000
Wine ...	Litres	84,000,000	90,000,000	56,500,000
Grapes ...	Kilos	298,230,000	320,000,000	—

NOTE.—All the above figures are estimates only.

APPENDIX No. XVI.

EXPORT PRODUCTS SUBJECT TO OFFICIAL EXCHANGE QUOTAS.

The Federal Council for Foreign Trade approved on the 25th March, 1936, of the following list of export products which continue to be subject to the delivery of quotas at the official rate of exchange :

35% at official rate of exchange.

Lard.

Animal and vegetable manures ; raw cotton, cotton batting, medicinal cotton wool ; rice ; white sugar ; rubber (chicle, coquirana, gutta-percha, mangabeira, maniçoba, massaranduba, seringa (hevea) and sorva) ; coffee, raw ; cocoa, raw ; preserved meat ; tongues, dried and salted ; chilled and frozen beef ; chilled and frozen pork* ; chilled and frozen harlets ; cotton-seed ; Brazil nuts, unshelled ; carnauba wax.

Goldsmiths' dust. (Exportation is regulated by Decree No. 24,193 of 3rd May, 1934 (Art. 15) and subsequent provisions (Circular 103 of the Banking Control Department, and Service Order No. 152-A of the Inspectorate of Customs) which permit the exportation on the undertaking to return to the country the gold refined.)

Diamonds of more than 10 contos in value.

Essences for perfumery.

Wheat Bran ; tobacco, leaf, cut and twist ; herva-maté, crude and prepared ; ipecacuanha.

Jewellery.

Raw wool.

Timber in the log and prepared.

Bones, tallow ; goatskins, sheepskins, deerskins, wild bearskins and skins unspecified.

Piassava.

Native silver ; gold and silver manufactures ; silver-scrap and old silver.

(The exportation of jewellery, native silver, gold and silver manufactures, silver-scrap and old silver is regulated by Decree No. 23,258 of 19th October, 1933, Article 5 of which reads : " Art. 56 of Law No. 4,440 of the 31st December, 1921, which prohibited the exportation of gold, silver and other precious metals, minted, in bars or in manufactured articles, is hereby reinvigorated.

Par. 1.—The same provision is hereby extended to precious metals in the rough or as mined.

Par. 2.—Such exportation shall be dependent upon previous authorization of the Government.")

20% at official rate of exchange.

Castor seed.

Ox hides, salted and dried ; bladders and casings.

Brazil nuts, shelled.

15% at official rate of exchange.

Demerara sugar.

15 Argentine centimes or exact equivalent per bunch.

Bananas.

6 pence or exact equivalent per case.

Citric fruits in general.

All the other export products are free from the provision to sell part of the export bill to the Bank of Brazil at the official rate of exchange.

* Note by Department of Overseas Trade.—On the 13th November, 1936, tinned pork was exempted from the regulations requiring exporters to deliver 35 per cent. of their bills to the Bank of Brazil.

APPENDIX No. XVII.

IMMIGRATION INSTRUCTIONS DATED APRIL 16TH, 1936 (PUBLISHED IN THE "DIARIO OFFICIAL" OF 17/4/36).

The Minister of State for Labour, Industry and Commerce, in view of what was stated by the director general of the National Colonization Department regarding the measures required not only to enforce the restrictions which, under the terms of Art. 121, §§6 and 7, of the Constitution, are placed on the admission of immigrants to national territory, but also for fixing the percentage allotted to the immigration of each country in accordance with the final part of §6 referred to and, consequently, owing to the necessity of establishing rules, even though of a temporary nature, to substantiate such measures until the law is promulgated to regulate the precepts contained in the constitutional text, it has been decided that the following instructions shall be observed until the above mentioned law is enforced:—

Article 1.—In order to determine the quotas for admission of immigrants, as required by Article 121, §6, of the Federal Constitution, these shall be based on the number of immigrants of each nationality admitted into the country during the last 50 years.

- §1.—When dealing with nationalities created in consequence of the Treaty of Versailles celebrated in 1919, the calculation of the respective quota shall be based on the number of immigrants of each nationality admitted by decades, a reduction of 20% being allowed for decades for which statistics do not include immigrants of such nationalities.
- §2.—When dealing with a country which is a dominion, possession or colony of another, the same will be allowed an individual quota as distinct from that of the country to which it belongs.
- §3.—Immigrants without nationality shall be considered as belonging to the country of their last nationality.
- §4.—Brazilians naturalized in other countries shall be subject to the quota.
- §5.—If a woman is not of the same nationality as that of her husband and the respective quota is already complete, the husband's nationality shall prevail if she accompanies him.
- §6.—The minimum quota to be adopted shall be 100 persons of each nationality, which shall include those without nationality.

Article 2.—In computing the quotas, the following shall be excluded:—

- (a) A foreign woman married to a Brazilian.
- (b) Minors of 14 years of age, sons of agricultural immigrants or agricultural labourers or specialists in rural industries.
- (c) Immigrants domiciled in Brazil who absent themselves therefrom for a period of not over one year as from the date of the police visé on leaving national territory, provided they have complied with the formalities referred to in Art. 58 of Decree No. 24,258 of the 16th May, 1934.
- (d) Domestic servants of diplomatic functionaries or agents or consular officials of foreign governments, provided they produce a written declaration from the official in whose service they are employed, taking responsibility for their maintenance so long as they are in Brazilian territory and for their repatriation should they leave his service.
- (e) Tourists or trippers, journalists, sportsmen, chess players and billiard players, provided legal formalities are duly satisfied.
- (f) Lecturers, concert players, theatre and circus performers, boxers, wrestlers, pelota players and conjurers, provided they do not remain in the country longer than the time legally allowed.

APPENDIX No. XVII—*continued.*

- (g) Members of religious orders, missionaries and clergymen, provided they satisfy all legal requirements.
- (h) Foreigners entering the country for purposes of study, teaching, scientific, literary or artistic culture, provided the legal formalities are complied with.
- (i) Foreigners, not immigrants, staying temporarily on a business trip or as representatives of foreign commercial firms provided they comply with the time regulations and other legal formalities.
- (j) Foreigners, not immigrants, in transit, landing but continuing their voyages, within the maximum period of three months, the legal requirements being complied with.
- (k) Foreigners, not immigrants, entering the country in order to invest capital in the terms of Art. 29 of Decree No. 24,215 of the 9th May, 1934.

Article 3.—Within the limits of the quota, and provided no inconvenience is caused to public health or national security, and for the sole purpose of legalizing certain documents, the director general of the National Colonization Department may authorize, exceptionally, the landing of immigrants under Term of Responsibility and Guarantee from responsible persons who undertake to make good within the agreed period the deficiencies found to exist.

§1.—The immigrant allowed to land in accordance with this article shall remain at the Immigrants' Hotel at the Ilha das Flores.

§2.—At the end of the stipulated period, and if the requirements imposed are not satisfied, the immigrant shall be repatriated for account of the deposit made for this purpose by the responsible party.

Article 4.—The National Colonization Department shall see that the admission of immigrants by land, river or air is only permitted at certain points of the frontier where Federal Immigration Inspection offices are installed or inspection posts, obeying all the requirements of the legislation in force.

Article 5.—The provisional quotas for admission of immigrants, by nationalities, shown in the tables shall be in force for the year 1936.

APPENDIX No. XVII--*continued.*ADMISSION OF IMMIGRANTS TO BRAZIL, BY DECADES, FOR THE PERIOD
1886 TO 1935.

<i>Nationality.</i>	<i>1886 to 1895.</i>	<i>1896 to 1905.</i>	<i>1906 to 1915.</i>	<i>1916 to 1925.</i>	<i>1926 to 1935.</i>
British	2,799	1,191	6,998	4,806	5,546
Argentines	1,271	3,104	3,633	3,518	6,891
Austrians	23,415	22,364	23,222	8,910	5,995
Belgians	2,659	181	1,320	928	664
Czecho-Slovakians	—	—	—	2,228	2,417
Danes	718	520	389	545	757
Dutch	982	1,147	3,345	916	1,113
Estonians	—	—	—	1,849	812
French	8,096	2,374	9,226	5,551	5,031
Germans	19,974	6,382	35,392	55,702	38,437
Hungarians	—	—	1,723	2,977	3,440
Italians	610,482	435,785	187,625	88,689	51,121
Japanese	—	—	15,608	25,661	132,729
Letts	—	—	—	42	2,097
Libanese	—	—	—	—	4,433
Lithuanians	—	—	—	2,123	26,211
North Americans	839	3,028	2,613	1,979	2,568
Norwegians	116	102	78	176	122
Poles	572	848	—	6,917	33,921
Portuguese	207,423	141,945	390,226	202,974	206,934
Roumanians	—	—	316	16,229	22,081
Russians	40,189	3,837	50,415	5,813	7,043
Spaniards	125,081	113,890	214,157	87,239	37,740
Swedes	2,445	82	1,703	240	313
Swiss	1,386	659	1,953	2,954	2,245
Syrians	289	406	4,472	2,486	12,587
Turks	149	8,919	43,604	21,509	4,996
Uruguayans	568	2,077	1,235	1,597	2,570
Yugoslavs	—	—	—	15,081	7,587
Totals for above nationalities	1,049,453	748,841	999,233	569,139	628,401
Totals for nationalities of 37 other countries	13,041	16,722	25,270	22,920	45,476
GRAND TOTALS	1,062,494	765,563	1,024,503	592,059	673,877

Total Registered Immigration 1886 to 1935 inclusive : 4,118,496.

APPENDIX No. XVIII.

RAILWAY LINES IN BRAZIL (31ST DECEMBER, 1935).

<i>Operating Authority.</i>	<i>No.</i>	<i>Name.</i>	<i>Extension in Metres.</i>
F	1	E. F. Madeira-Mamoré	366,485
S	2	E. F. Tocantins	82,430
S	3	E. F. Bragança	291,870
F	4	E. F. São Luiz a Therezina	450,652
F	5	E. F. Central do Piauí	147,578
F	6	Rêde de Viação Cearense	1,368,305
F	7	E. F. Mossoró	121,173
F	8	E. F. Central do Rio Grande do Norte	221,120
F	9	E. F. Petrolina a Therezina	164,360
C	10	Great Western of Brazil Ry. Co. Ltd.	1,741,537
F	11	Cia. Ferroviária Este Brasileiro	2,335,000
C	12	E. F. Nazareth e ramal de Amargosa	286,513
C	13	E. F. Santo Amaro	90,020
C	14	E. F. Ilheus a Conquista	125,165
C	15	E. F. Victoria a Minas	561,594
C	16	E. F. Itapemirim	52,740
C	17	E. F. do Litoral... ..	13,605
C	18	E. F. São Matheus	63,000
C	19	E. F. Benevente e Alfredo Chaves	35,710
C	20	E. F. Corcovado	3,775
F	21	E. F. Maricá	130,472
C	22	Leopoldina Railway Co. Ltd.	3,086,388
F	23	E. F. Central do Brasil	3,150,401
S	24	Rêde Mincira de Viação*	3,781,746
C	25	E. F. Morro Velho	8,000
F	26	E. F. Goyaz	438,429
C	27	Cia. Mogyana de Estradas de Ferro	1,958,312
C	28	São Paulo Railway Co. Ltd.	247,314
C	29	Cia. Paulista de Estradas de Ferro	1,497,174
S	30	E. F. Sorocabana	2,091,811
F	31	E. F. Noroeste do Brasil	1,366,576
C	32	E. F. Dourado	273,368
F	33	E. F. São Paulo-Goyaz	148,882
C	34	Cia. Estrada de Ferro Morro Agudo	40,900
C	35	E. F. São Paulo-Minas... ..	180,320
C	36	E. F. São Paulo-Paraná	184,999
C	37	Cia. E. F. Barra Bonita	18,100
C	38	E. F. Itatibense... ..	20,120
S	39	E. F. Norte de São Paulo (Araraquara)	300,347
C	40	Ramal Ferreo Campineiro	39,553
C	41	Tramway da Cantareira	38,217
C	42	E. F. Campos do Jordão	46,670
C	43	Cia. Melhoramentos de Monte Alto	31,350
C	44	E. F. Jaboaticabal	25,155
C	45	E. F. Perús-Pirapóra	16,000
C	46	E. F. Fazenda Dumont	23,442

* Including the "Machadense," "Trespontana" and the "São Gonçalo" branch.

APPENDIX No. XVIII—*continued.*

<i>Operating Authority.</i>	<i>No.</i>	<i>Name.</i>	<i>Extension in Metres.</i>
F	47	E. F. São Paulo-Rio Grande	2,006,239
F	48	E. F. Norte do Pará	43,300
C	49	E. F. D. Thereza Christina e ramaes ...	243,858
S	50	E. F. Santa Catharina	107,300
C	51	E. F. Matte-Laranjeira	68,000
S	52	Viação Ferrea do Rio Grande do Sul*	3,024,059
S	53	E. F. Porto Alegre a Tristeza	13,770
C	54	E. F. Jacuhy	57,414
S	55	E. F. Palmares-Conceição do Arroio ...	55,220
		TOTAL	33,286,378

* The "Brazil Great Southern" now forms part of the Viação Ferrea do Rio Grande do Sul.

Operating Authorities.—F. Federal Government.
S. State Government.
C. Concessionaire.

APPENDIX No. XIX.

PRINCIPAL AIR SERVICES IN BRAZIL.

<i>Companies.</i>	<i>Frequency.</i>
<i>Air France.</i> (Mails only.) From Europe (Paris-Toulouse) to West Africa, Natal, Maceió, Bahia, Rio de Janeiro, Florianopolis, Porto Alegre, Pelotas, Rio Grande, Uruguay, Argentine and Chile.	Weekly in both directions.
<i>Deutsche Zeppelin Reederei G.m.b.H.</i> (Passengers and cargo.) Airships from Europe (Frankfort/Frederichshafen) to Recife and Rio de Janeiro.	Fortnightly in both directions.
<i>Deutsche Lufthansa A.-G.</i> (Mails.) Europe (Berlin-Stuttgart) to Las Palmas, Bathurst, Natal.	Weekly in both directions.
<i>Syndicato Condor Limitada.</i> (Passengers and mails.) Natal/Recife to Bahia, Rio de Janeiro, Santos, Florianopolis, Porto Alegre, Uruguay, Argentine and Chile. (Operated in connection with air services from Europe.)	Weekly in both directions.
From Belém to Porto Alegre via São Luiz, Parnahyba, Fortaleza, Aracajú, Natal, Recife, Maceió, Bahia, Ilhéos, Belmonte, Victoria, Rio de Janeiro, Santos and Florianopolis.	Weekly in both directions.
São Paulo to Cuyabá via Tres Lagôas, Campo Grando, Aquidanaana and Corumbá.	Weekly in both directions.
Passengers for Bolivia proceed from Corumbá to La Paz, via Cochahamba and Oruro by planes of the Lloyd Aereo Boliviano.	Weekly in both directions.
Rio de Janeiro to Porto Alegre via Santos and Florianopolis.	Weekly in both directions.
<i>Pan Air do Brazil S.A. and Pan American Airways Inc.</i> (Passengers and mails.)	
From U.S.A. to Belém, São Luiz, Camocim, Fortaleza, Natal, Recife, Maceió, Aracajú, Bahia, Caravellas, Victoria and Rio de Janeiro.	Weekly in both directions.
From U.S.A. to Belém, São Luiz, Camocim, Recife, Bahia, Victoria, Rio de Janeiro, Santos, Porto Alegre, Uruguay, Montevideo and Argentine.	Weekly in both directions.
From Belém to Porto Alegre via a number of Brazilian ports.	Weekly in both directions.
From Fortaleza to Rio de Janeiro via a number of Brazilian ports.	Ditto.
From Manaus to Belém.	Ditto.

APPENDIX No. XIX—*continued.**Companies.*

Viação Aérea São Paulo ("Vasp"). (Passengers and mails.)
 São Paulo to Rio Preto (temporarily suspended).

Frequency.

Twice weekly
 in both
 directions.

São Paulo to Uberaba.

Ditto.

São Paulo to Rio de Janeiro.

Twice in each direction
 from Monday to Fri-
 day; once in both
 directions on Satur-
 days and no departures
 on Sundays.

Viação Aérea Rio Grandense ("Varig"). (Passengers and
 mails.)
 Porto Alegre to Pelotas

Twice weekly
 in both
 directions.

Porto Alegre to Livramento.

Ditto.

Porto Alegre to Pacheca and Pelotas.

Once a week
 in both
 directions.

APPENDIX No. XXI.

RETURN OF BRITISH SHIPPING WHICH ENTERED AND CLEARED IN THE FOREIGN TRADE OF THE PORT OF RIO DE JANEIRO DURING THE YEAR 1935.
(a) Steam Vessels.

Countries whence entered.	Entered.						Cleared.					
	With Cargoes.		In Ballast.		Total.		With Cargoes.		In Ballast.		Total.	
	No. of Vessels.	Net Tonnage.	No. of vessels.	Net Tonnage.	No. of Vessels.	Net Tonnage.	No. of Vessels.	Net Tonnage.	No. of Vessels.	Net Tonnage.	No. of Vessels.	Net Tonnage.
United Kingdom	120	667,830	—	—	120	667,830	70	470,736	—	45,400	77	516,136
Irish Free State	—	—	—	—	—	—	—	—	—	—	—	—
Other countries, viz. :—	6	19,881	1	12,776	7	32,657	5	15,021	—	—	5	15,021
U.S.A. ...	3	16,024	—	—	3	16,024	—	—	—	—	5	15,961
Mexico ...	8	23,313	—	—	8	23,313	—	—	—	—	5	15,961
Holland ...	1	8,835	—	—	1	8,835	—	—	—	—	1	3,616
Dutch W. Indies	4	14,271	—	—	4	14,271	—	—	—	—	1	3,610
British Possns.	2	6,387	—	—	2	6,387	—	—	—	—	1	3,245
Germany ...	3	14,263	66	461,257	69	475,520	—	—	—	—	1	651
Brazil ...	1	5,401	—	—	1	5,401	—	—	—	—	1	651
Uruguay ...	—	—	15	58,303	15	58,303	—	—	—	—	48	146,222
Argentina ...	—	—	1	651	1	651	—	—	—	—	93	607,435
Sierra Leone ...	—	—	—	—	—	—	—	—	—	—	—	—
TOTALS ...	148	776,205	83	532,987	231	1,309,192	75	465,757	157	826,140	232	1,311,897

(b) Motor Vessels.

United Kingdom	35	243,340	—	35	243,340	United Kingdom	33	283,535	—	33	283,535
Brazil ...	—	—	39	321,377	39	321,377	Irish Free State	—	—	—	—
Other countries, viz. :—	—	—	—	—	6	36,952	Other countries, viz. :—	—	—	—	—
U.S.A.	6	36,952	—	—	1	4,843	U.S.A.	6	32,996	6	32,996
Dutch West Ind.	1	4,843	—	—	1	3,117	Argentina	—	—	1	3,117
India ...	1	3,117	—	—	1	4,120	Brazil ...	—	—	43	295,880
Italy ...	1	4,120	—	—	1	4,484		—	—	44	298,997
Uruguay ...	—	—	1	4,484	84	618,233		—	—	83	615,528
TOTALS ...	44	292,372	40	325,861	84	618,233	TOTALS	39	316,531	44	298,997

APPENDIX No. XXII.

RÉSUMÉ OF SHIPPING MOVEMENT, 1934 AND 1935. ARRIVAL AND DEPARTURES
OF STEAM AND SAILING SHIPS.*Port of Santos.*

Arrivals. Nationalities.	Number.		Tonnage.	
	1934.	1935.	1934.	1935.
Brazilian	1,281	1,257	2,030,559	1,951,128
German	174	165	1,081,431	1,023,539
Danish	37	58	104,803	164,412
French	93	113	518,296	639,333
Spanish	36	39	267,589	274,224
Dutch	94	94	377,303	338,497
United Kingdom	447	466	2,797,872	2,821,997
Italian	117	100	1,073,247	916,927
Japanese	36	37	178,584	195,010
U.S.A.	225	234	1,006,916	1,042,091
Norwegian	121	166	335,537	488,365
Swedish	66	80	136,163	184,489
Diverse	137	154	360,432	423,043
TOTALS	2,864	2,963	10,277,732	10,464,255
Departures Nationalities.				
Brazilian	1,277	1,251	2,023,980	1,936,690
German	173	165	1,077,738	1,025,987
Danish	37	58	104,803	164,410
French	93	113	518,296	639,333
Spanish	36	38	267,589	259,838
Dutch	95	92	380,631	333,147
United Kingdom	445	467	2,791,165	2,813,051
Italian	116	101	1,070,863	919,281
Japanese	36	37	178,584	195,010
U.S.A.	225	232	1,006,916	1,029,644
Norwegian	120	164	333,391	484,070
Swedish	66	78	136,163	179,392
Diverse	140	155	377,297	428,699
TOTALS	2,859	2,951	10,267,416	10,408,552

APPENDIX No. XXIII.

PAYMENT FOR IMPORTS INTO BRAZIL OF GOODS ORIGINATING FROM COUNTRIES HAVING BLOCKED CURRENCY.

The following are translations of circular letters issued by the Banking Control Department of the Bank of Brazil to banks and banking houses in the country:—

Circular letter No. 88 of the 4th August, 1936.

"We request you to advise those interested, who are importers of merchandise originating from countries the currency of which is blocked, controlled or not arbitrable, that this Banking Control Authority does not permit the liquidation in milreis of bills and other debits corresponding to such merchandise, which debits must be liquidated in their respective currencies."

Circular letter No. 89 of the 18th August, 1936.

"*Importation.*—The present is to advise that we have resolved to establish the following clauses in authorising sales of exchange destined for the payment of goods originating from countries using blocked currencies:—

(a) Although the creditor may be resident in a country of free currency, cover will be furnished in blocked currency;

(b) cover will be authorised separately, in free and blocked currencies, in cases where one single bill of exchange covers goods of various origins;

(c) bill collections and other forms of payment for account of creditors domiciled in blocked currency countries, may only be liquidated in the currencies corresponding to these countries, whatever the origin of the respective goods (with the exception, however, of payments relative to goods imported from Germany, but which are of different origin)."

Circular letter No. 94 of the 9th November, 1936.

"*Private Compensation Transactions.*—To avoid wrong interpretations of the exchange regime in force, we hereby confirm that private compensation transactions are not permitted to be done; the practice of this being an infraction of the regulations.

"Simultaneous operations of buying and selling exchange are therefore prohibited, when carried out in liquidation of imports and exports."

It is understood that the Bank of Brazil allows any import and export house to run a compensation account both in Brazil and at its own foreign branch, provided that any currencies are not disposed of to another firm in either country. The Bank of Brazil still reserves to itself the right to obtain delivery of the quota of 35 per cent. of any foreign bills resulting from the export of Brazilian produce by any firm authorised to run a compensation account of this type.

The following is a list of the reports by H.M. Trade Commissioners, Commercial, Diplomatic and Consular Officers on the commercial, industrial and financial conditions in the undermentioned countries, published for the Department of Overseas Trade by His Majesty's Stationery Office during recent years, and in the case of the current year either issued or under contemplation at the time of the publication of this report.

A.—1935.

No.		No.	
616	Algeria, Tunisia and Tripolitania	598	Honduras ...
	3s. 0d. (3s. 2d.)	622	Iran ...
625	Austria ...	603	Latvia ...
	2s. 6d. (2s. 8d.)	618	Newfoundland ...
602	British Malaya ...	596	Nicaragua... ..
	2s. 0d. (2s. 2d.)	620	Palestine ...
594	British W. Indies... ..	601	Persian Gulf ...
	4s. 0d. (4s. 2d.)	611	Philippine Islands
595	Bulgaria ...		9d. (10d.)
	2s. 6d. (2s. 8d.)	624	Port E. Africa ...
623	China ...	607	Siam ...
	3s. 0d. (3s. 2d.)	606	Spain ...
614	Cuba ...	605	Sweden ...
	1s. 6d. (1s. 7d.)	610	Venezuela ...
615	Cyprus, Malta and Gibraltar ...		1s. 6d. (1s. 7d.)
	2s. 6d. (2s. 8d.)		
612	Czechoslovakia ...		
	2s. 0d. (2s. 2d.)		
599	Ecuador ...		
	1s. 6d. (1s. 7d.)		
621	Egypt ...		
	3s. 0d. (3s. 2d.)		

B.—1936.

No.		No.	
639	Argentine Rep. ...	647	Netherlands ...
	1s. 6d. (1s. 8d.)	637	Neth. E. Indies ...
656	Belgium ...		2s. 0d. (2s. 2d.)
	2s. 0d. (2s. 2d.)	651	New Zealand ...
648	Brit. E. Africa ...		2s. 0d. (2s. 2d.)
	1s. 6d. (1s. 7d.)	657	Norway ...
655	Canada ...		2s. 0d. (2s. 2d.)
	3s. 6d. (3s. 9d.)	645	Panama and Costa Rica ...
646	Chile ...		1s. 0d. (1s. 1d.)
	1s. 6d. (1s. 8d.)	643	Poland ...
654	Denmark ...		1s. 0d. (1s. 1d.)
	1s. 6d. (1s. 8d.)	652	Portugal ...
638	Dominican Repub. and Hayti ...		1s. 6d. (1s. 8d.)
	1s. 3d. (1s. 4d.)	644	Roumania... ..
636	Estonia ...		1s. 3d. (1s. 4d.)
	9d. (10d.)	631	Salvador ...
635	Finland ...		6d. (7d.)
	1s. 3d. (1s. 5d.)	633	South Africa ...
641	Germany ...		1s. 3d. (1s. 5d.)
	5s. 0d. (5s. 5d.)	634	S. and N. Rhodesia and Nyasaland... ..
629	Hungary ...		1s. 3d. (1s. 5d.)
	1s. 0d. (1s. 1d.)	640	Switzerland ...
658	India ...		1s. 3d. (1s. 5d.)
	3s. 6d. (3s. 9d.)	650	Syria ...
627	Iraq ...		9d. (10d.)
	1s. 0d. (1s. 1d.)	628	Uruguay ...
653	Japan ...		9d. (10d.)
	2s. 6d. (2s. 8d.)	649	Yugoslavia ...
632	Lithuania ...		1s. 0d. (1s. 1d.)
	9d. (10d.)		
642	Mexico ...		
	1s. 0d. (1s. 1d.)		

C.—1937 (Partial List).

No.		No.	
659	Australia ...	—	Paraguay ...
	3s. 0d. (3s. 3d.)		(In preparation)
660	Brazil ...	—	Turkey ...
	(See cover)		(In preparation)
—	French W. Africa... ..	—	U.S.A. ...
	(In preparation)		(In preparation)

A substantial reduction has been made in the annual subscription, which now stands at the low figure of £2, for this series of reports. This subscription entitles subscribers to receive, post free, all reports published during any one year.

(The above publications can be obtained from the addresses given on the title page of this report. All prices are net, and those in parenthesis include postage.)

THE BOARD of TRADE JOURNAL

A weekly commercial newspaper published by the Board of Trade for the furtherance of British trade and commerce. The journal regularly prints news of world-wide

*COMMERCIAL TREATIES
CUSTOMS REGULATIONS
EXHIBITIONS AND FAIRS
OPENINGS FOR TRADE
TARIFFS*

Information on these subjects is regularly supplied by the world-wide organisation of the British Consular and Commercial Diplomatic Service.

Other regular features include statistical tables analysed to show the trends of production, trade and commerce.

Special sections of industry and commerce are regularly the subject of up-to-date informative articles, and valuable special supplements (such as those containing the preliminary analysis of the Census of Production) are supplied free to subscribers.

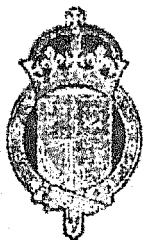
weekly 6d. net

Annual Subscription 30s. net. Specimen number free

H.M. STATIONERY OFFICE

LONDON, W.C.2: Adastral House, Kingsway
EDINBURGH 2: 120 George Street
CARDIFF: 1 St. Andrew's Crescent
MANCHESTER 1: 26 York Street
BELFAST: 80 Chichester Street

or through any bookseller



A GOVERNMENT SERVICE for BUSINESS MEN

ANNUAL STATEMENT OF THE TRADE OF THE UNITED KINGDOM. This work, appearing in four volumes, contains the final figures for each year's trade analysed in considerable detail with comparative figures for the previous four years. The division is as follows:

Vol. I.—Summary of imports and exports.

Vol. II.—Detailed Statements of imports; exports of imported merchandise, bullion and coin and free goods in transit.

Vol. III.—Detailed Statements shewing exports of produce and manufactures of the United Kingdom.

Vol. IV.—Detailed Statement of the trade at each port or place, etc.

Prices for the volumes relating to the year 1934: Vol. I, 12s. 6d. (13s.); Vol. II, 35s. (35s. 8d.); Vol. III, 22s. 6d. (23s.); Vol. IV, 25s. (25s. 7d.); post free prices in brackets.

ACCOUNTS RELATING TO TRADE AND NAVIGATION. These monthly returns give the volume and value of imports and exports for the current month with aggregate figures for the previous months of the year. Similar totals for the corresponding periods in the previous two years are given for purposes of comparison. Summary tables of imports and exports preface the figures analysed in more detail. In the return for December, preliminary figures are given for the past year.

Annual subscription, £2 17s. od. post free.

OVERSEAS TRADE REPORTS. A concise and informative account of the commercial and economic conditions prevailing in the principal countries throughout the world is presented in the series of reports by H.M. Trade Commissioners and Commercial, Diplomatic and Consular Officers.

Some 30 reports on different countries are published each year.

Reports on individual countries may be obtained separately at various prices.

Annual subscription, £2 post free.

MINISTRY OF LABOUR GAZETTE. An invaluable monthly news service on very many aspects of industrial labour and employment including employment and unemployment, wages and hours, cost of living, strikes and lock-outs, legal cases, building plans approved, industrial diseases, poor relief, etc.

Price 6d. per copy. Annual subscription, 7s. post free.

STATISTICAL SUMMARY OF FOREIGN TRADE. The Board of Trade collects from the statistical publications of other countries statistics relating to their import and export trade, and publishes them quarterly under the title: "ACCOUNTS RELATING TO THE TRADE AND COMMERCE OF CERTAIN FOREIGN COUNTRIES AND BRITISH COUNTRIES OVERSEAS."

Annual subscription, 4s. 6d. post free.

His Majesty's Stationery Office

London, W.C.2: Adastral House, Kingsway.

Edinburgh, 2: 120 George Street

Manchester, 1: 26 York Street

Cardiff: 1 St. Andrew's Crescent

Belfast: 80 Chichester Street

or through any bookseller