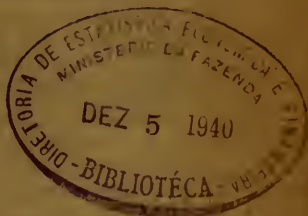


DEPARTMENT OF OVERSEAS TRADE

# Economic Conditions in BRAZIL

December, 1931



REPORT

BY

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TOGETHER WITH

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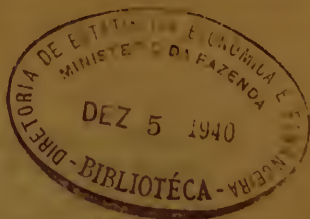
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## REPORT on ECONOMIC CONDITIONS in BRAZIL.

*December, 1931.*

### I. GENERAL SURVEY.

Because of her relative self-sufficiency, and true to her reputation for economic individuality, Brazil's resistance to the successive financial and commercial disasters of the past eighteen months has been surprisingly stubborn. It is true that coffee prices have declined gradually during the year, even from the low level of 1930, and that the problem of the coffee stocks remains unsolved, though practical measures—including the destruction of accumulations—are being applied to prepare the way to unrestricted trading. It is also true that the service of a considerable part of the foreign States and Federal debt has been suspended. On the other hand low exchange has stimulated exports of almost all commodities, including coffee; and by the reduction of imports to a minimum, has stabilised and increased the balance in favour of the former by a notable margin—the effect of which equalises somewhat the international payments position.

In consequence of the Brazilian practice of collecting customs duties in gold, the decline in exchange reacted favourably upon almost all branches of national industry, which have enjoyed a comparatively good year. The spread of unemployment, which threatened to be serious last autumn, has thus been checked.

Popular discontent resulting from a general increase in the cost of living, which is an almost invariable feature of drastic exchange weakness, has not been severely felt up to the present; fortunately for the Brazilian people world-commodity prices fell hardly less than coffee prices and the exchange; necessary imports therefore cost less, and prices have been maintained at reasonable levels. Failing this the cost of bread, for example, must have risen considerably, causing hardship and breeding discontent.

In spite of the economic crisis and trade depression, no serious political upheaval has taken place. Several local uprisings have indeed occurred, but in each case peace was restored by conciliatory action. The provisional administration is liberal and

temperate, and there is no reason to suppose that serious dissatisfaction exists in the country. Drastic economies have been effected in the Government administration, both by reform and centralisation of expenditure control.

Finally, the basis of a sound programme of reconstruction has been drawn up by Sir Otto Niemeyer, whose report has been adopted, and in spite of opposition, has already been partly carried into effect.

During the year a volume of new legislation affecting commerce directly or indirectly has been enacted by executive decrees. A number of these have been experimental—notably the measures directly designed to safeguard or stimulate the utilisation of national materials or labour—and, while possibly desirable in an emergency, seem likely to produce unsatisfactory results in the long run, particularly those for the compulsory acquisition of a percentage of national coal and alcohol in conjunction with imports of these products. Other measures—for example the abolition of interstate taxation—are certain to have excellent results as permanent measures of reform. The promise of legislation designed to modernise and simplify the tariff law seems likely to be fulfilled in the near future, but there is little sign of any tendency to reduce tariff rates.

In some important items, chiefly in textiles, drastic increases have been decreed in the tariff rates, though it is difficult to believe that with the state of the exchange there could have been any appreciable volume of imports.

**Commercial History of the Year.**—The fact of Brazil's relative prosperity during a period of unprecedented world depression indicates that there is a solid basis for reconstruction upon the existing foundation. The recommendations of the Niemeyer report provide a simple and practical programme for this purpose.

When the year began the 1930 moratorium for foreign exchange obligations was still in effect and the exchange had declined to  $4\frac{1}{4}d.$  from the official rate of  $5\frac{1}{4}d.$  In January the Bank of Brazil obtained in London a credit of £6½ millions, with which to meet pressing necessities, and provision was made for the immediately maturing payments of the Government debts. The exchange continued to decline steadily during the half year; in March rates below  $4d.$  were quoted and in May  $3\frac{1}{2}d.$  was reached; for ten weeks the rate recovered slightly, but remained unstable between  $3\frac{1}{2}d.$  and  $3\frac{3}{4}d.$ ; during the last week in July



further weakness developed and by the middle of August  $3\frac{1}{2}d.$  was generally quoted for buying. At this time foreign exchange became so scarce that a complete collapse was feared and an artificial rate of  $3\frac{3}{8}d.$  was fixed by the authorities, at which business steadily diminished until a crisis was reached on the 21st of September; thereafter nominal rates were quoted until the Bank of Brazil's monopoly of exchange business was decreed on 30th September, at a fixed rate of about  $4d.$

At this point it is convenient to consider the course of foreign trade and coffee prices during the first nine months of the year; i.e., during the period of open trading—if the term may be applied in view of the exchange regulations which existed and in view of certain influences in the coffee market which will be mentioned later.

For the first quarter of the year Brazilian export trade declined in value from £21 millions (first quarter 1930) to £13 millions and import trade from £16 millions to £9 millions. Receipts from coffee, the principal crop, were £4 million less than during the 1930 period in which the movement in bags was less by 600,000 bags. In early January Santos' sevens were quoted at almost  $7\frac{3}{4}$  cents per lb.; on the 28th of March the quotation was  $6\frac{3}{4}$  cents per lb.

By the end of the half year the value of the export trade had fallen from £38 million (1930) to £27 million (1931) and imports from £30 million to £16 million. During this period, in spite of an increase in shipments of 2 million bags, the net return was £5 million less than in the first half of 1930. Meanwhile coffee prices rallied temporarily, but by the middle of September a price of 5 cents per lb. had been reached.

These figures explain the dilemma into which the country was drifting. The reduction in the prices obtained abroad for coffee resulted in a diminution in the total value of coffee bills coming into the market. This process was doubtless accelerated by other influences which reacted to keep coffee bills out of the market, notably the exchange restrictions, and the growing practice of barter transactions and shipments of coffee to cover payments falling due in foreign currencies.

During the year there was no increase in the note circulation—on the contrary, a steady decline occurred and the total active circulation in May was less than in January, 1931, or January, 1930. Judging from the figures, which are not in this respect comprehensive, a decline in the cost of living also took place during the year 1930 and it is very doubtful whether any increase of importance resulted from the exchange decline in 1931.

Looking back upon the events of the year it is easy to see that in January, or at the latest in March, a determined attempt should have been made to break out of the vicious circle into which the finances of the Republic had drifted. This might have been done for example by adopting a scheme to maintain the price of coffee in spite of the fall in exchange by imposing a heavy tax—for example 40s. per bag. Such a plan was considered, and a tax of 10s. was actually imposed. Furthermore, a very considerable degree of relief from the exchange strain might have been obtained by declaring a moratorium of foreign debt payments early in the year, for, after the exhaustion of the gold supplies in December, 1930, the Governments—Federal, State and Municipal—were heavy buyers in the exchange market. If it had been possible for Brazilian financiers to foresee the deepening shadows on the international financial horizon, these measures would have probably been adopted as a matter of general agreement. At the beginning of the year it seemed incredible that from the gold stocks in the lending markets sufficient should not have become available within a few months for a loan to carry the exchange back to 6*d.* and to afford the authorities a respite in which to grapple with the coffee problem. Sustained by such hopes, and determined to maintain the good name of the country unimpaired, the Government went into the market month after month and poured out ever increasing quantities of milreis to purchase exchange from the ever diminishing supply of cover in an effort to meet the debt instalments at due date.

Disastrously for Brazil the situation overseas proceeded from bad to worse, and the possibility of a foreign loan became remote and has now disappeared into the most indefinite future; it may now be left out of the calculations for the purpose of an early estimate.

In the meanwhile the process of mutual reaction of foreign exchange upon coffee returns proceeded until quotations for exchange entirely failed, owing to the fact that further supplies of cover were not available at any price.

In early September, when the position became extremely difficult, the Government suspended the amortisation of the foreign debts and, when this produced no noticeable respite, interest payments were suspended; at the same time the Bank of Brazil was given the exclusive right to purchase export bills with the object of husbanding the exchange resources required to meet essential payments, including the import of raw materials and other necessary purchases abroad.

Finally, in the second week of October, it was found necessary to declare an official 60 days moratorium for all commercial obligations maturing in foreign exchange until the 31st of December. This moratorium, unlike those which were decreed after the revolution, was wisely made contingent upon the deposit in currency of

the amount of the debt at the official rate of 47\$000 to the £1. It is thus optional on the drawee. At the beginning of December it was unofficially announced that the moratorium would not be extended after the end of the year.

In the case of the suspended debts of the Federal Government an arrangement was made to deposit payment in milreis with the Bank of Brazil at the rate of 6*d.* per milreis. Meanwhile negotiations are proceeding between the Government and its Bankers for a third Brazilian Funding Loan.†

**The Niemeyer Mission and Report.**—An exact and comprehensive impression of the economic and financial position of Brazil in the first half of 1931 can best be obtained by a careful study of the Niemeyer Report presented to the Government at the end of last July; this report, which has been published in full in the original English text and also in Portuguese, contains the result of six months of close study of the Republic's financial system and situation from every point of view, undertaken in close collaboration with responsible Brazilian officials and bankers. To the report is annexed a draft of the statutes for a Central Reserve Bank, the establishment of which constitutes the most notable recommendation submitted by Sir Otto Niemeyer as an immediate and urgent provision. Eight other appendices were also included, dealing with the following subjects in statistical form:—Public debts, the Federal Budgets for 1929-1930, the estimates for 1931 and the revised Budget of 1931 (May), the Foreign Trade of Brazil 1926-1931, and security prices.

The Mission was asked to study the position and advise upon the financial reforms necessary "to secure the maintenance of budget equilibrium, the stabilisation of exchange and monetary reform; the reconstruction of the Bank of Brazil as an orthodox Central Bank upon independent lines; and the limitation of direct and indirect foreign borrowing by the Federal Government or the States."

The report opens with a searching account of the outcome of the budget of 1930 and the prospect for 1931 and a recommendation for a normalised budget. In this connection special attention is given to the subject of the perennially unprofitable Government undertakings, namely, the posts and telegraphs and the railways. With regard to the former it is pointed out that during the past few years there has been an average deficit of 16,000 contos for posts and 24,000 contos for telegraphs, making no allowance for certain fixed charges, depreciation or interest on capital. The position is similar with the railways which, making no allowance for interest, depreciation and inspectorate, &c., show heavy losses each year. In both cases there is clearly shown to be vast scope for reform and reorganisation, preferably along the lines of giving

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† Details of this Funding Loan have since been published.

the services concerned an independent autonomous administration with full powers and free from political control. The recommendation of the Montagu Mission with regard to the Lloyd-Brasileiro (the Government-owned and heavily subsidised steamship company), that the Government should "divest itself of participation in commercial undertakings" is repeated.

The report proceeds to examine the state budgets, particularly that of São Paulo—almost all of which have shown substantial deficits of recent years and have complicated the national budgetary position by their demands upon the Federal exchequer. The necessity of balancing their budgets without recourse to the Federal Government is plainly pointed out.

On the question of taxation the report shows first that, with a *per capita* rate of about £1—or about 19 per cent. of the national income, Brazil is not heavily taxed compared with most other countries, and secondly that over 80 per cent. of the Federal revenue is derived from indirect imposts. The percentage is even larger in the case of the states, which raise little or no revenue from death duties—the main instrument of direct taxation assigned to them by the Constitution. The estimated yield from Federal Income Tax for 1931 is less than £2,000,000 and the burden of the tax upon individuals is only 1·2 per cent. of the assessable income. The deleterious effect of export and interstate taxes is shown and the recommendation is made that the customs duties, "which lay a heavy and unequal burden upon the community, should be reduced at the earliest moment that the general financial conditions permit."

In the subsequent sections recommendations are made with regard to the preparation of a simplified and unified budget and for reform in the method of drawing up financial statements, so that the financial position—not only of the Government, but also of the state services—may be easily followed by the public. It is urged as a pressing necessity that the system of public accounts should be revised on a cash basis, that Federal receipts and payments should be centralised in the Central Bank; and that a complete and independent audit should be carried out.

On the subject of the establishment of a Central Reserve Bank, probably the most important of the Commission's recommendations, the report stresses the necessity of organising a national bank upon strictly orthodox lines to be engaged exclusively in central banking business. It is pointed out that the present Bank of Brazil is largely engaged in commercial banking and is of such importance that it cannot well be abolished or even divested of its commercial functions. It is suggested therefore that the Central Banking Department of this bank should be transferred to a new institution, to be known as the Central Reserve Bank of Brazil. This bank would have control of a unified note issue, convertible into foreign exchange at a fixed rate, and subject to 30 per cent. of notes and sight liabilities. 60,000 contos is laid

down as an adequate amount of capital, 50 per cent. of which should be subscribed by the commercial banks. Great emphasis is laid upon the necessity of maintaining the proposed bank's autonomy and entire freedom from political interference.

At this point several sections are devoted to the immediate subject of fixing the stabilisation rate for the milreis. It is recommended that the rate should be fixed at a level which there is a reasonable prospect of maintaining, in accordance with the circumstances obtaining. It is pointed out that neither budget equilibrium nor the normal commercial business of the Republic can possibly be maintained unless exchange stabilisation is first attained.

Consideration is then given to the controlling factors affecting the exchange rate of the milreis; it is shown that the usual position of the balance of payments shows a deficit—a balance being attained solely by the incidence of foreign capital investments in Brazil. The necessity of encouraging these is pointed out and it is remarked that the investment of capital in Government borrowing depends largely upon the scrupulous maintenance of a reputation for prompt attention to all Government obligations. To secure this desideratum it is recommended that the Government, in consultation with the Central Reserve Bank, should have power to withhold permission for borrowing by local authorities without any implication of responsibility in the case of issue approved. For the encouragement of commercial investment from external and home resources it is suggested that Brazilian company law should be revised.

With regard to the immediate borrowing necessary to enable the Central Bank to obtain the requisite cover and to secure the convertibility of its note issue, the sum of 60,000 contos is tentatively suggested as a probable amount and it is shown that an ample reserve of revenue exists as guarantee for this sum and for the £6,500,000 loan contracted in January, 1931, which must be added.

Finally, and in order to complete the financial reconstruction of Brazil, it is recommended that an early settlement should be reached by agreement with regard to the debts of local authorities which have long been in serious default. For this purpose the formation of a Caisse Commune is proposed which should issue obligations to the bondholders in which the states and municipalities concerned should assume *pro rata* responsibility.

After brief reference to the necessity of developing a greater diversity of export resources to offset the numerous disadvantages of overdependence upon coffee, a summary of the recommendations already mentioned is given. The report closes with an expression of confidence in the future of Brazil in the following words:—

“ I should not like to close this Report without emphasising that I have of necessity been mainly concerned in it with those matters which seem to require

reform or reconstruction in Brazil. It is inevitable that a frank discussion of such points, which alone can be useful, tends to create an impression that little is right. I should entirely demur to any such inference. Brazil is not alone in facing financial difficulties at the present moment; in many respects her difficulties are less than those of other countries, and she may justly challenge comparison. It is impossible to travel even for a few weeks in the central provinces of Rio, São Paulo and Minas without being impressed by her great natural fertility and her undeveloped resources. No country would better repay sound financial administration or is more worth every attempt to keep even in difficult times to high financial tradition; and no country is likely to profit more by the effort, if successfully made."

## II. FINANCE.

**Government Finance.**—The original Federal Budget, which was considerably modified after the first quarter of the year, was made effective by Decree No. 19,550 of the 31st December, 1930. The totals amounted to 137,305 contos gold and 1,479,960 contos paper, as against 199,271 contos gold and 1,371,481 contos paper in 1930, in which year it was subsequently found that there was a deficit of almost £15 million sterling or approximately 750,029 contos paper.

This budget, which was necessarily decreed when the Government had been in office two months, was soon shown to be over-optimistic and, in face of the dwindling revenue receipts of the first four months, it was decided to introduce additional taxation, chiefly in the form of excise, income and stamp taxes, many of which had been increased in the original budget law for the year. A few weeks earlier heavy increases in customs duties on most of the articles in the wool class had been introduced, whilst other customs duties had also been raised in the original budget. In spite of this added taxation, direct and indirect, it was necessary to reduce the estimates by 1,117 contos gold and 134,539 contos paper; a total reduction of 423,114 paper contos compared with the estimates for 1930.†

The chief gold revenue of the Government has always been derived from the customs duties, which are applied usually to meet the service of the external debt, the chief gold liability. In view of what subsequently transpired in the movement of the exchange and its repercussion upon the debt payments, it is interesting to note the following comparison between customs duties and debt payment during recent years:—

	Gold contos.	
	Gold proceeds of Customs Duties.	External Debt Service.
Out-turn, 1929 ... ..	185,913	103,227
Estimates, 1930 ... ..	188,493	101,571
Out-turn, 1930 ... ..	116,078	101,571
Revised budget, 1931 (annual basis)	88,504	96,034

† Details of the Estimates for 1932 are given in Appendix VII (page 88).

The outcome of the Federal Government's budgeting for the year may be judged from the following figures of expenditure and revenue for the first ten months of the year :—

## RECEIPTS.

	1930	1931	
		Budget estimate.	Amount collected.
Gold ... ..	104,829:421\$000	121,182:337\$000	93,378:512\$000
Paper ... ..	909,802:164\$000	1,418,440:860\$000	922,007:467\$000

## DISBURSEMENTS.

	1930	1931	
		Budget estimate.	Amount disbursed.
Gold ... ..	73,949:158\$000	114,594:320\$000	75,713:752\$000
Paper ... ..	1,343,519:794\$000	1,401,880:526\$000	1,034,328:615\$000

It should be repeated here that a cardinal item of the Government's policy at the commencement of the year, notwithstanding the serious difficulties which at that time were sufficiently obvious, was to meet all external obligations to the penny. The constitution of the Provisional Government, which nominates the executive officers of the states, practically implied responsibility for state debts and in fact the Federal Exchequer, under the terms of a Decree No. 19,503 of December 17th, 1930, distributed amongst the states a sum of 50,000 contos in Treasury Bonds primarily to enable debt instalments to be paid. The measures adopted in the early months of the year, including rigid economies in expenditure, provided the necessary instalments for the first quarter. Meanwhile Sir Otfo Niemeyer had been invited to advise the Government as to the necessary measures to be adopted to provide a basis for eventual re-construction. It may be regarded as doubtful whether the authorities themselves believed that a moratorium could be avoided; at all events the weight of unofficial opinion tended strongly to the conclusion that a moratorium should be declared early in the year, and, when this was not done, the Finance Minister was severely criticised in the press. Whatever the rights and wrongs of that controversy, it is now generally acknowledged that Brazilian credit was greatly strengthened by the delay in resorting to suspension of payment until September when "even the wisdom of Diogenes, the statesmanship of Pericles and the strength of Cæsar" could hardly have saved the situation. In spite of the provision for increased revenue in May, the revenue actually collected up to August, calculated at ruling rates of exchange, was equivalent to less than £20 million (even at  $3\frac{1}{2}d.$ ) as against £27 million for the same period in 1930; the failure of

the estimated revenue from match taxes was already apparent and furthermore the rate of exchange was still falling. The gold revenue collected was actually about 8,000 contos short by the end of August and it seemed likely that the shortage would be even more by the end of the year. Meanwhile the position in the world's lending markets had become such that no borrowing was to be thought of, whatever the terms. The Niemeyer Mission had gone and the moratorium became inevitable. Before it was actually announced (18th September) the exchange position was such that no sterling payment could in any case have been made owing to the lack of sterling cover in the exchange market.

Up-to-date information with regard to the External Debts of the Federal Government, States and Municipalities is not available at the date of writing (December, 1931). For approximate details reference should be made to Appendices I, II and III of last year's report in this series.\*

**The Moratorium.**—The moratorium applies only to Federal Government External Loans, with the exception of the two funding loans of 1898 and 1914. The sum involved in the services suspended amounts to approximately ten and a half million pounds, of which seven million are British issues, three million United States and the remainder chiefly French.

Meanwhile it has been officially announced that the negotiations with the underwriting foreign banks are proceeding for a three years funding of the Federal debts.†

The position of the State and Municipal debts is still uncertain—no doubt many of these will be paid, but others will be suspended. The total sum involved amounts to approximately £12 million.

**Suspended Debts of the Municipality of Bahia.**—In October last the Mayor of the City of Bahia reached an agreement with the French bankers concerned with the issue of the following loans:—

1912—5% Gold Loan	... ..	£	1,600,000
1915—5% Consolidated Gold Loan	... ..		295,500
1918—4% .. ..	... ..		225,820

whereby the capital and interest outstanding, amounting to approximately £5,485,000, is reduced to £726,000, payable in annuities of £34,726.

**Barter.**—In view of the large stocks of coffee accumulated in the Government warehouses, it is not surprising that the idea of exchanging coffee for necessary imports should have presented itself to the Government in the face of the ever increasing fall in exchange and the consequent difficulty of finding the exchange for its purchases. The plan was first suggested in connection with the

\* A statement of the State Budgets for 1928, 1929 and 1930 is given in Appendix VII (page 89.)

† Details of the scheme have since been published.



purchase of the eleven flying boats with which General Balbo, the Italian Air Minister, made a squadron transatlantic flight early in the year. It is reported that the contract for these machines permits the Brazilian Government to pay in coffee if convenient. In succeeding months a number of transactions, based upon barter, were proposed and several of the State Governments shipped coffee against maturing external debt instalments.

The most important barter transaction of the year was concluded towards the end of September between the Finance Minister and the Grain Stabilisation Corporation of the United States. The basis of the scheme is the exchange of 25 million bushels of wheat for 1,275,000 bags of coffee. At the prices ruling when the contract was signed the wheat was worth \$12,280,000 and the coffee about \$172,000 less. The wheat was immediately sold to the Brazilian flour mills at 280 reis per kilo, the proceeds amounting to almost 200,000 contos. Both coffee and wheat were shipped immediately and by the vessels of the Lloyd Brasileiro, which realised some £300,000 in cost of freight from the transaction. A special contract with the warehouses provides that the coffee shall only be released for sale at the rate of 10,000 bags a month from October, 1931, to October, 1932, and thereafter at the rate of 62,000 bags per month. The proceeds of the sale of the wheat are to be applied solely in payment by the Government for the retained stocks of coffee.

The advantages of the scheme are given by the Minister of Finance as follows:—

1. It gave the Government the funds which it required to continue the purchase of stocks.
2. It relieved the exchange market of remittances amounting to over \$12,000,000.
3. It disposed of 1,275,000 bags of coffee without upsetting the market and at the same time saving the very considerable expense of the warehousing of same.
4. It brought the Lloyd Brasileiro freight, the value of which is calculated at £300,000.
5. It gave additional work to flour mills, increasing the respective production by three million bags of flour, which means a corresponding increase in the production of textiles and in the consumption of cotton.

During the weeks following the final conclusion of this arrangement a number of similar schemes were advocated, notably a barter transaction of coal for coffee with a large continental group. Before these negotiations had reached any definite result, complaints began to be heard concerning the wheat-coffee exchange from the commercial coffee shippers, who realised immediately what the public at large seems to have overlooked—that the disposal of Government stocks introduces an undesirable influence into the market, which reacts upon the exchange by keeping export bills out of the market and upon prices and trading profits. In the case of coffee it is an axiom that, within comparatively narrow limits, the world consumption is extremely inelastic and not capable of

expansion by the accident of lower prices or increasing the supply available. It follows from this that the utilisation of surplus stocks by barter or in any other manner which brings the coffee into the market serves only to reduce the quantity which can be purchased through the ordinary commercial channels. Whether the barter coffee is dumped or released slowly, the ultimate results are a reduction in the normal coffee trade and a reduction in coffee bills, i.e., in the quantity of exchange cover in the market available for meeting the ordinary requirements of importers for Government debt services and for general trade remittances. It is true that the bartered import does not call for payment in exchange, but this consideration is scant consolation for commercial operators in a short exchange market, who feel themselves entitled to share equally in the full proceeds of the country's full export capacity. In the case of barter for non-essentials the position is correspondingly worse.

In view of these repercussions of the barter transactions, at least those involving coffee, not to mention other important disadvantages, notably the injustice to competitive supplying countries and the consequent danger of reprisals, it is hardly likely that further negotiations of this nature will be undertaken by the Governments. In the case of Brazil at least private barter transactions in foreign trade are impracticable under the existing exchange restrictions.

### III. LEGISLATION.

#### CUSTOMS TARIFF.

**Tariff Alterations.**—It is hardly necessary to point out that, in consequence of the Brazilian system of collecting Customs dues on the basis of 60 per cent. in gold at 27*d.* to the milreis, the effect of the fall in exchange has been a marked increase in the Customs duties. In the case of the specific duties on a weight basis this increase has been directly proportional to the fall in exchange, but in the case of the *ad valorem* rates, which are extremely numerous, the increase has been far greater, since, in calculating these duties, 60 per cent. gold is taken as a basis for assessing both value and duty. For example:—at the rate of exchange of 3*d.*, the 50 per cent. *ad valorem* duty becomes in fact approximately 300 per cent. of the c.i.f. value. The obvious result of this is an almost unheard of increase in the protection afforded to national industries, and in consequence imports have been reduced to a minimum. For the first eight months of the year imports amounted to 2,350,000 tons valued at £20,709,000, compared with 3,560,000 tons valued at £39,188,000 in the corresponding period of 1930.

Notwithstanding this abnormal increase in duties resulting from the decline in exchange, a considerable number of additional tariff rates were raised in the budget for the year to become effective on the 15th of April (half of these concerned jute yarns and raw jute, and cotton yarns). The increase in most of the rates was

very considerable; for example that on jute fibre was increased from 20 reis to 300 reis per kilogram; on single unbleached jute yarns from 100 reis to 640 reis; on bleached single cotton yarns from 1\$100 to 1\$500, &c.

Alterations of this order naturally promised a considerable increase in the cost of the finished article, particularly in that of jute bags, which are used exclusively for shipping coffee; no other material will serve this purpose effectively. The agricultural interests accordingly represented their case to the Government and in consequence a decree was signed in April reducing the duties on jute fibre to 60 reis (three times the original rate) and on single unbleached yarn to 140 reis. 'At the same time cotton yarn duties were also reduced. Single unbleached cotton yarns returned to 1\$000, whilst increases from 20 per cent. to about 60 per cent. of the original rates were provided for other types of yarn. These rates became effective on April 1st. The only notable decrease in duties was the case of cotton threads, upon which the duties were reduced from 4\$000 to 3\$000 per kilogram.

At the same time (18th April) a decree was signed increasing the duties upon woollen yarn and piece goods, and raw wool. In the case of the last mentioned the duties were increased from 200 to 250 reis; the yarn increases were much heavier, in many cases being over 100 per cent.; in the case of woollen piece-goods heavy increases were also provided for; e.g., for material up to 250 grammes per square metre the previous rate of 7\$200 was altered to 15\$000. These duties became effective on the 15th July. At the same time alterations were made in most of the tariff rates from Article 481 to Article 527 of the tariff; i.e., the whole of the woollen material class.

Judging from the imports for immediately preceding years the increase in the duties on raw wool and woollen piece goods promised special damage to United Kingdom trade; in the case of wool yarns French trade was chiefly threatened. German, Belgian and Italian trade also sustained considerable reduction. In the case of France these increases caused so much alarm that the special advantage accorded to Brazilian coffee since 1900 was withdrawn, whereupon negotiations were initiated for a settlement of the question. French interests had already been adversely affected by increases in the duties on serums and vaccines and by increases in the excise taxes on wines and perfumery. These negotiations eventually led to an adjustment in the wines and serums rates, but no effective alteration in the wool duties has been made up-to-date.

**Tariff Revision.**—The need for a complete revision in the existing tariff law has been accepted by Brazilian legislators for many years; several commissions have considered the subject and projects have been drawn up and presented to the legislature. The present law dates from 1851—it is therefore out of date as regards

classification—and in consequence the rate to be applied to many articles is extremely doubtful and depends upon the decision of collectors from whose ruling an appeal is a troublesome matter. It is also incredibly complicated, particularly in the system of collecting duties. This feature unfortunately is inevitable in a country where exchange instability is periodic; for it is quite evident that, where there is dependence upon the Customs for revenue, there must be a sound basis for the collection of duties, if budget equilibrium is to be maintained. In the case of Brazil the exchange has seldom been stabilised for more than a few years and it has therefore been necessary to collect a proportion of the duties in gold. In the past the proportion of 60 per cent. gold at 27*d.* to the milreis and 40 per cent. paper has been fixed. In the case of specific duties this arrangement has resulted in an increase in duties proportionate to the decline in exchange, but in the case of *ad valorem* duties the increase has been much higher. The results of this are peculiarly pernicious, since in consequence of the paucity and obsolescence of the existing classification, many commodities of small value but great utility are necessarily included amongst the "not otherwise provided for" commodities, the rates for which are all *ad valorem*.

These and numerous considerations of public policy dictate the urgent need for a modernised tariff system and classification.

Early in the year a commission was appointed to take the necessary preliminary steps for the drafting of a tariff law and in July a draft decree was published providing for the establishment of a complete revision of the Customs Tariff within six months, which was finally signed and published in the "Diario Oficial" on the 11th of September, 1931. The following is a translation of this important enactment:—

DECREE No. 20,380 OF THE 8TH OF SEPTEMBER, 1931.

*Article 1.*—The Minister of Finance shall proceed without delay to make a complete revision of the Customs Tariff of the Republic, seeking to reconcile the interests of finance, labour, industry and commerce.

*Section 1.*—The revision must be concluded within 6 months of the date of this decree and shall include the alterations in Customs rates which may be introduced into the general budget for 1932.

*Section 2.*—The revision shall have for its principal object a new and more complete classification of imported merchandise, with the object of reducing to a minimum the official Customs arbitrations and at the same time proceeding to a revaluation of commodities in such a way as to permit the substitution of specific duties for the greater part of existing *ad valorem* duties.

*Section 3.*—In the distribution of classes and titles and also in the individual classification of commodities the Brazilian tariff shall adopt the nomenclature which shall have been finally recommended by the League of Nations, taking advantage immediately of the studies already made by the League and taking steps for the final adoption of its tariff as soon as its studies are complete.

*Article 2.*—For greater facility in calculation in the Customs Houses, for greater stabilisation in international commercial transactions and for better security in the provision of revenue and until the new Tariff should be in force,

including the general revision to which article 1 of this decree refers, article 2 of law No. 4,984 of the 31st of December, 1925,\* should be revoked and the Customs duties fixed in the present Tariff shall be calculated in gold milreis at the exchange of 27*d.* to the milreis and paid with an abatement of 20 per cent. or 35 per cent.

*Section 1.*—The Tariff with an abatement of 20 per cent. shall constitute the General Brazilian Tariff and shall be in force in the absence of any special arrangement resolved by the Government.

*Section 2.*—The Tariff with an abatement of 35 per cent. shall constitute the Minimum Tariff and shall be applied to the products of countries that guarantee, by means of commercial agreements, an effective minimum tariff to Brazilian products.

*Article 3.*—The Government reserve the right to increase, by decree and as may be decided, to the extent of double, the rates of the General Tariff for the products of countries which deliberately, by increasing the differential rates or by any other method, seek to obstruct the entrance of Brazilian products into their markets.

*Article 4.*—The Minister of Foreign Affairs shall bring the dispositions of this decree to the notice of all the countries through their diplomatic representatives in Brazil, inviting them immediately to negotiate by exchange of notes and by agreement with the Minister of Industry, Labour and Commerce the conclusion of commercial agreements for the concession of most-favoured-nation treatment reciprocally and unconditionally, reserving on the one hand the case of special conditions with countries on the American Continent, and, without prejudice, on the other hand, supplementary negotiations by special protocol relative to any commercial facilities or advantages which do not constitute special favours to any one nation.

*Article 5.*—The Minister of Finance shall cause to be published annually, soon after publication of the budget, an addition to the Customs Tariff, containing the alterations decreed up to date and a list of the countries whose products enjoy the benefit of the minimum Tariff or remain subject to the General Tariff.

*Article 6.*—In exceptional cases the Government may, however, reduce, by decree, the Tariff rates on the importation of specified merchandise destined for any particular region of the country, when it is considered that this reduction is necessary for the development of the region in question.

*Article 7.*—The abatement in the payments of the Tariff rates referred to in article 2 and its subsections shall not affect the official value of merchandise specified in the Customs Tariff, which shall remain in force for the application of other taxes paid in the Customs Houses.

*Article 8.*—All dispositions to the contrary are revoked.

It will be seen that this measure provides, not only for a new tariff law, but also for a system of preferential and retaliatory rates in the existing tariff by means of abatements based upon 100 per cent. gold rate for collection of duties in place of the existing 60 per cent. gold and 40 per cent. paper system. This intermediate tariff system came into force on the 11th of December, 1931.

Reference is made in another place to the conclusion of commercial agreements under Articles 3 and 4 of the decree; it is only necessary to remark here that such an agreement in the case of His Majesty's Government in Great Britain was signed simultaneously with the publication of the decree, thus assuring Anglo-Brazilian commerce of the advantages of the minimum tariff and participation in most favoured nation treaty rights.

\* This article provided that custom duties should be paid 60% in gold and 40% in paper currency.

The effect of this revised basis of collection in the case of countries enjoying the 35 per cent. abatement is to leave the general level of duties almost unchanged. In the case of the General Tariff, i.e., 20 per cent. abatement, the effect is an increase on the present level of about 20 per cent.

Since no details of the general intentions of the authorities concerning the new tariff law, which should come into effect during the first half of 1932, have been announced, apart from the indications contained in the above decree, it is not possible to furnish any information on this subject for the guidance of firms interested in the Brazilian market. Nevertheless, in view of the provision of the decree, certain definite improvements may be confidently expected.

In the first place the adoption of the League of Nations' model classification and nomenclature as a basis promises to correct the numerous anomalies of the existing tariff which encumber the import of many commodities of essential importance for the well being and development of the country. Furthermore, it is noteworthy that, in accordance with the best Brazilian tradition of toleration and fair play, the various interests concerned, importers, national manufacturers, consumers and agriculturists, &c., have been given an opportunity of placing their recommendations before the Commission. If, as in the case of the British interests in Brazil, which include every phase of commercial, industrial and financial activity, these suggestions are drawn up with a broad and far-sighted view to Brazil's best interests, and assuming that they will be accepted by the Commission in this spirit—as there is no reason to doubt they will—there are ample grounds to anticipate that the tariff will be framed in accordance with public policy as a whole and not designed to favour any special branch of industry or commerce. It is even more certain that the new tariff will serve to simplify as far as possible the procedure of import, which has in the past been extraordinarily complicated. Furthermore it is definitely laid down in the above decree that *ad valorem* rates are to be restricted to an irreducible minimum, a reform which will, if drastically carried out, go far to prevent the too common practice of fraudulent undervaluation. The adoption of the scientific League of Nations' classification will react in the same way to limit the opportunities of fraud by incorrect classification.

It is furthermore to be expected that the system of a three-column tariff—i.e., preferential, general and retaliatory—will be continued, unless it is found from experience with the intermediate tariff that this policy involves the possibility of loss rather than gain for the country as a whole. This contingency is by no means unlikely in view of the fact that Brazil, as a country with a growing export balance, will with certain exceptions find herself bargaining with countries which have less to lose than she in the event of mutual tariff reprisals.

In view of the pivotal importance of this imminent change in the basic fiscal law of the country, on which there is no information available at present beyond the preliminary decree, it is most necessary that British firms interested in the Brazilian market should keep in close touch with the development of tariff revision during the coming year. Translations of all legislation of any importance on this subject will be published in the Board of Trade Journal and available at the Department of Overseas Trade or from the Rio de Janeiro or São Paulo British Chambers of Commerce, both of which publish excellent monthly magazines.

**Commercial Agreements.**—Under articles 3 and 4 of the Tariff Revision decree, a translation of which is given in the preceding section, agreements for the exchange of most favoured nation treatment have been signed between Brazil and the following Governments :—

Great Britain	Spain
Irish Free State	China
Canada	Japan
Holland	Sweden
Germany	Poland
Italy	Egypt
France	Finland
Switzerland	Denmark
Czechoslovakia	Portugal
Norway	Mexico
Hungary	Peru
United States	Belgium
Paraguay	Latvia
Chile	Cuba

#### COMMERCIAL AND INDUSTRIAL LEGISLATION.

There has been no session of congress during the year; laws, which under ordinary circumstances must pass the gamut of Parliamentary procedure, have been made effective by the simple publication of an executive decree. This emergency system has the advantage of promptness in making reform and reconstruction measures immediately effective, and in practice has proved to be less arbitrary than might have been expected, chiefly owing to the fact that in the case of laws affecting diverse and conflicting interests, the draft has been usually published in advance and those concerned have been given ample opportunity of expressing their point of view. In most cases it seems that suggestions and petitions with regard to projected enactments have been given a careful and sympathetic hearing. The departmental regulations giving effect to new legislation have likewise been widely published, and have in case of need been drastically modified.

On the commercial side of the measures of chief interest are those dealing with tariff changes and tariff revision, which have already been dealt with in a previous section. Legislation concerning coffee is also dealt with in the appropriate section of this report.

**Coal and Oil Import Decrees.**—Two decrees of very considerable importance in the transport economics of the Republic were signed during the past year, providing for the compulsory admixture of national alcohol in petrol and national coal with imported coal. The decree referring to oil was signed in February and in the first case provided for the purchase of 10 per cent. of national alcohol with all petrol imported; the percentage was subsequently reduced to 5 per cent. The obligation to effect this purchase was laid upon the distributors, who are in most cases the foreign oil companies. The primary object of the law was to develop the production of the natural alcohol, which is a by-product of the sugar industry. For some years alcohol has been utilised to some extent in the northern sugar producing states as a motor fuel, but sold as a special spirit and not as a mixture with petrol; the price is usually less than that of petrol, but its efficiency in the development of power is approximately less in proportion. The present law is therefore experimental, and when it came to be put into practice several serious difficulties were encountered. Not the least of these is the difficulty of making a practical mixture of petrol and ordinary alcohol; unless the latter is subjected to an expensive and complicated dehydration treatment, an efficient combination is not obtained. A further difficulty resulted from the necessity of fixing a price for alcohol and providing for a certain and unvarying supply at a standard quality. These problems have not yet been overcome and mixed fuel is therefore not generally available.

On the 20th June last a decree was signed of analogous effect, referring to the case of imported coal, providing that importers are to purchase native coal to a quantity equivalent to 10 per cent. of their imports. An addition of 30 per cent. in the duties paid was provided as an alternative to strict compliance with this enactment. The responsibility for the purchase of the requisite proportion of national coal rests upon the importer or distributor. Prices for national coal are to be fixed by the Central Railway and the Lloyd Brasileiro with the approval of the Government, and exemption from the decree is granted in the event of a short supply of national coal.

Translations of these two laws may be consulted at the Department of Overseas Trade. Both are worthy of study by all firms engaged in the manufacture of power plant. Special interest attaches to the provisions of the coal law which grants exemption of duties to imports of machinery for the utilisation of national coal.

The effects of these restrictions upon the free use of fuel are too obvious to call for mention here; both provide for the use of a substitute which, in view of the low exchange and proportionate increase in the cost of imports, would be readily utilised on a large scale if it could be made efficient as a general combustible. Both



introduce and legalise the doubtful expedient of compelling reputable and indispensable suppliers of necessary materials to undertake the work of distribution for producers of competitive and inferior products. Both laws, however, are experimental in essence and may be repealed if they fail to produce satisfactory results in practice.

**Machinery Import Restriction Decree.**—One of the first acts of the Provisional Government was to set up a Ministry of Labour, Commerce and Industry with the object of centralising the administration of the appropriate legislation and framing new regulations in keeping with modern ideas of industrial and labour control. For several years previously Brazilian industry and particularly the textile branches have been in a very depressed state, but the decline in the milreis exchange, which had the immediate effect of a double measure of protection, very soon restored prosperity to the majority of industrial establishments by curtailing imports and thus securing the home market for the national manufacturers. Unable to foresee this impending change, however, the new Ministry caused a decree to be enacted prohibiting for the space of three years the import of industrial machinery and accessories, except by special licences to be issued at the discretion of the Director of the Industrial Department of the Ministry. This decree also provided for a complete and detailed census of all industrial establishments in the Republic, which will result in the collection of valuable statistical data as a basis for further industrial legislation. When the law came to be put into effect serious difficulties arose, chiefly owing to the absence from the decree or subsequent regulations of any exact definition of the scope of the words "Machinery," "Accessories," &c. It was also found that many industries urgently needed to provide new and improved plant to meet the requirements of the expanding market. In May, therefore, a further decree was signed modifying the original law and restricting its scope to the textile, footwear, hat and sugar industries; subsequently the match industry and several others of less importance were added. In general the granting of permits has not been withheld and to all intents and purposes the restriction has almost become a dead letter. It remains to-day chiefly as an authority for the Ministry to control imports of machinery if occasion should arise and enables the authorities to judge of the necessity in the light of the information now being collected by means of the industrial census.

Translations of these various decrees and regulations may be consulted at the Department of Overseas Trade.

**Employment and Nationalisation of Labour.**—In December, 1930, an important decree was signed at the instance of the Ministry of Labour, Commerce and Industry, providing for the registration of all unemployed and setting in motion special administrative machinery for finding suitable employment as

agriculturists for the surplus industrial operatives. This enactment included in the first case a clause requiring, under penalty, all employers of labour to maintain a percentage of at least two-thirds of Brazilian-born on their payrolls, but since this drastic regulation naturally gave rise to considerable alarm and seemed likely to cause serious embarrassment to the majority of employers, an outcry for radical modification resulted. In view of the controversy which followed, the law became known as the "Two-Thirds Law." As soon as the Government realised that the immediate danger of serious unemployment was past and that the law promised to throw out of employment quite unnecessarily many thousands of immigrant workers, chiefly Portuguese, a further decree was published modifying the "two-thirds" provision to include all residents of ten years standing and all foreigners having Brazilian wives and children. This latter decree—namely No. 20,291 of August 12th, 1931, is worthy of study; besides the "two-thirds" provision it contains much of considerable interest to the student of social legislation.

Since the above enactment became effective, the Ministry of Labour, Commerce and Industry has been actively engaged in an effort to modernise and standardise Brazilian industrial conditions by providing for employers' liability for compensation and workmen's insurance, minimum wages and similar reforms.

**Financial Legislation.**—On this subject the decrees enacted during the past year have been chiefly of an emergency character, and these have been referred to in general under a previous section. Of permanent law one of the most important is Decree No. 19,995 of the 14th of May, 1931, which abolishes the practice of imposing inter-State taxation.

**Central Purchasing Commission.**—From the standpoint of firms—whether Brazilian or foreign—engaged in the supply of material and supplies to the Government Departments or for public works, the various steps taken by the Provisional Government to improve and standardise public purchasing are of primary importance. Before the revolution of 1930 the system of purchases by the Federal Government was far from satisfactory; delay in payment for goods supplied and the methods employed in selecting tenders led to a system of quotation through a small group of contractors who practically monopolised all Government business.

In response to the urgent necessity for reform in the Department of Public Administration, the Provisional Government as early as December, 1930, published a preliminary decree calling for an inventory of Government stores and supplies of all kinds, with a view to estimating the probable purchases of the coming

year and making suitable provision therefor. In January, 1931, a further decree was signed setting up an entirely new Department to be known as the *Comissão Central de Compras* (Central Buying Commission), under the immediate control of the Ministry of Finance and having full authority over the purchase of all material and supplies for the Federal Government; various other provisions of very considerable importance were contained in this enactment, notably an article restricting the conclusion of any purchase until the necessary funds have been earmarked in the Treasury; a further regulation issued in pursuance of the original law set up a board to select and adopt standards and classifications of material and supplies.

The details of this decree and the regulations giving effect to its provisions may be studied in English translations at the Department of Overseas Trade; it is sufficient to mention in this report that the intention of reform which inspired the decree has been carried into practical effect. The Government is determined to improve methods of public purchases and the Department has been placed under the Presidency of a former director of one of the most reputable merchandising firms incorporated under Brazilian law. Under its present regime the Commission constitutes a necessary link and arbiter between the selling interests and the Government Departments, including the Navy, Army and Railways; it is operating effectively as a control upon excessive expenditure, and there is every reason to believe that the scope and influence of its control and its prestige will increase greatly during the coming year. All British Empire firms desirous of quoting for business with the Brazilian Government should register themselves either directly or through their agents with the Commission as soon as possible.

**Marking of National Products.**—In April a decree was signed providing for the compulsory marking of all textile products of Brazilian origin either with the words "*Industria Brasileira*" or with the national colours—green, yellow and blue—woven into the selvedge. This decree forbade the import of foreign goods marked with these colours and words. A further decree was published in August supplementing the original enactments and adding several useful and practical clauses. On August 11th, 1931, in Decree 20,274 compulsory marking was extended to include all Brazilian exports of whatever nature.

#### IV. FOREIGN TRADE.

**Present Situation and Prospects.**—The problem caused by the impact of the world crisis is much less complex and dangerous in Brazil than in those countries where the livelihood of the mass of the people depends upon foreign trade. Food, the first necessity, and the elements of clothing and shelter exist in such profusion that at worst actual distress can exist only during the short

period required for surplus labour to be re-employed in agriculture or home industries. Furthermore, Brazilian money has a definite value in the country, whatever the rate of the exchange may be; exchange itself is not the immediate concern of the majority of the population. At present Brazilian foreign trade is in effect conducted in "valuta"; confidence and other psychological factors play a small part, for the exchange value of Brazilian currency has usually been variable. Foreign trade reduces itself therefore in an emergency, such as the present, to the operation of finding enough exports to pay for imports; invisible imports and exports, which play so large a part in other countries, have little effect here. If an impression of these simple facts is kept in mind, the present position of Brazil's foreign trade and its prospects in the future will be much easier to understand.

Naturally enough, under present circumstances it is extremely difficult to give an exact account of the present trading position in Brazil from the point of view of the foreign supplier of goods. Several aspects of the position, however, leap to the eye. Orders for imports are reduced to a minimum owing to the effect of the low exchange, lack of purchasing capacity, and high duties. A 60 days moratorium of all bills maturing in foreign exchange is in force until the end of December. According to a semi-official announcement, and contrary to the expectation of many observers, this moratorium will not be extended after the end of the year—indicating that the authorities are reasonably sure that the strain on the exchange is relaxing. It must be remembered also that the moratorium is optional and requires the drawee to place a deposit in milreis at an official rate with the obligation to adjust balances at liquidation. Finally the Bank of Brazil having complete information concerning the demand for exchange, has presumably regulated its policy in order to meet the market's requirements.

Meanwhile the efforts of the Government and the planters organisations are concentrated upon the coffee problem and it is generally considered that once the exchange is under control, the effect of the present coffee legislation will exert itself in increased prices. This plan, if successful, cannot fail to react on purchasing power and consequently upon imports. During the past year the market has been starved for necessary imports and stocks are everywhere reported to be low. Therefore, unless the unexpected happens, 1932 will show a gradual improvement and business will slowly revive.

For the sale of United Kingdom products the prospects have not been so favourable for several years. Since the devalorisation of the pound the Brazilian exchange has been officially controlled at 16 milreis to the dollar; during this period sterling has declined from over 70 to approximately 50 milreis to £1 (December 8th)—United Kingdom manufacturers have thus gained an advantage of

what is in effect an export bounty of the order of 25 per cent. at least. In Brazil, which is primarily a price market, this advantage should be decisive.

A word must be added concerning credit conditions. Owing to a misunderstanding of the actual effect of the moratorium decree and its relation to the right of liquidation by judicial deposit under the Brazilian Civil Code, there seems to have been considerable anxiety on the part of certain exporters, and some have thought it necessary to refuse to ship except for cash. It is true that the legal interpretation of the moratorium law was doubtful in this one respect, but the danger of loss by judicial deposit was remote for the reason that exchange was available. Even when it was much scarcer, it is not known that the judicial right of liquidation was successfully claimed in any single case during the moratorium.

The necessity for caution in credit practice is perhaps greater to-day than ever—but the situation does not call for the suspension of credit in the case of known good payers. It would indeed be unwise to antagonise good customers by making any such demand.

**Foreign Trade.**—The decline in the value of the import and export trade, which was noticeable in 1930, continued throughout 1931 up to date. In the import trade there is also a decline in tonnage from 6,100,000 tons in 1929 to 4,900,000 in 1930 and to 2,580,600 in the first nine months of 1931. The export trade tonnages increased slightly in 1930 to 2,275,000 tons and in 1931 it seems likely that this level will be more or less maintained.

In terms of value the decline in all cases can only be described as remarkable. The value of imports which in 1929 was approximately £86,500,000, and in 1930 £53,500,000, in 1931 will certainly not exceed £30,000,000 (£24 million in first ten months).

In exports the decrease has been hardly less: in 1929 the total value was almost £95,000,000 and in 1930 almost £66,000,000; in 1931 it will probably not exceed £50,000,000 (£41 million in first ten months).

In the favourable balance of trade there has been a considerable increase in spite of the greatly reduced total; comparing the ten months period the balances were as follows: in 1929 £7,300,000, in 1930 £9,829,000, and in 1931 £16,852,000.

Taking the whole year, in 1929 the balance was £8,000,000, in 1930 £12,000,000, and it is estimated that the total excess of exports over imports in 1931 will be not far from £20,000,000, which is probably a record for Brazil; this satisfactory balance has been obtained in spite of the fact that the average value of the bag of coffee declined from £4 15s. in 1929 to £1 18s. in 1931.

Analysing the trade figures further, it is observable that the average value per ton of imports declined from £14 2s. in 1929 to £8 5s. in 1931, and of exports from £45 5s. to £22 4s. in 1931. The

unitary values of all export products have also continued to decline since 1929; there is not a single instance in which these have remained even on the 1930 levels.

Taking the approximate value of imports by countries of origin, the following changes have been notable comparing the first half of each year; the United States approximately at £14,500,000 in 1929, £7,500,000 in 1930, and £4,000,000 in 1931; Great Britain £9,000,000 in 1929, £6,200,000 in 1930 and £3,000,000 in 1931; Germany £5,300,000 in 1929, £3,400,000 in 1930, and £1,700,000 in 1931; France £2,300,000 in 1929, £1,400,000 in 1930, and £800,000 in 1931; Italy £1,300,000 in 1929, £1,000,000 in 1930, and £600,000 in 1931; Argentine £4,700,000 in 1929, £4,400,000 in 1930, and £2,300,000 in 1931.

Statistics of the foreign trade will be found in the Appendices.

### EXPORTS.

In the following sections the chief export products are dealt with briefly, with special reference to the immediate prospects.

**Coffee.**—The exports of coffee from Brazil during the first eight months of 1931 amounted to 12 million bags, valued at £22,720,000, as compared with 9,800,000 bags, valued at £28,648,719 in the first eight months of 1930 and 9,117,000 bags, valued at £46,727,000 in the first eight months of 1929. The average value per bag of export during these years (up to August) is officially given as follows:—

	Per bag of 60 kilos.	Average rate of exchange.	
		£	s. d.
January to August—			
1929 ... ..	5 2 0	Rs.40\$797 to	£1
1930 ... ..	2 18 0	„ 43\$146 to	£1
1931 ... ..	1 18 0	„ 64\$137 to	£1

Thus the process of diminishing returns to which reference was made in last year's report in this series has continued. In spite of an increase this year of over two million bags in the volume of exports during the periods January to August 1930 and 1931, the movement produced almost six million pounds sterling less and actually more than twenty-four million pounds less than in the corresponding period of 1929.

The 1930/31 crop is estimated at 25,000,000 bags, to which must be added the world stocks of approximately 29 million bags and the current crop in other countries of 9,000,000 bags—in all 63,000,000 bags, against a world consumption in 1931 of about 25,000,000 bags, leaving a surplus at the end of the year of 38 million bags, i.e., approximately 35 per cent. more than the surplus estimated this time last year. This surplus is being dealt with by the destruction of coffee paid for by a 10s. (recently increased to

15s.) per bag export tax and by other means calculated to bring about a healthy statistical position by the middle of 1936.

It is quite obvious from the foregoing that the year has shown no improvement in the adverse factors lying at the root of the Brazilian coffee problem, which is primarily one of 'over-production.' The situation has indeed grown steadily worse in spite of a definite increase in the consumption of coffee in most of the world's markets and in spite of a severe frost which reduced the crop in certain quarters—notably in Paraná.

Nevertheless the way has been prepared for an attack upon the essential work of liquidating the accumulations resulting from the control and thereafter maintaining a balance between production and consumption.

When the year opened the necessity for immediate measures of future restriction and immediate relief was recognised and several plans were under consideration. On February 11th, the first of these was put into effect by means of Federal Decree No. 18,688, which authorised the purchase by the Government of the retained stocks other than those serving as a guarantee for the coffee realisation loan. A clause in this decree imposed a heavy tax per tree on all future planting, except for replacements; an exception was made, with certain limits, in the case of the State of Paraná. The effect of this restriction will undoubtedly be beneficial, since no new planting is likely to take place until the price of coffee increases very considerably. By a further provision of this decree the Federal Government undertook to initiate agreements with other coffee producing countries for coffee defence and to negotiate commercial treaties with consuming countries with the object of bringing about an increase in the use of coffee by the reduction of import tariffs. Judging from what passed at the Second International Coffee Congress, which was held in May in São Paulo, there is very little if any hope of international co-operation in the matter of the restriction of coffee planting; the chief producing countries for the most part exhibited a distinct reluctance even to discuss this subject. The plan to increase consumption by means of commercial treaties with foreign countries seems hardly likely to succeed, because Brazil has already a considerable balance of trade with most of the large consuming countries, and secondly because Brazil's own policy is protectionist in almost all directions.

The next steps towards a practical solution of the coffee problem were taken at the Conference of the Coffee Growing States, which took place in April. The chief outcome of this Conference was an agreement, promptly put into effect by means of a Federal Decree, to impose an export tax of 10s. (parity) per bag of coffee to be collected during a period of four years—the proceeds to be applied to the purchase and destruction of surplus stocks of coffee. This plan, which is based upon the assumption that the world needs a certain minimum quantity of about 15,000,000 bags of Brazilian

coffee every year, should result in the destruction of from 8 to 12 million bags each season—a process which is calculated to eliminate the present surplus by the end of the 1936 crop. Under the law giving effect to this agreement almost two million bags had been destroyed up to the 7th November, 1931. Additional items in this agreement related to other means of relieving the difficulties of the coffee situation, including the execution of the 10s. tax and the establishment of a permanent Coffee States Council.

At the end of November last a further convention of the eight Coffee States met in Rio de Janeiro and after a brief session voted certain resolutions of great importance, to which effect was given without delay by means of Federal Decree No. 20,760 of the 7th of December, 1931. The most notable result of this conference was the decision to increase the 10s. tax to 15s., the increase to be collected in sight drafts on New York or London and applied exclusively to the service of the £20,000,000 Coffee Realisation Loan. A further article in the enabling decree provides that 12 million bags shall be destroyed within a year and the National Coffee Council is authorised to contract internal loans to facilitate this process.

The downright character of these resolutions and their immediate enactment in a Federal decree bespeaks the fixed determination of the Government to settle the coffee problem and to increase the price of coffee. It is not within the scope of this report to comment upon the means adopted to this end; like most other countries Brazil's economic life was threatened by imminent disaster and, thrown entirely upon her own resources, she adopted emergency measures. In this report it is only necessary to point out that coffee is the staple Brazilian product and that coffee prices are the measure of Brazilian prosperity. When prices afford a reasonable return to the planter and a requisite volume of exchange cover, the value of the milreis may be stabilised and every branch of trade and commerce benefits. Having this in mind, firms interested in the Brazilian market are advised to watch with close attention the effect of these measures upon coffee prices. It remains only to add that the authorities are at work upon a comprehensive scheme of banking reform based in principle upon the recommendations of Sir Otto Niemeyer, which it is designed to co-ordinate with the coffee legislation and probably to increase prices further by gradual improvement in the exchange.

Firms specially interested in the history and outcome of Brazil's valorisation experiment might consult a publication on this subject by Mr. J. W. F. Rowe of the London School of Economics, who visited Brazil during the year in order to undertake a personal study of this important subject.

**Meat.**—Next to coffee meat is the most important Brazilian export. The climatic conditions in southern and central Brazil are almost ideal for cattle ranching; a type of stock crossed between



the Indian Zebú and idigenous cattle has been developed and seems to be a satisfactory meat animal. Brazil already competes with the Argentine on the London market and there is no reason why this source of wealth should not be increased, provided that greater uniformity in the quality of meat can be attained.

During 1930 the Brazilian export of meat increased considerably in every branch including lard, preserved meat, chilled and frozen meat, jerked beef; the total exports of that year amounted to approximately 125,000 tons, valued at approximately £4,500,000. The movement has never been so great in any previous year. For the first eight months in 1931, in spite of the low exchange which represented an obvious advantage to Brazilian exporters, the exports in all branches decreased in a disappointing fashion: the lard exports decreased to one-third of the 1930 level; preserved meat to less than half; chilled and frozen meat declined 30 per cent. and jerked beef to one quarter. The loss of sterling proceeds in the meat trade is even more pronounced.

During the corresponding period the imports of chilled and frozen meat into the United Kingdom, which is Brazil's largest and almost only market, were well maintained and it is extremely difficult to understand how Brazilian shippers failed to take advantage of the opportunity.

The districts chiefly concerned in the meat trade are the States of São Paulo and Rio Grande do Sul. The movement is chiefly through the Ports of Santos, Rio Grande and Porto Alegre.

**Fruit.**—In 1930 the exports of fruit increased from 118,000 tons to almost 140,000 tons valued at approximately £1,000,000. In 1931 up to the end of August a further increase of 35 per cent. took place, chiefly in consequence of the increase in orange cultivation, which has been developed with considerable energy in recent years. In 1928 the total exports were approximately 140,000 cases of oranges, in 1931 they reached the total of 1,132,989 cases. Approximately one quarter of the movement was from the Rio de Janeiro district and the remainder from São Paulo. A good deal of enterprise and organisation will be required to bring the industry to its utmost state of development, but there is evidence that considerable progress is being made; large numbers of new trees have been planted during the last two or three years and since oranges begin to appear three years after the planting, it is to be expected that the production will continue to increase.

There is considerable difference in type between the São Paulo and Rio de Janeiro oranges; the former are chiefly navels, while the latter are of the thin skinned, sweet variety. In both districts there is no lack of cheap land, labour and abundant water. Business is chiefly conducted on the system of pre-season purchases of the product of the whole growth or in terms of boxes, while the fruit is still on the trees.

In São Paulo a modern packing house has been established in the fruit district, and generally speaking the packing has been satisfactory. In 1931 there was an unusually abundant crop and the prospects at the beginning of the season seemed to be excellent. Prices, however were not well maintained toward the end of the season. The prospects for the 1932 season are only moderate; the crop is expected to be less abundant than in 1931.

**Bananas.**—The cultivation of bananas for export in the Republic has been slowly increasing for several years. The total export in 1930 amounted to approximately 7,000,000 bunches, i.e., about twice the number exported in 1925. In 1931 up to the end of August well over 5,000,000 bunches were exported, of which more than 4/5ths originated in the Santos district.

An important development in banana cultivation is the establishment of a large plantation near São Sebastião (State of São Paulo) by the Cia. Brasileira de Fructas. It is expected that this plantation will shortly produce 1,500,000 bunches of bananas a year in addition to citrus fruit. In co-operation with this the Blue Star Line recently established a weekly service of cargo boats to call at São Sebastião.

In the past the Argentine has been the largest customer of Brazilian bananas, but since 1927 imports to the United Kingdom have increased greatly and Brazil now supplies almost 10 per cent. of our total imports of this fruit.

The greatest obstacles to the development of this valuable source of export trade are the high Federal and State taxes and excessive dock charges, particularly the latter, which serve to reduce the cultivator's small margin of profit. If these could be reasonably reduced, the cultivation of bananas in Brazil would make rapid progress.

**Other Fruits.**—Pineapples export was considerably greater in 1930 than in any previous year, since 1924; the crop is chiefly shipped to the Argentine.

#### IMPORTS.

The import tonnage into Brazil in 1930 was less than in any preceding year since 1924; the value of imports likewise declined by about 35 per cent. on the five years average. In 1931 the reduction continued, indeed it seems probable, judging from the figures for the first nine months of the year, that the tonnage of imports in 1931 will be less than in any year since 1921, and the value less than in any year since 1905. The largest item of imports in tonnage is and has for many years been coal and coke, with wheat and flour next, followed by cement, iron and steel and fuel oils. In value wheat and flour together are the most important; machinery comes next, followed by fuel oils, iron and steel manufactures and coal. The import of all these commodities has been extraordinarily reduced in 1931.

During 1930 there was a decided tendency for imports to fall month by month with a slight rally in the final quarter of the year; in 1931 the process of reduction continued without abatement; the returns for July, August and September were reduced to less than half the average monthly imports of 1927, 1928 and 1929. In value the decline was even more drastic.

For the last quarter of the year it seems probable that the general process of reduction will continue, in view of the moratorium which came into effect early in October and continues until the 31st of December.

The causes of the reduction are well-known: low exchange is chiefly responsible, and throughout the year there has been a notable decrease in the volume of Brazilian purchasing power. In view of the absence of gold in the country it has only been possible to pay for imports from the proceeds of the export trade and thus a ruthless balancing of the international payments position has been forced upon the country. Even so it is obvious that the year will close with a large, though incalculable, sum outstanding, representing the deficit of exchange for commercial remittances and the proceeds of overdue commercial bills, not to mention foreign debt payments. Until this deficit has been reduced it will be virtually impossible for imports to increase. On the basis of present commodity prices, notably coffee prices, the balance available for reducing this deficit is approximately £20,000,000, but if coffee prices could be improved, a larger balance would be available and import business would undoubtedly begin to improve, since stocks of necessary materials must have been reduced very greatly and the demand for machinery, metals, chemicals and a volume of other indispensable commodities must necessarily be very large.

Balancing the probabilities upon the evidence available, it seems likely that during the second quarter of 1932, at the latest, a reaction should take place and the resumption of imports on an improved scale may be expected.

#### UNITED KINGDOM EXPORT TRADE TO BRAZIL.

**Cotton Piece-goods and Yarns.**—The imports of cotton yarns in 1930 were almost exactly half of the 1929 figures and during the first nine months of 1931 they continued to decline. At present only the finest yarns, which cannot be made from Brazilian cotton, are imported.

The 1930 imports of cotton piece-goods declined in general to about one-third of the 1929 figures; in 1931, judging from the returns up-to-date, the total import will not be more than 10 per cent. of the 1929 level. It is hardly an exaggeration to say that the import of cotton piece-goods has ceased; the few orders reported are usually for special lines not produced by local factories.

Owing to the heavy Customs duties which have been greatly increased by the fall in exchange, the local factories have invaded

the market for finer quality materials, which were hitherto supplied chiefly from Lancashire, and it is to be expected that great difficulty will be experienced in regaining this class of trade. Nevertheless at the end of the year the outlook is a little brighter and it is to be expected that in 1932 some reaction from the abnormal conditions of the reduced trade in the past 18 months will occur. In general, however, it is necessary to face the fact that an increased share of the market for cotton piece-goods has now permanently passed into the hands of the Brazilian manufacturers.

**Woollen Goods.**—In July considerable increases in the duties on woollen yarns and piece-goods came into effect. Judging from the decline in imports in 1930, these increases, which were presumably destined to protect the local industry, need not be imposed, for the imports of woollens fell 50 per cent. between 1928 and 1930 and 65 per cent. in the case of woollen piece-goods. In 1931, judging from the returns up to date, the year will show a further decrease of about 50 per cent. even on the 1930 level.

The position with regard to wool is somewhat different in that a large number of the Brazilian wool mills must depend upon the imports of yarns; the position of this branch has been made extremely uncertain by the difficulty in obtaining supplies at reasonable prices, owing to the increase in duties and the low rate of exchange. At the present moment first-quality suitings are practically unobtainable in Brazil at reasonable prices.

**Jute.**—Imports of yarn declined in 1930 about 25 per cent. in value, but not in a lesser proportion in weight. Raw jute purchases fell from 19,000 tons in 1929 to 12,500 in 1930, with a greater proportional fall in value. Hessians imports increased during the same period from 142 tons in 1929 to 179 tons in 1930. Meanwhile twine, cordage and piece goods declined considerably, the last mentioned from 157 tons in 1929 to 57 tons in 1930.

Early in the year the duties upon raw jute were increased from 20 reis a kilo to 300 reis a kilo and on jute yarns from 100 reis to 640 reis and for coloured yarn from 130 reis to 840 reis. Owing to the dissatisfaction which these increases caused among coffee shippers and jute manufacturers the rates were subsequently reduced as follows:—raw jute, 60 reis per kilo; jute yarn (natural), 140 reis; and jute yarn (coloured), 340 reis.

**Linen.**—In the total imports for the year 1930 there was a general decrease in the different linen textiles of 40 per cent. over those for 1929. The figures for the first half of 1931 show little change. The imports of this commodity in 1929 amounted to £683,388 and in 1930 £416,589.

The linen trade has not been so badly affected as the cotton trade owing to the fact that there is little competition from national resources, and that the duties on linen goods were not raised to the same extent as those on cotton and woollen goods. The trade

in linen sheeting has gone mostly to the Continent. Italy has improved her export trade at the expense of Belgium and Great Britain. Men's suitings of standard qualities and fine cambrics on the other hand are still being sold in fair quantities from Ireland. Orders have been small recently and difficult to obtain not because of prices, but because of the exchange rates and restrictions. Stocks of linen are low and once exchange difficulties are removed a larger turnover should be forthcoming.

**Iron and Steel.**—Imports of iron and steel fell from 117,161 tons in 1929 to 50,000 tons in 1930, while manufactured iron and steel for 1930 amounted to 202,500 tons, valued at £4,186,589, as compared with 351,000 tons, valued at £7,170,000 for 1929, a decrease of 42 per cent. The decrease was more or less equally distributed amongst the various steel and iron products imported, with the exception of railway material, which maintained its place in the statistics for the year 1930, but the drop for this item in the import figures for the first half of 1931 is considerable. The steel trade is absolutely at a standstill at present owing to the trade depression. The railways, some of the chief users of steel, have undertaken very little further extensions or important works, and the operations of many factories have been greatly reduced for many months past.

**Machinery.**—The total figures for imports during 1930 of machinery, including spare parts, electrical machinery and tools, show a decrease of 42 per cent. over 1929, as will be seen from the following: in 1929 some 100,427 tons were imported, valued at £13,063,129; in 1930 the imports amounted to 54,189 tons, valued at £7,609,691. The items affected are: electrical machinery 30 per cent.; locomotives 40 per cent.; sewing machines 60 per cent.; industrial machinery 44 per cent.; agricultural, hand tools and implements 62 per cent.; unclassified machinery 50 per cent.

Imports of aircraft and parts in 1930 were valued at £372,393 as against £212,954 in 1929. Aeroplanes in number were 76 as against 71 in 1929.

**Motor Cars.**—The general trade depression hit the motor car trade very severely; the value of imported cars, lorries and accessories fell from £6,388,609 during 1929 to £661,889 in 1930. The total numbers of cars of all kinds imported were 53,928 in 1929 and 1,946 in 1930. The United States being the chief supplier, sustained the chief loss; values of imports decreasing from £5,420,000 to £278,608, representing 85 per cent. and 40 per cent. of the total. Italy showed the smallest loss, falling from £42,000 in 1929 to £35,000 in 1930, while British and French supplies went down to one-third of the 1929 figures and German to less than half.

In 1931 some improvement took place and the import of passenger cars for the first nine months reached 4,240—more than twice the number imported in 1930. Owing to the continuous increases

in the price of petrol it is thought that there should be a good opportunity for selling cars economical in petrol consumption, particularly models below ten h.p. United Kingdom manufacturers specialising in this class would be well advised to investigate this demand.

**Paper.**—The import figures for the years 1929, 1930 and 1931 show a relatively steady decline, partly attributable to the increased and improved production of the local industry, which now produces a large range of qualities of paper. Another factor, in this as in other lines, is the high rate of the Customs duties. Only superior qualities of paper not manufactured locally can now find their way into this market. Newsprint is all imported, for the most part free of duty.

The import figures for 1929 and 1930 were 61,300 tons and 51,722 tons, valued at £1,813,323 and £1,363,048 respectively, a decrease of 25 per cent., a percentage which is appreciably smaller than that in the majority of lines.

**Foodstuffs.**—The decrease in the importation of foodstuffs during 1930 was relatively small; £13,495,000 as against £17,030,500 in 1929, a decrease of only 21 per cent. In many lines there were actually increases, e.g., olive oil, tinned milk, butter, salt, &c. The chief declines were: potatoes 31 per cent.; tinned and preserved vegetables and fish 22 per cent.; raw fruit 44 per cent.; alcoholic beverages, 41 per cent.

Wheat flour showed a decrease, the weights being 152,279 tons in 1930 against 162,878 tons in 1929, valued at £2,109,142 against £2,446,826 respectively. The United States was the largest supplier, followed by the Argentine, these two countries with Uruguay supplying the total imports. See section entitled "Barter" (p. 18).

Wheat imports decreased from 746,198 tons to 648,239 tons in 1930, valued at £7,644,909 and £6,068,545. The Argentine supplied over 90 per cent. of this article in both years, but the United States improved its position from 3 per cent. to 3½ per cent.

**Codfish.**—Codfish imports decreased from 37,780 tons in 1929 to 35,392 tons in 1930, corresponding values being £1,931,279 and £1,584,890. Newfoundland exported the largest quantity with 41 per cent., followed by the United Kingdom with 32 per cent., both these representing a decrease on the previous year. Norway increased its tonnage of this article from 5,295 tons to 6,418 tons and in 1930 supplied 19 per cent. Canada showed a decrease of 20 per cent., while France's share declined 11 per cent.

**Coal.**—Coal imports in 1930 diminished by 13 per cent. in sterling value as compared with 1929, and 16 per cent. in weight, while the figures for the first half of 1931 show that the imports

are over 50 per cent. less in sterling value than during the corresponding period of the previous year. As in 1929 the British share of the coal trade was the largest with 87 per cent. (against 78 per cent. in 1930), the falling off in coal imports therefore hits British trade particularly hard. A strong bid was made during the year to popularise Ruhr coal in Brazil and considerable quantities were purchased by Brazilian railways.

This setback in the coal trade is due to the depressed condition of business in general, together with the very low rate of exchange that has prevailed during the whole of the current year, and which has made the landed cost of this commodity so high that lumber has been utilised by quite a number of factories, and by the railway companies; oil fuel used with economisers is also gaining ground. Furthermore many factories have been working on short time. Almost all the railway companies have found it necessary to reduce their services both goods and passenger, through lack of traffic.

**Distribution and Selling.**—Although in the present universal uncertainty the question of Brazil's immediate future admits of many opinions, it is generally agreed that the Republic has seen the worst of its difficulties and that a new phase of development will not be long delayed. When this process begins, the demand for imports will necessarily re-assert itself and judging from every indication the United Kingdom will be found in a better position to play the role of supplier than at the beginning of the post-war period. These advantages will be turned to account or wasted in accordance with the care and determination expended in the effort to cater for the market. The intention of large numbers of manufacturers to re-establish their products in this market is undoubted; in spite of unparalleled depression in 1931 more inquiries have been received and more business visits have been paid to the country than in previous years; the exhibition in Buenos Aires, and the visit of H.R.H. the Prince of Wales alone did much to stimulate interest in Brazil and to attract visitors. The Prince's visit not only went far to encourage manufacturers to study the various aspects of the market, but also what is equally important, to direct the attention of the Brazilian authorities and producers to the United Kingdom as an outlet for Brazilian produce. The Prince's personal study of this market and his advice to manufacturers upon his return home, came on the eve of the departure from the gold standard, a change which seems likely to initiate a new era in our trade activity in this country. Manufacturers planning to enter this market could not do better than to study the Prince's Manchester speech; indeed the outcome of this revival of interest depends primarily upon how well the problem of distribution has been studied. Selling in Brazil, as elsewhere, requires separate study for each commodity—no generalisation will serve—a distribution service of any value can only be worked out after a

market analysis has been carefully prepared. The extent of the demand must be ascertained within close limits. If the manufacturers' products are sold through wholesalers or retailers the number, distribution and their methods of conducting business must be ascertained, and a practical system of keeping in touch with them worked out. If railways are the chief purchasers, exact and reliable information concerning each railway must be obtained—including details of its purchasing system, credit standing, its organisation and association. At the same time the natural distribution of the market into districts should be studied and at least a general impression of the peculiarities of each arrived at. Agency and sub-agency districts should be planned and their potentialities estimated. This principle of studying the normal outlet in detail must be applied whatever the product; the onus of doing so rests in the first case upon the manufacturer, who should not in any event seek to enter a market without having undertaken a complete preliminary investigation. The question of what system of distribution is to be adopted, depends upon the outcome of these preliminary studies and the work cannot reasonably be left until an agent has been appointed, or some other sales plan evolved. It may be added in this place that market investigations in detail are now frequently undertaken by the more up-to-date advertising firms established in Brazil.

**Distribution System.**—The usefulness of a reliable agent is not to be denied and in the case of products which require little or no technical knowledge in distribution, the appointment of an agent is sometimes the most economical method of entering the market. Nevertheless there are certain aspects of the distribution through a resident agent which are too frequently overlooked. It is, for example, of little value to appoint an agent unless the manufacturer is prepared to co-operate with him and this requirement presupposes that the latter thoroughly understands the extent and nature of the effort which his representative proposes to make. An agency agreement should require the agent to cover a certain agreed territory in a definite and efficient manner, if necessary by the appointment of sub-agencies limited to fixed sales territories. The manufacturer should have full knowledge of the number of salesmen employed; he should also be aware of any other agencies held and should satisfy himself that the agent is not encumbered with too great a number and variety of lines.

These requirements on the part of the manufacturer naturally imply an obligation to support the agent in a practical manner; such support usually takes the form of a definite scheme of advertising which can most effectively be undertaken by the manufacturer in consultation with one or the other of the advertising agencies. It may also include the obligation on the part of the manufacturer to co-operate with the agent by an undertaking to send a factory representative to the market at fixed intervals.



If an understanding of this kind is reached, a satisfactory volume of sales is likely to be attained after the lapse of the necessary interval during the pioneering stages, during which the agent is entitled to look to his principal for a reasonable return upon his outlay.

The practice of appointing agents without the prior settlement of these obligations and requirements, and without any regard to his suitability or competence to maintain a satisfactory sales service, commonly leads to dissatisfaction and seldom produces any tangible result. There are innumerable agents in Brazil who are willing to accept an additional representation simply on the off-chance that sales may materialise from some effort made by the manufacturer without themselves having any intention of undertaking a practical sales campaign. Many manufacturers also, are sometimes too ready to place their agency in the hands of an overburdened agent on vague terms without any intention of co-operating in the cost of establishing themselves and simply in the hope that sales may materialise in spite of every reasonable prospect to the contrary. Arrangements of this character seldom produce results; agencies of this kind are changing hands constantly without benefit to either party.

It should of course be understood that in practice the alternative of appointing an agent is only open to firms whose products are of non-technical nature. In the case of manufacturers of machinery, machine tools, motor cars and many similar lines, it is to-day practically impossible to enter this market merely by the expedient of appointing an agent. The majority of resident firms competent to sell technical materials are already monopolised; it is, indeed, almost inconceivable that any competent firm of agents or merchants should lack a representation for technical products, for which they have developed an effective outlet. For manufacturers of this kind, of which there are very many constantly seeking to enter the market, there is no reasonable alternative other than the establishment of selling organisations on their own account, or at least the maintenance of their own salesman attached as a special department to one of the existing merchants. On the latter terms it should be possible to find a satisfactory representative and such arrangements promise considerable profit and convenience to both parties.

For manufacturers whose potential distribution does not justify the establishment of a branch, the group system is a useful alternative. Each of these methods have been dealt with in detail in previous reports in this series and it is here only necessary to repeat that the necessity to adopt these methods, while fully recognised in Brazil, has not yet been completely grasped by United Kingdom manufacturers, with the result that many firms for whom there is an undoubted opportunity have still made little or no progress.

## V. INDUSTRY.

**General.**—During the last few months of 1930, the depression in Brazilian manufacturing industries reached its climax and if it had not been for the fall in the rate of exchange, which had the immediate effect of keeping imports out of the market, the depression would undoubtedly have continued throughout 1931. In the event, however, most branches of national manufacturing industries have not been short of work and have operated at full time. In many cases this activity must be regarded as temporary, for Brazil is primarily an agricultural country and the protection of those enterprises, which in Brazil are often described as “artificial industries,” is in the opinion of many likely to retard the development of the country, which depends upon increases in agricultural production. During the year a Ministry of Industry, Labour and Commerce has been organised and a good deal of work has been done in collecting statistics of industrial production, machinery, &c. The returns from this national census of industry will probably be available during 1932, and should provide valuable data. A considerable amount of industrial legislation has also been undertaken; this is dealt with in another section.

Generally speaking the industrial conditions have been easier during the past year than for the last two years. There has been little or no unemployment since the beginning of the year and many establishments resumed full-time operation. From São Paulo, which is by far the largest industrial district, it is reported that stocks of goods accumulated during previous years have been liquidated in great part and prospects for the immediate future are generally favourable.

**Textile Industries.**—*Cotton.*—The conditions in the cotton industry have greatly improved, particularly in the factories producing better quality material. At the beginning of the year the activities of most of the establishments were greatly reduced and the outlook was unsatisfactory both from a point of view of labour and production. At the present (December, 1931) there is no unemployment, stocks have been reduced, imports almost entirely cut off and many of the mills are working full time. The largest branch of the industry, which is in São Paulo, produced in 1930 only about 135,000,000 metres out of a capacity of 500,000,000 metres. Production figures for 1931 are not available, but judging from the monthly consumption of raw cotton, which has doubled during the last year in that market, it is evident that a great improvement has taken place.

*Jute.*—The jute industry suffered severely owing to the depression in the coffee business, from which derives the greatest demand for jute piece-goods. The production in 1930 was estimated to be less than half of the 1928 production. The industry has further been kept in a state of uncertainty owing to the various changes in

the duties on jute yarns. Conditions, however, are reported to be somewhat better than at this time last year.

*Wool and Woollens.*—In common with the other textile branches the wool industry had to face a serious crisis at the end of the year, but owing to the protection resulting from the devaluation of the milreis, has improved considerably. During the year the whole woollen group, including raw wool, yarns, piece-goods and manufactures, were increased considerably. In the early months of the year the industry petitioned for a considerable increase in the Tariff, which was granted. Before the changes came into effect, however, the position somewhat improved and the heavy increases which had been decreed were accordingly modified. Nevertheless in the end the Tariff rates on almost every item increased. In consequence the importation of piece-goods practically became prohibitive.

During the first six months of 1931 the imports of raw wool amounted to 700 tons as against 600 tons in the first half year, 1931; the imports of woollen manufactures, including yarn, decreased more than 50 per cent. during the same period. At the same time during the year the export of Brazilian wool remained approximately at the same level; in the first 7 months in 1931 raw wool was exported to the quantity of 5,600 tons. The chief products of the industry are cashmeres, cheviots and flannels.

## VI. TRANSPORT AND COMMUNICATIONS.

The year has been one of suspended activity in the construction of new transport works; few interesting changes or developments in the communications of the Republic have occurred and almost all services have suffered the effects of the reduction in freight traffic. The various schemes of extension in railways which have been under consideration for some time have been arrested in view of the virtual impossibility of financing new enterprises in the present state of the lending markets. Nevertheless there are a number of interesting developments in the preliminary stages of organisation awaiting the re-establishment of investor confidence and it seems probable that important works, either new transport links or the reorganisation of existing services, will be initiated in 1932.

*Railways.*—The only new construction of any importance during the year is a railway for the Paraná Plantations Limited, which has proceeded steadily and is now nearing completion as far as the present plan of construction extends.

Work on the Santos-Mayrink extension of the Sorocabana Railway, which was begun in 1927, has been much reduced in consequence of the crisis.

The whole question of the railway system of São Paulo and Southern Brazil, which involves the future of several lines including the São Paulo Railway, is the subject of pending negotiations

and it is not likely that further extensions will be made, in spite of a number of projects under consideration, until a definite settlement has been reached. When conditions in the financial markets improve there will probably be a period of active development in this region.

On the 21st October, 1931, the Chief of the Provisional Government signed a decree authorising the Minister of Communications and Public Works to call for tenders for the electrification of the suburban sections of the Central Railway of Brazil. April 30th, 1932, has been fixed as the last date for the receipt of tenders.

At the same time a number of reforms and economies have been carried out in connection with the Central Railway, with a view to reducing the deficit; steps are also being taken to improve the administration of the line. Similar reforms are being carried out in connection with the lines administered by the Federal Railway Inspectorate.

Considerable changes have also taken place in the operation of leased and concession railways; one of these—the Madeira-Mamoré Railway—has been taken over by the Federal Administration.

Amongst other events of interest in the sphere of railway activity may be mentioned the cancellation of the concession of the Paranapanema branch, which has now been taken over by the Government. Negotiations are also proceeding between the São Paulo-Rio Grande Railway, whose contracts and general position are being investigated by a Government Commission.

A similar commission has been appointed to enquire into the position of the Eastern Brazilian Railway. In the southern group tenders have been authorised for extensions of the Rio Grande do Sul Railway; the ultimate cost of this work is estimated at 100,000 contos.

In February last a special credit of 3,000 contos was opened to continue the work on the extension of the Passo do Barbosa Railway to Jaguarão.

**General Transport Plan.**—A permanent commission has now been established by the Minister of Transport and Public Works to draw up a general transport plan with the object of co-ordinating the existing systems of road, railways and navigation services and advising the Government with regard to the granting of further contracts and concessions which may be necessary for the unification and extension of the existing transport facilities.

**Irrigation Works.**—The occurrence of a serious drought in North Eastern Brazil directed the attention of the Government toward the necessity for permanent irrigation work and steps were accordingly taken to co-ordinate the irrigation services. For this purpose new regulations were drawn up and put into effect by a Federal Decree signed on the 20th February. To meet the immediate needs of the situation created by the exodus of population

from the drought areas extraordinary credits were opened in the current financial year.

**Ports and Navigation.**—Work on Federal Government account is still proceeding at Rio de Janeiro and Natal. In the concession ports new works were reduced to a minimum owing to the general decline in revenue resulting from decreased traffic, from which most of the ports derive the major part of their profit. The import tonnage for the first eight months of 1931 was only 2,359,403 tons, as against 3,560,403 tons in the corresponding period of 1930 and 4,128,790 tons in 1929. Export tonnage was well maintained, but the benefit of this applied only to the coffee ports.

**Coastwise Traffic.**—In the absence of definite figures it is impossible to estimate the effect of the depression upon the volume of coastwise freight available, but judging from the reduction in imports and the relative activity of the national industries, it is fair to assume that at least no serious reduction took place. In the early months of the year, however, an unofficial freight war was carried on between the coastwise groups and consequently much of the traffic carried was unprofitable. In August a new agreement was reached on a basis of distributing in a certain fixed proportion all freight proceeds. Notwithstanding this arrangement the chief coastwise groups found themselves in very serious difficulties, particularly in view of the fall in exchange and the consequent increase in their burden of fixed foreign exchange charges, either for debts, repairs or fuel supplies.

In the case of the Lloyd Brasileiro the administration of the services has been improved considerably and drastic cuts in expenditure and personnel have been made; nevertheless the fleet is in pressing need of renewal and repair and it is difficult to see how its services can be maintained efficiently unless the means can be found for these requirements in the near future.

The case of the Lloyd Nacional and Costeira lines is equally serious, though the vessels of these are more modern and economical.

**Civil Aviation.**—The most important development of the year was the establishment by the Brazilian Government of a Department of Civil Aviation (Departamento de Aeronautica Civil) by an executive decree signed on the 23rd of April, 1931. This Department was added to the establishment of the Ministry of Transport and Public Works; the cost of its maintenance is to be derived from the air post surcharges which are to be collected for the purpose by the Department of Posts and Telegraphs, also a branch of the same Ministry.

In 1930 the total air post surcharges amounted to 2,186 contos, of which 1,904 contos were returned to the operating companies; the balance is kept on deposit for the expenses of the new department, whose organisation is to consist of the following:—

Administration	...	A chief and two assistants.
Operation	... ..	A chief, a designer and assistant.
Traffic	... ..	A chief and two assistants.

Translations of the decree mentioned above and also of an interesting statement by the Minister of Communications concerning the necessity of Government control and encouragement for civil aviation, may be obtained from the Department of Overseas Trade.

The address of this new Government Department is as follows :—

Departamento de Aeronautica Civil,  
Ministerio da Viação e Obras Publicas,  
Praça 15 de Novembro,  
Rio de Janeiro—Brazil.

The Director of the Department has expressed a desire to receive information or publications of whatever kind dealing with civil aviation or civil aircraft.

According to an official statement there were in 1930 some 62 machines operating upon civil air lines in Brazil. The total distance covered was 1,617,977 kilometres; the passengers carried were 4,667; also 32 tons of mail, 23 tons of baggage and 9½ tons of cargo.

The figures of the first six months of this year show that 1,919 passengers, 20,459 kilos of postal correspondence, 14,323 kilos of baggage and 9,237 kilos of cargo have been transported; 940 flights have been made with a total distance of 892,309 kilometres, in 5,869 hours. In this traffic 59 air vessels were employed, of which 22 were national.

There has been very little change in the commercial air lines of Brazil during the past year and considerable progress has been made. No new lines have been added, though several schemes for the interior services have been proposed and some preliminary organisation has been done. The New York-Rio-Buenos Aires air line, which was purchased by the Pan-American Airways Company in November, 1930, has now been re-organised under the name of " Panair do Brasil "; this company's service has recently been extended to Buenos Aires.

During the year an experimental air mail service has been established between the capital and São Paulo, operated by the Federal Army Aviation Arm. The object of this service is to complete the training of the military aviators with a view to extending this official air service.

United Kingdom aircraft manufacturers have been active in the Republic during the year and important contracts for 15 training machines for the Army and 12 training machines for the Navy have been awarded to one firm of aircraft contractors.

## APPENDIX I.

## ESTIMATED AND ACTUAL REVENUE OF FEDERAL GOVERNMENT, 1913-1930.

					Revenue in paper currency.	
					Estimated.	Collected.
					Contos paper.	
1913	...	...	...	...	393,982	640,615
1914	...	...	...	...	587,843	418,751
1920	...	...	...	...	758,181	646,838
1921	...	...	...	...	953,746	862,137
1922	...	...	...	...	1,120,400	918,165
1923	...	...	...	...	1,191,302	1,283,354
1924	...	...	...	...	1,475,760	1,510,508
1925	...	...	...	...	1,438,719	1,713,208
1926	...	...	...	...	1,562,038	1,644,582
1927	...	...	...	...	1,797,979	2,039,506
1928	...	...	...	...	2,088,933	2,216,513
1929	...	...	...	...	2,210,770	2,399,599
1930	...	...	...	...	2,365,200	1,677,952

## ESTIMATED AND ACTUAL EXPENDITURE OF FEDERAL GOVERNMENT IN 1930.

					Contos paper
Budget Estimates	...	...	...	...	2,312,925
Supplementary Credits	...	...	...	...	19,504
Extraordinary	...	...	...	...	688,193
Total	...	...	...	...	3,020,622
Actually expended	...	...	...	...	2,465,028

## APPENDIX II.

## BRAZILIAN IMPORTS.\*

Principal articles classified, showing Great Britain's position in relation to other important suppliers of each article in the years 1928, 1929 and 1930.†

	Weight (metric tons).			Value (£1,000).		
	1928	1929	1930	1928	1929	1930
CLASS I.						
<i>Cotton, Wool, Linen,</i>						
<i>Jute, Silk (raw</i>						
<i>yarns and textiles)</i>						
Cotton Piece-goods,						
bleached—						
<i>Total imports ...</i>	643	439	147	380	246	84
Great Britain ...	477	338	86	287	182	47
Switzerland ...	30	24	21	31	22	19
France ...	65	37	18	31	17	7
United States ...	46	20	13	26	11	5
Germany ...	15	11	7	10	7	5
Cotton Piece-goods,						
Unbleached—						
<i>Total imports ...</i>	121	94	16	41	31	5
Great Britain ...	50	39	7	16	12	3
Germany ...	61	50	7	22	16	1
Cotton Piece-goods,						
Printed—						
<i>Total imports ...</i>	677	430	192	560	330	145
Great Britain ...	381	259	72	305	197	51
United States ...	140	58	47	112	42	34
France ...	99	74	40	85	53	31
Switzerland ...	42	23	10	46	24	14
Cotton Piece-goods,						
Dyed—						
<i>Total imports ...</i>	6,201	3,535	794	3,565	1,820	390
Great Britain ...	4,844	2,679	513	2,644	1,299	224
Switzerland ...	188	88	51	205	96	47
Italy ...	369	328	109	167	144	39
France ...	416	248	52	269	140	30
Cotton Piece-goods,						
unenumerated—						
<i>Total imports ...</i>	670	443	190	468	256	97
Great Britain ...	301	190	63	222	102	31
France ...	67	49	27	53	38	16
Germany ...	59	50	26	41	30	16
Cotton Manufac-						
tures, unspecified						
<i>Total imports ...</i>	551	428	241	276	242	128
Great Britain ...	296	175	102	147	127	66
Germany ...	85	84	56	43	40	26
France ...	59	48	32	41	34	16
United States ...	72	96	42	23	27	16

\* Arranged as follows :—Great Britain first, and other countries in 1930 order.

† 1928 values convert 41\$000=£1.

1929 " " 41\$000=£1

1930 " " 44\$000=£1



## APPENDIX II—continued.

	Weight (metric tons).			Value (£1,000).		
	1928	1929	1930	1928	1929	1930
Raw Jute—						
<i>Total imports</i> ...	13,143	19,118	12,499	505	733	437
Great Britain ...	392	155	22	19	6	2
India ...	12,453	18,699	12,412	471	720	432
Wool Yarn—						
<i>Total imports</i> ...	1,981	1,385	959	1,368	870	463
Great Britain ...	485	313	155	323	190	70
France ...	902	507	384	650	322	183
Germany ...	157	231	199	108	145	103
Woollen Piece-goods						
<i>Total imports</i> ...	830	712	330	972	868	374
Great Britain ...	495	419	200	621	549	249
France ...	199	179	61	210	187	55
Linen Piece-goods—						
<i>Total imports</i> ...	1,293	985	719	774	591	382
Great Britain ...	552	531	373	368	339	209
France ...	303	215	173	166	121	94
Belgium ...	351	168	105	193	90	54
CLASS II.						
<i>Iron, Steel and Manu- factures.</i>						
Iron Bars and Rods						
<i>Total imports</i> ...	59,693	61,480	22,470	496	522	194
Great Britain ...	6,382	8,686	1,928	63	72	22
Belgium ...	34,117	34,983	14,376	256	273	103
Germany ...	5,719	6,005	3,356	75	68	37
France ...	5,556	2,486	510	38	21	5
Iron Plates and Sheets—						
<i>Total imports</i> ...	33,798	30,337	17,860	505	430	245
Great Britain ...	6,723	6,748	3,264	119	111	55
United States ...	8,483	6,347	3,718	181	134	78
Belgium ...	14,313	3,495	7,741	146	129	71
Germany ...	3,693	2,960	2,237	51	41	29
Iron, Cast, Pig, Pud- dles and Filings—						
<i>Total imports</i> ...	3,081	13,699	3,719	29	92	27
Great Britain ...	1,885	4,812	1,642	12	28	10
Belgium ...	478	5,171	1,691	3	31	10
Germany ...	345	782	346	6	9	4
Steel Bars and Rods						
<i>Total imports</i> ...	7,542	8,870	3,782	187	200	82
Great Britain ...	2,903	3,697	1,997	59	65	39
Germany ...	1,104	1,246	782	43	35	21
Belgium ...	1,000	1,979	501	15	27	7
Steel Plates—						
<i>Total imports</i> ...	2,750	2,019	2,030	42	33	27
Great Britain ...	1,158	772	991	20	12	14
United States ...	1,271	788	177	17	14	4
Belgium ...	240	276	597	3	3	6

## APPENDIX II—continued.

	Weight (metric tons).			Value (£1,000).		
	1928	1929	1930	1928	1929	1930
<b>Structural Iron and Steel—</b>						
<i>Total imports</i> ...	18,756	37,433	12,158	230	455	184
Great Britain ...	800	1,408	1,944	14	14	32
United States ...	2,267	9,227	3,306	58	17	85
Belgium ...	7,803	19,743	5,121	58	175	45
<b>Rails, Fishplates, etc.—</b>						
<i>Total imports</i> ...	113,399	82,427	54,177	1,172	951	621
Great Britain ...	25,834	29,135	27,079	294	310	305
Belgium ...	49,249	23,117	16,735	449	221	159
United States ...	23,769	22,061	8,065	295	302	113
<b>Telegraph and Telephone Posts, Bridges and Fences—</b>						
<i>Total imports</i> ...	9,348	10,863	11,455	195	287	301
Great Britain ...	2,089	3,680	3,599	56	98	105
Germany ...	2,517	1,341	3,297	53	27	71
United States ...	1,404	2,967	1,471	33	92	54
<b>Tubes, Pipes and Jointings—</b>						
<i>Total imports</i> ...	56,222	54,963	22,491	1,006	1,016	501
Great Britain ...	9,101	9,614	6,264	187	191	148
United States ...	6,901	6,497	4,349	186	191	118
Belgium ...	22,903	23,896	7,281	287	278	109
Germany ...	4,958	7,631	2,210	143	190	62
<b>Barbed Wire—</b>						
<i>Total imports</i> ...	47,655	38,958	21,538	689	563	278
Great Britain ...	2,147	2,612	541	34	40	8
United States ...	15,972	11,726	7,225	229	168	91
Belgium ...	10,474	11,645	6,457	151	166	83
Germany ...	16,815	9,391	5,140	242	134	66
<b>Wire (not including barbed)—</b>						
<i>Total imports</i> ...	35,204	38,818	20,551	464	522	250
Great Britain ...	4,702	5,743	1,815	69	86	29
Germany ...	13,154	12,746	9,584	189	181	113
Belgium ...	11,134	12,286	4,160	129	150	50
United States ...	1,557	2,145	1,212	25	33	18
<b>Galvanised Corrugated Sheets—</b>						
<i>Total imports</i> ...	17,904	18,294	8,324	396	379	166
Great Britain ...	7,453	8,737	3,894	163	181	75
United States ...	9,919	8,426	3,682	223	176	78
<b>Tinplate—</b>						
<i>Total imports</i> ...	33,467	25,670	24,166	742	574	531
Great Britain ...	24,238	20,960	20,040	542	464	430
United States ...	9,143	4,587	3,682	197	102	85

## APPENDIX II—continued.

	Weight (metric tons).			Value (£1,000).		
	1928	1929	1930	1928	1929	1930
Tools and Utensils (including machine tools)—						
<i>Total imports</i> ...	3,475	3,068	1,417	582	578	258
Great Britain ...	430	455	211	78	80	36
Germany ...	1,556	1,306	650	213	221	113
United States ...	1,036	1,003	344	228	213	77
Cutlery—						
<i>Total imports</i> ...	544	578	302	288	290	143
Great Britain ...	15	15	14	13	9	4
Germany ...	419	462	227	180	189	92
United States ...	36	36	14	59	49	31
France ...	48	49	37	24	29	11
CLASS III. <i>Transport Material and General Machinery.</i>						
Locomotives—						
<i>Total imports</i> ...	6,986	6,267	6,822	577	536	321
Great Britain ...	2,387	1,641	3,110	278	147	156
United States ...	1,203	1,972	665	142	224	86
Germany ...	1,720	1,286	613	132	104	38
Railway Cars and Waggons—						
<i>Total imports</i> ...	10,487	18,576	5,324	519	870	222
Great Britain ...	1,534	2,296	2,240	135	134	136
Belgium ...	6,225	4,094	2,565	126	90	65
Germany ...	455	415	203	12	13	16
United States ...	1,898	11,234	298	211	638	8
Axles, Wheels, etc., for Railway Stock—						
<i>Total imports</i> ...	8,676	12,390	5,835	235	327	164
Great Britain ...	3,911	4,465	2,160	100	118	84
United States ...	1,258	2,241	1,137	42	84	33
Belgium ...	2,340	3,637	1,032	40	59	18
Germany ...	377	1,569	403	39	47	7
Motor Cars—		(No. of cars)				
<i>Total imports</i> ...	27,906	29,399	1,688	3,583	3,212	276
Great Britain ...	50	22	19	24	15	4
United States ...	27,641	28,992	1,363	3,502	3,102	226
Italy ...	76	193	245	20	28	27
France ...	58	151	47	19	37	12
Motor Trucks—		(No. of Trucks)				
<i>Total imports</i> ...	17,521	24,529	258	1,975	2,369	72
Great Britain ...	198	128	28	59	36	11
United States ...	17,130	24,271	185	1,834	2,280	47
Switzerland ...	55	26	14	24	17	5
Germany ...	76	44	16	36	9	4
Italy ...	50	50	13	19	7	2

APPENDIX II—*continued.*

	Weight (metric tons).			Value (£1,000).		
	1928	1929	1930	1928	1929	1930
Spinning and Weaving Machinery (excluding looms)—						
<i>Total imports</i> ...	3,507	2,736	1,151	351	277	131
Great Britain ...	2,361	1,651	630	218	149	65
Germany ...	532	700	208	56	73	22
Agricultural Machinery (unspecified)—						
<i>Total imports</i> ...	842	818	358	54	63	33
Great Britain ...	51	37	20	3	3	1
United States ...	380	406	215	25	30	18
Germany ...	216	312	60	16	21	5
Ploughs, Ploughing Apparatus and Parts—						
<i>Total imports</i> ...	1,953	1,427	736	91	61	31
Great Britain ...	46	31	10	1	1	$\frac{1}{2}$
United States ...	1,110	820	552	64	11	24
Germany ...	751	541	170	20	16	7
Threshing Machines						
<i>Total imports</i> ...	171	242	188	21	32	24
Great Britain ...	8	13	1	1	1	$\frac{1}{2}$
United States ...	148	192	176	18	26	23
Printing Machines and Attachments—						
<i>Total imports</i> ...	541	1,115	839	178	303	207
Great Britain ...	17	13	14	6	7	8
Germany ...	249	662	630	42	120	104
United States ...	171	211	111	116	137	80
Other Industrial Machinery—						
<i>Total imports</i> ...	7,171	14,024	7,232	707	1,187	663
Great Britain ...	1,607	3,131	1,556	157	267	133
Germany ...	1,970	2,363	801	238	287	113
United States ...	889	1,791	2,559	129	205	232
France ...	804	1,924	318	58	122	22
General Machinery and Mechanical Appliances (unspecified)—						
<i>Total imports</i> ...	20,893	23,104	11,750	2,707	2,908	1,557
Great Britain ...	3,550	3,875	2,280	385	400	262
United States ...	5,572	6,798	3,522	955	1,038	597
Germany ...	8,287	8,200	3,493	930	951	411
Cranes—						
<i>Total imports</i> ...	3,641	3,412	1,437	278	277	90
Great Britain ...	2,089	2,059	873	137	134	47
United States ...	898	461	122	107	44	14
Germany ...	368	326	301	25	18	20

## APPENDIX II—continued.

	Weight (metric tons).			Value (£1,000).		
	1928	1929	1930	1928	1929	1930
<b>Boilers—</b>						
<i>Total imports ...</i>	2,032	2,424	1,758	117	132	128
Great Britain ...	1,003	1,240	685	63	69	36
United States ...	453	299	545	25	18	59
Germany ...	386	196	66	21	10	8
<b>CLASS IV.</b>						
<i>Copper.</i>						
<b>Copper Plates and Sheets—</b>						
<i>Total imports ...</i>	2,695	2,373	1,334	239	238	119
Great Britain ...	652	1,067	685	58	105	59
Germany ...	1,055	859	482	94	87	43
United States ...	174	230	26	24	22	3
<b>Copper (Cast, Moulded, Fillings, etc.)</b>						
<i>Total imports ...</i>	4,015	6,341	2,847	301	559	196
Great Britain ...	394	436	300	32	36	23
United States ...	2,963	5,631	2,352	221	490	158
<b>Electric Cables and Wires (insulated)</b>						
<i>Total imports ...</i>	3,789	6,482	4,634	294	548	346
Great Britain ...	1,408	3,775	2,500	85	277	170
United States ...	792	996	409	89	118	50
Germany ...	468	503	411	35	38	20
<b>CLASS V.</b>						
<i>Chemical Products.</i>						
<b>Caustic Soda—</b>						
<i>Total imports ...</i>	21,734	16,705	17,683	401	290	331
Great Britain ...	15,913	12,454	12,938	229	219	249
United States ...	5,384	4,033	4,003	105	65	67
<b>White Zinc Paints—</b>						
<i>Total imports ...</i>	5,399	4,995	3,709	171	155	106
Great Britain ...	729	633	449	24	20	13
Belgium ...	3,043	2,744	2,274	96	85	64
<b>Water Paints and Paints prepared, unenumerated—</b>						
<i>Total imports ...</i>	2,145	2,646	1,402	201	227	138
Great Britain ...	822	727	547	48	44	34
United States ...	918	1,195	421	111	127	56
Germany ...	188	265	165	16	21	16
<b>Chemical Fertilisers</b>						
<i>Total imports ...</i>	21,121	24,241	8,403	193	224	76
Great Britain ...	1,087	1,942	1,227	14	22	11
Germany ...	13,418	15,314	4,534	140	154	41
Holland ...	1,504	3,671	872	7	14	4
<b>Chemical Products (unspecified)—</b>						
<i>Total imports ...</i>	10,993	8,107	6,585	810	665	535
Great Britain ...	2,717	2,461	1,210	123	106	85
Germany ...	3,427	2,361	1,575	186	149	104
United States ...	1,077	772	628	125	87	68

## APPENDIX II—continued.

	Weight (metric tons).			Value (£1,000).		
	1928	1929	1930	1928	1929	1930
<b>CLASS VI.</b>						
<i>Electric Material and Apparatus.</i>						
Apparatus and Appliances for Electric Light—						
<i>Total imports</i> ...	6,129	7,573	4,358	1,247	1,697	1,138
Great Britain ...	782	906	565	171	190	144
United States ...	2,915	3,533	2,053	637	794	507
Belgium ...	126	443	404	16	183	208
Germany ...	1,601	1,786	739	250	270	145
Electric Dynamos and Generators						
<i>Total imports</i> ...	1,065	1,925	768	172	281	151
Great Britain ...	130	91	90	32	18	17
United States ...	237	934	284	57	150	72
Germany ...	505	641	222	61	72	35
Electric Motors—						
<i>Total imports</i> ...	1,690	2,177	1,027	251	332	176
Great Britain ...	212	269	189	37	43	33
United States ...	475	657	372	88	116	73
Germany ...	440	507	119	59	71	20
Italy ...	104	149	147	13	17	18
Transformers—						
<i>Total imports</i> ...	1,717	3,337	2,317	207	332	274
Great Britain ...	173	471	454	17	54	44
United States ...	948	2,093	1,428	128	245	176
Germany ...	361	499	198	38	52	21
<b>CLASS VII.</b>						
<i>Fuels, Oils and Cement.</i>						
Coal—						
<i>Total imports</i> ...	1,950,258	2,067,347	1,745,826	2,721	3,136	2,731
Great Britain ...	1,778,233	1,799,771	1,362,352	2,439	2,693	2,111
United States ...	151,109	185,080	169,396	251	300	306
Cement—						
<i>Total imports</i> ...	456,212	535,276	390,593	1,403	1,539	1,031
Great Britain ...	60,837	64,927	51,597	198	189	124
Belgium ...	85,010	125,024	85,265	246	340	230
Denmark ...	101,725	111,860	83,908	281	290	225
Germany ...	103,961	121,575	73,185	348	375	220
Sweden ...	52,237	56,725	55,968	149	115	143
Lubricating Oils—						
<i>Total imports</i> ...	33,431	45,364	24,561	840	1,011	626
Great Britain ...	811	1,546	1,108	23	47	30
United States ...	35,532	40,946	21,727	776	903	562
Mexico ...	1,803	2,510	1,450	33	40	22
Gasoline—						
<i>Total imports</i> ...	254,345	293,626	279,495	2,882	3,614	3,177
United States ...	128,947	173,061	128,216	1,820	2,468	1,853
Mexico ...	56,603	47,204	59,045	509	504	548

## APPENDIX II—continued.

	Weight (metric tons).			Value (£1,000).		
	1928	1929	1930	1928	1929	1930
Kerosene—						
<i>Total imports</i> ...	103,697	117,256	90,465	1,243	1,425	1,063
United States ...	82,007	82,811	65,466	1,009	1,057	815
Mexico ...	20,020	18,125	19,053	213	215	209
CLASS VIII.						
Foodstuffs.						
Wheat—						
<i>Total imports</i> ...	695,407	746,197	648,240	7,849	7,645	6,069
Argentina ...	673,241	729,171	595,017	7,585	7,412	5,577
Uruguay ...	22,121	13,299	10,995	263	140	103
United States ...	2	3,231	27,410	Nil	32	223
Canada ...	Nil	Nil	5,583	Nil	Nil	48
Wheat Flour—						
<i>Total imports</i> ...	209,157	162,878	152,279	3,356	2,447	2,109
Argentina ...	112,324	81,929	57,154	1,696	1,119	756
United States ...	76,456	68,021	74,850	1,351	1,128	1,087
Uruguay ...	18,167	12,513	18,960	275	175	234
Dried Codfish—						
<i>Total imports</i> ...	41,103	37,780	35,392	1,984	1,931	1,585
Great Britain ...	14,296	11,838	10,373	683	595	498
Newfoundland ...	16,014	17,108	15,418	774	897	640
Norway ...	6,273	5,295	6,418	309	254	295
Canada ...	568	1,647	1,510	30	86	65
CLASS IX.						
Enamelled Iron Manufactures—						
<i>Total imports</i> ...	1,233	1,165	483	158	153	61
Great Britain ...	51	42	13	5	5	2
Germany ...	1,002	939	356	129	123	44
United States ...	29	41	65	4	4	8
Window Glass—						
<i>Total imports</i> ...	9,385	11,811	5,893	177	219	121
Great Britain ...	1,537	1,724	1,062	36	39	24
Belgium ...	5,398	7,728	2,946	86	123	52
Germany ...	1,168	1,712	1,321	33	41	31
Printing Paper—						
<i>Total imports</i> ...	6,802	5,394	3,943	208	152	118
Great Britain ...	1,471	1,336	1,069	51	44	37
Germany ...	1,542	1,641	632	53	50	19
Sweden ...	689	915	443	17	13	7
News Printing Paper						
<i>Total imports</i> ...	36,539	41,909	38,561	565	641	559
Great Britain ...	119	575	527	4	10	11
Norway ...	18,164	15,181	15,820	266	216	213
Germany ...	6,099	4,793	5,567	121	95	93
Finland ...	4,929	4,946	6,254	74	69	87

## APPENDIX II—continued.

	Weight (metric tons).			Value (£1,000).		
	1928	1929	1930	1928	1929	1930
Rubber Tyres and Inner Tubes (including solid tyres)—						
<i>Total imports</i> ...	4,569	5,611	3,288	846	1,003	563
Great Britain ...	400	540	426	80	101	80
United States ...	2,918	3,419	2,302	518	588	386
Canada ...	571	793	181	104	144	30
France ...	471	197	84	109	42	17
Leather Belting—						
<i>Total imports</i> ...	100	98	48	54	59	25
Great Britain ...	41	37	15	24	22	9
United States ...	15	17	7	8	14	5
Manufactures of Skins and Leather, unspecified—						
<i>Total imports</i> ...	121	78	48	153	104	55
Great Britain ...	80	46	27	110	70	33
Germany ...	8	5	3	10	5	4
Skins and Hides, Tanned or otherwise prepared—						
<i>Total imports</i> ...	804	587	361	1,089	765	447
Great Britain ...	32	29	16	46	40	23
United States ...	304	191	91	459	252	117
Germany ...	158	162	97	304	256	166
France ...	97	68	61	119	89	75
Argentina ...	127	60	61	96	50	37
Uruguay ...	66	52	27	27	28	15
Pianos (except automatic)—						
<i>Total imports</i> ...	(Number). 3,379	2,240	(Number). 538	217	(Number). 146	35
Great Britain ...	242	89	41	7	5	2
Germany ...	2,872	1,945	444	196	127	21
France ...	104	114	13	6	8	1
Gramophones, Gramophone Records and Accessories						
<i>Total imports</i> ...	(Metric Tons). 932	977	286	385	372	108
Great Britain ...	89	114	45	38	40	18
United States ...	644	646	148	259	258	57
Germany ...	168	176	80	59	61	31
Photographic Apparatus, Plates, Paper, Films and Accessories						
<i>Total imports</i> ...	428	428	349	182	191	152
Great Britain ...	20	14	11	8	5	3
Germany ...	211	216	195	81	98	74
United States ...	67	73	60	61	61	47



## APPENDIX II—continued.

	Weight (metric tons).			Value (£1,000).		
	1928	1929	1930	1928	1929	1930
<b>Cinematograph Films—</b>						
<i>Total imports</i> ...	46	42	29	100	91	63
United States ...	39	37	25	85	77	51
Germany ...	3	3	3	7	7	7
France ...	2	2	1	6	4	3
<b>Wireless Apparatus and Accessories</b>						
<i>Total imports</i> ...	177	242	210	86	124	123
Great Britain ...	5	2	32	4	3	23
United States ...	134	182	139	63	78	64
Germany ...	21	54	28	9	39	20
<b>Sewing Machines</b>						
<i>Total imports</i> ...	4,812	4,355	2,631	836	799	492
Great Britain ...	37	45	29	9	10	7
United States ...	3,301	2,735	1,546	559	478	268
Germany ...	1,194	1,484	1,050	225	289	208
<b>Typewriting Machines and Accessories—</b>						
<i>Total imports</i> ...	323	332	111	236	247	80
Great Britain ...	3	2	2	2	2	1
United States ...	254	271	64	182	207	59
Germany ...	48	38	43	27	23	19
<b>Calculating Machines—</b>						
<i>Total imports</i> ...	219	233	114	182	203	97
United States ...	208	216	77	165	179	68
Germany ...	9	15	37	14	18	25
<b>Stoves—</b>						
<i>Total imports</i> ...	547	855	659	57	92	66
Great Britain ...	37	69	84	3	6	8
United States ...	229	312	290	28	40	32
Germany ...	227	339	253	22	32	24

## APPENDIX III.

BRAZILIAN IMPORTS BY CLASSES OF COMMODITIES.  
(January to September—nine months.)

	Quantity.		Value in £1,000.	
	1930	1931	1930	1931
Live animals ... .. (head)	3,401	1,318	85	18
Briquettes, coal and coke (tons)	1,544,277	971,276	2,504	1,351
Cement ... .. "	312,863	96,023	884	251
Iron and steel ... .. "	41,975	19,476	481	227
Jute ... .. "	15,892	18,179	662	555
Wool ... .. "	1,092	978	413	332
Lumber and timber ... .. "	32,515	22,543	391	253
Skins and hides ... .. "	362	294	391	231
Other raw material ... .. "	99,983	66,975	3,818	2,603
Cotton (piece-goods) ... .. "	1,069	371	573	205
Cotton (other manufactures) ... .. "	390	157	203	69
Motor cars ... .. (no.)	1,573	4,240	299	380
Other vehicles ... .. (tons)	6,076	5,850	415	335
Rubber manufactures ... .. "	2,872	2,725	564	402
Copper and alloys ... .. "	4,610	1,386	508	144
Iron and steel ... .. "	172,858	75,886	3,508	1,432
Gasoline ... .. "	212,429	174,186	2,538	1,209
Kerosene ... .. "	65,758	76,444	798	756
Wool manufactures ... .. "	408	194	394	166
Linen ... .. "	547	296	291	141
Earthenware, porcelain, glass and crystal ... .. "	8,990	5,219	533	238
Machinery, apparatus, utensils and tools ... .. "	45,986	16,322	6,292	2,464
Fuel oil ... .. "	273,489	278,083	700	625
Paper and manufactures thereof ... .. "	40,622	26,444	1,080	640
Chemical products, drugs and pharmaceutical specialities ... .. "	57,057	31,502	1,192	985
Other manufactured goods ... .. "	19,154	30,631	2,655	1,457
Rice ... .. "	25	25	*	*
Olive oil ... .. "	5,595	1,920	427	132
Codfish ... .. "	27,628	16,412	1,286	601
Potatoes ... .. "	21,633	7,046	213	45
Beverages ... .. "	14,534	6,004	730	266
Wheat flour ... .. "	113,178	55,696	1,651	555
Fruits and nuts ... .. "	4,897	5,421	299	257
Salt, rock and white ... .. "	34,962	12,917	74	28
Wheat ... .. "	503,129	537,864	4,998	2,895
Fodder ... .. "	271	51	2	*
Other foodstuffs ... .. "	16,649	8,682	929	442
Grand total ... ..	3,706,704	2,580,678	42,781	22,690

\* Insignificant.

## APPENDIX IV.

BRAZILIAN EXPORTS BY CLASSES OF COMMODITIES  
in the years 1929 and 1930.

	Quantity.		Value in £1,000.	
	1929	1930	1929	1930
Lard ... .. (tons)	389	447	25	30
Preserved meat ... .. "	3,652	6,598	222	396
Frozen and chilled meat ... .. "	79,342	113,116	2,735	3,856
Hides ... .. "	51,821	50,171	2,931	1,848
Wool ... .. "	5,167	7,362	746	1,020
Skins ... .. "	5,247	5,919	1,217	1,356
Tallow ... .. "	411	2,374	16	66
Jerked Beef ... .. "	3,613	3,646	210	214
Other animal products ... .. "	17,034	27,935	563	697
Manganese (ore) ... .. "	293,318	192,122	702	330
Precious stones ... .. "	—	—	232	89
Other minerals products ... .. "	22,685	23,381	181	587
Cotton (raw) ... .. "	48,728	30,416	3,783	1,920
Rice ... .. "	6,613	38,341	137	559
Sugar ... .. "	14,877	84,456	222	577
Rubber ... .. "	19,861	14,064	1,501	761
Cocoa (raw) ... .. "	65,558	66,862	2,578	2,040
Coffee ... .. (1,000 sacks)	14,281	15,288	67,307	41,179
Carnauba wax ... .. (tons)	6,433	6,714	608	529
Bran, all kinds ... .. "	84,632	83,862	470	334
Manioc meal ... .. "	5,774	3,998	61	38
Fruits and nuts (edible) ... .. "	117,876	139,751	921	978
Oil producing seeds ... .. "	94,037	81,784	1,643	1,289
Tobacco ... .. "	30,872	37,799	1,628	1,676
Mate (Brazilian tea) ... .. "	85,972	84,846	2,613	2,140
Timber ... .. "	127,220	115,548	655	510
Maize ... .. "	21,567	4,713	144	29
Vegetable oils ... .. "	158	1,210	13	57
Other vegetable products ... .. "	119,597	129,937	767	665
Grand total ... ..	2,189,314	2,274,652	94,831	65,770

## APPENDIX V.

## BRAZILIAN EXPORTS.

*Principal Markets (Brazilian Official Sterling Values).*

£1,000's.

Country.	1928	1929	1930	1st half 1931
United States ... ..	44,279	40,034	26,523	11,223
Germany ... ..	10,909	8,305	5,992	2,578
France ... ..	8,932	10,549	6,048	2,521
Great Britain ... ..	3,354	6,177	5,457	2,276
Argentina ... ..	5,784	6,024	4,488	1,591
Holland ... ..	5,612	4,666	3,334	1,399
Uruguay ... ..	2,526	2,908	3,324	1,326
Italy ... ..	4,834	4,423	2,862	1,052
Belgium ... ..	2,672	2,649	2,083	783
Sweden ... ..	2,279	2,159	1,303	592

## APPENDIX VI.

BRAZILIAN EXPORTS BY CLASSES OF COMMODITIES.  
(January to October—ten months.)

	Quantity.		Value in £1,000.	
	1930	1931	1930	1931
Lard ... .. (tons)	447	250	30	9
Preserved meat ... .. "	6,306	2,847	379	113
Frozen and chilled meat ... .. "	108,506	73,459	3,718	1,565
Hides ... .. "	45,492	43,510	1,651	1,171
Wool ... .. "	7,089	5,720	987	529
Skins ... .. "	5,032	5,588	1,161	888
Tallow ... .. "	2,227	222	62	5
Jerked beef ... .. "	3,481	1,004	206	36
Other animal products ... .. "	25,067	39,651	636	559
Manganese (ore) ... .. "	162,037	72,750	293	72
Precious stones ... .. "	—	—	75	41
Other mineral products ... .. "	16,850	27,400	544	657
Cotton (raw) ... .. "	23,824	17,879	1,593	716
Rice ... .. "	35,785	83,035	526	735
Sugar ... .. "	81,222	4,702	551	29
Rubber ... .. "	12,135	11,015	673	326
Cocoa (raw) ... .. "	51,100	50,065	1,628	955
Coffee ... .. (1,000 sacks)	12,558	14,780	35,253	28,032
Carnauba wax ... .. (tons)	5,307	5,918	432	292
Bran, all kinds ... .. "	73,232	63,455	290	172
Manioc meal ... .. "	3,584	2,999	34	18
Fruits and nuts (edible) ... .. "	115,663	162,259	800	981
Oil producing seeds ... .. "	71,039	64,299	1,182	862
Tobacco ... .. "	34,453	34,851	1,538	884
Mate (Brazilian tea) ... .. "	70,075	62,171	1,797	1,130
Timber ... .. "	94,092	80,969	424	246
Maize ... .. "	4,189	312	25	1
Vegetable oils ... .. "	1,183	162	56	7
Other vegetable products ... .. "	123,578	49,120	591	409
Grand total ...	1,936,475	1,852,412	57,135	41,440

For Appendices VII and VIII see pages 88 and 89.

## ANNEX.

## I.

## SÃO PAULO.

*By S. C. Lawrence, Acting British Consul General, São Paulo.*

**Population.**—The population of the State of São Paulo on the 31st December, 1928, was 6,815,825, on the 31st December, 1929, 6,399,000, and on the 31st December, 1930, it was calculated at 6,000,000 inhabitants, that of the capital city, São Paulo, being 1,009,249 on the 31st December, 1928, and 879,800 on the 31st December, 1929. These decreases in population are attributable to emigration from São Paulo to the surrounding States occasioned by the industrial depression in 1930.

**State Finances.**—No financial statement of the State debt position has been published since the present administration came into power and it is therefore impossible to say what is the present financial position. The latest figures for the Foreign Debt of São Paulo are those as on 31st December, 1929, which show the amount outstanding as £11,937,505, 43,044,000 dollars, and florins 10,680,000. In Appendix I is given a statement of the entry of foreign loan and industrial capital into the State from 1926 to 1930, totalling £57,350,000. An estimate of the balance of international payments of São Paulo in 1929, showed a creditor balance of £19,104,209.

As the State has not contracted any loans since the end of 1929—the coffee realisation loan not being classified as such—the foreign debt at the present time will be the 1929 figures: £11,937,505: 43,044,000 dollars, and florins 10,680,000 less amortisation in 1930-31 for which figures have not been published. On the same date the internal funded debt was 349,909 contos and the floating debt 253,749 contos.

According to a statement issued by the São Paulo Secretary of the Treasury in July last expenditure during 1930 exceeded revenue by over 400,000 contos, of which only 72,200 contos was funded by the issue of bonds; the floating debt at the present time must therefore be considerably in excess of the above figure.

Two State budgets have been issued for 1931, the first in January, 1931, the second in August after the new Government had had time to ascertain more exactly the financial position. The second budget shows further reductions in the estimates for the spending departments which had already been reduced in the first budget. These reductions amounted to 70,628 contos over the 1930 estimates, but against this there was an increase of 59,727 contos in the estimates for the Finance Department, chiefly in respect of charges for the interest and amortisation on the foreign loans, which had been increased by the depreciation of the milreis.

The full budget estimates for 1930 and 1931 are as follows:—

	1930	1931	1931	
		First budget.	Figures for year according to second budget.	Differences second budget over 1930.
		(Contos	of Reis)	
Interior ... ..	102,198	97,087	102,294	+ 96
Justice and Public Sec. ...	82,599	{ 17,999	{ 20,051	- 4,971
		{ 63,590	{ 57,577	
Agriculture ... ..	31,128	21,638	19,996	- 11,132
Transport ... ..	134,415	115,812	79,991	- 54,424
Finance ... ..	145,432	187,716	204,863	+ 59,431
Totals ... ..	495,772	503,842	484,772	- 11,000

Revenue in the second budget is estimated at 243,005 contos for a half year, or 486,010 in a full year, which is 83,000 contos per year more than in the first 1931 budget. Actual revenue during 1931 will not therefore be sufficient to meet the ordinary Treasury expenses and there is in addition the deficit of 1930 to be dealt with.

Since the date of the statement accompanying the second budget was issued fresh taxation has been imposed but estimates of their yield or figures of revenue collected since the beginning of the year are not available.

**Municipal Finance.**—Here again recent figures are lacking, in 1929 the external debt of the City of São Paulo was £445,918 and 15,842,200 dollars.

In the Municipal budget issued on the 1st January, 1931, out of a total expenditure of 51,632 contos, 23,338 was in respect of debt service.

**General Trade Position of the State.**—Both imports and exports have declined steadily since the beginning of 1930, but imports have done so the more rapidly of the two—47 per cent. as compared with 37 per cent.—and the favourable balance of exports over imports for São Paulo which was £16,950,000 in 1929 only fell to £14,095,000 in 1930. Comparing the first half of 1930 with the similar period of 1931 the figures are 41 and 28 per cent., the favourable balance being £8,500,000 as against £7,300,000.

The decrease of 1930 imports over 1929 embraced nearly the whole of the Brazilian range, silk, gasoline and olive oil only showing an increase. The heaviest drop was in motor cars and other vehicles—from 217,000 contos to 25,000—other important decreases were in cotton goods, especially yarns and coloured piece-goods, iron and steel, armaments and ammunition, woollen yarns and piece-goods, machinery and accessories, coal, cement and foodstuffs.

The leading countries of origin and the percentage decreases on the year before are as follows:—

Country.	Total trade, 1930	Decrease over 1929	Percentage.
	£	£	
United States ... ..	4,159,317	7,608,108	64
United Kingdom ... ..	3,326,289	2,463,035	42
Argentina ... ..	2,940,549	559,721	15
Germany ... ..	1,762,269	2,176,386	55

The figures for the first half of 1931 are difficult to gauge as the only statistics available for importation by commodities are values in paper milreis which, owing to the drop in exchange this year, are not easily comparable with those for 1930. Generally speaking imports in all lines have continued to decrease, the only items showing appreciable increases being jute and motor cars.

Imports by countries are, however, given in sterling and these totals, the decreases over the corresponding period of 1930 and the percentages are:—

Country.	Total trade first half 1931	Decrease over corres- ponding period 1930	Percentage.
	£	£	
United States ... ..	1,623,306	727,431	30
United Kingdom ... ..	1,106,863	894,322	44
Argentina ... ..	847,096	965,376	53
Germany ... ..	510,668	500,767	49

The phenomenal decrease in the value of imports from the United States of America in 1930 is to be attributed chiefly to the great falling off in motor car importations in that year and similarly their partial resumption in 1931 will be mainly responsible for having halved the percentage decrease in imports from that country.

The great decrease in exports in 1930 is due to one cause only, the fall in the price of coffee; other items on the export list, rice, bananas, oranges, frozen meat and hides actually show increases, as does the quantity of coffee exported. Moreover, exports to the United Kingdom, which is not a coffee buying country, show a 6 per cent. increase. It is true that according to the statistics the drop in cotton exports in 1930 was apparently a contributing factor, but the large figure recorded in 1929 was not for Paulista cotton but for re-shipments of cotton imported from the northern States and which were surplus to the requirements of the local mills. The figures by countries are :—

Country.	Total export 1930	Decrease over 1929	Percentage.
United States ... ..	£ 18,282,039	£ 10,986,957	37
France ... ..	2,869,387	4,079,020	58
Germany ... ..	2,402,077	986,283	29
Holland ... ..	2,133,920	861,502	28
Italy ... ..	1,364,571	542,081	28
United Kingdom ... ..	1,302,378	+ 81,332	+6

On the other hand the decrease in the value of exports for the first half of 1931 is solely to be attributed to the fall in the Brazilian exchange, for the currency value is actually higher, and measured in quantities there have been increases in rice, bananas, oranges and coffee.

The figures by countries are :—

Country.	Total first half 1931	Decrease over similar period 1930	Percentage.
United States ... ..	£ 7,252,961	£ 3,108,306	30
France ... ..	1,321,164	545,508	10
Germany ... ..	1,085,313	105,884	8
Holland ... ..	946,752	196,549	17
United Kingdom ... ..	815,141	96,893	10

**Bankruptcies.**—Statistics of bankruptcies are under present conditions in the State apt to be misleading, for the fact that both the number of bankruptcies and the total value of bills protested show decreases over the figures for last year cannot, as it would in normal times, be taken as a healthy sign. Rather is it to be attributed to general business stagnation and to the fact that the aftermath of bankruptcies which resulted from over trading in the boom period is gradually being eliminated. It should also be noted that though the figures are substantially lower than in the two previous years they are still considerably in excess of those for 1928. The actual figures are :—



*Commercial failures for the years 1928 to 1931 :—*

	1928	1929	1930	1931 first 8 months.
Bankruptcies (petitioned)	533	779	631	482
„ (decreed)	359	448	415	293
Composition (petitioned) ...	79	162	72	37
„ in bankruptcy (petitioned)	138	129	78	42

*Value of bills protested, in contos.*

	1928	1929	1930	1931
First ten months ... ..	18,163	40,622	39,688	33,073
Full year ... ..	23,100	48,538	41,121	29,751
				(Jan.- July)

**Development of the Port of Santos.**—During 1930 from the funds appropriated by the Federal Government for dock extensions and port improvements in Santos the sum of 11,500 contos was expended by the Dock Company. These included :—

Installations for the storage of inflammables on the "Ilha Barnabé": (beyond those opened in 1930 further tanks for gasoline, crude oil and kerosene are under construction).

Pneumatic suction equipment to serve the Moinho Paulista flour mill put into operation.

Two modern water-boats for supplying fresh water to mail steamers and a powerful salvage tug-boat brought into service.

The total number of ships entered into the port during January to September, 1931, was 2,319 as compared with 2,504 in the same period in 1930. Of these 317 and 392 were British in the respective periods.

**State of Paraná.**—Mr. Vice-Consul William Sims Tate reports as follows : on the State of Paraná, whose population is estimated at between 800,000 and 1,000,000.

*Finance : External Debt.*—7 per cent. Consolidated Bonds, 1928, London issue, £951,500 ; New York issue, \$4,624,000. Interest on these has been paid up to September, 1931, the coupon due in that month having been paid out of the Reserve Fund held in London.

*Internal Debt :—**Consolidated Debt—*

State Bonds in circulation undrawn ... ..	Contos.	20,681
Federal 7 per cent. bonds ... ..		5,000
		<hr/> 25,681

*Floating Debt—*

Bills payable ... ..	64,000
Accounts current ... ..	11,800
Overdue salaries ... ..	7,000
Interest on State bonds overdue ... ..	4,170
Drawn bonds unpaid ... ..	2,400
Banks, etc. ... ..	2,460
Federal Government ... ..	2,000
	<hr/> 93,830

The Bills payable consist of promissory notes issued by the last Government. No such notes have been issued since the Revolution of October of last year. All accounts current and overdue items, such as salaries, are legacies from the past administration.

Receipts for the first half of 1931 were budgeted	...	...	...	...	...	Contos.
Against actual receipts	...	...	...	...	...	16,000
						11,000
Or a deficit of	...	...	...	...	...	5,000

This large deficit is due to general paralisation of trade, export duties on matté, wood, and coffee accounting for 2,700 contos. On the other hand, expenses for the same period were :—

Budgeted	...	...	...	...	...	Contos
Against actual expenses	...	...	...	...	...	16,600
						14,100
Or a saving of	...	...	...	...	...	2,500

*Trade : Exports.*—The principal exports of the State are herva matté, timber and coffee.

*Herva matté.*—This industry has been in crisis for some time past. The principal markets are the Argentine Republic, Uruguay, and Chile. Latterly some interest has been shown in the product in Germany, and propaganda work is being carried on with a view to increasing the export to that country, and other European countries, which is at present small, but increasing.

Exports for 1930 amounted to 50,599,160 kilos, official value 59,933:245\$300, and for the first half of 1931 to 18,070,872 kilos, value 21,499:455\$200.

Of these export figures for 1930, 31,154,420 kilos were prepared herva, and 19,444,740 kilos were raw or "Cancheada." For 1931 11,261,944 kilos were prepared and 6,808,928 raw.

The action of the Argentine Government in prohibiting the importation of matté very seriously affected the industry. At present, with conditions ruling in the chief consuming markets, prospects are not bright. The price at present is Rs.4\$500 to Rs.5\$000 per arroba of 15 kilos, which hardly covers the cost of production and transport.

*Timber.*—The principal markets are the River Plate Republics, and Brazilian cities, such as Rio, São Paulo, etc. This industry has also been passing through a serious crisis. The prevailing conditions in consuming centres, coupled with competition from Russia and the Baltic countries, have accentuated the trade difficulties.

Exports for 1930 were	...	...	...	92,480,216 kilos
Valued at	...	...	...	7,648:755\$920
And for first half 1931	...	...	...	41,031,004 "
Valued at	...	...	...	2,912:732\$260

*Coffee.*—The export of coffee is comparatively recent in this State. The zone for cultivation is in the north of the State, and is increasing. A low estimate gives 13 million trees under cultivation, producing about 350,000 bags. The coffee produced per tree in this State is calculated to be at least twice that in the State of São Paulo. Taxation is also lower than in that State. As the quota fixed for the export of Paraná coffee from Paranaguá is 40,000 bags per month, with a normal demand the whole of the crop should be exported.

The principal markets for Paraná coffee are Havre and Hamburg.

Exports for the year 1930 were	...	...	651,508 bags
Value	...	...	102,727:692\$000

Of these 405,942 bags were Paraná coffee and 245,566 bags from other States, mostly São Paulo. Exports for the first half 1931 were :—93,735 bags valued at 11,810:610\$000 all Paraná production.

**Finances of the State of Santa Catharina.**—*Finances.*—The *external debt* in London is given at £68,225 19s. 7d., and in New York at \$5,562,868,20. In addition to the above the State owes abroad sums amounting to £1,555 7s. and \$5,000,00.

*Internal debt.*—(a) *Consolidated.*—

Total consolidated debt at end of 1929	...	14,200,300\$000
Bonds issued during 1930	... ..	1,222,500\$000
<hr/>		
Total	... ..	15,422,800\$000
<hr/>		
		15,422,800\$000
Repaid in 1930	... ..	100,000\$000
<hr/>		
Nett total end 1930	... ..	15,322,800\$000
<hr/>		

Total internal debt on 15th October, 1931,  
was :—

Consolidated debt bonds	... ..	14,418,200\$000
(b) <i>Floating debt inscribed</i>	... ..	2,515,284\$687
Floating debt not inscribed—		
From previous periods	... 15,781\$319	
Salaries and supplies, 1930	67,844\$712	
Vila Operaria	... .. 50,000\$000	
Bank of Brazil	... .. 400,000\$000	
		<hr/>
		533,626\$031
To be liquidated in land	... ..	668,639\$835
To be liquidated in bonus	... ..	34,501\$306
Interest and Commission Bank of Brazil	... ..	196,192\$400
Interest on bonds unclaimed from 1926-1930	... ..	239,463\$761
<hr/>		
Total	... ..	Rs. 18,605,908\$020
<hr/>		

## APPENDIX I.

ENTRY OF FOREIGN LOAN AND INDUSTRIAL CAPITAL INTO THE STATE OF  
SÃO PAULO.

Year.	Loans.	Quantity. £
1926	Institute of Coffee (Lazard Brothers) ... ..	10,000,000
1926	Water Works loan. Treasury of the State (Baring-Rothschild-Schroeder £2,500,000 and \$7,500,000 in United States) ... ..	4,000,000
1927	Banco do Est. de São Paulo (Lazard Bros.). Secured by coffee way-bills, short term ...	5,000,000
1927	Municipality of S. Paulo, United States \$5,900,000 ... ..	1,250,000
1927	Municipality of Santos. Issue of £2,260,000, the balance drawn being ... ..	850,000
1928	Banco do Estado de S. Paulo (Lazard Brothers)	3,750,000
1928	S. Paulo Government Mayrink to Santos (railway extension) Loan—London issue £3,500,000, United States issue \$15,000,000 ...	7,500,000
1930	Coffee Realisation Loan. Issue of £20,000,000 less redemption of £5,000,000, 1927, and £2,000,000, 1929, short term loans ... ..	13,000,000
	Total loans ... ..	45,350,000
	Industrial Capital (Light, power, telephones, petroleum enterprises, general motors, purchase of coffee plantations, etc. (about) ... ..	12,000,000
	Total ... ..	57,350,000

## APPENDIX II.

## INDUSTRIES OF SÃO PAULO, 1929-1930.

	1929	1930
No. of factories ... ..	8,842	5,388
Capital invested ... ..	1,355,153\$750	1,477,490\$031
Workmen ... ..	138,002	119,296
Operating power—		
Electric ... ..	190,074	171,830
Steam ... ..		17,219
Value of production ... ..	2,368,774\$180	1,864,294\$824

In 1930 there is a decrease in the local production of Rs.504,479\$356.

## II.

## RIO GRANDE DO SUL.

*By R. D. Macrae, His Majesty's Consul, Porto Alegre.*

**General.**—The ordinary "Annual Report" on conditions in this State cannot this year be written, because the usual statistics of production, export and import and financial statements have not been issued.

The past year has been abnormal in every way and the present state of affairs is still more abnormal and certainly impermanent.

The situation is, however, well worth studying, particularly in view of the peculiar position of this State.

Rio Grande do Sul differs from the rest of Brazil, with the exception of the two other Southern States, Santa Catharina and Paraná, economically, socially and politically.

In common with Santa Catharina and Paraná it has no coffee and no sugar, but is rich in resources which have suffered as little as any from the universal crisis.

Socially the important factor is the large German element which gives it solidarity in commerce and industry. Politically it is the cradle of the Government at present ruling the whole Federation, and naturally views that Government differently from the Northern States.

Whatever may be the outcome of the present situation in Brazil, the economic future of Rio Grande must be considered apart. In this consideration the chief point to realise is that although it has been seriously affected by the general depression, the real wealth of Rio Grande has remained untouched.

**Chief Products.**—The chief products of the State of Rio Grande do Sul are cattle, sheep, pigs, maize, rice, wine, tobacco, coal and timber. The maize is used for the feeding of pigs for the production of lard, which, with dried meat (*xarque*), frozen meat, hides and wool form the chief exports.

In every line these products are capable of considerable increase. At present production is limited by bad organisation and lack of transport. The cattle breeders, for instance, have a killing season of only four to five months, that is to say the period during which the cattle are in condition from grazing. No effort is made to supply them with food during the lean months. If this were done, the killing season could easily be extended to eight or nine months.

The wine producers suffer from lack of method and poverty of installations, as do also the saw-mills.

The State has a natural handicap to overcome in its lack of harbours. This disadvantage could only be counteracted by an exceptionally perfect system of inland transport, railways and roads, which does not at present exist.

The result is that transport costs are almost prohibitive.

The natural timber season is from December to April, of cattle from December to April, of wine from March to May, of cereals from October to March and of *xarque* from November to March. It is therefore during the months of December to April that such railways as exist are over-crowded, and a system of warehousing and controlled co-operation is urgently needed.

The State Government has an ambitious programme of improvements and reforms, and as soon as this can be put into operation, together with the possibility of tariff changes more favourable to the expansion of this district, the opportunity for British trade referred to above should occur. As stated above, it is impossible this year to obtain satisfactory statistics of production, trade or finances, and even if obtainable they would mean little in the present abnormal situation, but such as are obtainable are given, for what they are worth, in the appendices to this report.

**Industry in the State.**—Although this State is essentially and primarily pastoral and agricultural, it has also a number of small but thriving industries.

The recent exhibition held in Porto Alegre showed considerable enterprise and achievement in metal work, furniture, leather work (including boots and shoes), and various other lines. Some of these owe their existence to the tariff walls, but others depend on the local supply of raw material, for instance in wood and leather.

Labour is cheap and comparatively good, and there are no serious social troubles.

It is not, however, to be expected that this State will ever become a manufacturing centre. Such articles as are manufactured are, and will continue to be, for home consumption, and are confined to the cheaper and more common lines. The bulk of manufactured goods will continue to be imported, either from abroad or from other parts of Brazil.

**Market for Goods.**—There are naturally many lines which will never find a sale in this district, either because local facilities render the local supply sufficient, or because the habits of the people preclude their use. In other lines the developments outlined above should increase the demand for foreign goods.

Some of these again are fully exploited by United Kingdom firms, such as Manchester goods, the market for which is already thoroughly understood and organised in Manchester.

Others, however, present opportunities not yet fully realised, and possibilities, in the case of certain eventualities, which warrant better attention from United Kingdom manufacturers.

It cannot, however, be too much emphasised that these opportunities can only be secured by effective study and effort. Local firms will not undertake agencies for unknown articles, nor do the work of introducing competitive lines without attractive inducements.

There are several energetic and efficient general agents, whose services can be secured to work up connections for minor articles, but the expense of this work must be borne by the manufacturer.

Other lines, including machinery of all kinds, road making, agricultural, mining, refining and frigorific installations, etc., require firstly the presence of an expert engineer who is also a competent salesman, and, secondly, must be backed by efficient service and satisfactory supplies of spare parts.

The real opportunity of this district is for some arrangement to be made with the Government of the State, not in respect to any one of its projects, but by a combination of interests with a view to a concerted plan of development, including railway, road and port construction, and the attendant exploitation of the natural resources of the district.

The Port of Torres, Port of Pelotas, River Navigation, Railway construction and other plans proposed by the State Government offer no inducement to foreign capital, as they stand, and calls for tender have had no result.

If, however, sufficiently large British interests could negotiate with the State Government here a scheme embracing a number of these plans, naturally as revised by their own engineers, and include in the arrangement contracts for the supply of all the various goods for which these developments would open up a market, and also concessions for the organisation of meat, lard, timber, wine, rice and other products, it is quite possible that profitable business could be done on an important scale.

## APPENDIX I.

## LIVE STOCK IN RIO GRANDE DO SUL.

(These figures are based on the declarations made for fiscal purposes, and are probably about 75 per cent. of the actual number.)

1930.

Live stock.	Number of heads.	Value in contos of reis.
Oxen ... ..	10,664,010	1,237,237,855\$000
Sheep ... ..	7,276,720	195,776,017\$000
Pigs ... ..	5,933,140	232,540,847\$000
Horses ... ..	1,582,140	128,259,996\$000
Mules ... ..	415,220	61,532,482\$000
Goats ... ..	145,760	2,112,801\$000

Figures for 1931 are not yet available. These figures may be compared with those given in the last report (page 107).

## APPENDIX II.

## AGRICULTURAL PRODUCE OF RIO GRANDE DO SUL HARVEST, 1930-31.

Products.	Area in hectares.	Tons.	Value.
Alfalfa ... ..	27,953	145,480	29,386,000\$000
Black beans ... ..	162,240	171,240	68,496,000\$000
Broad beans ... ..	6,000	6,160	2,772,000\$000
Barley ... ..	6,810	8,340	2,818,920\$000
Corn ... ..	570,722	1,319,870	216,995,200\$000
Canary seed ... ..	2,140	4,130	3,390,730\$000
Flour ... ..	180,593	144,490	69,788,670\$000
Fruit and vegetables ... ..	1,087,460	992,330	215,103,900\$000
Garlic ... ..	1,160	6,680	4,829,640\$000
Lentils ... ..	5,709	15,070	9,042,000\$000
Lupine ... ..	400	490	184,730\$000
Mandioca flour ... ..	75,390	281,120	43,573,600\$000
Monkey nuts ... ..	4,232	18,050	9,313,800\$000
Onions ... ..	5,597	49,500	24,739,345\$000
Oatmeal ... ..	6,630	11,210	4,327,060\$000
Potatoes ... ..	25,187	129,370	43,858,030\$000
Pumpkins... ..	50,900	93,400	9,059,800\$000
Peas ... ..	2,110	2,440	1,668,960\$000
Rice ... ..	103,633	228,790	87,626,570\$000
Rye ... ..	6,230	6,430	2,282,650\$000
Sugar cane ... ..	52,660	58,110	40,386,450\$000
Sweet Potatoes ... ..	46,920	205,240	10,877,720\$000
Tobacco ... ..	46,424	31,930	44,702,000\$000
Total ... ..	2,477,160	3,929,870	945,233,775\$000

## APPENDIX III.

## FINANCES.

The Secretary for Finance issued a "Relatorio" on October 25th. Unfortunately this document, as he himself says, is necessarily incomplete, and only intended to show the efforts made by the Government to meet its obligations.

The total receipts for the first nine months of the year is given as 118,799 contos, and the expenditure as 136,302 contos.

Foreign debts were paid as under :—

	Dollars.
Amortisation Fund, 1.3.31 ... ..	105,000
"    "    1.6.31 ... ..	105,000
"    "    1.9.31 ... ..	105,000
Interest, first quarter ... ..	254,000
"    second " ... ..	246,000
Debt—1926 (Ladenburg Thalmann & Co.) ...	373,848
" —1928 (White Weld & Co.) ... ..	691,725
J. H. Schroeder Corp. (Balance) ... ..	1,000,000
Total ... ..	2,880,573
Also on behalf of the Consolidated Municipal loan, guaranteed ... ..	151,500
Total ... ..	3,032,073
The outstanding Foreign Debts of the State on 30.9.31 were :—	
Debt of 1921 ... ..	5,900,600
"    1926 ... ..	9,746,000
"    1928 ... ..	23,000,000
Total ... ..	38,646,600

*Note.*—There are also the following Municipal debts guaranteed by the State which the Financial Secretary omits from his report in this connection :—

Porto Alegre—1909—originally £600,000, now £327,500, 5%, F. J. Benson & Co., London.

Porto Alegre—1922—originally \$3,500,000, now \$3,340,000, 8%, Ladenburg Thalmann & Co., New York.

Porto Alegre—1926—originally \$4,000,000, now \$3,900,000, 7½%, Ladenburg Thalmann & Co., New York.

Porto Alegre—1928—now \$2,223,000, 7%, Ladenburg Thalmann & Co., New York.

Pelotas—1919—originally £600,000, now £440,720, 5%, Erlangers Ltd. London.

Municipalities consolidated—1927—originally \$4,000,000, now \$3,925,000, J. B. White & Co., New York.



APPENDIX III—*continued.*

On October 1st, 1931, it was decided to suspend the payment of foreign debts.

The amounts left unpaid for this year are :—

	Dollars.
1st October. Debt of 1926 ... ..	373,848
25th „ „ 1928 ... ..	691,725
Municipal Consolidated ... ..	151,500
Total ... ..	1,217,073

In addition to the above are the various amounts for which the Municipalities have suspended payment.

Figures for the Municipalities are not yet published, and it is only possible to conclude from general observation, as from the above, that whereas this district has been seriously affected by the present universal depression, it has probably suffered as little as any and far less than most, and it should be one of the first to rebound when the crisis is past.

## III.

## PERNAMBUCO (including Alagôas).

JULY, 1931.

By W. R. Mackness, His Majesty's Consul. Pernambuco Consular District, States of Pernambuco, Alagôas, Ceará, Parahyba and Rio Grande do Norte.

Area.—	Square miles.
State of Pernambuco ... ..	38,322
Other States ... ..	106,518
Total area ... ..	144,840
Population.—	
State of Pernambuco ... ..	2,916,023
Other States ... ..	4,752,069
Total population ... ..	7,668,092

**External Indebtedness of the State of Pernambuco.**—On the 31st December, 1930, this was as follows :—

Caisse Générale de Reports de Dépôts, Brussels, £529,200, with interest and amortisation paid to date.

White, Weld & Company, New York, United States \$5,189,823, with interest and amortisation paid to date.

Banque Privée Lyon Marseilles, Paris, balance outstanding in 1922, French francs 26,385,000. Owing, however, to the bondholders claiming payment of interest and amortisation in gold and refusing paper tendered, the sum of Rs.2,620,340\$740 has been deposited by the State Government in several banks in the city of Pernambuco to the credit of the lending bank pending a settlement of the question.

In the State of Alagôas shrinkage of revenue has caused the introduction of economies during 1930, and the Provisional Government is endeavouring to straighten out the finances without recourse to new taxation. No remittance was made in respect of the British loan, which at the end of 1930 amounted to £315,000. The French loan of 9 million francs has received interest to date.

**Commercial Situation.**—This continues to be unsatisfactory. The low prices of sugar and the depreciation of the milreis, the latter making the

importation of merchandise extremely difficult, have contributed very considerably to the lack of movement. The purchasing power of the district is much reduced and forced economy is general, with a salutary example in this respect on the part of the Provisional Government of the State. The remission of certain taxes, in whole or part, by the State Government, has been helpful to commerce as a whole. It is hoped that conditions may improve somewhat in the event of the forthcoming cotton crop proving to be a record one as is anticipated and the result of this may be apparent towards the end of 1931. The local cotton mills are reaping some benefit from the exchange rendering the importation of Manchester cotton piece-goods almost impossible, but they are faced with the reduced purchasing power of the general public and the danger of over-production which brought so many evils in its train not long ago. Dealers in luxury articles, such as motor cars, gramophones, jewellery (other than cheap imitations), etc., are suffering from a very reduced turnover. Collections were exceedingly difficult in 1930, and in many instances it has been found advisable to allow postponement of payment for some months in case there should be an improvement in exchange. There have been a number of failures, including one or two firms in a large way of business, and the names of British firms in the United Kingdom have figured quite frequently in the list of creditors.

**Shipping of the Port of Pernambuco.**—The following table indicates the principal shipping (steam or sailing), with tonnage, which entered the port of Pernambuco during the years 1928, 1929 and 1930.

Flag.	Number.			Tonnage.		
	1928	1929	1930	1928	1929	1930
Total foreign ...	479	528	462	1,747,264	1,918,023	1,718,158
Of which—						
British ...	174	201	171	745,306	796,002	668,767
German ...	72	82	53	172,865	245,619	162,113
French ...	58	39	43	243,488	178,981	204,639
Dutch ...	63	65	55	322,899	336,825	304,849
United States ...	39	54	45	133,003	203,732	151,941
Total Brazilian ...	90	76	63	278,231	241,077	207,241
Total all nationalities ...	569	604	525	2,025,495	2,259,100	1,925,399

**Port Works.**—The erection of a number of cranes of British manufacture has been completed and they are proving highly satisfactory in their performance. Other improvements and extensions are in a way on the ground of economy and work on the refrigerator warehouse has been suspended for the same reason, although the machinery, of Swiss manufacture, has arrived. The plant for a coal wharf, made by a British firm specialising in such work and already on the site, is not being erected and according to rumour it will be transferred to some other port in Brazil where it would be more useful.

**Pernambuco Sugar Crop, 1930-31.**—This produced about 190,000 metric tons as against 312,000 tons in 1929-30. The former, together with a "carry-over" from the previous crop of some 23,700 tons, has been consumed in the country, and there should be a very small "carry-over" on August 31st, 1931. No sugar of the 1930-31 crop has been exported abroad to the time of reporting although during the previous season some 60,000 tons were exported in "sacrifice" parcels to the United Kingdom.

Prospects for the 1931-32 crop point to a reduction in yield throughout the northern States owing to drought during the growing season, although plentiful rains fell later. It is anticipated that Pernambuco will produce

slightly less than the 1930-31 crop, while other sugar producing States, namely, Bahia, Sergipe, Alagoas and Parahyba do Norte, will be definitely smaller.

Prices of the 1930-31 crop were disappointing. Statistically, the situation favoured the producer but the somewhat unsettled condition of the country restricted credit to a large extent and kept prices down to a figure which scarcely left a margin of profit, especially taking into consideration the very low prices ruling until December, 1930, when white crystal was selling at from Rs.17\$000 to Rs.20\$000 per 60 kilos. It is said that there is no reason why prices should not improve again, and it is generally believed that the next crop will witness this improvement.

The Provisional Federal Government have decreed that no machinery for new sugar plants or for increasing the capacity of existing plants is to be imported, renewals and replacements only being permitted under licence.

The Co-operativa Assucareira de Pernambuco, S.A., having failed in its valorisation scheme, ceased operations towards the end of 1930, and there is now a free market in sugar.

**Cotton Crop, 1930-31.**—Entries into Pernambuco from August 1st, 1930, to April 30th, 1931 (the crop period), were 11,192,535 kilos. Shipments were 7,347,101 kilos, as follows:—

<i>Brazilian Ports.</i>					Bales.
Rio de Janeiro	...	...	...	...	703
São Paulo	...	...	...	...	10,640
Santa Catharina	...	...	...	...	1,726
Rio Grande do Sul	...	...	...	...	1,067
Bahia	...	...	...	...	78
<i>Foreign Ports.</i>					
Liverpool	...	...	...	...	15,750
Hamburg	...	...	...	...	2,350
Leixões	...	...	...	...	7,591
Belgium	...	...	...	...	500
Italy	...	...	...	...	384
Holland	...	...	...	...	5
Total	...	...	...	...	40,794

The crop was much smaller than the immediately preceding one owing to prolonged drought. The grade was good but the staple was shorter than for average years.

As regards prices realised, growers came out fairly well on account of the depreciation in the value of the milreis.

New crop (1931-32) prospects have rarely been so promising. Abundant rains, though perhaps a little late, have fallen generally over the whole of the cotton zones of the north-east of Brazil, and planting on a large scale has been carried out. If favourable conditions continue, a record crop may be expected.

Consumption on the part of national mills continues on a limited basis, and if there is no improvement in this respect in the near future, shipment abroad of the next crop will be on a large scale.

**Cotton Seed.**—The 1930-31 crop yielded approximately 134,017 bags (of seventy-five kilos each) as against 308,054 bags from the previous crop. Seed from the 1930-31 crop was disposed of as follows:—

Sent to other ports in Brazil	...	...	...	Bags. 26,654
Used by industries in the city of Pernambuco	...	...	...	57,363
Used by a British-owned crushing plant in interior	...	...	...	50,000

**Castor Oil Seed.**—From September 1st, 1930, to May 31st, 1931, approximately 73,025 sacks of sixty kilos each entered the city of Recife, capital of the State of Pernambuco. Of this quantity, 15,873 sacks were used locally, 2,188 sacks remained in stock on June 1st, 1931, and the balance, namely, 54,964 sacks, were shipped abroad as follows :—

	Sacks.
United States ... ..	40,845
United Kingdom ... ..	7,673
Belgium ... ..	6,446

In the district of Alagoas the crop, expected to be a bumper one, is proving very disappointing. Low prices have resulted in some instances in the beans not being collected.

**Coffee.**—Coffee grown in the State of Pernambuco is rich in caffeine properties, and for this reason is in demand for laboratory as well as beverage purposes.

Total entries in Recife, capital of the State, from September 1st, 1930, to May 31st, 1931, were approximately 149,035 sacks of 60 kilos each. Shipment was made as follows :—

	Sacks.
Other ports in Brazil ... ..	8,816
France ... ..	56,244
Spain ... ..	29,745
United States ... ..	18,500
Italy ... ..	5,314
Belgium ... ..	4,401
Holland ... ..	458
Germany ... ..	280

About 20,400 sacks were consumed in the State and some 4,877 sacks were in stock in the capital at the beginning of June, 1930.

**Malze.**—The forthcoming crop in the district of Alagoas will not be as extensive as that of the previous one and, owing to low prices in Europe, no exports have been made. As the result of drought, a quantity has probably been retained in the interior for fodder. Of the actual crop, some 35,000 bags, equivalent to about 2,100 tons, have so far been shipped to southern ports.

**Locally produced Alcohol and Alcohol Mixtures for Motor Vehicles.**—These continue to find acceptance with many owners of motor vehicles, particularly motor lorries, but a large proportion of owners prefer imported petrol. The saving in the use of the former is said to be more apparent than real and running costs do not disclose any great economy in the use of the substitute for petrol. For this reason, and unless the price of substitutes is considerably reduced, there would not appear to be any present likelihood of the demand for imported petrol ceasing. Sales of the latter are considerably less than they were, but the large foreign distributors claim that this is due not so much to competition created by the use of substitutes but rather to the serious commercial depression in the district, which is causing owners to restrict their consumption of fuel for motor vehicles. The two best known brands of alcohol mixtures on the local market are "Azulina" and "Usga," both of which cost, at the time of reporting, Rs.0.750 per litre as against imported petrol at from Rs.1.000 to Rs.1.200 for the same quantity. It is said by impartial persons that the use of the petrol substitute is more economical than imported petrol for a long uninterrupted run, and for this reason most of the motor lorries plying between the capital and different parts of the interior use a substitute. Some owners of motor vehicles go so far as to state that two parts of imported petrol will do the work of three parts of substitute under normal conditions, and should their claim, which is dependent on so many factors, be correct, there would not appear to be much difference in ultimate running costs between imported petrol and a substitute at the current price of each article.

**Broadcasting.**—A broadcasting station, known as P.R.A.P., has recently been opened in the city of Pernambuco. The plant, said to be very up-to-date, was furnished by the Telefunken Company of Germany, and works on a wavelength of 370 metres and 810 kilocycles. The establishment of the local station has resulted in an increased demand for receiving sets on the part of those persons who can afford to procure one. There are several well-known makes on the market, including Philips, Telefunken, Radiola, etc., but it is found cheaper to procure a set made up by a local electrician. The broadcast at present consists of items rendered by local amateurs, but it is said to be the intention later to on relay transmissions from European and North American stations. The station is conducted by the Radio Club de Pernambuco, which depends for revenue on monthly subscriptions of a nominal amount from members, and paid advertisements interspersed amongst the items. An effort is being made to enrol as members everyone known to possess a receiving set but a number of persons listen-in who are not members. At the time of reporting, one hour a week is devoted to an Anglo-American broadcast with an English-speaking announcer.

#### IV. PARÁ.

*By F. G. Coultas, His Majesty's Consul, Pará.*

**General.**—Although the exchange of commodities may take place satisfactorily up to a point without the parties to the exchange realising very clearly the environment in which their customers live, the effect of environment on demand is obvious, and the necessity for visualising such environment no less so. The vastness of the area over which commodities in this consular district must move for exchanges to be effected, and the extraordinary contrasts that this region of tropical forest and river offers, may be emphasised briefly by stating that its superficial area exceeds 1,500,000 square miles, and is equal in size to Russia in Europe, that its greatest length from east to west is 2,500 miles, and from north to south 1,000 miles. The whole region lies roughly along the Equator, about two thirds lying between the Equator and 8° S. Latitude. The climate is, therefore, of the damp, tropical variety, with an average temperature of 85° Fahrenheit, and a rainfall—principally between January and May—of 90" annually. Moreover, while in Pará, Manáos or Maranhã, the beauties of local society are decking themselves in the latest creations from Paris, within a hundred miles or so the poisoned arrows of elusive and resentful tribes take toll of the too adventurous colonist.

On the basis of the census taken in 1920, the populations of the States falling within this district were then as follows :—

State.	Popula- tion, 1920	Capital (Municipality).	Popula- tion, 1920
Amazonas ... ..	363,166	Manáos ... ..	75,704
Maranhã ... ..	874,337	São Luiz ... ..	52,929
Pará ... ..	983,507	Belém ... ..	236,402
Piauí ... ..	609,003	Therezina (capital) ...	57,500
		Parnahyba (Port) ...	24,152
Acre Territory ... ..	92,379	Rio Branco ... ..	19,930
Total ... ..	2,922,392	Total ... ..	466,617

The increase of population for the whole of Brazil since 1920 is estimated at about 35 per cent., and the populations of the States of Maranhão and Piauí have increased considerably since that year, but probably the natural increase of population in the other States, lying within the basin of the Amazon, has been partly offset by emigration, due to the fall in the price of rubber and local produce, although it must be admitted that the mobility of population in these areas is very slight.

The figures for the populations of the State capitals have sometimes been questioned as excessive. The inhabitants of the city of Belém (Pará) are estimated, for instance, at about 120,000 only, the census, however, gives the population of the Municipality as over 236,000. But this is not so surprising when the somewhat startling fact is realised that the area of the Municipality, over 3,500 square miles, is about half the size of Wales, and includes, therefore, a suburban agricultural zone relatively densely populated as compared with the average density over the whole consular district, which can hardly exceed three persons per square mile.

Of the total population, 75 per cent. are of African, Indian or mixed extraction, the first being the descendants of, if not the actual African slaves with which the large estates were worked prior to the emancipation of slaves in 1888.

The average daily wage of unskilled labourers in urban areas does not exceed Rs. 4\$000, equivalent to 2s. prior to the more recent exchange fluctuations, though artisan labour probably earns at least double this rate. In rural areas wages are often paid in kind, and the exchange of goods not infrequently carried out by barter, even within a few hours journey of Belém. Life, moreover, both in the suburban agricultural, as well as in the remoter forest zones, can be maintained with the greatest ease, with a minimum outlay on the purchase of manufactured goods, and where the standard of living is so low incentive to effort is largely lacking. Until lately the "dead hand" of the unprogressive political "boss" lay heavily on nearly all the sources of supply, and sapped the initiative of inhabitants living in many cases in a serfdom not differing much from that of mediæval times. How far and how rapidly the political changes now taking place, the intromission of Henry Ford into the fastnesses of the Tapajós with his theories of high wages and material uplift, or the well-organised agricultural settlements of Japanese colonists, will lead to the moral and economic emancipation of the inhabitants of these remote valleys, it is difficult at present to state.

Of the population of Aryan race, numbering approximately 25 per cent. of the whole, the bulk consists of the Brazilian-born descendants of the original Portuguese settlers, of more or less unmixed strain, while the balance is made up of elements of European or Near Eastern origin, but principally of Portuguese immigrants. In Pará, for example, the Portuguese population probably totals 10,000 persons, and is numerically quite the most important foreign colony. Whereas generally the upper-class Brazilian still confines his activities to politics, administration and the professions, the Portuguese immigrant controls both the wholesale and retail trade, though sharing the latter with the ubiquitous Near Eastern trader of Turkish, Palestinian or North African origin.

This brief analysis of the potential buying public shows how restricted in this region must necessarily be the market for "quality" goods. Whereas in the more developed southern States of the Union industry and commerce have been able to exercise a steadily growing influence in the shaping of economic policy and the efficient exploitation of natural wealth, here in the North the timidity and lack of cohesion of the commercial classes have prevented any concerted attempt to restrain the undue influence exercised by political forces on all branches of activity, and have led to an excessive reliance being placed on export taxes as the basis of revenue, and to the strangulation of initiative.

**Finance.**—The financial conditions ruling in the States in this consular district have been dealt with exhaustively in previous reports. It is not necessary, therefore, on this occasion, to do more than outline very briefly the actual position. The announced policy of the present governors of Brazil to deal drastically, and as a whole, with the total indebtedness of the individual States of the Union, will undoubtedly lead, if Federal guarantees are forthcoming, to the marking down of many of the external debts to figures more in keeping with the debtors' actual capacity for payment.

Of the four States included in this consular district, Piahy enjoys the most favoured financial position, being burdened with no external obligations, while Pará, with out-standing loans and arrears of interest, both State and Municipal, exceeding £9,000,000, is perhaps the worst situated. Its revenues may, however, be more capable of making a steady dividend payment on a revised scale than the State and Municipality of Amazonas, that owes in round figures, including arrears of interest, nearly £7,000,000, on the assumption that the loan in French francs is payable at the rate of exchange at which it was contracted. On the same basis the State of Maranhão is indebted to French and United States creditors to the extent of well over £1,000,000.

The hopelessness of the actual position can at once be appreciated when it is stated that in the case of Pará half the ordinary revenue of the State, even at an exchange of Rs.40\$000 to the £1, would barely meet the annual charge for interest, while in the case of the Municipality, the whole annual revenue would not suffice to cover its liability in this respect.

In anticipation of federal intervention and guarantee, nothing is being done in the more hopeless cases to meet any part of these obligations, and even where the spirit may be willing, as in the case of Maranhão and Pará, the exchange situation has gone far to nullify honest efforts.

The failure of the local representatives of the provisional government to issue during the year (1931) the usual "Messages to Congress" renders the task of estimating the present position a difficult one. It is evident, however, that with the exception of the State of Amazonas, whose figures are very unsatisfactory, the States within this district are by drastic economies, or by rigorous tax collection, making both ends meet, in spite of the depressing economic conditions. Both the State and Municipal expenditure of Pará, for instance, are stated authoritatively to be well within receipts, while payments to officials and contractors appear to be well maintained.

The trading community in Pará has once again given proof of its powers of resistance to adverse economic conditions, and has so far weathered the crisis without any serious bankruptcies having occurred, thanks to mutual forbearance, the help of the banks and the financial relief afforded by a bumper nut crop.

In this connection the very great support to the market lent, in the first place, by the local expenditure of the Ford Industrial Company, and on a smaller though still substantial scale by the Japanese immigration companies, must not be overlooked. The situation is still full of difficulties, but it is not nearly so serious as it threatened to be.

The position in Manáos is very difficult, and the one sign of hope is the fact that dependence on a recovery in rubber prices as a solution of all ills has been definitely abandoned in favour of efforts to exploit other forms of exportable produce.

In the State of Piahy conditions are fairly good. In Maranhão, however, the principal articles of export—Babassú kernels, cotton and cotton seed—have not been fetching the prices hoped for, but the position is by no means as deplorable as in the Manáos area.

**Transport.**—Where the distances to be traversed are so great the paramount importance to the scattered communities of cheap and rapid transport needs no emphasis. As road mileage is still so small as to be almost non-existent, and railway facilities so poor as to be negligible, reliance has to be placed on water transport. Fortunately there are few points of commercial

importance that are not within reach by this means, at least at some period of the year, thanks to the magnificent system of waterways that covers the whole region.

So far as passenger traffic north and southward is concerned, the Pan American Airways Incorporated, which absorbed the Nyrba Line last year, has already brought New York, Buenos Ayres and London ten days nearer Pará and greatly facilitated the visit of commercial travellers to this region.

Traffic over the waterways of the Amazon basin is provided for by the Amazon River Steam Navigation Company and various privately owned vessels, while communication between North Brazilian ports and Europe and the United States of America is assured at frequent intervals by the vessels of the following companies, (a) The Booth Steam Ship Company, (b) Messrs. Lamport & Holt, (c) The Norddeutscher Lloyd, and (d) The American Republics Line, besides sundry tramp visitors, though the coastal traffic is reserved to Brazilian shipping companies. The smaller vessels of the Booth Line penetrate, during the high water season, as far as Iquitos, 2,200 miles inland by water from the Port of Pará, while the vessels of the first three companies all touch at Manáos, over 1,000 miles by river from Pará.

The American Republics Line, the first of whose vessels called at the Port of Pará early in December, replaces the American Brazil Line, whose services were withdrawn during the year.

Shipping companies have suffered from a shortage of inward freight, owing to the heavy reduction of imports, due to the fall in exchange.

The number of vessels of all nationalities that entered in the foreign trade of the Port of Pará during the year 1930 was 100, of 292,530 net tonnage. As compared with the year 1929 there was a slightly reduced movement, though British shipping maintained its position.

Movements of shipping at the Port of Manáos showed a similar reduction to that at Pará, while total entries at Maranhham and Tutoya (for Parnahyba) increased about 12 per cent.

**Natural Products and Exports.**—The principal natural resources of this region have already been described in detail and a few brief notes on points of interest will suffice on this occasion.

During the year 1931 under the stimulus of a falling exchange the volume of exports, as a whole, showed improvement. The following statement gives the comparative figures of the gross weight in metric tons of the principal articles exported through the Port of Pará during the first ten months of 1930 and 1931.

#### EXPORTS—PARÁ.

Statement comparing the gross weight in metric tons of the principal products exported from Pará to foreign countries during the first ten months of 1930 and 1931:—



Article.	Jan.-Oct.	Jan.-Oct.
	1930	1931
Balata ... ..	531	571
Brazil nut kernels—		
In shell ... ..	6,274	15,165
Shelled ... ..	698	2,475
Cocoa beans ... ..	1,824	2,057
Cotton ... ..	768	1,139
Hides ... ..	714	908
Mandioca flour ... ..	1,099	881
Oilseeds and oilseed residue ... ..	2,553	1,407
Rice ... ..	2,138	3,047
Rubber ... ..	6,456	5,452
Timber ... ..	95,207	14,586
Miscellaneous ... ..	1,984	818
Transit cargo (including rubber in transit) ... ..	10,935	17,583
<b>Total ... ..</b>	<b>131,181</b>	<b>66,089</b>

The decrease in the total volume of 50 per cent. is more than accounted for by the drop in the exports of railway sleepers to Spain, which fell from over 86,000 tons in 1930 to about 7,000 tons in 1931, as the result of the failure of Spanish buyers to renew contracts, owing, it is understood, to the poor quality of much of the timber shipped. Exporters have "queered their own pitch" in this case, and will find it difficult to re-establish confidence, in spite of Government efforts to improve inspection before shipment.

The local shelling of Brazil kernels, referred to in previous reports, is extending rapidly, and is increasing the competition between local and foreign buyers for the unshelled article. As will be seen the Brazil nut crop proved a large one this year and the coming crop is expected to be of fair dimensions.

Temporary restrictions placed on the entry of Brazilian cocoa beans into France led to the diversion of large quantities in 1931 to the United States, but normal conditions are expected to govern the marketing of the next crop.

Rubber continues to lose its importance as a mainstay of the community. A year ago the price of best quality rubber in Pará was Rs.1\$700 and to-day it is Rs.1\$100 per kilo, in spite of favourable exchange conditions. Exports of this article from Pará this year, as compared with the year 1930, have dropped by 1,000 tons, and from Manáos (Amazonas) by over 4,000 tons.

The decreasing margin between the local price of rubber and the selling price of the washed and crêped article has led to a tremendous reduction in the quantity exported. In 1929 shipments abroad totalled 1,700 tons, in 1930 they had fallen to about 800 tons, while for the first three quarters of 1931 exports of crêped rubber barely exceeded 100 tons. Shipments to South Brazilian ports in 1930 totalled about 450 tons.

Manáos, like Pará, is depending on Brazil nuts and increasing the exportation of balata, hides and skins, timber, cocoa and oilseeds to cover the loss occasioned by the devalorisation of rubber. Exports at 28,000 tons in 1930 were less by 10,000 tons than in 1929 due to a smaller nut harvest and reduced rubber shipments.

Just as the export trade of the States of Pará and Amazonas is still based principally on Brazil nuts and rubber, so Babassú kernels and cotton seed may be considered the staple products of the States of Maranhão and Piauí, though the latter also derives considerable advantage from the export of Carnauba wax, Tucum kernels and dry hides.

During the year 1930 exports from Maranhão at 15,907 tons showed an increase over the previous year of over 4,000 tons, and exports during the first quarter of 1931 have been up to the average. The latest figures indicate,

unfortunately, that there has been a considerable falling off, both in quantities exported and in prices.

Exports from Piauhy during 1930 at 12,879 tons were rather less than in 1929, due to a heavy drop in the sales of Tucum kernels. The first two quarters of 1931, however, opened very auspiciously with an increase of some 2,000 tons over entries during the same period in the previous year.

Before turning to the local production and importation of manufactured goods mention may briefly be made of the progress achieved by the Ford Industrial Company of Brazil and the various Japanese agricultural settlements in the Amazon Valley.

As a result of serious labour troubles in December, 1930, caused more by the inexperience of the local management than by any inherent disorderliness among the employees, the number of men directly employed by the Company was reduced from about 3,000 to 1,500. It has been found more economical, for instance, to carry out such work as land clearance by contract. Work on administrative offices, power plant, sawmill, water filtration system, school and workmen's dwellings has practically reached completion, and land clearance and the planting of rubber trees are being pushed on steadily. In all there are more than 2,000 acres of trees planted and over 7 kilometres of railroad track, as well as more than 30 kilometres of roadways on the estate.

Whereas the Ford Company employs principally Brazilian labour for exploiting their estates, the aim of the Japanese companies is to place large colonies of their countrymen in selected areas, in the form of co-operative agricultural communities. The principal settlement is at Thomé-assu on the Acará River, a few hours journey by water from Pará. Other settlements exist at Maués, Parantins and Monte Alegre. At the latter place cotton growing is to be the principal activity, and at Maués the culture of the *Paullinia sorbilis*, from the seeds of which Guaraná is extracted.

At Thomé-assu, where well over 1,000 colonists are located, a variety of crops suited to the climate are being tried, including rice, cocoa, tobacco, maize, Brazil nuts, and the possibility of introducing jute is being studied. As the whole work is being carried out on scientific principles and controlled by the results obtained from the Company's model farm and experimental station, there is every reason to suppose that this well organised effort will meet with the success it deserves.

**Local Industry and Imports.**—So far as the supply of local requirements is concerned industry throughout the consular district is confined to the production of a few staple tropical foodstuffs and to the manufacture of such articles as boots and shoes, nails, simple rubber goods, biscuits, confectionery, beverages, canned fruits, the coarser cotton textiles, jute goods, canvas, cordage, soap, perfumery, cigarettes, etc.

The balance of demand is met by importation, either from the South Brazilian centres of manufacture, or from foreign countries. The fall in the value of Brazilian currency during the past year has naturally resulted in a drastic curtailment of imports from abroad, and the substitution for them of goods of South Brazilian origin.

Total imports of Brazilian manufacture into the State of Pará, for instance, totalled under 28,000 tons during the first ten months of 1930, but rose to over 31,000 tons for the same period this year. Total imports from foreign sources, on the contrary, fell from over 77,000 tons for the similar period in 1930 to approximately 50,000 tons in 1931. The difference is accounted for as to 19,000 tons by smaller coal imports from Great Britain, and the balance represents heavy reductions in the entries of cement from Germany and Great Britain, wine, onions and olive oil from Portugal, potatoes from France, miscellaneous merchandise from Belgium and Great Britain, and petroleum

products and flour from the United States. The last is due to government action, the first to a temporary glut and the rest to exchange conditions.

Apart from the items already mentioned attention may be drawn to the entries of fuel oil from Trinidad in 1930 and from the Dutch West Indies in 1931. The entries of fuel oil are already 50 per cent. higher this year than in 1930 and account to some extent for the fall in coal entries. This fall is partly due, however, to the larger quantities of bunker coal carried, for which smaller cargoes of European merchandise have made room, as well as to a reduction in the movement of shipping and the substitution in some cases on this route of coal burning by oil burning vessels.

At the port of Manáos foreign imports, at just under 11,000 tons, fell by 20 per cent. in 1930 as compared with 1929, while imports from Brazilian sources of supply were reduced by only 14 per cent. This year the entry of foreign goods at Manáos has been confined practically to the bare necessities of life. Imports into Maranhão from non-Brazilian sources, totalling rather more than 9,000 tons, showed a reduction of 5,000 tons in 1930 as compared with 1929, while purchases of South Brazilian manufactures did not fall by more than 2,000 tons. During the current year further sharp contractions have occurred. Only indeed in the State of Piauí can conditions in 1931 be regarded as fairly normal, thanks to the demand for her products having been well maintained. Her imports of foreign goods slightly exceeded 4,500 tons both in 1929 and 1930.

The nature of the principal entries of foreign merchandise at the different ports in this district follow very similar lines, therefore the analysis given below of the entries at the Port of Pará from the four chief competitors for the trade of the district, if read in conjunction with the statistics of total entries by country of origin, should provide a sufficiently clear idea of average local requirements.

## IMPORTS—PARÁ.

Statement comparing the importation of merchandise from Great Britain, United States, Germany and Belgium in metric tons, gross weight, during the first ten months of 1931:—

Commodities.	Great Britain.	United States.	Germany	Belgium
<i>I. Food, Drink and Tobacco—</i>				
Grain and flour ... ..	—	3,451	13	—
Food and drink (other) ...	131	25	27	15
Tobacco ... ..	—	8	—	—
<i>II. Raw Materials—</i>				
Coal ... ..	8,743	3,037	—	—
Non - metalliferous products (other) ... ..	5	54	—	—
<i>III. Manufactured Goods—</i>				
Coke ... ..	64	—	—	—
Earthenware, glass, etc. ...	15	10	26	38
Cement, etc. ... ..	225	41	1,187	3
Iron and steel manufactures ...	391	509	145	225
Non-ferrous metals and manufactures ... ..	—	33	—	—
Cutlery, hardware, etc. ...	29	25	51	14
Electrical apparatus ... ..	145	5	1	—
Machinery ... ..	61	43	19	2
Jute yarns and textiles, etc. ...	841	2	1	107
Chemicals, drugs, paints, etc.	450	130	63	74
Oils, fats, etc., manufactured	34	3,420	12	16
Vehicles—road and air ...	1	28	—	—
Paper and cardboard ... ..	—	12	203	—
Miscellaneous ... ..	23	40	37	14
Miscellaneous material for Ford estates ... ..	—	1,312	—	—
Totals ... ..	11,158	12,185	1,785	508
Transit ... ..	837	4,626	665	278
Grand total ... ..	11,995	16,811	2,450	786

As regards future trade it must suffice to say that all depends on the purchasing power of the milreis. There is at least no indication at present that the fall in the value of the pound is likely to improve British trade in this area, except in those cases where buyers can afford to pay cash. Every importer is naturally asking how many milreis he may be asked to put down six or eight months hence in exchange for every pound's worth of goods bought now, even though British quotations at the moment may look tempting enough.

Marketing conditions in this district are not dissimilar from those in other parts of Brazil. The tendency for local merchants to close their ranks has been referred to in previous reports and has been marked this year by an important amalgamation of general hardware firms, with large financial resources. The Association of importers of provisions, wines and spirits, dissolved a year ago on account of its activities in restraint of trade, has again received permission to function officially.

The quality of British propaganda matter tends to improve, but the more general types of propaganda, such as trade magazines, appear much too infrequently in Portuguese. Over a wide range of industries several magazines of inferior get-up, dealing with identical topics and employing almost identical illustrations and filled with identical advertisements, continue to compete with each other in the English language for the interest of a more or less uncomprehending public. How much more advantageous it would be to British trade at large, if, for foreign consumption at least, each branch of industry would confine itself to one first class periodical, really worthy of the products it advertises, and printed in turn in each of the principal languages of commerce. If British manufacturers realised the extent to which the South American business man is interested in first class literature devoted to the technicalities of his own line of work, provided he can read it in his own language, more attention would, I feel sure, be given to making the bridge that spans the great language gap more worthy of its object, more attractive to those who are compelled to use it, and therefore more efficient in the service it renders to buyer and seller alike.

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## APPENDIX VII.

## BUDGET ESTIMATES FOR 1932.

	Revenue	
	Gold.	Paper.
<i>Ordinary—From Taxes—</i>		
Customs duties—Dock dues and additional charges ... ..	104,839	1,930
Consumption tax ... ..	—	443,165
Stamp taxes ... ..	20	259,500
Income tax ... ..	1	109,800
Lotteries and other taxes ... ..	1,700	14,333
	<hr/>	<hr/>
Taxes and duties ... ..	106,560	828,728
<i>From Patrimony—State lands, etc.</i> ... ..	—	11,680
<i>From Industries—Railways, posts and telegraphs, etc.</i> ... ..	1,400	273,133
	<hr/>	<hr/>
Total ordinary receipts ... ..	107,960	1,113,541
	<hr/>	<hr/>
Extraordinary revenue ... ..	1,576	279,210
	<hr/>	<hr/>
Totals ... ..	109,536	1,392,751

	Expenditure.	
<i>Ministries—</i>		
Justice ... ..	—	81,500
Foreign Affairs ... ..	3,579	10,903
Marine ... ..	150	148,387
War ... ..	100	265,000
Agriculture ... ..	41	38,300
Transport... ..	9,489	400,643
Education and Health ... ..	4,091	70,000
Labour ... ..	209	16,431
Finance ... ..	16,746	863,121
	<hr/>	<hr/>
Totals ... ..	34,405	1,894,285

Favourable balance estimated after conversion into paper: 5,595 contos.

APPENDIX VIII.

OUT-TURN OF THE BRAZILIAN STATE BUDGETS FOR THE YEARS 1928, 1929 AND 1930.

States.	1928			1929			1930			Total.		
	Receipt.	Expend.	Surplus or Deficit.	Receipt.	Expend.	Surplus or Deficit.	Receipt.	Expend.	Surplus or Deficit.	Receipt.	Expend.	Surplus or Deficit.
Amazonas ...	10,123	11,691	- 1,568	9,433	9,610	- 177	6,497	9,405	- 2,908	26,053	30,706	- 4,653
Pará ...	13,357	14,581	- 1,224	14,053	14,351	- 298	12,491	13,695	- 1,204	39,901	42,627	- 2,726
Maranhão ...	11,451	13,280	- 1,829	13,102	14,045	- 943	12,009	12,694	- 685	36,562	40,019	- 3,457
Piauhý ...	5,151	5,669	- 518	4,960	4,932	+ 28	4,328	4,477	- 149	14,439	15,078	- 639
Ceará ...	14,048	14,015	+ 33	16,085	16,575	- 490	15,442	17,087	- 1,645	45,575	47,677	- 2,102
Rio Grande do Norte ...	10,596	11,110	- 514	13,750	14,768	- 1,018	10,811	10,732	+ 79	35,157	36,610	- 1,453
Parahyba ...	12,667	10,666	+ 2,001	17,900	16,612	+ 1,288	12,851	20,153	- 7,302	43,418	47,431	- 4,013
Pernambuco ...	56,847	57,491	- 644	68,760	72,986	- 4,226	51,945	58,786	- 6,841	177,552	189,263	- 11,711
Alagoás ...	12,047	12,635	- 588	12,279	13,739	- 1,460	10,739	10,990	- 251	35,065	37,364	- 2,299
Sergipe ...	9,038	8,760	+ 278	8,215	8,498	- 283	7,223	7,506	- 283	24,476	24,764	- 288
Bahia ...	70,722	74,567	- 3,845	67,573	82,364	- 14,791	57,938	77,328	- 19,390	196,233	234,259	- 38,026
Esp. Santo ...	31,894	44,175	- 12,281	35,119	45,504	- 10,385	23,342	31,092	- 7,750	90,355	120,771	- 30,416
Rio de Janeiro ...	39,963	79,891	- 39,928	38,640	86,089	- 47,449	34,491	70,993	- 36,502	113,094	236,973	- 123,879
São Paulo ...	420,781	418,958	+ 1,823	438,450	457,565	- 19,105	404,204	603,061	- 198,857	1,263,445	1,479,584	- 216,139
Paraná ...	28,801	35,126	- 6,325	30,172	62,266	- 32,094	28,660	46,511	- 17,851	87,633	143,903	- 56,270
Santa Catha ...	17,899	17,849	+ 50	19,275	17,799	+ 1,476	16,569	20,171	- 3,602	53,743	55,819	- 2,076
Rio Grande do Sul ...	170,374	164,588	+ 5,786	194,418	185,601	+ 8,817	160,978	178,013	- 17,035	525,770	528,202	- 2,432
Minas Geraes ...	180,200	178,981	+ 1,219	232,051	206,290	+ 25,761	160,000	400,000	- 240,000	572,251	785,271	- 213,020
Goyaz ...	4,461	3,985	+ 476	5,349	6,712	- 1,363	4,451	4,454	- 94	14,261	15,242	- 981
Matto Grosso ...	9,498	11,200	- 1,702	8,442	11,754	- 3,312	7,597	10,242	- 2,645	25,537	33,196	- 7,659
	1,129,918	1,189,218	- 59,300	1,248,036	1,348,060	- 100,024	1,042,566	1,607,481	- 564,915	3,420,520	4,144,759	- 724,239

The above figures are in contos of reis.

REPORTS by H.M. Trade Commissioners, Commercial, Diplomatic and Consular Officers on commercial and financial conditions in the following countries, issued, or in course of preparation, by the Department of Overseas Trade :—

## A.—During the year 1930.

Austria ... ..	2s. 0d. (2s. 2d.)	Panama and Costa Rica ... ..	2s. 0d. (2s. 1d.)
Bulgaria ... ..	2s. 0d. (2s. 2d.)	Persia ... ..	1s. 6d. (1s. 7d.)
Chile ... ..	3s. 0d. (3s. 2d.)	Philippine Islands ... ..	1s. 6d. (1s. 7d.)
China (February) ... ..	2s. 6d. (2s. 8d.)	Portugal ... ..	2s. 0d. (2s. 2d.)
China (December) ... ..	2s. 6d. (2s. 8d.)	Portuguese E. Africa ... ..	2s. 3d. (2s. 5d.)
Colombia ... ..	4s. 3d. (4s. 6d.)	Spain... ..	2s. 0d. (2s. 2d.)
Cuba... ..	1s. 9d. (1s. 10d.)	Sweden ... ..	1s. 6d. (1s. 7d.)
Ecuador ... ..	1s. 6d. (1s. 7d.)	Syria ... ..	1s. 0d. (1s. 1d.)
French West Africa ... ..	1s. 6d. (1s. 7d.)	Turkey ... ..	1s. 9d. (1s. 10d.)
Hungary ... ..	1s. 6d. (1s. 7d.)	Uruguay ... ..	1s. 6d. (1s. 7d.)
Japan ... ..	2s. 6d. (2s. 8d.)	Venezuela ... ..	9d. (10d.)
Lithuania ... ..	9d. (10d.)	Yugoslavia ... ..	1s. 0d. (1s. 1d.)

## B.—During the year 1931.

Algeria and Tripoli... ..	2s. 0d. (2s. 2d.)	Finland ... ..	2s. 0d. (2s. 2d.)
Argentina ... ..	3s. 6d. (3s. 8d.)	Guatemala, Honduras and Nicaragua ... ..	2s. 3d. (2s. 5d.)
Australia ... ..	3s. 6d. (3s. 10d.)	Italy ... ..	4s. 0d. (4s. 3d.)
Belgium ... ..	4s. 0d. (4s. 3d.)	Mexico ... ..	1s. 6d. (1s. 7d.)
Bolivia ... ..	1s. 0d. (1s. 1d.)	Netherlands ... ..	4s. 6d. (4s. 9d.)
Brazil ... ..	3s. 6d. (3s. 8d.)	Newfoundland ... ..	2s. 0d. (2s. 2d.)
British East Africa... ..	2s. 9d. (2s. 11d.)	New Zealand ... ..	2s. 0d. (2s. 2d.)
British Malaya ... ..	2s. 0d. (2s. 2d.)	Palestine ... ..	1s. 6d. (1s. 7d.)
British West Indies... ..	2s. 6d. (2s. 8d.)	Peru ... ..	2s. 6d. (2s. 8d.)
Canary Islands ... ..	1s. 9d. (1s. 10d.)	Poland ... ..	1s. 6d. (1s. 8d.)
Chile ... ..	3s. 0d. (3s. 2d.)	Roumania ... ..	2s. 6d. (2s. 8d.)
Czechoslovakia ... ..	1s. 6d. (1s. 7d.)	Siam ... ..	1s. 9d. (1s. 10d.)
Denmark ... ..	2s. 0d. (2s. 2d.)	South Africa ... ..	2s. 0d. (2s. 2d.)
Dominican Republic and Hayti ... ..	1s. 9d. (1s. 10d.)	United States ... ..	3s. 0d. (3s. 2d.)
Egypt ... ..	4s. 0d. (4s. 3d.)		

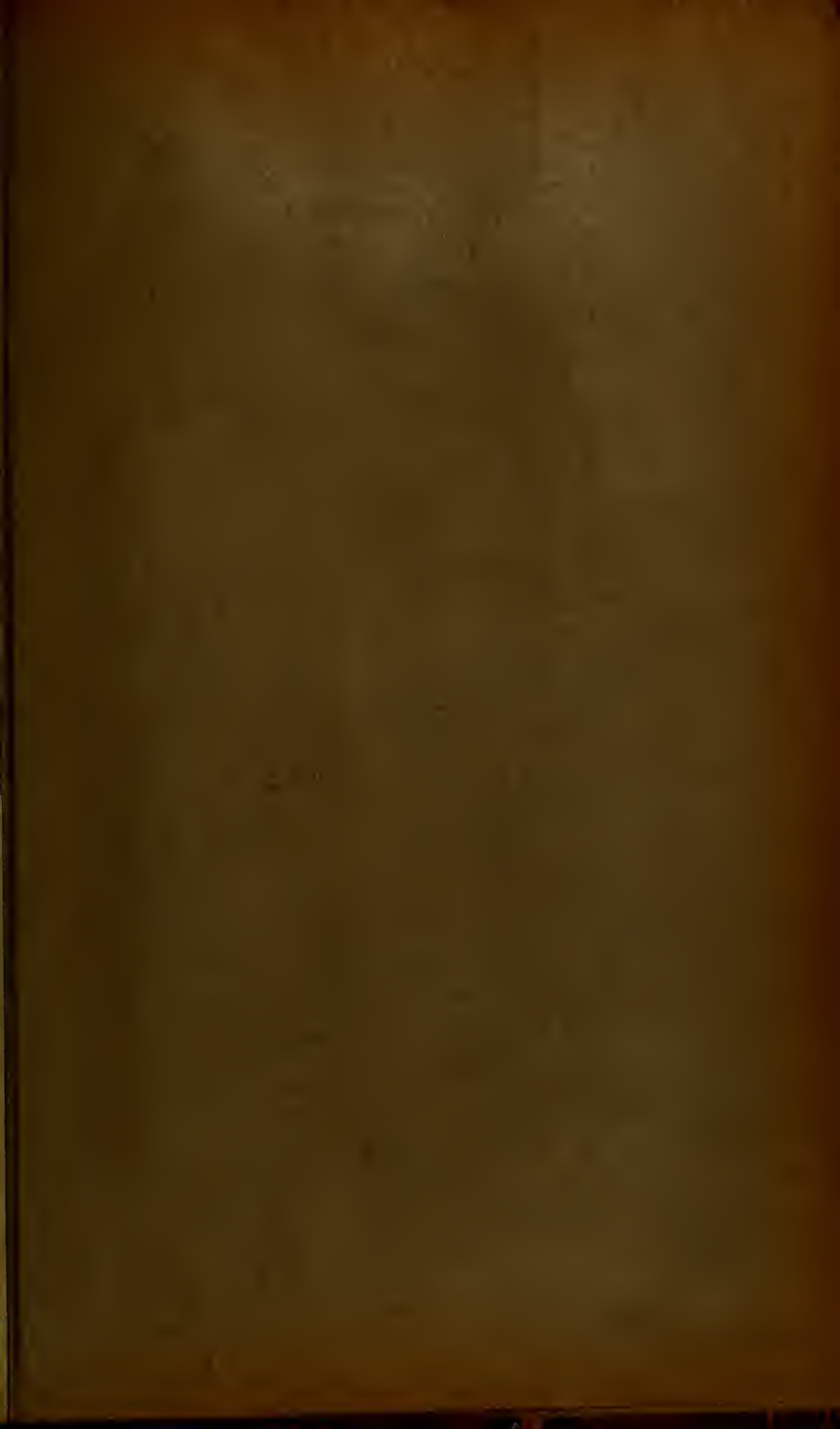
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