

**No. 851**

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**UNITED KINGDOM OF GREAT BRITAIN  
AND NORTHERN IRELAND  
and  
BRAZIL**

**Trade and Payments Agreement. Signed at Rio de Janeiro,  
on 21 May 1948**

*Official texts: English and Portuguese.*

*Registered by the United Kingdom of Great Britain and Northern Ireland  
on 30 June 1950.*

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**ROYAUME-UNI DE GRANDE-BRETAGNE  
ET D'IRLANDE DU NORD  
et  
BRÉSIL**

**Accord relatif aux échanges commerciaux et aux paiements.  
Signé à Rio-de-Janeiro, le 21 mai 1948**

*Textes officiels anglais et portugais.*

*Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord,  
le 30 juin 1950.*

No. 851. TRADE AND PAYMENTS AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE UNITED STATES OF BRAZIL. SIGNED AT RIO DE JANEIRO, ON 21 MAY 1948

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Representatives of the Government of the United Kingdom of Great Britain and Northern Ireland and of the Government of the United States of Brazil held a series of meetings in the city of Rio de Janeiro during the months of February, March, April and May, 1948, to study and discuss matters relating to trade and payments between Brazil on the one hand and the United Kingdom and the rest of the Sterling Area, now known as the Scheduled Territories, on the other, and to examine the causes which had in the past restricted the flow of commercial and financial transactions. They reached a complete understanding upon the matters under discussion and drew up by mutual consent the subjoined Trade Agreement and Payments Agreement in the following terms:—

#### GENERAL DISPOSITIONS

It was agreed that the two Governments should co-operate to maintain their monetary relations, provided for in the Payments Agreement signed to-day, in such a way as to avoid mutual exchange difficulties. To this end, the basic principle of the Trade and Payments Agreements should be to maintain a reasonable degree of equilibrium in the current movement of sterling payments in both directions at the highest possible level. It was therefore agreed that, subject to this principle, it would be to the entire advantage of both countries that commercial and financial transactions should be encouraged to the greatest possible extent, and it was in particular agreed that a programme providing for the highest level of trade consistent with the prospective sterling exchange position of Brazil would be a valuable contribution to the prosperity of both countries and to the economic well-being of the world at large.

With this object in view, the two delegations drew up an estimate of the probable balance of trade and payments covering transactions between Brazil and the Scheduled Territories in 1948 and, within the framework of this estimate, discussed a programme of trade providing for a substantial

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<sup>1</sup> Came into force on 21 May 1948, by signature.

movement of goods in both directions. It was further agreed that account should be taken of the possibility of sterling being acquired by Brazil from transactions with countries outside the Scheduled Territories.

### Chapter one

## TRADE AGREEMENT

### EXPORTS BY THE UNITED KINGDOM TO BRAZIL

1. The Brazilian representatives submitted a list of goods and products of the United Kingdom the importation of which they regarded as essential to Brazil in 1948, and the representatives of the United Kingdom gave an indication of the quantities with which, from the information at their disposal, it appeared likely that Brazil could be supplied. In particular, it was agreed that the Government of the United Kingdom would do everything within the limits of the powers they exercise in such matters to facilitate the supply to Brazil in 1948 through the appropriate channels of the following commodities, to the quantities specified in Schedule I:—

Petroleum and petroleum products	Caustic Soda
Coal	Soda Ash
Tin	Cement
Tinplate	

2. The United Kingdom representatives emphasised the importance to the economy of the United Kingdom of maintaining in Brazil an assured market for goods of all kinds, including consumer goods. The Brazilian representatives declared that the policy of the Brazilian Government was precisely to facilitate the entry of a wide range of such goods from the United Kingdom, up to the maximum limit of sterling exchange at Brazil's disposal, taking into account all current financial transactions in both directions. On this basis the Brazilian and United Kingdom representatives agreed that imports by Brazil from the United Kingdom in 1948, together with imports of petroleum and petroleum products, could be expected to reach a total of £37 million. The list of the goods concerned, with comments, is given as Schedule 1 of the present Agreement.

### EXPORTS BY BRAZIL TO THE UNITED KINGDOM

3. The United Kingdom representatives in turn submitted a list of the goods and products they wished to receive from Brazil in 1948, and the Brazilian representatives gave an indication of the quantities with which, from the information at their disposal, it appeared likely that the United Kingdom could be supplied.

4. The United Kingdom representatives emphasised their particular interest in ensuring adequate supplies of meat, rice, cotton and industrial alcohol, and it was agreed that the Brazilian Government would do everything within the limits of the powers they exercise in such matters to facilitate the supply to the United Kingdom in 1948 through the appropriate channels of these goods and products, to the quantities specified in Schedule 2.

5. The Brazilian representatives emphasised the importance to the economy of their country of maintaining a market in the United Kingdom for certain Brazilian products, and the United Kingdom representatives agreed to ensure that licences for the import of oranges would be granted to the value of £750,000; of Brazil nuts to the value of £200,000; of coffee to the value of £1,400,000; and of sugar to the value of £1 million, subject in all cases to agreement on quality and price. The United Kingdom representatives further agreed that the existing regulations permitting the import of herva mate would be maintained during 1948.

6. Having regard to the foregoing, the Brazilian and United Kingdom representatives agreed that Brazilian exports to the United Kingdom in 1948, including purchases of rice made by the United Kingdom Government on behalf of the British Commonwealth, could be expected to reach a total of £31 million. The list of the goods concerned, with comments, is given as Schedule 2 of the present Agreement.

#### GENERAL

7. It was further agreed that the Governments of Brazil and of the United Kingdom should grant the necessary licences for the exports and imports in question, in accordance with the basic principle of reasonable equilibrium in the current movement of sterling payments and with the other provisions of the present Agreement.

8. The Brazilian and United Kingdom representatives agreed that any questions arising from the carrying out of this Trade Agreement should be raised through diplomatic channels.

#### *Chapter two*

#### PAYMENTS AGREEMENT

#### PART I.—CURRENT PAYMENTS

*Article 1.*—All trade or financial payments between residents of Brazil and residents of the Scheduled Territories shall continue to be settled in sterling.

*Article 2.*—Payments in cruzeiros due from residents of Brazil to residents of the Scheduled Territories shall be settled by the purchase of sterling in accordance with the exchange rate provisions of Article 5.

*Article 3.*—Payments in cruzeiros due from residents of the Scheduled Territories to residents of Brazil shall be settled by the sale of sterling in accordance with the exchange rate provisions of Article 5.

*Article 4.*—All other payments expressed in currencies other than sterling and the cruzeiro which are due to be settled in sterling shall be converted into and settled in sterling, on the basis of the official rates in London.

*Article 5.*—The Government of Brazil shall instruct the Banco do Brasil S.A. (hereinafter referred to as the Bank of Brazil) to establish buying and selling rates of exchange for sterling based on the official middle rate quoted by the Bank of England for the United States dollar.

*Article 6.*—The Government of Brazil shall instruct the Bank of Brazil to maintain No. 1 Accounts with the Bank of England and with such other banks in the United Kingdom as may be desired. These accounts shall be known as Brazilian Accounts.

*Article 7.*—All sterling payments to Brazil which residents of the Scheduled Territories or of countries outside the Scheduled Territories in accordance with Article 10 are permitted to make under the Exchange Control Regulations in force in the United Kingdom, shall be made to the credit of Brazilian Accounts.

*Article 8.*—The Government of the United Kingdom shall not restrict the availability of sterling at the disposal of residents of Brazil for making :—

- (a) transfers to other residents of Brazil;
- (b) payments to residents of the Scheduled Territories;
- (c) payments in respect of current transactions to residents of such countries outside Brazil and the Scheduled Territories as may be agreed between the Government of Brazil and the Government of the United Kingdom.

*Article 9.*—The Government of Brazil shall not restrict the availability of cruzeiros which, notwithstanding the provisions of Article 3, may be at the disposal of residents of the Scheduled Territories, for making, under the Exchange Control Regulations in force from time to time in Brazil :—

- (a) transfers to other residents of the Scheduled Territories;
- (b) payments to residents of Brazil;
- (c) payments in respect of current transactions to residents of countries outside Brazil and the Scheduled Territories as may be agreed between the Government of Brazil and the Government of the United Kingdom.

*Article 10.*—As opportunity offers, the Governments of Brazil and of the United Kingdom shall seek, after mutual consultation and with the consent of other interested parties, to enable residents of countries outside the Scheduled Territories and Brazil to use sterling at their disposal to make payments of a current nature to residents of Brazil, and to use cruzeiros at their disposal to make payments of a current nature to residents of the Scheduled Territories.

*Article 11.*—The Government of Brazil shall instruct the Bank of Brazil, on the basis of the exchange rate provision of Article 5 :—

- (a) to purchase when required sterling transferred to the credit of any Brazilian Account against disbursement of the cruzeiro equivalent;
- (b) to sell to residents of Brazil such sterling at its disposal as may be required for any payments which residents of Brazil are permitted to make to residents of the Scheduled Territories under the Exchange Control Regulations in force in Brazil from time to time.

*Article 12.*—A revaluation guarantee, in terms to be agreed between the Bank of England and the Bank of Brazil, shall apply to balances standing to the credit of the No. 1 Accounts of the Bank of Brazil and to the net forward position in sterling of the Bank of Brazil. This guarantee shall take effect from the date of signature of the present Agreement and shall apply to balances on such No. 1 Accounts existing on that date and held from time to time in the ensuing twelve months, plus or minus the relative net forward position. The guarantee shall cover any balances on such accounts outstanding at the end of the twelve months, plus or minus the relative outstanding net forward position until they have been utilized.

*Article 13.*—The Bank of England and the Bank of Brazil as agents for their respective Governments shall maintain contact and exchange views on all technical questions arising from the Agreement.

*Article 14.*—For the purpose of the present Agreement, it is understood that :—

- (a) the expression Scheduled Territories shall have the meaning from time to time assigned to it under the Exchange Control Act, 1947.
- (b) the expression Brazilian Account shall mean an account of a resident of Brazil which is, for the purposes of the present Agreement, recognised by the Bank of England as a Brazilian account.

## PART II.—ACCUMULATED STERLING BALANCES

*Article 15.*—The sum of the sterling balances (hereinafter referred to as the “accumulated sterling balances”) standing to the credit of the Bank of Brazil with the Bank of England and with other banks in the United Kingdom as at 31st March, 1947, has been established at £61,500,000 and is on the date of signature of the present Agreement £50,000,000. These balances have been credited to “A” Accounts of the Bank of Brazil with the banks in question. These Accounts (hereinafter referred to as “A” Accounts) shall be subject to the provisions of the succeeding Articles of this Agreement.

*Article 16.*—That part of the accumulated sterling balances which was held by the Bank of Brazil at the Bank of England on the 31st March, 1947, and has subsequently remained on the “A” Account at the Bank of England shall continue to enjoy the existing guarantee.

*Article 17.*—Balances on the “A” Accounts shall earn interest at  $\frac{1}{2}\%$  (one half of one per cent.) per annum. This interest shall be credited periodically to the No. 1 Accounts of the Bank of Brazil in accordance with existing arrangements.

*Article 18.*—The Bank of Brazil is entitled to transfer from the “A” Accounts to the No. 1 Accounts up to a total of £10,000,000, of which £6,000,000 is transferable in four equal annual instalments, the first instalment of £1,500,000 having been transferred on 4th June, 1947. The balance of £4,000,000 shall be available for transfer from the “A” Accounts to the No. 1 Accounts up to 31st December, 1949, in accordance with arrangements to be agreed between the Government of Brazil and the Government of the United Kingdom.

*Article 19.*—There may also be transferred from the “A” Accounts to the No. 1 Accounts any sums as and when immediately required:—

- (a) for the repatriation of Brazilian sterling loans (Federal, State or Municipal) whether in the form of special purchases or in repayment of specific sterling issues;
- (b) for the total payments in respect of the taking over of the San Paulo (Brazilian) Railway Co., Ltd.;
- (c) for payments in respect of the purchase price or compensation of such other British-owned railways or utility companies operating in Brazil as the Government of Brazil may decide to purchase by agreement with the entities concerned, or to take over under the respective contracts;

- (d) for the settlement of whatever amounts the Government of Brazil, or the Brazilian Courts, may agree to be due to persons or companies resident in the United Kingdom in respect of claims presented by 1st April, 1947;
- (e) for the purchase of buildings for the Brazilian Embassy and Chancellery in the United Kingdom up to £250,000.

*Article 20.*—Part I of the present Payments Agreement, which shall be subject to review and adjustment after mutual consultation, shall come into force on the date of signature of the Agreement. Thereafter Part I shall continue in force subject to the right of the Government of Brazil and the Government of the United Kingdom to give notice in writing to the other of its intention to terminate Part I and two months after the date on which such notice shall have been given Part I shall cease to have effect.

*Article 21.*—Part II of the present Agreement shall come into force on the date of signature of the Agreement, but Part II shall effect as if it had come into force on the 27th May, 1947. Part II shall remain in force until 1st April, 1951.

The present administrative Agreements were drawn up in duplicate in Rio de Janeiro, on the twenty-first day of May, 1948, in English and Portuguese, both texts being equally authentic.

[L.S.] Nevile BUTLER  
John WISE

[L.S.] Raul FERNANDES  
CORRÊA E CASTRO

#### SCHEDULE 1

	£
1. Petroleum, petroleum products . . . . .	7,000,000
2. Coal . . . . . 500,000 tons	1,875,000
3. Pottery, glass, abrasives (including fireclay) . . . . .	1,000,000
of which:	
Abrasives . . . . .	£4,000
Cement . . . . . 100,000 tons	
4. Iron, steel and manufactures thereof . . . . .	1,100,000
of which:	
Wire, plain and barbed . . . . .	350 tons
Steel cordage . . . . .	200 tons
Steel tubes . . . . .	1,100 tons
Wagon and tram building material . . . . .	£100,000
Tinplate . . . . .	3,000 tons
5. Non-ferrous metals, and manufactures thereof . . . . .	1,000,000
of which:	
Tin, subject to allocation by Combined Tin Committee . . . . .	1,000 tons

	£
6. Chemicals, drugs, dyestuffs . . . . .	1,700,000
of which:	
Caustic soda . . . . .	17,000 tons
Soda ash . . . . .	20,000 tons
Dyes . . . . .	15 tons
Metallic pigments . . . . .	10 tons
7. Cotton thread, for sewing embroidery . . . . .	500,000
8. Woollen yarn, tissues . . . . .	1,250,000
9. Linen yarn, linen tissues, and other textiles . . . . .	1,800,000
10. Agricultural machinery, implements . . . . .	750,000
11. Electrical machinery and equipment, principally industrial . . . . .	1,250,000
12. Machinery, general . . . . .	6,000,000
of which:	
Textile machinery . . . . .	£2,500,000
13. Locomotives, wagons, ships, aircraft, vehicles and parts . . . . .	9,000,000
14. Food, beverages . . . . .	600,000
15. Cutlery, hardware, implements . . . . .	750,000
16. Paper and cardboard . . . . .	450,000
17. Miscellaneous . . . . .	1,100,000

## NOTES

1. Estimates are based on the best information available to the United Kingdom Delegation in March 1948, and are subject to revision in the light of further information.

2. It is understood that in all cases the amounts specified are conditional on agreement between buyer and seller on quality and price.

3. The commodities and quantities set out above are not necessarily exhaustive and may be supplemented during 1948, as may be determined when convenient.

4. Jute (£3,000,000) and other purchases from the rest of the Scheduled Territories are not included in the above Schedule.

## SCHEDULE 2

	£
<i>Raw Materials</i>	
1. Raw materials of animal origin . . . . .	8,660,000
of which:	
Glue, Gluestock . . . . .	1,320 tons
Hair . . . . .	160 tons
Hides . . . . .	22,500 tons
Miscellaneous skins . . . . .	360 tons
2. Timber . . . . .	890,000
of which:	
Softwood . . . . .	12,000 standards (= 23,760,000 sq. ft.)
Hardwood . . . . .	300,000 cubic ft.
3. Other raw materials of vegetable origin . . . . .	3,310,000
of which:	
Balata . . . . .	650 tons
Vegetable waxes . . . . .	1,000 tons
Brazil nuts . . . . .	£200,000
Castor seed . . . . .	25,000 tons
Oiticica oil . . . . .	1,700 tons
Ipecacuanha . . . . .	80 tons
Fibres, chiefly piassava . . . . .	£300,000
Menthol . . . . .	50 tons
4. Textile materials . . . . .	12,850,000
of which:	
Raw cotton . . . . .	60,000 tons
Cotton linters . . . . .	15,000 tons
Cotton waste . . . . .	8,000 tons

<i>Raw Materials (Continued)</i>		£
5. Raw materials of mineral origin . . . . .		620,000
of which:		
Mica . . . . .	120 tons	
Diamonds. . . . .	£500,000	
<i>Foodstuffs, Beverages</i>		
6. Sugar, sugar products (from North-Eastern Brazil). . . . .		1,500,000
of which:		
Sugar . . . . .	£1,000,000	
Industrial alcohol 15 million litres, subject to petroleum supplies in Brazil.		
7. Vegetable oils, essential oils . . . . .		920,000
of which:		
Cottonseed oil. . . . .	4,000 tons	
Subject to allocation by the International Emergency Food Council.		
Sassafras . . . . .	150,000 lbs.	
Bois de Rose Oil . . . . .	20,000 lbs.	
Peppermint Arvensis. . . . .	200,000 lbs.	
8. Other foodstuffs of vegetable origin . . . . .		6,250,000
of which:		
Rice 75,000 tons subject to allocation by the International Emergency Food Council.		
Cocoa . . . . .	2,380 tons	
Coffee . . . . .	£1,400,000	
Oranges. . . . .	£750,000	
9. Carcase meat, offals and industrialised meat . . . . .		1,000,000

## NOTES

1. Estimates are based on the best information available to the Brazilian Delegation in March 1948, and are subject to revision in the light of further information.

2. It is understood that in all cases the amounts specified are conditional on agreement between buyer and seller on quality and price.

3. The commodities and quantities set out above are not necessarily exhaustive and may be supplemented during 1948, as may be determined when convenient.

4. In the case of rice and cotton, shipments will be distributed as evenly as possible throughout the remainder of 1948.