coffee, Canadian imports from Brazil have been rising in value as our exports to Brazil declined:

Canadian Imports from Brazil

(In million Canadian dollars. DBS statistics)

1947	1948	1949	1950	4 months 1950	4 months 1951
13.8	20.5	21.1	28.2	7.1	12.7

Balance of Payments

Brazil's unfavourable balance of trade with Canada in the immediate postwar period turned into a clearly favourable balance after 1949 as a result of Brazil's import controls and of rising prices for coffee.

Balance of Trade

(In million Canadian dollars. DBS statistics)

	1947	1948	1949	1950	4 months 1950	4 months 1951
Canadian Imports from Brazil	13.8	20.5	21.1	28.2	7.1	12.7
Canadian Exports to Brazil	31.6	28.6	17.2	15.8	2.9	8.6
Brazil's Trade Balance	–17.8	–8.1	+3.9	+12.4	+3.2	+4.1

Brazil's favourable trade balance with Canada is even more satisfactory than appears from the statistics when account is taken of the substantial imports of electrical and other equipment from Canada, paid for by Brazilian Traction out of I.B.R.D. loans and not from current trade receipts. In January 1949 the I.B.R.D. extended Brazilian Traction a loan of U.S. $72.4 million, of which the equivalent of U.S. $40.5 million had been drawn by October 1950. Of this amount, several million dollars were in all probability spent by the Company on Canadian electrical and other equipment.

On the other hand, Brazil's *balance of payments* with Canada includes a continuing *deficit* item of about $14 million (Canadian funds) released each year by Brazil for the payment of Brazilian Traction dividends. Not even at their high point in 1950 were her earnings from trade with Canada sufficient to meet this item.

2. *Improvement in Brazil's General Position*

Present Position

The decline in Canadian exports to Brazil has been paralleled by a sharp fall in U.S. exports to Brazil after 1949. This trend has been the result of three main factors:

(i) Brazilian import restrictions against hand-currency goods, originally imposed to compensate for the heavy post-war drain of exchange and the accumulation of commercial arrears.

(ii) Renewed overseas competition, from the U.K., Belgium, Norway and W. Germany, by means of bilateral trade agreements and barter transactions.

(iii) Rapidly increasing industrialization in Brazil itself (i.e.: wheat flour, paper, rubber tires, iron and steel manufactures, pharmaceuticals, textiles, cement). For