

example, Brazilian steel production in 1950 is estimated to have saved Brazil over US\$ 40 million in foreign exchange, which would have had to be spent on imported steel.

As a result of these factors and of high world prices especially for coffee, but also for cotton, cocoa, carnauba wax and tobacco, Brazil's overall dollar balance has shown a marked improvement. This improvement has been accentuated by events following the outbreak of the Korean war.

Rising export earnings in 1950 went largely to clear up commercial backlogs which stood at US\$ 226 million in October 1949. In 1951, a major part of foreign exchange earnings will be used to reduce a large backlog of frozen remittances on foreign investments.

Thus, although Brazil's trade balance on dollar account has been running a surplus of over \$250 million (average) in 1949 and in 1950, holdings of gold and foreign exchange are up much less than the trade balance.

Bank of Brazil foreign exchange assets which stood at U.S. \$402 million in December 1949, had fallen to U.S. \$270 million by June 1950 and have been rising to \$391 million by March 1951. Gold assets have similarly risen from a low point of U.S. \$586 million in June 1950 to U.S. \$708 million in March 1951.

Short-run Prospects

In the immediate future a narrowing of Brazil's trade surplus with the dollar area may be expected. This would follow from increased imports of essential materials and machinery for stockpiling purposes (imports from the U.S. this year are up almost 40 per cent from the 1950 rate). Although coffee prices are expected to remain high and coffee exports have risen from last year's record rate of \$60 million a month to \$85 million a month in 1951, there are reports showing that U.S. imports of coffee have been running ahead of consumption so that stocks are piling up.

But with her commercial debts and her financial arrears liquidated, and with import restrictions on non-essentials still in effect, Brazil will probably continue to finance her increased dollar imports without difficulty. Brazil may be expected, therefore, to increase her level of dollar expenditures. On the other hand, in their desire to obtain adequate supplies of scarce materials, the Brazilians may be expected to maintain strict import controls on non-essential dollar products, this latter with strong protectionist overtones.

Long-term Prospects

Brazil, with a population of over 52 million, is already the most highly industrialized and one of the most rapidly developing countries in Latin America. Sao Paulo, for example, is today the world's fastest growing city.

Present restrictive policies, coupled with high world prices for coffee and other Brazilian products, have contributed to the improvement of Brazil's balance of payments position. A more fundamental long-term factor in strengthening Brazil's economy is the growth of new industries in Brazil and the exploitation of as yet undeveloped mineral resources.