



DEPARTMENT OF OVERSEAS TRADE

Economic Conditions in BRAZIL

SEPTEMBER, 1935

REPORT

By E. MURRAY HARVEY, O.B.E., M.C.
Commercial Secretary to His Majesty's Embassy, Rio de Janeiro

and

N. A. P. SANDS

His Majesty's Vice Consul, Rio de Janeiro

(The previous Report is dated December, 1932)

490

28539

29. 1. 1941



LONDON

PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE

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

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

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

80 Chichester Street, Belfast;

or through any Bookseller

1936

Price 2s. 6d. Net

185.03
2615

DEPARTMENT OF OVERSEAS TRADE

COMMERCIAL REPRESENTATION ABROAD.

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

1. IN THE EMPIRE.

The Trade Commissioner and Imperial Trade Correspondent Services.

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

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

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

2. IN FOREIGN COUNTRIES.

(a) The Commercial Diplomatic Service attached to the British Diplomatic Missions.

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

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

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

(b) The British Consular Service.

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

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

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

NOTE.

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

1893 S
29/11/48

TABLE OF CONTENTS

	PAGE
COMMERCIAL SUMMARY	vi
HINTS FOR COMMERCIAL VISITORS	vi
I.—GENERAL FORENOTE :—	
Situation at beginning of September, 1934	1
Economic History of the Year	5
II.—GENERAL :—	
The Constitution of 1934	8
Immigration and Colonisation	9
Industrialisation	11
Distribution of Industries	12
Internal Trade and Commercial Situation	14
III.—FINANCE :—	
International Payments Balance for 1935	15
1934 Budget Estimates	17
Budget Outturn for 1934	18
1935 Budget Estimates	19
1936 Budget Estimates	19
Public Debts	20
Internal Debt	21
Note Circulation	21
Exchange Restrictions	21
Exchange Restrictions Regulations	25
Commercial Invoices	27
Germany and the Compensation Marks	28
Liquidation of Frozen Milreis Deposits :—	
<i>a</i> —Anglo-Brazilian Agreement	29
<i>b</i> —American-Brazilian Agreement	30
<i>c</i> —Italo-Brazilian Agreement	30
<i>d</i> —French Frozen Credits in Brazil	30
<i>e</i> —Liquidation of Norwegian Commercial Arrears in Brazil	31
<i>f</i> —Other Agreements	31
IV.—LEGISLATION :—	
New Consular Invoice Regulations	31
Tariff Revision	32
Customs Exemptions and Reductions	33
Social and Labour Legislation	33
Compulsory Analysis of Foodstuffs	35
Summer Time	35
Miscellaneous Decrees	35
Sugar and Sugar Alcohol	38
Agricultural Planning	40
V.—TRADE AGREEMENTS AND MISSIONS :—	
Brazilian-U.S.A. Commercial Treaty	41
Japanese Economic Mission to Brazil	42
French Economic Mission to Brazil... ..	43

VI.—FOREIGN TRADE :—

PAGE

Exports :—

General	45
Exports in the first eight months of 1935	45
New Export Section of the British Chamber of Commerce in	
Brazil	46
Meat Products...	47
Lard	47
Frozen and Preserved Meats	47
Hides and Skins	47
Wool	48
Tallow	48
Jerked Beef	48
Manganese	48
Agricultural Products :—	
Cotton	48
Development of Cotton Production in Brazil	49
Rice	51
Sugar	51
Rubber	52
Cocoa	52
Coffee	53
The Coffee Problem	55
Fruit	57
Carnauba Wax	59
Oleaginous Seeds	59

Imports :—

Imports, 1934	59
Imports for the first six months of 1935	60
The Import Situation...	61
Coal	62
Cement	63
Steel and Iron Manufactures	63
Locomotives	64
Railway Cars and Wagons	64
Axles and Wheels, etc.	64
Motor Cars and Trucks	64
Aircraft	64
Lubricating and Fuel Oils, Petrol and Paraffin	65
Electrical Motors and Apparatus	65
Machinery, etc.	65
Tools and Utensils	66
Boilers	66
Tinplates	66
Copper Plates and Sheets	67
Galvanised Iron Sheets	67
Wire	67
Electric Cables and Wires	67
Radio Apparatus and Accessories	67
Cinematograph Films	68
Textiles :—	
Cotton Piece Goods	68
Jute	69
Woollen Piece Goods	69
Linen Piece Goods	69
Natural Silk	69
Rayon	69
Caustic Soda	70
Wheat	70
Dried Codfish	70

VI.—FOREIGN TRADE—*cont.*Imports—*cont.*

Central Purchasing Commission of Federal Government	71
Samples Fairs	72
1933 Rio de Janeiro Samples Fair	72
1934 Rio de Janeiro Samples Fair	72
1935 Rio de Janeiro Samples Fair	72
1934 São Paulo Samples Fair	72

VII.—PUBLIC WORKS AND COMMUNICATIONS:—

General...	72
Water Supply	73
Roads	74
Railways	76
Port Works	81
Naval Programme	83
Brazilian Mercantile Marine	83
Civil Aviation and Aircraft	86
Military Air Mail Service	89

VIII.—INSURANCE SITUATION 91

IX.—REGIONAL CONDITIONS:—

Consular District of Pará	93
" " Pernambuco	98
" " Bahia	100
" " Rio de Janeiro...	102
" " São Paulo	105
" " Porto Alegre	110

APPENDICES

I.—External Debt of Federal Government, Foreign Loans of States and Municipalities of Brazil; Brazilian Foreign Loans (Plan for payment of service); Internal Debts of the States	112
II.—Internal Debt of Federal Government (31st December, 1934)	121
III.—Budget Estimates for 1934 and 1935	122
IV.—Estimated and Actual Revenue and Expenditure of Federal Government, after conversion to paper currency, 1931 to 1934	123
V.—Budget Expenditure of Federal Government 1933-34 (15 months)	123
VI.—Estimated and Actual Revenue of Federal Government—1913-1935	124
VII.—Budget Outturn for nine months, April-December, 1934	125
VIII.—Brazilian Imports by countries, 1932, 1933 and 1934	126
IX.—Brazilian Imports by classes of commodities, 1933-1934	136
X.—Brazilian Exports and Imports by countries of destination and origin, 1928, 1933, 1934, 1935 (6 months)	137
XI.—Brazilian Exports by classes of commodities 1933 and 1934	138
XII.—Brazilian Imports by classes of commodities for first half of 1934 and 1935	139
XIII.—Brazilian exports by classes of commodities for first eight months of 1934 and 1935	140
XIV.—Cotton Production in Brazil by States, 1933, 1934 and estimates for 1935	141
XV.—Cotton Exports 1934 and 1935 (8 months)	141
XVI.—Agricultural Production in Brazil	142
XVII.—Railway Lines in Brazil	144
XVIII.—Air Services in Brazil (January, 1934 to June, 1935)	146
XIX.—Return of British Shipping Entered and Cleared, Port of Rio de Janeiro, 1934	148

COMMERCIAL SUMMARY

Area.—3,300,000 square miles.

Population.—(Government estimate 25th July, 1935) 47,000,000.

Total Notes in Circulation.—(31st August, 1935) 3,225,686 : 483 \$000.

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

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

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

Exchange Rate.—(31st December, 1934) Paper milreis (1,000 reis)— $3\frac{1}{2}$ d.
Gold milreis (1,000 reis) Rs. 8\$000 paper. 31st August, 1935, official rate $4\frac{3}{8}$ d.
Free rate $2\frac{3}{4}$ d.*

	£
<i>Federal Government Revenue, 1935 estimate (the rate at 90\$000 to £1 sterling)</i>	24,106,410
<i>Federal Government Expenditure, 1935 estimate (ditto)</i>	29,907,610
<i>Imports, 1934, total gold</i>	25,467,306
<i>Imports from Great Britain and Northern Ireland, 1934, total, gold</i>	4,365,413
<i>Exports, 1934, total gold</i>	35,445,352
<i>Exports to Great Britain and Northern Ireland, 1934, total gold</i>	4,263,057
<i>Exports January to August, 1935, total gold</i>	21,488,673
<i>Exports January to June, 1935, to Great Britain and Northern Ireland, total gold</i>	1,794,619
<i>Imports January to August, 1935, total gold</i>	17,703,787
<i>Imports January to June, 1935, from Great Britain and Northern Ireland, total gold</i>	1,738,525
	Miles.
<i>Railway Mileage 1933, approximate</i>	20,600
	(32,973 kilometres).
<i>Road Mileage, 1932, approximate</i>	70,820
	(113,312 kilometres).
	H.P.
<i>Available Water Power</i>	25,000,000
<i>Water Power developed</i>	500,000

Freight Rates.—Federal Decree No. 22,845 of the 21st June, 1933, prohibited, after the 1st July, 1933, the inclusion of any percentage in maritime freight rates (for shipments outside the country) for return in the form of rebates, commissions or bonuses, and nullified existing agreements.

Federal Decree No. 23,653, of the 27th December, 1933, provided that Decree No. 22,845, of the 21st June, 1933, was applicable to maritime freights on coffee only and cancelled the provisions of this decree insofar as other articles of export are concerned during such time as, at the discretion of the Minister for Finance, a Federal organisation to control their shipment and guarantee the stability of agreements between exporters and transport concerns, does not exist. This last decree recognised an approved form of contract between exporters and navigation companies for the carriage of coffee, and provided for the approval, by the Ministry for Finance, of tariffs of maritime freights for all exports.

HINTS FOR COMMERCIAL VISITORS

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

* Note by Department of Overseas Trade :—On 31st December, 1935 the rates of exchange were 1 paper milreis = $4\frac{1}{2}$ d. official rate. and $2\frac{3}{4}$ d. free rate.

REPORT ON ECONOMIC CONDITIONS IN BRAZIL

September, 1935

I.—GENERAL FORENOTE.

Situation at the beginning of September, 1934.—At the time the last report in this series was published, the Republic was still slowly recovering from a painful episode in her history, the São Paulo uprising of 1932. During the following 18 months, the attitude of the Central Government towards the disaffected province continued, as it began, in a spirit of justice and conciliation and gradually the bitterness and animosity surviving from the struggle was allayed by mutual striving toward re-construction.

This progressive improvement in the political basis of the national life proceeded steadily throughout 1933; in November a national assembly met in the capital and after some months of labour adopted a constitution under which, in July, 1934, and without the least disturbance, the head of the Provisional Government was elected constitutional president. With the simultaneous conversion of the national assembly into a parliamentary congress the change from a discretionary to a constitutional government was quietly accomplished and marked the beginning of a new era in the development of the Brazilian nation.

Also worthy of special remark are several developments, which assisted to change, generally for the better, the aspect of the future. Of these, the first concerned the exchange position, a capital factor in relation to the country's trade prospects. For several years all hope of improvement in this direction had been overshadowed by the burden of indefinite and heavy items on the debit side of the international payments balance, the chief of which were the national external debt service and the unremitted deposits in "blocked" accounts.

During the year 1933, the balance of the Rothschild overdraft, amounting to £2,400,000, was repaid. The service of the funding loans was regularly met in fulfilment of the terms of the last funding agreement, that of 1930. The service of the remaining foreign loans was suspended until October, 1934.

Early in February, 1934, the Federal Government, by means of a decree, made public a comprehensive plan for meeting in part the service of all Federal, state and municipal external funded debts. The scheme covers a period of four years ending on the 31st March, 1938, but is subject to review not later than the 30th September, 1937. The capital sum of the foreign debt is about £250,000,000 and full service would need about £24,000,000 annually; by the new plan some £8,000,000 has been taken as the sum which can be allotted to the service of foreign loans. Full details will be found in the chapter of this report headed "Public Debts" and in Appendix No. I.

Deposits in "blocked accounts" awaiting remittance to the U.S.A., the United Kingdom and France on behalf of railways and other public utility companies, banks and insurance firms, together with long overdue trading bills, were also the subject of special agreements; and by July, 1934, these had been settled on a basis of payment in 72 monthly instalments, calling for the sum of £1,310,000 during the period, February to November, 1934.

By such means Brazil was able to make progressive advances from the restricted exchange régime of 1933, whereby all cover deriving from the export trade was practically requisitioned by the Bank of Brazil and sparingly distributed for imports, toward a "free" exchange market. The first important step for the decontrol of exchange was taken by a decree of the 19th May, 1934, which permitted the free purchase and sale of exchange instruments, other than those deriving from the export trade. This regulation instituted a "free" market in place of what had previously been the so-called "black" or "bootleg" exchange market which, though usually tolerated, was officially illegal. The same decree released "blocked" accounts, permitting these to be liquidated or reduced by purchases of foreign drafts in the "free" market, without restriction or hindrance. All exchange deriving from coffee exports continued, nevertheless, to be monopolised by the Bank of Brazil, whilst in the case of exchange from cotton, cocoa, fruit and other exports, though varying percentages were returned to the exporter, its disposal was strictly regulated.

The next development was a decree published on the 22nd June, 1934, which permitted the sale in the "free" market of all exchange deriving from a number of minor commodities, i.e. those not specified by name in the official export statistics.

In addition, an important decree was promulgated on the 28th March, 1934, which enforced the deposit at due date of the equivalent in milreis of all foreign bills in respect of merchandise imported and provided that failure to make deposit would be regarded for purposes of protest as failure to meet a bill of exchange.

The general outlook now became so satisfactory that by September the Government had brought into effect a further measure of decontrol of exchange, coffee bills alone remaining on the requisition list. How an unfortunate combination of circumstances nullified the promise of better times to come, will be described in the main body of this report.

During the year 1933 exports from Brazil increased in volume by about 17 per cent., but there was a decrease in their gold value from £36,629,000 to £35,790,000. Expressed in Brazilian currency, however, an increase in value from 2,536,765 contos of reis in 1932, to 2,820,271 contos in 1933, was recorded; this augmentation of 11 per cent. corresponds more or less to the increase in volume, the depreciation of the exchange being responsible for the decline in sterling value.

15,500,000 bags of coffee, as against under 12,000,000 for the previous year, were exported during 1933. 1932, owing to the São Paulo uprising, was an especially poor year, the port of Santos being blockaded for several months. Special reference to the coffee situation will be found in a later section in this report.

Only two other Brazilian exportable crops, cotton and fruit, require special mention in this forenote. Both are of comparatively recent development and both promise to play a gradually increasing part in their respective world markets. The former has been cultivated in northern Brazil for many years, the bulk of the crop being consumed by the ever-growing Brazilian cotton industry. Hitherto, the export surplus has never been an important factor in the world market. During the past few years, however, cotton growing has been widely taken up in southern Brazil, chiefly in the State of São Paulo, and here a phenomenal development has occurred. Up to 1932, this region hardly produced a surplus: indeed the São Paulo cotton industry normally took large quantities of raw cotton from the northern field. As against no exports at all in 1932, this region exported about 60,000 tons up to December, 1934, having increased its production by almost 30 per cent. over its 1933 crop. The total exports up to the end of September, 1934, were 336,000 bales, of which almost 200,000 went to the United Kingdom.

In fruit a similar though less remarkable development occurred, particularly in the case of oranges. In 1926 the total orange exports were only 200,000 cases; by 1930 they had risen to 800,000; in 1932 they amounted to 2,000,000 cases, and in 1933 they were 2,500,000 cases. Of bananas the exports increased from 4,000,000 bunches in 1926 to 8,000,000 in 1934. The increases were also considerable in grape-fruit, tangerines, pineapples and Brazil-nuts.

Particular interest attaches to these two crops since the United Kingdom is their best overseas market; indeed both are normally dependent upon that outlet for at least 75 per cent. of their respective exportable surplus. It is due to the development of cotton and fruit production that Anglo-Brazilian trade now more or less balances; the balance hitherto having been always decidedly in favour of the United Kingdom.

The tonnage of Brazil's imports during 1933, at 3,837,526 tons, showed an increase of some 18 per cent. over that for 1932; and the value of £28,132,000 was greater by over £6,000,000 or about 30 per cent.

Imports from the United Kingdom made up 19.44 per cent. of the total value registered, maintaining approximately their annual average proportion for the five years 1926-30. The value of United Kingdom exports to Brazil showed an increase of well over one million pounds, from £4,175,278 to £5,469,327.

Internal economic conditions during 1933 were unusually good; certainly better than during the three or four preceding years. There

was no unemployment; on the contrary, at least in São Paulo, there was a definite shortage of labour. All the chief industries were fully occupied and industrialisation proceeded steadily, existing factories developing and increasing their output and new factories and industries being established all over the country.

The formidable task of financial and budgetary reform remained untouched, however, and there was an increasing gap between the national income, much reduced by diminishing Customs returns, and rapidly increasing expenditure due to the opening of special credits to finance the wide range of the Government's expansionist social and economic policy.

The final result for the year 1932 was as follows:—

<i>Revenue.</i>		(In contos of reis.)		<i>Expenditure.</i>	
Estimated	... 2,131,119	Estimated	... 2,126,518		
Actual	... 1,682,400	Actual	... 2,859,669		

It will be seen that whilst revenue was less by 448,719 contos of reis paper, expenditure was greater than the estimates by 733,151 contos. The total deficit on the year's working was, therefore, 1,177,269 contos of reis, or the equivalent approximately, of £20,000,000. The cost to the Provisional Government of the São Paulo uprising, which has been estimated at nearly 600,000 contos of reis, was an important contributory cause of the deficit; others were the regular increase of expenditure through the various ministries and the loss of revenue from Customs.

To meet the deficit, which was partly caused by the issue in São Paulo of emergency "bonus" notes, amounting to 400,000 contos of reis, a similar amount of paper money was issued; Treasury bills to the value of 600,000 contos, redeemable over three years at the rate of 200,000 contos per annum, were discounted at the Bank of Brazil and bonds of the internal funded debt were sold for the remainder.

The budget for 1933 was revised twice during the year; firstly when it was seen that the estimates would not correspond with the outturn as it was progressing; and secondly when, in order to return to the system of financial years ending on the 31st of March, the budgetary year was extended to cover the period 1st January to 31st March, 1934. Special credits were opened to cover the extra three months.

Final results of the 1933-34 budget were given as follows:—

<i>Revenue.</i>		<i>Expenditure.</i>	
(Contos of reis.)			
<i>Estimated.</i>	<i>Outturn.</i>	<i>Estimated.</i>	<i>Outturn.</i>
2,656,743	2,626,860	2,788,543	3,342,751

Thus, whilst revenue was less by only 29,883 contos of reis, expenditure was greater than the estimate by 554,208 contos.

The actual deficit on the fifteen months working was, therefore, 715,891 contos of reis against an estimate of 131,800 contos.

Additional and supplementary credits to the amount of 946,474 contos of reis were authorised for all the ministries, of which the Ministry for Finance and the Ministry for Transport and Public Works are said to have absorbed together nearly 500,000 contos of reis. The latter department was called upon during the year to assist in relieving the distress caused by drought in the northern states, by carrying out emergency work on roads, railways and water storage.

Expenditure by ministries during the fifteen months was as follows :—

<i>Ministry for :—</i>	<i>In Contos of reis.</i>
Justice	127,024
Foreign Affairs	46,857
Marine	242,827
War	587,809
Agriculture	54,260
Transport	769,105
Education and Public Health... ..	137,045
Labour	22,615
Finance	1,355,208
Total	3,342,750

Economic History of the Year.—The economic history of Brazil during the 12 months ended September, 1935, has been one of almost unrelieved tension, characterised by a series of desperate efforts on the part of the Government calculated to relieve the steadily increasing pressure of foreign commitments due to a declining trade balance and the consequent scarcity of exchange. To the foreign observer various agreements made by Brazil with her creditors abroad have at times appeared to promise better things to come, but the present impression is one of disappointment, with the future giving cause for some anxiety. Thus the high expectations resulting from the partial freeing of exchange, in September, 1934, evaporated in the restrictions of December, 1934, by which exchange cover for importation was distributed to the various countries in proportion to their purchases of Brazilian coffee. The subsequent confusion appeared to have been settled by the successful negotiations of the Brazilian Economic Mission to the United States of America and to the United Kingdom, which gave breathing space and an opportunity for a fresh start. A rapidly diminishing export surplus, however, has compelled the Government once more to bring into effect most of the restrictions in force up to May of 1934.

The coffee situation has steadily deteriorated and in spite of the surplus for 1934-35 having been reduced to only four million bags, prices have fallen to the lowest level in the history of coffee, whilst the percentage of world consumption supplied by Brazil continues to be menaced by the "mild" coffee producing countries. The phenomenal increase in cotton growing in the state of São Paulo was expected largely to counteract the effect of diminished returns from coffee shipments, but the sale of 50 per cent. of this year's crop to Germany in blocked marks has removed from the market what would have been a great source of negotiable exchange cover and has caused the frozen credits of the Bank of Brazil with the Reichsbank to reach, it is said, a considerable figure.

Fruit continues to hold the advance made since 1930. Exports of bananas and grapefruit to the United Kingdom have enormously increased, but orange shipments to London have this year proved rather disappointing; indeed prices, of late, have fallen so considerably in a market glutted with other seasonal fruit, that there was at one time some talk of suspending shipments.

There has been a "record" cocoa crop and, apart from coffee and sugar, the volume of agricultural products exported in 1934 showed an increase of 17 per cent. over the 1933 figures. The gold value remained practically stationary, however. This expansion continued steadily during 1935, but on account of a depreciating currency and of increased imports, the gold value of which is 9 per cent. higher than in 1934, the trade balance for the first eight months of 1935 is the smallest recorded for many years and only amounts to 64 per cent. of the gold figures for 1933, when it was found necessary to scale down the total of external debt services to 30 per cent. of the amount previously remitted.

In the field of import trade the new tariff law was an event of special importance. This law, which has been pending for several years, was finally enacted in June, 1934, and became effective on the 1st September of that year. All engaged in trade with the Brazilian market at any time during the past half century—for the old tariff had been in force so long—will have welcomed the new law, at least as far as its procedure is concerned. All the old complications of exchange rates, percentages and counter-percentages of gold and paper, applicable by a long range of surcharges and fractional additions, have been swept away and the determination of an effective rate has now become a relatively simple mathematical calculation. For the rest it is only possible to say that the new tariff is more, rather than less, protectionist than its predecessors. Like many other nations similarly placed, Brazil has now definitely committed herself to a policy of industrialisation; recent events, notably the fall in the exchange value of the milreis and the exchange restrictions, have made this choice irrevocable. The new tariff is the instrument fashioned to give progressive effect to this policy.

In 1934 Brazil, according to United Kingdom statistics, had a favourable trade balance with the United Kingdom, which reverses what has been the normal position hitherto. Germany has greatly improved her position in the coal, machinery, cement, metals, chemicals and tinplate trades, to mention only the chief items. The Japanese, who have hitherto remained aloof from the market in view of the exchange hazards, have already sent an economic mission to this country and are likely to enter in force now that a prompt payment system is operative.

At this point it is necessary to refer briefly to the wide scope of the commercial and economic policy disclosed by the Government's recent legislation. The closing months of the provisional régime will long be memorable for the large number of decrees designed to round off the general programme of reform and reconstruction announced by the Government on taking office in 1930. These decree laws have dealt with every phase of national life; immigration, banking, agriculture, mineral development, mercantile marine, aviation, and a large number of minor subjects of all kinds. Much will no doubt be modified by parliamentary process, but, generally speaking, the principles of social and economic policy thus established will go far to direct the development of events in a very wide field of national endeavour.

It is greatly to be regretted that budgetary equilibrium in Brazil seems to be as far remote as ever from the realm of practical politics. The deficit of half a million contos of reis anticipated in the budget for 1935 will probably be exceeded; whilst the budget estimates for 1936, which have passed their third reading in the Chamber of Deputies and now await the approval of the Senate and of the President of the Republic, anticipate a deficiency of 356,147 contos of reis.

In concluding this short review of the twelve months prior to September, 1935, it is necessary to add that the internal condition of the country has been good. Apart from some turbulence in the North there has been no political agitation worthy of note; most of the national industries have been working full time and factories in the State of São Paulo had a very good year in 1934. There was an epidemic of minor strikes at the beginning of 1935, but no serious labour unrest; unemployment is non-existent and in São Paulo there is a shortage of field labour which has greatly increased wages in the cotton fields.

A disquieting feature is the belief held in many quarters, and indeed openly expressed, that the limited amount of exchange available will not permit of the payment of arrears of commercial indebtedness abroad as well as the maintenance of the reduced service of Brazil's foreign debts in accordance with the Aranha plan. There are, in consequence, some who advocate the suspension of debt payments, but there is ample reason to know that the Brazilian Government are fully aware of the serious repercussion that such a

course would have upon the country's foreign credit and prestige and that, although the obstacles to carrying it through are very great, endeavours are being made to enforce a policy of economy. Budgetary equilibrium and reasonable opportunity for foreign enterprise and investment may be said to be the chief desiderata for only by such means can Brazil develop her vast untapped national resources and regain prosperity.

II.—GENERAL.

The Constitution of 1934.—This document*, which was promulgated on Monday, the 16th July, 1934, takes the place of the Constitution of 1891—amended in 1926. All who have an interest in Brazil should read it, for it contains much that illustrates the character and ideals of the Brazilian people, and sets forth the broad lines of policy and principle which development aspires to pursue in the various departments of the national life.

Here it is only necessary to refer to its main economic and commercial provisions. These for the most part wear a somewhat nationalistic aspect. It is laid down, for example, that the law shall take steps to encourage the progressive nationalisation of deposit banks and of insurance companies, adding that foreign concerns in the latter category must constitute themselves as Brazilian companies. It ordains that mines, underground mineral wealth and waterfalls for power development, are distinct from landed property and that for the purpose of industrial exploitation, they may only be bestowed by Government concession, and then only to Brazilians or to concerns organised in Brazil. The law is also to regulate the progressive nationalisation of mines and waterfalls for future power development.

Trade unions and professional associations are granted complete autonomy.

Provision is made for a code of labour legislation based, *inter alia*, upon the following principles :—

- (a) prohibition of difference in salary for the same work due to age, sex, nationality or civil state ;
- (b) minimum living wages ;
- (c) eight hour maximum day ;
- (d) prohibition of work for children under 14 ; of night work for children under 16, and of work in unhealthy industries for those under 18 or for women ;
- (e) weekly rest day ;
- (f) annual holidays on pay ;

* An English translation may be had for 5s. from The Brazilian Press, 34, Duke Street, St. James', London.

(g) compensation for workers dismissed without just cause ;

(h) medical and sanitary aid for workers, and compulsory insurance by equal contributions by employer, worker and the union for old age pension, sickness, accident and maternity benefit.

Generally similar, though more optional regulations are applied for agricultural workers. Provision is made for land settlement.

In the next section of this report an outline is given of the immigration clauses.

An important article institutes a Labour Court for settling industrial disputes.

Rights of ownership are conferred upon settlers of ten years' standing to property which they have developed or cultivated. Land transfer is placed under taxation, and subject to the approval of the Senate in the case of more than ten thousand hectares.

Provision is made that owners, builders and commanders, and two-thirds of the crew of national ships must be Brazilian born. Except for existing cases, only the Brazilian-born may exercise the liberal professions, doctors, engineers, accountants, etc.

Of particular importance is an article (No. 136) which lays down that concessionary concerns or contractors for public services—Federal, State or Municipal—must have a majority of Brazilians on their board, or entrust managerial powers exclusively to Brazilians. Such foreign concerns must confer powers of representation upon Brazilians in the majority, with subrogation powers exclusively to Brazilians.

The regulation of rates and tariffs for such concerns is conferred upon the Federal Government.

The practice of granting a guarantee of interest to concessionary public services is abolished.

Finally it is laid down that, as far as possible, the planning and execution of public works shall be concentrated in one Ministry of State.

Immigration and Colonisation.—The current of immigration into Brazil was checked during 1931 and 1932. Not for fifty years had the inflow been reduced to such low proportions. For the purpose of comparison the figures for the last six years are given below :—

<i>Year.</i>	<i>Number of Immigrants.</i>
1929	100,424
1930	67,066
1931	31,410
1932	34,683
1933	48,812
1934	50,371

The average for the previous decade was 96,000 per year and the diminution is noticeable. The most marked feature is the decrease

in the number of Italians and Portuguese entering the country and the increasing volume of Japanese immigrants during the last few years. The principal races are as follows:—

	1929.	1930.	1931.	1932.	1933.	1934.
Japanese ...	16,648	14,067	5,632	11,678	24,494	21,930
Portuguese ...	38,879	18,719	8,152	8,499	10,696	8,732
Italians ...	5,288	4,253	2,914	2,155	1,920	2,507
Germans...	4,351	4,180	2,621	2,273	2,180	3,629
Spaniards ...	4,565	3,218	1,784	1,447	1,693	—
Poles ...	9,095	4,719	1,315	1,142	1,825	2,380

As in other directions the Constitution of 1934 marks a radical change in Brazilian policy toward immigration. In the Constitution of 1891 this subject was mentioned, with agriculture and industry, as something to be encouraged and so it was in practice, for during the past 50 years well over four million settlers entered Brazil. Article 121 of the present Constitution provides that "the immigratory flow from each country may not, however, exceed, annually, the limit of 2 per cent. of the total number of the respective nationals permanently settled in Brazil during the last 50 years." In theory this will admit more immigrants than have actually entered the country of recent years, but in practice it will have a very different result for the arrivals of recent years have been largely Japanese, and the quota of these is now much reduced. Nevertheless this quota has been far exceeded during the current year and the matter of Japanese immigration is giving the Brazilian Government much food for thought. The flow of immigrants from Germany, Italy, Portugal and Spain has almost ceased—and these alone are admissible in large numbers under the new provisions. It is not easy to see why this serious step should have been taken, for there is no unemployment in Brazil, indeed, in some states there is a definite shortage of labour, particularly in São Paulo, where the development of the cotton crop has already rendered this deficiency even more acute.

Further restrictive regulations have been enacted by a decree, No. 24,258 of the 16th May, 1934, which defines as an immigrant every foreigner who intends to remain in Brazil for more than thirty days—in the exercise of a calling, profession, trade, etc. This law divides such persons into agricultural and non-agricultural classes, and lays down conditions under which each may enter, notably a cash requirement of from 2 to 3 contos of reis for all persons in the latter category. Clearly this is likely to affect the flow of skilled labour, contracted employees for foreign firms and undertakings, and an indefinable but highly beneficial class of immigrant whose motives are simply to better their position in new and more promising surroundings, and who usually bring to their new home valuable talents and qualities of energy, enterprise and special knowledge.

The avowed purpose of this legislation is to select, rather than to prohibit; for example, in the decree a list of 14 undesirable

types of prospective immigrants is given whose entry is forbidden—including the diseased, the subversive, the immoral, defective, etc. It remains to be seen whether the law will be administered in this spirit—if so all will be well, but any general restriction of labour importation cannot fail to retard economic development.

Industrialisation.—Judged solely from the standpoint of foreign trade per capita of population, the criterion which overseas observers are naturally prone to adopt, Brazil appears as a backward country; during the past few years the rapid diminution in the value of imports and exports alike has caused this impression to be widely held. In order, therefore, to depict the economic situation of the country in its true perspective, it seems advisable to refer briefly to the Republic's industrial development, which has reached a point in production and variety well in advance of other South American countries.

It must be remembered that by far the largest part of the agricultural and industrial production is consumed by the country's 47 million inhabitants; a population greater than that of the rest of South America put together and hardly less than that of the United Kingdom. Viewed from this aspect the small exportable surplus is more readily understandable, and the impression of arrested development disappears.

In the absence of comprehensive statistics, a general view of the degree of industrialisation is difficult to give and the reader would therefore do best to keep in mind this idea of the country as one of 47 million inhabitants which is almost entirely self-sufficient. With the exception of wheaten bread and a few minor foodstuffs it feeds itself entirely. It is self-supporting in textile production, linens excepted; indeed it actually has exported some cotton piece goods. There are not less than 338 cotton mills in the country, having 2,531,762 spindles and 81,164 looms. Of woollen, artificial silk and jute mills no complete figures are available, but except for those of the finest quality, woollen and worsted suitings are no longer imported. In building and construction materials its dependence upon imports has been greatly reduced during the past four years, by the rapid growth of the cement industry, and by the increased production of reinforcing steel rods.

The metal industries are extending rapidly in every direction, including the manufacture of machinery, tools, cutlery, weighing machines, hollow-ware, etc. The production of all classes of rubber articles, comprising a wide range of covered cable, wire, and other articles such as bakelite for the electric industries, is far advanced. Even Brazilian motor tyres and inner tubes are beginning to enter the market and a Pará firm sold 54,000 of the latter to the South in six months. Electric lamps, motors and transformers, and wireless sets and batteries are all manufactured. Glassware, sanitaryware, pottery and earthenware factories are increasing their

production, whilst the paper industry has made serious inroads on imported supplies of all types except newsprint. The ink and paint, perfumery, drug, chemical and explosive, match and footwear industries are every year extending the range of their products and gaining increasing shares of the market.

This process of industrialisation is carefully fostered by every device of protection: not only have tariff rates steadily increased, but various other forms of protection have been applied. For example, there is a definite law which provides that no exemption-of-duty privilege may be granted to an article for which there is a locally produced "similar". The steel industries are protected by the prohibition of the export of scrap metals which may be utilised as raw materials. The national coal industry is protected by a law which provides that 10 per cent. of Brazilian coal must be purchased by all coal importers in relation to their imports. National distilleries of alcohol for motor fuel, the application of which is increasing, are similarly favoured. In a word, the policy of all-round industrialisation has come to stay, and is spreading its range and capacity with great rapidity. For the future the supply of machinery, accessories, and specialised raw materials, such as metals, dyes, chemicals and semi-manufactured products, is likely to take the place of many of the staple manufactured products for which Brazil has afforded a market in the past. Thus, if 1921 is taken as a basic year, the volume of coastwise trade has increased by 93 per cent., but importation from foreign countries by only 49 per cent. and exportation by 15 per cent.

Distribution of Industries.—The chief industrial centre of Brazil is São Paulo, whose 6,000 odd factories are said to account for some 50 per cent. of Brazil's industrial production. The neighbouring State of Minas Geraes has approximately 6,900 establishments officially registered as factories and the Federal District 3,900. These regions and the State of Rio de Janeiro are virtually one district, having a population of about 18,000,000 and including probably about 75 per cent. of all the industries of the Republic. The remaining manufacturing centres are much scattered—Pernambuco is probably the next most important district, followed by Bahia and Rio Grande do Sul. But every other state has its factories; even Maranhão, Ceará, Alagôas, Sergipe and Santa Catherina, have ten or more cotton factories each in addition to a variety of other establishments dependent upon their respective local raw materials. Indeed the difficulties of transport and the vast distances between these various regions make for the growth of purely local industries rather than for their concentration in a central point. Thus it is found that the degree of industrial development varies between districts very much in proportion to differences in population—though naturally also upon purchasing power derived from primary sources, which has reached a relatively higher plane in certain regions, notably in São Paulo and the Federal District.

The following statistical resumé of the industries of São Paulo for the years 1932 and 1933 will give an impression of the development and growth of the industrial life of this State :

	1932.	1933.
Total number of factories	6,070	6,555
Total capital employed (Contos of reis)	1,589,750	1,906,482
Total number of workmen	150,808	171,667
Total value of production (Contos of reis)	1,944,988	2,060,383
Power of machinery (H.P.)	192,159	212,108
<i>All Textile and associated industries :—</i>		
Number of factories	470	510
Capital employed (Contos of reis)	469,038	557,411
Number of workmen	61,762	71,511
Value of production (Contos of reis)	603,250	691,979
<i>Leathers and skins :—</i>		
Number of factories	257	281
Capital employed (Contos of reis)	22,833	24,024
Number of workmen	2,111	2,145
Value of production (Contos of reis)	48,611	40,970
<i>Saw-mills, furniture and wood-working :—</i>		
Number of factories	893	883
Capital employed (Contos of reis)	71,900	68,520
Number of workmen	8,758	9,282
Value of production (Contos of reis)	100,255	72,950
<i>Metal working, machinery, tools, etc. :—</i>		
Number of factories	983	1,261
Capital employed (Contos of reis)	185,036	208,415
Number of workmen	22,161	27,709
Value of production (Contos of reis)	217,930	261,678
<i>Pottery, chinaware and ceramics :—</i>		
Number of factories	63	92
Capital employed (Contos of reis)	22,325	30,684
Number of workmen	4,561	6,001
Value of production (Contos of reis)	28,245	38,073
<i>Construction materials :—</i>		
Number of factories	803	990
Capital employed (Contos of reis)	64,073	83,598
Number of workmen	5,552	6,609
Value of production (Contos of reis)	37,064	54,893
<i>Chemical and pharmaceutical products :—</i>		
Number of factories	430	447
Capital employed (Contos of reis)	118,629	123,219
Number of workmen	5,667	5,555
Value of production (Contos of reis)	181,306	144,144
<i>Foodstuffs :—</i>		
Number of factories	554	520
Capital employed (Contos of reis)	76,722	154,535
Number of workmen	7,428	7,435
Value of production (Contos of reis)	145,620	154,655
<i>Clothing, footwear, etc. :—</i>		
Number of factories	692	696
Capital employed (Contos of reis)	83,877	70,391
Number of workmen	11,770	12,630
Value of Production (Contos of reis)	350,626	288,636
<i>Light, power, heat and refrigeration :—</i>		
Number of factories	163	155
Capital employed (Contos of reis)	368,067	455,697
Number of workmen	8,560	9,029
Value of production (Contos of reis)	76,943	145,184

<i>Various other industries :—</i>	1932.	1933.
Number of factories	762	760
Capital employed (Contos of reis)	107,250	129,989
Number of workmen	12,478	13,761
Value of production (Contos of reis)	155,137	167,202

Internal Trade and Commercial Situation.—Much talk of exchange and financial difficulties in Brazil has created the impression abroad that the Republic is in a state of more or less chronic depression: the truth is, however, very different. Only foreign commerce, more particularly the import trade—a very small proportion of the total commerce of the country—has suffered severely. Internal commercial conditions during 1933, 1934 and 1935 have been unusually good; certainly better than during the three or four preceding years. There is no unemployment; on the contrary, in São Paulo at least there is a definite shortage of labour. There have been a certain number of strikes, especially round Christmas and the New Year, but these disputes have usually been short-lived and there is little to show that any fundamental labour discontent exists.

The chief industries are fully occupied, with the exception of jute; the textile industries are doing particularly well: many factories are even behindhand in filling their orders and not a few are working overtime. For example, the largest industrial group in Brazil, whose establishments are situated mostly in São Paulo, had its 1934 sales well ahead of the 1933 level. Incidentally, it may be mentioned that the total sales of this organisation alone, for 1934, were about £7,000,000 (400,000 contos of reis) i.e. equal to almost 25 per cent. of the import trade of Brazil in 1933.

Throughout the country a building boom is in progress, accompanied by increased activity in land sales. The number of buildings constructed in São Paulo during 1934 was 4,914, which compares favourably with the record year of 1928 with 6,867 houses. In Rio de Janeiro building is in progress everywhere, 1935 being a record year for construction, and there is every indication that the boom will continue. In the Federal capital business has greatly benefited from the resumption of tourist traffic and the re-constitution of the Chamber of Deputies, which naturally brings money into the city.

Though there are no index figures of business trends to guide the enquirer, many practical indications support this view of the country as in a state of remarkable activity. Bank loans are steadily growing in volume, whilst deposits are reduced. All representative security prices are higher; business failures and bankruptcies are fewer. Railway returns are somewhat better, as far as any information is available; certainly the larger systems have made a somewhat better showing. Electric power consumption in São Paulo and Rio de Janeiro is increasing steadily, as is also the consumption of oil fuels.

Not only is this improvement evident in the more populous and developed south, but even in the north, where expansion has been very slow—if not actually arrested for many years—the position has been much better in consequence of improved prices for sugar, rubber and cotton, and in particular in view of this year's record cotton crop.

The following quotations serve to illustrate the practical basis of the above estimate :—

<i>Cocoa</i> :—				
Unit price of exports	1934.		January-June, 1935.	
	1:278\$000		1:466\$000 per ton.	
<i>Cotton</i> :—				
	January,	January,	August,	
	1933.	1934.	1935.	
Pernambuco, Maceió, Fair Spot ...	5·26d.	6·05d.	6·05d.	
			1935	
Unit Cost of exports (per ton) ...	1933.	1934.	(Jan.-July).	
	2:804\$000	3:604\$000	4:835\$000	
<i>Sugar</i> :—				
	1932.	1933.	1934.	1935
Unitary cost of exports (per Kilo)	\$474	\$493	\$598	(Jan.-July).
				\$564
<i>Tobacco</i> :—				
Unitary cost of exports (per Kilo)	1\$462	1\$482	1\$677	2\$003
<i>Rubber</i> :—				
Unitary price of exports (per Kilo)	1\$707	2\$294	3\$017	2\$683
<i>Total Bank Loans</i> (in Contos of reis) :—				
	1932.	1933.	1934.	1935
December 31st	6,697,000	6,879,000	(Sept. 30th).	7,330,000

The increase in total bank loans of 1,400,000 contos of reis since 1930, however, has not all gone to benefit commerce, industry and agriculture, as a great part has been absorbed by the advances of the Bank of Brazil to the Treasury and in the operations with the National Coffee Department. It can be estimated that not more than 20 per cent. has been left for trade, i.e. some 280,000 contos of reis.

III.—FINANCE.

International Payments Balance for 1935.—For the last few years it has been virtually impossible to furnish a close estimate of the Brazilian payments balance owing to the uncertainty of the sums to be included on government debt and blocked deposit accounts and in the absence of any accurate figure for items of this magnitude the results obtained by balancing the remaining factors were clearly of little if any value. Some of these uncertainties have now disappeared, and from the data available the following impression of the outcome of the year's payments is suggested as reasonably probable.

It must be said at once that, as regards the exchange situation, the outlook for the future is not encouraging. With an increase in

imports and a decrease in the gold value of exports during the first months of 1935, the favourable balance will be, as far as can be foreseen, much less than the average of late years. For the first eight months of 1935 the balance of exports over imports was only £3,784,886 (gold), or the equivalent of £6,114,536 (paper), which, if considered as being proportionate to the rest of the year, would provide the sum of £10,000,000 paper with which to meet the service of the foreign debt and other requirements for foreign currency. As a favourable balance of over £16,000,000 proved insufficient in 1934 to provide for these needs and there is now the addition of the 1935 arrears liquidation agreements to be made, Brazil would appear to be facing difficulties ahead.

Apart from this item on the credit side it is impossible to give any other figures with certainty. Mention must be made, however, of the income from tourist traffic. No official estimate of this, or even of the number of tourists that visited the country, is obtainable, but since every hotel in Rio de Janeiro has been full for a period of three months—from May to the end of August—and a considerable number of tourist ships has visited this and other Brazilian ports, it seems fair to assume that tourists have at all events left behind a sum that may conservatively be estimated at about £250,000. Foreign government expenditure on diplomatic representation provides a further £250,000.

Little, if any, importation of capital may be anticipated during 1935 on account of the present unsettled financial condition of the country. Short term lending by foreign banking houses is also unlikely to be resumed to any extent in the near future.

On the payments side the chief items are: £8,000,000 for the foreign debt service and £1,100,000 and £1,200,000 (for a full year) respectively, for the 1933 special agreements and the 1935 United Kingdom arrears agreement. In addition government purchases abroad for the first six months are estimated at a large figure, whilst the Bank of Brazil is still liquidating the £6,000,000 (estimated) of exchange contracts not fulfilled by December, 1934, when the closing of exchange was suspended. It is believed, furthermore, that immigrants availed themselves of the period of unrestricted exchange from February to May, 1935, to remit home some £500,000, a figure, however, much lower than the usual yearly average of £1,500,000.

A cursory examination of the probabilities of an increase in exports and a corresponding improvement in the favourable balance of trade does not reveal many new sources of exchange cover to counteract the burden of foreign commitments. The yield of the São Paulo cotton crop has proved to be less than was anticipated, whilst the orange crop is now (August, 1935) realising prices on the London market which do not, it is complained, cover costs delivered there. The value of this year's coffee exports so far is

27 per cent. less, in terms of gold, than last year's, which itself was 25 per cent. lower than that of 1933. There is, however, one promising factor in view, namely the cotton crop in the northern states, where the yield of this fibre for the current year is estimated at the unprecedented figure of 250,000 tons. As world prices for cotton are high at present, shipments from the northern states, which commence in November, should give a fillip to the export returns and have a favourable influence on the exchange market.

On the other hand it must be borne in mind that the sale to Germany, in compensation marks, of 50 per cent. of the São Paulo cotton crop greatly diminished a profitable source of exchange cover before exportation of this commodity in blocked currencies was forbidden last June. Moreover, an examination of the trade figures for the first six months of the year shows that by means of this compensation system Germany took 17 per cent. of Brazil's total trade turnover; i.e., about £8,200,000 of Brazil's foreign interchange produced no export bills with which to finance imports in "free market" currencies.

1934 Budget Estimates.—The final estimates of revenue and expenditure for the financial year 1934-35 were based on the budget cutturn for 1933. All the estimates of expenditure submitted by the ministries were reduced and the revised estimates of two departments, those of Finance and Transport, showed large decreases by comparison with the figures for 1933. The economy in the budget of the Ministry for Finance was attributed to a reorganisation of the accountancy system and to the drastic reductions made in the service of the foreign debt.

It is perhaps symptomatic of the times that in spite of appeals for greater economy, expenditure showed a large increase, although in February of 1934, 60 per cent. of the service of the foreign debt was suspended and during the time the Provisional Government was in power the payments made in normal times to senators and deputies had not to be met.

Details of the 1934-35 budget estimates are given in Appendix No. III. On the revenue side the figures for customs receipts were reduced considerably and were more in accordance with what had actually been received in recent years from this source. The consumption tax, the next most important source of revenue, was estimated to produce 418,880 contos of reis. The average for the three years 1930-32 was about 340,000 contos of reis, but it was hoped to improve upon this figure by an increase of trade during 1934.

All the spending departments were warned that no special credits would be allowed for maintenance purposes. In the past it has been usual to open special credits for all kinds of reasons with the result that the budget was rendered almost a dead letter.

Receipts for 1934-35 were estimated at 2,086,231 contos of reis and expenditure at 2,354,976 contos, thus showing an estimated deficit of 268,745 contos of reis which, being the equivalent of 13 per cent. of the revenue, could not be regarded as a sign of any marked improvement.

Budget Outturn for 1934.—The above-mentioned estimates were those for the financial year April, 1934 to March, 1935. A decree of the 28th December, 1934, however, decided that in future the financial year should again correspond with the calendar year and that in order to bring the 1934 budget into line with that for 1935, which commenced on 1st January, 1935, only nine-twelfths of the expenditure estimated in the 1934-35 estimates should be authorised.

On this basis, revenue for the nine months April-December, 1934, was expected to realise some 1,564,673 contos of reis. This estimate, calculated as though revenue obeyed a law of twelfths, was quite arbitrary, however, since taxes on income, property, water, etc., had been collected for the greater part during the nine months in question.

The final results of the nine months working have now been published, as follows:—

	<i>Revenue.</i>	<i>Expenditure.</i>
	(Contos of reis)	
Estimated ($\frac{9}{12}$ of original 1934-35 estimates) ...	1,564,673	1,766,232
Actual	1,971,146	2,099,250

Thus, while revenue was greater by 406,473 contos of reis, for the reasons given above, expenditure exceeded the authorised estimates by 333,018 contos.

The total deficit for the period was of 128,104 contos of reis. Credit operations through the Bank of Brazil and other media, however, amounted to 600,191 contos of reis, the total uncovered position for the nine months, therefore, being 728,295 contos.

In Appendix No. VII will be found details of actual expenditure and revenue during the 1934 budgetary period. It will be seen that customs receipts were extremely productive, yielding 97 per cent. of the original estimates instead of the 75 per cent. foreseen, whilst the percentage for the consumption tax and the stamps tax was also about 90 per cent. The figures for revenue from the income and property taxes and extraordinary receipts amply sustain the objection to the nine-twelfths estimate mentioned above, and prove that most of these taxes for the whole twelve months ending March, 1935, had been collected before the end of 1934.

Of the ministries, the Ministry for Finance disbursed in nine months 25,000 contos of reis more than the estimates for the twelve months, the extra expenditure presumably being due to the partial resumption of service of the foreign debts. The Ministry for War would appear to have made large purchases of war material, since expenditure for the nine months has exceeded the original year's estimate by 20,000 contos of reis.

1935 Budget Estimates.—Estimates for the 1935 budget are given in Appendix No. III. Revenue is estimated at 2,169,577 contos of reis and expenditure at 2,691,685 contos, the anticipated deficit, therefore, being 522,108 contos.

As the Minister for Finance has himself said, the accuracy of these figures should not be taken for granted. Receipts will depend largely upon customs revenue, which will be collected during 1935 on the basis of the new tariff law. The gold value of imports during the first six months of 1935 has risen from £11,289,003 in 1934 to £13,007,972, so that his estimate for an increase of nearly 100,000 contos of reis would not appear to be unduly optimistic. The estimated additional income from "various sources" is due to extra taxation, whilst land revaluation is expected to increase returns from the property tax. Revenue up to date is said to be slightly ahead of that of the same period of last year.

Expenditure shows an increase of 336,709 contos of reis, mostly accounted for by an extra 200,000 contos for the Ministry for Finance, which has now become responsible for the payment in respect of the entire foreign debt and for the law of Economic Readjustment, by which the Government undertook to shoulder 50 per cent. of certain debts of private agriculturists. The capital sum of the obligation falling upon the Government under this law is not yet known; authority has been granted for the issue of 500,000 contos of reis of apolicies, but it is generally thought that twice this amount or more will be needed. These agricultural debts are being examined and verified, and some 200,000 contos of reis is said already to have been allotted for this purpose during the first nine months of 1935, whilst a law increasing the pay of the military and naval forces involves a further expenditure of from 100,000 to 200,000 contos of reis. The minimum deficit for 1935 may, therefore, be from 700,000 to 800,000 contos of reis, equivalent at the present rate of exchange to some £9,000,000.

1936 Budget Estimates.—The proposed estimates for the 1936 budget are at present being examined in Congress, where the Minister for Finance, in presenting them, said that he had effected all the economies possible without deranging the economic organisation of the country.

After some weeks of debate and amendments, these estimates which have passed their third reading in the Chamber of Deputies and are now (November, 1935) to be submitted to the Senate, forecast a deficit of 356,147 contos of reis, expenditure being calculated at 2,893,723 contos of reis and revenue at 2,537,576 contos of reis. These figures, however, may possibly be amended either by the Senate or by the President of the Republic. Until the sanction of both these authorities has been obtained, therefore, it is impossible to give full details.

Public Debts.—During the year 1933 the balance of the Rothschild overdraft, amounting to £2,400,000, was repaid. The service of the funding loans was regularly met, in fulfilment of the terms of the last funding agreement, that of 1930. The service of the remaining foreign loans was suspended until October, 1934.

Early in February of 1934 the Federal Government, by means of a decree, made public a comprehensive plan for meeting in part the service of all the Federal, State and Municipal external debts, which covers a period of four years ending at the 31st March, 1938, but is subject to review not later than 30th September, 1937.

The capital sum of the foreign debts is about £250,000,000, and full service would need about £24,000,000 annually. For some years previous to 1933, when it fell to less than £8,000,000 gold, the average favourable balance of foreign trade, after paying for imports, was about £15,000,000 gold. In preparing the scheme the Brazilian Government took a figure of about £8,000,000 as the sum which could be allotted to the service of the foreign debts. The holders of her stock abroad, taken as a whole, are therefore receiving about one third of what they are nominally entitled to, as from October, 1934, when the previous funding agreement expired.

The sums required to pay for the service of the country's existing foreign debt during the next four years would normally amount to approximately £90,000,000. The new scheme provides for the following payments to be made :—

		£
(April—November) 1934—35	...	6,712,000
1935—36	...	7,697,000
1936—37	...	7,976,000
1937—38	...	9,000,000
		£31,385,000

It is important to note that the loans are not all treated in the same manner, but have been divided into eight grades or categories, according to their standing; the full 100 per cent. of interest and amortisation is being paid in respect of loans coming into grade 1; whilst at the other end of the scale are the loans of grade 8, on which no interest or sinking fund is remitted.

A full list of the loans in the different grades, with the percentage of the service which is being paid during the four years in respect of each category, will be found in Appendix No. I.

Since the funding loan of 1931, the third of this type to be made by Brazil, no new loans have been contracted abroad. This is only natural in view of the country's inability to meet the full service of the existing loans. The funding loan of 1931 contained

a clause stating that currency deposits were to be made in the Bank of Brazil of the equivalent of the annual service as a guarantee for the loan. The proposal set before the bondholders included the return to the Government of these amounts held on deposit by the Bank of Brazil, the figure last published of which was 805,000 contos of reis.

Internal Debt.—The internal funded debt of the Federal Government on the 31st December, 1934, amounted to Rs.3,003,001 :500\$000 (see Appendix No. II). Some 92,666 :200\$000 of Treasury bonds were redeemed during the 1933-34 budget but none during the nine months of 1934. There have been no additions to the internal funded debt since that date, although a large amount of bonds held for redemption has been resold or pledged to the Bank of Brazil on account of financial stringency.

The latest details available regarding the internal debts of the states are given in Appendix No. I, most of the figures being for the year 1933. By the 31st December, 1934, however, the debts of the states to the Bank of Brazil had increased by nearly 70,000 contos and amounted to 447,203 contos, of which São Paulo was responsible for 216,888 contos.

Moreover it is known that most states have increased their internal debt of recent years. That of Rio Grande do Sul has risen to 238,200 contos of reis, and a new municipal loan of 50,000 contos has just been launched, whilst Paraná, Minas Geraes and Bahia are issuing bonds to the value of 90,000, 600,000 and 20,000 contos of reis respectively, to consolidate their floating debts. The São Paulo budget for 1935 also authorised an issue of 350,000 contos of reis.

The floating debt of the Federal Government on the 31st December, 1934, was 1,838,552 contos of reis, half of which is represented by savings bank and other deposits, the remainder consisting of claims outstanding for services rendered and material supplied.

Note Circulation.—The total amount of paper money in circulation at the 31st December, 1932, was given as 3,004,095 :000\$000; at the end of 1933 as Rs.2,977,679 :346\$000; of 1934 as 3,107,816 :843\$500; and on the 31st August, 1935, as 3,225,686 :483\$000.

Exchange Restrictions.—Mention has already been made in the forenote to this report of the events leading up to the issue of the Bank of Brazil circular of the 11th September, 1934, which permitted the sale in the "free" market of exchange deriving from all exports with the exception of coffee. As a further measure of relief it was provided that only 155 francs gold of the sale price per bag of coffee exported need be sold to the Bank of Brazil. This meant that about 17 per cent. of the exchange deriving from coffee was available for sale in the free market. The total export trade

affected by that decree was about 45 per cent. of Brazilian exports. At the same time it was laid down that after the 11th September, 1934, the Bank of Brazil would only supply exchange with which to pay for imports at the "official" rate for the proportion of 60 per cent., the balance of foreign cover required having to be purchased in the free market. The 60 per cent. at the official rate would be supplied in accordance with the scheme of priority contained in a circular of May, 1934, whereby imports were divided into three categories: raw materials, essentials and non-essentials; preference in the distribution of exchange being given in the order named.

The effect of the September circular was to permit the unrestricted sale of all foreign exchange instruments, with the exception of 83 per cent. of coffee bills. By such means it was hoped to facilitate the entrance of capital into the country and to increase the exports of all Brazilian products, both by increasing the currency proceeds to the exporter and by removing irksome formalities and restrictions. Two factors, however, conspired to defeat this very well intentioned measure: firstly, the depreciation of the United States dollar reduced the gold return from coffee by about £6,000,000, and secondly, the artificially maintained rate of exchange coupled with the improving internal purchasing power increased imports, particularly of non-essentials, to a dangerous point. Arrears of commercial debts to abroad again began to accumulate, whilst a number of concomitant causes, notably the blocking of Brazilian trade accounts in Germany and certain other countries, soon produced a crisis, which began to be felt in the early days of November, 1934, for the "free" exchange rate for the milreis dropped from 67 in October to 70 in November and 73 in December. By the beginning of December it became obvious that the country was drifting toward an even more serious exchange crisis and that something must be done without delay to reduce the volume of imports. An entirely new exchange system was now introduced by which distribution of the 60 per cent. official exchange by priority for necessities was abolished and preference was given to countries according to the criterion of the amount of Brazilian coffee imported by each. Thus it was provided that the U.S.A. should be allotted 46 per cent. (far in excess of its requirements for any necessary purpose); France 13 per cent., and other coffee-buying countries varying percentages up to a total of 85 per cent. All British Empire countries shared with the rest of the world in the remaining 15 per cent. Apart from the danger of risking trade reprisals, these new regulations were unwise in several respects, for they encouraged imports from favoured countries, particularly from the United States and France, without distinction as to the type of imports, e.g. luxuries or necessities. On the other hand the new scheme could not possibly increase exports: much more likely was it to have the reverse effect, since the countries discriminated

against could hardly be expected to endure patiently the virtual suspension of their exports to Brazil. Throughout December and January, therefore, United Kingdom and Empire commercial arrears were steadily accumulating and British firms in general were refusing to do business. The preference to the coffee-buying countries, however, was much less than would appear, for the quota of exchange allotted to banks was far too small to enable current import requirements to be met promptly. The controversy provoked by these regulations continued without interruption and on the 14th January the new system finally disappeared with the decision of the Bank of Brazil to suspend the distribution of official exchange entirely. Meanwhile it had been announced that a financial mission, led by the Minister for Finance, would visit the U.S.A. and the United Kingdom in order to settle exchange difficulties with these two countries. The Mission left for New York on the 10th January, 1935, and thereafter every enquiry about exchange was met with the official response that nothing would be decided until after the return of the Mission.

On 11th February, 1935, a further circular was issued by the Bank of Brazil, providing that 35 per cent. of the value of all exports must be sold to the Bank of Brazil at the official rate; that all imports despatched through the customs after that date would be paid for at "free market" rates; and that all debts in respect of goods imported up to the 11th February would remain frozen pending the adoption of special measures for their liquidation. In effect the liquidation of these frozen debts is being arranged under special agreements with the countries concerned. Only the agreements with the United Kingdom, Italy and Norway have so far been published, but negotiations for agreements with other countries will doubtless be concluded in the near future.

The milreis had steadily depreciated, however, and from 74 weakened in the middle of March to 78. By the end of April it had dropped to 89 and at the beginning of June was quoted at 90\$000 to the £ sterling, at about which figure it has been oscillating up to the present (August, 1935). Moreover, owing to reduced prices for exports and a large increase in imports, the surplus of exports over imports for the first seven months of 1935 has been reduced to such a low figure that the amount of available exchange cover again threatens to prove insufficient to meet actual needs, even though the payment of past accumulations has been arranged upon a system of easy terms. Concomitant causes of this shortage may be summarised as follows: many foreign public utility companies and private firms availed themselves of the free exchange régime to remit funds long overdue to their bondholders, whilst at least one foreign bank also bought large quantities of sterling. The Bank of Brazil was itself forced to come into the free market and to make large purchases, at a loss, of exchange needed to fulfil contracts for cover at the official rate entered into with importers, in some cases

many months before. The sale to Germany, in "blocked" marks, of 50 per cent. of the São Paulo cotton crop during the first six months of 1935, also had a depressing effect on exchange, for foreign purchases of this fibre had been expected to furnish enough cover largely to offset the decline in the value and volume of coffee shipments.

It came as no surprise, therefore, when the Bank of Brazil issued a further circular on the 25th May, 1935, stating that the purchase of exchange for future delivery would only be permitted against a "term of responsibility" in which the purchaser declares that the exchange closed would be applied in paying for imported merchandise. On the 19th June the Bank of Brazil issued a further modification of the exchange regulations, whereby from that date all applications for foreign cover for remittance were again subject to the close control of the Banking Control Department. The purchase of exchange for future delivery was forbidden and no permits were to be given for the purchase of exchange, excepting for imports, to a greater amount than the equivalent of one conto of reis—at present only some £11.

These measures obviously proved insufficient to stem the rising tide of imports, for on the 29th June a long circular embodied exchange restrictions, which are practically those which, whilst not issued completely in writing, were in force until May, 1934. These instructions require the strictest control over applications for foreign cover and full documentary proof of the need for exchange for submission to the Banking Control Department. Where there is a bill of exchange drawn abroad in respect of goods imported into Brazil there would seem to be no difficulty in obtaining exchange, provided that the full set of documents required (consular and commercial invoices, etc., the declared value of which must correspond exactly with the value of the bill) is submitted with the application and found to be in order. The procedure where no bill of exchange exists is somewhat different and the legalisation of an extract of the creditor's books by a Brazilian consulate is required.

The circular provides, in regard to importation from countries with "blocked" currencies (e.g. Germany) that cover for bills of exchange drawn in other currencies and not those of the country of origin of the relative goods, can only be furnished in the currency of the country of origin, at the rate of exchange current in London on the date of the maturity of the bill. Similar procedure applies in respect of bills originating from countries which, while their currencies are not considered to be "blocked", may restrict their imports from Brazil. Special rules are laid down for exchange for "on consignment" trade, proof of sale in Brazil being required before exchange can be provided. The regulations to be complied with by exporters are also given in detail.

A study of the prospective balance of payments for 1935, however, shows that in all probability exchange availments will prove insufficient to provide cover to meet Government and commercial requirements, and that unless the prices and the volume of exports rise considerably, a further exchange crisis is possible.

Exchange Restrictions Regulations.—The Banking Control Department, in view of the shortage of foreign exchange, enforced the strictest régime of supervision and control in the endeavour to prevent the purchase of exchange for any but what are regarded as necessary purposes. A translation of a circular issued on June the 29th, 1935, by the Exchange Department for the information and guidance of its branches and inspectors, may be consulted at the Department of Overseas Trade. The closest possible adherence to these rules is essential, as the slightest infraction thereof may lead to the indefinite postponement of the granting of exchange and consequently of the receipt of remittances in payment for goods exported to Brazil.

It is laid down that the sales of exchange for imported merchandise shall be made under the following conditions :—

“ *When there is a bill of exchange for collection in the hands of a bank.*—Presentation of the following documents :—

(a) Consular invoice.

(b) Commercial invoice with the certificate of the local chamber of commerce (or where there is none, by the delegates authorised by local chambers of commerce or by local commercial associations), declaring that the prices given on the invoice are ‘ those of the export market ’ and *visé* by the Brazilian Consulate of the locality or that of the nearest locality where there is one.

(c) One copy of the customs despatch note, duly authenticated, proving the payment of the customs duties (Circular No. 6 of the 20th August, 1931);

and further strictly observing the following instructions :—

(1) The value of the bill must correspond exactly with the value declared in the consular and commercial invoices.

(2) The parity of the day of the issue of the consular invoice must be taken as basis when the bill has been drawn in a currency different from that declared on the consular invoice.

(3) If there be any difference between these values, cover will only be furnished for the lesser amount.

(4) The certificates called for may also be obtained at the place where the shipper is established; in both cases the *visa* of the Brazilian consulates must be obtained.

(5) The cost of the merchandise declared in the commercial invoice must correspond exactly with the value declared in the consular invoice. If doubt exists concerning the invoiced price, an examination of the debtor's books must be requested, or information regarding the prices of the goods must be obtained from the Brazilian consulate in the seller's district.

(6) Cover must be allowed for the expenses declared in the consular invoice “ freight and other incidental expenses ” so long as these refer to freight, expenses with consular invoices and insurance of the goods, without any other addition, except the ordinary expenses which form part of the commercial invoices.

Cover for bills can only be allowed for bills already due for payment, or on the due date, once the documents presented are approved by the Banking Control.

When the bank holding the bill for collection is unable to furnish cover for the liquidation of the bill, the drawee may purchase cover in any bank in the same market, which is most convenient, with the previous *visa* of the Control, in conformity with these dispositions.

The dispositions of Item No. 5 of Circular Telegram No. 19 of the 14th February, 1935, regarding merchandise imported prior to the 11th February, 1935, continue to be in vigour.

When there is no bill of exchange in the hands of a bank.—The sale of cover can be effected by any bank, by means of the *visa* of the Banking Control, if the following documents have been presented: Extract of the current account taken from the books of the foreign creditor and authenticated by him, and legalised, if possible, by a Brazilian Consulate, in addition to the set of documents of importation.

It is necessary always to keep in view that only the extract of the account, taken from the books of the foreign creditor, can sufficiently prove the debt of the firm established in the country, provided always that there is no bill of exchange for collection. The period for which the extract of account is valid will be six months.

The simple presentation of the set of documents of importation, i.e., commercial invoice, consular invoice and customs despatch note, does not provide sufficient proof. However, if the debtor is able to prove that the debt in question is the result of an isolated import transaction, almost an unique order, the extract of account may be substituted by a note of debit authenticated by the creditor, or by a letter from the same, making reference to the debt and asking for payment. We must emphasise that cover may only be furnished if the debt is the result of the importation of merchandise, it being necessary, therefore, rigorously to observe the instructions cited above for cases of bills of exchange in collection and with relation to the set of documents, the sums shown as debit in the extract of the account being verified by respective sets of documents, the part which does not refer precisely to the importation of merchandise being deducted from the balance.

Importation of merchandise from countries having blocked currencies.—Cover for the bills drawn in other currencies, which are not those of the countries of origin, which have blocked currencies, can only be furnished in the money of the country of origin, at the rate of exchange current in London on the due date of the bill, and not in any other currency.

The same criterion will be applied to cover for bills originating in countries which may establish restrictions on imports from Brazil, and whose money be considered free or of free international exchange.

Sale of forward exchange for payment for imported merchandise.—The sale of future exchange for the payment for imported merchandise will be done by means of a term of responsibility, with the same period as that of the contract; the purchaser of exchange undertaking to present the documents referring to the importation required by the Banking Control.

General Dispositions.—Together with the instructions given above, the following must also be observed:—

(a) When dealing with imports 'on consignment,' the sale of exchange may only be authorised after proof is given that the goods have been sold within the country, by means of the account of the sale attached to the import documents; in such cases bills deposited with banks for collection will not be admitted.

(b) The sale of exchange to meet bills issued within the country in foreign currency will not be permitted; in such case the liquidation must be made in national currency at the rate of the day, in accordance with Circular No. 735 of the 12th of September, 1932.

(c) Requests for exchange from banks must bear the ~~view~~ of the Control Inspector, who must give the principal details regarding the bill, especially its due date.

(d) Banks should send to the Banking Control, together with their lists of sales, the applications for exchange which they have fulfilled, in order that these may be cancelled.

(e) For the purchase of cover for bills for goods still in the customs or in transport, the instructions previous to this Circular must be followed.

(f) The purchase of 'sight' exchange for imports of goods duly authorised is allowed."

Regulations concerning the sale of exports, the sale of exchange in the "free" market, brokers' functions, etc., are also contained in this circular.

Commercial Invoices.—The regulations of the Banking Control Department contain instructions for shippers regarding commercial invoices, certificates, etc., relating to shipments to Brazil which should be closely perused and adhered to by all exporters to this country.

The exchange authorities, not being satisfied that the form of the certificates hitherto given by chambers of commerce on commercial invoices provided a sufficient safeguard against the making out of the documents in such a way as to facilitate the obtaining of more exchange than in the present circumstances the importer is entitled to, in October, 1934, proposed for these certificates a new formula which United Kingdom and some other foreign chambers were not disposed to adopt. After some negotiation a compromise was arrived at, and the following form of certificate was agreed upon:—

"I hereby certify that this invoice is authentic, that the prices declared herein are the actual prices for export based on local market quotations, and that the goods are of..... origin.

(Signed)

Secretary.

.....
Chamber of Commerce."

The shipper in his turn is held to give to the chamber of commerce a written guarantee to the effect that an invoice is authentic, that the value shown therein is the actual selling price for export of the goods based on local market quotations, and as to the origin of the merchandise.

Here again the greatest care should be used in complying to the letter with the regulations, as otherwise penalties and especially indefinite delay in obtaining exchange will almost certainly be incurred.

Germany and the Compensation Marks.—Since the application of the “ Verrechnungsmark ” system to German-Brazilian trade, Germany has been increasing her trade in coal, cement, machinery, metals, chemicals, tinplates and tools, to mention only the chief items. She has, in effect, been purchasing Brazilian produce in “ Verrechnungsmarks ” at higher than world prices, taking the mark at its gold value, and these marks have been available to pay for German exports to Brazil at varying discounts. The outcome of this double operation is that Brazil’s availabilities in negotiable international currencies became reduced and her blocked credits in Germany proportionately greater, for Brazil has a favourable balance of trade with Germany. The latter country had already been upbraided for buying large quantities of coffee in blocked marks and reselling them in negotiable international currencies, whilst the purchase by the Reich of 50 per cent. of the São Paulo cotton crop during 1935, has also reduced the amount of available exchange cover. On the 13th May, 1935, therefore, the Federal Council for Foreign Trade decided that the exportation of the products subject to the delivery of 35 per cent. of official exchange should be permissible only against “ free ” currencies.

This decision was, however, soon revoked, for a later resolution of the Federal Council for Foreign Trade, taken at its meeting of the 17th June, “ while opposing in theory the use of compensation systems in international trade, takes into consideration the interests created by the interchange of goods with countries which can only trade on these systems, and authorises the Bank of Brazil to issue permits for the exportation against blocked currencies of all national products with the exception of cotton. Importation from these countries will be subject to the same authority, and the Bank of Brazil will adopt the necessary measures to defend existing interests, without, however, thereby stimulating an increase in the volume of goods interchanged.”

From this resolution it may be deduced that, while the Brazilian Government realised that a profitable source of exchange cover had been diminished by the sale of large quantities of cotton to Germany, the representations of exporters to the Reich after 14th May were sufficiently cogent to occasion the revocation of the first decree. It is known, for example, that tobacco planters in Bahia made a formal protest to the Federal Government, pointing out that as the vast bulk of their export trade was with Germany any restrictions would inflict hardship on an important local industry.

The last sentence of the resolution of 17th June would appear to be very opportune for, in spite of the fact that Germany had always had an unfavourable trade balance with Brazil, interchange between these two countries for the first six months of 1935 shows an increase of over 50 per cent. in comparison with the same period of 1934.

The inevitable result of this abnormal increase is that large quantities of marks are at present lying in German banks to the credit of the Bank of Brazil and that this money must either be used for the purchase of German goods or be considered as a forced loan by Brazil to the Reich.

Apart from the losses suffered by United Kingdom exporters in face of this competition, the interests of Brazil would appear to demand some modification of this system which is accumulating credits in Germany and reducing the amount of exchange cover needed to meet Government requirements.

Liquidation of Frozen Milreis Deposits.—Owing to the shortage of exchange from various causes which have been explained at length in earlier sections of this report, a considerable amount of "frozen" milreis balances, awaiting conversion for remittance abroad, had accumulated by the end of 1934 and their disposal became a matter of great urgency.

After the distribution of exchange had been suspended in December, 1934, a mission, led by the Minister for Finance, visited the U.S.A. and the United Kingdom in February, 1935, in order to settle the exchange difficulties with these two countries, which were known to have the largest amount of credits "frozen" in Brazil. Special agreements were signed in Washington and London and further agreements have been or are to be made with various other countries.

Anglo-Brazilian Exchange and Commercial Arrears Agreement.—The full terms of this agreement are already well known to United Kingdom exporters and need not be repeated here. It is sufficient to recall that the Brazilian Government is negotiating an advance of £1,000,000 from London bankers; under the terms of the agreement this is to be used for the payment in cash of the small accounts in arrears and a proportion of the larger sums due to entities in the United Kingdom for goods imported into Brazil prior to the 12th February, 1935; while for the purpose of liquidating the remaining credits the Brazilian Government, out of the percentage of foreign exchange reserved for government requirements, is to set aside an annual amount of £1,200,000, to which, if necessary, there shall be added on the termination of the frozen credits agreement of June, 1933, a further annual amount of £853,000. An issue of 4 per cent. sterling stock is to be made in London, of which the Brazilian Government will offer to the creditors concerned an amount equivalent to the sterling value of the balance of these outstanding debts. Interest on the stock is to be paid out of the annuity of £1,200,000, the balance to be employed to redeem the stock by repayment at par. Persons in Brazil were to liquidate by the purchase of exchange in the free market 40 per cent. of the arrears in respect of imports from the 11th September, 1934, to the

11th February, 1935, inclusive, without awaiting the balance of 60 per cent.

On 1st April, therefore, the Bank of Brazil issued a circular requesting all debtors to make declarations with regard to their debts within 30 days. This term was later prolonged. Lists of debts were prepared by the Bank of Brazil and by the Board of Trade for the purpose of the agreement.

The full amount of British frozen credits is estimated at roughly $4\frac{3}{4}$ million pounds and it may therefore be supposed that they will be liquidated within a maximum period of five years.

American-Brazilian Arrears Agreement.—Similar negotiations are proceeding for the liquidation of arrears of commercial indebtedness to U.S.A. exporters. The total of these has not been made known, but is thought to approximate that of the arrears due to the United Kingdom.

Italo-Brazilian Arrears Agreement.—On the 31st January, 1935, an agreement was reached by an exchange of notes between Italy and Brazil for the liquidation of Italian arrears of commercial payments. This agreement provided for the liquidation in accordance with the exchange regulations in force, of all Italian arrears deriving not only from trade, but also from freight, insurance and marine passages. Full details were not made public, but 40 days were allowed for the presentation of proofs of the arrears outstanding. No date was fixed for the completion of the payment, the note merely providing that the Brazilian Government should begin to carry out the terms of the agreement immediately. The amount of Italian arrears due to Brazil has been estimated at some 30,000,000 lire. It is understood that the compensation principle so usual nowadays formed the basis of this agreement.

Trade between Brazil and Italy has steadily declined during the current year. The Italian Government, faced with an unfavourable trade balance, decreed that no Brazilian merchandise might be imported into Italy without the previous sale of Italian goods of the equivalent value to Brazil. These demands, which constitute an especially onerous compensation system, were strenuously resisted by the Brazilian Government and trade between the two countries suffered in consequence. The Italian Government further laid down that all importations of coffee into Italy must be transacted on a barter basis and a body was formed to carry out this policy.

French Frozen Credits in Brazil.—Arrears of commercial debts amounting, it is said, to some 50,000,000 francs, had accumulated since the last agreement of 1933. The French Government passed a decree by which, until the question of their liquidation was settled, a quota would be placed on Brazilian oranges and their importation

limited to a quantity equal to that taken by France during 1934. The decree, however, was not put into effect, but remained as a threat. A considerable quantity of Brazilian oranges has gone to France already and the quota has been greatly exceeded, but for each consignment sent, a provisional permit had to be obtained from the French Embassy.

Liquidation of Norwegian Commercial Arrears in Brazil.—On the 28th September, 1935, notes were exchanged between the Brazilian and Norwegian Governments, by which provision was made for the early liquidation of arrears of debt due by Brazilian importers to Norwegian firms, amounting, it is believed, to some £110,000.

The basis of the arrangement is the purchase by Norway of a quantity of Brazilian coffee additional to that normally imported, the value of the extra coffee being paid in sterling to the Bank of Norway, to create a fund out of which Norwegian exporters or their intermediaries will receive payment of their outstanding claims on Brazil in chronological order of maturity. The quantity of 36,666 bags has been adopted for the purpose of the agreement as the annual average of coffee imported into Norway.

It is of interest to note that the Norwegian Government undertakes to prohibit the re-exportation of the supplementary coffee imports in the endeavour to secure that this coffee is really an addition to Brazilian exports.

Other Arrears Agreements.—An arrears agreement, probably on the lines of that with the United Kingdom has already been signed with Sweden, whose arrears are said to amount to some £400,000. Denmark and Spain are the chief countries outstanding with whom agreements have yet to be made.

IV.—LEGISLATION.

Consular Invoice Regulations.—By a decree of the 16th May, 1933, which was promulgated on the 28th May, a new code of regulations governing consular invoices was introduced, which entered into force on the 1st November, 1933. A translation of these can be seen at the Department of Overseas Trade. These regulations are very comprehensive and detailed and adequate penalties are prescribed for infractions thereof. Among the principal points of interest are the following :—

It is laid down that for the purpose of Brazilian foreign trade statistics and the levying of consular fees, the value of each class of merchandise referred to in a consular invoice must be converted into United States currency and so shown separately in the column of the consular invoice form provided for the purpose; and freight and other expenses relating to the goods must also be shown in a lump sum, converted into United States dollars.

Each class of merchandise in a consignment, if in a separate package, must have a separate commercial invoice.

When fifty or more of one kind of article are imported, numeration may be dispensed with; and similarly certain metal objects, such as tubes, etc., need not be numbered.

Fees paid for the legalisation of consular invoices were by the new regulations changed from a sterling basis to that of the United States dollar.

There are, however, many other points which are worth consideration, especially by firms without previous knowledge of this particular market who contemplate exporting to Brazil.

Tariff Revision.—The new tariff law, which had been under consideration since 1931, was finally enacted by Decree No. 24,343, published in the "Diario Oficial" of the 11th June, 1934. A later decree provided that the new rates would come into force on the 1st of September of that year. Translations in English of the classifications, rates and regulations have been prepared by the British Chamber of Commerce in Brazil (Inc.). Copies may be obtained from that Chamber or from the Association of British Chambers of Commerce, 14, Queen Anne's Gate, London, S.W.1, at a price of 15s. 6d.

The classification of the new tariff is a modernised form of the previous one. The proposal to adopt the League of Nations' model tariff classification was rejected on the grounds that Brazilian foreign trade does not require such detailed sub-division. The new tariff contains 35 classes and 1,897 articles.

The system of charging rates partly in gold and partly in paper has been abolished, and the rates now appearing are the actual amount charged. All the surcharges, port tax, warehouse tax, "expediente" tax, statistics tax, etc., have been covered by one surcharge of 10 per cent.

The number of ad valorem rates has been greatly reduced by the substitution, wherever possible, of specific rates. The new tariff has two columns, the "general" and the "minimum"; the latter applies to imports from all countries having commercial treaties with Brazil, which in practice includes almost all countries from which Brazil draws imports.

The above enumerates briefly the chief points in which the new tariff may be said to be a great improvement upon its predecessor.

An interesting additional modification is the provision of the system of partial draw-back which will permit the refund of duty in the case of the export of Brazilian manufactured goods which contain a percentage of imported raw materials.

A further improvement in the procedure was the establishment of a permanent Supreme Tariff Council which will perform revisory

functions. This body received a large number of petitions based upon the new rates and in some cases temporary changes were made in consequence. Any permanent change must in future be approved by the Chamber of Deputies. It is clear that no recommendation can hope for favourable consideration unless a point of national Brazilian interest is involved.

There were some decreases, but many notable increases in the rates of the tariff. The latter were chiefly designed to grant further protection to Brazilian industries. Amongst other articles the rates were increased on the following:—

crucibles, ink, emery cloth, paints and enamels, fire-bricks, pottery and sanitary ware, foundry coke, cement, linen thread.

By a decree of August, 1935, "ad valorem" duties are in future to be collected at the "free" rate of the day instead of at the "official" rate, a modification involving an increase of some 50 per cent. on, however, a comparatively small proportion of imported articles—those which have no definite classification.

Customs Exemptions and Reductions.—By Decree No. 24,023 of the 21st of March, 1934, detailed regulations were laid down with regard to the concession of exemption and reduction of customs duties. This decree is mainly a codification of the previous regulations issued on the subject. A translation in booklet form may be obtained from the British Chamber of Commerce in Rio de Janeiro.

Social and Labour Legislation.—The basis of future social and labour policy is laid down in the Brazilian Constitution already referred to under a preceding paragraph in this report.

It should be borne in mind that many of the problems connected with labour which exercise the mind of governments in many other countries are almost entirely unknown in Brazil. There is practically no unemployment; owing to the fertility of the soil food is comparatively cheap and warm clothing is unnecessary on account of the climate.

During 1934* decrees were issued which regulate the hours and conditions of work of barbers, chemists' assistants, bakers, employees in the theatre and amusement industry, pawnbrokers' assistants, bank clerks, transport workers, and the employees of commercial houses.

A decree of the 29th June created the Institution for Mariners' Pensions, and regulated its working; this was modified by a further decree, of the 26th July, 1934.

The granting of holidays to bank and commercial employees was regulated by a decree of the 19th August.

By Decree No. 23,124 of the 21st August naturalised Brazilians were permitted to continue to command merchant vessels under the Brazilian flag.

A decree of the 18th October authorised the Provident Institute for Public Functionaries (Civil Servants) to operate in mortgage loans; and a further enactment of the same date concerned the building by the Institute of houses for syndicalized workers and employees on land situated at Bemfica, in the Federal Capital.

Decree No. 23,259 of the 20th October instituted "Delegacias de Trabalho Maritimo" for the inspection, regulation and policing of work in ports, etc.

Decree No. 23,512 of the 28th November created the "Serviço de Identificação Profissional" (Service of Vocational Identity) under the National Department of Labour; and a later decree of the 13th December laid it down that employees cannot submit claims to the Ministry for Labour, Industry and Commerce unless in possession of such vocational certificates of identity.

A decree of the 11th December regulates the professions of engineers, architects and land surveyors.

By a decree of the 4th July the functions of the National Labour Council were transferred to the National Department of Labour, and it was laid down that any commercial employee, artisan or labourer who is a member of a syndicate and is specially authorised by that syndicate may exercise the functions of control referred to in Decree No. 20,291 of 1931.

In addition important decrees were signed dealing with the following subjects:

The establishment of a National Council of Education, reorganizing higher and secondary education;

Organization of commercial education and providing regulations with regard to the profession of accountant;

Regulations for the traffic in narcotics and noxious drugs in accordance with the recommendations of the Permanent Committee of the League of Nations;

Regulations concerning the inspection of medical, dental, veterinary, pharmaceutical and nursing professions;

Centralization of film censorship;

Institute of Retired Pay and Pensions for all persons engaged in commerce, for bank clerks, and a certain class of workers such as stevedores, coffee warehousemen, etc.;

Regulation with regard to trade unions;

Law No. 38 of the 4th April, 1935, published in the Official Gazette of the 28th June, 1935, defines crimes of a political and social order.

Law No. 148 of the 4th May, 1935, published in the Official Gazette of the 8th May, 1935, modifies the Voting Code (Codigo Eleitoral);

Decree No. 85 of the 14th March, 1935, approves regulations which lay down conditions to be observed in Workmen's Compensation Insurance;

Law No. 62 of the 5th June, 1935, assures to the employee in industry and commerce an indemnification when there exists no stipulated period for the termination of the respective contract of labour and he is dismissed without just cause, and enacts other measures. This law was published in the Official Gazette of the 11th June, 1935.

Compulsory Analysis of Foodstuffs.—A decree, No. 22,796, of the 1st June, 1933, prescribed penalties for adulteration and fraud in regard to foodstuffs, beverages and the like, as well as for their analysis by the Bromatological Laboratory of the Inspectorate of Foodstuffs under the National Department of Public Health. Translations of this and of subsequent measures relating to the same subject may be consulted at the Department of Overseas Trade.

Following the enactment of this law, serious difficulties arose over its application to certain liquors, notably whisky and brandy; for a time it seemed that the interpretation placed upon the regulations would prohibit the importation of these. The matter was, however, taken up with the authorities by the British Chamber of Commerce in Rio de Janeiro and an understanding was reached by which no further obstacles were to be imposed to the importation of recognised brands.

Decree No. 24,234 of the 12th May, 1934, lays down further regulations for the execution of the analysis of beverages and foodstuffs imported from abroad.

Summer Time.—At the beginning of October, 1933, an announcement was made that summer time would be brought into effect, but upon representations being made by the retail traders' associations, who maintain that in practice this measure works to their disadvantage, a decree was issued on the 10th October revoking the enactment by which daylight saving was introduced.

Miscellaneous* Decrees.—The following may also be cited as among the decrees of interest issued during 1933, 1934 and 1935:

Decree No. 22,969 of the 26th July, which relates to industrial property, lays down, *inter alia*, that the publication in the "Diario Oficial" of the characteristics of inventions for which registration is sought, as well as of the descriptions and blocks of industrial and trade marks shall be free of charge. If, however, there are more than 20 characteristic points the applicant shall pay Rs.5\$000 for the publication of each point above twenty.

Decree No. 22,990 of the 26th July, concerns guarantee for industrial property, prescribes increases of fees for applications, appeals, etc., in regard to trade mark registrations; it also, *inter alia*, limits to 30 days the period in which the final fees for the grant of a patent may be paid.

Decree No. 22,698, of the 11th May, lays down rules to which all expeditions to the interior of the country, whether of a scientific or other nature, must conform.

Decree No. 22,750 of the 24th May, creates the Technological Institute under the Directorate of Scientific Research.

Decree No. 22,964 of the 19th July, declares to be still in force the measure by which, when any article of a similar nature is produced in the country, a foreign made product may not be imported at reduced rates of duty.

Decree No. 22,914, of the 11th July, creates a Technical Council at the Ministry for Agriculture, whose members are not to receive any pay, and who will, acting as a consultative body, examine problems relating to agricultural production.

Decree No. 23,485, of the 22nd November, approves new regulations for the marking of goods for exportation.

Decree No. 23,535, of the 4th December, regulates the purchase and sale of gold in Brazil. The decree vests the control of all traffic in gold, whether bullion or coined, in the Bank of Brazil, under the Ministry for Finance; the gold to be purchased by the Bank itself will be utilised for the note issue or for remittance abroad for the account of the National Treasury.

Decree No. 23,565, of the 7th December, prohibits, in the interests of the national iron and steel industry, the exportation of scrap iron.

Decree No. 23,649, of the 27th December, establishes a revised trade-mark classification, consisting of sixty articles. It also provided a classification in regard to patents, but this is intended for the use of the Department and may not be employed by applicants.

Decree No. 23,776, of the 22nd January, 1934, grants 10 per cent. reduction in the import duties on quebracho extract.

Decree No. 24,324, of the 1st June, establishes new bases and percentages for the collection of warehouse charges, etc.

Decree No. 24,429, of the 20th June, created the Federal Council for Foreign Trade.

Decree No. 24,472, of the 27th June, fixes the responsibility in future for the ordering of bank notes, etc., to be printed for the Brazilian Government.

Decree No. 24,497, of the 29th June, approves the general plan of national transport.

Decree No. 24,609, of the 6th July, officially establishes a National Institute of Statistics, the chief object of which is to promote, execute and maintain a technical basis for the establishment of an organized system of national statistics; foreign statistical experts may be contracted for the organization of the services.

Decree No. 24,655, of the 11th July, regulates the concession and operation of wireless broadcasting services.

Decree No. 24,765, of the 14th July, 1934, lays down regulations under which paper for printing newspapers or periodicals may be granted a special preferential rate of 80 reis per kilo.

Decree No. 10, of the 15th January, 1935, authorises the Ministry for Finance to effect with the Bank of Brazil credit operations up to 300,000 contos of reis to cover the 1934 budgetary deficit.

Law No. 51, of the 14th May, 1935, deals with the re-adjustment of military pay.

Amongst other important decrees the following may be mentioned :—

Ministry of Justice (Interior).

Laid down rules to prohibit inter-municipal taxes ;

Modification of company law, authorising limited liability companies to raise capital by the issue of preferential shares.

Ministry for Finance.

Granted special inducements to gold mining companies ;

Granted special customs favours to firms engaged in the cocoa industry ;

Granted special authority for the re-discounting of bills and notes of agriculturists ;

Modification of tolerance of silver coins, etc. ;

Instituted an Administrative Council for the national Mint ;

Laid down rules for the constitution of Industrial Credit Banks.

Ministry for Transport and Public Works.

Approved special regulations for railway accountancy ;

Laid down special regulations for the operation of public telegraph services in connection with the railways ;

Granted special favours to further the development of the Brazilian bituminous schist industry ;

Approved special regulations of the National Department of Ports and Navigation ;

Granted special favours to the transport of agricultural products by the national railways ;

Created a Posts and Telegraphs School ;

Laid down a new tariff for Post and Telegraph services ;

Laid down regulations for the granting of concessions for port works and improvements.

Ministry for War.

Laid down regulations for the installation of factories for munitions and war material and for commerce in these articles.

Ministry for Agriculture.

Created the Institute of Technology for research in connection with the utilization of Brazilian raw materials ;

Revised the official cotton classification service, including regulations for ginning ;

Laid down regulations for the alluvial gold mining industry ;

Approved regulations for Vegetable Sanitary Defence ;

Established a Service of Animal Sanitary Defence ;

Provided for the Federal inspection of milk and its derivatives ;

Provided for the Federal inspection of meat and meat products ;
 Codification of the law of mines ;
 Codification of the law of waters, including inland waters and
 water-falls for power ;
 Created a National Rural Credit Bank.

Ministry for Education and Public Health.

Laid down regulations for the exercise of the pharmaceutical profession.

Sugar and Sugar Alcohol.—The compulsory use of petrol-alcohol mixture fell into desuetude during 1933 owing to the lack of sufficient supplies of the alcohol, in spite of the decree of 1931, which granted customs franchise for plant and equipment imported for the establishment of distilleries.

A decree of the 1st June, 1933, created the Institute of Sugar and Alcohol, whose functions are, *inter alia*, to assure equilibrium between the annual crops of sugar cane and the consumption of sugar, by enforcing the manufacture of determined quantities of alcohol ; to promote the distillation of anhydrous alcohol both from sugar cane and other raw materials ; to study and to make suggestions regarding the cultivation of sugar cane ; transport and industrial treatment ; the taxation of sugar and alcohol ; co-operative distilleries ; to acquire and sell to the oil companies the alcohol needed for admixture with petrol ; to carry out research regarding the carburation of alcohol in internal combustion engines ; to instal and maintain pumps for the supply of alcohol-petrol mixture, etc.

The same decree granted exemption from taxation of any nature, federal, state or municipal, for anhydrous alcohol produced in the country ; for alcohol for conversion to anhydrous spirit ; and all alcohol to be used for carburant mixtures. It was laid down that the financing of the Institute's activities should be contracted for with a bank or consortium of banks to be paid for by the proceeds of taxes upon manufactured sugar.

A decree of the 29th December, 1933, regulates the utilisation of alcohol-petrol mixture by motor vehicles the property of the state ; it provides that the national shipping lines and railways shall not charge for the carriage of the mixture more than 50 per cent. of their freight rates for petrol ; and that no applications for exemption from duties for petrol shall be decided without having been submitted to the Institute of Sugar and Alcohol, who will declare whether alcohol-petrol mixture can be supplied in the same condition as regards price and quality. Exemption from this last provision is made for aviation spirit.

From the middle of August to the end of September, 1934, further experiments with alcohol petrol mixture were made in Rio de Janeiro, the proportion being only 10 per cent. of alcohol. The supplies of the latter, even on this reduced basis, were only sufficient to supply the Federal District for about six weeks.

Meanwhile the Institute of Sugar and Alcohol published a call for tenders toward the end of August, 1934, for the equipment and erection of a distillery to produce anhydrous alcohol. It was understood that this distillery was to be the first of several; others are to be eventually constructed in São Paulo and in the North of Brazil. At the time of writing this report four large modern distilleries are being erected in the principal sugar producing state, Pernambuco, which when completed will, together with the one already erected (Central Barreiros) be capable of producing some 36 million litres of alcohol annually. In the circumstances about 750,000 tons of cane which, owing to the enforced limitation of the production of sugar, would have had to be left on the plantations, will be utilised in the manufacture of anhydrous alcohol. Some 21,000,000 litres were produced in 1934, just over a third of which was consumed in the State. Further, any extra stocks of sugar will now be utilised for the production of alcohol. Up to the present this surplus (48,000 tons for the 1934-35 crop) was sold at sacrificial prices and shipped to Europe free of export duty for purposes of dumping. This has caused a loss not only to the cane growers, grinders and storage centres, but also to the state revenue.

The Sugar and Alcohol Institute would at least appear to have brought to a successful conclusion their negotiations for the realisation of the project contained in their tender of August, 1934, for it was reported in the press in August, 1935, that two engineers of the SKODA establishment of Czechoslovakia, specialists in the manufacture of machinery and equipment for distilleries, were in Recife, the capital of the State of Pernambuco, and were working on the installation of a large distillery for the production of anhydrous alcohol at the Usina Santa Theresina, in the State of Pernambuco. This is apparently the result of a recent visit of the State Secretary for Finance to Rio de Janeiro, where he is known to have signed a contract for the erection of what will be known as the "Distillaria Central dos Produtores de Cana de Pernambuco", under the initiative of the State Government in conjunction with the Institute.

The distillery is to be of a capacity for the production of 60,000 litres daily and will use sugar, crude alcohol and possibly molasses. One class of production will be sold for the purpose of admixture with petrol and the remainder employed in the manufacture of ether, perfumes, varnishes, etc. The site of the distillery is to be granted by the State Government, who will guarantee 7,000 contos of reis in bonds for the financing of the undertaking; an equal sum in cash to be furnished by the Sugar and Alcohol Institute.

The Institute obtains its funds from a 3\$000 tax per sack of sugar produced in the country and is said to have a very substantial cash reserve to finance the construction of these important distilleries.

São Paulo also produces some 9,000,000 litres of alcohol per year and 40,000,000 litres of *aguardente*, and the State of Rio de Janeiro a further 16,000,000 litres of alcohol, of which the greater part is consumed by local industries or drunk as a potable spirit, only the surplus being mixed with petrol.

Agricultural Planning.—The tendency towards defence or control by institutes, which is the Brazilian manifestation of planning, has recently made notable progress in the country. Coffee valorisation has, of course, been practiced for many years, but recently cocoa, sugar, lard and tobacco institutes have been established, to mention only a few. In practical terms the procedure of each is as in the case of coffee—to tax exports or production (in the case of sugar) in order to enable the objects of the institute to be realised. In the case of cocoa, lard, jerked beef, skins and hides, tobacco, etc. these objects are mainly technical and administrative; their particular aims are to improve quality, to provide proper classification, to combat plant disease, and so on. In the case of sugar the primary object is to maintain the price at which sugar is sold to the 44 million Brazilian consumers by the very simple device of buying up the annual crop surplus for dumping abroad or for conversion into alcohol. The relative economic revival in the northern states of Brazil during 1934 is largely due to this Institute's work.

An idea of the aims of such institutes may be had from the preamble to the recent decree establishing the Bahia Tobacco Institute:

“The tobacco trade is very important to Bahia, many of the small growers are in a state bordering on poverty; modern methods are necessary and all growers and producers should co-operate.

Among the official objects of the Institute are:—

- To provide experimental stations and to instruct farmers;
- To distribute selected seed;
- To establish modern curing plants;
- To promote co-operation amongst small growers;
- To facilitate the supply of machinery, manures and insecticides;
- To provide upon easy terms additional plantations from state lands;
- To finance the growers;
- Propaganda;
- Provide a classification service;
- To receive supplies on consignment.

All genuine farmers may register their farms and will pay a subscription based upon the amount of land in cultivation. The Institute will obtain additional revenue from a tax of 3\$000 paper on every 75 kilos of tobacco exported. It is further empowered to borrow money.”

Forms of centralised control, not involving production or export limitation, market intervention, or other valorisation features, exist in many agricultural fields, notably cotton, which is subject to Government control for classification and seed selection—and fruit, notably oranges, which has powerful planters' societies as well as Government inspection.

In essence this tendency by cultivators to organise themselves is not new and certainly not confined to Brazil; it is, however, of

special significance in this country for the following reasons: most of the important staple exportable products, such as coffee, cotton, cocoa, oranges, lard, etc. are produced by the large landowner, planter, or at least not by peasants or small holders; clearly in such circumstances the organisation of central control presents no great difficulty. Secondly the scope of the Institute is wide, since owing to the very low cost of agricultural production in Brazil, it is possible to raise funds by imposing taxation within the competitive price level.

It is the combination of these factors which explains how Brazilian agriculture has remained almost unaffected by the world crisis and has indeed, during the worst years of the depression, contrived to gain a footing as a large supplier of two highly competitive world products—cotton and fruit.

In Appendix No. XVI will be found tables showing the total agricultural production of Brazil during recent years.

V.—TRADE AGREEMENTS AND MISSIONS.

Brazilian-U.S.A. Commercial Treaty.—After several months' negotiations a trade agreement between the U.S.A. and Brazil was signed at Washington on 2nd February, 1935, to become effective, after ratification by both governments, for a period of two years. The main feature of this instrument is a mutual exchange of tariff concessions by which reductions are effected in the existing duties of each country on certain products of which the other has been an important supplier, and assurances are given that duties on a further range of articles will not be imposed or increased. In addition unrestricted most-favoured nation treatment of each other's commerce is guaranteed by both parties, with special safeguards against the impairment of the trade benefits of this agreement through import quotas, new internal taxes or exchange control.

The commodities on which reductions from 20 to 67 per cent. in the Brazilian import duties are to be made include: automobiles and trucks and parts thereof, tyres and tubes, rubber hose and tubes, rubber belting, radio apparatus and valves, certain paints and varnishes, common soaps, cotton shirts, oil cloth, surgical gauze, linoleum, coloured upper and patent leather, electric batteries, spark plugs, steel furniture, steel files, certain types of scales, petrol pumps, turpentine, white cement, chewing gum, canned salmon, vegetables and fruit, and powdered milk.

The commodities on which the present favourable tariff has been assured for the term of the agreement comprise: fresh fruit (now duty free), agricultural machinery, refrigerators, motor-cycles, sewing machines, office equipment such as typewriters, cash registers, telephone and telegraph equipment and motion picture films.

In return, coffee and a number of other Brazilian products, which together make up over 90 per cent. of their imports from this country, will continue to enter the U.S.A. duty free, whilst the present taxes on manganese ore, Brazil-nuts, castor beans, copaiba balsam, ipecacuanha and herva-maté will be reduced by 50 per cent.

The treaty, which contains so many advantages for Brazilian trade, was ratified by the Brazilian Congress on 17th September, 1935, and now awaits the approval of the President of the U.S.A.

Leading manufacturers in Brazil have expressed resentment at the attitude of the Government in drafting treaties without previously consulting the interests concerned, or at least making manifest the terms of the proposed agreement before negotiations are put in hand. The Brazilian press, as a whole, has given the treaty a favourable reception, recognising that Brazil stands to gain considerably therefrom. Its opponents are attacked on the grounds that if the local industries affected by the small reduction of duties will really be unable to face U.S.A. competition, they are uneconomic and have been enjoying monopolistic privileges which are a drain on the country's resources.

On the U.S.A. side it was pointed out that the reduction of 50 per cent. of the duties levied on Brazilian minerals will be extended to all countries who enjoy the privileges of the most-favoured nation clause, and in view of the President's refusal to grant subsidies to the mineral industries a campaign was launched against the agreement and against the general policy of reciprocal trade agreements.

It is interesting to note that the recent Russo-American trade treaty grants reduced duties to Russian manganese, which will thus be a competitor to the Brazilian ore in the U.S.A. market.

Japanese Economic Mission to Brazil.—A Japanese mission arrived at Rio de Janeiro on the 16th May, 1935. Japanese industries and shipping interests were strongly represented in the Mission, which displayed great activity in conferences and interviews.

In an interview given to the Press, the head of the Mission pointed out that each of their countries was the economic complement of the other, the one as a large exporter of raw materials and the other as an essentially industrial country. Trade between the two countries was as yet insignificant, doubtless owing to mutual lack of knowledge, and to make good that deficiency the present Mission had been organised by the Federation of Chambers of Commerce and Industry of Japan. Mons. Hiraō added that the Mission had a concrete object in view: the purchase on a considerable scale of Brazilian cotton, which could be effected after the means of adapting the Brazilian fibre to the manufacturing-mechanical capacity of Japan had been settled.

The Mission travelled widely over Brazil, especially in Minas Geraes, São Paulo, Bahia, Espirito Santo and Rio Grande do Sul, but very little was allowed to transpire regarding their investigations and intentions. On the 10th June the Mission was dissolved.

Before leaving Brazil, however, the members of the Mission had a series of conferences with a special committee of the Brazilian Ministry for Foreign Affairs, as a result of which a number of recommendations were made. According to the local Press these latter were as follows :—

A sample of every exportable ore shall be collected and shall serve as a basis for analyses in the Brazilian official laboratories. A second sample, duly authenticated by a Brazilian authority and a technical Japanese representative accredited for that purpose, shall be transmitted direct to the Japanese official laboratories for the competent analysis.

Methods of analysis shall be agreed upon between the Brazilian and Japanese laboratories, and thereafter certificates issued by such laboratories shall be considered valid.

In view of the fact that, in exchange transactions deriving from trade relations between the two countries, such transactions cannot be effectuated in milreis, it is agreed that they can be performed in any arbitrary currency, including the yen.

Both governments shall undertake to facilitate the organisation of fairs and exhibitions in their respective countries.

The competent authorities are to take steps to equip the port of Bahia in such a way as to render possible the loading of 500 tons a day. They are also to increase railway transport capacity and to reduce freights on ores.

Two other recommendations dealt with tourist traffic and the setting up of committees in both countries to deal with commercial questions of mutual interest.

It was further stated that the question of liquidating the small amounts of commercial arrears with Japan had been satisfactorily settled and that although Japan wished to increase her exportation to Brazil, she had no intention of damaging Brazilian national industries.

In conclusion, the Japanese Mission would welcome the constitution of a Brazilian Economic Mission to visit Japan, to return the visit made to Brazil by the present Mission.

It is difficult to estimate the value of these proposals at their real worth for they can scarcely be regarded as more than an attempt on the part of Japanese manufacturers to extend their markets, particularly for textiles. The Mission, however, must soon have realised that they had no chance of competing with the highly protected local textile industry. As for Brazilian exports, the only raw material of importance that Japan could with advantage buy from Brazil is cotton, but up to the present her purchases of this commodity have been small. It is doubtful, too, if Japan will pay heavy freights in order to import minerals (especially manganese) from Brazil when they may be had far more cheaply from India, Russia and other more accessible countries. It is believed by many that one of the main objects of the Mission was to secure, if possible, some relaxation of the immigration restrictions.

French Economic Mission to Brazil.—A French economic mission visited Brazil during August, 1935. The "*raison d'être*"

can be fully appreciated by a study of the trade returns, which show that the value of goods imported from France has declined from £2,691,325 gold in 1930 to £923,683 gold in 1934, and that Brazilian exports to France show a similar decrease in gold value from £6,047,791 to £2,485,402.

The head of the Mission stated that he had not come to Brazil to sign a trade agreement, but merely to discover means of extending the sales of French manufactures in this country.

Before leaving, the Mission signed a resolution expressing their satisfaction at the re-establishment in Brazil from the 11th February last of the régime of free exchange and their hope that this régime would be maintained in the two countries as a guarantee for the intensification of their commercial exchange. Further, that no obstacles would be interposed in either market to the normal conditions of commercial competition, which are due to all countries with a view to the development of their trade.

The following is a brief summary of recommendations of a commercial nature drawn up by the Mission and the Brazilian committee with which it collaborated :—

It is suggested that exports of Brazilian tobacco, rubber, timber, cocoa, meat products, skins and hides, cotton, oleaginous seeds, fruit, Brazil-nuts and maté could be increased without detriment to French interests.

The desire is also expressed that the sale of Brazilian coffee, of which France is a large importer, should not be sold as "pure" coffee, if containing any admixture of chicory, barley, corn, figs, chestnuts, etc.

The Commission also expressed the hope that the quotas for the entry of Brazilian products into France contemplated by the agreement of the 14th May, 1934, but of which the quantities have not yet been fixed, may be regulated in such a manner as to facilitate the interchange between the two countries.

Moreover, in order to secure a mutual increase of trade and to remedy the inconvenience of a restrictive tariff, it is recommended that technical commissions be set up by the two governments, composed of Brazilians and Frenchmen, whose object shall be the study of modifications of the customs tariffs of both countries. Subsequently the proposals and suggestions presented on this matter by persons of both countries and notably by the French Chambers of Commerce of Rio de Janeiro and São Paulo, shall be submitted for the consideration of the said commissions.

The questions actually presented to and taken into consideration by the commissions are the following :—

- (1) Customs classification in Brazil of French products composed of various materials ;
- (2) Classification of essences and essential oils for the manufacture of perfumes in Brazil ;
- (3) Classification of flock-silk, woollen yarns, pharmaceutical syringes, perfumes, lace, cigarette paper, tubes and pipes.

The commissions, considering the great interest to both countries of propaganda of French books and reviews, suggest, *inter alia*, that postal rates be reduced, prices fixed in accordance with the actual purchasing value of Brazilian money, government publications exchanged, and reduced rates be charged for periodicals destined for schools and other cultural establishments. They also recommend

to French editors that they adopt for Brazil a system of remittance against a refund in the sale of publications and request both governments to facilitate this method of payment.

The commissions express the hope that means of increasing the use of French metal tubes and pipes for the conveyance and distribution of water in the states and municipalities may be considered.

Further that, in view of the fact that French races of breeding stock of "Charolais" and "Normandy" have given excellent results, their importation may be extended.

Finally, having compared total statistics of French exportation of certain products and their importation into Brazil, the commissions point out that the sale of the following French products in Brazil might be increased:—

Brandy, soap, sponges, raw flax, cork, olives, vegetable oils, wines, liqueurs, cement, aluminium, iron and steel, rails, chemical products, perfumes, serums and vaccines, electrical appliances and accessories, locomotives, automobiles, omnibuses, machinery and tools, naval constructions, toys, motor bicycles, electric wires and cables, agricultural machinery, internal combustion engines, aviation and matches.

The commissions, in conclusion, manifest their confidence that the Federal Council for Foreign Trade, who are at present studying the question, will adopt regulations capable of securing the regularity and stability of maritime freight rates from France to Brazil.

VI.—FOREIGN TRADE.

EXPORTS.

General.—During the year 1934 exports from Brazil increased in volume by about 15 per cent., but there was a decrease in their gold value from £35,790,000 to £35,445,000. Expressed in Brazilian currency, however, an increase in value from 2,820,271 contos of reis in 1933 to 3,478,093 contos in 1934 took place. The rate of exchange was the principal factor in the decline in sterling value, as over this period the average official rate was 59\$420 to the £1, as against 52\$966 to the £1 in 1933, whilst from September onwards 60 per cent. of all export bills, apart from those deriving from coffee, were disposed of in the "free" market at rates ranging around 70\$000 to the £1. (See Appendix No. XI.)

The unit value of exports rose from Rs.1 : 476\$000 per ton for all exports in 1933 to Rs.1 : 518\$000 per ton in 1934. In gold pounds, however, it declined from £18.7 to £16.1.

Exports in the first eight months of 1935.—The tonnage amounted to 1,738,587 metric tons as against 1,325,216 in the corresponding period of 1934. The value in gold pounds was £21,488,673 which is a decrease of £329,267. The balance of exports over imports was £3,784,886, a good deal less than that of £5,601,042 for the first eight months of 1934. (See Appendix No. XIII.)

The chief item of export to show an increase was raw cotton, which for the first eight months of 1935 registered 95,511 tons

as against 63,072 in 1934 and 1,506 in 1933. Shipments of cotton seed also rose from 3,011 tons in 1933 to 35,236 in 1934 and 87,078 in 1935, whilst the "record" figure of 6,854,528 bunches of bananas have already been sold abroad as against 5,489,750 in 1934. Exports of sugar show a large increase from 23,789 tons to 60,535 tons, and rice from 16,306 to 53,282 tons. Tallow shipments have risen by over 200 per cent. from 5,235 to 18,025 tons. All items, in fact, show an increase in volume with the exception of hervamaté, skins, cocoa and jerked beef. Even the number of sacks of coffee shipped abroad has risen from 9,407,000 to 9,444,000 although the extraordinary low price of £1 ls. (gold) per bag prevailing for the last four months has reduced the returns from £14,136,000 to £11,022,000, gold.

Exports by countries of destination for the half year may be expressed as follows:—

<i>Country.</i>	<i>Amount in £'s gold (000's omitted).</i>		
	<i>1933.</i>	<i>1934.</i>	<i>1935.</i>
U.S.A	9,208	6,490	6,083
Germany	1,573	1,791	2,539
United Kingdom	1,445	1,622	1,795
France	1,804	1,385	1,393
Argentine	742	726	727
Belgium	441	587	552
Uruguay	798	611	537
Holland	836	888	522
Italy	615	512	436
Japan	51	75	76

It will be seen that Germany increased her purchases of Brazilian goods by over 40 per cent., largely due to her purchases of cotton with "compensation" marks, and that the United Kingdom also raised her share of Brazilian exports by 10 per cent., probably on account of additional quantities of oranges and other table fruit imported.

New Export Section of the British Chamber of Commerce in Brazil—Rio de Janeiro.—The British Chamber of Commerce has recently organised an export section and Brazilian firms and persons interested in the exportation of Brazilian products to the United Kingdom and the British Empire will be admitted as members of the section. Through the Association of British Chambers of Commerce and the Federation of British Industries, the local Chamber will be able to place Brazilian exporters in touch with importers in the United Kingdom, and an information service regarding markets, prices, etc., is to be organised.

The following paragraphs may serve to indicate to some extent the export prospects for the year. The commodities are taken in the order given in the Brazilian export returns and receive summary or detailed treatment according to their present or potential importance to Brazilian trade.

Meat Products.—In 1934 146,254 tons of meat products, as against 129,222 tons in 1933, were exported, and their currency value rose from 216,090 to 256,443 contos of reis. Expressed in gold pounds, however, a decline from £2,744,000 to £2,592,000 was registered.

For the first eight months of 1935 there has been an increase from 108,603 to 144,459 tons, valued at 183,179 contos of reis and 274,002 contos respectively. The gold value shows a similar increase from £1,828,000 to £2,247,000.

Lard.—Exports of lard during the first eight months show a very considerable increase of 400 per cent., 9,344 tons having been shipped as against 1,866 tons and 5,020 tons for the corresponding periods of 1934 and 1933.

Nearly all the Brazilian production of lard comes from Rio Grande do Sul, and estimates for 1935 are more or less on the basis of 1934 figures, i.e., a total production of 34,500 tons. Owing to the drought in the U.S.A. and the elimination of 8,500,000 pigs by the N.R.A. this Brazilian industry has prospered of late due to the increased price of U.S.A. lard on the London market. The Lard Society of Rio Grande do Sul is taking active steps to improve the quality of the product, whilst the Commercial Department of the Lard Syndicate has united the principal lard exporting houses and raised the price of crude lard purchased from the farmers. Lard was put on the free export list during 1934 to encourage sales abroad.

The result of these favourable circumstances is that the Lard Society has almost denuded the local market with the consequence that local prices have risen sharply. In June, 1935, however, the Society announced that they intended to amplify their establishments to meet the increased demand, and were prepared to expend 3,000 contos of reis in erecting, amongst other improvements, a slaughter-house large enough to deal with 400 pigs daily.

Frozen and Preserved Meats.—Exports of these commodities show a steady, if slight increase. A new market has been found in the supply of a quantity of frozen meat to Italy.

Hides and Skins.—Exports of hides and skins have shown a decrease during the last 18 months. This is perhaps due to the ever-increasing progress of the local tanning industry. In Pernambuco, for example, local consumption has grown to such an extent that tanners have not only used the entire Pernambuco production but have been forced to draw from the neighbouring states of Alagôas, Paráhyba, Rio Grande do Norte and Ceará, with the result that prices have risen above the U.S.A. and European level and exportation from Recife has become almost extinct. It is estimated, too, that some 10,000,000 pairs of leather footwear are manufactured annually in São Paulo and the industry is still growing. In Bahia an "Instituto de Pecuaria" (Livestock) was

established in July, in order to develop and improve, *inter alia*, the production and export of hides. A tax of 200 reis per kilogramme on hides and 400 reis on skins exported is collected for the purpose.

It is alleged that a large number of hides are smuggled from Rio Grande do Sul and shipped through Montevideo to avoid Brazilian export taxes.

Wool.—Exports of wool show a large increase and prices are rising. Here again it is alleged that considerable quantities of Rio Grande do Sul wool are smuggled into Uruguay.

Tallow.—There has been a decided development in the exportation of tallow through Rio Grande do Sul. Shipments of this commodity rose from 17 tons in 1933 to 8,593 tons in 1934, whilst during the first eight months of 1935 the "record" figures of 18,025 tons, valued at 22,784 contos, were reached. A new market has been found in the U.S.A., and practically the whole of the business is being done by a German firm, through the medium of an United Kingdom house.

Jerked Beef.—Exports of jerked beef rose from 167 tons to 508 tons in 1934, but business in 1935 shows a decrease.

Manganese.—Exports of manganese fell in 1934 from 24,893 to 2,300 tons. This was largely due to reduced world prices and to the incidence of export taxes and high freight rates. Due to the depreciating exchange, however, exports for the first eight months of 1935 total some 22,614 tons. It is hoped that the commercial agreement concluded recently with the U.S.A. and now awaiting ratification, will benefit this industry, which is situated for the most part in the State of Minas Geraes.

AGRICULTURAL PRODUCTS.

Cotton.—This is now the second item of importance of Brazil's export trade and the one which promises the greatest development in the immediate future.

During the year 1933, the total exports of raw cotton amounted to 11,700 tons, valued at £370,000. This was approximately an average year's export of a surplus crop from the North of Brazil. During 1934, however, the crop from São Paulo, where many coffee planters had been forced to turn to cotton in view of the much reduced returns from coffee, came into the market, and profiting by the good cotton prices ruling a crop of 105,000 tons was produced, of which 62,670 tons were exported. Total exports from Brazil reached the figure of 126,548 tons, valued at £4,666,000, the United Kingdom taking more than half.

For the 1935 season, it is estimated that the total yield of Brazilian cotton will be 370,500 tons; that 115,000 tons will be

grown in São Paulo, of which 60,000 tons will be exported, whilst a crop of not less than 250,000 tons is expected in the North, with favourable weather conditions and extensive planting. Figures for the total cotton production of Brazil by states for 1933 and 1934 and the estimates for 1935 are given in Appendix No. XIV.

The volume of raw cotton exported from Brazil during the first eight months of 1935 was 95,511 tons as against 63,072 tons for the corresponding period of the previous year. The gold value shows a similar increase from £2,108,306 to £3,780,174, whilst of the total currency value of 461,968 contos of reis (211,719 contos of reis up to August, 1934), Germany accounted for 276,541, the United Kingdom 78,856 and France 39,067 contos of reis. The average price per ton has risen from 3:338\$000 in 1934 to 4:837\$000, and the gold value of cotton shipments is now equivalent to a third of that of coffee or a sixth of total exports. The value of exports abroad by states for the first eight months of 1934 and 1935 is given in Appendix XV, the increases in the case of the northern states of Ceará, Parahyba, Rio Grande do Norte and Pernambuco being especially remarkable.

Exports of cotton from the State of São Paulo to foreign countries at the end of September, 1935, amounted to 51,385 tons, of which 29,285 went to Germany and 10,392 to the United Kingdom.

Development of Cotton Production in Brazil.—Cotton has been grown in Brazil since the XVIth century and is one of the principal products of the northern states. Production there, however, has always been hampered by the lack of transportation facilities and the backward development of the region, whilst taxes on cotton, which provide the principal source of revenue for state budgets, act as a further burden. The great increase of planting during the past two years has been made possible by the cotton valorisation schemes of the U.S.A., but the fall in coffee prices has also led many coffee planters in São Paulo to sow cotton on any available land, of which there is no lack.

The average yearly production of cotton in the whole of Brazil from 1920 to 1932 was 117,000 tons. During the same period the State of São Paulo's average production was 15,000 tons. Since 1932, however, the figures are as follows:

			<i>São Paulo.</i>	<i>All Brazil.</i>
1933	...	...	34,700 tons	147,636 tons
1934	...	...	105,000 "	279,700 "
1935	...	...	115,000 (estimated).	370,000 (estimated).

The original estimate of 200,000 tons for the year's São Paulo crop has been reduced owing to pests and a severe drought, followed by excessive rains, but the northern crop, which is harvested from August to January, has had very favourable weather so far.

The local consumption of cotton during recent years is given as follows, and amply demonstrates the rapid growth of the local cotton industry :—

1923-27 (aver.)	97,100 tons.	1931	85,473 tons
1928	78,604 „	1932	91,763 „
1929	67,500 „	1933	102,355 „
1930	72,500 „	1934	120,000 (estimated)
			(of which 45/50,000 in the State of São Paulo).

The United Kingdom has been the largest buyer of Brazilian cotton and in 1934 took more than half of the total exports. During 1935 Germany purchased practically all of the cotton until the exportation of this commodity in blocked currencies was forbidden in June. Up to July, Germany had bought over 50 per cent. of São Paulo exports, but if the present restriction persists the United Kingdom will probably again take the majority of the country's cotton. Last year there was much talk of selling cotton to Japan, but the actual shipments were insignificant. As a result of the Japanese Economic Mission's visit in 1935, however, it is possible that the Japanese will take larger quantities.

The production of cotton by-products is capable of considerable development. Cotton seed cake is as yet little used for feed and some of the seed is unused in any form, especially in the North, where transportation is difficult. In São Paulo there are at present only four large cotton seed oil presses with a daily capacity of 1,100 tons of seed and several small mills with 100 tons total capacity. Two more large modern mills are now being installed in the interior by U.S.A. interests and a few other mills have been acquired by national firms in readiness for next year's crop.

The Mexican boll weevil does not exist in Brazil but the worst pests are the pink boll worm and the army worm, which have caused great damage this year, especially in the southern zone. The Government has warned planters to burn their fields but it is feared that many will neglect to take this precaution and that the pest may do great damage again next year.

Cotton is graded by the Government from grade 1 to grade 9, corresponding quite closely to the U.S.A. system, grade 5 being the basis. Cotton from the North is said to grade more irregularly than that of the South, where the São Paulo Government exercises the strictest control over the sale of seed, superintendence of gins, etc., and uses propaganda to instruct the growers. The staple of São Paulo cotton is mostly 28 millimetres whilst that of the North ranges from 22 to 38 millimetres.

The market situation in São Paulo, as a result of considerable speculation on the basis of an estimated crop of 250,000 tons, has been very unsatisfactory for ginners and exporters. Inexperienced people rushed into planting on any available land and into ginning and exporting. New gins were installed in such numbers that many districts are now overginned.

Competition was very keen and advances were freely made by ginnerers to planters in order to obtain their cotton. As the size of the crop began to dwindle, however, prices rose from 12\$000 per *arroba* of 15 kilogrammes to the present price of 25\$000. Farmers in many cases either grew less than they had engaged to supply or sold at enhanced prices to others and the original buyer was often left without redress. Some farmers are even said to have sold their crops three or four times.

In spite of the fact that the São Paulo crop was only about half of that expected, growers made good profits and preparations for the planting of a considerably larger crop for next year are said to be in hand.

Brazilians hope that cotton may prove a means of salvation from the coffee crisis. Indeed, if the estimates for the northern zone prove to be reasonably accurate, the exports from that region should help to remedy the present exchange stringency.

Rice.—Exports of rice rose from 23,391 tons in 1933 to 33,285 tons in 1934, whilst for the first eight months of 1935, 53,282 tons were exported against 16,306 for the previous year. 50 per cent. of Brazilian rice is grown in São Paulo and 16 per cent. is produced in Rio Grande do Sul, where, in spite of prices having fallen somewhat, the large increase this year in shipments to the River Plate republics, the chief consumers, has brought good returns to local farmers.

Sugar.—The volume of sugar exported from Brazil during 1934 at 23,897 tons shows a decrease of 1,573 tons in comparison with 1933. During the first eight months of 1935, however, the "record" figure of 60,535 tons has been reached.

This is due to the 1934-35 crop in Pernambuco, the chief producing district, having been one of the largest ever known. The original estimate for this crop was 240,000 tons, but the actual yield was 270,000 tons. Stocks on the 30th June were 53,130 tons as compared with 25,150 tons in June, 1934.

Shipments abroad, mostly from the port of Recife, by the end of July reached a total of 55,375 tons, as against 20,723 tons for the corresponding period of 1934.

Favourable weather has caused the estimate for the next crop to be put at some 300,000 tons of sugar, but it is not expected that the quota fixed by the Sugar and Alcohol Institute for the production of sugar in this state for the coming year will exceed 240,000 tons.

In this connection it must be remembered that Brazil is not in a position to compete in the world market for sugar and that her exports of this commodity represent a surplus over home consumption "dumped" abroad for what it will fetch, in order to maintain internal prices, which are above world parity. It is hoped in the future to utilise the crop in an increased production of alcohol, as described in a previous section of this report.

A Federal decree prohibits any increase in the area under sugar cane without the previous consent of the Sugar and Alcohol Institute.

Exportation in 1934 was only some 5 per cent. of total production and was shipped for the greater part from Pernambuco. During 1934, 546,000 tons of sugar were produced and sold by 320 factories in 17 different states of Brazil, of which 35 per cent. came from Pernambuco and 20 per cent. each from São Paulo and Rio de Janeiro. In addition 21,000,000 litres of alcohol were produced in Pernambuco and 16,000,000 in Rio de Janeiro during 1934, whilst São Paulo distilled 9,000,000 litres of alcohol and 40,000,000 litres of *aguardente* during the same period.

Rubber.—Exports of rubber rose from 9,453 tons in 1933 to 11,150 tons in 1934. For the first eight months of 1935 total shipments reached 7,286 tons, an increase of nearly 452 tons over the corresponding period of the previous year. Prices have fallen somewhat, the average value per ton exported having dropped from 3:017\$000 per ton for 1934 to 2:696\$000 per ton for the first eight months of 1935.

Exports from Pará during 1934 were 7,467 tons as against 8,217 tons in the previous year, while Manaus shipped 4,388 and 4,474 tons respectively, for the same periods, 1,140 and 1,125 tons going South.

The output of rubber from the Amazon has now, of course, small influence, if any, on world prices, but thanks to the regulation arrangements in force controlling the production and export of plantation rubber, the world price has maintained a sufficiently compensating level to encourage sales of Amazon "wild" rubber. Due to these restrictions Brazil last year sold 3,192 tons to the U.S.A. by virtue of being free to quote a lower price than was allowed in the case of Eastern rubber and much is expected from this commodity in the future.

Experiments have been made in exporting rubber in liquid form. The process involves the transport of large drums of ammoniacal solution, which must be applied in correct proportions to the latex; but this has been found impossible to accomplish in the forests.

Little has been heard of late of the "Ford" project, which must be regarded at present as a costly experiment. The concern, however, obtained from the Government permission to exchange some of its land for a more fertile property near Santarém, which has been partly cleared and opened up by roads. Here 8,000,000 seedling rubber trees have been planted.

Local consumption of rubber is rising with the development of the manufacture of rubber goods in Brazil.

Cocoa.—The volume of cocoa exported from Brazil rose from 98,687 tons in 1933 to 117,200 tons in 1934, the value in gold pounds also increasing by £200,000 from £1,340,000 to £1,543,000. For the first eight months of 1935, 50,516 tons were shipped abroad as

against 52,758 in 1934, but the milreis returns show an increase of over 4,000 contos of reis.

The cocoa year in Bahia, the principal exporting state, responsible for 90 per cent. of Brazilian cocoa production, is from May to April and for the year ended 30th April, 1935, a "record" crop of 1,636,200 bags of 60 kilos was produced in the State of Bahia, mainly in the Ilheos district. Prices at £1 0s. 6d. to £1 5s. per 50 kilos c.i.f. Europe were high enough for producers to make a living, but not much money has been available for development or luxury spending. 1,641,576 bags were exported during the cocoa year, of which 1,016,000 went to the U.S.A., with a little to the Argentine and Germany. The United Kingdom only took 8,000 bags.

Estimates for the 1935-36 crop are optimistic, for it is expected that it will be about equal to that of the preceding year.

The Bahia Cocoa Institute, established by the State Government and supported by an export tax on cocoa, has become the principal exporter. The aim of this Institute, like the other agricultural institutes, is to improve production and provide marketing facilities.

The large modern building of the Institute recently constructed near the docks for offices and the scientific warehousing of cocoa, is almost ready for occupation. Conveyor machinery has been installed by an United Kingdom firm and cocoa in bags will be conveyed to and from ships lying alongside the docks by a system of belting. The Institute has encouraged and developed roads and road transport in the cocoa zone at Ilhéos and Itabuna and established experimental stations, but as yet no start has been made with a proposed storage warehouse at Ilhéos.

Coffee.—The measures taken to deal with the problem of over-production of this, Brazil's staple crop and principal article of export, are by now so well known that no detailed explanation of them is called for. Briefly they consist in the levying of a tax on the coffee exported, the proceeds of which are employed in purchasing surplus coffee, which is destroyed; and in restricting fresh planting of coffee trees.

Exports of coffee totalled 15,459,000 bags in 1933, which is now about an average year's sales to abroad, against 11,935,000 sacks for 1932. The gold value of the total export, however, was £70,000 less than in 1932, although the currency value was greater by some 228,910 contos of reis. The value of this item of export in 1933 was £26,168,000 or 73 per cent. of the total exports. Up till recent years it was always estimated that the coffee crop would account for 75 per cent. of the total export trade, but the 1933 figures were the last occasion when this was so.

An export tax of Rs.45\$000 per bag, or the equivalent of 15s., is collected on all shipments and no reduction of this would appear possible in view of the heavy debt of the Coffee Institute to the Bank of Brazil, which in August of 1934 was stated to amount to between 1,000,000 and 1,200,000 contos of reis. There

is, moreover, the service of the £20,000,000 loan of 1930 to be met each year.

The National Coffee Council, an autonomous body, was abolished early in 1934, and its functions handed over to the National Coffee Department, which is a government office.

The disposal of the 1933-34 world crop of coffee is given as follows:—

	<i>Total Production.</i>	<i>Shipped to U.S.A.</i>	<i>Shipped to Europe.</i>
Brazil	17,545,000	8,333,000	6,885,000
Rest of World	8,931,000	3,546,000	5,406,000
	<hr/> 26,476,000	<hr/> 11,879,000	<hr/> 12,291,000

Exports of coffee during 1934 amounted to 14,147,000 sacks, the gold value of which, at £21,541,000, showed a decrease of £4,627,000 over the 1933 figures and represented only 60·7 per cent. of the total gold value of all exports. The currency value of this crop, however, increased by 61,654 contos of reis.

For the first eight months of 1935 the number of bags of coffee exported increased from 9,407,623 to 9,444,447 but the gold value amounted to only £11,022,000, a decrease of over £3,000,000 by comparison with the corresponding period of the previous year, and provided barely 51 per cent. of the total gold value of all exports. Gold prices have fallen rapidly of late. From an average of £1 10s. gold per sack f.o.b. for the 1933-34 crop, the price per sack remained stationary at about £1 11s. till February of 1935, when it suddenly dropped to £1 6s. and was quoted in May at £1 1s., the lowest price recorded in the history of Brazilian coffee, and a startling contrast to the £5 3s. which was the average price per sack for the 1928-29 crop.

During the coffee year 1934-35 ended on the 30th June, Brazil shipped abroad 14,859,000 bags, as compared with 16,062,000 in 1933-34, a decrease of 7·5 per cent. World consumption during the same period was less by 7·3 per cent., however, Brazil having lost therefore only 0·2 per cent. of the world supply.

The following are comparative statistics for the last two coffee crops:—

	<i>World Deliveries of Coffee.</i>	
	<i>1934-35.</i>	<i>1933-34.</i>
<i>Brazil—</i>	<i>Sacks of 60 kls.</i>	<i>Sacks of 60 kls.</i>
To U.S.A.	7,768,000	8,654,000
Europe	5,954,000	6,170,000
Other ports	1,137,000	1,238,000
Total Brazil	<hr/> 14,859,000	<hr/> 16,062,000
<i>Other Countries—</i>		
To U.S.A.	3,795,000	3,437,000
Europe	4,027,000	4,952,000
Total of Other Countries...	<hr/> 7,822,000	<hr/> 8,389,000
Grand Total	<hr/> 22,681,000	<hr/> 24,451,000

The elimination of coffee by the National Coffee Department up to June 30th, 1935, amounted to 35,121,293 bags.

The official calculation made by this Department of the crop for the 1935-36 year is 18,699,000 bags, the probable surplus left over from the 1934-35 year being 4,000,000 bags. It is also anticipated that owing to the exceptionally low prices prevailing, Brazilian coffee will enjoy preference in the markets of consumption and that exports for 1935-36 will reach 17,000,000 bags, which will absorb almost the whole of the estimated production. In view of the decline in world consumption during the past year this estimate must appear a little optimistic, however, and it is extremely doubtful if this figure will in fact be attained. As for the total of 4,000,000 bags of surplus coffee estimated as left over from the 1934-35 year, part of such coffee, being unfit for exportation, will be absorbed by the internal consumption of the country; what remains should not be an excessive burden on the market, which on previous occasions has coped with a larger quantity, without its normal operations having been profoundly affected.

The Coffee Problem.—The Brazilian Press has been very pre-occupied with the decline in the prices and volume of coffee shipments during the last twelve months and there has been considerable agitation for the removal of the 15s. tax, which, it is often asserted, acts merely as a subsidy for the other coffee producing countries, who are taking an ever-increasing percentage of world supply. At the end of June, 1935, the Minister for Finance, in a speech in the Chamber of Deputies, pointed out, *inter alia*, that it was impossible to abolish the tax on account of the large sums owed by the Coffee Institute to the Bank of Brazil and that, moreover, a consequence of its suppression would be a fall in the gold price of coffee, thus further aggravating Brazil's exchange difficulties.

On the 11th July, however, he convened a meeting of representatives of all the coffee producing states in Brazil in order to study the measures to be taken for the maintenance of statistical equilibrium and for improving the quality and increasing the sales of the product. The following are among some of the more important proposals submitted by the convention to the Federal Government:—

(1) The 5s. tax created by the Convention of the 5th December, 1931, shall continue to be collected by the National Coffee Department and applied to the service of the £20,000,000 loan;

(2) The coffee producing states authorise the National Coffee Department to make an agreement with the Bank of Brazil and the Union in order to reduce the services of the respective credits to a minimum; the 10s. tax being proportionately abated. Once this agreement has been duly completed and authorised by the Federal Senate, the coffee states, should it be necessary, will undertake to impose an export tax on each bag of coffee exported corresponding exactly to the difference between the amount of the tax representing the service of the Bank of Brazil and the Federal Union loans, after deducting the amount referred to in the previous clause, and the sum of 30\$000 (10s.);

(3) As long as the previous clause is not carried out the 10s. tax will continue to be collected, the amount received being applied to the repayment of the obligations of the National Coffee Department,

(4) In order to maintain statistical equilibrium the National Coffee Department will purchase in the interior four million bags of coffee from the current crop ;

(5) All the coffee acquired for this purpose of maintaining statistical equilibrium will be eliminated with the exception of the part received for propaganda, but the Department must not disburse more than its income in order not to increase its present liabilities ;

(6) No new trees may be planted, except in substitution of old trees, during the period of the Convention (up to 31st December, 1937) ;

(7) The entrance at Santos of the current crop will be made as follows : 60 per cent. of the total of the previous crop and 40 per cent. of the current crop, including in this latter the percentage of preferential coffees ;

(8) Propaganda abroad will be carried out by a commission ;

(9) Another coffee convention will meet in April, 1937.

The situation of the coffee producing industry has for years been a difficult one ; the export tax corresponding to 15s. per bag in practice restricts exportation to the fulfilling of actual orders, whereas competing coffee suppliers can export freely ; moreover although Brazilian coffee production costs are low, the growers complain that the 15s. tax places them at too great a disadvantage *vis-à-vis* their rivals. This millstone was, of course, of the coffee growers' own seeking and the natural result of their coffee valorisation and rationalisation scheme ; all efforts to find a way of escaping from it, short of repudiating the loans it serves, have proved unavailing. It is to be hoped, therefore, that the proposed negotiations with the Bank of Brazil for the reduction of the 10s. tax will be successful, although the benefits obtained will not accrue to the planters but to the producing states.

Although Brazil has maintained her percentage of world supply fairly well against other coffee producing countries (1930-31 65.9 per cent., 1931-32 65.7 per cent., 1932-33 58.5 per cent., 1933-34 65.7 per cent., 1934-35 65.5 per cent.) there is no doubt that this competition is becoming increasingly serious and may reach such a pitch that the Coffee Department will have to resort to drastic measures. On the other hand, coffee growing in the Dutch East Indies and Colombia, Brazil's chief rivals, is in the hands of small planters, whose operating costs are correspondingly light and who would prove difficult to oust. It is thought, however, that a small reduction in the tax would be sufficient for Brazil to sell at least another two or three million bags at the expense of her competitors.

Among the recommendations of the São Paulo League of Coffee Growers was a suggestion that entrepôts should be established abroad for the disposal of surplus coffee. This would appear to be an excellent idea in view of the fact that the complaint is frequently heard that whereas buyers have to come to Brazil to purchase their coffee, other coffee producing countries deliver supplies, as it were on consignment, to the various world markets, and by means of skilful propaganda dispose of most of their crop. Brazil can supply almost any type of coffee, "hard" or "soft," more cheaply than any other country in the world and it is thought that if the Coffee Department adopt a policy of going to the market instead of waiting

for the market to come to Brazil, a large increase of sales could be effected.

As a result of the drought in São Paulo last year, the 1935-36 crop is expected to be fairly small and should not leave too burdensome a surplus even with present low deliveries. On account of the early rains this winter, however, there should be a very heavy crop for 1936-37, unless cold winds and/or frost interrupt flowering.

Fruit.—*Oranges.*—A remarkable development in the exportation of fruit from Brazil has occurred during recent years.

The production of oranges in Brazil, according to a communication from the Ministry for Agriculture, was 140,000 tons in 1925, 175,000 in 1927, 385,000 in 1929, 700,000 in 1931, 1,050,000 in 1933, and 1,225,000 (estimated) in 1934. Brazil is therefore second only to the United States with its production of 1,734,000 tons and ahead of Spain with 967,186 tons.

Total exports of oranges were only 200,000 boxes in 1926; by 1930 they had risen to 800,000 boxes; in 1932 they amounted to 1,930,138; in 1933 to 2,554,258, and in 1934 to 2,631,827 boxes, valued at over 56,000 contos of reis. Exports this year, however, are expected to be slightly less at an estimated total of from 2,200,000 to 2,400,000 boxes. Most of this crop comes from the States of São Paulo and Rio de Janeiro and from the Federal District. Of the total exports of 2,554,258 boxes in 1933, for example, 1,134,665 boxes were shipped from Santos and 1,412,060 from Rio de Janeiro. In 1934 São Paulo accounted for 1,009,634 boxes and up to the end of June 1935 had sold 779,386 boxes abroad out of a total export of 909,721 boxes, valued at 20,656 contos of reis. Total exports up to the end of August were 1,591,725 boxes, valued at 36,713 contos of reis as against 1,452,231 boxes and 30,978 contos during the same period of the previous year. The São Paulo crop for 1935 is estimated at nearly a million boxes, while the Rio de Janeiro crop is expected to be slightly larger.

Oranges appear to be destined to play an important part in Brazil's future foreign trade, particularly in the United Kingdom markets, where they are a seasonal competitor to the South African rather than to the Spanish and the Palestinian fruit. Low production costs, moreover, give the Brazilian producer an advantage while the particularly sweet flavour of the Brazilian orange has already earned for this fruit a permanent place in the United Kingdom market, where it commands a higher price in spite of its various technical defects. The United Kingdom took 70 per cent. of the 1934 crop as against 65 per cent., 77 per cent., and 82 per cent. for 1933, 1932 and 1931 respectively.

The Brazilian planter normally makes a considerable profit from the sale of his oranges to the exporters at an average price of about 20\$000 a box. Prices have been falling rapidly of late,

however, owing to the seasonal glut of fruit on the London market, and many middlemen, who contracted for oranges at standard prices, have been hard hit and have threatened to suspend shipments for a period.

The Government is doing all in its power to improve the quality of Brazilian oranges and much has been effected in the way of giving the fruit a better external appearance. At present, however, the chief need of the trade is an ample area of cold storage accommodation, for many boxes of oranges have been arriving in Europe (England, France and Belgium especially) in bad condition due chiefly to their having been exposed to a hot sun on the quay side before loading. It is known, however, that large refrigerating plants are shortly to be installed at the ports of Rio de Janeiro and Santos. Research work is at present proceeding in Government laboratories with a view to discovering some cheaper way of preserving the orange during transit than storage in refrigerated holds, the expensive equipment of which entails the payment of high freight rates.

Bananas.—Of bananas the exports have risen from 4,000,000 bunches in 1926 to 8,535,924 in 1933 and 9,012,147 in 1934. Of these quantities the State of São Paulo accounted for 7,556,778 in 1933 and 8,711,318 in 1934, and for the first six months of 1935 4,873,452 out of total sales abroad amounting to 4,970,892 bunches. The State of Rio de Janeiro and the Federal District also export through Rio some 800,000 bunches annually. Up to August, 1935, 6,854,528 bunches had been exported.

Prices in milreis have declined slowly during the last five years, however, in spite of a depreciating exchange. Some 60 per cent. to 70 per cent. of banana exports are shipped to the Argentine, the United Kingdom taking second place as a market for this fruit with from 20 to 25 per cent. of total sales abroad.

Grape Fruit.—Owing to a steadily increasing demand from the London market for Brazilian grape fruit, cultivation in the State of São Paulo is being widely extended and exports through Santos have risen from 2,758 boxes in 1933 to 23,851 in 1934 and 41,868 boxes for the first six months of 1935.

Tangerines, etc.—Exports of tangerines from São Paulo show a similar increase, rising from 364 tons in 1933 to 833 in 1934 and 908 tons for the first six months of 1935. The figures for pine-apples are 47 tons in 1933 and 155 tons in 1934.

Other table fruits and coconuts are also exported in small quantities.

The increasing importance to Brazilian trade of the exportation of these table fruits can be seen from the fact that their milreis value in 1934 represented 2.7 per cent. of the total value of all exports as against 1.5 per cent. in 1930.

Carnauba Wax.—Exports of this commodity remain fairly normal. 6,146 tons were shipped abroad in 1934 as against 6,875 in 1933, but the value in milreis rose by nearly 30 per cent. and in pounds gold to £284,000. Up to August of 1935 exports were 4,968 tons, valued at £266,000 (gold), the average price per ton being 6:344\$000 as against 4:287\$000 for the year 1934. This product, which is produced in the northern states, is becoming increasingly valuable for industrial purposes in the manufacture of such articles as carbon duplicating papers, typewriter ribbons, floor polishes, shoe pastes, etc.

Oleaginous Seeds.—Exports of seeds and nuts rose from 74,581 tons in 1933 to 142,872 tons in 1934, their value in gold pounds in the latter year being £672,000.

During the first eight months of 1935 exports of castor seed were 27,375 tons as against 19,272 in 1934, a growing business with the U.S.A. having been maintained.

Exports of cotton seed for the same period were mostly from São Paulo and show a huge increase from 35,236 to 87,078 tons, valued at £183,000 gold.

Shipments of Brazil nuts up to August, 1935, were 25,453 tons, valued at £272,000 gold and of shelled kernels 3,988 tons valued at £147,000 gold.

Brazil nuts have now taken first place in the export trade of both Pará and Manaos. The crop for 1935 is estimated at 25,000 tons for Pará, which, if fulfilled, will exceed the record crop of 1933—23,000 tons. During 1934, the crop figure reached only 16,500 tons. For Manaos the crop up to the end of June had reached over 15,000 tons. Prices during 1935 have maintained a high level: at Pará they have ranged from 40\$000 to 65\$000 per hectolitre against an average price for 1934 of 45\$000. At Manaos prices ruling during 1935 are from 56\$000 to 66\$000 according to quality.

The exportation of shelled kernels continues to increase, the U.S.A. taking the bulk of the year's output. For the first six months of 1935 2,500 tons of shelled kernels have been shipped to the U.S.A. from Pará with only 17 tons to the United Kingdom and a balance of 82 tons to other countries. The total figures for 1934 were 4,368 tons from Pará and 216 from Manaos.

IMPORTS.

Imports, 1934.—The tonnage of Brazil's imports during 1934, at 3,845,718 tons, showed a slight increase over that for 1933, which was 3,837,526 tons, but at £25,467,000, a decrease in gold value of £2,665,000 or about 9 per cent. (See Appendices VIII and IX.)

With the exception of coal and coke, dried codfish and wheat, the tonnage of which showed a considerable diminution, most of the other important items of import registered increases.

The figures of the distribution of Brazil's import trade by countries of origin (see Appendix No. VIII) show that the gold value

of U.S.A. imports into Brazil during 1934 at £6,027,000 recorded a slight increase over 1933, but is still behind that of 1932, with £6,566,268, which is probably due to the abandonment of the gold standard by the U.S.A.

During 1933 the British Empire, taken as a whole, maintained its first place among the suppliers of Brazilian imports, but in 1934, total Empire shipments were valued at over £1,000,000 gold less than those from the U.S.A., owing to a large decline in imports from the United Kingdom, New Zealand and South Africa. Imports from Canada, on the other hand, almost doubled during 1934.

Imports from the United Kingdom made up 17·14 per cent. of the total value of the importation into Brazil in 1934, as against 19·44 per cent. and 19·20 per cent. in 1933 and 1932 respectively, the latter figures being approximately the average proportion reached during the five years 1926 to 1930. Their gold value dropped from £5,469,327 in 1933 to £4,365,413 in 1934.

Especially noteworthy is the large increase in imports from Germany during the last two years, the gold value of which has increased from £1,959,720 in 1932 to £3,362,036 in 1933 and £3,569,309 in 1934.

The other chief supplying countries all show a decrease on the 1933 figures, the value of French imports decreasing by 36 per cent.

Imports for the first six months of 1935.—The tonnage of imports at 2,015,676 shows an increase of only 6 per cent. over the figures for the corresponding period of 1934, but the currency value at 1,711,320 contos of reis has risen by 50 per cent., largely on account of the depreciation of the milreis. The gold value, at £13,008,000, has appreciated by 15 per cent.

In July, 1935, imports again increased but decreased in August, bringing the total for the first eight months up to £17,703,787, an increase of £1,486,889 or 9 per cent. over the corresponding period of 1934, the tonnage also being slightly greater (4 per cent.) than that of the corresponding period of the previous year.

Imports by countries of origin for the half year may be expressed in the following table:—

Country.	Amount in gold £'s (000's omitted).			Percentage of total gold value. Per cent.
	1933.	First six months of 1934.	1935.	
U.S.A.	3,237	2,657	3,319	25·52
Germany	1,609	1,471	2,333	17·94
	(10·91 %)	(13·03 %)		
United Kingdom ...	2,934	2,112	1,739	13·36
Argentina	826	627	858	6·59
Holland	515	464	583	4·48
France	873	196	470	3·61
Italy	647	435	345	2·65
Japan	78	77	92	0·7

A study of these figures shows that the gold value of United Kingdom imports has declined by 18 per cent. in comparison with that for 1934, whereas German imports have increased by 59 per cent. and at £2,333,000, now represent 17.94 per cent. of total imports into Brazil. Expressed in milreis, the value of German imports for the six months has risen from 148,787 contos of reis to 312,879 contos, an increase of over 110 per cent.

For the period under review Germany has sold to Brazil an amount of coal almost equivalent to the United Kingdom share, whilst in tinplates the weight of the German articles disposed of here is practically double that from the United Kingdom. In addition 55 per cent. of the cement trade, 40 per cent. of the business in hoes, shovels and pickaxes, etc. (of which the United Kingdom still retains over 50 per cent.), and 39 per cent. of imports of tools (as against the United Kingdom's 8 per cent.), has gone to the Reich. All these markets were formerly supplied for the greater part by United Kingdom shipments.

Japan is slowly entering the market and during the first six months of 1935 sold goods to the value of £92,000. Imports from India increased from £56,918 to £149,626 and from South Africa from £943 to £4,331, while Tanganyika entered the market with £1,034.

Imports by items show large increases in the following : coal and coke, cement, iron and steel, petrol, silk, motor cars, other vehicles and accessories, and machinery and tools ; but a large reduction in the following : fuel oil, wood pulp, common salt, iron and steel manufactures and wheat flour.

THE IMPORT SITUATION.

Up to about April, 1934, the import situation was very uncertain ; a slight improvement was then registered for a few months, but with a renewed shortage of exchange cover during the last few months of the year, the old difficulties returned in renewed force until the freeing of exchange in February, 1935. Throughout, the shipper of merchandise to Brazil was left in great doubt as to when his bill would be liquidated, and this situation having persisted intermittently for three years, a considerable number of firms began to display an obvious reluctance to supply their Brazilian customers, especially towards the end of 1934. There is little doubt that this was an important factor in the large decline in United Kingdom imports into Brazil during that year. Since the 11th of February, 1935, however, all import bills have been liquidated in the free market, and in spite of exchange restrictions being reintroduced at the end of June, exchange cover is still granted without material delay by the Bank of Brazil for legitimate imports of merchandise. The aggregate effect of these changes has clearly reduced the extent of exchange delay risk involved in shipping to Brazil, although a further shortage of foreign cover is threatened. unless

exports increase. A favourable factor which will most probably influence the exchange position, however, is the unusually heavy crop of cotton expected in the northern states, where this fibre is picked in the later months of the year. Having regard to these considerations, it is to be hoped that United Kingdom firms while continuing to exercise caution, will make an individual study of the position before taking any adverse decision. It should not be forgotten that many good Brazilian customers of United Kingdom firms, who are well aware of the import conditions, are likely to feel aggrieved if their orders are not favourably regarded; it would be unfortunate if such firms were forced to seek their supplies from other sources.

The most important items of import are as follows :—

Coal.—Total coal imports in 1934 were 1,135,000 metric tons, valued at £846,000, as compared with 1,207,000 metric tons valued at £1,080,000 in 1933. This reduction in import tonnage was, to a large degree, offset by increased national production. In 1934 the United Kingdom was still by far the largest supplier, as all the British-owned railways operating in Brazil continued to use United Kingdom coal, and her share of the total supply remained practically unaltered at two-thirds. German imports, owing to a coffee-coal compensation agreement, increased from 227,000 metric tons in 1932 to 352,000 tons in 1933, but declined sharply in 1934 to 322,000 tons. Imports from the U.S.A. increased from 63,000 metric tons in 1932 to 68,000 tons in 1933, and export figures for 1934 indicate a further considerable increase.

Coal imports from the United Kingdom and Germany for the first half of 1935 were 638,608 metric tons, valued at £454,069 gold. By selling in compensation marks Germany raised her share to 303,745 metric tons as against the United Kingdom's 334,863 tons at the expense of a cut in export prices. Thus, in six months, Germany has supplied almost as much coal to Brazil as the United Kingdom, formerly by far the largest supplier, and the future of this trade would seem to be very unpromising for the United Kingdom.

As in the case of so many articles, the Brazilian Government's measures for the promotion of local production have been still further applied in connection with coal mining. In addition to the stipulation, now long in force, that purchasers of foreign coal shall buy national coal to the equivalent of 10 per cent. of their imports, national coal has been declared to be "similar" to imported, the effect of which enactment is that foreign coal no longer enjoys the exemption from payment of duties which could hitherto, in certain circumstances, be obtained.

It would seem that the railways, as is already the case with the Great Western of Brazil, will perforce have still further to replace coal by firewood and that oil fuel will be still further substituted for coal in industrial plants.

The production of coal in Brazil has risen from 372,000 metric tons in 1929 to 622,000 metric tons in 1934, 95 per cent. being produced by two mines in the State of Rio Grande do Sul. The average value was 45\$000 per ton.

Cement.—Imports of cement have declined of late years, consequent upon the increase of local manufacture. The new factory established near Rio de Janeiro, of the Companhia Nacional de Cimento Portland, a subsidiary of the International Cement Co. of U.S.A., with U.S.A. capital, has been in production over a year and can dispose of its entire output, and it is reported that a new plant has been erected in Parahyba and others are projected in São Paulo and in Rio Grande do Sul. The percentage of national production compared with imports has risen from 3·4 per cent. in 1925 to 194·6 per cent. in 1933, and it is estimated that in 1934 310,500 tons of cement were manufactured in the country.

The tonnage imported in 1934 rose from 113,870 tons to 125,702 tons, but the gold value declined from £174,000 to £157,000. The United Kingdom was still the principal supplier of foreign cement for hydraulic works, followed in the order named by Sweden, Belgium and Germany, the latter country increasing her percentage considerably.

Cement imports for the first half of 1935 show that Germany has succeeded in obtaining 55 per cent. of the market. Out of a total of 57,762 tons, Germany supplied 31,870 tons, Belgium 9,841 tons and the United Kingdom only 5,086 tons.

Steel and Iron Manufactures.—*Iron bars and rods.*—In 1934 there was a marked increase in the import of bar iron and rods, the figures being 36,378 tons compared with 21,959 tons in 1933. Of these imports Belgium provided over two-thirds, with Germany in the second place. The United Kingdom's share was only about 3,000 tons. Imports from all sources in 1932 amounted to only 8,498 tons.

Steel bars and rods.—Imports of steel bars and rods increased from 2,902 tons in 1933 to 4,229 tons. The United Kingdom's share rose from 1,842 to 2,187 tons, but Germany with 1,078 tons in 1934 almost doubled her 1933 imports.

Structural iron and steel is principally supplied by Belgium. The total tonnage imported increased from 4,191 tons in 1933 to 9,671 tons, of which the United Kingdom's share was only 312 tons.

Steel rails, fish-plates, etc.—There was a greatly increased import of rails, etc., in 1934—89,499 tons against 54,373 in 1933 and 11,808 in 1932. In 1933 and 1934 more than half, by weight, came from the U.S.A., but imports from the United Kingdom declined from 5,628 tons in 1933 to 2,221 tons in 1934.

Pipes, fittings and tubes are supplied by Belgium, the United Kingdom, the U.S.A. and Germany, and the 1934 imports of these articles show a slight increase on the preceding year. The United

Kingdom's share, however, fell from 4,953 tons in 1933 to 4,189 tons, chiefly to the advantage of Germany.

For the first six months of 1935 imports of all iron and steel manufactures rose from 181,023 to 223,687 tons.

Locomotives.—From the point of view of weight, the import of locomotives at 3,137 tons in 1934, was considerably less than the 4,129 tons in 1933, while in value, at £83,000, an increase of £21,000 was recorded. In the same period the United Kingdom increased the value of her imports from £19,000 to £37,000, the U.S.A. share declining from £21,000 to £15,000. Germany supplied locomotives to the value of £22,000 in 1934 as against £10,000 in 1933.

Railway cars and wagons imported during 1934 rose from 60 to 4,827 tons, of which the United Kingdom supplied 2,179 tons as against none in the previous two years. Belgium sold 2,647 tons to Brazil.

Axles and wheels, etc. for railway rolling stock at £69,000 in 1934 show an increase of £11,000 over the 1933 figures, more than half of the value coming from the United Kingdom.

Motor Cars.—The latest statistics show the number of cars imported in 1934 as 7,766, as against 5,113 in 1933 and 1,193 in 1932; and the value of these as £587,000, as against £467,000 in 1933 and £127,000 in 1932, respectively. The number credited to the United Kingdom is 51, as against 247 in 1933 and 34 in 1932. The increased figure in 1933 was principally due to the sales of a well-known light 8-h.p. car. 97 per cent. of this trade went, as usual, to the U.S.A.

Motor Trucks.—The import of these also showed a market increase from 3,659 in 1933 to 7,407 in 1934. Whilst the U.S.A. takes the lion's share of the business, trucks manufactured in the United Kingdom, as well as Swedish, German and Italian commercial vehicles are also imported. Sweden entered the market for the first time in 1934 with 80 units, whilst Germany increased her share from 26 in 1933 to 60 in 1934. The imports of United Kingdom trucks declined from 269 to 129.

Imports of all motor vehicles in the first two quarters of 1935 were 10,013 as against 6,307 for the corresponding period of the previous year, whilst the volume of other vehicles and accessories increased from 2,289 during the first six months of 1934 to 16,266 tons for the corresponding period in 1935. German exporters are sending increasing numbers of light cars to Brazil.

Aircraft.—In 1932, 155 aeroplanes were imported and 95 in 1933. The imports of accessories during the same years were 61 and 80 tons respectively.

In 1934, the total number of aircraft imported dropped to 37 at a total value of £66,404 gold, whilst for the first six months of 1935, 19 aircraft were purchased from abroad for £29,782, more than 50 per cent. of the value for both years being for seven German machines. The distribution of these imports by countries of origin was as follows :—

	1932.	1933.	1934.	1935 (6 months).
U.S.A.	103	78	24	9
United Kingdom	48	13	6	8
Germany	3	3	5	2
France	1	—	2	—
Argentine	—	1	—	—

Up to the time of writing it is known that the Brazilian army had purchased in 1935 45 American machines and the navy 12 United Kingdom aircraft.

Lubricating and Fuel Oils, Petrol and Paraffin.—This trade is almost entirely in the hands of several well known U.S.A. and one United Kingdom oil companies, who possess extensive distributing organisations in Brazil. The U.S.A., Peru and Mexico are the chief sources from which supplies are drawn.

For the first half of 1935 imports of fuel oils, petrol and kerosene amounted to 401,310 tons as against 400,807 tons in the corresponding period of the previous year.

A Brazilian oil company, the Companhia Brania de Petroleo S.A., has recently been founded in Rio de Janeiro. Whilst it proposes eventually to deal in all kinds of petroleum products its activities at first will consist largely in the supply of heavy oils.

Electric Motors.—A slightly diminished import of electric motors was shared between the U.S.A., the United Kingdom and Germany, the latter greatly increasing her share at the expense of the first two countries.

Transformers.—Imports of transformers showed a considerable increase from 157 tons in 1933 to 395 tons, of which the U.S.A., Germany and the United Kingdom, in the order named, were the chief suppliers.

Material and apparatus for electric light registered a greatly increased importation in 1934. Shipments from Belgium rose from 81 tons in 1933 to 290 tons in 1934, valued at £163,000, with the U.S.A. and Germany next in order. A large increase in the weight and value of electric generators imported was also recorded.

Machinery, etc.—Spinning and weaving machinery, the import of which was higher, is mostly supplied by the United Kingdom, whilst the U.S.A. continue to take the greater part of an expanding market for agricultural and printing machinery, with the United Kingdom and Germany also supplying small quantities. From 1932 to 1934 these three countries shared the market for other industrial machinery, importation of which showed a large increase.

Imports of industrial machinery (excluding spinning and weaving, agricultural and printing machinery) for the first six months of 1935 were valued at £206,161, of which Germany supplied 28 per cent. and the United Kingdom 5 per cent.

Tools and utensils, including machine tools.—Imports under this heading at £150,000 in 1934 remained fairly steady, after a marked increase from £99,000 in 1932 to £173,000 in 1933. Germany now takes about 40 per cent. of the market as against 18 per cent. in 1932, whilst the U.S.A. share has declined from nearly 50 per cent. to about 30 per cent., the United Kingdom supplying 16 per cent. during 1934.

Imports of tools for the first six months of 1935 were valued at £64,543, of which Germany supplied 44 per cent. and the United Kingdom only 10 per cent.

Boilers.—At £48,000 in 1934 the import of boilers, which come principally from the United Kingdom, showed a large increase over that for 1933. In 1935, however, it is feared that Germany is taking some of the trade.

Tinplates.—The market for tinplates was up to 1933 largely in the hands of the United Kingdom, but owing to increasingly severe foreign competition her percentage of the market has dropped from 82 per cent. in 1932 to 65 per cent. in 1933, 28 per cent. in 1934 and 22·5 per cent. for the first half of 1935. There was a decrease in the tonnage imported from 32,859 tons in 1933 to 29,976 tons in 1934, but the share of the U.S.A. in the same period rose from 3,149 tons to 12,158 tons and Germany's from 4,035* tons to 8,517† tons, at the expense of the United Kingdom, whose imports fell from 21,480 tons to 8,346 tons.

The following figures show the extent to which the United Kingdom share of this business has been reduced during the past five years :—

Percentages of imports from the various chief supplying countries.

	1930.	1933.	1934.	1935 (6 months).
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
United Kingdom	82·9	65·4	27·8	22·5
U.S.A.	15·2	9·5	40·5	(a)
Germany	0·2	1·7	28·4	42·2
Belgium (b)	—	12·3		
Holland (b)	—	10·6		
Other Countries	1·7	0·5	3·3	(a)
	100·0	100·0	100·0	100·0
Total Tonnage	24,166	32,859	29,976	15,412

(a) Not available.

(b) Probably of German origin.

Out of a total of 15,412 tons, Germany supplied 6,502 tons against 3,474 tons by the United Kingdom and 2,313(b) by Belgium.

(Of which *3,471 tons and †3,751 tons respectively described in the Brazilian Trade Returns as coming from Holland, but probably of German origin).

Copper Plates and Sheets.—The import of these, of which the United Kingdom is usually the principal source, showed an increase, as did that of cast and moulded copper, of which the U.S.A. normally supplies the greater part.

Galvanised Iron Sheets.—This is an item of which the importation was reduced in 1934, from 8,874 tons to 6,376 tons, valued at £62,000. Whilst in preceding years over 90 per cent. of this trade was in United Kingdom hands, in 1934 the U.S.A. managed to dispose of 3,657 tons as against only 1,676 tons sold by the United Kingdom.

Plain Wire.—The value of imports of wire in 1934 at £224,000, was nearly £20,000 less than that for the preceding year, but the volume imported rose from 22,944 to 25,622 tons. Germany has been steadily increasing her share of this market and in 1934 sold 11,126 tons, with Belgium and the United States as the other principal suppliers. The total from the United Kingdom was only 1,189 tons.

Barbed Wire.—Here again there was a slight increase in volume in 1934 with a decline in gold value from £188,000 in 1933 to £166,000. The U.S.A., Germany and Belgium were the chief sources of supply, but Germany's share is yearly increasing. Imports from the United Kingdom declined from 1,088 tons in 1933 to 146 tons in 1934.

Electric Cables and Wires showed a greatly increased importation from 612 tons in 1933 to 1,240 tons in 1934, their value rising from £33,000 to £51,000 while the United Kingdom retained control of this market.

Radio Apparatus and Accessories.—The market for these articles is one which could be greatly increased. It was estimated in 1934 that there were about 160,000 sets in use, although only some 60,000 were registered. One firm manufactures 4, 5 and 6 valve receiving sets locally, of which it sells a large number. The U.S.A. is the principal supplier (75 per cent.) of an expanding market, the value of total imports rising from £125,000 in 1933 to £174,000 in 1934.

At present the long-wave set of 5, 6 and 7 valves is that most in demand. The best type for use in Brazil is probably one with receivers operating from A.C. main and on the short-wave and medium-wave lengths, combined with radio-gramophone or having sockets available for the use of a pick-up operating from an ordinary gramophone.

For the radio-gramophone type of set, the United Kingdom models are considered to be competitive in price and superior in quality, but the manufacturers seem to have made little or no attempt to organise an effective distribution service in the market.

A report made in 1934 on the market for wireless apparatus can be obtained by United Kingdom firms from the Department of Overseas Trade.

In 1934 an important United Kingdom firm obtained a series of valuable contracts for the installation of wireless stations for various government bodies, including police forces and also for a powerful wireless broadcasting station.

Cinematograph Films.—The value of the cinematograph films imported in 1934 was about £76,000, as against £80,000 in 1933 and £41,000 in 1932. The greater part of this trade is, of course, in the hands of the U.S.A. moving picture corporations, whilst a fair number of German films UFA and Ciné Allianz have also met with success. During the past year many United Kingdom films have been shown and their artistic merits have been greatly appreciated by film connoisseurs. It should be borne in mind by United Kingdom producers, however, that as the dialogue is not translated and appears in the form of subtitles at the bottom of the screen, the films most in demand by the general Brazilian public are those containing a maximum of action and a minimum of dialogue. It is probably true to say that a large proportion of cinema goers who see them do not realise that the United Kingdom films shown are in fact made in the United Kingdom, so minutely is the country of origin often printed by the distributors.

Textiles.—*Cotton Piece goods—bleached.*—The principal suppliers of this article, of which about £21,000 worth, or under half the value recorded for 1933, was imported in 1934, are the United Kingdom and Switzerland.

The import of printed cotton piece goods at £10,000 in 1934 also showed a decline of 64 per cent., the United Kingdom supplying nearly a half.

Dyed Cotton Piece Goods.—Materials to the value of £75,000 were imported in 1934—again a very considerable decrease—of which the United Kingdom sold 57 per cent. Imports from the other chief supplying countries: Germany (13 per cent.), France (12 per cent.), and Switzerland (7 per cent.), also declined, those from the latter country by almost 80 per cent.

The import of unclassified cotton piece goods for 1934 was 156 tons as against 158 tons in 1933. Of this 70 tons is recorded as coming from the United Kingdom and 21 tons from Germany; the latter's share is steadily increasing at the expense of France, French exports of these articles having dropped to 3 tons.

235 tons as against 280 tons in 1933 is the quantity of unspecified "cotton manufactures" imported during 1934, more than half of which came from the U.S.A.

During the first half of 1935, imports of all classes of cotton piece goods were 154 tons, valued at £43,000 gold, as against 140 tons and £30,000 for the corresponding period of the previous year.

Raw Jute.—Imports of this commodity to the value of £247,000 (a considerable decrease over the 1933 figures) were recorded during 1934. Of this five-sixths came from British India and the remainder from the United Kingdom.

Jute imports during the first half of 1935 were 12,605 tons, valued at £193,000 gold, as against 8,434 tons and £128,000 for the corresponding period of 1934.

Woollen Yarns and Piece Goods.—A marked decline in the imports of woollen yarns was shown in 1934. Of the 917 tons recorded, 333 came from France, 241 from the United Kingdom and 151 from Belgium.

Of the £83,000 worth of woollen piece goods imported in 1934 (as against £104,000 in 1933) the United Kingdom supplied about 87 per cent., the French share declining from 23 per cent. to under 5 per cent.

Linen Piece Goods.—The demand for linen piece goods fell off considerably during 1934, their value declining from £348,000 in 1933 to £194,000. The United Kingdom enjoys by far the largest share of this trade, the balance coming from Belgium and France in the order named.

Imports of linen for the first half of 1935 rose from 238 tons in the corresponding period of the previous year to 274 tons and in value from £64,000 to £72,000.

Natural Silk.—Imports of natural silk showed a decline in volume in 1934 from 937 to 786 tons with a corresponding decrease in value from £662,000 to £452,000. This is largely due to the increase in local production, which has risen from 10 tons of cocoons in 1925 to 700 tons in 1934. There are sericultural institutes in Minas Geraes, Amazonas, Pará, Parahyba, Espírito Santo, and Bahia, whilst the well organised São Paulo industry produced 600 tons of cocoons last year. Paraná, Rio Grande do Norte and Alagoas are also attempting to cultivate the silkworm.

Imports of raw silk further declined in the six months of 1935 from 371 tons in the corresponding period of the previous year to 226 tons.

Rayon.—The value of the imports of this commodity rose from £41,000 gold to £66,000 gold in 1934, Italy and France being the principal suppliers. Local production is developing rapidly, however, and will be still further increased by the foundation in August, 1935, of the Companhia Nitro Chimica Brasileira. This consortium, constituted by Klabin Irmãos, the well-known São Paulo firm of paper makers, the Votorantim Company, cotton spinners and weavers, and the Banco Comercio e Industria, has purchased a nitro-cellulose factory in the U.S.A., which had been closed down for some years. The complete plant will, it is stated, be dismantled and re-erected in São Paulo. According to report, this will be the largest artificial silk factory in

South America. The value of the plant is said to amount to 60,000 contos of reis, whilst the cost of dismantling, transporting and re-erecting the machinery will be 22,000 contos. The area to be covered by the factory is stated to be of 1,000,000 square metres. The two existing factories in São Paulo in 1934 produced 1,550 tons of artificial silk yarns.

Caustic Soda, of which the United Kingdom supplies about two-thirds, followed by the U.S.A., was imported in quantity in 1934 almost equal to that of the preceding year, but the gold value decreased from £330,000 to £256,000.

For the first six months of 1935 some 13,000 tons were imported, of which the United Kingdom provided nearly 8,000 tons and the U.S.A. 4,300 tons. Japan also entered the market with 650 tons.

Wheat.—During 1932 the usual order of importance of the two countries supplying Brazil with wheat had been reversed, owing to the barter transaction by which Brazilian coffee was exchanged for wheat from the U.S.A. The latter country in that year provided some two-thirds, the balance coming from the Argentine.

The coffee-wheat barter arrangement was not repeated, so that in 1933 and 1934 the Argentine regained the first place, supplying 780,000 and 799,000 tons respectively, as against 63,000 tons and nil provided by the U.S.A. Canada for the first time since 1930 engaged in this trade and has raised her share from 5,926 tons in 1933 to 6,370 tons in 1934.

Imports of wheat flour for the first six months of 1935 show a sharp decline from 52,456 tons to 21,382 tons, but wheat had an increase from 380,846 to 396,921 tons.

Dried Codfish (Bacalhau).—Imports of this commodity declined in 1934 from the already low average level of 25,000 tons for the preceding three years to 18,793 tons. Previously a normal year's importation was in the neighbourhood of 35,000 tons, and the decline is due to the general economic depression, depreciating exchange, the increased sale of dried fish from the Amazon water and to exchange difficulties.

It is estimated that some 50 per cent. of the trade is in the hands of the Newfoundland shippers, who dominate the market in the North of Brazil, where Pernambuco is the main importing centre; about 30 per cent. comes from the United Kingdom and 16 per cent. from Norway.

The total imports of dried codfish for the first six months of 1934 and 1935 fell from 10,782 to 10,412 tons, 64 per cent. coming from Newfoundland and nearly 20 per cent. from the United Kingdom.

A newcomer to the market is Iceland, whose fish-curers, having had their trade with Italy and other countries greatly reduced, are collectively endeavouring to find an outlet in South American countries.

Central Purchasing Commission of the Federal Government.—The purchase of most government supplies is centred in this Commission, which has now been in existence for some four years, and has done much to regularise the manner in which supply contracts are awarded by public tender.

Payments for materials for government use acquired abroad are usually made as follows: the manufacturer or shipper should consign the goods to the Comissão Central de Compras and draw a sight draft for the value in foreign currency on the local supplier through whom the order was obtained. The documents should then be sent direct to this local supplier who will be required to hand them in original to the Commission, together with the additional documents required to support applications for exchange to the Bank of Brazil. These should be accompanied by a declaration to the effect that a draft for the value of the shipment has been drawn on the supplier through the Bank of Brazil.

The terms of payment vary very widely, but at least, in theory, payment is promptly made, as was provided at the time of the formation of the Commission in 1931. As far as possible the Commission has tried to carry out this policy and has in fact on several occasions refused to proceed with Government orders on the grounds that funds were not available. Notwithstanding these precautions considerable delays occurred in 1932 and 1933 owing to exchange difficulties. This has now been overcome by the policy of the Purchasing Commission in insisting that all quotations should be made in milreis, i.e., Brazilian currency. Since this change payments have been made with great punctuality.

In spite of the exchange uncertainty in Brazil it has not been found in practice that this has created serious obstacles to foreign firms, though, on account of there being delays in some cases from the time of making the quotation to receiving the order, some risk of loss by exchange must be incurred. Once the order is in hand, however, exchange can be closed. The present position is that all imports are paid for in the free market and it should, therefore, be possible for remittances to be made without delay. Delays in the past have been occasioned almost entirely by the shortage of exchange and the consequent inability of the Bank of Brazil to supply cover at the official market rate.

With regard to purchases by other Government departments and bodies the system of payment varies, but payment is frequently made in sterling or other foreign currencies. Most commonly, however, it is the practice at present for quotations to be called for in milreis. For purchases by public companies, while milreis quotations are usually preferred, the method of payment is a matter to be arranged, and depends largely upon the amount involved.

A similar central purchasing commission for São Paulo was established in 1932, but was abolished in 1934 since it was found more convenient to entrust public purchases to the individual departments of the State Government.

Samples Fairs.—*Rio de Janeiro International Samples Fair.*—The 1933 Fair, which was held from the 30th September to the 29th October, was the sixth of these annual events to be organised by the Prefecture of the Federal District. As far as can be judged the results obtained showed some improvement over those of the preceding Fair, additional pavilions were erected, the number of exhibitors was again about 380, and there were 451,463 paying visitors, as against 193,390 in 1932.

Switzerland, Portugal and Lithuania were officially represented at the Fair, the cost of their stands having been borne by the respective governments.

Twenty-one United Kingdom firms exhibited as against 23 in 1932.

1934 Fair.—This Fair was opened for 93 days from the 12th August to the 15th November and the number of paying visitors rose to 941,606. The space occupied was 120,000 square metres as against 4,705 square metres in 1932 and 1933. There were 742 exhibitors, but the number of foreign stands was fewer than in the previous year.

A feature of the 1934 Fair was the division of exhibits by states, organised under the auspices of the respective state governments, and designed to emphasise their agricultural and mineral, as well as industrial production. The States of São Paulo, Minas Geraes, Pernambuco, Santa Catharina, Amazonas, Ceará and Acre Territory, were officially represented in this way, the expenses of their stands having been defrayed by the respective state governments.

In addition a number of Federal public service departments, such as the Animal and Vegetable Sanitary Defence Departments of the Ministry for Agriculture, the National Coffee Department, etc., participated in the Fair evidently with the object of bringing their services to the notice of agriculturists.

Of foreign countries Portugal, Poland, Hungary and Uruguay were officially represented, the cost of the stands being borne by the respective governments.

1935 Rio de Janeiro Samples Fair.—The Fair will be opened on the 12th October and will close on the 15th of November.

These fairs are an excellent advertising medium for overseas firms desiring to do business in Brazil and full details can be obtained by United Kingdom firms from the Department of Overseas Trade.

1934 São Paulo Samples Fair.—The Fair opened on the 7th September, but appears not to have come up to expectations.

VII.—PUBLIC WORKS AND COMMUNICATIONS.

General.—Generally speaking comparatively little work other than that of maintenance and repair has been possible of recent years, owing to the need for strict economy and to the shortage of foreign exchange. A great deal of government building is in progress, but such construction requires mainly local materials and does not involve the importation of foreign manufactures.

Nevertheless, it must be confessed that there is a great deal of work that cannot be much longer delayed, such as road work, water supply and the repair and renewal of the rolling stock of the Central Railway, whilst various harbour works are in course of construction or under contemplation. Another of the items of expenditure which will have to be faced is the renewal of the fleet of the largest of the national shipping lines, the Lloyd Brasileiro. The chief obstacle to carrying out most of these projects is naturally that of finance, and even those for which local currency could be made available are rendered very difficult of realisation by reason of the problem of transferring funds for the large quantity of material which it would be necessary to import.

Water Supply.—*New Water Supply for Rio de Janeiro.*—The water supply of the Federal District has long been inadequate and various schemes for increasing it have been put forward from time to time. A plan for drawing the water from the Ribeirão das Lages reservoir, which is one of the sources of the hydro-electrical energy used by the Rio de Janeiro Tramway, Light & Power Co., has now been approved and tenders were publicly called for on the 17th December, 1934. Nine tenders in all were received for this contract, only one being rejected, and these are now being studied by a special commission.

The total cost of the work is estimated at about 87,000 contos of reis, the first stage to cost 57,000 contos. The construction is divided into five sections: the first of 14,969 metres, the second of 18,156 metres, the third of 13,650 metres, the fourth of 18,277 metres and the fifth of 4,495 metres.

Information regarding this project may be obtained by United Kingdom firms from the Department of Overseas Trade.

It is quite evident that a proposition of this kind, with an estimated cost of well over £1,000,000, calling for the supply of pipe lines over 40 miles long, is worthy of careful study by suppliers of water-works material. The cost of this work would be met by an internal bond issue to the amount of 80,000 contos of reis, authority for which was granted in July, 1934.

It is proposed shortly to install water meters on the house and other water supply services of the Federal Capital, where at present these do not exist, the supply of water being charged for at a flat rate irrespective of the quantity taken.

In view of the fact that it will be several years before the new water supply at Ribeirão das Lages will be available, the Government is taking immediate steps to secure a temporary supply from Acary. Already 20,000 cubic metres are coming in and it is expected that an additional 20,000 cubic metres will soon be available. This will give the city an additional supply of 40,000,000 litres per day.

Water Supply and Drainage Schemes in São Paulo Municipalities.—A decree published in April, 1934, authorised the State Government to finance up to a maximum sum of 60,000 contos of reis,

the installation of new water and drainage systems or the reform or improvement of existing systems, in the municipalities in the State of São Paulo, and work is at present being pushed forward with all speed.

Maceió Water Supply.—A government survey for a better supply of water to the city of Maceió (capital of the State of Alagoas) has just been completed, but the engineers' report has not yet been published.

State of Bahia.—Among the other works connected with water supply which are in hand or have been projected are the installation of water filtration plants for Bahia, the order for which was given to an United Kingdom firm in 1934. The water supply of this city, administered by the State Public Health Department, is not adequate for the needs of the population, but considerable work has been done recently to improve it. The municipal system of sewage disposal also leaves much to be desired, but it is difficult to see how it can be improved until there is a really adequate service of water.

On the 17th August, 1935, the State of Bahia borrowed a further 2,000 contos of reis with which to pay for certain water and sanitation improvements in the city of Bahia.

Money has also been borrowed by the Municipalities of Itabura and Ilhéos to improve their water and sanitation services.

Roads.—Road making, except in the Federal District, is undertaken by State authorities. In several of the more advanced states, such as São Paulo and Rio Grande do Sul, there are government departments in charge of this work, but there is very little co-ordination in each state, i.e. state and municipal, the latter being responsible for roads within the *Município*, usually a town or village with a more or less extensive surrounding district.

The total extension of roads in Brazil in 1930 was said to be 121,785 kilometres, of which barely 1,000 kilometres were surfaced, but it is probable that the total has been substantially increased during the past five years (the régime of the Provisional Government), since in many states the Interventors, or Provisional State Presidents, were military men and understood something of road making. It must also be remembered that the constant pioneering tendency for settlements to extend westwards, especially in São Paulo, Paraná, Bahia, Santa Catharina and Minas Geraes, has also led to the building of roads, mostly of the third class unsurfaced type, which, apart from expense, are more easily repaired with local materials after each wet season. In the drought-afflicted states of the North, too, particularly in Ceará and Rio Grande do Norte, the Federal Government has undertaken extensive roadmaking in an effort to improve communications between the rainless districts and those which have been irrigated by the construction of dams and waterways.

New Road from São Paulo to Santos.—A decree signed by the Government of the State of São Paulo on May 24th, 1935, authorises the construction of a new road between São Paulo and Santos and the opening of a special credit of 32,000 contos for that purpose. It is not proposed, however, that the onus of this expenditure shall fall upon the local exchequer, as tolls will be collected to cover interest and amortisation of capital. This project is the result of deliberations of the State Consultative Council who decided that the present road is entirely inadequate and that in their opinion the São Paulo railway would become congested if, through the improvement of commerce, shipments were to exceed its transport capacity.

The State Government and Municipalities interested are also seriously contemplating the construction of a road which will join what is to be the future port of São Sebastião, about 60 kilometres north of Santos, with the main motor road between São Paulo and Rio de Janeiro.

Road to connect São Francisco do Sul with Mainland.—São Francisco do Sul is on an island of the same name with a bridge giving connection with the mainland. Under the authorisation of the Federal Government, the filling in of a causeway across the channel spanned by the railway bridge is now well advanced. When the work is finished the causeway will serve for both rail and road traffic. Improvement is, however, necessary in the road from São Francisco town to the causeway and from the causeway to Paraty-Joinville on the mainland. Pedestrians, horses and cattle, but not motor traffic, can already cross the causeway. The connection by road between São Francisco town and the mainland should give an impetus to trade with the interior.

State of Paraná.—Important works are being undertaken to increase the number of roads in the State of Paraná. Road communication has been established between Curitiba and São Paulo, and the new highway is being extensively and increasingly used both for passenger and goods traffic.

State of Rio Grande do Sul.—One of the most costly pieces of work undertaken by the municipal authorities of Porto Alegre to embellish the city for the Farroupilha Exhibition this year, is the completion of the Avenida Borges de Medeiros, which is a wide new artery through the city from north to south which has been under construction for the past three or four years.

State of Alagoás.—In April, 1934, a new road was opened from Maceió (the State capital) to Pernambuco. The route of the old road involved the crossing of various rivers by rafts and an hour's run along the beach at low tide, whilst the new highway has been constructed further inland and avoids these difficulties. As the roads from the city to the new Pernambuco road are in a very bad state, however, the latter is not likely to be much used for the present. The road problem of this State is of some urgency.

Railways.—In Appendix No. XVII will be found the extension of all the railways in Brazil, as well as an indication of the authorities by whom they are operated.

Very few Brazilian lines are profitable financially; in the case of the state managed concerns there is probably not one which makes any profit and most are run at a deficit, the Rio Grande system usually making the best showing. The Central Brazilian Railway, which has every natural advantage of position and volume of traffic, has a large annual deficit. Of the few lines run by Brazilian public companies by far the best is the Paulista, which makes substantial profits. Amongst the foreign operated lines the São Paulo Railway is the most profitable, a circumstance due partly to its peculiarly favoured position, controlling as it does the channel through which almost all the overseas trade and much of the coastal trade of São Paulo must pass. The number of lines owned by foreign undertakings is steadily decreasing; even since 1930 three important lines, namely, the São Paulo-Rio Grande (2,000 kilometres), the Madeira-Mamoré (366 kilometres) and the Companhia Ferroviaria Este Brasileiro, have passed from foreign into Brazilian hands. No new concessions have been granted to foreign concerns or seem likely to be in the near future. The new Constitution prohibits the granting of railway concessions upon a basis of guarantee of interest.

Toward the middle of 1934 a revival of enquiry for public works material, and particularly for rolling stock, began. In São Paulo, where the shortage was seriously felt owing to the sudden increase in the cotton crop, substantial orders for wagons have already been placed. The Sorocabana and Mogyana Railways and the Viação Ferrea do Rio Grande do Sul all issued enquiries, and it is probable that further purchases will be made during 1935 of wagons with which to carry the cotton crop. This is only a beginning; there is no doubt that replacements are needed by every railway in Brazil of the material which has been worn out, but could not be replaced owing to exchange shortage, during the past four years.

The following railways are amongst those which showed a favourable balance for 1934 :

	<i>Contos of reis.</i>
Paulista Railway	49,459
São Paulo Railway	24,407
Sorocabana Railway	16,221
Mogyana	9,415
Leopoldina Railway	18,948
Rêde de Viação Ferrea do Rio Grande do Sul	6,645
Great Western of Brasil	6,803
Viação Cearense	1,420
Estrada de Ferro Goyaz	652
Este Brasileira	560
Central do Rio Grande do Norte	181
Thereza Christina	31
E. F. Santa Catharina	14

Deficits.—The deficit of the Central Brazilian Railway for 1934 amounted to more than 30,000 contos of reis, whilst the Noroeste do Brasil showed an adverse balance of 1,048 contos of reis. Other railways with a deficit were the Rêde de Viação Mineira, the São Paulo-Rio Grande, and the Victoria to Minas lines.

E. F. Noroeste do Brasil.—This important line has recently been leased to a company known as the Companhia Melhoramentos E. F. Noroeste do Brasil, which was formed for this purpose by the Paulista and the Sorocabana railways, the former having the controlling share of capital. The line will henceforth be improved, extended and operated by this concern, and the purchase of a large amount of rolling stock is contemplated.

Electrification of the Central Brazilian Railway.—Tenders were invited in 1933 for the electrification of a part of the State-owned Central Railway of Brazil and particularly its suburban lines, where great congestion at present exists—a state of affairs that could doubtless be remedied by the introduction of electric trains. The commission of experts appointed to examine the offers, selected that of a well-known United Kingdom firm and a Federal decree approving the contract made with this firm to the value of some £3,000,000, was signed, with the result that work on the project is at present proceeding steadily.

On the 24th July, 1935, tenders were invited for the supply and installation of a diesel electric generating plant at Engenho de Dentro, a suburban station of the Central Railway near Rio de Janeiro. This plant is to consist of two diesel electric generators having a total output of 11,500 H.P. The invitation, which closed on the 20th August, was accepted by the German firm R. Petersen & Co. and by the Swiss house Sulzer Frères S.A. whose tenders are now being studied. This plant is, it is stated, destined to provide electrical energy for the first portion of the railway to be electrified by Metropolitan-Vickers. At a rough estimate it will cost some £200,000.

There is great conflict of opinion on the question of whether the main supply of electrical energy which will be needed should be furnished by a private undertaking or whether a large hydro-electric plant should be erected on the Parahyba river near Rezende. Italian interests are pressing the latter solution in the hope of obtaining a contract.

At the end of September the railway signed a contract with the "FIAT" company for the supply of five diesel electric locomotives to a value of 5,200,000 lire.

Railways in the State of São Paulo.—Railways in the State of São Paulo, according to figures issued by the State Secretariat of Transports, recorded receipts of 390,768 contos of reis in 1934, as compared with 381,835 in 1933 and 337,885 in 1932. Expenditure, however, rose to 278,371 contos of reis (as compared with 266,707

in 1933 and 243,697 in 1932) due to the increased cost of imported material, especially coal, which is largely used on the 25 lines operating in the State. Surplus balances realised 112,397 contos of reis (115,127 in 1933 and 94,187 in 1932), seven lines having shown deficits (9 in 1933 and 14 in 1932).

Leading in volume of receipts was the Paulista Railway with 107,481 contos of reis (8 per cent. more than in 1933), against expenditure of 58,021 contos. The São Paulo Railway came next with 98,165 contos of reis in receipts and 73,757 in expenditure (30 per cent. more than in 1933), the latter having increased at a more rapid rate than in the other lines. The Sorocabana Railway was third with receipts in 1934 of 82,926 contos of reis as against 80,098 in 1933 and 67,905 in 1932.

In July, 1935, the Mogyana Company came to an agreement with its British creditors whereby the latter shall receive only 40 per cent. of the interests due to them. The service of loans is not to exceed 10,000 contos of reis, any extra profits being devoted to payments to shareholders, amortisation of stock and purchase of new material.

Réde de Viação Mineira.—This network of railways covers the State of Minas Geraes and is run by the State Government. Since the amalgamation some four years ago, however, this system has had an annual deficit of some 6,000 contos of reis and the Governor, in a recent speech to the State Legislature, has promised a drastic reorganisation of the concern.

Railways in the State of Paraná.—The principal railway in the State of Paraná is the "Estrada de Ferro São Paulo-Rio Grande" (*Réde de Viação Paraná Santa-Catharina*), which has been run by the Federal Government since 1930. This line serves the southern and northern parts of the State and is joined at Itararé by the Sorocabana Railway from the State of São Paulo. A branch runs to Jacarézinho in the coffee zone in the north of the State. The São Paulo-Paraná railway serves the northern part of the State and is opening up the most fertile region.

According to a published report of the State Secretary for Finance, it is now proposed to link up the line of the Estrada de Ferro São Paulo-Rio Grande at Jacarézinho with the zone served by the São Paulo-Paraná railway, a distance of some 20 kilometres. The construction of some 16 kilometres of this line will be immediately undertaken. In the meantime it will be decided whether the remaining stretch should be joined to the São Paulo-Paraná railway, in the State of Paraná, or to the Sorocabana Railway, in the State of São Paulo. In the former case the additional track required would be three kilometres and in the latter ten kilometres.

At present the condition of the Estrada de Ferro São Paulo-Rio Grande leaves much to be desired. The condition of the track is bad; there is a shortage of material and locomotives, a situation which it is proposed shortly to remedy.

Some years ago work was started on the construction of a railway to link up Guarapuava, a very fertile region in the west of the State. Work was started but was soon abandoned. Construction is to be resumed very soon, however, and it is estimated that an expenditure for track and rolling stock of 16,000 contos of reis will be necessary.

In order to meet the expenses incurred with the foregoing projects, it is proposed to raise a loan of 50,000 contos of reis, guaranteed by the taxes on freight and passages, which produce some 5,000 contos of reis a year.

Viação Ferrea do Rio Grande do Sul.—This state operated railway has not undertaken during the period under review any important improvements or extensions. The receipts for the first three months of 1935, in comparison with the first three months of 1934, show some gains both in passenger and goods service, but the finances of the whole concern are now under strict supervision.

An extension of 27 kilometres from Jaguary to Curussú was recently inaugurated and it is hoped that this line will eventually reach São Borja. Work is also proceeding steadily on a further small extension of the line Severino Ribeiro to Quarai. Further projects are, an extension of 20 kilometres from Carlos Barbosa to Alfredo Chaves, a large dam and reservoir at Santa Maria, and a new railway from Pelotas to Santa Maria, connecting with the present line at Cachoeira.

Figures for the twelve months working in 1934 show a surplus balance of 9,493 contos of reis, but from this figure it would appear that a 30 per cent. discount has to be deducted as a gratuity to be distributed to the whole personnel of the system. The net balance is, therefore, 6,645 contos of reis.

Railways in the State of Bahia.

(1) *Companhia Ferroviaria Este Brasileiro.*—In July, 1934, the Provisional Government rescinded by decree the concession taken over in 1905 by a Brazilian company with French capital. Under this authority about the middle of March, 1935, the Federal Minister for Communications and Public Works appointed an administrator and actually assumed the operation of the line. The dispute is by no means concluded and law suits are pending, with the French capitalists as plaintiffs. The matter is an important one, since the system covers the whole of the State of Bahia and part of Sergipe and Minas Geraes. The total extension of the line is 2,315 kilometres; in point of length this railway occupies the fifth place amongst all the Brazilian systems.

It is estimated that the French concessionaires during 24 years working have had to face a deficit of some 14,000 contos of reis. According to report no interest has ever been paid on shares and the railway is generally in a bad condition.

(2) *Estrada de Ferro de Nazareth*.—This small company has a length of less than 200 kilometres, and has recently been taken over by the Federal Government.

Great Western of Brazil (State of Pernambuco).

This British concern opened two extensions during 1933, one of seven miles from Pinto Ribeiro to Alagoa de Baixo, and another of eight miles from Annum to Palmeira dos Indios. The total length of the system is now 1,088 miles.

Gross receipts for 1934 were 10 per cent. less than in 1933, but working expenses showed a decrease of 25 per cent. Net receipts, therefore, totalled £114,200 as against £44,077 in 1933. Loss on exchange, debenture stock interest and sinking fund accounted for £124,530, however, and this sum with a deficit of £188,280 brought forward from 1933 left a deficit for 1934 of £198,570.

Consequent upon good crops and reduced tariffs the volume of goods carried rose by 6·2 per cent., whilst receipts for passenger traffic, due to reduced fares, showed an increase of 1·9 per cent.

Following the cancellation of the privilege of free importation of coal, the company were obliged to resort to the burning of wood on their locomotives, thereby considerably reducing fuel costs. Though coal is more efficient in service, its use is precluded in the present conditions of low exchange, payment of import duties and national coal quotas.

Lorry competition continued to divert traffic from the railway and to combat this danger the railway entered into contracts with many of the principal firms dealing in cotton, cotton seed and coffee, whereby special rates were granted for these commodities on the guarantee that the firms in question would entrust the transport of all their merchandise to the Great Western Company.

Stringent economies were maintained throughout the year and the sleeper renewal programme was reduced to half that of 1933. Drastically reduced passenger rates were introduced on different stretches where omnibus competition was most acutely felt and trains are now running practically full on the short journeys.

Net receipts, however, after allowing for exchange losses, were again insufficient to cover the annual charges for debenture interest and sinking fund.

Rêde de Viação Cearense.—Receipts in 1934 amounted to 9,250 contos of reis and nett receipts were 1,419 contos as against 663 contos in 1933 and 478 contos in 1932, in spite of the cost of all imported raw materials having been much higher owing to a depreciating exchange.

The condition of the track is so bad and the lack of rolling stock so acute, however, that it is said that the railway had to refuse freights last year and is still carrying produce from the 1934 harvest. It is obvious that some improvement will have to be effected if the railway is to deal with this year's enormous cotton crop.

Central do Piauíh.—An extension of this railway is under construction, but very little progress has been made beyond clearing the ground. It is intended to extend the line to the capital of the State, Therezina, and by means of a bridge across the river, to connect with the São Luiz and Therezina railway at Flores.

Port Works.—Various projects are being carried out or have been approved for improvement works to ports, amongst the most important of which are the following :

Recife (State of Pernambuco).—By a contract entered into between the Federal Government and that of the State of Pernambuco, the latter undertakes to continue to administer the port until 1954, and before that date to carry out port works and to purchase certain specified plant. The works include dredging, the construction of 200 metres of quay wall, filling in and reclaiming an area to be used for the storage of inflammable materials and coal, the erection of a mechanical mobile coal discharging plant, building of warehouses, a bridge, engine and wagon sheds, an increase to the electrical power plant, construction of workshops, an airport, a dry dock, etc. The purchase of a tug and two motor barges is also included.

Tenders were opened in September, 1935, for the dredging, improvement and equipment of this port in accordance with the above programme of works.

A decree of the 21st June, 1935 approved the new estimates for port works at Recife, totalling 31,813 contos of reis, as well as the contract signed in April, with the Companhia de Mineração e Metallurgia Brazil (COBRASIL).

Fortaleza (State of Ceará).—Plans and estimates have been prepared for port construction work to cost 18,800 contos of reis at Fortaleza. Among the works to be carried out are improvements to facilitate access to the port, sheltered anchorage, quay warehouses, railway installations and connections. The State of Ceará has been granted authority by the Federal Government to undertake the works and equipment of the port and to operate the traffic during a period of 60 years. Costs are to be covered by the proceeds of various port taxes and dues.

A call for tenders was issued and it was reported in March, 1935, that the firm of Christiani and Nielsen had obtained the contract. It is not known when work will start, as many questions have yet to be settled.

Maceió (State of Alagoás).—The port works to be carried out here consist in dredging, land reclaiming, the construction of quays, warehouses, railway lines, paving, electrical installations, and the purchase of cranes, etc. Tenders were opened in July, 1934, and it was announced in the following February that a contract had been signed with the Companhia Geral de Obras e Construções S.A.

“GEOBRA,” the cost of which is Rs.18,688 contos of reis, payable in 30 days after completion and acceptance by the Government. The contractors had also to make a deposit of 300 contos of reis to guarantee the undertaking and complete it within two years.

The works have not yet commenced, owing to delay in the Federal Government’s final approval of the plans.

Rio de Janeiro.—A contract for the preliminary works in connection with an extension of the quays was signed in 1934 with the Companhia Nacional de Construções Civas e Hydraulicas, of Rio de Janeiro, but work has not yet been started.

The Companhia Brasileira de Portos, the capital of which is French, which has operated the port of Rio de Janeiro under a contract dated the 9th May, 1933, has had its concession rescinded, but continues to operate the port services for the account of the Government.

São Sebastião (State of São Paulo).—In July, 1934, the Federal Government authorised the São Paulo State Government to grant concessions or contracts for the construction and operation of a port at São Sebastião, which lies close to the island of the same name, about 60 miles north of Santos, and has attained some importance as a shipping point for bananas, oranges and grapefruit.

By a decree of the 4th May, 1935, the President of the Republic approved the plans of the port works project, the cost of which has been estimated at 4,337 contos of reis. A call for tenders is shortly to be issued.

Cabedello (State of Parahyba).—This port was officially inaugurated on the 24th January last. Until recently the port facilities available were of a most primitive nature, but the important new constructions include a quay—with the extension to unloading yards and railway sidings—and electric cranes and warehouses were also installed. The State of Parahyba will no doubt draw full benefit from these improvements.

Paranaguá (State of Paraná).—Work on the construction of a quay and on the general improvement of the port was begun in 1928. A considerable amount of money was spent, but little progress made until 1930 when work was stopped. In 1933 a contract was signed with the firm of Christiani and Nielsen, with the result that the quay wall was finished in March, 1935, at a cost since the contract was signed of some 13,000 contos of reis. The new quay has a length of 400 metres with a depth alongside at low water of 25 feet. The draught on the bar at Paranaguá at high tide is about 24 feet, so that to make the port accessible to large vessels steps will have to be taken to have the depth increased. Two warehouses have also been constructed.

Ilhéos (State of Bahia).—Some few hours steamer journey south of Bahia is the important cocoa shipping port of Ilhéos, which is

dangerous, however, to ships drawing more than 15 feet of water. During the past year the entrance to the harbour has become even more difficult on account of silting, and arrangements have now been made between the port concessionnaires and the Federal Government for the provision of a suction dredger. It is also proposed to build a new wharf and warehouse.

Pelotas (State of Rio Grande do Sul).—The dredging work at this important port is proceeding steadily and it is reported that it will be finished within a few months.

The Naval Programme.—With a view to the re-equipment of the Brazilian navy, many of the ships of which are now almost obsolete, a decree of the 30th June, 1933 established an annual credit of 40,000 contos of reis for twelve years for the purchase of various units for the navy, which according to declarations of the Minister for Marine, would be the following: two cruisers of 8,000 tons, nine destroyers of 1,500 tons and six submarines of 900 tons. Tenders were invited and were received from 16 foreign firms, of which five were United Kingdom firms.

Three United Kingdom firms were later selected to submit tenders for the destroyers according to revised specifications, but after they had filed their offers, they were invited to quote on a barter basis. Offers upon such terms have been submitted to the Ministry, but a final decision is still pending. The specifications provide in addition that three of the destroyers shall be built in Brazil, either at the naval yard of the Ilha das Cobras or at Vianna Island, where the dockyards of the Costeira Line are situated.

The great obstacle to be overcome in the realisation of this ambitious programme is, of course, that of finance, which, with the present shortage of exchange, is bound to make negotiations extremely difficult.

In view of the present financial stringency it is not considered possible that the order for the cruisers will be placed in the near future.

The Brazilian Mercantile Marine.—The Department of Ports and Navigation has recently published a report on the activities of the Brazilian Mercantile Marine for the year 1933, from which it appears that 67 Brazilian shipping concerns were in operation on deep sea, coasting and river routes, covering a distance of 77,528 miles, and that they completed voyages totalling 3,673,950 miles. Of these the most important were:—

The Lloyd Brasileiro, with 64 ships totalling 240,000 tons gross;

The Companhia Nacional de Navegação Costeira, with 19 ships totalling 51,000 tons;

The Lloyd Nacional, with 18 ships totalling 39,000 tons;

The Companhia de Comercio e Navegação, with 14 ships totalling 27,000 tons ;

The Amazon River Company, with 21 ships totalling 10,000 tons.

The Lloyd Brasileiro transported about 60 per cent. of the 232,000 passengers and 2,022,000 tons of cargo carried by the Brazilian lines.

Subsidies to the amount of 29,322 contos of reis were paid by the Government to shipowners and formed some 15 per cent. of the total gross earnings.

The national shipping companies, however, although many of their services are subsidised in this way and the coastal transport of cargo is reserved to them and carried at high freight rates, are, for the most part, in a far from satisfactory position.

The financial position of the Lloyd Brasileiro shipping company, a concern in which the Government holds almost all the shares, is such that in January of 1934 a short moratorium was granted in respect of its Brazilian creditors. On the 4th March, 1935, the company's affairs once more became the subject of much comment in the Press and in political and commercial circles, when the Condor Oil Company, a Brazilian entity, attached one of the vessels of the Lloyd Brasileiro for a debt of about 600 contos of reis. Since then many other petitions for the company's bankruptcy have been filed by various creditors, but have been resisted on the grounds that the line is under government control and is, to all intents and purposes, a state department. This agitation led the Government to promise to convene a meeting of creditors and to reorganise the concern after having paid outstanding debts. These debts are calculated to amount to some 157,000 contos of reis, of which 7,000 contos for provisions, 18,000 contos of reis for coal, and another 10,000 odd contos for oil and other material are owed to local firms.

Although the company's fleet is for the most part in bad condition and almost obsolete, it should not be impossible to rehabilitate the concern, for the value of the real property consisting of buildings, land, docks, etc., is said to be sufficient to guarantee any plan for reorganisation. It is to be hoped, therefore, that Admiral Graça Aranha, a man of known resource and energy, who was appointed administrator of the company in August, 1935, will find some means of rehabilitating the concern.

The earnings of the Lloyd Brasileiro of recent years are given as follows :

1931 : 134,000 contos of reis	} In each of these years the company received in addition a subsidy of about 20,000 contos of reis from the Government.
1932 : 104,800 contos of reis	
1933 : 92,300 contos of reis	

The Minister for Transport has for some time been evolving a plan for the reorganisation of the national mercantile marine but although a project to this effect was discussed in the Chamber of Deputies during 1934, no legislation has yet appeared.

On the 9th May, 1935, the Federal Council for Foreign Trade dealt with a number of suggestions which had been submitted to it for placing the Brazilian Mercantile Marine on a paying basis. One of the plans most favoured was a proposal for the amalgamation of all "national" shipping lines, whilst the representative of the Maritime Federation read a report in which the opinion of the maritime employees expressed itself in favour of the nationalisation of the industry by the state. No definite decision, however, was reached.

On the 5th June, 1935, Snr. Euvaldo Lody, one of the members of the Federal Council for Foreign Trade, who had been entrusted with the task of drawing up a definite conclusion as to the requirements of the Brazilian Mercantile Marine, presented his report to that Council. Snr. Lody recommends, *inter alia*, the creation of an administrative department, subordinate to the Ministry for Transport and Public Works, to superintend all water-borne services. He also recommends the signature of contracts with such shipping companies as may desire them, having as their special object the renewal of the fleet, and the consequent dismantling of obsolete tonnage for the purpose of securing the nationalisation and the economic equipment of the national shipping industry. Port legislation, tariffs and freights and the reorganisation of existing companies are also dealt with in the memorandum.

The total of the coast-wise trade during the last four years for which statistics are available was as follows :

			Volume.	Value in
			(In metr. Tons).	Contos of reis.
	1930	...	1,565,000	2,058,000
	1931	...	1,633,000	2,234,000
	1932	...	1,727,000	2,347,000
	1933	...	1,866,000	2,551,000
	1934 (est.)	...	2,094,000	2,795,000
compare	1921	...	1,084,000	1,156,000

Companhia Carbonifera Rio Grandense.—The above company, which owns coal mines in the State of Rio Grande do Sul, purchased during 1934 a number of second-hand steamers in the United Kingdom and elsewhere, which are principally employed in the carriage of coal to ports in other states and in other coast-wise traffic.

Since then the company has further increased its fleet by buying up the *Companhia Comercio e Navegação* in March, 1935 for a sum of 18,000 contos of reis. The latter company has a large salt-carrying trade, shipping yards and repair shops, in addition to a fleet of coasting vessels.

Companhia de Navegação Transatlantica.—By a decree of the Government of the State of São Paulo published on 10th April, 1935, an internal credit of 20,000 contos of reis was opened with which to incorporate a shipping company, the whole of the capital of which is to be subscribed by the State Government. The capital of the company is to be of 100,000 contos of reis, or more, and a special tax of $\frac{1}{2}$ per cent. on the value of products exported abroad through the ports of the State of São Paulo, which enjoy a reduction in rates of freight to foreign countries, on those ruling in December, 1934 will be collected. With the proceeds of this tax and of a supertax equivalent to any reductions in freights in relation to freight rates to be fixed by the State Government, a special fund is to be created, to be employed, *inter alia*, in meeting the deficits of the company.

At the beginning of August, 1935 it was announced that the company would at first charter some half-dozen cargo boats in Holland, Sweden and the United Kingdom until the economic situation justified the purchase of the necessary vessels.

The scheme would appear to be the outcome of the desire of São Paulo exporters to force the hand of the steamship companies to agree to their demands for lower freights.

Rio Grande Shipping Line.—The Governor of the State of Rio Grande do Sul, General Flores da Cunha, also wishes to develop the resources of his state and is at present endeavouring to organise a new coastal steamship company for the purpose of carrying coal and produce from the State of Rio Grande do Sul to the North, particularly to Pernambuco. The energetic and influential governors of these two states are evidently determined that the mutual commerce of their states is not likely to develop unless it can be freed from the high freight rates charged by the existing coastal lines.

The intention is to raise a loan with which to finance the purchase of five steamers of 4,200 tons dead weight, with 600 cubic metres of refrigerated cargo space and propelled by diesel engines at a speed of 12 knots. It is hoped to arrange for payment for the vessels to be accepted in the form of produce of the State of Rio Grande do Sul.

Civil Aviation and Aircraft.—Considerable progress has been made in the development of civil aviation in Brazil since the last report in this series was written in 1932. Two new companies have been established, namely the Aerolloyd Iguassú, S.A., which operates services from Curityba to São Paulo, Curityba to Joinville, and Curityba to Florianopolis; and more recently the Viação Aérea São Paulo S.A. (VASP), which operates services from São Paulo to Ribeirão Preto and from São Paulo to Uberaba, which is on the Minas-São Paulo border. This latter company is hoping shortly to sign a contract with the Government of the State of São Paulo

whereby it will receive an annual subsidy of 500 contos of reis for a period of 10 years in order to establish a regular twice-daily air service between Rio de Janeiro and São Paulo.

A contract was awarded in 1934 to the Companhia Constructora Nacional S.A., a German owned concern, for the construction of an airship port at Santa Cruz, some 50 kilometres from Rio de Janeiro, to include a landing ground and facilities for Zeppelin airships. This base is now almost completed, and the local German staff has trained a group of agricultural labourers drawn from the neighbourhood into such an efficient landing team that the Zeppelin is able to be grounded, discharged of her cargo and reloaded within a very short space of time.

A further contract was awarded last year to Messrs. Lage Irmãos (Companhia Nacional de Construções Civas & Hydraulicas) for the construction of an airport at the Ponta do Calabouço on the coast of the bay, but work has not yet been begun.

On the 21st May, 1935, a contract was entered into between the Federal Government and the Pan-American Airways Inc. for the construction of various installations at Ponta do Calabouço, at Rio de Janeiro, for the use of Pan-American Airways, Inc., Panair do Brasil S.A., and other concerns, which by agreement with the said concessionaire obtained authorisation to make use of such installations.

The aerodrome at São Paulo, situated at Campo do Marte, has been condemned in view of the periodical floods of the local river Tiete, which inundate it, and the prevalence of low lying ground mists in the district. The Government of the State has therefore decided to purchase an area of ground at Brooklyn Paulista, situated some six kilometres from the capital, and to construct a new aerodrome there at an estimated cost of a thousand contos of reis.

A new airport at Pernambuco is also included amongst port works shortly to be commenced there.

The 1935 budget estimates include a subsidy of 582 contos of reis to the Condor Syndicate for the maintenance of the São Paulo-Cuyabá service and of 945 contos of reis to the Panair do Brasil S.A., for their Pará-Manaos services.

It is hoped to establish connection by air to Peru by the prolongation of the line Belém. (Pará) Manaos; and to Bolivia by linking the São Paulo-Corumbá line with Lloyd Aereo Boliviano.

A proposal has also been made for the establishment of a regular air service between Rio de Janeiro and Rio Branco, the capital of the Acre Territory. Considerable discussion has arisen as to whether the route should be fixed via Pará and Manaos or much more directly over land via Corumbá, in Matto Grosso. More time would be saved by the latter route, but the Amazon itinerary would probably be of greater practical value.

The establishment of an aircraft factory in Brazil is another project which it is hoped will be realised and it is interesting to note that a model of what was described as the first biplane to be constructed from national raw material was submitted to the higher military authorities. It is stated that the machine in question will be a biplane with double controls and will be completed within two months. The engine, a "Gipsy", is to be the only component of the apparatus to be imported.

In May, 1934, an important contract was signed with the Luftschiffbau Company for the institution of a regular fortnightly transatlantic Zeppelin service with a base at Rio de Janeiro and with the Lufthansa Company for a transatlantic service in the alternate weeks, using a floating vessel in the middle of the Atlantic as an air station. By a new arrangement, however, the "Graf Zeppelin" as from 20th July, 1935, no longer carries letter mail but only passengers, freight and postal packets. The German "Condor" service was accelerated from 6th July onwards and air-mail leaving Central Europe on Thursday now arrives in Rio de Janeiro on Saturday morning, enabling the recipients to send replies by the "Air France" service on Saturday evening. A postal service of this kind is clearly of considerable value to commercial concerns and it is important that United Kingdom firms should remember that it exists. It is now possible for correspondence to travel from Brazil to Europe as quickly as, if not more quickly than, from Brazil to the United States of America. In this connection it is worth noting that the small town of Natal, the capital of the State of Rio Grande do Norte, and the jumping off ground for the transatlantic air service, is daily growing in size and will, in the future, doubtless become of increasing economic importance.

The American Pan-Air company brought into their service in 1934 the new and powerful "Brazilian Clipper," which, it is said, has doubled the capacity of their lines. Two similar machines are to be added.

The first National Aeronautical Congress, organised by the Aero-Club of São Paulo, was held in the city of São Paulo in April, 1934. A comprehensive list of subjects was discussed and important results for the furtherance of civil aviation in Brazil were reached.

Amongst the more important decrees relating to aviation matters which have been issued during 1933, 1934 and 1935 the following may be mentioned:

Decree No. 22,673 of the 28th April, 1933, which prescribed regulations for postal air services.

A decree regarding the issue of a special postage stamp commemorating the achievements of the late Senhor Santos Dumont, the proceeds from the sale of which are to provide a fund for the construction of works required for the establishment and maintenance of air lines and the perfecting of air mail services.

Decree No. 22,569 of the 23rd March, provided for a new naval aviation base at Belém (Pará).

Decree No. 22,878 of the 30th June, authorised the Aerolloyd Iguassú S.A. to establish an air service in Brazil.

Various decrees regarding the above-mentioned Rio de Janeiro airport were issued; one of these granted a reduction of duties for the imported material needed, and one granted a reduction of 30 per cent. in the duties on the oil and petrol which will be used. A total credit of 12,318 contos of reis was earmarked for the cost of the airport.

Decree No. 22,904 authorised the Ministry for Transport and Communications to contract for an airmail service between Belém and Manaus, and Decree No. 23,074 gave similar powers to contract for the service between São Paulo and Campo Grande.

Decree No. 24,572 of the 4th July, 1934, which is of special importance, lays down zones forbidden to aerial navigation and specifies the routes to be followed for aircraft leaving Brazilian airports, in addition to various other provisions of general importance concerning the regulations to be observed in connection with civil aviation in Brazil.

For the Belém-Manaus line the contract was awarded in March, 1934, to the Panair do Brasil S.A., according to Decree No. 24,015 of the 15th March, while the air-route São Paulo-Campo Grande was entrusted to the Sindicato Condor Ltda., by Decree No. 24,016, of the same date.

On the 14th of July the Compagnie Générale Aeropostal signed a "term of responsibility" by which it undertakes to operate with efficiency for public, tourist and sporting aircraft and for those which may undertake flights, either national or foreign, during hours determined by the Department of Civil Aviation and independent of any remuneration, the eight aerodrome lights which will be despatched with exemption from customs duties and which will be installed at Natal, Recife, Maceió, Caravelas, Santos, Florianopolis, Porto Alegre and Pelotas.

By a decree of the 23rd March the coastal air defences of Brazil were organised in five sections, the northern, the north-eastern, the central, the southern and the south-western.

Decree No. 232 of the 12th July, 1935, lays down new regulations for Naval Aviation; while the "Diario Oficial" of the 5th April, 1935, publishes the instructions to be applied in case of aviation disasters.

The figures in Appendix No. XVIII regarding civil aviation traffic for 1934 and the first half of 1935 will serve to show how civil aviation is developing in Brazil.

Military Air Mail Service.—Information about this service, which was inaugurated in 1931, has been difficult to obtain in the past, but now that it has proved a success the military authorities are less reticent and it is possible to include in the present report a brief description of this notable example of Government enterprise.

The main objects of the service are the spreading of "air-mindedness" throughout the country and the opening up of undeveloped territories in the north, south and interior of Brazil, where aviation offers the most rapid and economical method of securing internal communications. The training of military pilots is a secondary but increasingly important function and a tour of duty over the air mail routes is now considered an essential part of general flying instruction.

The service was inaugurated in August, 1931, with 37 pilots using 10 "Curtiss" (U.S.A.) single-engined aeroplanes. With this equipment the service was operated over a route distance of 1,740 kilometres. In 1932 the length of routes was doubled and successfully operated with no appreciable increase in the number of personnel and machines. Both of these latter, however, were doubled in 1933, and resulted in a great increase in weight of mail carried. The following year, 1934, the length of routes totalled 7,600 kilometres, and not less than 64 pilots and 22 aircraft were employed, 615,000 kilometres being flown as compared with 54,000 in 1931. During the first half of 1935 the routes were further extended, resulting in an increase in the volume of mail over the corresponding period of 1934. Moreover the Government has expressed the intention of further extending the military air mail service during 1936 and has ordered additional equipment for this purpose.

From the date of its inception this service has consistently employed aircraft and aero-engines of U.S.A. manufacture. The Waco Aircraft Co. and the Wright Aero Engine Co. have up to the present supplied all the flying equipment, which has given such satisfaction that when new machines are required, the order goes automatically to the U.S.A. and no tenders are requested from the United Kingdom and other foreign aircraft manufacturers.

The service has always suffered from lack of technical personnel, but courses of instruction given by the two U.S.A. firms mentioned above are doing something to remedy this deficiency.

Accidents have not reached an excessively high figure and are decreasing annually, only a very small proportion being due to structural defects and engine troubles.

The service is not operated on strictly commercial lines and therefore the necessity of keeping to time schedules does not obtain. The result is that if the weather forecast is adverse or the pilots encounter bad weather, flights are delayed pending improved conditions. If the factor of running exactly to time is omitted, however, it may be said that as a rule from 80 per cent. to 90 per cent. of the flights projected are actually commenced and completed.

In Matto Grosso, Goyaz, Ceará and Piahy, there is no flying during December. On the Matto Grosso frontiers the service is only undertaken between August and October and on the southern routes between July and December.

Pending an increase in the volume of mail and the demand for passenger accommodation, the Government intends to maintain and develop the service as a Government institution. The intention is ultimately to hand over the military air routes to private enterprise, but this is not envisaged for the near future. Meanwhile further developments will include the provision of more aerodromes and forced landing grounds, hangars, refuelling facilities, additional wireless stations on the ground to communicate with the aircraft, and an extension of routes into the interior of Brazil.

VIII.—INSURANCE SITUATION.

There are 47 Brazilian and 33 foreign companies operating in the market. Of the latter 19 are British, 5 German, 3 French, 2 Italian, 2 North American and 1 each Swiss and Argentine. The following table gives the results of the business transacted by these concerns during recent years :—

Brazilian Companies :—

—	Land Insurances (Incl. Fire and Accident).		Marine Insurances.		Total Loss Ratio.
	Premiums.	Losses.	Premiums.	Losses.	
	Contos of reis		Contos of reis		Per cent.
1930 ...	48,096	30,354	11,611	7,737	63·8
1931 ...	45,510	13,008	11,953	5,335	32
1932 ...	39,489	10,133	10,704	3,148	26·3

Foreign Companies :—

1930 ...	40,858	23,263	5,648	2,153	54
1931 ...	37,275	16,383	5,388	1,913	43
1932 ...	38,437	8,736	5,702	1,882	24

No official statistics have been published since 1932, but it is known that foreign companies have not lost any ground and have even increased their premium incomes, probably due to the depreciating exchange. This latter factor, however, has compelled foreign companies to resort to more extensive re-insurances (owing to their legal limits) where insurances of large sterling or dollar values are involved, but the bulk of such re-insurances has, generally speaking, been retained among the foreign companies. Consequently there should have resulted little loss of net premium income among the group, although net profits remitted have, of course, diminished in terms of sterling.

Until 1933 certain foreign companies enjoyed special rights which had been in force since Empire days, but these have been abolished by the recently revised regulations, which are generally regarded as satisfactory in many features, particularly in the matter of re-insurance transactions, which may now be effected on a universal basis.

Last year a bill was drafted to give effect to the provisions of the Constitution which lays down that the foreign insurance companies working in Brazil shall become nationalised. After much discussion at the beginning of the year, the matter was referred back to a committee, since when no further information is available. It seems unlikely that nationalisation would result in the extension of reasonably cheap insurance facilities to Brazilian commerce and the public as a whole. The rates, particularly for fire cover, are already higher than in most other countries similar to Brazil.

Additional regulations of the 14th February, 1935, however, set forth the terms upon which companies may participate in industrial liability insurance (which has become important in consequence of the recent pension and compensation laws), and practically excluded foreign firms from this form of insurance. United Kingdom insurance companies quite naturally view all this with great anxiety and fear that regulations having successfully been brought into effect concerning one form of insurance, similar provisions may subsequently be made to apply to other types. The attitude of the Minister for Labour is illustrated by an official decision dated the 16th February refusing permission to a well-known United Kingdom company to operate in personal accident, illness and sickness insurance. In this case the firm's petition was refused on the grounds that, being a foreign concern, it should be excluded, as far as possible, in accordance with the general policy laid down in Article 117 of the Constitution.

All insurance companies in Brazil are subject to supervision and control by a government department known as the Inspectorate of Insurance, and before authorisation can be obtained to commence operations, companies must put up a minimum capital of one thousand contos of reis (fully paid) which must be represented by bonds of the Brazilian public debt or other securities approved by the special regulations relating to insurance companies.

In addition to the paid up capital, a reserve must be deposited at the end of each financial year in respect of all known claims which have not been settled, whilst for unexpired risks a further reserve is required, calculated at the rate of 33½ per cent. of the previous year's premium from Fire, Accident and other Land Insurances, and 25 per cent. of the last three months' premium income from Marine or Transit Insurances.

A special feature of insurance in Brazil is that companies are not permitted to accept upon any one risk more than 40 per cent. of their declared and paid up capital, a restriction which considerably curtails the freedom of action of the more important foreign companies, or, alternatively, obliges them to deposit very large sums in order to constitute their local capital.

Equal taxation is imposed upon both national and foreign companies.

Most types of insurance transacted in other countries are now available in Brazil, including accident insurance. Marine insurance is naturally an important item in view of the considerable proportion of Brazil's commerce which is carried by the coastal lines, and this form of business seems most likely to develop.

IX.—REGIONAL CONDITIONS.

Consular District of Pará.—The region of the consular district of Pará extends over the whole of the northernmost part of Brazil and covers a total area of approximately $1\frac{1}{2}$ million square miles, measuring some 2,500 miles from East to West and about 1,000 miles from North to South. This vast area contains the States of Pará, Amazonas, Maranhão and Piauhy, and the Federal Territory of the Acre. The principal cities are :

Belém—the capital of the State of Pará.

Manaos—the capital city of the State of Amazonas.

São Luiz—the capital city of the State of Maranhão.

Therezina—the capital city of the State of Piauhy.

Parnahyba—the port through Tutoya of the State of Piauhy.

Rio Branco—the capital city of the Acre Territory.

The population of the whole region is estimated at three millions, urban areas containing about one-sixth. In the rural districts and the regions of the hinterland the population is sparse, scattered and living under conditions either entirely primitive or bordering on that condition.

The climate of the district, situated as it is in the equatorial zone, is tropical, humid and enervating. Malaria is prevalent in the interior, but improved hygienic conditions and greater care have done much to improve the health of the urban population. The constant heat is, however, a factor that has to be reckoned with in considering the agricultural and industrial development of the district, for it saps the vitality and lowers the energy, not only of the foreigner who is unacclimatised, but also of the Brazilian working population, who rarely, if ever, enjoy any change from these trying climatic conditions.

The standard of living of the majority of the population in any part of the district is not high, for the wage level in the cities is probably lower than in any of the coastal states of the Union, while in the interior, although wages may be fixed in milreis, payment is usually made in an agreed amount of goods, which do no more than meet the simplest necessities of existence.

The whole of the Amazon Valley has suffered during the last two decades from the aftermath of the rubber boom years, when

the money which poured into the region was spent with a short-sighted extravagance. It has taken many years of hard struggle and experiment for the commercial community to turn its attention and direct its activities to the many other products, natural or cultivated, which can be produced in the region. When the entire population was either directly or indirectly affected by rubber, there was little possibility of cultivation or experiment in the exploitation of other products, so essential if the region was ever to be developed. To-day, however, increasing efforts are being made to explore the possibilities of its agriculture and mineral wealth, which is in itself a far healthier state of affairs than when the region depended on the price of the one product—rubber.

In the past all the necessities of life were imported, principally from abroad, but to-day the region tends to become, in common with the rest of Brazil, more and more self-supporting, or at least independent of foreign goods. The result is that many articles of foreign manufacture which formerly were freely on sale, are now unobtainable, especially certain articles of foodstuffs, tinned goods, condiments, etc., wearing apparel such as high-class imported hats, fine cashmere cloths, ladies' dress materials, etc., while others have become prohibitive in price owing to high tariff walls and exchange difficulties. The effect has been to raise the cost of living to a considerable extent in all but the main articles of food of national production, such as meat, farinha, beans, coffee, sugar, etc. Although the wage level has risen slightly during the last four to five years the working population is actually no better off, but in the urban areas an improvement in the standard of living is taking place, which is resulting in a wider circulation of money.

In considering the commercial possibilities of the district it may be said, therefore, that the tendency is towards greater activity in local production, with an increase in exports and imports of domestic and national manufacture and a corresponding steady decrease in the use of foreign goods. The immediate future does not hold out any very bright prospect for a material increase in the trade of the United Kingdom with this district, but the region has unlimited potentialities, which, as has been said, are increasingly being explored, and the market is one that should expand with normal development under improving conditions.

The finances of the State of Pará would appear to be in a fairly satisfactory position. The last budget statement which is for the year 1933, showed a total revenue of Rs.23,262:479\$708 and an expenditure of Rs.22,963:255\$221, leaving a surplus of Rs.299:224\$487. The estimated revenue budgeted for was Rs.19,449:000\$000. The increased revenue actually received was thus sufficient not only to meet the heavy increase in actual expenditure over the amount estimated, but to leave a surplus. The increase during that year of 12,466 tons in exports as against the previous year contributed to this surplus since export taxes are the principal source of revenue of the State.

The budget for 1934 estimated revenue at 21,769 contos of reis and expenditure at 21,663 contos, but the financial statement has not yet been published. In spite of the increase in exports it is not generally supposed that any surplus exists. Figures for the current year are said to be estimated at 26,000 contos for revenue and an equal amount for expenditure, but no official statement has yet been made by the new government.

The position as regards the external debt of the State of Pará remains unaltered, except that unpaid interest continues to accumulate.

The internal funded debt of the State of Pará at the end of 1933 stood at Rs.5,243:600\$000, while the floating debt amounted to Rs.17,019:207\$194, or a total of nearly 22,263 contos, approximately 95 per cent. of the total revenue for that year.

The 1935 budget for the State of Amazonas gives an estimated revenue of Rs.9,466:750,\$000 against an estimated expenditure of Rs.9,443:960\$000, leaving a surplus of Rs.22:778\$900. No allowance has been made for debt charges, either for external or internal loans, which are estimated to call for Rs.3,833:190\$625 in interest and redemption annually.

The foreign loan debt at the end of 1933 amounted to 177,272,480.04 francs, which remains unaltered except for the addition of accumulated interest.

The total foreign debt of the Municipality of Manaus also remains substantially unchanged at a figure of £638,839 5s. 4d.

The indemnity of 12,000 contos paid by the Federal Government to the State of Amazonas for the loss of the Acre Territory has been practically all exhausted in State expenses and public works, principally a large building intended for government offices and another for the Health Department, both of which, however, remain uncompleted.

As regards the general financial condition of commerce in Manaus, the nut crop is the salvation of trade. Rubber, balata, hides and skins also contribute to the trade of the port, which is situated nearly 1,000 miles up river. In spite of existing difficulties no bankruptcies of any importance have been registered during the past year.

According to the budget for 1934, revenue and expenditure in the State of Maranhão were estimated at an equal figure of 13,290 contos, but no statement of account has been published. For the current year, 1935, revenue is estimated at 11,955 contos against an expenditure of 11,941 contos.

No interest has been paid since 1st November, 1931, on the U.S.A. loan of 1928, which at the end of June, 1935, was Rs.1,682:000\$000. Accumulated interest and amortization amount to \$231,387.62, but against this the sum of Rs.3,600:000\$000 has been deposited with the Banco do Brasil. Last year a proposal was made to utilize a part of this deposit on improvements in the water,

light, drainage services, etc., administered by the Ulen Management Company, but up to the present it has not been found possible to come to any arrangement which would be acceptable to bondholders. Remittances to the Trustee in New York have been made in dollars of $17\frac{1}{2}$ per cent. of the 1st May and 1st November, 1934, interest coupons, and 20 per cent. of the 1st May, 1935, coupon, but in order that bondholders may receive these partial interest payments coupons must be surrendered for cancellation. The State is empowered, by Federal decree, to raise 20,000 contos to pay off its indebtedness, but so far this sum has not materialised.

Against the French loan of 1910, $17\frac{1}{2}$ per cent. of the 1st January, 1935, coupon was remitted to the Argentine and French Bank, Paris, but has not been disbursed, owing to claims of the French bondholders for gold francs. Against the 1st July, 1935, coupon a deposit in milreis of $17\frac{1}{2}$ per cent. has been made with the Banco do Brasil.

The financial situation of the business community in general may be considered good, as an improvement in the export trade of the State has taken place since 1933.

The State of Piahy is not burdened with any external debt. Estimated revenue for the year 1934 was given as 5,909 contos and 5,904 for expenditure, but no statement of the working of the administration during that year appears to have been published. With the exceptionally high prices offered for carnauba wax, cotton and dry hides, the principal exports of the State, the commercial community is enjoying a period of prosperity.

Exports from the Consular District of Pará to foreign countries and the rest of the Union showed an increase of 10 per cent. over 1933, but the percentage of the total representing goods shipped to other parts of Brazil dropped by some 9 per cent. The United Kingdom is by far the district's best customer, with the U.S.A. in second place. Exports to foreign countries are equivalent to only 55 per cent. of total exports.

Brazil nuts have now taken first place in the export trade of both Pará and Manaus, and a "record" crop of 25,000 tons is expected from Pará for 1935, with prices maintained at a high level.

Rubber prices, thanks to the restrictions in force on the sale of plantation rubber, have been sufficiently compensating to encourage the collection of Amazon wild rubber.

The export trade in Brazilian woods from Pará to foreign countries has not developed as it was hoped. The trend of this business, however, is now south to other parts of Brazil, with shipments during 1934 of 32,000 tons of sawn planks and boards for flooring and building purposes, as against 15,000 tons to foreign countries. It is believed that the trade with the south is capable of very considerable expansion.

Cotton is becoming of increasing interest in the export trade of this district. New fields are being planted in the State of Pará

and a crop of 2,500 tons is estimated for 1935. The United Kingdom and Portugal are the principal purchasing countries.

Hides and skins, especially those of the wild pig and capybara are also exported, whilst shipments of babassú nuts to the U.S.A. show a large increase.

Total imports at Pará for 1934 show a decrease of 8,320 tons compared with 1933, this decline being largely accounted for by the fall of 6,504 tons in the imports of coal and coke from the United Kingdom, and a decrease of 2,395 tons of the same commodity from the U.S.A.; made up in the latter case by increased figures for kerosene and petrol. There was, however, a progressive decline in imports from abroad in the period under review and unless a time of real prosperity returns to this district it is probable that the decline will continue. The relative position of the chief supplying countries, the United Kingdom, the U.S.A. and Germany, remains very much the same, for the incidence of the fall in the imports of coal is chiefly due to the fluctuations in the requirements for bunkers, which are independent of local conditions and have but little connection with the economic relations of this State and the United Kingdom, coal being imported exclusively for the Lloyd Brasileiro for use in their own ships.

The value of imports at Maranhão during 1934 showed an increase of nearly 8,000 contos of reis over 1933, shipments from abroad rising from 1,067 to 6,763 contos of reis.

Imports from foreign countries into the States of Pará and Maranhão in 1934, however, were only equivalent to some 13 per cent. of total imports and comprised such manufactured articles as coal and coke, iron and steel goods, cement, petrol, paper, wheat and jute fibre. From the rest of Brazil large quantities of textiles and foodstuffs are imported.

The Consular district of Pará is, of course, mainly an agricultural and not a manufacturing area, and such industries as exist do not occupy a very important place in its economic life, though their importance is increasing.

There are a number of small factories which partially supply the local demand for footwear, confectionery, beverages, soap, cigarettes, perfumery, furniture, etc.

There are also three factories in Pará manufacturing rubber goods, such as tyres and inner tubes, which also make rubber-soled shoes and are engaged in rubber and balata washing.

The Pará jute factory has recently extended its plant for the manufacture of sacking and now spins its own yarn from the raw jute. It has 1,120 spindles and a maximum capacity of three million metres of sacking per annum, and produces two and a half million sacks.

The manufacture of cotton textiles in this Consular district is confined to the State of Maranhão, where five mills are occupied in the production of cheap cotton cloth. In that State there is

also a factory producing medicated cotton wool, which is exported to all parts of Brazil.

Pernambuco Consular District (including the States of Pernambuco, Alagoás, Ceará, Parahyba, and Rio Grande do Norte).—The State of Pernambuco has had a good share in the economic revival of the North and is now making steady progress. Although interest and redemption services on the external debts were mostly suspended until the partial resumption effected by the "Aranha Plan", payment of interest on internal loans is up to date and at the end of June, 1935, the State treasury had a deposit of some 5,000 contos of reis with various banks. Municipal finances are likewise in good order.

The general commercial situation shows a similar improvement. Owing to the good prices which have been obtained for sugar and cotton, the two principal products of the State, considerably more money has been available for spending purposes. As a result an added stimulus has been given to the retail trade which has brought corresponding benefits to wholesale merchants. No failure of any importance occurred during the first six months of 1935 and the number of bills protested showed a very sensible decrease, whilst the expectation of excellent crops of sugar, cotton, cereals and other agricultural products is responsible for a more cheerful outlook in general trade conditions.

Shipments to other parts of Brazil (which amount to 80 per cent. of total exports) and to foreign countries both increased during 1934, the United Kingdom being Pernambuco's best customer. This improvement is continuing, for the milreis value of all exports for the first six months of 1935 is equivalent to 64 per cent. of the value of the 1934 sales abroad, which were superior by nearly 30 per cent. to the 1933 figures.

Imports showed a similar all-round increase during 1934 and exceeded exports by some 60,000 contos. The adverse balance in 1933 was 86,000 contos odd.

The cotton crop has been excellent and exceeded expectations whilst prices have been very remunerative. Estimates for 1936 predict a 20 to 30 per cent. increase. Total production in the state for the cotton year ended July 31st, 1935, was approximately 21,000 tons, of which 1,625 tons was shipped to the rest of Brazil, chiefly to the Federal District, and 14,009 tons to foreign countries, Germany taking some 5,700 tons and the United Kingdom 3,340 tons.

The 1934-35 sugar crop was one of the largest on record and prospects are exceedingly good for next season, whilst the production of sugar alcohol is being encouraged by every means by the State Government and by the Sugar Institute.

Trade in hides and skins has also been brisk during the year.

In the State of Alagoás good crops of sugar, cotton, maize and seeds, together with a depreciating exchange, have given farmers

very good returns. A corresponding increase in export duties has enabled the State Government to liquidate all internal debts, to pay public functionaries up to date and to have a cash balance on the 30th June, 1935, of 4,785 contos of reis, of which 1,027 contos is earmarked for special funds.

More than half of the volume of imports into Pernambuco during 1934 came from the U.S.A., only 14 per cent. being of United Kingdom origin.

Exports for the first six months of 1935 show an increase of some 71 per cent. in volume over the total for 1934, which is due principally to large shipments of cotton and cotton seed.

The States of Ceará, Parahyba and Rio Grande do Norte are likewise enjoying a period of prosperity after a good cotton crop last year and promise of a "record" crop in November and December.

During 1934 economic conditions in the State of Ceará improved steadily, as normal rains fell after several years of drought. In 1935 the rains, which fall in the early months of the year, were considerably above normal and consequently the excellent crop conditions of 1934 should be improved upon and satisfactory increases should be shown both in the export and import trade of the port of Fortaleza.

Cotton planting is the main industry of the State of Ceará and the export of cotton increased from 2,325 tons in 1933 to 15,391 tons in 1934. The period of the cotton crop is from July to June, and in the crop period ending June, 1935, the total ginned cotton crop was 22,922 tons. The present crop is expected to reach 30,000 tons and any excess over this total is doubtful. Generally there is a shortage of labour in the interior of the State, which is due to the emigration of the peasants to other parts of Brazil in the years of drought from 1930 to 1932. It is doubtful if there is sufficient labour in the State to grow and collect a crop of 40,000 tons.

The export statistics show the extraordinary change in economic conditions due to a normal rainfall. The export tonnage rose from 26,600 tons to 82,318 tons and the value in contos of reis rose from 43,126 contos to 85,331 contos; cotton and its by-products reached normal figures; the export of castor oil seed rose to 12,615 tons; the export of maize ceased in 1931 but 1934 shows an export of 22,862 tons. A new export is oiticica oil and seeds, and a factory for the extraction and refining of this oil is being erected for the production of about 4,000 tons yearly of oiticica oil.

The finances of the State and of the Municipality showed great improvement, in the 1934 budget a surplus of 5,687 contos being obtained, although the Municipal expenditure rose in the same proportion as the revenue.

The Municipality of Fortaleza has taken in hand the paving of the main streets of the city with either concrete or granite setts and work has been finished on seven kilometres of streets. Tenders

have also been accepted for the installation of an automatic telephone service to be completed by the end of 1936. The lighting of the city was changed from gas to electricity at the end of 1934 and the lighting area has been considerably extended.

Although public tenders were called for the Fortaleza port works there has been no statement made as to the letting of the contract and the scheme appears to have been dropped for the present.

Generally the State of Ceará may now be considered to be in a flourishing condition owing to two years of normal rainfall which gave excellent crops in 1934 and the prospect of record crops in 1935. The low exchange has caused high currency prices to be paid for products that are exported, such as cotton, carnauba wax, maize, etc. Internal trade is good and imports from Brazilian ports have increased by 50 per cent. Foreign imports, of which the U.S.A. continues to supply over 50 per cent., have shown but slight increase due to the high price resulting from the low milreis rate. Many new modern office buildings are being erected in the town of Fortaleza and there is a steady improvement in the type of dwelling house which is being built in the suburbs of the town.

As regards the State of Alagoás, the Governor has recently decreed the organisation of a new agricultural department and voted the sum of 300 contos of reis for this purpose. A further amount of 100 contos has been allotted for road repairs, the budget estimates having proved insufficient.

Traces of oil have recently been sounded in the State and a "Sociedade Petroleo Nacional," which has been formed to exploit a concession, is at present negotiating with the Federal Government.

An exceedingly large cotton crop of nearly 100,000 tons, or more than twice as much as last year, is predicted in the State of Parahyba, where this crop has not up to the present been subject to the pests which have afflicted the São Paulo region. As the greater part of the State revenue is derived from cotton, the Government would seemingly be in a position to spend more money on improvements than heretofore. State finances, in general, are in a sound position, for, apart from a small loan contracted with the Bank of Brazil in order to complete the port works at Cabedello, there are no further debts outstanding.

Bahia Consular District.—The consular district of Bahia includes the States of Bahia and Sergipe, an area twice as large as Great Britain, with a population of about $4\frac{1}{2}$ million. The only town of real importance is Bahia, the capital, with a population of 345,000, although there are several towns of 50,000 inhabitants.

It should be borne in mind that although Bahia is a large city, there are not more than five to ten thousand inhabitants with European standards of living and purchasing power, with the result that, from the point of view of the United Kingdom exporter, the market is a small and essentially cheap one.

The district is definitely agricultural, the chief products being cocoa, tobacco, coffee, piassava (a fibre used for making stiff brushes), castor seed and carnauba wax. Certain quantities of live stock, cattle, goats and sheep are also raised and there is a fair export of hides and skins, principally to the U.S.A., Germany and Italy, whilst the production of black diamonds for boring and grinding purposes is of some importance.

Practically all the cocoa exported from Brazil is produced in and exported from the State of Bahia, Brazil taking second place as the supplier of cocoa to the world's markets. Similarly about 90 per cent. of Brazil's tobacco exports are shipped from this State.

Local industries are not of very much importance, as they are insignificant compared with those of São Paulo and Rio de Janeiro, whence a large variety of manufactured goods is imported. Nevertheless there are numerous small mills and factories producing cheap textiles of low quality, sugar, bottled drinks, cheap pottery and glassware, cigars and cigarettes.

Social services are limited and the water supply and sewage system are inadequate. There is no serious unemployment, but there is a movement in the city of Bahia towards trade unionism.

Foreign imports into the State have been steadily increasing during the last eighteen months, the U.S.A. and the United Kingdom supplying about 26 per cent. and 18 per cent. of the market respectively. Germany, however, raised her percentage of the currency value of total imports from 9 per cent. in 1933 to 14 per cent. in 1934, chiefly at the expense of the United Kingdom, whose exports show a slight decrease during the same period. During the first five months of 1935 the currency value of total imports has increased by 68 per cent. over the corresponding period of 1934, but Germany now supplies nearly 20 per cent. of the market, the U.S.A. 24 per cent., and the United Kingdom 14 per cent. Foreign imports consist almost solely of manufactured articles.

Exports to foreign countries increased in value by 55 per cent. in 1934, but for the first five months of 1935 show a decrease of 6 per cent. over the corresponding period of 1934, owing to falling coffee prices. The U.S.A. has usually taken some 40 to 50 per cent. of Bahia's exports, but for the first five months of the year Germany has raised her share from 22 to 35 per cent., whilst that of the U.S.A. has fallen from 41 to 21 per cent.

Bahia has always had a favourable trade balance with foreign countries, which is used to pay for imports from other parts of Brazil, particularly from São Paulo, Rio de Janeiro, Rio Grande do Sul, Minas Geraes and Pernambuco, the milreis value of which in 1934 was over four times that of foreign imports. 32 per cent. of these purchases were of manufactured cotton goods and 20 per cent. of foodstuffs. Exports to other States in 1934, on the other hand, amounted to less than one quarter of the imports and consisted chiefly of agricultural products which find a better market in the U.S.A. and in Europe than in Brazil.

There was a "record" cocoa crop in 1935, one half of which went to the U.S.A., but other crops have been normal.

The foreign obligations of the State of Bahia are classed in category VII in the arrangement, known as the Aranha Plan, made with Brazil's foreign creditors in February, 1934 (see page 119). By this only 17½ per cent. of the interest actually due in 1935 is payable and nothing in respect of the sinking fund. To meet this obligation a sum of 2,173 contos of reis was allowed for in the State budget and periodic payments are being made to the Bank of Brazil for the account of the Federal Government. Interest is being paid in respect of the internal debt.

By a State decree of the 13th August, 1935, it was laid down that until further notice no provision will be made in respect of foreign loans contracted by the State or Municipality of Bahia, which are not included in category VII of the classification of February, 1934.

Estimates for the budget for 1936 anticipate a deficit of 2,147 contos of reis on an expenditure of 74,409 contos.

By a further decree published in August, the State Government was authorised to raise an internal loan of up to 20,000 contos to provide for the construction of new Law Courts, Education Department buildings and a theatre. With this sum, which is to be borrowed when the Government deems opportune, the consolidation of the State's floating debt is also to be undertaken.

Rio de Janeiro Consular District (including the Federal District and the States of Rio de Janeiro, Espirito Santo, Goyaz and Minas Geraes.)—From the standpoint of overseas trade and the economic considerations connected therewith, conditions in the Rio de Janeiro consular district, and to some extent also in São Paulo, are largely covered by the sections of this report applying to the Republic as a whole.

Trade in the Federal District and the State of Rio de Janeiro has gained considerably by the re-establishment of the Constitutional Government, which brings a small army of provincial politicians and their followers into the city. The summer tourist season has been very good and reaches its height from July to September, when hundreds of Argentines and Uruguayans fill the local hotels. The boom in building activity of the last few years is continuing and the number of new buildings now being constructed forms a "record" in the history of the city. The consequent demand for construction materials has a very beneficial effect on the widespread and varied industries of the Federal District and the State of Rio de Janeiro as well as Minas Geraes, which are second only to those of São Paulo in importance and are said to supply some 15 to 20 per cent. of the Brazilian market. Agriculture has received a fillip from the great increase in the exportation of fruit, particularly oranges and bananas, nearly all Brazil's exports of citrus fruits deriving from the Federal District, the State of Rio de Janeiro, and the State of São Paulo. Coffee and sugar are also produced in large quantities in this district.

Deposits in the banks of Rio de Janeiro at the end of May, 1935, showed a slight decrease on the figures registered for the same month in 1934, but the volume of discounts, loans and cash on hand was slightly larger.

In the consular district of Rio de Janeiro is also situated the State of Minas Geraes, which, with its immense area of some 600,000 square kilometres and population of 8,000,000 inhabitants, is the fifth largest and the most densely populated division of the Republic.

The mineral wealth of the State of Minas Geraes can hardly be overestimated. In colonial days gold was extensively extracted, but after the extinction of slave labour many of the workings were found to be uncommercial and only one large gold mine, that at Morro Velho, the well-known São João del Rey concern, exists in full operation. This mine has been in existence for over 100 years, and owing to the high price of gold, coupled with the low rate of Brazilian exchange (the cost of labour not having risen acutely) the company is in a flourishing condition.

With regard to the extraction of gold generally, the Federal Government have recently appointed a body of experts to investigate fully the possibilities of opening up new fields for gold working, including a survey of some of the older gold producing areas which for reasons already alluded to have for many years remained abandoned. All gold produced must be sold to the Bank of Brazil, which is creating a gold reserve from this source. Statistics have recently been published, showing that the output of gold in the State of Minas Geraes amounted to some $4\frac{1}{2}$ metric tons in 1934, approximately half of the total production of Brazil. The two well-known mines of Morro Velho and Passagem accounted for four-fifths of the output, the remainder coming from about 7,000 alluvial gold miners, whose average earnings were under 2s. per man daily.

The depreciation of Brazilian exchange has also produced, although on a lesser scale, renewed activity in prospecting for diamonds, principally in the basins of the rivers Jequitinhonha, Abaeté and Parnahyba.

The exportation of manganese, which is also found in abundance in the region, dropped to 2,300 tons in 1934 from 24,893 tons in the previous year. A reaction has now set in, however, for during the first eight months of 1935 over 22,614 tons have been exported and it is furthermore to be expected that the concession granted to Brazilian manganese in the Brazilian-American trade treaty will lead to new activity in this connection.

The iron deposits in the State of Minas Geraes are computed at 8,000,000,000 tons, and it is said that the greatest deposit of high grade iron ore in the world is at Itabira. Both the Federal and State Governments are anxious to see operations commenced here and it is thought that this will eventually be done with the aid

of foreign capital. Many iron mines are already in active operation in the State, the production of which has increased from 37,478 tons in 1929 to 53,370 tons in 1933.

Coffee production in the State of Minas Geraes is estimated to amount to about 50 per cent. of the São Paulo crop. The seat of the Minas Coffee Institute has recently been transferred from Rio de Janeiro to the State capital, Belo Horizonte.

The State Government is doing everything possible to encourage the growing of cotton within its borders. In 1934, 360 tons of seed were distributed to farmers, and even that quantity was insufficient to produce more than one third of the cotton used annually by the local mills. It is hoped to increase production in the future sufficiently to produce an export surplus.

The estimated quantity of cattle amounts to some 9,000,000 head. Apart from local consumption a great many head of store cattle are supplied to the ranches operated by the cattle slaughtering and meat-packing companies in São Paulo and Rio de Janeiro. Large numbers of pigs are also reared, but these, together with their by-products, are mainly consumed locally. Moreover, apart from a large local consumption, the city of Rio de Janeiro, with its population of nearly 2,000,000 inhabitants, receives all its dairy products from this State.

Minas Geraes is, in addition, a large maize-producing area, whilst the cultivation of tobacco and fruit is also fostered, a large packing house for the latter having recently been constructed at Leopoldina.

The district is exceptionally mountainous and abounds in rivers and waterfalls. There are therefore great possibilities for the development of hydraulic power, and it is estimated that even in dry seasons the different sources of supply could produce some 2,000,000 horse power. Most of the towns and even many villages in the interior are lit by electricity owing to the facility of harnessing small waterfalls. The H.P. actually employed is estimated at between 80,000 and 100,000.

In his message to the State Legislative Assembly, the Governor pointed out, *inter alia*, that the budgetary situation of the State of Minas Geraes has been steadily deteriorating of recent years and total revenue has fallen from 150,000 contos of reis in 1929 to 90,000 contos in 1934, without any corresponding decrease in expenditure. The chief cause of the annual deficit is the fall in the returns from coffee taxes, for the reduced sale of this commodity has diminished this source of state income from 70,000 contos of reis in 1929 to 28,000 in 1934, of which a large part was diverted to the State Coffee Institute.

A concomitant cause, however, is the enormous deficit each year of some 6,000 contos of the State Railway system, Rêde de Viação Mineira, which is to be reorganised.

Taxation assessment and collection are also to be reformed and all revenue and expenditure is to be under the direct centralised-control

of the Minister for Finance, who hopes to increase receipts in the near future. As a result of these efforts the estimated deficit for 1935 has been reduced to 11,000 contos.

The internal debt of the State at 7 per cent. and 9 per cent. and the large floating debt are to be consolidated by an issue at 5 per cent. of 600,000 contos of reis worth of bonds in three issues of 200,000 contos. The first issue is already on the market but its disposal is proving difficult. 50,000 contos has been advanced to the State by the banks to pay off the more urgent debts.

The inland and little developed State of Goyaz is thinly populated and agricultural and depends principally on cattle breeding, whilst the prosperity of the State of Espirito Santo is based on coffee exports. The State of Goyaz, however, is making an effort to obtain a share of the cotton trade in spite of the lack of means of transport and various new roads are being constructed to bring this product to the nearest railhead.

São Paulo Consular District (including the States of São Paulo, Parana, Santa Catharina and Matto Grosso).

São Paulo.—This state, with the relatively small area of 247,339 sq. kilometres, is the most prosperous of the Union and has made steady progress during the past four years. It possesses the most complete and modern system of transportation in the Republic and one of the best in South America, including roadways connecting all the municipalities and steam and electric railways totalling nearly 8,000 kilometres. Some idea of the importance of São Paulo in Brazil's economic life may be gathered from the fact that Federal taxation levied in the state in 1934 amounted to some 30 per cent. of total revenue.

The total production of wealth in 1934 is estimated at over 4,500,000 contos of reis, of which nearly 2,000,000 contos were derived from agriculture, 2,300,000 from manufactures and 200,000 from stock raising.

Capital invested in the manifold industries of the state is estimated at about 1,900,000 contos of reis, the factories in and around São Paulo being responsible for 50 per cent. of the industrial production of Brazil. Most of these concerns have had a very good year and are daily expanding their sales and markets. Fuller details will be found in this report under the heading of "Industrialisation".

The meat industry is one of the most important in Latin America and during 1933 more than 150,000 tons of meat and meat products were produced, valued at 165,000 contos of reis. Meat slaughtered in São Paulo now amounts to 200,000 tons per annum, of which, however, only 25,000 tons are exported.

The original prosperity of São Paulo was based on the exportation of coffee, and agriculture has been depressed by the low prices and reduced sales of this product. It is hoped to offset this disadvantage to some extent by the increased sales of cotton, the crop

of which rose from 34,000 tons in 1933 to 105,000 tons in 1934, when with good prices every one engaged in the business made large profits. The crop for 1935 is now estimated at some 115,000 tons; the yield would have been far greater but for unfavourable weather conditions and the occurrence of pests. The subject of São Paulo cotton is dealt with in this report under the heading "Cotton".

The State also produces small quantities of corn, maize, sugar, black beans and rice, whilst over a million cases of oranges, eight million bunches of bananas and quantities of other table fruits were exported abroad in 1934. Brazilian oranges are gaining a firm hold on the European market and this crop promises well for the future.

Measured in terms of gold, the overseas trade of the State of São Paulo remained stationary during 1934 as compared with 1933, the advance made during the early months of the year not being maintained, owing to the falling off in coffee shipments and prices, in November and December. Converting the gold values to sterling, however, the value of imports at £16,551,734 was the highest registered since 1930, while as regards exports, valued at £32,629,846, the 1934 movement was the best recorded since 1929.

The value of imports during 1934 through Santos, the chief port of the State, was equivalent to 39.3 per cent. of the imports into Brazil in 1934, against 36.8 per cent. in 1933. As regards exports, the percentage for 1934 was exactly the same as that for 1933, namely, 55.6 per cent. The State of São Paulo thus accounted for 47.4 per cent. of Brazil's foreign trade in 1934 as against 46.2 per cent. in 1933. Coffee was responsible for 80.4 per cent. of the gold value of exports and cotton of which none was exported in 1933, accounted for 12.3 per cent. The U.S.A., which takes most of São Paulo's coffee, was by far the best customer, purchasing nearly 50 per cent. of the total exports; with Germany, the United Kingdom and France a long way behind. U.S.A. manufactures also head the import list, with United Kingdom, Argentina and Germany next in order; these four countries supplying 60 per cent. of the total.

The gold value of exports for the first six months is £7,826,682 in 1935 as against £9,667,069 in 1934, the big drop in coffee prices being mainly responsible for this decline. Imports show an increase, amounting to £5,297,321 as against £4,435,052.

Prior to 1931 the trade of the State of São Paulo with other states of the Union invariably showed a large balance against this State. However, in recent years São Paulo has become self-supporting, or nearly so, in many products which were formerly imported from other parts of Brazil, with the result that during the last four years inter-state trade has been favourable to São Paulo to the extent of many contos of reis. Thus whereas in 1925 imports from other states were valued at 431,865 contos of reis and exports at 259,914 contos, by 1933 the respective figures were 299,644 contos of reis and 442,614 contos, and in 1934 rose to 326,443 contos

of reis and 472,956 contos. For the first six months of 1935 the rest of Brazil shipped goods to the value of 198,213 contos of reis to São Paulo, which sold to them, however, merchandise to the value of 268,026 contos of reis. The principal items of importation from other states during 1934 were sugar, raw cotton, cotton textiles, flour, wool and woollen yarns, and tobacco. Manufactured articles predominate in the export from the State to other units of the Union, cotton textiles and other manufactures of cotton accounting for approximately 25 per cent. of the total value.

Banks in the State of São Paulo had a total of advances outstanding at the end of June, 1935, amounting to 2,500,000 contos of reis, the highest figures since June, 1933.

São Paulo has invariably shown a deficit in the state budget. These deficits, including special credits, were as follows during the last five years:—

	<i>Contos of reis.</i>			
1930	215,993
1931	128,813
1932	197,700
1933	72,498
1934	94,597

Revenue for 1934 was estimated at 490,600 contos of reis, but only produced 477,319. Expenditure amounted to 502,781 contos as against an estimate of 492,600. The budgetary deficit was, therefore, 25,462 contos, to which must be added 69,135 contos of special credits, making a total deficit of 94,597 contos of reis.

The budget for 1935 estimates revenue at 671,971 contos of reis and authorises an equal expenditure. Consequently there is budgetary equilibrium and this auspicious result is a happy departure from an almost invariable tradition in the presentation of the State's budget. An examination of the items constituting the revenue reveals, however, that two are responsible for about 22 per cent. of the estimated income, and that both can be looked upon as not likely to recur: one represents a sum of 73,485 contos of reis to be received from the National Coffee Department, and the other an amount of 75,000 contos of reis, part of an authorised issue of 350,000 contos of bonds. Furthermore, it is to be noted that the estimated revenue and expenditure show increases of 179,371 contos of reis, or of 36 per cent., compared with the estimates for 1934. When it is remembered, however, that during the year of comparative prosperity the highest revenue collected in the State was only 438,459 contos of reis, and bearing in mind that the two items above account for 148,485 contos of the total estimated revenue of 671,971 contos of reis, real financial equilibrium seems as far away as ever unless that rapid improvement in the economic situation upon which the expected increased returns from the major taxes are based, should materialise.

As regards expenditure, the sum of 148,822 contos of reis is earmarked for the debt service and for the liquidation of debts incurred in previous years. The net amount required for the foreign

debt service is only 48,526 contos of reis or slightly more than 7 per cent. of the total estimated expenditure. No provision is apparently being made for the liquidation of the floating debt, estimated at 250,000 contos of reis.

Special credits for expenditures totalling over 140,000 contos of reis, however, have been set up during the first six months of 1935, in addition to the 671,971 contos of reis specified in the budget estimates. The largest items in these decrees specify 32,000 contos of reis for the new road to Santos, 20,000 for financing new water and drainage systems in interior municipalities, 20,000 contos for the creation of the new navigation company, and some 70,000 contos of reis for public and government buildings.

On the other hand, the centralising action and control of the Department of Municipal Administration has been working to good effect in the interior of the State. Local municipal budgets are being balanced and even showing surpluses. The total surplus rose from 338 contos of reis in 1933 to 7,283 in 1934, and this excellent situation was attained in the face of increased expenditure on public works, which absorbed some 20,595 contos of reis. The public debts of the municipalities have been reduced by 47,095 contos of reis during the last four years.

The State Government has floated a new loan of 200,000 contos of reis at 5 per cent., repayable in five years, to finance public works and consolidate the floating debt.

In conclusion the year 1934 may be said to have been a very favourable one for São Paulo. For the first four months of 1935 sales show a 15 per cent. increase on the figures for the corresponding period of the previous year, and the building boom continues (4,914 buildings in 1934).

Santa Catharina and Paraná.—These two states have a strong German element, which, combined with advantageous climatic conditions, tends to ensure slow but uninterrupted economic development.

Imports of manufactured articles into Santa Catharina are derived chiefly from Germany, the U.S.A. and the United Kingdom, but wheat is also purchased from the Argentine.

The staple exports to foreign countries are herba maté, timber (principally pine) and tobacco. Of a total shipped abroad during 1934 of 11,123 contos of reis, these three commodities accounted for 6,642, 4,037 and 188 contos of reis respectively, the Argentine Republic taking 70 per cent. of the maté and over 95 per cent. of the timber. The maté trade is rather depressed at present owing to the fact that the Argentine is now cultivating maté within its own borders and reducing imports.

Exports to other states of Brazil totalled 12,920 contos of reis; 2,470 contos of which were for sales of textiles and 4,309 contos for timber and furniture. Agricultural products, such as beans, flour, rice, butter, cheese, etc., and animal products, principally hides and lard, are also shipped to the rest of the country. Industrial

output is increasing, for apart from textiles, small amounts of machinery, iron goods, pharmaceutical products, shoes, etc., appear in the export returns.

Paraná.—Generally speaking it may be said that there are signs of more prosperity in this State. Factories are working full time and in some cases overtime. Agriculture is more prosperous and as a consequence conditions in the interior amongst the peasants and small farmers are improving.

With the State producing most of the necessities of life, such as vegetables, meat, etc., the cost of living continues to be low and there is no real distress. These factors make for more spending power and retail traders are more hopeful.

Interest on the external debt of the State was reduced under the 1934 agreement. The floating internal debt has been consolidated by an issue of 90,000 contos of reis at 5 per cent., to which must be added the outstanding debt of 25,400 contos.

The principal exports of the State are herba-maté, timber and coffee. The chief markets for maté are the Argentine, Uruguay and Chile, but sales have dropped some 30 per cent. since 1932, although exports for 1934 registered a slight increase over those of 1933. Formerly the Argentine was the principal market, but since that country recently started planting on her own account Uruguay has become the chief consumer, taking nearly 50 per cent. of the crop in 1934 against nearly 40 per cent. by the Argentine.

The timber industry has been depressed for some years and most saw mills have been idle. During the past year or so there has been some improvement resulting from the increase of building in São Paulo and a better demand from the River Plate republics.

Exports of the 1934 crop of coffee amounted to 250,000 bags, whilst for 1935-36 estimates are for 500,000 bags, all of which will be exportable. The trade is suffering from low prices as is the case with the other coffee producing states. Cotton production has increased from 420 tons in 1933 to 3,800 tons in 1934 and 8,000 (estimated) for 1935, all cotton being exported unginmed to São Paulo. Increasing attention is being given to this product and arrangements are being made for the proper selection of seed and plants and for classification of the fibre within the State.

Industries include an iron factory, a jute mill, a candle and soap factory, a silk factory, tanneries, paper mills (using local pine pulp), brick and tile works, and potteries. Whilst most of their products are consumed locally, a good deal is exported to other states of the Union.

Matto Grosso.—This vast and largely undeveloped State is dependent upon cattle raising for its prosperity and exports consist principally in skins and hides. Herba-maté is also grown and exported from the south, whilst rubber is collected in the north. With an area of 1,477,041 square kilometres and a population of only 391,000, however, this region is still in only a rudimentary state of development.

Porto Alegre Consular District.—There has been little alteration in general conditions in the State of Rio Grande do Sul during the last eighteen months. Since the beginning of 1935 the authorities have occupied themselves chiefly with the laying out and construction of the Farroupilha Exhibition, which opened in Porto Alegre on the 20th September for a period of three months. Vast sums of money have been spent on this exhibition and also on improvements throughout the municipality to prepare for the great influx of visitors which is expected. It is hoped that the exhibition will give an extra fillip to the future trade of this State, seeing that the Federal District and the States of São Paulo, Minas Geraes, Santa Catharina, Paraná, Pernambuco and Pará, as well as the sister republic of Uruguay have been invited and will participate in the display.

In 1934 the value of the total export trade of the State of Rio Grande do Sul, including the value of exports to other states of Brazil, was approximately £6,250,000 (gold), of which only £1,500,000 was in respect of trade abroad. For the same period the value of the total imports into the State from all sources was £5,500,000 gold, of which just over £1½ million was in respect of foreign countries. The State has, therefore, a favourable trade balance of £750,000 gold and is more or less dependent on the rest of Brazil as a market for its products. Although the foregoing figures show a decrease in gold over those for 1933, due to the fall in exchange, the value of imports and exports in milreis (paper) has increased by 7,675 and 3,512 contos respectively. The Argentine, Germany and the United Kingdom are the State's best customers.

For the first six months of this year foreign exports and imports totalled 107,087 tons and 126,838 tons respectively. The Argentine, Uruguay and the United Kingdom were the State's best customers, whilst Germany, Argentine, Belgium, the U.S.A. and Uruguay head the import list in that order. The volume of coastal exports and imports for the same period were 262,363 tons and 114,494 tons respectively.

The Government have almost completed the construction of a large packing house in Porto Alegre, which will afford a vast space for the storage of frozen meat and meat products (the main exports of the State) and fruits, etc., which are received here by rail and river from the interior. Hitherto these commodities have had to lie on the wharves awaiting shipment and on account of the excessive heat and humidity suffered considerable deterioration. The new building should serve to preserve goods for shipment in a marketable state, and provide space for increased supplies, so that instead of making shipments over a period of six months, it will be possible to extend them for a longer period and thus increase exports.

A Commission for Propaganda and Commercial Expansion has been established, whose object is to further the interests of Rio

Grande trade. This council will correspond directly with the Federal Council for Foreign Trade for whom it will act as the State representative.

Exports of Rio Grande produce to the rest of Brazil are to be increased by a new coastal shipping line which will be financed by the Governments of the States of Rio Grande do Sul and Pernambuco, if negotiations which the Government is undertaking at present in the Federal capital prove successful.

Shipments of frozen meat, lard, tallow and other meat products are increasing, while exports of wine, rice, wool and tobacco show similar expansion. The coal industry is flourishing under heavy protection and additional ships have been purchased during 1935 to carry this fuel to the northern states.

The budget for 1935 balances revenue and expenditure at 239,521 contos of reis, which includes 27,970 contos for interest and amortisation of the public debt.

The external funded debt is £305,900 and U.S.\$9,421,000.00. Figures for 1934 show revenue to have been 50,062 contos and expenditure 39,866 contos of reis. It would appear, however, that revenue includes 17,533 contos of reis which were deposited in lieu of service for foreign loans and which, on the suspension of that service, was spent in buying in the State's own depreciated foreign debt bonds to the value of 8,273 contos of reis, and on public works.

Figures for all municipalities for 1934 show that revenue exceeded expenditure by 9,674 contos of reis.

A new municipal loan of 50,000 contos of reis at $3\frac{1}{2}$ per cent. has just been issued but does not appear to have met with the success anticipated. It is, therefore, announced that the second issue of 10,000 contos will be issued in São Paulo and Rio.

Bank returns in the State for July show that discounts and loans have increased by over 13,000 contos since July, 1934, deposits and cash in hand having decreased by about the same figure.

The industrialisation of the State proceeds steadily. The number of factories is estimated at 7,629 with a capital of 476,299 contos of reis, and an annual production of some 797,667 contos. One of the chief industries is that of foodstuffs with a capital of 285,070 contos and an annual output of 492,654 contos, 284,410 of which was exported to the rest of Brazil during 1934. Exports of manufactured articles to other states rose from 58,915 to 73,535 contos in 1934.

APPENDIX I.

EXTERNAL DEBT OF THE FEDERAL GOVERNMENT OUTSTANDING ON THE
31ST DECEMBER, 1934.

Year Issued.	Object.	Amount.	Rate.	In circulation on 31st Dec., 1934.
	<i>Issued in London.</i>	£ Sterling.	Per cent.	£ Sterling.
1883	Federal Railway and Rio de Janeiro water supply	4,599,600	4·5	1,888,400
1888	Federal Railways	6,297,300	4·5	3,169,900
1889	Conversion of 1865, 1871, 1875 and 1886 loans	19,837,000	4·0	15,873,000
1895	Oeste de Minas Railway	7,442,000	5·0	6,117,800
1898	First funding loan	8,613,717	5·0	6,236,560
1901	Purchase of various railway companies	16,619,320	4·0	8,972,760
1903	Rio Port Works	8,500,000	5·0	6,775,600
1910	Lloyd Brasileiro	1,000,000	4·0	344,300
1910	Conversion of Oeste de Minas Railway shares, etc.	10,000,000	4·0	9,165,100
1911	Rio Port Works	4,500,000	4·0	2,871,700
1911	Ceará Railway	2,400,000	4·0	2,289,260
1913	Various port works	11,000,000	5·0	10,262,260
1914	Second funding loan	14,502,397	5·0	13,581,020
1927	Consolidation of floating debt	8,750,000	6·5	8,372,300
1931	Third funding loan	10,530,752	5·0	10,530,752
	TOTAL	134,592,086		106,450,712
	<i>Issued in Paris.</i>	Frcs. Paper.	Per cent.	Frcs. Paper.
1908-9	Itapura-Corumbá Railway	100,000,000	5·0	96,181,500
1931	Third funding loan	65,555,400	} 5·0	{ 65,555,400
		135,000,000			{ 135,000,000
	TOTAL	300,555,400		296,736,900
		Frcs. Gold.		Frcs. Gold.
1909	Port of Pernambuco	40,000,000	5·0	38,723,000
1910	Goyaz Railway	100,000,000	4·0	93,836,500
1911	Bahia Railways	60,000,000	4·0	57,539,000
1916	Goyaz Railway	25,000,000	5·0	24,253,000
1922	Victoria-Minas Railway	15,000,000	5·0	14,638,000
	TOTAL	240,000,000		228,989,500
	<i>Issued in New York.</i>	Dollars.	Per cent.	Dollars.
1921	Treasury Bonds	50,000,000	8·0	31,352,500
1922	Electrification of Central Railway of Brazil	25,000,000	7·0	17,503,000
1926	Consolidation of floating debt	60,000,000	6·5	56,108,000
1927	" " " "	41,500,000	6·5	39,709,000
1931	Third funding loan	29,524,545	5·0	29,524,545
	TOTAL	206,024,545		174,197,045

APPENDIX I.—Continued.

The proposed payment of interest and amortisation under the scheme proposed by the Minister for Finance will be as follows:—

FOREIGN LOANS OF THE STATES OF BRAZIL OUTSTANDING ON THE
30TH DECEMBER, 1930.

State and Year.	Rate.	Issued Amount.	Amount outstanding 30.12.30.		
			£ Sterling.	Francs.	₹
Alagoas—	Per cent.				
1906 ...	5·0	£ 280,000	257,740		
1906-9 ...	5·0	Frcs. 15,000,000		13,638,500	
Amazonas—					
1906 ...	5·0	„ 84,000,000		80,236,500	
1915 ...	5·0	„ 20,129,500		20,059,125	
1916 ...	6·0	„ 3,958,000		3,000,000	
Bahia—					
1888 ...	5·0	Frcs. 20,000,000		6,514,500	
1904 ...	5·0	£ 1,062,360	974,920		
1910 ...	5·0	Frcs. 45,000,000		41,679,000	
1913 ...	5·0	£ 1,000,000	975,980		
1915 ...	5·0	£ 787,334	644,280		
1918 ...	6·0	£ 335,000	97,959		
1928 ...	5·0	£ 338,500	335,711		
Ceará—					
1910 ...	5·0	Frcs. 15,000,000		12,438,500	
1922 ...	8·0	U.S.\$ 2,000,000			1,980,000
Espirito Santo—					
1908 ...	5·0	Frcs. 30,000,000		1,750,500	
1919 ...	5·0	„ 24,960,000		698,080	
1927 ...	8·0	U.S.\$ 1,750,000			790,000
1928 ...	8·0	„ 750,000			380,000
Goyaz—				nil	
Maranhao—					
1910 ...	5·0	Frcs. 20,000,000		16,862,500	
1928 ...	7·0	U.S.\$ 1,750,000			1,727,912
Matto Grosso—		nil		nil	
Minas Geraes—					
1913 ...	5·0	£ 120,000	76,963		
1928 ...	6·5	£ 1,750,000	1,708,200		
1928 ...	6·5	U.S.\$ 8,500,000			8,190,000
1929 ...	6·5	„ 8,000,000			7,861,000
Pará—					
1901 ...	5·0	£ 1,450,000	1,270,000		
1907 ...	5·0	£ 650,000	568,960		
1915 ...	5·0	£ 1,070,000	1,036,679		
Parahyba—		nil		nil	
Paraná—					
1928 ...	7·0	£ 1,000,000	965,300		
1928 ...	7·0	U.S.\$ 4,860,000			4,702,000
Pernambuco—					
1905 ...	5·0	£ 1,000,000	513,640		
1909 ...	5·0	Frcs. 37,500,000		26,385,000	
1927 ...	7·0	U.S.\$ 6,000,000			5,150,500
Piahy—		nil		nil	
Rio de Janeiro—					
1927 ...	5·5	£ 1,926,500	1,743,389		
1927 ...	7·0	£ 1,891,000	1,891,000		
1929 ...	6·5	U.S.\$ 6,000,000			6,000,000

APPENDIX I.—Continued.

FOREIGN LOANS OF THE STATES OF BRAZIL OUTSTANDING ON THE
30TH DECEMBER, 1930.

State and Year.	Rate.	Issued Amount.	Amount outstanding 30.12.1930.		
			£ Sterling.	Francs.	\$
Rio Grande do Norte—	Per cent.				
1910 ...	5·0	Frcs. 8,750,000		6,675,000	
Rio Grande do Sul—					
1921 ...	8·0	U.S.\$ 10,000,000			6,300,000
1926 ...	7·0	„ 10,000,000			9,778,000
1928 ...	6·0	„ 23,000,000			23,000,000
Santa Catharina—					
1909 ...	5·0	£ 250,000	68,226		
1922 ...	8·0	U.S.\$ 5,000,000			4,704,800
São Paulo—					
1904 ...	5·0	£ 1,000,000	223,580		
1905 ...	5·0	£ 3,800,000	2,180,000		
1907 ...	5·0	£ 2,000,000	1,623,534		
1921 ...	8·0	£ 2,000,000	1,797,500		
1921 ...	8·0	Fls. Holland 18,000,000		Fl.8,900,000	
1921 ...	8·0	U.S.\$ 10,000,000			4,950,000
1925 ...	8·0	„ 15,000,000			15,000,000
1926 ...	7·0	„ 7,500,000			7,155,000
1926 ...	7·0	£ 2,500,000	2,385,700		
1928 ...	6·0	U.S.\$ 15,000,000			14,856,500
1928 ...	6·0	£ 3,500,000	3,439,300		
1930 ...	7·0	U.S.\$ 35,000,000			33,250,000
1930 ...	7·0	£ 12,167,600	12,167,600		
(NOTE.—These last two loans are for the Coffee Defence Scheme.)					
Sergipe—		nil		nil	
Totals out- standing ...		Dutch Fls. 8,900,000	£ Sterling. 36,946,161	Francs. 229,937,205	\$ 155,775,712

(NOTE.—There is some doubt as to whether the francs loans are to be considered gold or paper francs. A compromise has been made by some states while others are still discussing the question.)

APPENDIX I.—Continued.

BRAZILIAN MUNICIPAL FOREIGN LOANS OUTSTANDING AT
30TH DECEMBER, 1930.

State and Year.	Rate.	Amount Issued.	Outstanding at 30.12.30.		
	Per cent.		£ Sterling.	Francs.	\$
Federal District of					
Rio de Janeiro—					
1912	4.5	£ 2,500,000	1,773,420		
1921	6.0	U.S.\$12,000,000			7,680,000
1928	6.5	„ 30,000,000			30,000,000
1928	6.0	„ 1,770,000			1,770,000
State of São Paulo:					
City of São Paulo—					
1908	6.0	£ 750,000	400,310		
1919	6.0	U.S.\$ 8,500,000			5,870,000
1922	8.0	„ 4,000,000			3,312,500
1927	6.5	„ 5,900,000			5,644,000
City of Santos—					
1927	7.0	£ 2,260,000	2,182,920		
State of Rio Grande do Sul:					
City of Porto Alegre—					
1909	5.0	£ 600,000	327,500		
1922	8.0	U.S.\$ 3,500,000			3,340,000
1926	7.5	„ 4,000,000			3,900,000
1928	7.0	„ 2,250,000			2,223,000
City of Pelotas—					
1911	5.0	£ 600,000	447,320		
Towns of Cachoeira, Pelotas, Uruguayana, Sant' Anna, Caxias, Rio Grande and São Leopoldo—					
1927	7.0	U.S.\$ 4,000,000			3,933,363
State of Pará:					
City of Belem—					
1905	5.0	£ 1,000,000	921,040		
1906	5.0	£ 600,000	570,400		
1912	5.0	£ 600,000	590,860		
1915	5.0	£ 885,000	885,000		
1919	6.0	£ 272,661	272,661		
State of Bahia:					
City of São Salvador—					
1905	5.0	Frcs. 25,000,000		23,440,000	
1912	5.0	„ 27,500,000		27,436,400	
1912	5.0	£ 500,000	498,844		
1914	6.0	£ 1,521,000	1,521,000		
1916	5.0	£ 840,000	840,000		

APPENDIX I.—Continued.

BRAZILIAN MUNICIPAL FOREIGN LOANS OUTSTANDING AT
30TH DECEMBER, 1930.

State and Year.	Rate.	Amount Issued.	Outstanding at 30.12.30.		
			£ Sterling.	Francs.	\$
	Per cent.				
State of Rio de Janeiro: City of Nictheroy— 1928	7.0	£ 800,000	787,100		
State of Amazonas: City of Manaus— 1906	5.5	£ 350,000	269,800		
State of Pernambuco: City of Recife— 1910	5.0	£ 400,000	278,700		
TOTALS ...			12,566,875	50,876,400	67,267,863

BRAZILIAN FOREIGN LOANS.

PLAN FOR PAYMENT OF SERVICE OVER THE FOUR YEARS ENDING
31ST MARCH, 1938.

(NOTE.—The figures under "A" represent the percentage of interest, and under "B" the percentage of sinking fund, which it is proposed to pay during the four years.)

GROUP I.

Denomination.	1934-35.		1935-36.		1936-37.		1937-38.	
	A	B	A	B	A	B	A	B
U.S. of Brazil, 5% Funding, 1898 Idem, 1914 Idem (20 year coupons) 1931 Idem (40 year coupons) 1931 Payments in arrears under Hague Court sentence	100	100	100	100	100	100	100	100

GROUP II.

Denomination.	1934-35.		1935-36.		1936-37.		1937-38.	
	A	B	A	B	A	B	A	B
State of S. Paulo 7% Coffee Realisation Loan	100	5*	100	5*	100	5*	100	5*

* On total of initial issue.

APPENDIX I.—Continued.

GROUP III.

Denomination.	1934-35.		1935-36.		1936-37.		1937-38.	
	A	B	A	B	A	B	A	B
U.S. of Brazil, 5%, 1903	}	*	35	—	40	—	50	—
U.S. of Brazil, 5%								
Port of Pernambuco, 1909								
U.S. of Brazil, 8% Gold Loan, 1921								
U.S. of Brazil, 7% Gold Loan, 1922								
U.S. of Brazil, 6½% Gold Loan, 1926								
U.S. of Brazil, 6½% Gold Loan, 1927								

* 1934-35 included in Funding arrangement of 1931.

GROUP IV.

Denomination.	1934-35.		1935-36.		1936-37.		1937-38.	
	A	B	A	B	A	B	A	B
U.S. of Brazil, 4½%, 1888	}	*	27½	—	30	—	40	—
U.S. of Brazil, 4½%, 1888								
U.S. of Brazil, 4%, 1889								
U.S. of Brazil, 5%, 1895								
U.S. of Brazil, 4% Recission Loan								
U.S. of Brazil, 5%, 1906 (Goyaz Railway)								
U.S. of Brazil, 5%, 1908-1909 (Itapura-Corumba Railway)								
U.S. of Brazil, 4%, 1910								
U.S. of Brazil, 4%, 1910 (Lloyd Brasileiro)								
U.S. of Brazil, 4%, 1910 (Goyaz Railway)								
U.S. of Brazil, 5%, 1901								
U.S. of Brazil, 5%, 1910 (Curralinho-Diamantina Railway)								
U.S. of Brazil, 5%, 1911 (Bahia Railway)								
U.S. of Brazil, 4%, 1911								
U.S. of Brazil, 4%, 1911 (Ceará Railway)								
U.S. of Brazil, 5%, 1913								

* 1934-35 included in Funding arrangement of 1931.

GROUP V.

—	1934-35.		1935-36.		1936-37.		1937-38.	
	A	B	A	B	A	B	A	B
State of S. Paulo, Coffee Institute, 7½%, 1926	22½	—	25	—	27½	—	37½	—

APPENDIX I.—Continued.

GROUP VIII.

	1934-35.		1935-36.		1936-37.		1937-38.	
	A	B	A	B	A	B	A	B
State of Alagôas, 5%, 1909								
State of Amazonas, 5%, 1906								
Idem, Funding, 5%, 1915								
Idem, 6%, 1916								
City of Manaus, 5½%, 1906								
City of Bahia, 5%, 1905								
Idem, 5%, 1912								
Idem, 5%, 1916								
State of Ceará, 5%, 1910								
Idem, 8%, 1922								
State of Espirito Santo, 5%, 1906-08								
Idem, 5%, 1919								
State of Pará, 5%, 1901								
Idem, 5%, 1907								
Idem, Funding, 5%, 1915								
City of Pará, 5%, 1905								
Idem, 5%, 1906								
Idem, 5%, 1912								
Idem, Funding, 5%, 1915								
Idem, Treasury obligations, 6%, 1918								
State of Rio Grande do Norte, 5%, 1910								

INTERNAL DEBTS OF THE STATES.

State.	Latest Date for which information is available.	Consoli- dated Debt.	Floating Debt.	Total.
			Contos of reis.	
Alagôas... .. .	31.12.33	431	9,306	9,737
Amazonas	"	26,516	60,451	86,961
Bahia	"	130,344	54,159	184,503
Ceará	31.12.30	1,330	4,115	5,445
Espirito Santo... .. .	31.12.33	11,051	37,883	48,884
Goyaz	"	3,360	1,448	4,808
Maranhão	"	2,546	10,593	13,139
Matto Grosso	"	3,388	17,592	20,980
Minas Geraes	"	217,116	299,526	516,795
Pará	31.12.33	5,244	17,019	22,263
Parahyba	31.12.33	202	8,756	8,978
Paraná	"	25,673	92,319	117,992
Pernambuco	31.12.30	30,823	22,256	53,079
Piahy	"	92	1,270	1,362
Rio de Janeiro	31.12.33	66,786	21,484	82,270
Rio Grande do Norte... .. .	"	2,335	4,140	6,475
Rio Grande do Sul	31.12.30	6,817	38,574	45,391
Santa Catharina	"	15,323	3,044	18,367
São Paulo	"	402,321	452,014	854,335
Sergipe	31.12.33	7,297	9,700	16,997

APPENDIX II.

INTERNAL DEBT OF THE FEDERAL GOVERNMENT
AT 31ST DECEMBER, 1934.

Date.	Common stock.	Rate per cent.	In circulation. Milreis.	Service. Milreis.
1827	Old non-uniform apolices ...	5.0	1,182,100	—
1912	Converted uniform apolices...	5.0	529,448,500	26,472,425
1909-26	Registered apolices of various issues	5.0	1,001,449,900	50,072,495
1917-26	Bearer apolices, ditto ...	5.0	632,033,000	31,601,650
1903	Bearer Port works apolices...	5.0	17,300,000	865,000
1909	Registered Bolivian Treaty apolices	3.0	1,629,000	48,870
	Total Common Stock ...		2,183,042,500	109,060,440
	<i>Special Issue—</i>			
1921-32	Treasury bonds-bearer ...	7.0	626,634,000	43,864,380
1925	Railway bonds, ditto ...	7.0	125,325,000	8,772,750
1928	Road bonds (bearer and registered)	5.0	68,000,000	3,400,000
	Totals		3,063,001,500	165,097,570
	Purchased by redemption fund... ..		98,077,000	
	Total in Common Circulation		2,904,924,500	

FLOATING DEBT.

At 31st December, 1934, amounted to 1,838,551 contos of reis.

APPENDIX III.

BUDGET ESTIMATES OF THE FEDERAL GOVERNMENT FOR 1934 AND 1935.

	Paper (Contos of reis).	
	1934.	1935.
<i>Revenue—</i>		
<i>Ordinary—</i>		
From Customs including: Warehousing, dock charges, port works tax, light dues	668,624	689,050
From Consumption Tax	418,880	436,730
From Document stamps, transport tax, sales tax and education and health stamps	252,250	252,550
From Income Tax, insurance premiums and mortgage taxes	134,500	135,000
From Lottery Tax	14,350	14,350
From various sources:—		
Consulates abroad	14,000	20,700
Other income... ..	17,811	50,475
From Lands, property, etc.	3,433	11,284
From Industrial Undertakings:—		
Posts and Telegraphs	80,600	89,000
Federal administered railways	171,080	175,436
Other undertakings	7,701	6,376
Total Ordinary Revenue	1,783,229	1,880,951
<i>Extraordinary Receipts—</i>		
From contributions to pensions, interest on loans, industry and profession tax, drainage tax, water supply, match factory tax, road and rail surtax...	303,002	288,626
Total Revenue	2,086,231	2,169,577
<i>Expenditure—</i>		
By Ministries:—		
Finance	806,345	1,010,508
Justice and Interior Affairs	95,498	123,567
Foreign Affairs	47,610	46,590
Education and Public Health	161,966	174,546
Labour, Industry and Commerce	25,624	19,708
Transport and Public Works	530,335	569,759
War	390,751	441,721
Marine	230,224	230,586
Agriculture	66,623	74,700
Total Expenditure	2,354,976	2,691,685
	1934.	1935.
Expenditure	2,354,976	2,691,685
Revenue	2,086,231	2,169,577
Anticipated Deficit	268,745	522,108

APPENDIX IV.

ESTIMATED AND ACTUAL REVENUE AND EXPENDITURE OF THE FEDERAL GOVERNMENT AFTER CONVERSION TO PAPER CURRENCY.

	Revenue (Contos of reis).		Expenditure (Contos of reis).	
	Estimated.	Outturn.	Estimated.	Actual.
1931	2,354,981	1,752,665	2,330,900	2,034,343
1932	2,131,119	1,682,400	2,126,518	2,859,669
1933-4 (15 months) ...	2,656,743 (12 mths.)	2,626,860 (9 mths.)	2,788,543 (9 mths.)	3,342,751 (9 mths.)
1934	2,086,231	1,971,145	1,766,232	2,099,250

APPENDIX V.

BUDGET EXPENDITURE OF THE FEDERAL GOVERNMENT, 1933-34 (15 MONTHS).

<i>Ministries—</i>	<i>Contos of reis.</i>					
	<i>(Paper).</i>					
Justice and Interior Affairs	127,024
Foreign Affairs	46,857
Marine	242,827
War	587,809
Agriculture	54,260
Transport	769,105
Education and Public Health	137,046
Labour, Industry and Commerce	22,615
Finance	1,355,208
Total	<u>3,342,751</u>

APPENDIX VI.

ESTIMATED AND ACTUAL REVENUE OF FEDERAL GOVERNMENT, 1913-1935.

						Revenue in paper currency (Contos Paper).	
						Estimated.	Collected.
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
1931	...	...	...	...	...	2,354,981	1,752,665
1932	...	...	...	...	...	2,131,119	1,682,400
1933-34 (15 months)	...	...	...	...	...	2,656,743	2,626,860
1934 (12 months)	...	...	...	...	...	2,086,231	1,971,146
1935	...	...	...	...	...	2,169,577	—

APPENDIX VII.

BUDGET OUT-TURN FOR NINE MONTHS—APRIL TO DECEMBER, 1934.

<i>Revenue :—</i>	<i>Paper</i>
<i>Ordinary :—</i>	<i>(Contos of reis).</i>
From Customs including: Warehousing, dock charges, port works tax, light dues	649,653
From Consumption Tax	385,340
From Stamp Tax	225,671
From Income Tax, insurance premiums and mortgage taxes ...	139,878
From Lottery Tax	12,667
From various sources :—	
Consulates abroad	12,347
Other income... ..	4,853
From lands, property, etc.	4,303
From Industrial Undertakings :—	
Posts and Telegraphs	66,271
Railways	124,277
Others... ..	4,619
Total Ordinary Revenue	1,629,879
 <i>Extraordinary Receipts :—</i>	
From contributions to pensions, interest on loans, industry and profession tax, drainage tax, water supply, match factory tax, road and rail surtax	341,267
Total Revenue	1,971,146
 <i>Expenditure :—</i>	
By Ministries :—	
Finance	831,311
Justice and Interior Affairs	95,131
Foreign Affairs	41,992
Education and Public Health... ..	100,303
Labour, Industry and Commerce	17,474
Transport and Public Works	394,271
War	410,962
Marine	160,457
Agriculture.	47,349
Total Expenditure	2,099,250
Expenditure	2,099,250
Revenue	1,971,146
Deficit	128,104

APPENDIX VIII.

BRAZILIAN IMPORTS BY COUNTRIES (a).

Principal articles classified, showing the United Kingdom's position in relation to other important suppliers of each article in the years 1932, 1933 and 1934 (b).

	Weight (Met. Tons).			Value (in £1,000).		
	1932.	1933.	1934.	1932.	1933.	1934.
CLASS I.						
COTTON, WOOL, LINEN, JUTE, SILK.						
(Raw yarns and textiles).						
<i>Cotton Piece Goods—</i>						
Bleached :						
Total Imports ...	40	96	47	21	49	21
UNITED KINGDOM	18	43	21	7	16	7
Switzerland ...	16	43	20	9	27	12
<i>Cotton Piece Goods—</i>						
Printed :						
Total Imports ...	27	66	29	15	36	10
UNITED KINGDOM	11	18	14	4	7	5
Switzerland ...	5	14	1	4	18	2
<i>Cotton Piece Goods—</i>						
Dyed :						
Total Imports ...	237	457	250	71	168	75
UNITED KINGDOM	167	295	181	41	75	43
Germany ...	11	22	20	4	10	10
Switzerland ...	14	66	15	9	45	9
France ...	25	28	9	11	22	5
<i>Cotton Piece Goods—</i>						
Unenumerated :						
Total Imports ...	76	158	156	28	58	49
UNITED KINGDOM	30	58	70	9	19	16
Germany ...	10	18	21	4	8	12
France ...	8	13	3	5	12	4
<i>Cotton Manufactures—</i>						
Unspecified :						
Total Imports ...	104	280	235	38	82	47
UNITED KINGDOM	34	74	50	13	28	12
U.S.A. ...	33	135	132	7	19	17
Germany ...	20	47	19	7	20	12
France ...	8	7	3	8	8	2
<i>Raw Jute—</i>						
	(Tons 1,000)					
Total Imports ...	14	19	18	261	307	247
UNITED KINGDOM	$\frac{1}{3}$	7	3	4	105	44
India ...	14	12	15	257	199	202

(a) Arranged as follows : United Kingdom first, and other countries in 1934 order.

(b) 1932 values convert 70\$000—£1 (gold).

1933 „ „ 78\$000—£1 (gold).

1934 „ „ 98\$000—£1 (gold).

APPENDIX VIII.—Continued.

	Weight (Mct. Tons).			Value (in £1,000).		
	1932.	1933.	1934.	1932.	1933.	1934.
<i>Wool Yarn—</i>						
Total Imports ...	555	1,371	917	164	417	284
UNITED KINGDOM ...	60	281	241	16	72	70
France... ..	269	340	333	80	109	100
Belgium	91	471	151	25	137	49
Germany	94	210	95	31	67	35
<i>Woollen Piece Goods—</i>						
Total Imports ...	63	125	121	54	104	83
UNITED KINGDOM ...	48	93	103	38	71	70
Germany	4	8	10	2	4	6
France... ..	11	19	4	13	20	4
<i>Linen Piece Goods—</i>						
Total Imports ...	600	1,066	693	199	348	194
UNITED KINGDOM ...	367	747	494	118	246	137
Belgium	153	243	168	43	71	43
France... ..	52	54	12	23	27	7
CLASS II.						
IRON, STEEL AND MANUFACTURES.						
<i>Iron Bars and Rods—</i>						
Total Imports ...	8,498	21,959	36,378	56	127	203
UNITED KINGDOM ...	1,599	1,967	3,072	8	13	18
Belgium	4,378	13,085	24,612	23	64	124
Germany	2,307	4,594	6,546	21	38	46
<i>Iron Plates and Sheets—</i>						
Total Imports ...	17,289	32,721	29,740	144	259	239
UNITED KINGDOM ...	6,136	10,000	5,933	63	95	62
Belgium	8,865	17,537	13,181	58	110	85
U.S.A.... ..	748	2,787	8,616	12	34	78
Germany	1,402	1,538	1,730	14	12	14
<i>Iron cast, puddled, filings, etc. :—</i>						
Total Imports ...	936	1,464	1,608	10	10	15
UNITED KINGDOM ...	452	951	535	3	5	2
Belgium	109	156	389	1	1	3
Germany	275	258	154	2	2	2
<i>Steel Bars and Rods—</i>						
Total Imports ...	2,239	2,902	4,229	40	51	65
UNITED KINGDOM ...	1,294	1,842	2,187	21	24	26
Germany	334	583	1,078	8	15	23
Belgium	399	149	389	4	2	3
<i>Steel Plates—</i>						
Total Imports ...	867	881	2,014	12	8	18
UNITED KINGDOM ...	625	601	969	6	5	7
U.S.A.... ..	160	46	539	5	1	5
Germany	56	14	368	$\frac{1}{2}$	1	4

APPENDIX VIII.—Continued.

	Weight (Met. Tons).			Value (in £1,000).		
	1932.	1933.	1934.	1932.	1933.	1934.
<i>Structural Iron and Steel—</i>						
Total Imports ...	3,386	4,191	9,671	35	22	49
UNITED KINGDOM ...	270	182	312	3	3	2
Belgium ...	1,845	3,354	8,117	9	15	37
Germany ...	601	289	944	14	2	7
U.S.A. ...	74	106	163	2	2	2
<i>Rails, Fishplates, etc.—</i>						
Total Imports ...	11,808	54,373	89,499	96	333	526
UNITED KINGDOM ...	2,505	5,628	2,221	19	43	21
U.S.A. ...	3,432	25,166	51,304	31	165	289
Belgium ...	2,053	7,276	7,260	15	61	46
<i>Telegraph and Telephone Posts and Parts for Bridges and Fences—</i>						
Total Imports ...	1,889	1,426	3,024	27	19	27
UNITED KINGDOM ...	280	327	231	7	8	6
Belgium ...	685	482	855	8	6	10
Germany ...	204	212	769	2	2	9
U.S.A. ...	156	231	59	4	2	1
<i>Tubes, Pipes and Joint- ings—</i>						
Total Imports ...	13,801	20,646	21,800	192	291	288
UNITED KINGDOM ...	3,355	4,953	4,189	50	88	66
Belgium ...	6,636	7,958	8,091	58	78	81
U.S.A. ...	1,942	4,265	3,955	47	64	58
Germany ...	898	2,076	3,075	20	40	53
<i>Barbed Wire—</i>						
Total Imports ...	12,883	19,024	20,791	131	188	166
UNITED KINGDOM ...	521	1,088	146	6	11	2
U.S.A. ...	3,552	5,896	8,446	38	56	66
Germany ...	2,020	3,741	6,090	18	35	49
Belgium ...	5,228	6,954	4,845	54	68	39
<i>Wire (not including barbed)—</i>						
Total Imports ...	12,729	22,944	25,622	135	243	224
UNITED KINGDOM ...	602	2,594	1,189	9	30	12
Germany ...	4,331	9,554	11,126	47	103	107
Belgium ...	5,667	6,230	6,188	56	61	50
U.S.A. ...	518	2,617	5,864	6	24	46
<i>Galvanised Corrugated Sheets—</i>						
Total Imports ...	3,800	8,874	6,376	42	91	62
UNITED KINGDOM ...	3,284	5,955	1,676	36	63	18
U.S.A. ...	116	861	3,657	2	10	35

APPENDIX VIII.—Continued.

	Weight (Met. Tons).			Value (in £1,000).		
	1932.	1933.	1934.	1932.	1933.	1934.
<i>Tinplate—</i>						
Total Imports ...	23,817	32,859	29,976	292	414	364
UNITED KINGDOM ...	19,451	21,480	8,346	241	267	110
U.S.A.	443	3,149	12,158	8	40	143
Germany	203	564	4,766	3	8	56
Holland	2,237	3,471	3,751	28	42	44
<i>Tools and Utensils (including machine tools)—</i>						
Total Imports ...	695	1,133	1,161	99	173	150
UNITED KINGDOM ...	161	218	257	18	23	23
Germany	222	471	421	26	69	59
U.S.A.	229	308	322	48	55	47
<i>Cutlery—</i>						
Total Imports ...	49	128	71	25	57	42
UNITED KINGDOM ...	2	6	4	1	4	2
Germany	38	95	52	13	40	31
U.S.A.	4	16	9	7	6	3
France... ..	4	8	4	2	5	3
CLASS III.						
TRANSPORT MATERIAL AND GENERAL MACHINERY.						
<i>Locomotives—</i>						
Total Imports ...	1,693	4,129	3,137	36	62	83
UNITED KINGDOM ...	413	714	877	10	19	37
Germany	436	1,186	802	3	10	22
U.S.A.	124	279	197	16	21	15
<i>Railway Cars and Wagons—</i>						
Total Imports ...	759	60	4,827	17	$\frac{1}{2}$	105
UNITED KINGDOM ...	Nil	Nil	2,179	Nil	Nil	62
Belgium	252	60	2,647	13	$\frac{1}{2}$	41
<i>Axles, Wheels, etc. (for railway stock)—</i>						
Total Imports ...	3,950	4,739	4,879	59	58	69
UNITED KINGDOM ...	1,289	1,454	1,806	28	31	36
U.S.A.	413	88	408	11	4	11
Belgium	584	1,787	1,599	6	14	4
Germany	994	1,253	382	7	8	4
<i>Motor Cars (number of cars)—</i>						
Total Imports ...	1,193	5,113	7,766	127	467	587
UNITED KINGDOM ...	34	247	51	4	23	7
U.S.A.	940	4,353	7,586	100	393	567
Italy	168	124	19	17	11	3

APPENDIX VIII.—Continued.

	Weight (Met. Tons).			Value (in £1,000).		
	1932.	1933.	1934.	1932.	1933.	1934.
<i>Motor Trucks</i> (number of trucks)—						
Total Imports ...	1,402	3,659	7,407	151	309	520
UNITED KINGDOM ...	35	264	129	4	26	17
U.S.A....	1,216	3,248	7,054	126	253	466
Sweden ...	Nil	Nil	80	Nil	Nil	16
Germany ...	3	26	60	2	40	11
Holland ...	18	80	76	2	7	6
Italy ...	129	28	28	16	3	2
<i>Spinning and Weaving Machinery</i> (excluding looms)—						
Total Imports ...	877	972	2,456	66	78	146
UNITED KINGDOM ...	662	505	1,354	44	32	70
Germany ...	58	194	371	6	19	37
Belgium ...	14	90	298	1	10	12
<i>Agricultural Machinery</i> (unspecified)—						
Total Imports ...	123	234	592	7	14	36
UNITED KINGDOM ...	31	16	16	1	1	1
U.S.A....	41	86	536	4	6	31
Germany ...	17	25	26	1	2	2
<i>Printing Machines and attachments</i> —						
Total Imports ...	44	110	406	17	36	99
UNITED KINGDOM ...	9	1	21	$\frac{1}{2}$	$\frac{1}{4}$	3
U.S.A....	22	50	217	14	26	71
Germany ...	11	49	103	2	8	15
<i>Other Industrial Machinery</i> —						
Total Imports ...	1,911	4,113	6,329	181	383	461
UNITED KINGDOM ...	529	1,014	1,709	43	82	93
Germany ...	440	1,638	1,537	57	172	174
U.S.A....	198	520	1,310	22	43	79
France... ..	400	441	654	27	33	44
<i>General Machinery and Appliances</i> (unspecified)—						
Total Imports ...	5,119	5,072	6,806	535	605	651
UNITED KINGDOM ...	861	898	1,523	78	86	110
U.S.A....	2,071	1,348	2,194	262	173	255
Germany ...	885	1,901	1,893	95	191	189
<i>Boilers</i> —						
Total Imports ...	324	532	1,126	13	33	48
UNITED KINGDOM ...	308	292	967	12	22	42

APPENDIX VIII.—Continued.

	Weight (Met. Tons).			Value (in £1,000).		
	1932.	1933.	1934.	1932.	1933.	1934.
CLASS IV.						
COPPER.						
<i>Copper Plates and Sheets—</i>						
Total Imports ...	964	1,534	2,053	43	64	77
UNITED KINGDOM ...	507	852	1,448	23	34	52
Germany ...	324	415	468	15	17	19
<i>Copper filings, rough castings, etc.</i>						
Total Imports ...	3,000	3,865	4,534	108	119	120
UNITED KINGDOM ...	475	734	954	21	26	27
U.S.A. ...	1,599	2,339	1,293	60	67	35
Belgium ...	223	165	908	7	5	21
Canada ...	407	417	494	11	12	12
Germany ...	94	175	355	3	6	10
<i>Electric Cables and Wires—</i>						
Total Imports ...	826	612	1,240	31	33	51
UNITED KINGDOM ...	270	358	968	10	14	26
U.S.A.	40	58	71	6	8	9
Germany ...	34	94	76	2	6	5
CLASS V.						
CHEMICAL PRODUCTS.						
<i>Caustic Soda—</i>						
Total Imports ...	18,130	23,799	23,470	237	330	256
UNITED KINGDOM ...	13,627	15,832	15,248	178	228	183
U.S.A.	3,797	7,119	8,148	50	82	73
<i>White Zinc Paints—</i>						
Total Imports ...	3,733	3,950	4,174	72	67	62
UNITED KINGDOM ...	695	729	693	14	13	11
Belgium ...	1,582	1,717	1,463	30	29	23
Germany ...	574	389	690	12	5	11
<i>Water Paints and Paints prepared—</i>						
Total Imports ...	539	822	906	42	63	201
UNITED KINGDOM ...	255	336	286	11	12	10
U.S.A.	194	342	537	24	37	38
Germany ...	37	55	32	3	7	4
<i>Chemical Fertilisers—</i>						
Total Imports ...	6,188	9,721	19,387	42	58	86
UNITED KINGDOM ...	1,680	3,378	3,299	9	13	14
Germany ...	3,418	4,637	8,677	26	35	43
Holland ...	631	1,334	4,427	3	6	17

APPENDIX VIII.—Continued.

	Weight (Met. Tons).			Value (in £1,000).		
	1932.	1933.	1934.	1932.	1933.	1934.
<i>Chemical Products (un-</i>						
<i>specified)—</i>						
Total Imports ...	7,780	9,166	7,281	366	539	457
UNITED KINGDOM ...	2,095	2,430	2,105	64	67	59
Germany ...	1,563	1,729	1,929	69	119	129
France... ..	729	529	373	77	104	94
U.S.A.... ..	571	580	680	49	59	46
CLASS VI.						
ELECTRICAL MATERIAL						
AND APPARATUS.						
<i>Apparatus and Appli-</i>						
<i>ances for Electric</i>						
<i>Light—</i>						
Total Imports ...	1,578	1,619	1,851	306	318	436
UNITED KINGDOM ...	214	255	220	35	44	38
Belgium	48	81	290	12	42	163
U.S.A.... ..	557	503	578	128	113	107
Germany	468	422	487	52	68	79
<i>Electric Dynamos and</i>						
<i>Generators—</i>						
Total Imports ...	199	247	636	33	39	80
UNITED KINGDOM ..	18	43	128	5	8	12
Germany	63	66	228	9	10	29
U.S.A.... ..	106	61	164	17	11	25
<i>Electric Motors—</i>						
Total Imports ...	204	576	540	42	71	63
UNITED KINGDOM ..	75	161	132	12	20	15
U.S.A.... ..	68	113	103	20	21	15
Germany	22	48	88	4	9	14
<i>Transformers—</i>						
Total Imports ...	325	157	395	36	15	30
UNITED KINGDOM ...	172	28	75	12	2	5
U.S.A.... ..	92	15	123	16	2	11
Germany	17	45	68	2	5	6
<i>Coal—</i>						
	(Tons 1,000).					
Total Imports ...	1,099	1,207	1,080	1,028	1,080	846
UNITED KINGDOM ...	808	785	687	745	714	551
Holland	216	325	226	188	290	171
U.S.A.... ..	63	68	92	85	61	67
Germany	11	28	69	12	24	55
<i>Cement—</i>						
	(Met. Tons).					
Total Imports ...	160,534	113,870	125,702	263	174	157
UNITED KINGDOM ...	46,875	42,269	42,047	77	52	44
Sweden	35,998	20,581	18,751	49	23	22
Belgium	35,807	13,294	17,255	48	19	18
Germany	13,383	5,936	11,978	31	12	16

APPENDIX VIII.—*Continued*

	Weight (Met. Tons).			Value (in £1,000)		
	1932.	1933.	1934.	1932.	1933.	1934.
<i>Lubricating Oils—</i>						
Total Imports ...	21,309	27,888	31,304	345	344	297
UNITED KINGDOM ...	1,113	1,576	1,179	18	22	18
U.S.A.... ...	18,558	25,210	28,023	305	303	259
Mexico ...	1,430	965	2,051	18	9	14
<i>Gasoline—</i>						
Total Imports ...	143,709	235,872	264,666	768	985	886
U.S.A.... ...	52,187	89,388	115,951	369	468	469
Peru ...	38,006	84,169	82,132	162	258	213
Mexico ...	14,805	37,977	43,369	69	145	138
<i>Kerosene—</i>						
Total Imports ...	47,070	81,176	93,369	359	549	495
U.S.A.... ...	30,710	52,780	70,350	260	394	390
Mexico ...	8,147	15,313	15,182	57	101	85
CLASS VIII.						
FOODSTUFFS.						
<i>Wheat—</i>						
Total Imports ...	772,378	850,056	809,843	3,606	3,318	2,607
Argentine ...	269,977	780,630	798,619	1,329	3,059	2,581
Canada ...	Nil	5,926	6,370	Nil	22	21
U.S.A.... ...	502,335	63,003	Nil	2,277	200	Nil
<i>Dried Codfish—</i>						
Total Imports ...	26,340	26,162	18,793	606	581	371
UNITED KINGDOM ...	8,144	7,774	5,577	216	178	120
Newfoundland ...	13,018	13,218	9,602	274	263	170
Norway ...	4,562	4,752	3,012	106	108	70
CLASS IX.						
<i>Window Glass—</i>						
Total Imports ...	5,327	8,326	8,076	68	98	92
UNITED KINGDOM ...	456	1,055	619	7	36	8
Belgium ...	3,506	5,252	5,049	43	58	56
Germany ...	1,246	1,692	2,293	18	21	27
<i>Printing Paper—</i>						
Total Imports ...	1,790	1,965	1,290	34	33	24
UNITED KINGDOM ...	95	69	77	2	2	3
Germany ...	532	883	365	9	16	6
Sweden ...	431	318	298	2	3	4
<i>Newsprint Paper—</i>						
Total Imports ...	27,762	35,249	40,422	234	237	246
UNITED KINGDOM ...	51	29	657	1	$\frac{1}{2}$	4
Finland ...	11,647	14,114	14,823	94	84	84
Norway ...	9,412	12,264	9,868	76	82	60
Germany ...	2,510	3,316	3,442	24	27	29

APPENDIX VIII.—Continued.

	Weight (Met. Tons).			Value (in £1,000).		
	1932.	1933.	1934.	1932.	1933.	1934.
<i>Rubber Tyres and Inner Tubes (including solid tyres)—</i>						
Total Imports ...	1,991	5,006	3,388	210	490	276
UNITED KINGDOM ...	397	1,126	775	34	84	53
U.S.A....	1,109	2,870	1,843	123	265	132
France... ..	50	84	101	6	10	11
<i>Manufactures of Skins and Leather (unspecified)—</i>						
Total Imports ...	40	92	53	28	58	31
UNITED KINGDOM ...	25	42	28	18	25	15
U.S.A....	5	4	8	5	3	5
Belgium	2	7	9	1	3	4
<i>Skins and Hides—</i>						
Total Imports ...	263					
UNITED KINGDOM ...	21					
Germany	75	420	383	133	200	149
U.S.A....	19	14	38	30	12	13
Argentine	121	139	108	53	96	78
		28	21	17	24	19
		40	171	13	7	11
<i>Gramophones, Gramophone Records and accessories—</i>						
Total Imports ...	55					
UNITED KINGDOM ...	5					
U.S.A....	32	66	42	18	17	11
Germany	15	8	7	1	2	2
		30	19	12	7	5
		23	9	3	5	3
<i>Photographic Apparatus, Plates, Paper, Films, etc.—</i>						
Total Imports ...	242	386	359	66	121	114
UNITED KINGDOM ...	4	13	14	1	4	5
Germany	73	168	192	18	63	69
U.S.A....	37	70	73	25	27	24
<i>Cinematograph Films—</i>						
Total Imports ...	19	28	30	41	80	76
U.S.A....	17	23	25	32	39	49
Germany	$\frac{1}{2}$	2	2	9	12	12
<i>Radio Apparatus—</i>						
Total Imports ...	*	431	678	*	125	174
UNITED KINGDOM ...	*	3	11	*	11	10
U.S.A....	*	350	531	*	101	142
Holland	*	55	122	*	10	20
Germany	*	21	13	*	1	3

* Not specially classified before 1933.

APPENDIX VIII.—*Continued.*

	Weight (Met. Tons).			Value (in £1,000).		
	1932.	1933.	1934.	1932.	1933.	1934.
<i>Sewing Machines—</i>						
Total Imports ...	638	1,264	1,892	114	198	234
UNITED KINGDOM ...	8	17	14	2	5	3
U.S.A.... ...	223	757	1,069	47	112	131
Germany ...	369	443	601	56	66	78
<i>Typewriting Machines and accessories—</i>						
Total Imports ...	62	129	190	42	85	94
UNITED KINGDOM ...	13	9	9	3	3	3
U.S.A.... ...	41	101	148	33	64	73
Germany ...	7	18	30	5	14	16
<i>Calculating Machines—</i>						
Total Imports ...	10	37	64	16	42	60
U.S.A.... ...	8	31	57	13	38	50
Germany ...	2	4	6	2	4	9

APPENDIX IX.

BRAZILIAN IMPORTS BY CLASSES OF COMMODITIES IN THE YEARS
1933 AND 1934.

	Quantity.		Value in £1,000.	
	1933.	1934.	1933.	1934.
Live animals (Heads)	5,942	6,132	50	33
Briquettes, coal and coke ... (Tons)	1,292,020	1,135,219	1,167	904
Cement "	113,870	125,702	174	157
Aniline and fuchine dyes ... "	671	631	474	373
Iron and steel "	59,927	93,970	456	540
Petrol "	235,872	264,666	985	886
Jute "	24,415	21,612	428	325
Kerosene "	81,176	93,369	549	495
Wool "	1,777	1,478	454	326
Fuel oil "	442,225	451,960	661	507
Wood pulp for manufacture of paper "	66,582	74,191	407	451
Skins and hides "	420	383	201	149
Salt, rock and white... .. "	10,438	10,204	13	9
Silk "	937	786	662	452
Other raw materials "	130,243	119,811	2,510	2,442
Cotton (piece goods)... .. "	794	487	313	156
Cotton (other manufactures) "	397	324	140	77
Motor cars and trucks ... (Number)	8,772	15,173	776	1,107
Other vehicles and accessories (Tons)	2,530	9,014	203	315
Rubber manufactures "	5,363	3,668	572	331
Copper and alloys "	1,386	2,009	160	182
Iron and steel manufactures	181,023	223,687	2,150	2,225
Wool manufactures "	321	292	153	125
Linen "	1,098	738	360	211
Earthenware, porcelain, glass and crystal... .. "	11,912	11,265	379	329
Machinery, apparatus, uten- sils and tools "	32,016	40,690	3,724	4,044
Paper and manufactures thereof "	43,842	47,339	705	576
Chemical products, drugs and pharmaceutical specialities .. "	54,688	60,078	1,517	1,380
Other manufactured goods "	44,664	50,887	1,962	1,578
Olive oil "	4,851	4,900	268	259
Codfish "	26,162	18,793	581	371
Potatoes "	11,325	3,414	60	20
Beverages "	8,625	7,529	333	259
Wheat flour "	48,605	98,654	307	507
Fruits and nuts "	16,597	17,792	502	419
Wheat... .. "	850,056	809,843	3,318	2,607
Fodder "	93	32	1	*
Other foodstuffs "	14,196	12,231	457	340
Grand Total "	3,837,526	3,845,718	28,132	25,467

* Less than £1,000.

APPENDIX X.

BRAZILIAN EXPORTS.

Principal Markets (Brazilian Official Sterling values).

£1,000's gold.

<i>Country.</i>	<i>1928.*</i>	<i>1933.</i>	<i>1934.</i>	<i>1935.</i> <i>1st half.</i>
U.S.A.	44,279	16,716	14,000	6,083
Germany	10,909	2,905	4,628	2,539
France	8,932	3,266	2,485	1,393
UNITED KINGDOM	3,354	2,677	4,263	1,795
Argentine	5,784	1,854	1,674	727
Holland	5,612	1,642	1,489	522
Uruguay	2,526	1,168	1,055	537
Italy	4,834	1,151	1,098	436
Belgium	2,672	1,008	1,198	552
Sweden	2,279	878	787	255

BRAZILIAN IMPORTS.

Principal Suppliers (Brazilian Official Sterling values).

£1,000's gold.

<i>Country.</i>	<i>1928.*</i>	<i>1933.</i>	<i>1934.</i>	<i>1935.</i> <i>1st half.</i>
U.S.A.	24,090	5,958	6,027	3,319
UNITED KINGDOM	19,519	5,469	4,365	1,739
Argentine	10,461	3,567	3,158	1,558
Germany	11,304	3,362	3,569	2,333
Belgium	3,573	1,492	1,485	858
France	5,756	1,435	924	470
Italy	3,367	1,132	884	345
Holland	1,701	1,072	1,031	583
Portugal	1,858	603	459	136
Dutch West Indies	Nil	224	407	190
Mexico	841	406	374	182
Sweden	721	291	344	151
Switzerland	949	435	325	115
Spain	877	301	247	74
Peru	529	301	233	84
British India	491	209	210	150
Norway	757	260	182	40
Uruguay	996	104	176	68
Newfoundland	774	273	170	113
Japan	200	154	169	92

* 1928 was the year in which Brazil's exports and imports reached their highest level.

APPENDIX XI.

BRAZILIAN EXPORTS BY CLASSES OF COMMODITIES IN THE YEARS
1933 AND 1934.

—	Quantity.		Value in £1,000.	
	1933.	1934.	1933.	1934.
Lard (Tons)	8,755	5,412	159	83
Preserved meat "	6,010	7,656	213	220
Frozen and chilled meat... .. "	44,012	41,707	643	453
Hides "	43,045	50,607	841	941
Wool "	2,495	2,588	92	135
Skins "	5,032	4,007	555	423
Tallow "	17	8,593	...	97
Jerked beef "	167	508	3	8
Other animal products "	19,689	25,176	238	232
Manganese ore "	24,893	2,300	14	1
Precious stones ... .. "	...	...	2	3
Other mineral products "	25,678	21,837	549	39
Cotton (raw) "	11,693	126,548	369	4,666
Rice "	23,391	33,285	213	259
Sugar "	25,470	23,897	174	148
Rubber "	9,453	11,150	263	342
Cocoa (raw) "	98,687	117,200	1,340	1,543
Coffee (1,000 sacks)	15,459,309	14,146,879	26,168	21,541
Carnauba wax (Tons)	6,875	6,146	275	284
Bran, all kinds "	89,193	71,230	183	135
Manioc meal "	5,482	14,809	28	53
Oranges (Boxes)	2,554,258	2,631,827	651	564
Fruits and nuts (edible) ... (Tons)	137,188	151,169	435	376
Oil producing seeds "	74,581	142,872	607	672
Tobacco "	20,097	31,141	379	527
Maté (Brazilian tea) "	59,222	64,702	807	735
Timber "	101,967	136,188	286	284
Cakes "	34,911	66,635	125	179
Other vegetable products .. "	13,791	87,080	178	502
Grand Total (Tons)	1,910,772	2,200,411	35,790	35,445

APPENDIX XII.

BRAZILIAN IMPORTS BY CLASSES OF COMMODITIES
FROM JANUARY TO JUNE (SIX MONTHS), 1934 AND 1935.

	Quantity.		Value in £1,000.	
	1934.	1935.	1934.	1935.
Live animals (Heads)	791	19,103	8	56
Briquettes, coal and coke ... (Tons)	613,645	678,916	489	492
Cement "	37,328	57,762	47	57
Aniline and fuchine dyes "	304	414	195	212
Iron and steel "	30,606	52,175	228	361
Petrol "	127,823	142,231	443	486
Jute "	8,434	12,605	128	193
Kerosene "	44,375	51,865	235	255
Wool "	760	715	145	150
Fuel oil "	228,609	207,214	256	239
Wood pulp for manufacture of paper "	33,889	26,389	208	139
Skins and hides "	165	183	73	92
Salt, rock and white... .. "	9,012	1,852	8	2
Silk "	371	226	218	135
Other raw materials "	72,448	84,371	1,157	1,298
Cotton (piece goods)... .. "	140	154	30	43
„ (other manufactures) "	218	211	69	44
Motor cars and trucks ... (Number)	6,307	10,013	451	718
Other vehicles and acces- sories (Tons)	2,289	16,266	124	328
Rubber manufactures "	1,949	1,714	167	152
Copper and alloys "	482	794	59	91
Iron and steel manufactures "	127,031	102,636	1,143	1,173
Wool manufactures "	132	162	66	73
Linen "	238	274	64	72
Earthenware, porcelain, glass and crystal... .. "	4,743	7,396	136	190
Machinery, apparatus, uten- sils and tools "	16,686	23,559	1,599	2,153
Paper and manufactures thereof "	22,334	27,792	246	331
Chemical products, drugs and pharmaceutical specialities "	25,659	30,997	576	682
Other manufactured goods "	6,962	8,268	487	569
Olive oil "	2,724	2,140	142	108
Codfish "	10,782	10,412	206	185
Potatoes "	1,475	390	7	1
Beverages "	2,648	2,806	97	85
Wheat flour "	52,456	21,382	257	105
Fruits and nuts "	7,769	8,195	151	147
Wheat... .. "	380,846	396,921	1,128	1,297
Fodder "	15	8	Nil	Nil
Other foodstuffs "	11,834	13,918	246	294
Grand Total	1,898,430	2,015,676	11,289	13,008.

APPENDIX XIII.

BRAZILIAN EXPORTS BY CLASSES OF COMMODITIES
FROM JANUARY TO AUGUST (EIGHT MONTHS), 1934 AND 1935.

	Quantity.		Value in £1,000.	
	1934.	1935.	1934.	1935.
Lard (Tons)	1,866	9,344	27	179
Preserved meat "	5,895	10,986	166	259
Frozen and chilled meat "	38,557	44,472	407	401
Hides "	34,172	35,757	604	589
Wool "	1,694	4,270	87	202
Skins "	2,957	2,693	306	261
Tallow "	5,235	18,025	60	184
Jerked beef "	362	324	6	4
Other animal products "	17,865	18,588	165	168
Manganese ore "	2,300	22,614	1	19
Precious stones "	—	—	2	3
Other mineral products "	12,779	30,615	20	35
Raw cotton "	63,072	95,511	2,108	3,780
Rice "	16,306	53,282	121	290
Sugar "	23,789	60,535	147	274
Rubber "	6,834	7,286	213	165
Cocoa (raw) "	52,758	50,516	704	608
Coffee (1,000 sacks)	9,408	9,444	14,136	11,022
Carnauba wax (Tons)	4,648	4,968	201	266
Bran (all kinds) "	38,678	79,804	68	134
Manioc meal "	7,627	14,573	25	46
Bananas (Bunches)	5,489,750	6,854,528	143	145
Brazil nuts (shelled) (Tons)	2,407	3,988	72	147
Oranges (Boxes)	1,452,231	1,591,725	300	281
Other table fruits (Tons)	2,352	3,888	13	15
Castor seed "	19,272	27,375	89	130
Cotton seed "	35,236	87,078	102	183
Brazil nuts (unshelled) "	23,319	25,453	236	272
Babassú nuts "	62	4,716	1	28
Other oil producing seeds "	1,051	1,632	7	8
Tobacco "	21,791	22,169	366	352
Herva-maté "	39,806	35,358	449	328
Timber "	86,400	111,104	177	196
Maize or India corn "	5,443	25,673	15	65
Cakes "	35,707	64,620	100	133
Other vegetable products "	13,052	30,233	174	317
Grand Total	1,325,216	1,738,587	21,818	21,489

APPENDIX XIV.

PRODUCTION OF COTTON IN BRAZIL BY STATES FOR THE YEARS 1933 AND 1934,
TOGETHER WITH THE ESTIMATES FOR THE 1935 CROP.

State—	Metric Tons.		
	1933.	1934.	1935 (Estimate).
Alagoas	10,200	12,000	22,000
Bahia	5,000	6,000	8,000
Ceará	11,000	32,000	45,000
Maranhão	10,511	7,500	10,000
Minas Geraes	11,000	8,000	15,000
Pará	2,400	1,250	2,500
Parahyba	21,534	40,000	60,000
Paraná	2,000	4,600	4,000
Pernambuco	15,000	20,000	30,000
Piauí	2,200	5,000	10,000
Rio Grande do Norte	15,507	30,000	40,000
São Paulo	34,700	105,000	115,000
Sergipe	6,184	8,250	8,000
Other States	400	100	1,000
Total	147,636	279,700	370,500

APPENDIX XV.

EXPORTS OF RAW COTTON FROM BRAZIL.

	1934, Jan. to August.			1935, Jan. to August.		
	Contos of			Contos of		
	Tons.	reis.	£ (gold).	Tons.	reis.	£ (gold).
Total Exports ...	63,072	211,719	2,108,306	95,511	461,968	3,780,174
<i>Exports by States:—</i>					<i>Values in Contos of reis.</i>	
					1934.	1935.
Alagoas					—	23,181
Bahia					203	2,689
Ceará					19,813	55,855
Maranhão					18,035	24,126
Pará					3,871	2,072
Parahyba					16,410	58,480
Pernambuco					17,657	40,138
Piauí					—	173
Rio Grande do Norte					7,646	26,135
Rio de Janeiro					315	4,031
São Paulo					127,769	223,877
Sergipe					—	1,211
Totals					211,719	461,968

APPENDIX XVI.

DEVELOPMENT OF BRAZILIAN AGRICULTURE.

The following statistics with regard to agricultural production in Brazil during the last four years have been published by the Ministry for Agriculture. Although production has increased in the greater number of cases, the value of the products, themselves has not risen in an equivalent proportion. This is due to the falling off in market prices.

Culture.	Unit.	Area under Cultivation.			
		1931.	1932.	1933.	1934.
Hay	Hectares	12,630	17,550	18,370	20,000
Cotton	"	551,700	692,400	820,000	790,000
Rice	"	719,350	855,830	900,000	1,000,000
Oats	"	11,740	12,880	13,220	14,000
Bananas	"	35,000	36,600	38,000	40,000
Potatoes	"	24,000	26,600	28,800	30,000
Cocoa	"	153,670	208,880	176,350	180,000
Coffee	"	3,503,340	3,651,880	3,971,200	3,971,200
Sugar cane	"	348,450	328,200	340,000	350,000
Barley	"	9,300	9,450	9,500	9,600
Coconuts	"	15,950	16,000	16,530	17,300
Beans	"	522,210	539,450	577,200	590,000
Tobacco	"	86,680	87,730	90,600	100,000
Oranges and tangerines	"	21,730	23,780	26,900	30,000
Manioc	"	227,100	272,800	302,700	320,000
Maize	"	3,170,000	3,722,000	4,416,000	4,800,000
Wheat	"	141,610	164,330	170,000	175,000
Grapes	"	45,500	58,180	69,500	75,000
Rye	"	17,765	16,750	17,000	17,500

APPENDIX XVI.—Continued

Products.	Unit.	Production.			
		1931.	1932.	1933.	1934.
Hay	Tons	113,831	155,054	145,000	140,000
Cotton (raw)	Kilos	112,789,000	76,416,000	151,253,000	283,950,000
„ (seed)...	„	262,619,000	176,502,000	352,924,000	662,550,000
Rice	60 kls.	17,974,300	20,039,182	19,200,000	20,000,000
	Bag				
Oats	Kilos	11,936,220	12,910,000	13,200,000	13,800,000
Bananas ...	Bunches	70,000,000	73,200,000	76,000,000	80,000,000
Potatoes ...	Tons	360,797	400,418	385,000	390,000
Cocoa	60 kls.	1,278,959	1,740,624	1,652,747	1,779,740
	Bag				
Coffee	„	21,694,508	25,595,754	29,610,000	14,298,000
Sugar cane ...	Tons	11,471,380	10,264,910	10,890,000	11,200,000
Cane sugar ...	„	1,050,250	981,610	970,000	960,000
Barley	Kilos	9,273,900	9,431,000	9,500,000	9,450,000
Coconuts ...	Single Nut	130,635,860	135,566,900	127,000,000	125,000,000
Beans	60 kls.	11,451,860	12,037,074	12,200,000	12,500,000
	Bag				
Tobacco	Kilos	97,549,825	99,674,630	92,000,000	92,000,000
Oranges, lemons, and tangerines.	Tons	700,000	875,000	1,050,000	1,225,000
Maize	60 kls.	79,166,578	96,160,574	100,000,000	100,000,000
	Bag				
Wheat	Kilos	141,580,050	164,250,500	150,000,000	145,000,000
Wine	Litres	124,832,000	157,768,146	84,000,000	90,000,000
Grapes	Kilos	198,000,600	252,720,000	298,230,000	320,000,000
Rye	„	17,755,000	16,750,900	17,000,000	17,500,000

N.B.—The 1933 figures are subject to correction.
The 1934 figures are only estimates.

APPENDIX XVII.

RAILWAY LINES IN BRAZIL (ON THE 31ST DECEMBER, 1932).

No.	Name.	Extension in Metres.
F- 1	E. F. Madeira-Mamoré	366,485
S- 2	E. F. do Tocantins (Pará)	82,430
S- 3	E. F. Bragança (Pará)	291,870
F- 4	E. F. São Luiz a Terezina	450,652
F- 5	E. F. Central do Piauí	151,094
F- 6	Rêde de Viacão Cearense	1,341,685
F- 7	E. F. Mossoro	121,173
F- 8	E. F. Central do Rio Grande do Norte	236,391
F- 9	E. F. Petrolina a Terezina	164,300
C-10	The Great Western of Brazil Railway Co., Ltd.	1,716,622
C-11	Cia. Ferroviaria Este Brasileiro	2,315,815
C-12	E. F. Nazaré e ramal de Amargosa	286,513
C-13	E. F. Santo Amaro	88,350
C-14	E. F. Ilhéos a Conquista	101,750
C-15	E. F. Vitoria a Minas	561,594
C-16	E. F. Itapemirim	52,740
C-17	E. F. do Litoral	13,605
C-18	E. F. São Mateus	63,000
C-19	E. F. Benevente a Alfredo Chaves	35,710
C-20	E. F. Corcovado	3,813
F-21	E. F. Maricá (Rio de Janeiro)	130,472
C-22	The Leopoldina Railway Co., Ltd.	3,086,388
C-23	E. F. Rezende a Bocaina	22,810
F-24	E. F. Central do Brasil	3,081,735
S-25	Rêde Mineira de Viação*	3,783,570
C-26	E. F. Morro Velho	8,000
F-27	E. F. Goiaz	384,751
C-28	Cia. Mogyana de Estradas de Ferro	1,966,016
C-29	São Paulo Railway Co., Ltd.	247,312
C-30	Cia. Paulista de Estradas de Ferro	1,466,492
S-31	E. F. Sorocabana (São Paulo)	2,045,894
F-32	E. F. Noroeste do Brasil	1,345,328
C-33	E. F. Dourado	273,368
F-34	E. F. São Paulo-Goiaz	148,882
C-35	Cia. E. F. Morro Agudo	40,000
C-36	E. F. São Paulo-Minas	180,320
C-37	E. F. São Paulo-Paraná	183,050
C-38	Cia. E. F. Barra Bonita	18,100
C-39	E. F. Itatibense	20,120
S-40	E. F. Norte de São Paulo (Araraquara)	280,712
C-41	Ramal Ferro Campineiro	39,553
C-42	Tramway da Cantareira	30,335
C-43	E. F. Campos do Jordão	46,580
C-44	Cia. Melhoramentos de Monte Alto	31,350
C-45	E. F. Jaboticabal	27,200
C-46	E. F. Purié-Pirapora	16,000
C-47	E. F. Fazenda Dumont	23,442
C-48	E. F. Mate-Laranjeira	68,000
F-49	E. F. São Paulo-Rio Grande	2,016,555
F-50	E. F. Norte do Paraná	43,300
C-51	E. F. Dna. Teresa Christina and branches	243,758
S-52	E. F. Santa Catharina	89,600
S-53	Viação Ferrea do Rio Grande do Sul	2,709,094

APPENDIX XVII.—Continued.

<i>No.</i>	<i>Name.</i>	<i>Extension in Metres.</i>
F-54	E. F. Quaraim a São Borja	299,466
S-55	E. F. Porto Alegre a Tristeza (Rio Grande do Sul) ...	16,900
C-56	E. F. de Jacui	57,414
S-57	E. F. Palmares a Conceição do Arroio (Rio Grande do Sul) ...	55,220
	Total	<u>32,972,680</u>

* Including the "Machadense," the "Trespontana" and the "São Gonçalo" branch.

Note.—Operating authorities :—

F—Federal Government.

S—State Government.

C—Concessionaire.

APPENDIX XVIII.

AIR SERVICES IN BRAZIL—1934 AND HALF-YEAR OF 1935.

	Extension of Lines.	Effective Traffic.							
		Passengers.		Baggage.		Mail.		Cargo.	
		1934.	1st half 1935.	1934.	1st half 1935.	1934.	1st half 1935.	1934.	1st half 1935.
	Kilms.								
<i>Empresa de Viação Aérea Rio Grandense</i> —									
Porto Alegre—Palmeira ...	400	515	360	4,622	3,022	192	53	1,186	946
" "—Livramento ...	555	635	543	6,336	5,792	738	615	3,741	3,535
" "—Quarary ...	665	594	—	5,249	—	492	—	6,094	—
Occasional Flights ...	—	524	301	1,445	1,797	179	330	988	946
<i>Syndicato Condor Ltda.</i> —									
Natal—Buenos Aires ...	4,790	452	1,440	7,512	24,132	2,751	10,503	1,030	3,294
Rio de Janeiro—Natal ...	2,405	848	498	13,765	7,985	8,058	824	2,254	813
" "—Buenos Aires ...	2,405	1,052	—	17,998	—	5,400	—	1,899	—
" "—Porto Alegre ...	1,415	1,363	700	22,901	11,871	7,694	1,671	6,329	2,241
São Paulo—Cuyabá ...	1,865	419	325	6,789	5,326	872	593	1,085	866
" "—Campo Grande ...	1,000	87	—	1,305	—	818	—	112	—
C. Grande—Cuyabá ...	865	226	—	3,392	—	1,107	—	263	—
Occasional Flights ...	—	1,892	1,221	5,151	5,194	—	—	71	116
<i>Panair do Brasil S.A.</i> —									
Belém—Buenos Aires ...	6,485	1,109	—	16,261	—	7,310	—	5,395	—
" "—Rio de Janeiro ...	4,115	2,203	1,884	31,819	26,667	6,219	4,871	12,460	9,435
" "—Manaos ...	1,500	354	218	5,629	3,444	1,718	1,049	1,430	413
Occasional Flights ...	—	439	125	529	257	—	—	1,430	—

APPENDIX XIX.

PORT OF RIO DE JANEIRO, BRAZIL,
 RETURN OF BRITISH SHIPPING WHICH ENTERED AND CLEARED IN THE FOREIGN TRADE OF THE PORT DURING THE YEAR 1934.
 (a) STEAM VESSELS.

Countries whence Entered.	Entered.				Countries to which Cleared.	Cleared.					
	With Cargoes.		In Ballast.			With Cargoes.		In Ballast.			
	No. of Vessels.	Net Tonnage.	No. of Vessels.	Net Tonnage.		No. of Vessels.	Net Tonnage.	No. of Vessels.	Net Tonnage.		
United Kingdom	137	684,766	4	29,743	714,509	65	383,672	3	24,029	68	407,701
Irish Free State	—	—	—	—	—	—	—	—	—	—	—
Other countries, viz. :—											
U.S.A.	7	24,521	2	6,572	31,093	1	7,076	71	233,415	72	240,491
Uruguay	—	—	9	43,153	43,153	2	5,758	—	—	2	5,758
Argentina	3	8,655	9	45,254	53,909	—	—	105	596,323	105	596,323
Brazil	4	12,620	58	332,176	344,796	—	—	1	7,877	1	7,877
Mexico	12	72,995	1	3,616	76,611	—	—	1	2,800	1	2,800
B. West Indies	—	—	1	3,521	3,521	—	—	5	21,979	5	21,979
New Zealand	—	—	1	5,019	5,019	—	—	1	3,521	1	3,521
Gibraltar	—	—	1	2,317	2,317	—	—	3	10,198	3	10,198
Holland	9	29,852	—	—	29,852	—	—	1	8,512	1	8,512
Spain	1	2,361	—	—	2,361	—	—	—	—	—	—
Canada	1	3,105	—	—	3,105	—	—	2	15,682	2	15,682
India	2	8,552	—	—	8,552	—	—	1	514	1	514
Bermuda	1	2,314	—	—	2,314	—	—	1	3,277	1	3,277
Falkland Is...	1	3,521	—	—	3,521	—	—	—	—	—	—
TOTALS	178	853,262	86	471,371	1,324,633	68	396,506	195	928,127	263	1,324,633

(b) MOTOR VESSELS.

United Kingdom	38	311,290	1	10,745	39	322,035	United Kingdom	35	314,309	1	4,493	36	318,802
Peru ...	1	3,418	—	—	1	3,418	Irish Free State	—	—	—	—	—	—
India ...	1	3,119	—	—	1	3,119	Other countries,	—	—	—	—	—	—
Argentina ...	—	—	1	4,494	1	4,494	viz. :—	—	—	—	—	—	—
U.S.A. ...	18	114,976	1	3,207	19	118,183	U.S.A. ...	21	134,444	1	3,418	22	137,862
Uruguay ...	—	—	1	4,490	1	4,490	Argentina ...	—	—	1	6,500	1	6,500
Brazil ...	1	4,493	54	439,769	55	444,262	Chile ...	—	—	2	14,695	2	14,695
Dutch West Indies.	1	4,042	—	—	1	4,042	Brazil ...	—	—	57	426,184	57	426,184
TOTALS ...	60	441,338	58	462,705	118	904,043		56	448,753	62	455,290	118	904,043

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 1934.

No.		No.	
577	Angola 1s. 6d. (1s. 7d.)	588	Morocco 2s. 3d. (2s. 5d.)
563	Belgian Congo 2s. 6d. (2s. 8d.)	580	Netherlands 3s. 0d. (3s. 2d.)
583	B. E. Africa 3s. 3d. (3s. 6d.)	585	Norway 2s. 6d. (2s. 8d.)
571	Costa Rica 1s. 0d. (1s. 1d.)	572	Paraguay... .. 1s. 6d. (1s. 7d.)
564	Dominican Rep. and Hayti 2s. 3d. (2s. 5d.)	592	Peru 2s. 0d. (2s. 1d.)
581	France 7s. 0d. (7s. 9d.)	590	Portugal 2s. 6d. (2s. 8d.)
562	French W. Africa 1s. 6d. (1s. 7d.)	586	Roumania 2s. 0d. (2s. 1d.)
582	Germany 3s. 6d. (3s. 9d.)	568	Switzerland 2s. 0d. (2s. 1d.)
579	Greece 2s. 0d. (2s. 2d.)	589	Syria 1s. 6d. (1s. 7d.)
570	Mexico 1s. 0d. (1s. 1d.)	591	Turkey 1s. 6d. (1s. 7d.)
		584	Yugoslavia 2s. 0d. (2s. 1d.)

B.—During the year 1935.

No.		No.	
616	Algeria, Tunisia and Tripolitania 3s. 0d. (3s. 2d.)	621	Egypt 3s. 0d. (3s. 2d.)
608	Argentine 4s. 6d. (4s. 9d.)	598	Honduras 1s. 9d. (1s. 10d.)
626	Australia 3s. 6d. (3s. 8d.)	593	India 4s. 0d. (4s. 4d.)
625	Austria 2s. 6d. (2s. 8d.)	622	Iran (Persia) 2s. 3d. (2s. 4d.)
613	Belgium 3s. 0d. (3s. 2d.)	604	Japan 3s. 6d. (3s. 9d.)
602	British Malaya 2s. 0d. (2s. 2d.)	603	Latvia 1s. 6d. (1s. 7d.)
594	Brit. W. Indies 4s. 0d. (4s. 2d.)	618	Newfoundland 2s. 0d. (2s. 1d.)
595	Bulgaria 2s. 6d. (2s. 8d.)	596	Nicaragua 1s. 0d. (1s. 1d.)
619	Canada 4s. 0d. (4s. 3d.)	620	Palestine 3s. 0d. (3s. 2d.)
597	Chile 2s. 6d. (2s. 8d.)	601	Persian Gulf 1s. 3d. (1s. 4d.)
623	China 3s. 0d. (3s. 2d.)	611	Philippine Islands 9d. (10d.)
614	Cuba 1s. 6d. (1s. 7d.)	609	Poland 1s. 6d. (1s. 7d.)
615	Cyprus, Malta and Gibraltar 2s. 6d. (2s. 8d.)	624	Port. E. Africa 2s. 0d. (2s. 1d.)
612	Czechoslovakia 2s. 0d. (2s. 2d.)	607	Siam 1s. 9d. (1s. 10d.)
617	Denmark 2s. 6d. (2s. 8d.)	606	Spain 1s. 6d. (1s. 7d.)
599	Ecuador 1s. 6d. (1s. 7d.)	605	Sweden 3s. 0d. (3s. 2d.)
		600	United States 5s. 0d. (5s. 3d.)
		610	Venezuela 1s. 6d. (1s. 7d.)

C.—During the year 1936.

No.		No.	
	Brazil (See Cover)		Salvador (In preparation)
	Finland (In preparation)		South Africa (In preparation)
629	Hungary (In preparation)		S. and N. Rhodesia and Nyasaland (In preparation)
627	Iraq 1s. 0d. (1s. 1d.)	628	Uruguay (In preparation)
	Lithuania (In preparation)		
	Neth. E. Indies (In preparation)		

Annual subscriptions for the above reports, including postage to any part of the world, £2.

(The above publications can be obtained from the addresses given on the title page of this report. All prices are net, and those in parentheses include postage.)

Biblioteca do Ministério da Fazenda

12 12935-48

330.981

DZ19

Irã Bretanha. Deprt. Overseas Trade

AUTOR

Report economic conditions in Bra-

TÍTULO

zil 1935

Devolver em

NOME DO LEITOR

