

UNITED STATES TARIFF COMMISSION

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The Foreign Trade  
*of*  
Latin America

A Report on the Trade of Latin America  
With Special Reference to Trade  
With the United States

UNDER THE PROVISIONS OF TITLE III, PART II, SECTION 332 OF THE TARIFF ACT OF 1930

(In three parts)

PART II.—Commercial Policies and Trade  
Relations of Individual Latin American  
Countries

VOLUME 2.—Mexico and the Republics of  
Central America and the West Indies

(Revised)

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**UNITED STATES TARIFF COMMISSION**

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## FOREWORD

This report examines, for the decade 1929-38, the trade of the 20 Latin American countries with the world and with the United States. It is divided into three parts; part I deals with the trade of Latin America as a whole, part II with the trade of individual Latin American countries, and part III with Latin American export commodities. Part I contains a short description of the Latin American area, a consideration of the commercial policies of the Latin American countries, an examination of the total trade of Latin America with the world and with the United States, and an analysis of special problems in the foreign trade of Latin America, including those arising out of the present war. Part II is a survey of the commercial policy and the foreign trade of each of the 20 Latin American Republics, with special emphasis on the trend, composition, and destination of exports, and the trend, composition, and sources of imports. In addition, there is an analysis of the trade of the United States with the particular country. Part III deals individually with approximately 30 selected Latin American export commodities, for each of which there is a discussion of production, exports, trade barriers, competitive conditions, and the effects of the war.

This report was originally prepared and issued in 1939-40. The supply of the report has been exhausted and this new edition is therefore issued. For the most part the factual material is unchanged. Part I of the original report, however, included discussions and forecasts as to the probable effect of the war on Latin American trade which are no longer pertinent. In place of them, brief statements, for the most part without specific statistical data, are presented with respect to the actual effect of the war, up to the present time, on the exports and imports of the Latin American countries. In parts II and III no substantial changes have been made.

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THE FOREIGN TRADE OF LATIN AMERICA

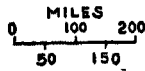
PART II.—*Commercial Policies and Trade Relations of Individual  
Latin American Countries*

VOLUME 2.—*Mexico and the Republics of Central America and the West  
Indies*

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# CENTRAL AMERICA



# COSTA RICA

## A DESCRIPTION

### Physical characteristics.

The Republic of Costa Rica,<sup>1</sup> one of the six countries of Central America, is bounded on the north by Nicaragua, on the south by Panama, on the east by the Caribbean Sea, and on the west by the Pacific Ocean. Extending about 275 miles from northwest to southeast at its longest point, and with a maximum width of about 150 miles, it has an Atlantic coast line of 120 miles and a Pacific coast line of 360 miles. Its area, 23,000 square miles, is equivalent to that of West Virginia.

Costa Rica is traversed from northwest to southeast by two ranges of the American Cordillera. These ranges, containing elevations of more than 10,000 feet, are dotted with numerous volcanoes, most of which are now extinct. Dense forests cover the Atlantic slope of the Cordillera; on the Pacific side are rolling hills and fertile pastures. The broad plateau enclosed by the two mountain chains has an elevation of 3,000 to 6,000 feet, and comprises the greater part of the country's area. Flanking the mountain ranges are coastal plains of varying widths; in general the Pacific littoral is narrow, while that on the Atlantic side is fairly broad.

There are numerous rivers in Costa Rica. These are of great importance as sources of water and hydroelectric power, but few are navigable by ships of any size. The principal river is the San Juan, which forms the Costa Rican-Nicaraguan boundary from Lake Nicaragua to the Caribbean Sea. This river and some of its tributaries are navigable by small steamers. Other rivers of importance are the Tempisque and the Bededero, in the Province of Guanacaste. The principal ports of Costa Rica are Puerto Limón, the center of the banana trade (on the Caribbean side), and Puntarenas (on the Pacific coast).

About 320 miles of railroad are in operation in Costa Rica.<sup>2</sup> The main lines connect San José, the capital, with the adjacent city of Alajuela, with Puerto Limón, and with Puntarenas. There are about 1,800 miles of highways in Costa Rica, but the motor-highways system is largely confined to the highland region, and connects San José with the important adjacent cities. There are no automobile roads connecting the central plateau with the coasts.

Although Costa Rica is in the Tropics, its climate varies considerably with the altitude. In general, the country may be divided into three climatic zones. The hot zone (*tierra caliente*), that under 3,000 feet elevation, includes the coastal and river plains; the mean temperature ranges from 77° to 95° F. The temperate zone (*tierra templada*), at altitudes of 3,000 to 6,000 feet, comprises the central

<sup>1</sup> In Spanish, República de Costa Rica (Republic of the Rich Coast).

<sup>2</sup> The gage of the Costa Rican railroads is 3 feet 6 inches (the standard United States gage is 4 feet 8½ inches).

plateau; the mean temperature ranges from 59° to 77° F. The cool zone (*tierra fria*) includes those areas with elevations of more than 6,000 feet. Here the air is dry and frosts are frequent.

Rainfall is abundant in the Atlantic coastal plain, falling on about 300 days per year. In the Pacific coastal section and in the central plateau, the seasons are more pronounced, the rainy season extending from May to November, and the dry from December to April. The moderate rainfall in the plateau region is entirely adequate for agriculture and grazing, but there is little precipitation in the higher mountains. The rainfall in Costa Rica as a whole averages about 100 inches per year.

#### Population.

According to the census of 1927, the population of Costa Rica was 472,000. An official estimate of December 31, 1938, placed the number of inhabitants at 623,000, or about 27 persons to the square mile. The population is concentrated, however, in the healthful highland regions, especially in the vicinity of San José, which is located at an elevation of 3,870 feet. Nearly seven-tenths of the inhabitants reside in the Province of San José and the adjacent Provinces of Alajuela and Cartago, which together account for only one-third of the total Costa Rican area.

The capital and principal city of Costa Rica is San José.<sup>3</sup> Its population in 1937 was estimated to be 63,000. Other important cities, with their estimated population in 1937,<sup>4</sup> are Heredia, 9,000; Alajuela, 8,700; Puerto Limón, 8,600; Cartago, 8,200; and Puntarenas, 7,400.

The people of Costa Rica are predominantly of European descent, many being of pure Spanish blood. The number of native Indians is decreasing; in 1937 it was estimated that there were only 3,500 in the country. A number of Negroes from the British West Indies are employed on the banana plantations in the Caribbean lowlands, chiefly in the Province of Limón.

The language of Costa Rica is Spanish. Because of the large number of British West Indians in the Province of Limón, however, English is widely spoken there. Literacy in Costa Rica is estimated at 76 percent.

#### Natural resources and economy.

*Agricultural and pastoral industries.*—Costa Rica is an agricultural country, with but few mining and manufacturing industries. The principal export crops are coffee, bananas, and cacao, but sugar, tobacco, corn, beans, rice, and potatoes are grown, principally for domestic consumption, as are a wide variety of tropical and temperate zone fruits and vegetables. About 7 percent of the total area of the country is under cultivation.

Coffee is the predominant Costa Rican crop, and the prosperity of the country is largely dependent upon it. Coffee trees are grown in practically all parts of the country, but the principal production is on the central plateau, in the Provinces of San José, Cartago, Alajuela, and Heredia. The Costa Rican product is a "mild" coffee, and is used in the United States largely for blending purposes. It commands a high price in European and United States markets, and

<sup>3</sup> During most of the colonial period Cartago was the capital.

<sup>4</sup> December 31, 1937.

competes only indirectly with Brazilian coffee.<sup>5</sup> During the decade 1929-38, coffee accounted for one-half or more of all Costa Rican exports, in terms of value. Exports in the 3 years 1936-38 averaged 53.5 million pounds annually, about two-thirds of which went to the United Kingdom and Germany.

Costa Rica was the first of the Central American countries to produce bananas for export. The principal production takes place on the Caribbean coastal plain, particularly in the Province of Limón, the development having been sponsored largely by United States interests. Because of soil exhaustion and the prevalence of the leaf-spot disease, production of bananas in Costa Rica has been smaller in recent years than it was several decades ago. Attention is now being given to cultivation in the Province of Puntarenas on the Pacific coast, where extensive plantings have been made. No statistics showing the production of bananas in Costa Rica are available. Exports in the 3 years 1936-38, however, averaged about 52 million bunches<sup>6</sup> annually, almost all of which went to the United States. Costa Rica ranks seventh among the countries of Latin America as an exporter of bananas. In terms of value, bananas have customarily accounted for one-fourth or more of total exports.

The third ranking Costa Rican export crop is cacao, grown principally in the Province of Limón. In recent years large acreages formerly devoted to bananas have been utilized for the cultivation of cacao. Exports of cacao from Costa Rica, most of which are shipped from Puerto Limón, averaged 14.6 million pounds annually in the 3 years 1936-38. Exports of cacao have accounted for 8 to 12 percent of total exports in recent years, in terms of value.

Costa Rican beef cattle are pastured principally on the Pacific coastal plains; dairy cattle are raised in the upper levels of the Cordillera. In 1929 there were 399 000 cattle and 83,000 hogs in the country. There are small exports of live cattle and of hides and skins.

*Forest industries.*—The forest reserves of Costa Rica are extensive, but little developed. Among the many woods are oak, mahogany, cedar, brazilwood, ebony, cocobolo (a species of rosewood), balsa, and fustic (used as a yellow dyestuff). Some rubber trees are also found. Cedar, balsa, and cocobolo are the principal forest products exported, but small quantities of rubber are also shipped. Mahogany, cedar, and rosewood are used for the manufacture of furniture destined for the domestic market. There are 118 sawmills in the country.

*Mining.*—A number of minerals are found in Costa Rica, including gold, silver, copper, manganese, iron, nickel, mercury, coal, and sulfur. With the exception of gold mining, however, there has been little mineral development. The value of gold production in 1939 was estimated to be \$560,000; exports of gold in 1938, valued at \$554,000, constituted more than 5 percent of total exports, in terms of value.

*Manufacturing.*—The principal manufacturing industries of Costa Rica are those associated with the processing of agricultural and forest products. These are the processing of coffee, the grinding of sugarcane, the preparation of cacao, and the sawing of lumber. Most other manufacturing industries relate to the production of consumer goods, including such products as textiles, leather goods, shoes, soap, starch, candies, candles, cheese, beer, cigars, cigarettes, brooms and

<sup>5</sup> In the trade, all coffees are roughly grouped into "Brazils" and "milds," the latter comprising all coffees grown outside of Brazil.

<sup>6</sup> Bunches of 50 pounds.

furniture. The distillation of spirits is a government monopoly. According to a recent official census there are 2,916 industrial establishments in Costa Rica.<sup>7</sup> Most of these, however, are small enterprises of the handicraft or cottage type, producing for local consumption.

*Foreign investments.*—Statistics of foreign investments in Costa Rica, other than those of the United States, are not available. United States direct investments in Costa Rica at the end of 1936 amounted to 13.3 million dollars.<sup>8</sup> No data are available to show the distribution of these investments by economic groups, but a large portion is probably in the banana industry. The United States portfolio of Costa Rican securities in 1935 was estimated to be 10.2 million dollars.<sup>9</sup>

### THE FOREIGN TRADE OF COSTA RICA

In 1938, Costa Rica ranked second in foreign trade among the six republics of Central America, being surpassed only by Guatemala. In that year, with exports valued at 10.1 million dollars,<sup>10</sup> Costa Rica furnished 20 percent of the value of all commodities exported from the six Central American countries. Imports amounted to 12.6 million dollars, and represented 17 percent of the value of all Central American imports.

Prior to 1929, when export values were calculated on a c. i. f. basis, Costa Rican exports customarily exceeded imports.<sup>11</sup> In the 10 years 1929-38, however, when exports were valued on an f. o. b. basis, imports exceeded exports in 5 years.<sup>12</sup> Import values are c. i. f. Costa Rican ports or frontier as per consular invoices, excluding import duties. In the 3 years 1936-38, the import balance ranged from 88,000 (1936) to 2.5 million dollars (1938), imports exceeding exports by 1 to 24 percent.

In proportion to its population, Costa Rica has a larger foreign trade than any other Central American country except Panama. In 1938 Costa Rica's exports were equal to \$16.70 per capita and its imports to \$20.80, as compared with \$25.10 and \$22.90, respectively, for the United States.

#### Costa Rican commercial policy.

Prior to 1939, the tariff of Costa Rica was of the single-column type. No conventional reductions have been made, except in the trade

<sup>7</sup> Secretaría de Trabajo, Oficina Técnica. The establishments include 190 coffee-cleaning plants, 87 plants for grinding coffee and cacao, 83 rice mills, and 118 sawmills. No data are available showing the number of workers in Costa Rican manufacturing establishments.

<sup>8</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936*, p. 12. "Direct" investments are defined as all United States investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice.

<sup>9</sup> Cleona Lewis, *America's Stake in International Investment*, The Brookings Institution, 1938, p. 655. "Portfolio" investments are defined as equity and other security investments in foreign-controlled corporations, and investments in the security issues of foreign governments or subdivisions thereof.

<sup>10</sup> The monetary unit is the colón. Beginning in 1936, however, Costa Rican trade statistics were reported in United States dollars. For conversion rates for years prior to 1936, see table 1.

<sup>11</sup> Prior to 1929, Costa Rican export values were c. i. f. country of destination. Beginning in 1929, export values were f. o. b. Costa Rican port of embarkation, as declared by merchants, except in the case of certain staple exports (e. g., coffee and bananas) for which official valuations, revised annually, are used.

<sup>12</sup> 1929, 1934, and 1936-38.



agreement with the United States.<sup>13</sup> Costa Rica has conditional most-favored-nation agreements with the United Kingdom, Spain, Ireland, and Sweden, and unconditional agreements with the United States, France, Germany, Italy, Yugoslavia, and Norway. Costa Rica has no reciprocal free-trade or preferential tariff agreements in force with other Central American countries, but, in her most-favored-nation agreements with the United States, France, Germany, and Italy, excepts any preferences which may hereafter be granted to these neighbor nations. No quotas have been imposed by Costa Rica, and no clearing or foreign-exchange agreements have been made.<sup>14</sup>

The Costa Rican tariff is largely for revenue,<sup>15</sup> but tariff protection has been accorded a number of the products of domestic industry, including lard and lard substitutes, wheat flour, rice, cattle, meats, dairy products, sugar, candies, beer, tallow, soap, shoes, tobacco, textiles, and ready-made clothing. The Costa Rican import duties are specific, and are based largely on units of weight. In addition to the import duties, a number of other charges are levied on imports, including a consular fee of 4 percent ad valorem, wharfage fees, and provincial duties. From time to time during the decade 1929-38 an emergency additional tariff of 10 percent ad valorem was levied. A law published March 10, 1939, provided for a differential customs surcharge of 100 percent on imports from countries in the trade with which Costa Rican imports exceeded exports by more than 50 percent during the preceding calendar year.

There has been no general revision of the tariff in recent years, but a number of changes in duties have been made from time to time. A law of July 31, 1940, approved by the Executive on August 3, 1940, declared that the importation of machinery and accessories for the use of new industries would be free of customs duties. By a law of August 20, 1940, machinery, utensils, and implements used in canning, as well as certain ingredients and packing materials, were also made exempt from the payment of import duties.

Export duties are levied by Costa Rica on a number of commodities, including coffee and bananas. By a law of February 23, 1939, chicle gum was exempted from the payment of all export taxes for a period of 10 years. In December 1937 the export tax of \$1.50 per quintal<sup>16</sup> of coffee was changed to a levy of 8 percent ad valorem. On March 24, 1939, the Costa Rican Congress approved a bill reducing the export tax on coffee from 8 to 6 percent on the 1940-41 crop, and providing for a further reduction thereafter of 2 percent each year until the tax is eliminated. A law of August 20, 1940, provided for the exemption from export duties, for a period of 10 years, of fresh or packed fruits, vegetables, and other garden products.

The Costa Rican Executive may alter import duties autonomously under certain conditions, especially by increasing (within limits) the

<sup>13</sup> In the trade agreement between the United States and Costa Rica, effective August 2, 1937, tariff concessions granted by Costa Rica to the United States included reductions in duty on 30 tariff items and bindings against increase in duty on 11 others. Over 200 individual commodities were affected. The reductions in duty ranged from 8½ percent to 65 percent of the previous rates. Of United States exports to Costa Rica in 1935, 12 percent were affected by reductions in duty and 23 percent were affected by bindings. Concessions made by the United States to Costa Rica related almost entirely to distinctively tropical products. Nine tariff items, including coffee, bananas, and cacao, were bound on the free list, and 5 items were bound against increase in duties during the life of the agreement.

<sup>14</sup> Compensation trade of a private nature has been carried on with Germany.

<sup>15</sup> Of the Costa Rican revenues for 1939, which amounted to 42.7 million colones (approximately 7.6 million dollars), 47.5 percent consisted of customs duties and 4.2 percent of fixed export taxes. Liquor taxes accounted for 13.7 percent, revenues from the Pacific Railway for 12.8 percent, and other revenues for 21.8 percent.

<sup>16</sup> The quintal in Costa Rica is equivalent to 220.46 pounds.

duties on luxury articles, but for reductions by commercial agreement, legislative approval is required. In 1901, the Executive was empowered to increase or decrease import-duty rates, provided that luxury articles remained dutiable at higher rates than articles of first necessity or materials for the use of national industries. This authorization was cited by the Executive as late as June 24, 1930, in decreeing a duty on confectionery. A law effective January 23, 1933, authorized the Executive to increase import duties up to double the then existing rates on all articles considered dispensable luxury goods. The Executive was also authorized by a legislative decree of February 16, 1933, to impose a penalty surtax of three-tenths of the duties on the products of countries not granting most-favored-nation treatment to Costa Rican products.

Exchange control was introduced in Costa Rica on January 16, 1932.<sup>17</sup> Under the system in force after February 23, 1935, exporters and other holders of foreign exchange were required to deliver their exchange to the Board of Control of the Exportation of Products, which made allocations to cover imports and other necessary requirements. In July 1935 the Control Board, in granting authorizations to purchase foreign exchange, was directed to give preference, first, to the liquidation of invoices from the country on which the exchange is drawn and, next, to the payment of invoices from countries which are important purchasers of Costa Rican products.

Under new regulations, adopted on January 1, 1937, in connection with the new banking laws, foreign exchange could be bought and sold only through local registered banks, thereby reestablishing the principle which existed prior to the promulgation of the law of February 1935, when the purchase and sale of foreign exchange was permitted between private parties on the condition that declaration of the transaction be made to the Control Board. Since January 1937 the Banco Nacional de Costa Rica has fixed the buying and selling rates of the colón.

On September 8, 1939, the Government established two classes of exchange allotments—(1) for necessary consumer goods and (2) for other merchandise regularly imported. Eighty percent of available exchange reported daily by the banks was allocated for essential imports, 10 percent for other merchandise regularly imported, and 10 percent for noncommercial requirements. A decree of February 9, 1940, expanded the number of commodities considered essential, and increased the allotment of exchange for nonessential imports to 12 percent at the expense of noncommercial transactions. Import permits are not required by Costa Rica.

There are now two types of exchange in Costa Rica—controlled and uncontrolled. Controlled exchange arises out of exports of Costa Rican products, and is sold by exporters at the official rate. Uncontrolled exchange results from nonexport transactions, and may be purchased without restriction.<sup>18</sup> In practice, there has been little difference between the controlled and the uncontrolled rates of exchange.

<sup>17</sup> The gold standard was suspended by Costa Rica on September 18, 1914.

<sup>18</sup> For the years covered in this report, the average dollar equivalent of the colón has been as follows: 1929, \$0.2500; 1932, \$0.2273; 1936, \$0.1783; 1937, \$0.1783; and 1938, \$0.1783. Recent quotations have been as follows: Controlled rate, 1939, \$0.1779; October 1940, \$0.1779. Uncontrolled rate, 1939, \$0.1764; October 1940, \$0.1742 (*Foreign Commerce Weekly*, December 28, 1940).

## Exports from Costa Rica.

*Trend.*—The most significant features of the Costa Rican export trade in the decade 1929–38 were the declining importance of exports of coffee, the principal export commodity, the decline in the position of the United Kingdom as a market, and the increased shares of the export trade taken by the United States and Germany. Exports from Costa Rica to the world and to the United States, in the period 1924–38, are shown in tables 1 and 2.

The year 1929, the earliest shown in the detailed tables hereinafter presented, was not a peak year in exports to the world or to the United States. Exports to the world in 1929 were exceeded by those in 1926, 1927, and 1928, and were about 1 percent below the average for the 5 years 1924–28. It is probable that exports to the United States in 1929 were about one-fourth below the average for the 5 years.<sup>19</sup>

TABLE 1.—Costa Rica: Trade with the world, 1924–38

[Value in thousands of U. S. dollars<sup>1</sup>]

Year	Exports	Imports	Year	Exports	Imports
1924.....	\$ 16,565	12,003	1932.....	7,452	5,454
1925.....	\$ 16,416	13,821	1933.....	9,081	6,346
1926.....	\$ 18,962	13,826	1934.....	8,696	8,720
1927.....	\$ 18,058	16,311	1935.....	7,712	7,162
1928.....	\$ 19,636	17,893	1936.....	8,309	8,397
1929.....	15,753	20,164	1937.....	11,512	11,879
1930.....	14,247	10,847	1938.....	10,146	12,621
1931.....	12,256	8,681			

<sup>1</sup> Converted at the rate of 1 colón = \$0.2500 (1924–28); statistics for 1929–38 reported in U. S. dollars.

<sup>2</sup> From 1924 to 1928, values are c. i. f. country of destination; thereafter, values are f. o. b. Costa Rican port of embarkation. The f. o. b. values for 1924 to 1928 were reported as follows: 1924, \$14,880,000; 1925, \$14,735,000; 1926, \$16,837,000; 1927, \$15,936,000; and 1928, \$17,160,000.

Source: Compiled by the United States Tariff Commission from *Informe de la Dirección General de Estadística*.

TABLE 2.—Costa Rica: Trade with the United States, 1924–38<sup>1</sup>

[Value in thousands of U. S. dollars<sup>1</sup>]

Year	Exports		Imports		Year	Exports		Imports	
	Value	Percent of total to United States	Value	Percent of total from United States		Value	Percent of total to United States	Value	Percent of total from United States
1924.....	7,938	47.9	6,807	56.7	1932.....	3,190	42.8	2,874	52.7
1925.....	7,028	42.8	7,484	54.1	1933.....	3,330	36.7	2,826	44.6
1926.....	7,642	40.3	7,706	55.7	1934.....	2,407	27.7	4,045	46.4
1927.....	5,942	32.9	8,199	50.3	1935.....	2,997	38.9	2,739	38.2
1928.....	6,029	30.7	8,979	50.2	1936.....	3,681	44.3	3,663	43.6
1929.....	4,818	30.6	9,682	48.0	1937.....	5,188	45.1	5,048	42.5
1930.....	4,021	28.2	5,400	49.8	1938.....	4,628	45.6	6,195	49.1
1931.....	3,121	25.5	4,501	51.8					

<sup>1</sup> Includes the Canal Zone through 1934.

<sup>2</sup> Converted at the following rates: Imports—one colón equals, 1924–31, \$0.2500; 1932, \$0.2273; 1933, \$0.2198; statistics for 1934–38 reported in U. S. dollars. Exports—one colón equals, 1924–28, \$0.2500; statistics for 1929–38 reported in U. S. dollars. From 1924 to 1928, values are c. i. f. United States; thereafter, values are f. o. b. Costa Rican port of embarkation. F. o. b. values for 1924 to 1928 are not available.

Source: Compiled by the United States Tariff Commission from *Informe de la Dirección General de Estadística, and Importación y Exportación* (1924 and 1928 statistics).

<sup>19</sup> From 1924 to 1928 the Costa Rican export statistics were officially reported on the basis of c. i. f. valuations; after 1929 they were reported on the f. o. b. basis (see table 1). The calculations here presented for exports to the world were made on the basis of the f. o. b. valuations for 1924–28, which are also available in Costa Rican statistics (see footnote 2, table 1). The f. o. b. values of Costa Rican exports to the United States for the years 1924–28, however, are not available. On the basis of the difference between the f. o. b. and the c. i. f. values of exports to the world in the period 1924–28, it appears that exports to the United States in 1929 were about one-fourth smaller than the average for the 5 years 1924–28.

Total exports from Costa Rica in 1929 were valued at 15.8 million dollars.<sup>20</sup> Following the trend of world trade, they declined to 7.5 million dollars in 1932, or 47 percent of their 1929 value. After 1932, exports increased irregularly, reaching 11.5 million dollars in 1937. As a result of lower prices for coffee, they declined in 1938 to 10.1 million dollars, or 64 percent of the 1929 level. Exports in 1939 amounted to 9.1 million dollars,<sup>21</sup> a decline of 10 percent from 1938. The decline is attributable chiefly to smaller exports of coffee, particularly to European countries.

Price and quantum indexes of Costa Rican exports are not available. The effect of fluctuations in prices and quantities on the export trade of Costa Rica, however, is indicated by statistics for the leading export commodities—coffee, bananas, and cacao—which in the decade 1929–38 constituted from 85 to 97 percent of total Costa Rican exports, in terms of value. The quantities of these commodities exported, and the average unit values, indicate that the decline in Costa Rica exports from 1929 to 1932 may be attributed more to a decline in prices than to a reduction in quantities. The recovery after 1932, however, must be attributed chiefly to increases in the quantities exported of the two principal products, coffee and bananas.

Quantities, values, and unit values of selected Costa Rican export commodities, in specified years, 1929 to 1938, are shown in table 3. Exports of coffee declined from 43.4 million pounds in 1929 to 40.8 million pounds in 1932, a decline of only about 6 percent. In the same period the average unit value declined by more than one-half (from \$0.225 to \$0.106 per pound). After 1932, exports of coffee increased, reaching 58.5 million pounds in 1937; in 1938, however, they declined to 55.1 million pounds. Unit values declined in 1936 (to \$0.097 per pound), but in 1937 returned almost to the 1932 level. In 1938 the unit value declined to \$0.09 per pound, which was only 40 percent of the value in 1929.

Exports of bananas declined by almost two-fifths between 1929 and 1932, from 6.7 million bunches to approximately 4 million bunches.<sup>22</sup> But the average unit value in 1932 was only 9 percent lower than that in 1929. After 1932 exports of bananas increased, reaching 6 million bunches in 1937; they declined to 5.5 million bunches in 1938, or 82 percent of the 1929 level. Unit values declined from 1932 to 1937, and increased slightly in 1938, when they were 75 percent of the 1929 figure.

In contrast with exports of bananas and coffee, exports of cacao from Costa Rica increased from 13 million pounds in 1929 to 16.1 million pounds in 1932, an increase of nearly one-fourth. In the same period, however, the average unit value declined by more than one-half. In 1936, exports of cacao were somewhat smaller than in 1932 (15.4 million pounds), but in 1937 they were 16.1 million pounds. In 1938 they declined sharply to 12.2 million pounds, but were 94 percent of those in 1929. Unit values increased by more than one and one-half times between 1932 and 1937, but declined in 1938 to approximately the same level as in 1929.

<sup>20</sup> Beginning in 1936, Costa Rican trade statistics were reported in United States dollars. Statistics employed in this report were obtained from *Informe de la Dirección General de Estadística* for 1938, therefore no conversions were necessary.

<sup>21</sup> Preliminary.

<sup>22</sup> Bunches of 50 pounds.

TABLE 3.—Costa Rica: Exports of selected commodities, in specified years, 1929–38

Commodity	1929	1932	1936	1937	1938
	Quantity				
Coffee, 1,000 lb.....	43,393	40,784	47,016	58,466	55,073
Bananas, 1,000 bunches of 50 lb.....	6,723	3,969	4,039	6,038	5,509
Cacao beans, 1,000 lb.....	13,022	16,106	15,387	16,106	12,198
	Value (1,000 U. S. dollars)				
Coffee.....	9,781	4,316	4,574	6,106	4,938
Bananas.....	4,584	2,451	2,073	3,030	2,807
Cacao beans.....	895	501	919	1,342	830
	Unit value (U. S. dollars)				
Coffee, lb.....	0.225	0.106	0.097	0.104	0.090
Bananas, bunch of 50 lb.....	.682	.618	.513	.506	.509
Cacao beans, lb.....	.069	.031	.060	.083	.068

Source: Compiled by the United States Tariff Commission from *Informe de la Dirección General de Estadística*, 1938.

*Composition.*—By far the greater part of exports from Costa Rica consists of foodstuffs. In each year of the decade 1929–38, nine-tenths or more of the value of total exports fell into this classification. The ratio of exports of foodstuffs to total exports declined, however, from more than 97 percent in 1929 to about 90 percent in 1938. The share of total exports accounted for by gold meanwhile increased substantially. Exports from Costa Rica, by principal commodities, in specified years, 1929 to 1938, are shown in table 4.

For every individual commodity shown in table 4 (except gold), there was a sharp drop in the dollar value of exports between 1929 and 1932, caused in considerable part by lower prices. All commodities for which data are available, except oranges, hides and skins, and tortoise shell, showed increases in dollar value in 1937 as compared with 1932; the values for cacao beans, honey, and gold in bars were higher in 1937 than in 1929. For the principal commodities, the ratios of the dollar values of exports in 1938 to those in 1929 were as follows: Coffee, 50 percent; bananas, 61 percent; cacao, 93 percent; and gold in bars, 2,131 percent.

The principal commodity in the foodstuffs group, and the leading Costa Rican export, is coffee. Exports of coffee declined, however, from 62 percent of the value of total exports in 1929 to 49 percent in 1938. Bananas, the second-ranking Costa Rican export, ranged between 25 and 33 percent of total exports in the decade 1929–1938 (28 percent in 1938). Other foodstuffs exported from Costa Rica include cacao, tuna fish, sugar, honey, and oranges. Cacao represented 8 percent of total exports in 1938, as compared with 6 percent in 1929, and 12 percent in 1937. Exports of tuna fish were not shown separately in 1929 and 1932, and no exports were reported in 1936. In 1938, however, this product accounted for more than 4 percent of all exports, in terms of value. Combined exports of sugar, honey, and oranges in 1938 constituted less than 1 percent of total exports.

Costa Rican exports of gold in bars, the second-ranking export group, increased sharply in both value and percentage share in the

TABLE 4.—Costa Rica: Exports,<sup>1</sup> in terms of dollars, by principal commodities, in specified years, 1929–38[Value in thousands of U. S. dollars<sup>2</sup>]

Commodity group or commodity <sup>3</sup>	1929		1932		1936		1937		1938	
	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total
Grand total.....	15,753	100.0	7,452	100.0	8,309	100.0	11,512	100.0	10,146	100.0
Foodstuffs:										
Coffee.....	9,781	62.1	4,316	57.9	4,574	55.0	6,108	53.1	4,938	48.7
Bananas.....	4,584	29.1	2,451	32.9	2,073	25.0	3,050	26.5	2,807	27.7
Cacao beans.....	895	5.7	501	6.7	919	11.1	1,342	11.7	830	8.2
Tuna fish.....	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	19	.2	454	4.5
Sugar.....	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	4	( <sup>4</sup> )	54	.5
Honey.....	18	.1	12	.2	13	.2	20	.2	19	.2
Oranges.....	26	.2	15	.2	8	.1	9	.1	11	.1
Gold, in bars.....	26	.2	49	.7	442	5.3	461	4.0	554	5.4
Money (cash).....	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	22	.3	213	1.8	255	2.5
Mineral earths (concentrates).....	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	34	.4	131	1.1	75	.7
Wood.....	116	.7	20	.3	31	.4	23	.2	36	.3
Ipecacuanha roots.....	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	12	.1	11	.1	15	.1
Hides and skins.....	57	.4	44	.6	12	.1	17	.1	11	.1
Cattle.....	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	2	( <sup>4</sup> )	15	.1	7	.1
Tortoise shell.....	13	.1	7	.1	8	.1	5	( <sup>4</sup> )	7	.1
Rubber.....	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	2	( <sup>4</sup> )	2	( <sup>4</sup> )	5	.1
All other commodities.....	236	1.4	37	.4	169	2.0	83	.7	67	.7

<sup>1</sup> General exports. Bullion, species, and parcel post are included. Transit and transshipment trade is excluded. Values are f. o. b., as declared by merchants, except in the case of certain staple exports (e. g., coffee and bananas) for which official valuations, revised annually, are employed.

<sup>2</sup> The monetary unit is the colón. Beginning with the 1936 annual, however, Costa Rican trade statistics for 1929 and subsequent years were reported in U. S. dollars. The data in this table were taken from the 1938 annual, and therefore no conversions were necessary.

<sup>3</sup> Classifications employed in this table are those given in the Costa Rican export statistics for 1938. Commodities are ranked according to value in 1938.

<sup>4</sup> Not shown separately in table 11 (see source), which shows f. o. b. values. As the statistics for 1929 and 1932 are shown in the respective annuals on a c. i. f. basis, it is impracticable to compare them with figures for later years. Any exports of these commodities in 1929 and 1932 are included under "all other commodities."

<sup>5</sup> Less than 500.

<sup>6</sup> Less than one-tenth of 1 percent.

Source: Compiled by the United States Tariff Commission from *Informe de la Dirección General de Estadística*, 1938, table 11.

later years of the decade 1929–38. In 1929 and 1932, gold in bars constituted less than 1 percent of the value of total exports; in the period 1936–38, it was between 4 and 5 percent. Exports of money (cash), not reported separately in 1929 and 1932, increased from less than 1 percent of total exports in 1936 to more than 2 percent in 1938. These shipments are believed to have been foreign money (formerly legal tender in Costa Rica) returned to the United States, to the Canal Zone, and to other Central American countries.

Other Costa Rican export groups and commodities in the decade 1929–38 accounted for 1.3 to 3 percent of the value of total exports. In the order of their importance in 1938, they were mineral earths (concentrates), wood, ipecacuanha roots, hides and skins, cattle, tortoise shell, rubber, and miscellaneous products.

*Destination.*—The principal markets for exports from Costa Rica in 1938, with share of the value of total exports taken by each country, were the United States, 46 percent; the United Kingdom, 24 percent; and Germany, 19 percent. Other markets in 1938 included the Netherlands, the Canal Zone, Japan, France, Colombia, and Italy. Exports from Costa Rica to selected countries, in specified years, 1929 to 1938, are shown in table 5. More detailed data for 1937 are shown in table 6.

TABLE 5.—Costa Rica: Foreign trade with selected countries, in specified years, 1929–1938

[Value in thousands of U. S. dollars <sup>1</sup>]

Country	1929 (1 colón= \$0.2500)		1932 (1 colón= \$0.2273)		1936		1937		1938	
	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total
<b>Exports to <sup>2</sup>—</b>										
All countries.....	15,753	100.0	7,452	100.0	8,309	100.0	11,512	100.0	10,146	100.0
<b>UNITED STATES</b> .....	4,818	30.6	3,190	42.8	3,691	44.3	5,188	45.1	4,628	45.6
United Kingdom.....	8,438	53.6	3,172	42.6	2,164	26.0	2,306	20.0	2,477	24.4
Germany.....	1,665	10.2	519	7.0	1,355	16.3	2,241	19.5	1,945	19.2
Japan.....	( <sup>4</sup> )	( <sup>4</sup> )			5	.1	72	.6	119	1.2
Italy.....	18	.1	0	.1	214	2.6	228	2.0	20	.2
France.....	37	.2	0	.1	218	2.6	299	2.6	113	1.1
All other.....	837	5.3	553	7.4	672	8.1	1,170	10.2	944	8.3
<b>Imports from <sup>2</sup>—</b>										
All countries.....	20,164	100.0	5,454	100.0	8,397	100.0	11,879	100.0	12,621	100.0
<b>UNITED STATES</b> .....	9,682	48.0	2,874	52.7	3,663	43.6	5,048	42.5	6,195	49.1
United Kingdom.....	2,554	12.7	596	10.9	611	7.3	859	7.2	831	6.6
Germany.....	3,532	17.5	643	11.8	1,982	23.6	2,749	23.1	2,496	19.8
Japan.....	( <sup>4</sup> )	( <sup>4</sup> )	76	1.4	655	7.8	977	8.2	782	6.2
Italy.....	408	2.0	150	2.8	158	1.9	301	2.6	266	2.3
France.....	507	2.5	143	2.6	103	1.2	160	1.3	165	1.3
All other.....	3,481	17.3	972	17.8	1,225	14.6	1,786	15.1	1,866	14.7

<sup>1</sup> The monetary unit is the colón. Beginning with the 1936 annual, however, Costa Rican trade statistics for 1929 and subsequent years were recorded in U. S. dollars. No conversions were necessary for exports in this table, as statistics were taken from the 1938 annual.

<sup>2</sup> General exports. Bullion, specie, and parcel post are included. Transit and transshipment trade is excluded. Values are f. o. b., as declared by merchants, except in the case of certain staple exports (e. g., coffee and bananas) for which official valuations, revised annually, are employed.

<sup>3</sup> Includes Panama.

<sup>4</sup> Less than 500.

<sup>5</sup> Less than one-tenth of 1 percent.

<sup>6</sup> Includes trade with the following countries:

Exports to—	U. S. dollars (1,000)	Percent of total	Imports from—	U. S. dollars (1,000)	Percent of total
Netherlands.....	208	2.1	Belgium.....	218	1.7
Canal Zone.....	135	1.3	Honduras.....	199	1.6
Colombia.....	110	1.1	Netherlands.....	173	1.4
			Curaçao.....	163	1.3
			Panama.....	125	1.0

<sup>7</sup> General imports. Bullion, specie, and parcel post are included. Transit and transshipment trade is excluded. Values are c. i. f. Costa Rican port or frontier, as per consular invoices, excluding import duties.

Source: Computed by the United States Tariff Commission from *Informe de la Dirección General de Estadística*.

In the decade 1929–38, the positions of the United States and the United Kingdom as purchasers of Costa Rican exports were practically reversed. The share of the United Kingdom declined irregularly from 53 percent in 1929 to 24 percent in 1938, while that of the United States increased from 31 percent to 46 percent. In value, United Kingdom purchases of Costa Rican products ranged from 2.2 million (1936) to 8.4 million dollars (1929); in 1938 they were 2.5 million dollars. United States purchases from Costa Rica varied from 3.2 million (1932) to 4.8 million dollars (1929), and in 1938 were 4.6 million.

Germany occupied third place as a market for Costa Rican exports throughout the decade 1929–38. Its share, which amounted to 10 percent of the value of total exports in 1929, declined to 7 percent in 1932, but was 16 percent in 1936 and 19 percent in 1938. The value of Ger-

TABLE 6.—Costa Rica: Foreign trade, by geographic areas and principal countries, in 1937

[Value in thousands of U. S. dollars]

Exports <sup>1</sup>			Imports <sup>1</sup>		
To—	Value	Percent of total	From—	Value	Percent of total
<b>Western Hemisphere:</b>			<b>Western Hemisphere:</b>		
UNITED STATES.....	5,188	45.1	UNITED STATES.....	5,048	42.5
Canada.....	76	.6	Canada.....	45	.4
Canal Zone.....	169	1.5	Nicaragua.....	265	2.2
Colombia.....	146	1.3	Venezuela.....	172	1.5
Panama.....	82	.7	Panama.....	119	1.0
All other Western Hemisphere countries.....	88	.7	Mexico.....	41	.3
			All other Western Hemisphere countries.....	126	1.1
<b>Total.....</b>	<b>5,749</b>	<b>49.9</b>	<b>Total.....</b>	<b>5,816</b>	<b>49.0</b>
<b>Europe:</b>			<b>Europe:</b>		
United Kingdom.....	2,306	20.0	United Kingdom.....	859	7.2
Germany.....	2,241	19.5	Germany.....	2,748	23.1
France.....	299	2.6	France.....	160	1.3
Italy.....	228	2.0	Italy.....	301	2.6
Netherlands.....	328	2.8	Netherlands.....	185	1.6
Sweden.....	156	1.4	Belgium.....	181	1.5
Belgium.....	92	.8	All other European countries.....	370	3.1
All other European countries.....	31	.3			
<b>Total.....</b>	<b>5,681</b>	<b>49.4</b>	<b>Total.....</b>	<b>4,804</b>	<b>40.4</b>
<b>Asia:</b>			<b>Asia:</b>		
Japan.....	72	.6	Japan.....	977	8.2
All other Asiatic countries.....			Thailand (Siam).....	89	.8
			All other Asiatic countries.....	193	1.6
<b>Total.....</b>	<b>72</b>	<b>.6</b>	<b>Total.....</b>	<b>1,259</b>	<b>10.6</b>
<b>Africa.....</b>			<b>Africa.....</b>		
	( <sup>2</sup> )	( <sup>2</sup> )		( <sup>2</sup> )	( <sup>2</sup> )
<b>Oceania.....</b>			<b>Oceania.....</b>		
	10	.1			
<b>Grand total.....</b>	<b>11,512</b>	<b>100.0</b>	<b>Grand total.....</b>	<b>11,879</b>	<b>100.0</b>

<sup>1</sup> General trade. Bullion, specie, and parcel post are included. Transit and transshipment trade is excluded. Export values are f. o. b. as declared by merchants, except in the case of certain staple exports (e. g., coffee and bananas) for which official valuations, revised annually, are employed. Import values are c. i. f. Costa Rican port or frontier, as per consular invoices, excluding import duties.

<sup>2</sup> Less than 500.

<sup>3</sup> Less than one-twentieth of 1 percent.

Source: Compiled by the United States Tariff Commission from *Informe de la Dirección General de Estadística, 1937*.

man purchases ranged from 519,000 (1932) to 2.2 million dollars (1937); in 1938 it was 1.9 million dollars. The shares of Japan, France, and Italy were greater in the period 1936-38 than in 1929 and 1932, but these countries are not important purchasers of Costa Rican products. In 1938 the three together accounted for 2.5 percent of total exports, in terms of value (see table 5).

Costa Rican exports to other countries of Latin America are not large. In 1937 they amounted to \$315,000, or 2.7 percent of total exports. The principal Latin American markets in that year were Colombia and Panama.

During the decade 1929-38, the United Kingdom, Germany, and the United States consumed almost all the coffee exported from Costa Rica. The United Kingdom was the principal purchaser, taking between one-third and three-fourths of all such exports, but purchases in the period 1936-38 were not nearly as large as in 1929 and 1932. Germany generally occupied second place, and the United States third place, although in 1936 and 1937 purchases by Germany were nearly as large



as those of the United Kingdom. United States purchases of Costa Rican coffee have increased markedly in recent years; in 1937 and 1938 they were more than double (quantity basis) those in 1929 and 1932. In 1938 the United Kingdom took 42 percent of the coffee exported from Costa Rica, Germany took 25 percent, and the United States, 23 percent. Minor purchasers included the Netherlands, Sweden, France, Canada, and Italy. The German market for Costa Rican coffee was kept open by a compensation arrangement for the duration of the 1938-39 crop.

The United States was the chief purchaser of Costa Rican bananas in the decade 1929-38, its share in the trade ranging from 72 percent (1929) to 94 percent (1932); in 1938 it was 80 percent. The remainder went principally to the United Kingdom and to Germany. Germany was the principal market for Costa Rican cacao. Its share in 1938 was nearly one-half of the total value, with the United States and Colombia as the other important destinations. All Costa Rican exports of gold in bars, and nearly all exports of tuna fish, are customarily shipped to the United States.

#### Imports into Costa Rica.

*Trend.*—Significant features of the Costa Rican import trade in the decade 1929-38 included the maintenance by the United States of its position as the principal supplier, the decline in the importance of the United Kingdom, and the increase in the share of the import trade obtained by Japan and Germany. Imports into Costa Rica from all countries and from the United States, in the period 1924-38, have already been shown in tables 1 and 2.

The year 1929, the earliest shown in the detailed tables that follow, was a peak year both in imports from the world and from the United States. The value of total imports in 1929 exceeded the average for the 5 years 1924-28 by 36 percent, and imports from the United States were 23 percent above the 5-year average.

Total imports into Costa Rica in 1929 were valued at 20.2 million dollars. They declined sharply in 1932 to 5.5 million dollars, or 27 percent of the 1929 level. After 1932, imports increased irregularly, reaching 12.6 million dollars in 1938, or 63 percent of their value in 1929. Imports in 1939 were valued at 16.9 million dollars, an increase of 34 percent over those in 1938.<sup>23</sup>

*Composition.*—Imports into Costa Rica consist almost entirely of manufactured products and foodstuffs. The most important import groups are metal products, machinery, and vehicles; textiles; foodstuffs, beverages, and tobacco; petroleum and its products; and miscellaneous manufactures.<sup>24</sup> Imports into Costa Rica, by principal commodities, in 1936, 1937, and 1938, are shown in table 7. Because of changes in the Costa Rican import classifications, it has been impracticable to provide data with respect to individual commodities for 1929 and 1932.

Of the principal commodities listed in table 7, the following showed steady increases in value from 1936 to 1938: Iron and iron products;

<sup>23</sup> The figure 16.9 million dollars (which is preliminary) includes imports of equipment for development work by the Compañía Bananera de Costa Rica, valued at 3.9 million dollars. Excluding these imports, total imports amounted to 13 million dollars, an increase of 3 percent over 1938.

<sup>24</sup> No totals for imports by groups are available in the Costa Rican import statistics. For convenience, however, the commodities listed in table 7 have been grouped under the classifications noted above.

machinery and accessories; automobiles, tires, and accessories; trucks and accessories; tools and instruments; cotton fabrics; blankets and undyed sailcloth and duck; lard and lard compounds; gasoline; paper and manufactures; fertilizers; and lumber. Other commodities, imports of which were larger in 1938 than in 1936 but smaller than in 1937, included railway materials, electrical materials, cotton drills, wheat flour, crude petroleum, and chemical products. The value of imports of silk fabrics, sacks of all kinds, printed cotton fabrics, paraffin, and leather and manufactures was smaller in 1938 than in 1936.

In the metal products, machinery, and vehicles group, the leading imports, with their share of the value of total imports in 1938, were iron and steel products, n. e. s., 5 percent; machinery and accessories, 4.2 percent; railway materials, 2.3 percent; and automobiles and accessories, including tires, 1.8 percent. Other products included trucks and accessories, tools and instruments, electrical material, and radio apparatus and accessories (see table 7).

The principal products in the textiles group in 1938 were cotton fabrics, fine and fancy; cotton drills; printed cotton fabrics; silk fabrics; unbleached blankets, plain or twilled, and undyed sailcloth and duck; and sacks of all kinds. Other commodities included cotton hosiery, cotton thread, and cotton yarn.

TABLE 7.—Costa Rica: Imports,<sup>1</sup> in terms of dollars, by principal commodity groups and commodities, in 1936, 1937, and 1938<sup>2</sup>

[Value in thousands of U. S. dollars<sup>3</sup>]

Commodity group or commodity <sup>4</sup>	1936		1937		1938	
	Value	Percent of total	Value	Percent of total	Value	Percent of total
Grand total.....	8,397	100.0	11,879	100.0	12,621	100.0
<b>Metal products, and machinery and vehicles:</b>						
Iron and steel products, n. e. s.....	\$ 348	4.2	\$ 520	4.4	626	5.0
Machinery and accessories.....	\$ 223	2.7	\$ 306	2.6	530	4.2
Railway materials.....	294	3.4	191	1.6	265	2.3
Automobiles and accessories, including tires.....	158	1.9	208	1.7	226	1.8
Trucks and accessories.....	96	1.1	137	1.2	189	1.5
Tools and instruments.....	36	.4	53	.4	175	1.4
Electrical material.....	126	1.5	123	1.0	152	1.2
Radio apparatus and accessories.....	81	1.0	97	.8	120	.9
Iron tubes, galvanized.....	33	.4	120	1.0	94	.7
Airplanes and accessories.....	( <sup>5</sup> )		( <sup>5</sup> )		87	.7
Locomotives and accessories.....	( <sup>5</sup> )		( <sup>5</sup> )		86	.7
Structural steel.....	( <sup>5</sup> )		( <sup>5</sup> )		82	.6
Wire, fence.....	59	.7	55	.5	74	.6
Tractors and accessories.....	( <sup>5</sup> )		( <sup>5</sup> )		63	.5
Machetes.....	62	.7	70	.6	60	.5
<b>Textiles:</b>						
Cotton fabrics, fine and fancy.....	188	2.2	249	2.1	320	2.5
Silk fabrics.....	156	1.9	184	1.5	146	1.2
Blankets, unbleached, plain or twilled; undyed sailcloth and duck.....	97	1.2	131	1.1	145	1.2
Sacks of all kinds.....	155	1.8	216	1.8	141	1.1
Cotton drills (suitings).....	81	1.0	189	1.6	138	1.1
Cotton fabrics, printed.....	160	1.9	152	1.3	136	1.1
Bed ticking.....	116	1.4	144	1.2	119	.9
Cotton hosiery.....	102	1.2	128	1.1	106	.8
Rayon and silk hosiery.....	71	.8	84	.7	93	.7
Blankets.....	76	.9	104	.9	89	.7
Smallwares.....	77	.9	82	.7	89	.7
Cotton thread.....	101	1.2	54	.5	73	.6
Linen.....	89	1.1	98	.8	79	.6
<b>Foodstuffs, beverages, and tobacco:</b>						
Wheat flour.....	556	6.6	655	5.5	604	4.8
Lard and lard compounds.....	146	1.7	197	1.6	228	1.8
Cigarettes.....	67	.8	88	.7	110	.9
Coconut and olive oil.....	72	.9	115	1.0	87	.7
Fish, canned, etc.....	28	.3	46	.4	80	.6

See footnotes at end of table.

TABLE 7.—Costa Rica: Imports,<sup>1</sup> in terms of dollars, by principal commodity groups and commodities, in 1936, 1937, and 1938<sup>2</sup>—Continued[Value in thousands of U. S. dollars<sup>3</sup>]

Commodity group or commodity <sup>4</sup>	1936		1937		1938	
	Value	Percent of total	Value	Percent of total	Value	Percent of total
<b>Petroleum and its products:</b>						
Gasoline.....	271	3.2	353	3.0	412	3.3
Petroleum, crude.....	142	1.7	182	1.5	180	1.4
Paraffin.....	122	1.5	125	1.1	117	.9
<b>Miscellaneous manufactures:</b>						
Paper and manufactures.....	203	2.4	293	2.5	303	2.4
Leather and manufactures.....	243	2.9	234	2.0	226	1.8
Chemical products.....	181	2.2	217	1.8	201	1.6
Cement.....	186	2.2	186	1.6	187	1.5
Fertilizers.....	109	1.3	127	1.1	134	1.1
Lumber.....	20	.2	30	.2	126	1.0
Hats of all kinds.....	44	.5	69	.6	108	.9
Paints.....	61	.7	88	.7	104	.8
Industrial oils.....	49	.6	50	.4	75	.6
Vegetable oils, except coconut and olive oil.....	29	.3	41	.3	73	.6
Cattle.....	156	1.9	188	1.6	11	.1
All other commodities.....	2,764	32.9	4,900	41.3	4,733	37.4

<sup>1</sup> General imports. Bullion, specie, and parcel post are included. Transit and transshipment trade is excluded. Values are c. i. f. Costa Rican port or frontier, as per consular invoices, excluding import duties.

<sup>2</sup> Because of changes in the import classifications, it has been impracticable to provide data for 1929, and 1932. Total imports in these years were as follows: 1929—80,656,000 colones (\$20,164,000); 1932—23,995,000 colones (\$5,453,000).

<sup>3</sup> Beginning with 1936 the Costa Rican import statistics are recorded in U. S. dollars; prior to 1936 they were recorded in colones.

<sup>4</sup> Classifications employed in this table are based on those given in the Costa Rican import statistics for 1938. Groups are ranked according to value in 1938.

<sup>5</sup> Because of differences in the presentation of imports by commodities in the official schedules, data for 1936 and 1937 are not strictly comparable with those for 1938.

<sup>6</sup> Not shown separately; if any, included in "all other commodities."

Source: Compiled by the United States Tariff Commission from *Informe de la Dirección General de Estadística*.

Wheat flour is the most important Costa Rican import in the food-stuffs, beverages, and tobacco group; its ratio to total imports, however, declined from 6.6 percent in 1936 to 4.8 percent in 1938. Other imports in this group included lard and lard compounds, cigarettes, coconut and olive oil, canned fish, semolina, whisky, rice, oats, and condensed milk.

Petroleum and its products accounted for more than 6 percent of the value of all Costa Rican imports in 1938. The principal commodities were gasoline (3.3 percent) and crude petroleum (1.4 percent); paraffin, asphalt, and Diesel oil also were imported.

Costa Rican imports, other than those falling into the groups mentioned above, consist of a wide variety of manufactured products. The most important classifications are paper and its manufactures, leather and manufactures, chemical products, cement, fertilizers, and lumber.

*Sources.*—The principal sources of imports into Costa Rica in 1938, with the share of the value of total imports furnished by each country, were the United States, 49 percent; Germany, 20 percent; the United Kingdom, 7 percent; and Japan, 6 percent. Other suppliers in 1938 included Italy, Belgium, Honduras, the Netherlands, France, Curaçao, and Panama.

The United States was by far the leading supplier of Costa Rican imports in the decade 1929-38, its share ranging from 42 percent (1937) to 53 percent (1932). In value, imports from the United States varied from 2.9 million (1932) to 9.7 million dollars (1929); in 1938 they amounted to 6.2 million dollars.

During the decade 1929-38 Germany and the United Kingdom occupied second and third places, respectively, in the Costa Rican import trade. The share of Germany, which was 17 percent in 1929, fell to 12 percent in 1932, but reached 24 percent in 1936; it declined to 20 percent in 1938. The value of imports from Germany ranged from 643,000 (1932) to 3.5 million dollars (1929); in 1938 it was 2.5 million dollars. The share of the United Kingdom declined from 13 percent in 1929 to less than 7 percent in 1938. Imports from the United Kingdom ranged in value from 596,000 (1932) to 2.5 million dollars (1929), and in 1938 were \$831,000.

Japan, which was an unimportant supplier of Costa Rican imports in 1929 and 1932, furnished between 6 and 8 percent of all imports in the years 1936-38. The value of imports from Japan in 1938 was \$782,000. During the decade 1929-38, the share of Italy varied between 2 and 3 percent, and that of France between 1 and 3 percent (see table 5).

Costa Rican imports from other countries of Latin America in 1937 were valued at \$716,000, or 6 percent of total imports. The principal Latin American sources of imports in that year were Nicaragua, Venezuela, and Panama.

The Costa Rican import statistics do not list imports of commodity by countries of origin.

### UNITED STATES TRADE WITH COSTA RICA

The large investment of United States capital in new banana plantations and in the construction of highways in Costa Rica has been the most significant development in recent United States commercial relations with that country. Principally because of this flow of capital, United States trade with Costa Rica has increased greatly in the last few years.

#### Trend of United States-Costa Rican trade.

In the period 1924-28, when both the prices and the output of bananas and cacao in Costa Rica were comparatively high, United States imports from that country (not including gold) averaged 5.6 million dollars annually. Imports declined materially thereafter, reaching a low of 2.1 million dollars in 1934; they then recovered to a high of 4.4 million dollars in 1937, and amounted to 3.2 million in 1939. A large part of the decline in the value of imports from Costa Rica in recent years is attributable to the decreased value of imports of bananas and cacao, which together represented four-fifths of the total trade in 1929 but only somewhat more than one-half in 1939. After the outbreak of the war in Europe, imports increased; in 1940, imports were valued at 3.9 million dollars, reflecting an increase of nearly one-fourth over those in 1939 (see table 8).

The most notable recent development in United States exports to Costa Rica has been the sharp increase in the value of the trade in 1939 and 1940. Exports rose from 5.4 million dollars in 1938 to 9.8 million in 1939, and to 11.6 million in 1940. The increased trade is attributable almost entirely to the investment of new United States capital in Costa Rica and, since the beginning of the war, to the diversion of Costa Rican purchases from European sources. Of the total exports to Costa Rica in 1939, merchandise valued at approxi-

mately 4 million dollars,<sup>25</sup> or all but a small part of the increase in trade in that year (compared with 1938), consisted of equipment and supplies purchased by the Compañía Bananera de Costa Rica, a subsidiary of the United Fruit Company of the United States, which is developing new banana-producing sites on the Pacific coast.

Because of considerably increased exports to Costa Rica after 1937, that country's share in aggregate United States sales to Latin America rose materially and in 1939 was greater than for many previous years (see table 8).

TABLE 8.—United States imports from and exports to Costa Rica, 1924-40

[Value in thousands of U. S. dollars]

Year	General imports <sup>1</sup>		Exports (incl. reexports)		Year	General imports <sup>1</sup>		Exports (incl. reexports)	
	Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America		Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America
1924.....	4,689	0.45	5,965	0.81	1933.....	3,944	1.25	2,424	1.12
1925.....	4,792	.48	6,800	.81	1934.....	2,102	.57	3,126	1.02
1926.....	7,052	.68	6,312	.76	1935.....	3,089	.67	2,318	.67
1927.....	6,035	.63	7,298	.91	1936.....	3,347	.67	3,027	.77
1928.....	5,555	.59	8,088	.97	1937.....	4,434	.66	4,477	.77
1929.....	5,203	.51	8,313	.91	1938.....	4,102	.90	5,448	1.10
1930.....	4,813	.71	4,554	.72	1939.....	3,230	.62	9,786	1.73
1931.....	3,736	.78	3,523	1.13	1940 <sup>2</sup> .....	3,921	.63	11,537	1.59
1932.....	3,687	1.14	2,435	1.25					

<sup>1</sup> Not including gold, imports of which amounted to \$552,560 in 1939 and \$563,076 in 1940.

<sup>2</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

#### United States imports from Costa Rica.

*Composition.*—Bananas, coffee, and cacao usually have constituted all but a small part of United States imports from Costa Rica, although in recent years the aggregate importance of these commodities has declined. Coffee has figured more importantly in the trade, whereas the share of bananas and cacao has decreased. In 1929 coffee represented 16 percent of the total value of the trade, bananas 68 percent, and cacao 13 percent (total, 97 percent); by 1939 coffee had risen to 28 percent, while bananas had fallen to 51 percent and cacao to 5 percent (total, 84 percent).

The production and export of Costa Rican coffee expanded substantially in the decade 1930-39, and the United States demand also increased. The quantity imported in each of the years 1937-39 was more than twice that in 1929, but because of low prices, the relative increase in the value of the trade was not so great (see table 9). Much of the Costa Rican coffee is mild and is purchased at higher prices than most United States imports. Although Costa Rica is not a large source of coffee for the United States, its share in the trade has been increasing in recent years.

Under the Inter-American Coffee Agreement, signed November 28, 1940, by the United States and 14 coffee-producing countries in the

<sup>25</sup> Pan American Union, *Annual Economic Survey of Latin America, 1939*, p. 112.

Western Hemisphere, it was agreed that, in order to promote the orderly marketing of coffee, the United States market, and exports to the rest of the world, will be allocated among the various coffee-producing countries. The agreement provides that the United States will permit the entry of an aggregate maximum of 2.1 billion pounds of coffee (or 15.9 million bags of 60 kilograms net) of which a maximum of 26.5 million pounds, or 1.3 percent of the total, may come from Costa Rica. Until the outbreak of war in Europe, Costa Rica was dependent upon the European market for approximately three-fourths of its sales of coffee, whereas the United States took only about one-fifth of the total. As a result of the war, Costa Rica lost a large part of its European market. The comparatively large basic quota, and the prospect of increased sales of coffee to the United States, therefore, are of special importance to Costa Rica.

The trade in bananas, the largest import from Costa Rica, has undergone considerable change in recent years as a result of the decline in prices and the prevalence of the leaf-spot disease in the producing areas on the east coast. In 1939 United States imports of bananas from Costa Rica were two-thirds the quantity and less than one-half the value of imports in 1929. Part of the decline in production on the east coast of Costa Rica has been compensated for by the recent expansion on the Pacific coast. In July 1938 the United Fruit Company, parent company of the *Compañía Bananera de Costa Rica*, contracted with the Government of Costa Rica to develop, over a period of 5 to 8 years, the banana industry on the Pacific coast, where the company owned extensive undeveloped acreage.<sup>26</sup> The development work specified in the contract involves, besides the planting of banana trees, the building of wharves and the construction of railroads. The program, begun in August 1938, is expected to cost 10 to 12 million dollars. The Costa Rican Government, under the contract, agreed to maintain the export tax on bananas at not more than 2 cents per bunch.

United States imports of Costa Rican cacao have declined sharply in recent years; in 1939, when they were far larger than in the 2 preceding years, imports were less than two-thirds the quantity and only one-fourth the value of imports in 1929.

Offsetting the decreased trade in cacao has been the sharp increase since 1937 in imports of fresh or frozen tuna fish from Costa Rica. As a result of the rapid growth in this trade, Costa Rica has become the principal supplier for the United States of frozen tuna fish, displacing Japan.

*Dutiable status of imports.*—Virtually all of the United States imports from Costa Rica enter free of duty. The four principal imports, bananas, coffee, frozen tuna fish, and cacao—together representing more than 95 percent of the total trade for 1939, are all on the free list. In the trade agreement between the United States and Costa Rica, effective August 2, 1937, the duty-free status of bananas, coffee, cacao, and a number of other products was bound. The import duties on pineapples in bulk, prepared or preserved guava, n. s. p. f.,<sup>27</sup> and mango and guava pastes and pulps were bound against increase at the rates to which they had previously been reduced in the trade agreement with Haiti, effective June 3, 1935.

<sup>26</sup> Standard Statistics Company, Inc., *Standard Corporation Records*, April 1940, p. 5775.

<sup>27</sup> Not specially provided for.

TABLE 9.—United States imports for consumption from Costa Rica of principal commodities, in specified years, 1929-39

Commodity	1929	1932	1936	1937	1938	1939 <sup>1</sup>	
	Unit	Quantity					
Tuna fish, fresh or frozen, whether or not whole.	1,000 lb.....				776	7,818	8,003
Bananas, green or ripe.....	1,000 bunches.	4,126	4,040	3,374	4,948	4,074	2,901
Cocoa or cacao beans and shells thereof.	1,000 lb.....	5,807	6,034	4,834	1,754	598	3,466
Coffee, raw or green.....	1,000 lb.....	4,550	7,540	7,889	12,798	13,733	10,574
	Tariff status	Value (1,000 dollars)					
Tuna fish, fresh or frozen, whether or not whole.	Free.....				36	450	355
Bananas, green or ripe.....	Free.....	3,545	2,312	1,998	2,735	2,273	1,631
Cocoa or cacao beans and shells thereof.	Free.....	699	367	338	153	35	172
Coffee, raw or green.....	Free.....	829	919	956	1,425	1,222	916
Imports of commodities shown above.....		5,073	3,598	3,292	4,349	3,980	3,074
Total imports from Costa Rica.....		5,203	3,687	3,347	4,434	4,102	3,229
Principal imports (shown above) as percent of total.....		97.5	97.6	98.3	98.1	97.0	95.2

<sup>1</sup> Preliminary.<sup>2</sup> General imports.

Source: Compiled from official statistics of the U. S. Department of Commerce.

**United States exports to Costa Rica.**

The United States merchandise sold to Costa Rica is highly diversified and consists almost entirely of manufactures. The largest groups of exports, shown in table 10, are machinery and vehicles, and metals and manufactures (mainly of iron and steel). In 1939 the leading individual exports to Costa Rica, shown in table 11, were wheat flour, railroad ties, cotton cloth, gasoline, lard, kerosene, and galvanized steel sheets.

Probably the most important influence upon the trend and composition of United States exports to Costa Rica in recent years has been the large-scale purchase of supplies and equipment by the Compañía Bananera. In 1939 the sharp increases in United States exports of Diesel engines, refined products of petroleum, galvanized steel sheets, and structural shapes, were largely the result of purchases by this company. Inasmuch as many of these products are durable capital goods and represent nonrecurring purchases, it may be expected that the company's development operations will expand exports for only a limited period.

Exports to Costa Rica of products which were largely unaffected by the purchases of the Compañía Bananera de Costa Rica have been materially reduced in recent years. Costa Rican purchasing power has been decreased recently by the decline in the production and price of bananas and in the price of coffee.

TABLE 10.—United States exports (domestic merchandise) to Costa Rica, by commodity groups, in 1938 and 1939

[Value in thousands of U. S. dollars]

Commodity group	1938	1939 <sup>1</sup>	Commodity group	1938	1939 <sup>1</sup>
<b>Animals and animal products, edible, total</b> .....	361	446	<b>Metals and manufactures, except machinery and vehicles, total</b> .....	690	1,813
Lard, including neutral lard.....	210	260	Iron and steel-mill products.....	362	1,148
<b>Animals and animal products, inedible, total</b> .....	155	195	Advanced manufactures of iron and steel.....	221	471
Leather.....	123	155	<b>Machinery and vehicles, total</b> .....	1,342	2,319
<b>Vegetable food products and beverages, total</b> .....	727	837	Electrical machinery and apparatus.....	284	324
Wheat flour.....	509	418	Industrial machinery.....	339	1,004
<b>Vegetable products, inedible, except fibers and wood, total</b> .....	222	293	Agricultural machinery and implements.....	61	336
<b>Textile fibers and manufactures, total</b> .....	439	812	Automobiles, parts, and accessories.....	373	284
Cotton manufactures.....	281	557	<b>Chemicals and related products, total</b> .....	335	616
<b>Wood and paper, total</b> .....	387	1,021	Medicinal and pharmaceutical preparations.....	112	163
Railroad ties, creosoted or otherwise preserved.....	129	388	Chemical specialties.....	38	146
Boards, planks, and scantlings, softwoods.....	76	355	<b>Miscellaneous</b> .....	219	288
<b>Nonmetallic minerals, total</b> .....	539	1,065			
Refined mineral oils.....	356	780	<b>Total exports</b> .....	5,416	9,705

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.



TABLE 11.—United States exports (domestic merchandise) to Costa Rica of principal commodities, in specified years, 1929–39

[Value in thousands of U. S. dollars]

Commodity	Unit of quantity	1929		1932		1936		1937		1938		- 1939	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Lard	1,000 lb.	3,707	499	3,016	201	78	10	263	46	1,869	210	3,223	260
Kardines, canned	1,000 lb.	296	20	133	7	160	9	308	21	401	28	338	23
Upper leather (except patent), cattle side, grain.	1,000 sq. ft.	138	35	204	23	85	13	208	34	187	28	171	31
Goat and kid (including glazed kid)	1,000 sq. ft.	349	80	204	21	97	12	187	32	193	30	201	33
Oatmeal, groats, and rolled oats	1,000 lb.	384	37	229	13	134	11	351	27	417	25	500	31
Wheat flour wholly of United States wheat	1,000 lb.	119	727	92	320	15	66	203	36	203	70	340	46
Other wheat flour	1,000 lb.	80	24	27	11	77	368	64	401	37	170	69	
Chewing gum	1,000 lb.	5,821	86	1,719	17	2,334	27	2,459	32	2,869	39	2,921	38
Automobile tire casings	Number	60,359	124	13,879	36	27,087	63	35,083	83	44,296	108	52,056	121
Cigarettes	1,000 sq. yd.	5,619	722	4,713	371	930	99	872	102	1,860	183	3,491	381
Cotton cloth bleached, dyed, printed, and colored yarn dyed	1,000 sq. yd.	46	59	24	20	72	73	25	28	118	129	295	387
Railroad ties, creosoted or otherwise preserved	1,000 bd. ft.	468	26	27	1	219	8	144	7	1,114	49	450	22
Southern pine, rough, boards, planks, and scantlings	1,000 lb.	185	15	231	11	248	18	339	25	276	21	422	32
Writing paper other than papeteries	1,000 lb.	871	63	712	36	516	32	1,214	77	938	54	658	34
Paper bags	1,000 bbl.	42	189	21	91	35	170	61	259	57	280	79	
Gasoline and other petroleum motor fuel	1,000 bbl.	69	194	3	14	4	21	4	24	4	19	102	
Illuminating oil (kerosene)	1,000 bbl.	1	4	(?)	(?)	2	3	68	70	1	4	83	
Gas oil and distillate fuel oil	1,000 bbl.	2,365	119	2,479	87	1,960	79	1,725	66	1,886	64	2,243	
Paraffin wax, refined	Short ton	564	32	15	1	18	1	785	41	347	19	1,290	
Steel bars, not containing alloy	Short ton	(10)	(10)	31	2	182	13	654	61	738	50	2,450	
Steel sheets, galvanized	Ton	200	12	9	(?)	96	5	89	12	1,461	108	2,027	
Structural shapes, fabricated	Short ton	156	9	50	2	65	3	117	13	438	33	682	
Barbed wire	Short ton	28	2	22	26	26	26	38	28	28	28	41	
Miscellaneous cutlery and parts	Number	(10)	(10)	25	26	26	26	68	68	29	29	58	
Metal drums and containers for gas and other liquids	Number	46	6	6	13	13	13	17	17	37	37	108	
Miscellaneous iron and steel manufactures	Number	(10)	(10)	21	2	356	23	538	52	351	34	376	
Refrigerators, household, electric	Number	36	3	679	22	2	53	1,759	53	2,802	73	2,774	
Radio receiving sets	Number												
Stationary and portable engines:													
Diesel and semi-Diesel	Number							4	35	3	28	14	
Typewriting machines	Number							5	26			7	
Motor trucks, buses, and chassis (new)	Number	114	158	1	75	38	134	75	189	123	162	119	
Passenger cars and chassis (new)	Number	177	183	42	28	158	96	241	161	287	211	174	
Automobile parts for replacement	Number		61		3		23		33		33	127	
Landplanes (powered)	Number	(10)	(10)	(10)	(10)	1	7	8	13	12	95	4	

See footnotes at end of table.

COSTA RICA

TABLE 11.—United States exports (domestic merchandise) to Costa Rica of principal commodities, in specified years, 1929–39—Continued  
[Value in thousands of U. S. dollars]

Commodity	Unit of quantity	1929		1932		1936		1937		1938		1939 <sup>1</sup>	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Parts of railway cars except axles and wheels			47		3		12		20		32		136
Ready-mixed paints, stains, and enamels	1,000 gal.	8	17	5	12	12	25	28	55	28	53	44	85
Miscellaneous printed matter <sup>11</sup>			38		13		12		22		13		15
Miscellaneous articles <sup>12</sup>			23		8		15		23		29		42
Exports of commodities shown above			3,670		1,435		1,492		2,378		2,845		4,134
Total exports to Costa Rica			8,261		2,423		2,998		4,432		5,416		9,705
Principal exports (shown above) as percent of total			44.4		59.2		49.8		53.7		52.5		42.6

<sup>1</sup> Preliminary.

<sup>2</sup> Includes neutral lard.

<sup>3</sup> Classified as "Oatmeal, flaked and rolled oats."

<sup>4</sup> Converted from board feet (1 tie=35 board feet).

<sup>5</sup> Classified as "Gasoline, naphtha, and other finished light products."

<sup>6</sup> Classified as "Gas oil and fuel oil."

<sup>7</sup> Not over 500.

<sup>8</sup> Concrete reinforcement bars only.

<sup>9</sup> Not strictly comparable with earlier years; includes stainless and other alloy steels.

<sup>10</sup> Not separately classified.

<sup>11</sup> Data not strictly comparable for the series.

<sup>12</sup> May include some second-hand articles.

Source: Compiled from official statistics of the U. S. Department of Commerce.

**Balance of payments between the United States and Costa Rica.**

Merchandise trade is by far the largest item in the financial transactions between the United States and Costa Rica (see table 12). During the period 1929-37, the value of United States imports from Costa Rica was customarily about equal to or somewhat larger than the value of United States exports to that country. Since 1937, however, the United States has had a substantial export trade balance with Costa Rica. As shown by table 8, it amounted to 1.3 million dollars in 1938 and rose to 6.6 million in 1939 and to 7.6 million in 1940. These export trade balances are caused chiefly by new investments of United States capital in Costa Rica.

Data on the balance of payments between the United States and Costa Rica, shown in table 12, cover only a part of the accounts customarily included in such a statement. The principal omissions are the income from United States direct investments (credit) and the investment of new United States capital in Costa Rica (debit). Both of these have probably been large compared with most other items in the statement. The direct investments of United States citizens in Costa Rica were valued at 13.3 million dollars at the end of 1936,<sup>28</sup> but because of the abandonment of certain banana plantations and the development of others, this figure may have been changed substantially. Although the income from direct investments is not shown separately as a credit item in table 12, a part of the value of imports from Costa Rica constitutes such income. Bananas shipped to the United States, for example, are owned and marketed by United States-owned enterprises; a part of the revenue obtained from their sale in United States and other markets is retained as income on the investment in Costa Rica.

The other item omitted, the movement of new United States capital into Costa Rica, has been substantial since 1938, as is indicated by the large expenditures of the *Compañía Bananera de Costa Rica* for equipment and supplies for the development of new banana-producing areas.

The flow of United States capital into Costa Rica has further increased because of the extension of credits by the United States Government to that country. In October 1939 the United States Export-Import Bank made available to the National Bank of Costa Rica a revolving credit of 1 million dollars, exclusively for purchases in the United States. Later, in September 1940, the Export-Import Bank authorized a loan of 4.6 million dollars to the Republic of Costa Rica for the construction of a section of the Inter-American Highway; a substantial part of the funds will be used to purchase materials and equipment in the United States. The loan, bearing 4-percent interest beginning at the end of 3 years, is to be amortized over a period of 10 years from the proceeds of the Costa Rican gasoline tax. The present heavy export trade balance with Costa Rica, therefore, is being maintained in large part by the United States investment of private and Government funds in that country.

<sup>28</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936*, p. 12.

TABLE 12.—*Partial balance of payments between the United States and Costa Rica, 1929-38*

[Value in millions of U. S. dollars]

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
<b>Trade and service items:</b>										
Merchandise exports to Costa Rica <sup>1</sup> .....	8.3	4.6	3.5	2.4	2.4	3.1	2.3	2.0	4.5	5.4
Merchandise imports from Costa Rica <sup>1</sup> .....	5.2	4.8	3.7	3.7	3.9	2.1	3.1	3.3	4.4	4.1
Net merchandise exports to (+) or imports from (-) Costa Rica.....	+3.1	-2	-2	-1.3	-1.5	+1.0	-.8	-.3	+1	+1.3
Receipts from Costa Rica for shipping services <sup>2</sup> .....	.3	.2	.2	.1	.....	.1	.....	.1	.1	.1
Expenditures of Costa Rican travelers in the United States.....	.1	.1	.1	.....	.....	.1	.1	.1	.1	.1
Expenditures of U. S. travelers in Costa Rica <sup>3</sup> .....	.1	.1	.1	.....	.....	.1	.1	.1	.1	.3
Interest receipts from Costa Rica.....	.7	.7	.7	.6	.....	.....	.1	.2	.....	.....
Net receipts from (+) or payments to (-) Costa Rica for services <sup>3</sup> .....	+1.0	+9	+9	+7	.....	+1	+1	+3	+1	-1
Net receipts from (+) or payments to (-) Costa Rica on trade and service account <sup>3</sup> .....	+4.1	+7	+7	-.6	-1.5	+1.1	-.7	.....	+2	+1.2
<b>Gold and silver:</b>										
Net gold imports from Costa Rica <sup>4</sup> .....	-.1	-.1	-.1	-.2	-.1	-.5	-.4	-.5	-.6	-.6
<b>Capital items:</b>										
Bond-redemption and sinking-fund receipts from Costa Rica <sup>4</sup> .....	.....	+2	+4	.....	.....	.....	+1	+1	.....	.....
<b>Net balance on items shown<sup>4</sup>.....</b>	<b>+4.0</b>	<b>+8</b>	<b>+1.0</b>	<b>-.8</b>	<b>-1.6</b>	<b>+6</b>	<b>-1.0</b>	<b>-.4</b>	<b>-.4</b>	<b>+6</b>

<sup>1</sup> United States statistics, unadjusted.<sup>2</sup> Rough estimates.<sup>3</sup> Excluding return on U. S. direct investments in Costa Rica.<sup>4</sup> Bond-redemption receipts adjusted for repurchases by foreigners in all years; sinking-fund receipts in 1938 only.<sup>5</sup> Exclusive of return on direct investments (receipts) and new investments (payments) in Costa Rica.

NOTE.—Net credit balances for the United States are indicated by +; net debit balances by -.

Source: Especially prepared for this report by the Finance Division, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

# EL SALVADOR

## A DESCRIPTION

### Physical characteristics.

The Republic of El Salvador,<sup>1</sup> the smallest of the six countries of Central America, is bounded on the north by Honduras, on the east by Honduras and the Gulf of Fonseca, on the south by the Pacific Ocean, and on the west by Guatemala. The only independent country of Central America without a Caribbean littoral, it has a Pacific coast line of about 160 miles, and a maximum width of about 75 miles. The area of El Salvador, including dependent islands in the Gulf of Fonseca, is 13,176 square miles, approximately equivalent to that of Massachusetts, Rhode Island, and Connecticut combined.

Two mountain ranges traverse El Salvador from east to west. Numerous spurs connect the two ranges and extend from them, creating a plateau region and a number of fertile valleys. The most important of these valleys is that of the Río Lempa. The average elevation in the plateau region is about 2,000 feet, but in the mountain ranges elevations reach 8,000 feet. There are numerous volcanoes, some of them active. To the east, the plateau descends gradually to a lowland area. Between the mountain range and the Pacific Ocean is a narrow coastal plain from 10 to 15 miles in width.

The climate of El Salvador varies from tropical to temperate, depending on the altitude. The coastal plain is hot and humid, and the rainfall is heavy. In the plateau region and valley areas, up to an elevation of about 2,500 feet, the climate is semitropical, and in the upper reaches of the mountains it is temperate. The mean annual temperature at San Salvador (elevation 2,100 feet) is about 72° F. There are two seasons in El Salvador, the rainy season, extending from May to October, and the dry season, or "summer," from November to April. The average annual rainfall is about 72 inches, more than three-fourths of which falls in the rainy season.

There are numerous rivers in El Salvador, the principal of which are the Río Lempa, the Río de Paz, and the Río Grande de San Miguel. Although the rivers are not of importance for navigation, being useful only for small craft, they are of decided importance to Salvadoran agriculture. The Lempa,<sup>2</sup> the most important, rises in Guatemala and flows through Honduras, thence into El Salvador, where it follows a tortuous course to the Pacific Ocean. The Río de Paz forms the boundary between El Salvador and Guatemala, and the Río de Goascorán forms part of that between El Salvador and Honduras. There are a number of lakes in El Salvador, the largest of which are Lake Guija, on the Guatemalan frontier, and Lake Ilopango, near San Salvador.

<sup>1</sup> In Spanish, República de El Salvador (Republic of the Savior).

<sup>2</sup> The Lempa is the largest river emptying into the Pacific Ocean between the Colorado River and Cape Horn.

About 375 miles of railroad are in operation in El Salvador. A railway, about 90 miles in length, owned by British interests (the Salvador Railway Company), connects Acajutla with San Salvador and the important coffee center of Santa Ana. The International Railways of Central America, a United States enterprise, operates 285 miles of track. This railroad traverses the country from Cutuco (La Unión) northwest to the Guatemalan frontier, connecting with Guatemala City and Puerto Barrios. A branch line connects Taxislepeque with Santa Ana and Ahuachapán. In 1939, the two Salvadoran railroads carried more than 916,000 passengers and 337,000 tons of freight.<sup>3</sup>

There are 3,700 miles of highways, of which about 1,600 are unimproved. The main highway, the Carretera Panamericana, is the Salvadoran section of the Pan American Highway. This road, which is 181 miles in length, traverses the country, linking it with Guatemala in the west and Honduras on the east. Various other trunk highways connect the chief cities and ports. An excellent 23-mile road connects San Salvador with its port, La Libertad. Automobile registrations in El Salvador in 1938 totaled 3,267.

#### Population.

According to the census of 1930, the population of El Salvador was 1,438,000. An official estimate placed the number of inhabitants on December 31, 1939, at 1,745,000, or about 132 persons to the square mile. El Salvador is the second most densely populated of the 20 Latin American countries, being exceeded in that respect only by Haiti.<sup>4</sup> More than three-fifths of the Salvadoran population is rural.

The principal city of El Salvador is its capital, San Salvador. Situated in the plateau region, at an altitude of 2,115 feet, it has a population of 106,000. Other important cities and towns, all of which are in the interior, include Santa Ana, with 85,000 inhabitants; San Miguel, 44,000; Santa Tecla,<sup>5</sup> 33,000; Ahuachapán, 31,000; Sonsonate, 28,000; San Vicente, 27,000; Zacatecoluca, 26,000; and Cojutepeque, 21,500. Eight other cities have populations ranging from 10,000 to 20,000.<sup>6</sup>

The principal ports of El Salvador are La Unión, with a population of 8,000, La Libertad, with 4,000, and Acajutla, with 3,000. About one-half of El Salvador's exports pass through La Unión, which is on the Gulf of Fonseca; Acajutla handles from one-fourth to one-third of all exports. About one-third of all imports enter through La Libertad. La Unión<sup>7</sup> is a protected seaport, but Acajutla and La Libertad are open roadsteads, and cargoes must be lightered ashore.<sup>8</sup>

The people of El Salvador are principally of European and of mixed European and Indian stock. Only about one-tenth of the population consists of full-blooded Indians. The language of the country is Spanish.

<sup>3</sup> Pan American Union, *El Salvador*, American Nations Series No. 18.

<sup>4</sup> The density in Haiti is double that in El Salvador—(265 persons per square mile).

<sup>5</sup> Also known as Nueva San Salvador.

<sup>6</sup> U. S. Bureau of Foreign and Domestic Commerce, *Commercial Travelers' Guide to Latin America*, 1940, part III.

<sup>7</sup> Cargoes are actually handled at Cutuco, about a mile from La Unión.

<sup>8</sup> Pan American Union, *El Salvador*, American Nations Series No. 18; U. S. Bureau of Foreign and Domestic Commerce, *Commercial Travelers' Guide to Latin America*, 1940, part III.

**Natural resources and economy.**

*Agriculture.*—El Salvador is an agricultural country, with but few mining and manufacturing industries. The principal export crop is coffee, but small quantities of sugar, henequen, cacao, indigo, rice, cotton, and balsam are also shipped abroad. Other agricultural products, grown chiefly for domestic consumption, include corn, beans, millet, wheat, tobacco, bananas, pineapples, coconuts, oranges, mangoes, papayas, tomatoes, and avocados. About four-fifths of the total area of El Salvador is under cultivation.

The Salvadoran economy is characterized by its dependence on exports of coffee. More than nine-tenths of the value of all exports consist of this one commodity; with the exception of Venezuela, where petroleum predominates, no other country of Latin America is so dependent upon the export of a single product. Shifts in the prices of, or markets for, coffee are immediately reflected in both the foreign and the domestic trade of El Salvador. Exports of coffee determine in great measure the value of Salvadoran imports, since there are few other sources of foreign exchange. Moreover, a large part of government revenue is derived from customs duties, both import and export, so that the country's fiscal structure also rests in large part upon coffee. In periods of low prices, the Salvadoran Government has endeavored to assist the growers by suspending a portion of the export duty on coffee. Efforts have also been made to diversify agriculture in order to reduce the dependence on one crop. El Salvador ranks third among the coffee-exporting countries of Latin America, being exceeded only by Brazil and Colombia.

Coffee is grown principally at higher elevations, in the central and western parts of the country. According to the first Salvadoran coffee census, completed in May 1939, there were then about 140 million coffee trees in El Salvador, covering an area of more than 202,000 acres; approximately 100,000 additional acres are said to be suitable for coffee growing. In 1939 there were 11,545 coffee plantations (called *fincas*) and 10,921 proprietors. Although some coffee is produced in each of the 14 departments of El Salvador, nearly one-half of the acreage is in the five departments of Santa Ana, La Libertad, Usulután, Sonsonate, and Ahuachapán. One-fifth of the entire production of coffee, however, takes place in the Department of Santa Ana. Domestic consumption of coffee in El Salvador averages about 20 million pounds annually; the remainder is exported. Exports in 1938 amounted to 119 million pounds.

The coffee produced in El Salvador is predominantly of the "mild" variety (*Coffea arabica*), used in the United States largely for blending purposes. It commands a high price in European and United States markets, and competes only indirectly with Brazilian coffee.\* In the years immediately preceding the outbreak of war in Europe, between two-fifths and one-half of all Salvadoran exports of coffee went to European markets; these markets are now closed, and El Salvador is finding it difficult to dispose of the crop. Under the terms of the Inter-American Coffee Agreement, signed November 28, 1940, El Salvador was permitted to ship to the United States 79.4 million

\* In the trade, all coffees are roughly grouped into "Brazil" and "milds", the milds comprising all coffees grown outside of Brazil.

pounds of coffee during the quota year beginning October 1, 1940.<sup>10</sup> This compares with actual shipments to the United States of 79.2 million pounds during the calendar year 1939.

Sugar, the second-ranking agricultural export, is grown in the lowland areas, principally in the Departments of San Salvador, La Libertad, and Sonsonate. Salvadoran production of sugar is customarily adequate for domestic requirements with a small surplus for export; in some years, however, sugar must be imported. Production averages about 30,000 tons annually. About 25,000 acres are devoted to the cultivation of sugarcane.

Henequen, grown chiefly in the Departments of San Miguel and Morazán, ranks third among Salvadoran agricultural exports, but the quantities involved are small. In 1936 more than 11,000 acres were devoted to this fiber, and production amounted to 3,600 tons; in 1937, however, production declined to 2,280 tons. The greater part of the henequen is employed to make bags in which Salvadoran coffee is shipped abroad.

Other Salvadoran agricultural exports include rice, indigo, and honey. Although rice is grown chiefly for domestic consumption, some is usually available for export to Honduras. The production of rice in 1937 amounted to 9,575 tons. Indigo, once a principal export commodity, is still exported to Mexico and Peru, but in small quantities. Production in 1937 was 31 tons.

The leading agricultural products grown in El Salvador principally for domestic consumption are corn, millet, beans, cotton, tobacco, and wheat. Production in 1937 was as follows: Corn, 84,830 tons; millet, 55,456 tons; beans, 12,187 tons; cotton, 1,048 tons; and tobacco, 86 tons. The production of wheat in 1936 amounted to 68 tons. The cotton produced in El Salvador is sufficient to supply the small domestic textile industry. Cotton growing was begun in 1924, but, because of plant pests, was practically abandoned several years later. Cultivation was revived in 1935, and production has since increased rapidly. The Government has encouraged the growing of cotton by fixing prices and prohibiting imports as long as domestic supplies are sufficient to meet the requirements of the domestic textile industry.<sup>11</sup>

*Forest industries.*—The most important forest product exported by El Salvador is the so-called balsam of Peru.<sup>12</sup> Despite its name, this medicinal gum, which is extracted from the trunk of the tree,<sup>13</sup> is indigenous to and is produced principally in El Salvador. Production, which takes place on the coastal plain between the ports of La Libertad and Acajutla, amounted to 208 tons in 1936, and to 134 tons in 1937. Exports of other forest products from El Salvador are small; they include hardwoods (principally mahogany, cedar, and walnut), dyewoods, kapok, and rubber.

*Pastoral industries.*—Stock raising is an important activity in El Salvador. It is carried on in nearly all parts of the country, but principally in the coastal plain. In 1938 there were 680,000 cattle, 577,000 hogs, 32,000 goats, and 20,000 sheep in the country, as well as

<sup>10</sup> As of June 1, 1941, this quota was increased to 80.7 million pounds by the Inter-American Coffee Board.

<sup>11</sup> By a decree of December 1, 1937, raw or ginned cotton may not be imported except with the permission of the Ministry of Finance. A decree of December 29, 1936, prohibited imports of machinery for picking cotton.

<sup>12</sup> The misnomer "balsam of Peru" originated in the colonial period, when shipments to Spain were routed via Peru. It is now required that all balsam exported be marked "balsam of El Salvador."

<sup>13</sup> The balsam trees are tapped when they are about 25 years old.



221,000 horses. The local industry supplies the entire domestic demand for meats and dairy products. Most of the hides and skins produced in El Salvador are utilized by domestic tanneries and shoe factories; the remainder is exported.

*Mining.*—Although a number of minerals are known to exist in El Salvador, there has been little development of the country's mineral resources, except gold and silver. These metals are found associated in many parts of the country, but the principal mines are in the Departments of San Miguel, Morazán, and La Unión. The value of the gold produced in 1939 was estimated to be \$560,000. Other minerals in El Salvador include coal, petroleum, iron, copper, lead, zinc, mercury, sulfur, and asbestos. Limestone, granite, and marble are also available. In general, minerals in El Salvador exist in small quantities and in areas that are difficult of access. There has been no development of coal or petroleum resources.

*Manufacturing.*—Until recently, manufacturing in El Salvador was largely associated with the processing of agricultural products, particularly the preparation of coffee beans for export, the refining of sugar, the distillation of alcohol, and the tanning of leather. There was, however, some production of cotton textiles, straw hats, soap, candles, candy, tobacco, cigarettes, beer, rum, furniture, bricks, pottery, rope, and other light consumer goods. In the past, the development of manufacturing in El Salvador has been retarded by lack of raw materials, transportation facilities, and skilled labor, and the limited market.

Since 1929, a number of other small manufacturing industries have been established to produce for the domestic market. The products of many of these industries have been accorded tariff protection, and in some cases imports of similar commodities have been eliminated. There are now about 300 manufacturing establishments in the country, with an annual production valued at more than 8.6 million dollars. Most of these are small enterprises, each employing but a few workers and producing for a very limited local market. Among the products of Salvadoran industry, other than those already mentioned, are bags made from domestic henequen, carpets and rugs, curtains, clothing, handbags, shoes, rubber heels, leather goods, bone buttons, aerated waters, matches, salt, lard, flour, dairy products, mirrors, table and kitchen ware, furniture, ironwork, paper and cardboard, musical instruments, and jewelry. Almost the entire domestic demand for cotton yarn now is met by local mills.

*Foreign investments.*—Statistics of foreign investments in El Salvador, other than those of the United States and the United Kingdom, are not available. United States direct investments at the end of 1936 amounted to 17.2 million dollars.<sup>14</sup> No data are available to show the distribution of the investments by economic groups, but they apparently are in public-utility and transportation enterprises. The United States portfolio of Salvadoran securities in 1935 was estimated to be 4.6 million dollars.<sup>15</sup> Total United Kingdom invest-

<sup>14</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936*, p. 12. "Direct" investments are defined as all United States investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice.

<sup>15</sup> Cloona Lewis, *America's Stake in International Investments*, The Brookings Institution, 1938, p. 655. "Portfolio" investments are defined as equity and other security investments in foreign-controlled corporations, and investments in the security issues of foreign governments or subdivisions thereof.

ments in El Salvador in 1940 were estimated to be 1.1 million pounds sterling (approximately 4.5 million dollars).<sup>16</sup>

### THE FOREIGN TRADE OF EL SALVADOR

El Salvador customarily accounts for about one-fifth of the value of all exports from the six countries of Central America, and for about one-eighth of all imports thereto. Exports in 1938 were valued at 10.9 million dollars, as compared with imports of 9.1 million.<sup>17</sup>

Exports from El Salvador usually exceed imports into the country; they have been greater than imports in 12 of the 15 years 1924-38. In the 3 years 1936-38, the export balance ranged from 1.7 million (1936) to 5.1 million dollars (1937).<sup>18</sup> The maintenance of an export balance during a period of falling coffee prices is due to the government control exercised over imports and to the growth of manufacturing within the country.

In proportion to its population, the foreign trade of El Salvador is small. Exports in 1938 were equal to about \$6.70 per capita, and imports to \$5.60 per capita.

#### Salvadoran commercial policy.

*The tariff.*—From September 1, 1934, to August 15, 1937, the tariff of El Salvador consisted of three columns (minimum, intermediate, and maximum), applicable to products of individual countries in accordance with trade balances. Since August 15, 1937, the tariff has had two columns ("minimum" and "maximum"), also based on trade balances. Reductions in duty below the "minimum" accorded by agreements in force prior to September 1, 1934, were continued thereafter. Conventional reductions are not generalized, but are extended to those countries with which El Salvador has most-favored-nation agreements. The minimum column is also extended to such countries for the life of the agreements, irrespective of trade balances. Neither foreign-exchange control<sup>19</sup> nor import quotas (except for cotton) have been established by El Salvador.

El Salvador has unconditional most-favored-nation agreements<sup>20</sup> in force with the United States, Mexico, Venezuela, Belgium, France, Germany, Eire, Switzerland, and the United Kingdom, and has conditional agreements with Italy and Spain. El Salvador has a reciprocal free-trade agreement with Honduras, applying to all products except coffee, hides, and cigarettes. The other Central American countries are not only given minimum-column treatment, but are also accorded preferential reductions on certain products (ranging from 10 to 90 percent of the duties) and free entry for certain other products.

<sup>16</sup> *The South American Journal*, January 25, 1941, pp. 49-50.

<sup>17</sup> The Salvadoran monetary unit, the colón, is now maintained at the rate of 2½ colones to 1 United States dollar (see table 1 for exchange rates in the period 1924-38).

<sup>18</sup> Export values employed by El Salvador are declared values f. o. b. Salvadoran port, including export duties. Import values are c. i. f. Salvadoran port, including consular fees, freight, insurance, and other invoice charges, but excluding Salvadoran duties and taxes.

<sup>19</sup> The gold standard was abandoned by El Salvador on October 7, 1931. Prior to that date, 2 colones were equivalent to 1 United States dollar. Between October 7, 1931, and August 1934 the value of the colón was unsupported, a low of \$0.3401 being reached in 1933. In August 1934 the colón was stabilized at 2½ colones to 1 United States dollar, at which rate it has since remained. For exchange rates for each of the years covered in this report, see table 1.

<sup>20</sup> Subject to exception for preferences to other Central American countries.

In the trade agreement between the United States and El Salvador, effective May 31, 1937, tariff concessions granted by El Salvador to the United States included reductions in duty on 19 tariff classifications and bindings against increase in duty on six others. More than 60 individual commodities were affected. The reductions in the Salvadoran duties ranged from 50 to 83 percent of the duties in effect prior to the conclusion of the agreement. Concessions made by the United States to El Salvador related entirely to distinctive tropical products. Five tariff items, including coffee, which accounts for the greater part of total imports, were bound on the free list; reductions in duty were granted on four products. Imports of these nine commodities represented more than 99 percent of total United States imports from El Salvador in 1935.

In the Salvadoran tariff of September 1, 1934, the minimum (basic) column was applicable to the products of any country with which El Salvador had an export trade balance, or with which the value of exports thereto approximately equaled the value of imports therefrom. The intermediate column (basic rates plus 15 percent thereof) applied to the products of all other countries which purchased from El Salvador goods equal in value to at least one-fourth that of Salvadoran imports from such countries. The maximum column (basic rates plus 200 percent thereof) was applicable to the products of any country which purchased from El Salvador products valued at less than one-fourth the value of Salvadoran imports from that country.

The Salvadoran tariff act of 1934 directed the Executive to classify all countries, for the application of the different columns, according to their trade balances with El Salvador. Provision for retaliatory treatment was made by authorizing the Executive, at his discretion, to apply either the maximum or intermediate columns to products of countries which by laws or customs decisions endeavor to restrict imports of Salvadoran origin. The Executive was also authorized to apply the minimum column to products of first necessity, irrespective of the trade balances of the countries which were sources of such products. Prior legislative approval is required for reductions of import duties in commercial agreements.

By a law of November 27, 1936, originally intended to become effective May 20, 1937, the intermediate column in the Salvadoran tariff was eliminated, thus making it a two-column tariff (with minimum and maximum columns) based on trade balances in accordance with the regulations specified in the Salvadoran tariff act of 1934. The effective date for the elimination of the intermediate column was subsequently, by a law of May 20, 1937, postponed until August 15, 1937.

By action of the Salvadoran Legislative Assembly, on December 14, 1940, in conformity with declarations of the Second Meeting of Foreign Ministers at Habana, the rates of the minimum tariff were granted on all imports from certain countries of the Pan American Union.<sup>21</sup> Products from Central American countries not having special commercial agreements with El Salvador will continue to enjoy the special treatment accorded by the decree of June 23, 1934. Products from American countries having commercial agreements with El Salvador will continue to receive the treatment stipulated therein,

<sup>21</sup> These countries are Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, the Dominican Republic, Ecuador, Haiti, Panama, Paraguay, Peru, and Venezuela.

and, upon the expiration of such agreements, will be automatically granted minimum-tariff treatment.

The Salvadoran tariff is largely a revenue measure,<sup>22</sup> but protection has been accorded a number of the products of domestic industry. The present tariff (promulgated May 30, 1934) has been subject to a number of changes in basic rates of duty. Some of the duties are specific; others are ad valorem. The specific duties are generally levied on the basis of weight.<sup>23</sup> Ad valorem duties, in general, are based on net market value in United States dollars at the point of origin.<sup>24</sup>

Prior to 1936, the Customs Section of the Ministry of Finance handled all matters pertaining to the tariff and customs administration. In that year, however, the Customs Section was converted into the Customs Income Administration, still under the general supervision of the Ministry of Finance. The Customs Income Administration was charged with the study of existing customs laws and the formulation of a customs code, to be submitted to the Ministry of Finance. It was also directed to make a study of commercial treaties, in order that a well-defined commercial policy might be adopted, taking into consideration the fiscal and economic interests of the country. Finally, the new Customs Income Administration was assigned the task of revising the existing customs duties, and of classifying for customs purposes commodities not provided for in the tariff.

*Export duties and controls.*—Export duties are levied by El Salvador on coffee, gold and silver in bars, ingots, or powder, and scrap or waste metals.<sup>25</sup> All other commodities are free of export duties. A decree of May 31, 1936, imposed a tax of 10 cents United States currency on each sack or bag of foreign manufacture used to export Salvadoran products, but this tax was removed by a decree of April 29, 1937.

In the Salvadoran tariff act of 1934 the export duty on coffee was set at \$3.27 United States currency per 100 kilograms, gross weight (\$0.0148 per pound). The duty was subsequently reduced to \$2.57 (\$0.0117 per pound). Following the sharp decline in the price of coffee in 1937,<sup>26</sup> a Salvadoran decree of November 26, 1937, reduced the export duty to \$0.85 per 100 kilograms (\$0.0039 per pound),<sup>27</sup> it was subsequently raised to \$0.95 (\$0.0043 per pound). By a decree of September 14, 1939, the export duty of \$0.95 on coffee was continued for another year. With the closing of continental European markets as a result of the war, the Salvadoran Government on October 8, 1940, fixed a quota to be prorated among growers and exporters for the shipment of coffee free of the usual export duty; the quota amounted to about 15 percent of the 1940-41 coffee crop. A decree of November 8, 1940, issued just before the signing of the Inter-American Coffee Agreement,<sup>28</sup> provided that no coffee of the 1940-41 crop might be exported except on the basis of permits to be issued by the Salvadoran Coffee

<sup>22</sup> Of the Salvadoran revenues for 1937-38, which amounted to 19.6 million colones (7.8 million dollars), 56 percent consisted of customs duties and 6 percent of consular fees. Liquor taxes accounted for 10 percent, receipts from communications for 5 percent, direct taxes for 4 percent, stamp taxes for 3 percent, and other sources for 16 percent.

<sup>23</sup> Usually gross weight. A few duties are assessed on legal or net weight. On some commodities units of measurement are employed.

<sup>24</sup> Except for automobiles, for which the factory list price is employed.

<sup>25</sup> The export duty on gold and silver, and on scrap or waste metals, is 3 percent ad valorem.

<sup>26</sup> See Brazil in part II, vol. I, of this report.

<sup>27</sup> Similar action was taken in 1935-36, when the export duty was reduced to \$0.82 per 100 kilograms (\$0.0037 per pound).

<sup>28</sup> See p. 48.

Growers Association, a semigovernmental institution. Such permits are to be approved by the Quota Commission established by Executive decree of October 8, 1940. Further shipments of coffee are not to be exempted from the usual export duty, as were those shipments covering 15 percent of the new crop, as provided by the decree of October 8, 1940.

By legislative action effective May 23, 1941, the exportation and reexportation from El Salvador of all articles, products, and merchandise, except under previous license from the Treasury Department, was prohibited. In granting export licenses, it was provided that the Treasury Department will take into consideration the systems of control over these articles existing in the country of origin, as well as in the country to which they are destined.

#### Exports from El Salvador.

*Trend.*—The most significant features of the Salvadoran export trade in the decade 1929-38 were the sharp rise in the importance of the United States as a market, and the decline in the position of Germany. Exports from El Salvador to the world and to the United States in the period 1924-38 are shown in tables 1 and 2.

The year 1929, the earliest shown in the detailed tables hereinafter presented, was not a peak year in exports either to the world or to the United States. The value of exports to the world in 1929 was exceeded by that in 1924, 1926, and 1928; average annual exports in the 5 years 1924-28 exceeded those in 1929 by about 15 percent. Exports to the United States in 1929 were exceeded by those in 1924 and 1926, although they exceeded slightly the annual average for the 5 years 1924-28.

Exports from El Salvador, which were valued at 18.1 million dollars in 1929, declined to 5.5 million in 1932, or 30 percent of their 1929 value. Thereafter, exports recovered irregularly, reaching 15.5 million dollars in 1937. In 1938, as a result of the sharp decline in the price of coffee and the decrease in the quantity shipped abroad, total exports from El Salvador declined to 10.9 million dollars, or 60 percent of the 1929 level. In 1939, they increased to 12.7 million dollars, or 70 percent of the value in 1929.

TABLE 1.—*El Salvador: Trade with the world, 1924-38*

[Value in thousands]

Year	Exports		Con- ver- sion rate: 1 colón equals	Imports		Year	Exports		Con- ver- sion rate: 1 colón equals	Imports	
	Colones	United States dollars		Colones	United States dollars		Colones	United States dollars		Colones	United States dollars
1924....	48,735	24,187	2.02	28,011	13,902	1932....	13,962	5,515	2.53	13,049	5,155
1925....	33,769	16,800	2.01	38,767	19,287	1933....	20,296	6,903	2.95	16,220	5,616
1926....	49,272	24,646	2.00	51,516	25,768	1934....	24,049	9,379	2.56	21,489	8,381
1927....	28,304	14,013	2.02	29,729	14,719	1935....	27,093	10,837	2.50	22,657	9,063
1928....	48,928	24,219	2.02	38,377	18,997	1936....	25,244	10,068	2.51	21,087	8,435
1929....	36,831	18,143	2.03	35,712	17,592	1937....	38,790	15,516	2.50	26,040	10,416
1930....	27,315	13,392	2.04	23,905	11,721	1938....	27,365	10,946	2.50	22,867	9,147
1931....	22,726	11,106	2.05	14,911	7,267						

<sup>1</sup> Does not include parcel post.

Source: Compiled by the United States Tariff Commission from *Anuario Estadístico*, except 1938 statistics, which are from *Boletín Estadístico*, No. 18, 1938.

TABLE 2.—*El Salvador: Trade with the United States, 1924-38*<sup>1</sup>

[Value in thousands]

Year	Exports			Imports		
	Colones	United States dollars	Percent of total to United States	Colones	United States dollars	Percent of total from United States
1924.....	12,665	6,286	26.0	16,994	8,434	60.7
1925.....	5,613	2,792	16.6	26,180	13,025	67.5
1926.....	9,123	4,563	18.5	34,054	17,034	66.1
1927.....	3,130	1,550	11.1	14,980	7,416	50.4
1928.....	7,435	3,680	15.2	20,161	9,979	52.5
1929.....	7,922	3,902	21.5	18,438	9,083	51.6
1930.....	6,396	3,136	23.4	11,727	5,750	49.1
1931.....	3,435	1,679	15.1	7,520	3,675	50.4
1932.....	2,414	964	17.3	6,413	2,533	49.1
1933.....	4,245	1,444	20.9	7,386	2,512	45.5
1934.....	6,465	2,521	26.9	9,594	3,742	44.6
1935.....	13,086	5,234	48.3	8,710	3,484	38.5
1936.....	14,502	5,801	57.5	8,139	3,256	38.6
1937.....	23,532	9,413	60.7	10,521	4,208	40.4
1938.....	16,897	6,759	61.7	10,687	4,275	46.7

<sup>1</sup> For conversion rates, see table 1.<sup>2</sup> Does not include parcel post.Source: Compiled by the United States Tariff Commission from *Anuario Estadístico*, except 1938 statistics, which are from *Boletín Estadístico*, No. 18, 1938.

Price and quantum indexes of Salvadoran exports are not available. The leading export commodity, coffee, usually constitutes nine-tenths or more of total exports, in terms of value. The statistics indicate that the decline in the total value of Salvadoran exports from 1929 to 1932 was attributable more to a decline in the price of coffee than to a decrease in the quantities exported. The recovery in the value of exports between 1932 and 1937 was caused by increases in both the price of coffee and the quantities exported. The decline in 1938 was due to a decline in both price and the amount exported.

Quantities, values, and unit values of exports of coffee from El Salvador, in specified years, 1929 to 1938, are shown in table 3. Exports of this commodity declined from 103.1 million pounds in 1929 to 87.4 million in 1932, a decrease of about one-seventh. In the same period, however, the average unit value declined by nearly two-thirds (from \$0.163 to \$0.058 per pound). After 1932 exports of coffee increased. They amounted in 1937 to 149.1 million pounds, but declined in 1938 to 118.6 million pounds, or 115 percent of the 1929 level. The average unit value of exports of coffee increased from \$0.058 per pound in 1932 to \$0.095 in 1937, but declined in 1938 to \$0.08. Provisional figures for 1939 indicate that exports of coffee amounted to 123 million pounds, valued at 10.7 million dollars, and that the average unit value was \$0.087 per pound.

*Composition.*—In 1938, coffee alone accounted for 87 percent of all Salvadoran shipments abroad, in terms of value. Other exports from El Salvador include sugar, rice, gold, henequen, balsam of Peru, railway ties, and indigo. Exports from El Salvador, by groups and principal commodities, in specified years, 1929 to 1938, are shown in table 4.

TABLE 3.—Coffee: Exports from El Salvador to principal markets, in specified years, 1929 to 1938

Country	1929	1932	1936	1937	1938
Quantity (1,000 pounds)					
Total, all countries.....	103,137	87,423	108,927	149,071	118,617
UNITED STATES.....	18,928	12,058	60,646	90,857	75,265
Germany.....	34,759	31,254	16,555	17,582	12,781
Norway.....	9,161	9,314	8,669	11,316	13,473
Sweden.....	9,530	6,022	7,241	7,172	8,150
Italy.....	9,418	10,909	6,779	4,392	1,032
France.....	1,980	4,686	3,870	4,400	1,093
Finland.....	1,331	318	1,056	1,686	1,990
Netherlands.....	10,542	8,969	1,443	943	881
Belgium.....	687	584	239	760	565
Denmark.....	1,343	776	1,723	602	407
Chile.....	808	397	363	450	607
United Kingdom.....	1,217	186	624	45	1
Spain.....	1,487	1,688	820	(1)	11
All other.....	1,951	262	4,999	8,866	2,361
Percentage to the United States.....	18.4	13.8	55.7	60.9	63.5
Value (1,000 colones)					
Total, all countries.....	34,090	12,867	22,523	35,313	23,779
Value (1,000 U. S. dollars)					
Total, all countries.....	16,793	5,082	9,009	14,125	9,512
UNITED STATES.....	3,022	722	5,065	8,705	6,191
Germany.....	5,715	1,809	1,419	1,676	1,033
Norway.....	1,451	539	682	1,014	989
Sweden.....	1,566	349	569	678	589
Italy.....	1,541	635	52	412	86
France.....	325	280	279	371	69
Finland.....	220	19	85	155	152
Netherlands.....	1,736	503	125	91	70
Belgium.....	113	35	18	71	42
Denmark.....	221	43	138	59	31
Chile.....	130	22	31	42	47
United Kingdom.....	200	10	50	4	(1)
Spain.....	244	100	60	(1)	1
All other.....	309	16	436	847	192
Percentage to the United States.....	18.0	14.2	56.2	61.6	65.1
Unit value per pound of total exports.....	\$0.163	\$0.058	\$0.083	\$0.095	\$0.080

<sup>1</sup> Not separately reported.

<sup>2</sup> Less than 500.

Source: Compiled by the United States Tariff Commission from official trade statistics of El Salvador and from United States Consular Report No. 3593. Converted to United States weights and currency by applying the following factors: 1 kilogram=2.2046 lb.; 1 colon=1929, \$0.4926; 1932, \$0.3950; 1936-38, \$0.40.

For each commodity in table 4 for which data are available, there was a drop in the dollar value of exports between 1929 and 1932, caused in large part by lower prices. All commodities showed increases in 1937 as compared with 1932; in no case, however, were values in 1937 as great as in 1929. For the principal commodities, the ratios of the dollar values of exports in 1938 to those in 1929 were as follows: Coffee, 57 percent; sugar, 22 percent; rice, 3,200 percent;<sup>29</sup> gold in bars, 1,868 percent;<sup>29</sup> henequen fiber, 10 percent; balsam of Peru, 69 percent; and indigo, 69 percent.

Coffee accounted for between 87 and 93 percent of all exports in the years shown in table 4.<sup>30</sup> Exports of sugar were more important

<sup>29</sup> Comparison of 1932 and 1938.

<sup>30</sup> In 1939 the ratio of exports of coffee to total exports dropped to 84 percent.

in 1929 (5 percent of the value of total exports) than in any subsequent year shown in the table. No data are available to show exports of gold in bars in 1929. In 1932 they constituted less than 1 percent of total exports, as compared with more than 5 percent in 1938.

Other Salvadoran export products, combined shipments of which represented about 4 percent of total exports in 1938, are rice, henequen fiber, balsam of Peru, wood railway ties, indigo, manufactured products, and live animals (see table 4).

TABLE 4.—*El Salvador: Exports,<sup>1</sup> by commodity groups, principal subgroups, and commodities, in specified years, 1929 to 1938*

[Value in thousands of U. S. dollars]

Commodity group, subgroup, or commodity <sup>2</sup>	1929 (1 colón= \$0.4926)		1932 (1 colón= \$0.3950)		1936 (1 colón= \$0.40)		1937 (1 colón= \$0.40)		1938 (1 colón= \$0.40)	
	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total
Grand total.....	18,143	100.0	5,515	100.0	10,098	100.0	15,516	100.0	10,946	100.0
Food products and beverages.....	( <sup>4</sup> )	.....	5,144	93.3	9,086	90.0	14,351	92.5	9,841	89.9
Coffee, raw.....	16,793	92.6	5,082	92.2	9,009	89.2	14,125	91.0	9,512	86.9
Sugar.....	893	4.9	23	.4	2	( <sup>5</sup> )	145	.9	201	1.8
Rice.....	( <sup>6</sup> )	.....	3	( <sup>6</sup> )	50	.5	56	.4	96	.9
Gold and silver ore and coin.....	( <sup>6</sup> )	.....	143	2.6	582	5.8	707	4.5	674	6.2
Gold, in bars.....	( <sup>6</sup> )	.....	11	.2	660	6.5	674	4.3	589	5.4
Coin of gold and other metal.....	( <sup>6</sup> )	.....	123	2.2	1	( <sup>6</sup> )	4	( <sup>6</sup> )	25	.2
Raw materials.....	( <sup>6</sup> )	.....	125	2.3	260	2.6	262	1.7	157	1.4
Balsam of Peru.....	110	.6	40	.7	87	.9	82	.5	76	.7
Indigo.....	29	.2	9	.2	21	.2	25	.2	20	.2
Henequen fiber.....	197	1.1	51	.9	95	.9	107	.7	19	.2
Railway ties, wood.....	( <sup>6</sup> )	.....	( <sup>6</sup> )	.....	32	.3	20	.1	13	.1
Manufactured products.....	( <sup>6</sup> )	.....	106	1.9	167	1.6	187	1.2	222	2.0
Iron and steel products, other.....	( <sup>6</sup> )	.....	( <sup>6</sup> )	( <sup>6</sup> )	44	.4	54	.4	44	.4
Products of graphic art, except books and music, engraved or printed.....	( <sup>6</sup> )	.....	( <sup>6</sup> )	.....	18	.2	5	( <sup>6</sup> )	8	.1
Materials for railroads, except locomotives.....	( <sup>6</sup> )	.....	16	.3	13	.1	4	( <sup>6</sup> )	1	( <sup>6</sup> )
Live animals.....	( <sup>6</sup> )	.....	1	( <sup>6</sup> )	3	( <sup>6</sup> )	9	.1	52	.5

<sup>1</sup> General exports. Bullion, coin, and parcel post are included. Transit and transshipment trade is excluded. Values are f. o. b. Salvadoran port, including export duty, as declared by merchants and verified by the customs. Coffee, the leading export, together with sugar, hides and skins, rubber, and henequen fiber, are valued in the export tables at official valuations which are revised annually.

<sup>2</sup> Classifications employed in this table are those given in the Salvadoran export statistics for 1938. Groups are ranked according to value in 1938.

<sup>3</sup> The total of the detail adds to 13,971,948 colones, but the total carried in the Salvadoran trade statistics is retained here.

<sup>4</sup> Not available.

<sup>5</sup> Less than 0.05 percent.

<sup>6</sup> Less than 500.

<sup>7</sup> Iron only.

<sup>8</sup> Probably includes locomotives.

Source: Compiled by the United States Tariff Commission from *Anuario Estadístico*, except 1937 statistics, which were furnished by the U. S. Department of Commerce.

*Destination.*—The principal markets for Salvadoran exports in 1938, with the share of the total value taken by each country, were the United States, 62 percent; Germany, 10 percent; Norway, 9 percent; and Sweden, 5 percent. Other purchasing countries in that year included Honduras, the United Kingdom, France, Italy, and Japan. Exports from El Salvador to selected countries, in specified years, 1929 to 1938, are shown in table 5. More detailed data for 1937 are shown in table 6. Provisional figures for 1939 indicate that the shares of the principal purchasers of Salvadoran products in that



year were as follows: The United States, 61 percent; Germany, 9 percent; Norway, 7 percent; Sweden, 4 percent; Honduras, 4 percent; and Guatemala, 4 percent.

During the decade 1929-38, Germany and the United States exchanged positions in the export trade of El Salvador. In 1929 Germany, the leading market, purchased nearly 32 percent of total exports, in terms of value. It maintained first place until 1933. After the introduction of the compensation system of trade by Germany, however, there was a complete shift in El Salvador's export markets, and by 1938 Germany's share had dropped to 10 percent. The value of German purchases ranged from 1.1 million (1938) to 5.8 million dollars (1929).

The United States ranked second as a market for Salvadoran exports in 1929, when it took 21 percent of the total. Its share rose sharply

TABLE 5.—El Salvador: Foreign trade with selected countries, in specified years, 1929 to 1938

[Value in thousands of U. S. dollars]

Country	1929 (1 colón = \$0.4926)		1932 (1 colón = \$0.3950)		1936 (1 colón = \$0.40)		1937 (1 colón = \$0.40)		1938 (1 colón = \$0.40)	
	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total
<b>Exports to 1—</b>										
All countries.....	18,143	100.0	5,515	100.0	10,098	100.0	15,516	100.0	10,946	100.0
UNITED STATES.....	3,902	21.5	954	17.3	5,801	57.4	9,413	60.7	6,759	61.7
United Kingdom.....	211	1.2	14	.3	92	.9	172	1.1	151	1.4
Germany.....	5,766	31.8	1,831	33.2	1,440	14.3	1,733	11.2	1,079	9.9
Japan.....	1	(2)	(3)	(2)	2	(2)	3	(2)	4	(2)
Italy.....	1,542	8.5	637	11.5	56	.6	412	2.7	86	.8
France.....	1,335	1.8	298	5.4	290	2.9	382	2.5	80	.7
All other.....	6,386	35.2	1,781	32.5	2,417	23.9	3,401	21.8	2,787	25.5
<b>Imports from 4—</b>										
All countries.....	17,592	100.0	5,155	100.0	8,435	100.0	10,416	100.0	9,147	100.0
UNITED STATES.....	9,083	51.6	2,533	49.1	3,256	38.6	4,208	40.4	4,275	46.7
United Kingdom.....	2,540	14.5	560	10.9	914	10.8	1,147	11.0	833	9.1
Germany.....	1,511	8.6	510	9.9	2,813	33.4	3,228	31.0	1,926	21.1
Japan.....	391	2.2	138	2.6	7	.1	14	.1	3	(2)
Italy.....	464	2.7	138	2.7	82	1.0	215	2.1	480	5.2
France.....	1,059	6.0	303	5.9	188	2.2	283	2.7	269	3.2
All other.....	2,535	14.4	973	18.9	1,175	13.9	1,321	12.7	1,341	14.7

<sup>1</sup> General exports. Bullion, coin, and parcel post are included. Values are invoice values, f. o. b. port, including export duties, as declared by merchants.

<sup>2</sup> Less than one-tenth of 1 percent.

<sup>3</sup> Less than 500.

<sup>4</sup> Includes trade with the following countries:

Exports to—	Value (\$1,000)	Percent of total	Imports from—	Value (\$1,000)	Percent of total
Norway.....	1,026	6.6	Peru.....	220	2.1
Sweden.....	678	4.4	Honduras.....	167	1.6
Canada.....	559	3.6	Belgium-Luxemburg.....	156	1.5
Honduras.....	227	1.5	Czechoslovakia.....	146	1.4

<sup>5</sup> Includes trade with the following countries:

Exports to—	Value (\$1,000)	Percent of total	Imports from—	Value (\$1,000)	Percent of total
Norway.....	989	9.0	Peru.....	141	1.5
Sweden.....	569	5.4	Honduras.....	269	2.9
Canada.....	14	.1	Belgium-Luxemburg.....	123	1.4
Honduras.....	403	3.8	Czechoslovakia.....	226	2.5

<sup>6</sup> General imports. Bullion, coin, and parcel post are included. Values are invoice values e. i. f. port, as declared by merchants.

Source: Compiled by the United States Tariff Commission from *Anuario Estadístico*, except 1938 statistics, which are from *Boletín Estadístico*, No. 18, 1938.

after 1933, reaching 62 percent in 1938. In value, United States purchases ranged from 954,000 (1932) to 9.4 million dollars (1937).

In 1929 Italy (8 percent), and in 1932 Italy (11 percent) and France (5 percent), were important markets for the products of El Salvador. In 1936 and 1937, however, neither of these countries took as much as 3 percent of total exports, and in 1938 their share fell below 1 percent. The United Kingdom and Japan are not important purchasers of the products of El Salvador.<sup>2</sup>

Exports from El Salvador to other countries of Latin America are not large. In 1937, for example, they amounted to only \$609,000 out of a total of 15.5 million dollars. The principal Latin American export markets for Salvadoran products are the adjacent countries of Honduras and Guatemala.

TABLE 6.—El Salvador: Foreign trade, by geographic areas and principal countries, in 1937

[Value in thousands of U. S. dollars]

Exports <sup>1</sup> (1 colón=\$0.40)			Imports <sup>1</sup> (1 colón=\$0.40)		
To—	Value	Per- cent of total	From—	Value	Per- cent of total
<b>Western Hemisphere:</b>			<b>Western Hemisphere:</b>		
UNITED STATES.....	9,413	60.7	UNITED STATES.....	4,208	40.4
Canada.....	559	3.6	Peru.....	220	2.1
Honduras.....	227	1.5	Honduras.....	167	1.6
Guatemala.....	92	.6	Guatemala.....	105	1.0
All other Western Hemisphere countries.....	101	.6	Canada.....	61	.6
			All other Western Hemisphere countries.....	101	1.0
<b>Total.....</b>	<b>10,392</b>	<b>67.0</b>	<b>Total.....</b>	<b>4,862</b>	<b>46.7</b>
<b>Europe:</b>			<b>Europe:</b>		
Germany.....	1,733	11.2	Germany.....	3,228	31.0
Norway.....	1,026	6.6	United Kingdom.....	1,147	11.0
Sweden.....	678	4.4	France.....	283	2.7
Italy.....	412	2.7	Italy.....	215	2.1
France.....	382	2.5	Belgium-Luxemburg.....	156	1.5
United Kingdom.....	172	1.1	Czechoslovakia.....	146	1.4
Finland.....	156	1.0	Netherlands.....	71	.7
Netherlands.....	124	.8	Sweden.....	57	.5
All other European countries.....	228	1.4	All other European countries.....	218	2.1
<b>Total.....</b>	<b>4,911</b>	<b>31.7</b>	<b>Total.....</b>	<b>5,521</b>	<b>53.0</b>
<b>Asia:</b>			<b>Asia:</b>		
Japan.....	3	( <sup>2</sup> )	Japan.....	14	.1
All other Asiatic countries.....			British India.....	8	.1
			All other Asiatic countries.....	1	( <sup>2</sup> )
<b>Total.....</b>	<b>3</b>	<b>(<sup>2</sup>)</b>	<b>Total.....</b>	<b>23</b>	<b>.2</b>
<b>Africa:</b>			<b>Africa:</b>		
	3	( <sup>2</sup> )		( <sup>1</sup> )	( <sup>2</sup> )
<b>Oceania:</b>			<b>Oceania:</b>		
	( <sup>1</sup> )	( <sup>2</sup> )		( <sup>1</sup> )	( <sup>2</sup> )
Other countries (not listed).....	4	( <sup>2</sup> )	Other countries (not listed).....	10	.1
In transit.....	14	.1			
Puerto Barrios (for transship- ment; destination not listed).....	189	1.2			
<b>Grand total.....</b>	<b>15,516</b>	<b>100.0</b>	<b>Grand total.....</b>	<b>10,416</b>	<b>100.0</b>

<sup>1</sup> General trade. Bullion, coin, and parcel post are included.

<sup>2</sup> Less than one-tenth of 1 percent.

<sup>3</sup> If any, included in "Other countries (not listed)."

<sup>4</sup> Less than 500.

Source: Compiled by the United States Tariff Commission from *Anuario Estadístico*, 1937.

<sup>2</sup> For the shares and values of exports to these countries, see table 5.

During the decade 1929-38, the United States and Germany were the principal markets for Salvadoran coffee. In 1929 and 1932 Germany was the leading purchaser, taking somewhat more than one-third of all such exports, while the United States in each year took less than one-fifth, in terms of value. In later years of the decade, however, the United States was the principal market, taking in each of the 4 years 1936-39 approximately three-fifths of the total. The share of Germany declined from 16 percent in 1936 to 9 percent in 1939.

Prior to 1939 exports of Salvadoran coffee, other than to Germany and the United States, practically all went to European markets, the principal of which were Norway, Sweden, Italy, France, and Finland. Other markets included the Netherlands, Belgium, Denmark, Chile, the United Kingdom, and Spain. During the decade 1929-38, exports of coffee to Norway increased, while shipments to all the other markets declined. The Netherlands, Denmark, the United Kingdom, and Spain, all of which took fairly substantial quantities in 1929, were only minor purchasers in 1938.<sup>32</sup>

In ordinary times, nearly all exports of gold from El Salvador go to the United States and the United Kingdom. In terms of value, the United States took 56 percent of all exports of gold in 1935, 94 percent in 1936, and 77 percent in 1937;<sup>33</sup> nearly all of the remainder went to the United Kingdom. Exports of Salvadoran sugar in 1935 and 1936 were nearly all taken by Honduras. In 1937 Honduras took 69 percent of the total value, followed by the Netherlands with 22 percent. Henequen fiber in 1935 and 1936 went almost entirely to the United States. In 1937 the United States took more than three-fourths of the value of such exports, most of the remainder being purchased by Germany. The United States was the destination of more than three-fifths of all exports of balsam of Peru in the period 1935-37; in 1936 and 1937 Germany and France also were important markets. Approximately three-fourths of all exports of indigo in the 3 years 1935-37 went to Peru.

The remaining Salvadoran export commodities go principally to Honduras. In 1937, that country took 99 percent of the exports of rice, 83 percent of the hides, skins, and manufactures thereof, and all of the tobacco. The United States was the second ranking market for hides, skins, and manufactures thereof.

#### Imports into El Salvador.

*Trend.*—Significant features of the Salvadoran import trade in the decade 1929-38 were the decline in the positions of the United States and the United Kingdom as suppliers, the marked increase in the importance of Germany, and the decrease in the percentage of imports of foodstuffs and raw materials. Imports into El Salvador from all countries and from the United States, in the period 1924-38, have already been shown in tables 1 and 2.

The year 1929, the earliest shown in the subsequent detailed table, was not a peak year either in imports from the world or from the United States. Imports from the world in 1929 were exceeded by

<sup>32</sup> For detailed statistics of exports of coffee by countries of destination, see table 3.

<sup>33</sup> The discussion of export commodities by countries of destination (except coffee) is based on statistics furnished by the U. S. Department of Commerce. Data for years subsequent to 1937 are not readily available.

those in 1925, 1926, and 1928; the annual average value of imports from all countries in the 5-year period 1924-28 exceeded the value in 1929 by 5 percent. Imports from the United States in 1929 were exceeded by those in 1925, 1926, and 1928; the average annual value of imports from the United States in the 5-year period 1924-28 exceeded that in 1929 by 23 percent.

Total imports into El Salvador in 1929 were valued at 17.6 million dollars. Their value declined sharply thereafter, and in 1932, when the low point was reached, amounted to but 5.2 million dollars, or 29 percent of their 1929 value. After 1932 imports increased irregularly, reaching 10.4 million dollars in 1937. In 1938 they declined to 9.1 million dollars, or 52 percent of the 1929 level.<sup>34</sup> The failure of imports to recover after 1932 at the same pace as did exports was in part due to the governmental control exercised over imports and to the growing industrialization of the country.<sup>35</sup>

*Composition.*—Imports into El Salvador include a wide variety of manufactured products, raw materials, and foodstuffs and beverages. Minor import groups are live animals and gold and silver. Imports into El Salvador by principal groups and commodities, in specified years, 1929 to 1938, are shown in table 7.<sup>36</sup>

Between 1929 and 1932 there was a sharp drop in the value of imports of all individual commodities shown in table 7, except arms, ammunition, and explosives; malt and other germinated grains; and cattle. Comparing 1937 with 1932, increases occurred in all commodities except arms, ammunition, and explosives; cotton thread and yarns; coal; wheat flour; dairy products; and lard. For the principal groups, the ratios of the dollar values of imports in 1938 to those in 1929 were as follows: Manufactured products, 61 percent; raw materials, 38 percent; and foodstuffs and beverages, 33 percent. For the principal individual commodities in each of these groups, the ratios were as follows: Cotton fabrics, 91 percent; machinery and tools, 55 percent; iron and steel manufactures, 25 percent; and petroleum products, 76 percent. Reflecting the growth of the domestic milling industry, imports of wheat increased in value from \$2,000 in 1929 to \$260,000 in 1938.

The ratio of imports of manufactured products to total imports increased from 67 percent in 1929 to 80 percent in 1936; in the 3 years 1936-38 it averaged 79 percent. The principal manufactures imported into El Salvador in 1938, with the share of the value of total imports accounted for by each, were cotton fabrics, 17 percent; machinery and tools, 9 percent; iron and steel manufactures, 6 percent; trucks, automobiles, and accessories, 5 percent; wearing apparel, including hats and hosiery, 5 percent; chemicals, colors, paraffin, etc., 4 percent; and medicinals and preparations, 4 percent. These items represented approximately one-half of the total Salvadoran import trade in 1938 and more than three-fifths of all imports of manufactured products.

The share of raw materials<sup>37</sup> in total Salvadoran imports declined from 14 percent in 1929 to 10 percent in 1938. The principal com-

<sup>34</sup> Estimates, based on statistics for 11 months, indicate that imports in 1939 were valued at approximately 8.5 million dollars.

<sup>35</sup> Price and quantum indexes of Salvadoran imports are not available.

<sup>36</sup> Statistics of imports by groups and commodities in 1939 are not available.

<sup>37</sup> In the Salvadoran import statistics, petroleum products and cement are classified as raw materials.

modities in 1938 were petroleum products (6 percent of total imports), cement, woods, raw tobacco, and fertilizers.

Imports of foodstuffs and beverages also declined in importance during the decade 1929-38, having been 15 percent in 1929 as compared with 10 percent in 1938. Imports of wheat have become more significant in recent years (nearly 3 percent in 1938) but those of wheat flour in 1938 constituted little more than 1 percent of total imports, as compared with nearly 5 percent in 1929. Other articles in the foodstuffs and beverages group imported into El Salvador include liquors, malts, fruits, dairy products (principally cheese), corn, rice, and hog lard. Imports of dairy products, hog lard, corn, and rice declined sharply in the decade 1929-38. The remaining Salvadoran import groups, live animals and gold and silver ore and coin, together accounted for less than 2 percent of total Salvadoran imports in 1938.

TABLE 7.—*El Salvador: Imports,<sup>1</sup> by commodity groups, principal subgroups, and commodities, in specified years, 1929 to 1938*

[Value in thousands of U. S. dollars]

Commodity group, subgroup, or commodity <sup>2</sup>	1929 (1 colón = \$0.4926)		1932 (1 colón = \$0.3950)		1936 (1 colón = \$0.40)		1937 (1 colón = \$0.40)		1938 (1 colón = \$0.40)	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
Grand total.....	17,592	100.0	5,155	100.0	8,435	100.0	10,416	100.0	9,147	100.0
Manufactured products.....	11,737	66.7	3,901	75.7	6,761	80.1	8,185	78.6	7,165	78.3
Cotton fabrics.....	1,664	9.5	871	16.9	1,463	17.3	1,735	16.7	1,513	16.5
Machinery and tools, including electrical machinery, apparatus, and accessories.....	1,557	8.9	284	5.5	595	7.1	997	9.6	861	9.4
Iron and steel and manufactures thereof.....	2,069	11.8	207	4.0	514	6.1	740	7.1	519	5.7
Trucks, automobiles, accessories, and repair parts, except tires.....	915	5.2	92	1.8	399	4.7	633	6.1	482	5.3
Wearing apparel, including hats and hosiery (except leather).....	791	4.5	268	5.2	418	5.0	555	5.3	432	4.7
Chemicals, colors, etc., and paraffin.....	422	2.4	225	4.4	356	4.2	449	4.3	407	4.4
Medicinals and preparations.....	338	1.9	198	3.8	293	3.5	373	3.6	328	3.6
Arms, ammunition, and explosives.....	147	.8	184	3.6	553	6.6	98	.9	291	3.2
Paper and cardboard and manufactures thereof.....	306	1.7	157	3.0	206	2.4	297	2.8	257	2.8
Leather and manufactures thereof.....	274	1.6	161	3.1	250	3.0	292	2.8	227	2.5
Silk and rayon fabrics.....	299	1.7	182	3.5	181	2.2	183	1.8	216	2.4
China, porcelain, pottery, and glassware.....	341	1.9	54	1.0	145	1.7	149	1.4	145	1.6
Soaps, perfumes, and toilet preparations.....	157	.9	96	1.9	127	1.5	147	1.4	127	1.4
Wool fabrics.....	126	.7	39	.8	107	1.3	103	1.0	119	1.3
Rubber and manufactures thereof.....	191	1.1	65	1.3	113	1.3	146	1.4	114	1.2
Books and music, engraved or printed.....	125	.7	54	1.0	68	.8	79	.8	88	1.0
Cotton thread and yarns.....	398	2.3	272	5.3	21.7	2.6	136	1.3	70	.8
Radios and combined radios and phonographs.....	( <sup>1</sup> )		38	.7	54	.6	108	1.0	46	.5
Raw materials.....	2,440	13.9	644	12.6	922	10.9	1,162	11.2	922	10.1
Petroleum products, including asphalt.....	727	4.1	381	7.4	530	6.3	641	6.2	553	6.0
Cement, portland, roman, etc.....	276	1.6	71	1.4	105	1.2	198	1.9	104	1.1
Woods of all kinds, including sawn.....	387	2.2	17	.3	59	.7	54	.5	44	.5
Tobacco, raw.....	5	( <sup>1</sup> )	2	( <sup>1</sup> )	17	.2	32	.3	44	.5
Fertilizers, natural, artificial, and chemical.....	214	1.2	49	1.0	65	.8	86	.8	43	.5
Cotton, raw, ginned, and absorbent.....	13	.1	6	.1	52	.6	7	.1	13	.1
Coal.....	651	3.7	50	1.0	4	( <sup>1</sup> )	4	( <sup>1</sup> )	4	( <sup>1</sup> )

See footnotes at end of table.

TABLE 7.—*El Salvador: Imports, by commodity groups, principal subgroups, and commodities, in specified years, 1929 to 1938—Continued*

[Value in thousands of U. S. dollars]

Commodity group, subgroup, or commodity <sup>2</sup>	1929 (1 colón= \$0.4926)		1932 (1 colón= \$0.3950)		1936 (1 colón= \$0.40)		1937 (1 colón= \$0.40)		1938 (1 colón= \$0.40)	
	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total
Foodstuffs and beverages.....	2,669	15.2	599	11.6	638	7.6	963	9.2	887	9.7
Wheat.....	2	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	172	2.0	312	3.0	260	2.8
Wheat flour.....	851	4.8	303	5.9	111	1.3	161	1.5	144	1.6
Beverages (principally liquors)....	451	2.6	86	1.7	100	1.2	122	1.2	135	1.5
Fruits, dried and fresh.....	59	.3	18	.3	26	.3	51	.5	47	.5
Malt and other germinated cereal grains.....	30	.2	33	.6	39	.5	40	.4	27	.3
Dairy products (principally cheese).....	227	1.3	30	.6	19	.2	25	.2	24	.3
Confectionery.....	28	.2	16	.3	24	.3	33	.3	21	.2
Lard, hog.....	244	1.4	14	.3	1	( <sup>4</sup> )	4	( <sup>4</sup> )	9	.1
Corn.....	352	2.0	2	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	5	.1	6	.1
Rice.....	109	.6	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )
Live animals.....	6	( <sup>4</sup> )	11	.2	59	.7	77	.7	159	1.7
Cattle.....	4	( <sup>4</sup> )	7	.1	49	.6	59	.6	116	1.3
Gold and silver ore and coin.....	740	4.2	—	—	55	.7	29	.3	14	.2
Legal bank notes.....	—	—	—	—	52	.6	24	.2	6	.1
Gold coin.....	739	4.2	—	—	—	—	—	—	—	—

<sup>1</sup> General imports: Bullion, coin, and parcel post are included. Transit and transshipment trade is excluded. Values are c. i. f. Salvadoran port, including consular fees, freights, insurance, and other invoice charges, but excluding Salvadoran duties and taxes.

<sup>2</sup> Classifications employed in this table are based on those given in the Salvadoran import statistics for 1938. Groups are ranked according to value in 1938.

<sup>3</sup> Not separately classified.

<sup>4</sup> Less than one-tenth of 1 percent.

<sup>5</sup> Less than 500.

Source: Compiled by the United States Tariff Commission from *Anuario Estadístico*.

*Sources.*—The principal sources of imports into El Salvador in 1938, with the share of the value of total imports supplied by each country, were the United States, 47 percent; Germany, 21 percent; the United Kingdom, 9 percent; and Italy, 5 percent. Other suppliers in that year included Peru, Honduras, Belgium-Luxemburg, Czechoslovakia, France, and Japan. Imports into El Salvador from selected countries, in specified years, 1929 to 1938, have already been shown in table 5. More detailed data for 1937 have been shown in table 6.

In the decade 1929–38 the United States was by far the leading supplier of imports into El Salvador, its share ranging from about two-fifths to one-half of the total, in terms of value. The value of imports from the United States ranged from 2.5 million (1932) to 9.1 million dollars (1929); in 1928 it was 4.3 million dollars.

Germany's share in the Salvadoran import trade increased from less than 9 percent in 1929 to 33 percent in 1936. It declined to 31 percent in 1937, and to 21 percent in 1938; Germany, however, occupied second place in Salvadoran imports in those years. In value, imports from Germany varied from 510,000 (1932) to 3.2 million dollars (1937); in 1938 they amounted to 1.9 million dollars. Simultaneously with the increase in the importance of Germany, the position of the United Kingdom in El Salvador's import trade declined. In 1929 more than 14 percent of Salvadoran imports came from the United Kingdom; its share declined irregularly to 9 percent in 1938. In value, Salvadoran purchases from the United Kingdom ranged from 560,000

(1932) to 2.5 million dollars (1929); in 1938 they were valued at \$833,000.

France and Japan were more important as sources of Salvadoran imports in 1929 and 1932 than in subsequent years. The share of France, which was 6 percent in 1929, averaged less than 3 percent in the 3 years 1936-38. Imports from Japan, which constituted between 2 and 3 percent of the total in 1929 and 1932, dropped sharply after 1935 as the result of a surcharge of 200 percent of the import duties imposed because of the large import trade balance which El Salvador had with Japan. In each of the 3 years 1936-38, the share of Japan amounted to one-tenth of 1 percent or less of total Salvadoran imports. The share of Italy, which did not reach 3 percent in the other years under discussion, increased sharply to 5 percent in 1938.<sup>38</sup>

Imports into El Salvador from other countries of Latin America are fairly substantial. In 1937, for example, they were valued at \$562,000, or 5 percent of the total. The principal Latin American sources of imports in that year were Peru, Honduras, and Guatemala.

Prior to the war, textiles imported into El Salvador originated chiefly in the United Kingdom, Germany, and the United States. In 1935 and 1936, the United Kingdom and the United States occupied the first two places as suppliers of cotton cloth, the principal item in textile imports. In 1937<sup>39</sup> such imports came from the United Kingdom (39 percent), Germany (36 percent), and the United States (19 percent). Germany furnished one-half of the value of all imports of clothing and millinery in 1937, followed by the United States with nearly one-third of the total. The principal sources of silk and rayon fabrics in 1937 were Germany (45 percent), Italy (35 percent), and France (12 percent). Nearly one-half of all imports of wool fabrics in 1937 came from the United Kingdom, and more than one-fourth from Germany; most of the remainder originated in Belgium and Italy. The United Kingdom furnished more than one-third of all imports of cotton yarn and thread (in terms of value), and Germany and the United States each furnished more than one-fourth of the total. Germany was the principal source of jute bags (51 percent), followed by Czechoslovakia (26 percent), and Belgium (17 percent). The United Kingdom furnished nearly two-thirds of all imports of embroideries, laces, and trimmings.

The United States was the leading supplier of machinery in the period 1935-37, furnishing more than one-half of the value of such imports in those years. Germany ranked second with between one-fourth and one-third of the total, followed by the United Kingdom with approximately one-tenth.

Iron and steel and manufactures thereof imported into El Salvador in 1935-37 originated chiefly in Germany and the United States. In 1935 and 1936, Germany, the ranking supplier, furnished more than three-fifths of the total; in 1937 the United States was in first place, with approximately two-fifths.

Before the war, Germany and the United States were the principal sources of Salvadoran imports of chemical and pharmaceutical products in general. The United States was the leading supplier of chemicals and medicines in 1935; in 1936 and 1937, Germany ranked

<sup>38</sup> For the values of imports from France, Japan, and Italy, see table 5.

<sup>39</sup> The latest year for which data are readily available. The discussion of import commodities by countries of origin is based on statistics furnished by the U. S. Department of Commerce.

first, with more than two-fifths, followed by the United States, with more than one-third. In 1937 Germany was also the leading country of origin for imports of fertilizers (81 percent) and of colors, paints, and varnishes (38 percent). The United States furnished more than three-fifths of all imports of soap, nearly one-half of the perfumery and toilet preparations, and ranked second in the supply of fertilizers and of colors, paints, and varnishes.

Four-fifths or more of the value of all imports of automobiles and trucks in the 3 years 1935-37 came from the United States. Germany ranked second as a supplier. In 1935 and 1936 the United States furnished approximately three-fourths of all automotive accessories; in 1937, however, its share dropped to about one-half. Germany, which ranked second, increased its share from less than 3 percent in 1935 to 46 percent in 1937.

Foodstuffs imported into El Salvador usually originate principally in the United States and Honduras. In 1937 the United States accounted for practically all imports of wheat flour, 95 percent of those of fresh and dried fruits, 80 percent of the preserved milk, 65 percent of the prepared meats, and 50 percent of the fish and shellfish. Honduras supplied all the hog lard, nearly three-fourths of the cheese, and more than two-fifths of the fresh and dried vegetables. Nearly two-thirds of the imports of confectionery came from the United States, and more than one-half of the spirituous liquors originated in the United Kingdom.

Nearly two-thirds of the value of petroleum and petroleum products imported into El Salvador in 1937 originated in the United States; most of the remainder came from Peru. In recent years, the United States and Germany have been the principal sources of prepared hides and skins. In 1937 the United States was the leading supplier, with a share of 46 percent of all such imports, followed by Germany with 38 percent and Hungary with 12 percent. Imports of paper and cardboard also came chiefly from Germany and the United States; the share of Germany (32 percent in 1937) had been declining for some years, while that of the United States increased to 26 percent in 1937.

In the remaining import groups in 1937, the leading suppliers, with their share of the totals, were as follows: Cement, Germany, 83 percent; rubber manufactures, the United States, 79 percent; musical instruments, the United States, 78 percent; glass and glassware, Germany 57 percent; and earthenware and china, Germany, 80 percent. The United States furnished more than four-fifths of the imports of powder and explosives in 1937, about two-thirds of the leaf tobacco, and more than one-half of all furniture and other manufactures of wood. Lumber in 1937 came almost entirely from Guatemala and the United States.

#### UNITED STATES TRADE WITH EL SALVADOR

The economy of El Salvador and the commercial and financial transactions between the United States and that country are dependent principally upon the production of, and the market for, Salvadoran coffee. Low prices greatly reduced the value of coffee in recent years, but an increased volume of exports helped sustain



Salvadoran purchasing power as compared with that of other leading coffee-exporting countries.

The most notable recent development in the trade in coffee has been the greatly increased quantity of Salvadoran coffee marketed in the United States. Since 1932 the United States has become by far the largest market for Salvadoran exports of coffee, and El Salvador has risen from sixth place as a source of United States imports of this product (1932) to third place in every year since 1934.

#### Trend of United States-Salvadoran trade.

In the period 1924-40, the trend of United States imports from El Salvador has been irregular, chiefly because of the marked year-to-year fluctuations in the price and volume of Salvadoran coffee marketed in the United States. In the 5-year period 1924-28, the value of total United States imports from El Salvador averaged 3 million dollars, but declined thereafter to a low of 1.1 million in 1932. Subsequently, because of increased sales of Salvadoran coffee in the United States, total imports rose to a peak of 8.6 million dollars in 1937, exceeding those in all years since 1920. Although imports have been lower in value since 1937, they have been larger than in many earlier years. In 1940, imports were somewhat larger than in 1939. El Salvador's share in United States imports from Latin America as a whole has been much greater since 1933 than in preceding years (see table 8).

Imports from El Salvador in recent years have greatly exceeded those in predepression years, but United States exports to that country, reflecting chiefly the fluctuations in Salvadoran purchasing power, have been much smaller since 1930 than in earlier years (see table 8). In the 5 years 1924-28, United States exports to El Salvador averaged 7.9 million dollars annually; they then declined to a low of 2.3 million in 1932. Although they recovered appreciably thereafter,

TABLE 8.—United States imports from and exports to El Salvador, 1924-40

[Value in thousands of dollars]

Year	General imports		Exports (including reexports)		Year	General imports		Exports including reexports)	
	Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America		Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America
1924.....	3,912	0.38	6,492	0.88	1933.....	2,108	0.67	2,320	1.10
1925.....	2,323	.23	9,194	1.10	1934.....	2,539	.68	3,130	1.02
1926.....	4,237	.41	9,557	1.10	1935.....	4,934	1.10	2,831	.82
1927.....	1,546	.16	6,869	.85	1936.....	5,021	1.00	2,794	.71
1928.....	3,201	.34	7,591	.91	1937.....	8,563	1.30	3,628	.63
1929.....	3,830	.38	8,050	.88	1938.....	5,672	1.30	3,526	.71
1930.....	2,875	.42	4,457	.71	1939.....	6,957	1.30	4,172	.73
1931.....	2,231	.47	3,483	1.10	1940 <sup>1</sup> .....	7,028	1.13	4,682	.64
1932.....	1,143	.35	2,289	1.20					

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

reaching 4.7 million dollars in 1940, they were materially smaller in that year than before 1930.

**United States imports from El Salvador.**

*Coffee.*—Approximately 98 percent of the value of all United States imports from El Salvador consists of coffee; the remainder is in large part henequen and balsam of Peru (see table 9).

The United States market for Salvadoran coffee has expanded greatly since 1932. In the 3 years 1937-39, the quantity imported averaged 81.6 million pounds annually, and was several times larger than that imported in the earlier years of the decade 1929-38. The value of imports also increased, but less rapidly than the quantity because of declining prices. The unit value of imports of coffee from El Salvador averaged 20.7 cents per pound in 1929, then dropped to 9.7 cents in 1932, and averaged 8.5 cents in the 3-year period 1937-39. Coffee from El Salvador is of the "mild" variety, and its average price is appreciably higher than that of imports from a number of other countries. Because of the marked increase in shipments of coffee from El Salvador, that country has greatly increased its share in total United States imports of that product. In 1929 El Salvador accounted for 1.1 percent of the total quantity imported, and in 1932 for but 0.8 percent; by 1937 the share had risen to 5.6 percent, and in the 3-year period 1937-39 it averaged 4.3 percent.<sup>40</sup>

The increased consumption of Salvadoran coffee in the United States may be attributed to a number of factors, but principally to the improved marketing methods of Salvadoran producers and exporters. While total consumption of all coffee in the United States has risen, the greater increase has been in the "mild" types coming from Central America, Colombia, and Venezuela, as contrasted with the "strong" varieties which make up most of United States imports. El Salvador has become the second most important supplier of "mild" coffee (used chiefly for blending purposes), being exceeded only by Colombia.

*Dutiable status of imports.*—Only a small part of United States imports from El Salvador are dutiable, inasmuch as coffee, the chief import, enters free of duty. In the trade agreement with El Salvador, effective May 31, 1937, the duties on balsam of Peru (natural, uncompounded, and not containing alcohol), prepared guavas, n. s. p. f.,<sup>41</sup> and on mango and guava pastes, were bound against increase at the rates to which they had been reduced in agreements with other Latin American countries. The duty on honey, which had been reduced to 2 cents per pound in the trade agreement with Guatemala (June 15, 1936), and then bound against increase in the agreement with El Salvador, was further reduced to 1½ cents per pound in the second Canadian agreement, effective January 1, 1939. The duty-free status of several other articles was bound in the agreement with El Salvador.

<sup>40</sup> Under the Inter-American Coffee Agreement, effective for 3 years beginning October 1, 1940, basic annual quotas were adopted for apportioning the United States and world markets for coffee. United States imports of coffee were limited to a maximum of about 2.1 billion pounds (15.9 million bags of 60 kilos), of which the quota for El Salvador was 79.4 million pounds, or slightly more than the amount imported therefrom in 1939. On June 1, 1941, the Salvadoran quota was increased to 80.7 million pounds by the Inter-American Coffee Board.

<sup>41</sup> Not specially provided for.

TABLE 9.—United States imports for consumption from El Salvador of principal commodities, in specified years, 1929 to 1939

Commodity	Unit	1929	1932	1936	1937	1938	1939 <sup>1</sup>
		Quantity					
Coffee, raw or green.....	1,000 lb.....	16,397	11,324	57,726	94,422	71,266	79,154
Balsam of Peru, crude, not containing alcohol.	1,000 lb.....	37	39	73	55	77	54
Henequen, unmanufactured.....	Ton.....	965	393	857	682	120	441
	Tariff status	Value (1,000 dollars)					
Coffee, raw or green.....	Free.....	3,407	1,077	4,806	8,378	5,550	6,796
Balsam of Peru, crude, not containing alcohol.	Dutiable.....	52	26	55	42	43	27
Henequen, unmanufactured.....	Free.....	174	23	110	81	12	34
Imports of commodities shown above.....		3,633	1,126	4,971	8,501	5,605	6,857
Total imports from El Salvador.....		<sup>2</sup> 3,830	<sup>2</sup> 1,143	5,026	8,548	5,673	6,955
Principal imports (shown above) as percent of total.....		94.9	98.5	98.9	99.5	98.8	98.6

<sup>1</sup> Preliminary.<sup>2</sup> General imports.

Source: Compiled from official statistics of the U. S. Department of Commerce.

**United States exports to El Salvador.**

Merchandise exports from the United States to El Salvador, which in 1939 were valued at 4.2 million dollars, are highly diversified, and consist mainly of manufactures or semimanufactures. These are in large part consumers' goods, or semimanufactures used in the making of consumers' goods. El Salvador is largely an agricultural country, and though small fabricating enterprises are fairly numerous and are increasing, that country remains largely dependent upon foreign sources, chiefly the United States, for its requirements of many manufactured products.

The principal groups of exports to El Salvador in 1939 were textile fibers and manufactures, 28 percent, and machinery and vehicles, 19 percent (see table 10). The outstanding exports of individual products to El Salvador are cotton cloth (bleached and unbleached), passenger cars, wheat, upper leather, and gasoline. Exports of a few of these products have deviated from the declining trend of total exports. Exports of wheat have increased and those of wheat flour have declined as El Salvador has increased its milling facilities. Recent shipments of cotton yarn have been small, and exports of cotton cloth (bleached and unbleached) have been lower in value than before the depression. Although total exports to El Salvador have recovered to only one-half of their predepression level, the value of recent exports of leaf tobacco, silk hosiery, newsprint, radio receiving sets, motortrucks, and a number of pharmaceuticals has been appreciably larger than in 1929 (see table 11).

TABLE 10.—United States exports (domestic merchandise) to El Salvador, by commodity groups, in 1938 and 1939

[In thousands of dollars]

Commodity group	1938	1939 <sup>1</sup>	Commodity group	1938	1939 <sup>1</sup>
Animals and animal products, edible, total.....	32	30	Metals and manufactures, except machinery and vehicles, total.....	276	346
Animals and animal products, inedible, total.....	187	186	Machinery and vehicles, total.....	797	792
Vegetable food products and beverages, total.....	380	382	Electrical machinery and apparatus.....	201	183
Vegetable products, inedible, except fibers and wood, total.....	122	135	Industrial machinery.....	149	132
Textile fibers and manufactures, total.....	793	1,176	Automobiles, parts, and accessories.....	296	354
Cotton manufactures.....	648	945	Other machinery and vehicles.....	151	123
Wood and paper, total.....	108	139	Chemicals and related products, total.....	302	370
Nonmetallic minerals, total.....	299	333	Miscellaneous.....	208	249
Petroleum and products.....	265	274	Total exports.....	3,504	4,138

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

TABLE 11.—United States exports (domestic merchandise) to El Salvador of principal commodities, in specified years, 1929 to 1939  
[Value in thousands of dollars]

Commodity	Unit of quantity	1929		1932		1936		1937		1938		1939 <sup>1</sup>	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Upper leather, including patent.....	1,000 sq. ft.	1,730	404	1,032	137	339	52	581	114	1,047	164	881	150
Wheat.....	1,000 bushels	74	106	( <sup>2</sup> )	( <sup>2</sup> )	107	107	182	204	210	170	269	189
Wheat flour, wholly of United States wheat.....	1,000 barrels	137	775	83	284	19	85	25	120	23	92	21	61
Canned fruits for salads.....	1,000 lb.	5	1	6	1	5	1	165	19	19	2	13	1
Automobile casings.....	1,000 casings	4	60	2	20	3	42	5	68	4	52	4	59
Tobacco leaf.....	1,000 lb.	18	5	8	2	46	13	63	22	62	23	71	23
Cotton yarn:													
Carded, not combed.....	1,000 lb.	363	128	396	72	4	1	8	2	63	16	21	6
Combed, mercerized and not mercerized.....	1,000 lb.	271	107	25	12	18	11	23	14	20	12	52	32
Cotton cloth, unbleached (gray):													
Drills, twills, and warp satens.....	1,000 sq. yd.	531	56	73	5	856	80	205	26	467	38	519	40
Sheetings, unbleached, gray.....	1,000 sq. yd.	6,686	564	7,348	290	4,961	304	247	162	5,678	313	6,457	331
Miscellaneous, unbleached.....	1,000 sq. yd.	141	13	20	1	498	36	174	12	609	32	19	1
Cotton cloth, bleached, dyed, printed, and colored yarn fabrics.....	1,000 sq. yd.	4,972	679	4,714	357	1,682	142	1,042	106	2,009	182	4,506	388
Cotton bags.....	1,000 lb.	1	( <sup>3</sup> )	2	1	35	12	59	21	45	11	62	15
Rilk hosiery, women's full-fashioned.....	1,000 doz. pra.	2	20	1	7	2	12	3	19	4	23	5	28
Printing paper, newsprint.....	1,000 lb.	644	23	89	3	69	2	895	24	667	20	912	27
Gasoline and other petroleum motor fuel.....	1,000 bbl.	475	317	45	19	18	56	33	99	32	94	36	110
Illuminating oil (kerosene).....	1,000 bbl.	1	6	11	6	1	9	3	18	2	11	2	13
Gas oil and distillate fuel oil.....	1,000 bbl.			( <sup>4</sup> )	( <sup>4</sup> )	11	15	12	16	13	21		
Residual fuel oil.....	1,000 bbl.	205	177	47	42	187	159	74	65	54	49	55	50
Lubricating oil.....	1,000 bbl.	2	38	2	21	2	29	3	32	3	37	29	35
Paraffin wax.....	1,000 lb.	1,299	71	961	34	555	22	953	39	490	18	837	30
Petroleum asphalt:													
Unmanufactured.....	Ton												
Manufactured.....	Ton	440	10	402	7	1,764	27	500	6	1	( <sup>5</sup> )	1	15
Iron sheets, galvanized.....	1,000 lb.			1		1	( <sup>6</sup> )	1,118	21	1,698	25	1	7
Steel sheets, galvanized.....	1,000 lb.	2,261	99	419	13	714	24	11	( <sup>7</sup> )	5	( <sup>8</sup> )	2	( <sup>9</sup> )
Copper wire (bare).....	1,000 lb.	104	33	3	77	10	38	43	6	152	20	26	30
Flashlight batteries.....	1,000 cells	428	27	424	18	644	23	648	23	620	22	672	3
Electric household refrigerators.....	Number	( <sup>10</sup> )	( <sup>10</sup> )	29	4	150	15	398	40	245	28	215	19
Radio receiving sets.....	Number	40	3	831	35	679	29	1,719	60	822	30	962	37
Cotton carding and other preparing, spinning, and twisting machinery and parts.....			( <sup>11</sup> )				2		28		6		1
Sugar-mill machinery.....			35		3		7		25		4		3
Miscellaneous industrial machinery and parts, <sup>1</sup> n. o. s.....			84		13		15		12		19		18
Cash registers, new and rebuilt.....	Number	50	23	6	4	3	( <sup>12</sup> )	5	1	18	34	5	4
Typewriters, standard, portable and rebuilt.....	Number	588	31	80	3	273	13	367	23	340	17	260	17

See footnotes at end of table.

EL SALVADOR

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TABLE 11.—United States exports (domestic merchandise) to El Salvador of principal commodities, in specified years, 1929 to 1939—Con.

[Value in thousands of dollars]

Commodity	Unit of quantity	1929		1932		1936		1937		1938		1939 <sup>1</sup>	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Typesetting machines.....	Number.....	3	10	.....	.....	1	3	1	6	3	20	4	18
Motortrucks, busses, and chassis.....	Number.....	734	755	4	2	32	28	96	81	70	94	67	82
Passenger cars and chassis.....	Number.....	244	283	10	8	219	153	366	266	236	184	258	199
Automobile parts for replacement, n. e. s.....	.....	.....	72	.....	14	.....	34	.....	62	.....	48	.....	60
Tablets, pills, capsules, powders, ointments, and similar manufactures.....	.....	.....	( <sup>2</sup> )	.....	16	.....	11	.....	19	.....	28	.....	37
Tonics, blood purifiers, emulsions, and appe- tizers.....	.....	.....	34	.....	13	.....	17	.....	23	.....	26	.....	23
Laxatives, purgatives, and cathartics.....	.....	.....	( <sup>3</sup> )	.....	9	.....	15	.....	15	.....	24	.....	19
Soap, toilet or fancy.....	1,000 lb.....	14	8	17	5	67	12	73	15	96	19	111	22
Dental creams.....	1,000 lb.....	8	9	9	10	12	13	16	16	18	18	20	20
Metallic cartridges.....	Thousand.....	54	32	2,204	50	603	6	1,693	17	1,984	29	850	6
Miscellaneous printed matter <sup>4</sup> .....	.....	.....	11	.....	8	.....	7	.....	20	.....	25	.....	11
Exports of commodities shown above.....	.....	4,409	.....	1,556	.....	1,652	.....	2,030	.....	2,086	.....	2,254	.....
Total exports to El Salvador.....	.....	7,983	.....	2,269	.....	2,769	.....	3,593	.....	3,504	.....	4,138	.....
Principal exports (shown above) as percent of total.....	.....	55.2	.....	68.6	.....	59.7	.....	56.5	.....	59.5	.....	54.5	.....

<sup>1</sup> Preliminary.<sup>2</sup> Not over 500.<sup>3</sup> May include flour other than wholly of United States wheat.<sup>4</sup> Includes naphtha and other finished light products.<sup>5</sup> No comparable data.<sup>6</sup> Data not strictly comparable for the series.<sup>7</sup> Probably includes some second-hand article.<sup>8</sup> Shown in 1,000 pounds.

Source: Compiled from official statistics of the U. S. Department of Commerce.

**Balance of payments between the United States and El Salvador.**

By far the largest volume of financial transactions between the United States and El Salvador arises from the merchandise trade (see table 12). Until 1935 the value of merchandise exports to El Salvador customarily exceeded that of imports therefrom. Principally because of the marked increase in imports of coffee, the value of imports has considerably exceeded that of exports in every year since 1934. The debit balance on merchandise account is further increased by imports of gold from El Salvador, amounting to 0.5 million dollars annually in recent years. Gold, the second largest import from that country, should be considered as part of the merchandise trade, inasmuch as it is the product of Salvadoran mines and does not represent the movement of monetary reserves.

One of the largest credit items in the balance of payments with El Salvador consists of interest, bond-redemption, and sinking-fund receipts arising from Salvadoran dollar bonds held in the United States. The dollar debt of El Salvador is composed of two issues of the Republic, totaling 11.8 million dollars, of which estimated holdings in the United States amounted to 4.1 million dollars at the end of 1938.<sup>42</sup> Although the bonds have been in default since 1932, partial payments were made for a time under the terms of a temporary debt-service plan adopted in May 1933, and subsequently under the debt-readjustment plan of April 1936. In November 1937 the Salvadoran Government reduced the export tax on coffee by 67 percent for the purpose of aiding the coffee growers who had been seriously affected by the decline in the price of coffee at that time. Because of the substantial loss in government revenue, El Salvador declared a moratorium, and service on the foreign debt, which is secured by a lien on 70 percent of the country's customs revenues, was temporarily suspended, effective January 1, 1938.

On the basis of the statistics shown in table 12, the United States in most recent years has had an appreciable net debit balance in its financial transactions with El Salvador. Statistics are not available, however, to show the income from direct investments (credit) or the new investment of United States capital (debit) in El Salvador. The movement of capital into that country has probably not been large in recent years, but the return on United States direct investments there, which were valued at 17.2 million dollars at the end of 1936,<sup>43</sup> may have been substantial compared with other items in the balance of payments. A part of the value of imports from El Salvador represents such income, inasmuch as some United States enterprises operating in El Salvador produce for export, principally to the United States. The income on their investment is thus obtained in dollars through the sale of their products in this market.

<sup>42</sup> U. S. Department of Commerce, *The Balance of International Payments of the United States in 1938*, appendix D, p. 90.

<sup>43</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936*, table 4, p. 12.

TABLE 12.—*Partial balance of payments between the United States and El Salvador, 1929-38*

[In millions of dollars]

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
<b>Trade and service items:</b>										
Merchandise exports to El Salvador <sup>1</sup> .....	8.1	4.5	3.5	2.3	2.3	3.1	2.8	2.8	3.6	3.5
Merchandise imports from El Salvador <sup>1</sup> .....	3.8	2.9	2.2	1.1	2.1	2.5	4.9	5.0	8.6	5.7
Net merchandise exports to (+) or imports from (-) El Salvador.....	+4.3	+1.6	+1.3	+1.2	+0.2	+0.6	-2.1	-2.2	-5.0	-2.2
Receipts from El Salvador for shipping services <sup>2</sup> .....	.2	.2	.2	.1	.....	.1	.1	.....	.1	.1
Expenditures of Salvadoran travelers in the United States <sup>3</sup> .....	.2	.2	.1	.1	.1	.1	.1	.1	.1	.1
Interest receipts from El Salvador.....	.4	.4	.4	.3	.3	.3	.2	.3	.2	.1
Net receipts from El Salvador for services <sup>4</sup> .....	+0.8	+0.8	+0.7	+0.5	+0.4	+0.5	+0.4	+0.4	+0.4	+0.3
Net receipts from (+) or payments to (-) El Salvador on trade and service account <sup>4</sup> .....	+5.1	+2.4	+2.0	+1.7	+0.6	+1.1	-1.7	-1.8	-4.6	-1.9
<b>Gold and silver:</b>										
Net gold imports from (-) or exports to (+) El Salvador <sup>1</sup> .....	+1.1	-0.5	.....	-0.2	-0.1	-0.3	-0.4	-0.5	-0.5	-0.4
<b>Capital items:</b>										
Bond-redemption and sinking-fund receipts from El Salvador <sup>5</sup> .....	.....	+1.5	+0.5	+0.1	.....	.....	.....	+0.1	+0.1	.....
<b>Net balance on items shown<sup>6</sup>.....</b>	<b>+6.2</b>	<b>+3.4</b>	<b>+2.5</b>	<b>+1.6</b>	<b>+0.6</b>	<b>+0.8</b>	<b>-2.1</b>	<b>-2.2</b>	<b>-5.0</b>	<b>-2.3</b>

<sup>1</sup> United States statistics, unadjusted.<sup>2</sup> Rough estimates.<sup>3</sup> Allowance made for repurchases of Salvadoran dollar bonds by foreigners.<sup>4</sup> Excluding return on U. S. direct investments in El Salvador.<sup>5</sup> Bond-redemption receipts adjusted for repurchases by foreigners in all years; sinking-fund receipts in 1938 only.<sup>6</sup> Exclusive of return on direct investments (receipts) and new investments (payments) in El Salvador.

NOTE.—Net credit balances for the United States are indicated by +; net debt balances by -.

Source: Especially prepared for this report by the Finance Division, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.



# GUATEMALA

## A DESCRIPTION

### Physical characteristics.

The Republic of Guatemala,<sup>1</sup> the most northerly of the Central American countries, is bounded on the north and west by Mexico, on the east by the Crown Colony of British Honduras, the Caribbean Sea, and the Republic of Honduras, and on the south by El Salvador and the Pacific Ocean. Extending about 270 miles from north to south, and with a maximum width of about 250 miles, it has a Pacific coast line of 200 miles, and a Caribbean littoral of 70 miles. Its area, 42,364 square miles, is approximately equivalent to that of Tennessee.

Guatemala is traversed from north to south by a mountain range known as the Cordillera of the Andes.<sup>2</sup> In this range, which is close to the Pacific coast, there are a number of healthful and fertile plateaus, on which the greater part of the population lives. Spurs of the Cordillera extend in various directions, but principally toward the Caribbean, where they descend more gradually to sea level than on the Pacific slope. Elevations in the Cordillera reach 14,000 feet. In common with the ranges which extend down the west coast of Mexico and Central America, the Guatemalan Cordillera contains numerous volcanoes, only two of which are active. Plains constitute the northern part of Guatemala between British Honduras and Mexico. On the side toward Mexico the land is rolling, and suited for cattle raising; toward British Honduras, it is forested.

As in other mountainous tropical areas, the climate of Guatemala varies considerably with the altitude. In the coastal lowlands, and in those areas with an elevation up to about 2,000 feet (*tierra caliente*), the climate is hot and humid throughout the year. The interior plateaus, at elevations of from 3,000 to 8,000 feet (*tierra templada*) have a climate which is equable and healthful, with warm days and cool nights. In the higher regions (*tierra fria*) it is distinctly cool. The mean annual temperature in the *tierra caliente* is about 80° F., and that in the *tierra templada* is about 58° F. There are two seasons, the rainy and the dry. The rainy season begins in May; in the interior regions it extends until November, but on the coast it sometimes lasts until December. Snow occasionally falls in December or January in the upper reaches of the *tierra templada*. The annual rainfall in the vicinity of Guatemala City (elevation 4,900 feet) averages about 45 inches; in some parts of the coastal plains, however, it reaches 200 inches.

<sup>1</sup> In Spanish, República de Guatemala.

<sup>2</sup> Although known by this name, the Guatemalan mountains have no genetic connection with the South American Andean system. The Guatemalan ranges belong to the Antillean system.

There are numerous rivers in Guatemala, but for the most part they are not navigable. Because the Cordillera is closer to the Pacific coast than to the Atlantic, the country is divided into two unequal drainage areas, and the rivers which flow into the Pacific are short and swift. The most important from the standpoint of navigation are the Río Polochic and the Río Dulce, which flow into the Gulf of Honduras; several others are navigable by small boats. The most important lakes in Guatemala are Atitlán and Izabal, both of which may be navigated by steamers.

About 600 miles of railroad are in operation in Guatemala,<sup>3</sup> in addition to the mileage on banana plantations. The principal line, operated by the International Railways of Central America,<sup>4</sup> provides service between Guatemala City, Puerto Barrios, Pacific ports, Mexico, and El Salvador. A smaller railroad, the Ferrocarril Verapaz (28 miles) connects the coffee districts of Verapaz with Lake Izabal. Plantation railways serving the banana districts of the United Fruit Company total about 280 miles.

On December 31, 1939, there were approximately 3,700 miles of highways in Guatemala, connecting all the important cities. About 650 miles of highway were under construction, and 300 miles were projected. The principal highways radiate from Guatemala City to Antigua and Chimaltenango, to the Salvadoran frontier, to San José, and to Quezaltenango.<sup>5</sup>

#### Population.

The population of Guatemala is greater than that of any other country of Central America. The most recent census, that of 1921, placed its population at 2,005,000. According to an estimate of December 31, 1938, the number of inhabitants was 3,044,490,<sup>6</sup> which represents a gain of 52 percent in 17 years. On the basis of this estimate there were in 1938 about 72 persons to the square mile. Guatemala is the second most densely populated country in Central America, being exceeded in this respect only by El Salvador. The population of Guatemala is predominantly rural. Only three cities have more than 12,000 inhabitants, and the combined population of the 22 most important cities and towns is only somewhat more than 10 percent of the total for the country. The population of Guatemala is largely concentrated on the interior plateaus and on the comparatively narrow Pacific slope of the Cordillera. The Atlantic slope, while constituting the greater part of the country's area, is much more sparsely settled.

The principal city of Guatemala is its capital, Guatemala City, located at an altitude of about 4,900 feet. It has a population of 167,000. Other important cities and towns, all of which are in the interior, are Quezaltenango, 26,100; Antigua, the former capital, 12,300; San Pedro Sacatepequez-San Marcos, 10,000; and Salama, 8,000. Six other cities have populations ranging from 8,000 to 5,000. Puerto Barrios, the principal Atlantic port, has a population esti-

<sup>3</sup> The gage of the Guatemalan railroads is 3 feet (the standard United States gage is 4 feet 8½ inches).

<sup>4</sup> This railroad is owned by United States interests.

<sup>5</sup> Work continues on the important highway from Guatemala City to the Petén region; by the end of 1940, 181 miles had been built, and the construction of 112 miles remained. Motor vehicles registered in Guatemala in 1938 totaled 3,927.

<sup>6</sup> U. S. Bureau of Foreign and Domestic Commerce, *Commercial Travelers' Guide to Latin America*, 1940, part III, p. 72.

mated at 3,000. San José, the principal port on the Pacific coast, has 1,500 inhabitants.<sup>7</sup>

The people of Guatemala are predominantly descendants of the Mayas; an official estimate indicates that about two-thirds of them are of pure Indian blood. The remaining one-third is largely composed of mixed races, principally Spanish and Indian. The official language is Spanish. A number of Indian dialects are also used, and in some of the remote areas, only the Indian dialects are spoken. Because of the number of United States citizens and Jamaican laborers on the Atlantic coast, English is quite generally understood in that part of the country.

#### Natural resources and economy.

*Agriculture.*—Guatemala is almost entirely an agricultural country. It is estimated that at least nine-tenths of the people are engaged in tilling the soil, and 95 percent of Guatemalan exports customarily consist of agricultural products. The principal agricultural export crops are coffee and bananas, but substantial quantities of sugarcane, cotton, corn, beans, wheat, tobacco, cacao, rice, hemp, flax, yucca, grapes, potatoes, and plantains are grown, chiefly for domestic consumption. Only a small part of the Guatemalan area is under cultivation. In 1938-39 the land devoted to the seven principal crops—corn, coffee, beans, bananas, wheat, sugarcane, and rice—totalled 1.5 million acres, or less than 6 percent of the total area of the country.<sup>8</sup>

The Guatemalan economy, as it relates to international trade, is characterized by the extent of its dependence upon coffee and bananas. Exports of these two products ordinarily account for nine-tenths or more of the total value of exports. Some honey, sugar, zacatón root, essential oils, coconuts, and other minor agricultural products are exported, but their value is small.

Coffee is by far the most important export crop of Guatemala, accounting for nearly three-fifths of the value of total shipments abroad, which in 1939 amounted to 17 million dollars. Guatemala ranks fifth among the coffee-producing countries of the world and fourth among the coffee-producing countries of Latin America, being exceeded only by Brazil, Colombia, and El Salvador.<sup>9</sup>

Coffee is cultivated in most sections of the Republic, at elevations of from 1,000 to 5,000 feet. The principal coffee-growing districts are in the highlands of the Pacific coast, especially north of Guatemala City, and the Cobán district on the Caribbean side.<sup>10</sup> Guatemalan coffee is of a "mild" type (*Coffea arabica*), and is used in the United States largely for blending purposes.<sup>11</sup> It commands a high price in United States markets (and, in ordinary times, in European markets), and competes only indirectly with coffee from Brazil. An excep-

<sup>7</sup> U. S. Bureau of Foreign and Domestic Commerce, *Commercial Travelers' Guide to Latin America*, 1940, part III, pp. 85-87.

<sup>8</sup> The approximate area devoted to each of the principal crops in 1938-39 was as follows: Corn, 806,000 acres; coffee, 278,000; beans, 169,000; bananas, 83,000; wheat, 44,000; sugarcane, 37,000; and rice, 24,000.

<sup>9</sup> Production in the Netherlands Indies in ordinary times also exceeds that in Guatemala.

<sup>10</sup> In 1934 there were nearly 2,000 coffee plantations in Guatemala, covering more than one-fifth of the cultivated area of the country. Germans owned or controlled one-third or more of these plantations in 1934.

<sup>11</sup> In the trade, all coffees are roughly grouped into "Brasils" and "milds," the latter comprising all coffees grown outside of Brazil.

tionally fine quality of coffee is grown in the famous Alta Verapaz or Cobán district.

Because of the extent to which Guatemala depends on exports of coffee, the country is susceptible to the disadvantages inherent in a "one-crop" economy. The conditions surrounding the growing and marketing of coffee determine in great measure the prosperity of the country; fluctuations in prices and shifts in markets are immediately reflected in both the foreign and domestic trade of the Republic. To a certain extent Guatemala has been successful in overcoming this dependence on coffee during the last decade. In 1929 three-fourths of the value of total Guatemalan exports consisted of coffee. The expansion of the banana industry, especially after 1936, as well as the increased exports of some of the minor commodities, caused a fairly steady decline in the importance of coffee. Another factor was the low price of coffee in recent years as compared with 1929. In 1939 somewhat less than three-fifths of the total value of Guatemalan exports consisted of coffee.

In 1929 Germany was the principal market for Guatemalan coffee, taking nearly one-half of total exports. The United States took more than one-third. In 1938, however, the United States took nearly three-fifths, and Germany about one-fifth. The remainder went to other European markets. The outbreak of war in Europe, and the ensuing events, caused the virtual loss of Guatemala's markets for coffee in Europe, but this loss is offset in part by the quota assigned to Guatemala for exports to the United States under the Inter-American Coffee Agreement, signed November 28, 1940. The Guatemalan quota for the year beginning October 1, 1940, was set at about 70.8 million pounds,<sup>12</sup> whereas exports to the United States amounted to 55.7 million pounds in 1938 and to 56.4 million pounds in 1939. By an Executive decree of November 4, 1940, each coffee plantation in Guatemala was allotted a quota for export to the United States market amounting to 75 percent of its production from October 1, 1940, to September 30, 1941.<sup>13</sup>

Bananas, the second-ranking Guatemalan export commodity, now account for about three-tenths of the value of total exports, as compared with about one-seventh in 1929. In 1938, Guatemala ranked third among the banana-exporting countries of Latin America, and fourth among those of the world, being exceeded only by Jamaica, Mexico, and Honduras. No data are available to show the production of bananas in Guatemala, but exports in the 3 years 1936-38 averaged 8.6 million bunches annually.<sup>14</sup> Production and exports increased substantially during the decade 1929-38.<sup>15</sup>

Until 1936, production of bananas in Guatemala took place chiefly on the Atlantic coast. Damage caused by the sigatoka, or leafspot, and "Panama" diseases, however, led to extensive plantings on the Pacific coast after 1936. About 5.4 million bunches, or 72 percent of the total, were exported from producing areas on the Atlantic coast in 1936, as compared with only 2.1 million bunches, or 28 percent of the total, from areas on the Pacific coast. In 1939, however, 4.9

<sup>12</sup> 535,000 bags of 60 kilograms, net. Effective June 1, 1941, the Inter-American Coffee Board increased the total quantity permitted to enter the United States, raising the Guatemalan quota to nearly 72 million pounds.

<sup>13</sup> The quota is administered by the Central Coffee Office of the Ministry of Agriculture. Some changes were subsequently made in the original quota allotments.

<sup>14</sup> Bunches of 50 pounds.

<sup>15</sup> See the section on exports from Guatemala.

million bunches were shipped from the Atlantic coast, and 5.2 million from the Pacific coast.<sup>16</sup> Meanwhile, marked progress had been made in overcoming the banana diseases by the installation of overhead irrigation and spraying equipment.<sup>17</sup>

Corn is a very important element in the diet of the Guatemalan people. Grown in practically all parts of the country, the crop is usually sufficient to satisfy domestic requirements, although in some years corn must be imported. There are two crops—that in the lowlands, which comes on the market in early September, and that in the highlands, which reaches the market about the first of November. Production in the 3 crop years 1936-37 to 1938-39 averaged 11.7 million bushels annually. In contrast with the production of corn, that of wheat is inadequate for the home market, and quantities of wheat flour must be imported. Production of wheat, which is confined to the highland regions, averaged 482,000 bushels annually in the 3 crop years 1936-37 to 1938-39.

Production of rice, which is ordinarily more than sufficient to supply domestic needs, amounted to 18.1 million pounds in 1938-39. Cacao was at one time an important Guatemalan product, and efforts are being made by the Government to encourage its cultivation. Production in the 3 crop years 1936-37 to 1938-39 averaged about 1 million pounds annually. Tobacco is grown in Guatemala, but not for export. As a result of overproduction in the 1938-39 season, plantings were subsequently limited to about 50 percent of the average for the two preceding crop years (approximately 3 million pounds). This action, together with unfavorable weather conditions, resulted in a sharp decline in production to 675,000 pounds in the crop year 1939-40. In addition to the tobacco produced in Guatemala, some is imported chiefly from the United States, for use in the manufacture of "Virginia" type cigarettes, and of cigars.

*Forest industries.*—Chicle is by far the most important forest product in Guatemala. Other forest products include rubber, dye-woods, mahogany, cedar, lignum vitae, and other fine woods. The forested portions of Guatemala aggregate about 1.3 million acres, or about 5 percent of the total area.

Chicle, used in the manufacture of chewing-gum base,<sup>18</sup> ranks third among the Guatemalan export commodities. All chicle produced in Guatemala is shipped abroad, and production may be gaged by exports. In 1938 Guatemala supplied 17 percent of total world exports of chicle, and ranked second among the producing countries of the world.<sup>19</sup> Production declined from a peak of 2.3 million pounds in 1926 to 349,000 pounds in 1933.<sup>20</sup> Thereafter it increased gradually until 1937, when it rose sharply to 1.3 million pounds. The increase

<sup>16</sup> Production of bananas was reduced sharply by a destructive windstorm in June 1940, which destroyed about 12,000 acres of banana plants on the Pacific-coast holdings of the United Fruit Company. On December 24 and 25, 1940, one of the worst windstorms in the history of the Guatemalan banana industry destroyed about 4 million trees on the Atlantic-coast plantations of the same company. While this catastrophe did not, of course, affect exports in 1940, shipments from the Atlantic-coast-producing area in 1941 are expected to decline from 400,000 to about 25,000 bunches per month.

<sup>17</sup> U. S. Bureau of Foreign and Domestic Commerce, *International Reference Service*, vol. I, No. 16, April 1941.

<sup>18</sup> In addition, chewing-gum base usually contains other materials, such as jelutong, various guttas, and some rubber. The proportion of chicle may range from 25 percent, or even less, to 100 percent.

<sup>19</sup> Mexico supplied 74 percent of world exports in 1938. Virtually the entire world production of chicle is in Mexico, Guatemala, and British Honduras. Small quantities are produced in Colombia, Venezuela, Brazil, and the Guianas.

<sup>20</sup> Only in 1931, when production amounted to 1.2 million pounds, was the downward trend broken.

continued, reaching 2.2 million pounds in 1939, but in 1940 production declined sharply to 1.5 million pounds. Since 1935 all Guatemalan exports of chicle have gone to the United States.<sup>21</sup>

In contrast with Mexico and British Honduras, where the production of chicle and the trade in that commodity are largely operated by United States interests, the chicle lands in Guatemala are owned by the Government. Concessions are leased to contractors, and chicle operations are subject to Government regulation. Two large United States companies are engaged in the trade. Exports are composed entirely of crude chicle.<sup>22</sup>

All production of chicle in Guatemala is in the forests of the Department of El Petén in the eastern section of the country, between Mexico and British Honduras. It is required that all chicle be exported from the port of Puerto Barrios. No railroads, highways, or waterways connect the forests of the Petén with this port, and all the chicle therefore must be transported to Puerto Barrios by airplane.<sup>23</sup>

*Pastoral industries.*—The raising of livestock is an important industry in Guatemala and is encouraged by the Government. Requirements for meats of all kinds are supplied by domestic production, and the country is rapidly becoming independent of foreign sources for lard and dairy products. There is a limited importation of cattle from other Central American countries for fattening. Official data for the agricultural year 1938-39 show that there were then in the country 510,000 cattle, 281,000 sheep, 155,000 hogs, and 51,000 goats, as well as 127,000 horses and 38,000 donkeys and mules. Domestic production of milk in 1938-39 amounted to 10.6 million gallons, that of butter to 614,000 pounds, that of cheese to nearly 2 million pounds, and that of wool to 195,000 pounds. Consumption of domestic lard amounted to 51,000 pounds.<sup>24</sup> The only pastoral product customarily exported from Guatemala is cattle hides.

*Mining.*—Although a number of minerals are known to exist in Guatemala, there has been comparatively little development of the country's mineral resources, principally because of the high cost of transportation. Gold is mined and exported in small quantities, and there is some production of chromite, lead, sulfur, and salt.<sup>25</sup> The gold is found in rivers on the Atlantic coast, and sulfur is obtained in an almost pure state from the volcanoes. Other minerals in Guatemala include copper, manganese, tin, antimony, petroleum, bitumen, asbestos, kaolin, alum, slate, and marble.

*Manufacturing.*—The manufacturing industries of Guatemala are not extensive. A number of industries producing consumer goods have been developed, especially since 1929, but most of the raw ma-

<sup>21</sup> In some of the early years of the decade 1929-38 shipments were made not only to the United States, but also to the United Kingdom and to British Honduras. Exports to British Honduras were subsequently reexported by that country. For detailed statistics of exports of chicle from the producing countries of Latin America, see the section on chicle in part III of this report.

<sup>22</sup> Except in Mexico, there is little or no refining of chicle in the producing countries.

<sup>23</sup> Because of the increase in the production of chicle, permits were granted in 1938 for the construction of two additional airports to be used for the transportation of chicle from new forest areas. Until January 1941, when its franchise was revoked, aerial shipments of chicle were handled by the Compañía Nacional de Transportes Aéreos Centroamericanos. Henceforth they will be handled by a new company, Aerovías de Guatemala, S. A., an affiliate of a large United States air-transport company.

<sup>24</sup> U. S. Bureau of Foreign and Domestic Commerce, *International Reference Service*, vol. I, No. 16, April 1941.

<sup>25</sup> Exports of gold in 1939 were valued at \$182,000. Production of chromite in 1939 amounted to 1,321,000 pounds, that of lead to 214,000 pounds, and that of sulfur to 27,000 pounds. The production of chromite declined markedly in 1940.

terials and all the machinery utilized by them must be imported. There are no heavy industries. Lack of fuel, high transportation costs, and limited purchasing power retard the development of manufacturing. Although there is a large number of "manufacturing" establishments in Guatemala, most of them are household industries or small shops employing but a few workmen, producing for a limited local market. The most important manufacturing industry in Guatemala is the textile industry, which produces principally the cheaper grades of cotton, woolen, and rayon fabrics, and knitted goods. Among the other commodities produced in Guatemala are straw hats, shoes, leather goods, saddlery, cordage, nets, baskets, furniture, brushes, toilet articles, patent medicines, soap, candles, tobacco products, liquors, beer, soft drinks, chocolate, gelatin, confectionery, chewing gum, preserves, flour, sugar, dairy products, avocado oil, cottonseed oil, toys, pottery, bricks, cement, and tiles.

*Foreign investments.*—Statistics of foreign investments in Guatemala, other than those of the United States and the United Kingdom, are not available. United States direct investments at the end of 1936 amounted to 50.4 million dollars. Of this amount \$832,000 were invested in distributive enterprises.<sup>26</sup> No data are available to show the composition of the remainder of the investments by economic groups, but most of them are probably in agriculture, principally coffee and bananas. The United States portfolio of Guatemalan securities in 1935 was estimated to be \$400,000.<sup>27</sup> United Kingdom investments in Guatemala in 1940 were estimated to be 10.7 million pounds sterling (approximately 40.3 million dollars).<sup>28</sup>

## THE FOREIGN TRADE OF GUATEMALA

Guatemala is the most important commercial nation of Central America, customarily accounting for one-third to one-fourth of the value of all exports from the six countries of Central America, and for about two-tenths to three-tenths of all imports thereto. Exports from Guatemala in 1939 were valued at 17 million dollars, as compared with imports of 18 million dollars.<sup>29</sup> Exports have exceeded imports in 11 of the 16 years 1924-39.<sup>30</sup> In proportion to its population, the foreign trade of Guatemala is small. Exports in 1939 were equal to \$5.60 per capita and imports to \$6.30 per capita.

### Guatemalan commercial policy.

The Guatemalan Constitution of 1879<sup>31</sup> authorizes the Executive to issue decrees with the force of laws during the recess of the Legis-

<sup>26</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries*—1936, p. 12. "Direct" investments are defined as all United States investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice.

<sup>27</sup> Cleona Lewis, *America's Stake in International Investments*, The Brookings Institution, 1938, p. 655. "Portfolio" investments are defined as equity and other security investments in foreign-controlled corporations, and investments in the security issues of foreign governments or subdivisions thereof.

<sup>28</sup> *The South American Journal*, January 25, 1941, pp. 49-50.

<sup>29</sup> The Guatemalan monetary unit, the quetzal, is equivalent to the United States dollar.

<sup>30</sup> Export values employed by Guatemala prior to 1940 were f. o. b. Guatemala port or frontier, excluding export duties. Beginning in 1940 export duties are included. The values shown for imports into Guatemala by sea are f. a. s. (free alongside) port of shipment, plus 25 percent to cover freight, insurance, commission, and other charges up to the Guatemalan port, and excluding the consular fees. If the 25 percent is not added to the value of imports, exports exceeded imports in 14 of the 16 years 1924-39.

<sup>31</sup> Art. 77, sec. 23, as amended.

lature. Such measures must be submitted to the Legislature for approval during the first 15 days of its next ordinary session. This authorization is frequently cited by the Executive in making tariff changes.<sup>32</sup>

By virtue of this provision of the Constitution, a trade-balancing import surtax was decreed by the Guatemalan Executive on January 26, 1935, for the declared reason that the limitations and restrictions imposed by some countries on the importation of Guatemalan coffee injured Guatemala, and indicated the necessity of conserving markets for that product.<sup>33</sup> The original decree was modified in 1936 and again in 1939. Since 1935, therefore, the Guatemalan tariff has been a multiple-column system, based on trade balances.

The decree of January 28, 1939, provided for the application of double duties on merchandise from countries having an import trade balance with Guatemala of 75 percent or more of imports in the previous year. All statistics are calculated on the commercial value of the merchandise. Exempted from this provision were the other countries of Central America, and also all other countries the sales of which to Guatemala in 1938 were less than 31,000 quetzales, or its equivalent in foreign currency. The Ministry of Finance is permitted in special cases to remove countries on the American Continents from the list of countries affected by this law. The Ministry is also empowered to authorize the entry of limited quantities, without the surcharge, of articles the use of which is indispensable to the economy of the country. Merchandise originating in Asiatic nations, countries, or territories, and the neighboring islands, is subject without exception to the 100-percent-import-duty surcharge.

The present Guatemalan tariff was promulgated December 10, 1935, and became effective January 1, 1936. Approximately 225 changes in import duties were made in the new tariff—about 170 decreases and some 50 increases. Numerous changes have been made in the basic rates of duty since the promulgation of the tariff of 1936. From time to time exemptions from import duties have been granted on materials imported by certain domestic industries.

The Guatemalan tariff is largely for revenue,<sup>34</sup> but protection has been accorded to the products of certain industries, notably the textile industry, the cattle industry, and the sugar industry. By far

<sup>32</sup> Specific authority to alter import duties in any manner, with the requirement of submission to the Legislature, was granted to the Executive from May 1932 to May 1936. This authority, which was not limited to recess of legislature, has apparently not been renewed.

<sup>33</sup> The original decree provided that duties, rates, and taxes should be doubled on products originating in or coming from those countries which, as compared with 1933, increased their shipments into Guatemala 100 percent during 1934. On January 25, 1936, the provisions of the 1935 decree were further declared applicable to products originating in or coming from countries with which Guatemala had an import trade balance in 1935, provided that Guatemalan imports from such countries during 1935 increased 100 percent as compared with 1934. Three exceptions were made to the import surtax. In the original law of January 26, 1935, the Ministry of Finance was authorized to suspend the increase of 100 percent in duties when the value of imports from a country is at least equaled by its purchases of Guatemalan coffee. The decree of January 25, 1936, continuing and extending the double-duty system, authorized the Ministry of Finance and Public Credit to exempt from the 100 percent surtax, irrespective of origin or trade balances, those products whose use or consumption may be necessary for the national economy. The decree of January 25, 1936, also provided that import surtaxes should not apply to the products of those countries of Central America that had established or might establish preferential tariffs for Guatemalan products, or to the products of other countries with which the Guatemalan trade balance in 1935 was unfavorable by less than 3,000 quetzales (\$3,000).

<sup>34</sup> Of the Guatemalan revenues for 1938-39, which amounted to 10.7 million dollars, 5.8 million dollars, or 55 percent of the total, consisted of customs duties. Import duties amounted to 3.9 million dollars (37 percent of the total), and export duties to 1.9 million dollars (18 percent of the total). Consular fees amounted to \$570,000 (5 percent of total revenues).



the greater part of the duties in the Guatemalan tariff are specific, and are based principally on weight. On a few commodities the duties are ad valorem, the rates ranging from 10 to 20 percent.<sup>35</sup> A number of articles enter free of duty.

Guatemala has accorded conventional reductions below its basic ("minimum") tariff to a list of United States products since June 15, 1936. These concessions apparently are extended to other countries in accordance with most-favored-nation commitments. Guatemala has most-favored-nation agreements with the United States, Belgium, France, Germany, Czechoslovakia, Italy, Canada, the Netherlands, Sweden, and Norway.<sup>36</sup> Neither foreign-exchange control nor other nontariff import controls have been established in Guatemala. There is no special agency to advise the Government on tariff matters.<sup>37</sup>

In the trade agreement between the United States and Guatemala, effective June 15, 1936, tariff concessions granted by Guatemala to the United States included reductions in duty on 14 tariff classifications, and bindings against increase in duty on 52 others. The reductions in the Guatemalan duties ranged from one-fourth to one-half of the duties in effect prior to the conclusion of the agreement. About 43 percent of United States exports to Guatemala in 1934 were affected by the agreement. Concessions made by the United States to Guatemala related entirely to distinctive tropical products. Four tariff items were bound on the free list, and reductions in duty were granted on five products. Imports of these products represented 97 percent of total United States imports from Guatemala in 1934.<sup>38</sup>

Preferential reductions to other Central American States, ranging from 45 percent to 62 percent of the duties, have been made by Guatemala on certain products, and free entry has been granted for several others. These concessions are gratuitous and are not embodied in trade agreements. Although Nicaragua accords free entry to all Guatemalan products, a reciprocal agreement for free trade in the products of both countries signed in 1924 is not in force in Guatemala, inasmuch as it was not ratified by the Guatemalan Legislature.

Export duties are levied by Guatemala on a number of major products, but by far the greater number of classifications in the export tariff schedule are free of duty. Products on which export duties are assessed are bananas,<sup>39</sup> coffee,<sup>40</sup> sugar,<sup>41</sup> chicle,<sup>42</sup> hides and skins, and woods.

<sup>35</sup> On precious stones and metals the duty is 10 percent; on jewelry and goldsmiths' wares, certain articles of platinum, gold, and silver, and clock or watch works it is 15 percent; and on motor cars and chassis, and still and motion-picture cameras, 20 percent.

<sup>36</sup> An unconditional agreement with the United Kingdom was denounced by Guatemala, effective August 30, 1936.

<sup>37</sup> There is, however, a Superior Council, composed of business men appointed to serve without compensation, to which economic problems may be referred by the Government for study and comment. This body has no administrative authority.

<sup>38</sup> See the discussion of United States trade with Guatemala, p. 76 ff.

<sup>39</sup> The export duty on bananas is 1 cent per bunch. Bananas produced on the Pacific coast pay an additional duty of 1 cent per bunch.

<sup>40</sup> The export duty on coffee is \$1.50 per quintal, unless the price of coffee exceeds \$15 per quintal, when the duty becomes \$2. Roasted or ground coffee pays a duty of \$2 per quintal. One quintal equals 101.43 United States pounds.

<sup>41</sup> The export duty on sugar rises from 10 cents per quintal when the price is \$1 or less per quintal, to 50 cents per quintal when the price is more than \$4.

<sup>42</sup> The export duty on chicle is 5 cents per gross Spanish pound (1.0143 United States pounds).

Effective June 3, 1941, all then existing regulations controlling exports and reexports from Guatemala were consolidated into a single decree. Under the new decree, the exportation and reexportation from Guatemala of all articles which are subject to export control in the United States are permitted only to the United States and to American countries having similar control measures.

#### Exports from Guatemala.

*Trend.*—In its export trade Guatemala is largely dependent upon coffee, bananas, and chicle. The most significant developments in the export trade of Guatemala in the decade 1929-38 were the substantial increases in exports of bananas and chicle, the decline in the importance of coffee in total exports, the increasing share of exports taken by the United States, and the declining importance of Germany as a market. Exports from Guatemala to the world and to the United States, in the period 1924-39, are shown in tables 1 and 2.

The year 1929, the earliest shown in the detailed tables herein-after presented, was not a peak year in the value of exports either to the world or to the United States. Exports to the world in 1929 were exceeded in each of the years 1925-28, and exports to the United States in each of the years 1924-28 (see tables 1 and 2). The value of exports to the world in 1929 was 14 percent below the average for the 5 years 1924-28, and that of exports to the United States in 1929 was 21 percent below the 5-year average. The lower value of exports in 1929, as compared with the immediately preceding years, was due in part to the decline in the prices of coffee and of the other major export commodities of Guatemala, and in part to the reduced volume of exports of chicle after 1926.

TABLE 1.—*Guatemala: Trade with the world, 1924-39*

[Value in thousands of U. S. dollars <sup>1</sup>]

Year	Exports	Imports		Year	Exports	Imports	
		Including 25 percent additional for freight, insurance, etc. <sup>2</sup>	Exclusive of the 25 percent additional			Including 25 percent additional for freight, insurance, etc. <sup>2</sup>	Exclusive of the 25 percent additional
1924.....	24,492	18,803	15,166	1932.....	10,661	7,466	6,025
1925.....	29,662	25,004	20,366	1933.....	9,327	7,560	6,076
1926.....	28,978	28,528	23,257	1934.....	14,808	10,637	8,073
1927.....	33,915	24,563	20,086	1935.....	12,471	11,999	9,599
1928.....	28,212	30,111	24,745	1936.....	15,106	14,390	11,512
1929.....	24,928	30,399	24,459	1937.....	16,109	20,929	16,743
1930.....	23,578	16,474	13,262	1938.....	16,336	20,952	16,761
1931.....	15,167	12,971	10,461	1939.....	16,985	19,120	15,296

<sup>1</sup> The Guatemalan monetary unit, the quetzal, is equivalent to the United States dollar.

<sup>2</sup> The 25 percent additional to cover charges for freight, insurance, commissions, etc., has been calculated as follows: 1924 to 1928, inclusive, only on imports by sea; 1929 to 1934, inclusive, on imports by sea and parcel post; and 1935 to 1939, inclusive, on all imports, by sea, parcel post, air, and land.

Source: Compiled by the United States Tariff Commission from *Memoria de los Labores del Ejecutivo en el Ramo de Hacienda y Crédito Público*.

TABLE 2.—*Guatemala: Trade with the United States, 1924-39*

[Value in thousands of U. S. dollars ]

Year	Exports		Imports		Year	Exports		Imports	
	Value	Percent of total to United States	Value <sup>1</sup>	Percent of total from United States		Value	Percent of total to United States	Value <sup>1</sup>	Percent of total from United States
1924	12,329	50.3	9,518	62.8	1932	3,971	37.2	2,960	49.5
1925	14,726	49.6	12,002	58.9	1933	3,195	34.3	3,029	49.9
1926	15,608	53.9	12,358	53.1	1934	4,999	33.8	4,101	50.8
1927	14,461	42.6	10,947	54.5	1935	6,525	52.3	3,950	41.2
1928	15,306	54.3	13,988	56.5	1936	8,955	59.3	4,877	42.4
1929	11,400	45.7	13,540	55.4	1937	10,334	64.2	7,588	45.3
1930	9,210	39.1	7,631	37.5	1938	11,346	69.5	7,492	44.7
1931	5,368	35.4	5,512	52.7	1939	12,068	70.7	8,332	54.5

<sup>1</sup> The Guatemalan monetary unit, the quetzal, is equivalent to the United States dollar.

<sup>2</sup> Exclusive of the 25 percent additional for freight, insurance, etc.

Source: Compiled by the United States Tariff Commission from *Memoria de los Labores del Ejecutivo en el Ramo de Hacienda y Crédito Público*.

Total exports from Guatemala in 1929 were valued at 25 million dollars. Following the trend of international trade, they declined to 10.7 million dollars in 1932, and still further to 9.3 million in 1933, or 37 percent of their 1929 value. In 1934, exports increased sharply to 14.8 million dollars, but declined to 12.5 million in 1935. Thereafter they increased regularly, reaching 17 million dollars in 1939, or 68 percent of the 1929 level.

Price and quantum indexes of exports from Guatemala are not available. The effect of fluctuations in prices and quantities on the export trade, however, is indicated by statistics for the leading export commodities—coffee, bananas, and chicle—which in the decade 1929-38 constituted nine-tenths or more of total Guatemalan exports, in terms of value. The statistics indicate that the decline in the value of exports from 1929 to 1933 may be attributed principally to the decline in prices rather than to a decline in quantities. The increase in the value of exports after 1933 may be attributed chiefly to the larger volume of exports.

Quantities, values, and unit values of selected Guatemalan export commodities, in specified years, 1929 to 1939, are shown in table 3. Exports of coffee increased somewhat between 1929 and 1932, from 97.4 million pounds to 100.5 million. In the same period, however, the average unit value declined by more than three-fifths (from \$0.196 to \$0.075 per pound). Exports of coffee in each of the 3 years 1936-38 were larger than in 1932, average annual shipments amounting to 108 million pounds. In 1939, however, they declined to 96.8 million pounds, a figure slightly below that for 1929. The average unit value of coffee increased from \$0.075 to \$0.095 per pound (about one-half of that in 1929) between 1932 and 1936, and thereafter displayed only small variations.

Exports of bananas declined from 6.5 million bunches<sup>43</sup> in 1929 to 5.2 million in 1932. After 1932 they increased regularly, reaching 10.4 million bunches in 1939. The unit value of exports of

<sup>43</sup> Bunches of 50 pounds.

bananas for the years shown in table 3 showed only minor variation (the range was from \$0.493 to \$0.526 per bunch).<sup>44</sup>

Exports of chicle declined from 1 million pounds in 1929 to 651,000 pounds in 1932, and still further to 349,000 pounds in 1933, a decline of 66 percent as compared with 1929. The average unit value declined by about one-third between 1929 and 1932—from \$0.315 to \$0.217 per pound. Exports of chicle increased after 1933, reaching 607,000 pounds in 1936. In 1937 they rose sharply to 1.3 million pounds, in 1938 to 1.7 million, and in 1939 to 2.1 million, or 214 percent of the quantity exported in 1929. The average unit value in 1936 was only slightly in excess of that in 1932; but it increased to \$0.357 in 1939, or 113 percent of the 1929 level.

TABLE 3.—Guatemala: Exports of selected commodities, in specified years, 1929 to 1939

Commodity	1929	1932	1936	1937	1938	1939
	Quantity					
Coffee, 1,000 lb.....	97,412	100,500	112,124	108,861	108,069	96,790
Bananas, 1,000 bunches of 50 lb.....	6,460	5,248	7,648	8,727	9,377	10,417
Chicle, 1,000 lb.....	1,016	651	607	1,311	1,713	2,171
	Value (1,000 U. S. dollars <sup>1</sup> )					
Coffee.....	19,091	7,385	10,606	10,525	10,090	9,552
Bananas.....	3,212	2,624	3,770	4,302	4,748	5,482
Chicle.....	321	141	138	306	514	775
	Unit value (U. S. dollars)					
Coffee, lb.....	0.196	0.075	0.095	0.101	0.093	0.099
Bananas, bunch of 50 lb.....	.497	.500	.493	.493	.506	.526
Chicle, lb.....	.315	.217	.227	.234	.300	.357

<sup>1</sup> The Guatemalan monetary unit, the quetzal, is equivalent to the United States dollar.

Source: Compiled by the United States Tariff Commission from *Memoria de los Labores del Ejecutivo en el Ramo de Hacienda y Crédito Público*.

*Composition.*—Exports from Guatemala consist predominantly of coffee, bananas, and chicle. In the period 1929-39 these three commodities accounted for 90 to 95 percent of all shipments abroad, in terms of value. Exports from Guatemala, by groups and principal commodities, in specified years, 1929 to 1939, are shown in table 4.

For every individual commodity shown in table 4, there was a sharp drop in the value of exports between 1929 and 1932, caused in large part by lower prices. All commodities for which data are available, except honey, coffee in the shell, sugar, and seeds, showed increases in dollar value in 1937 as compared with 1932; the values for bananas, empty tanks and cylinders (reexports), essential oils, gold in bars, and live animals were higher in 1937 than in 1929. For the principal commodities, the ratios of the dollar values of exports in 1938 to those in 1929 were as follows: Coffee, clean, 54 percent; bananas, 148 percent; chicle, 160 percent; gold in bars, 105 percent; honey, 117 percent; cattle hides, 43 percent; and empty tanks and cylinders, 300

<sup>44</sup> Inasmuch as bananas in Guatemala are produced largely by United States companies and enter this country free of duty, the recorded values of exports of bananas from Guatemala (and therefore the unit value of such exports) have little significance.

TABLE 4.—Guatemala Exports, by groups and principal commodities, in specified years, 1929 to 1939

[Value in thousands of U. S. dollars <sup>1</sup>]

Commodity group or commodity <sup>2</sup>	1929		1932		1936		1937		1938		1939	
	Value	Percent of total exports	Value	Percent of total exports	Value	Percent of total exports	Value	Percent of total exports	Value	Percent of total exports	Value	Percent of total exports
Grand total.....	24,928	100.0	10,661	100.0	15,106	100.0	16,109	100.0	16,336	100.0	16,985	100.0
Foodstuffs, beverages, and condiments.....	22,779	91.4	10,120	94.9	14,493	96.0	15,019	93.2	15,074	92.3	15,241	89.7
Coffee, clean.....	18,637	74.8	7,202	67.6	10,507	69.6	10,503	65.2	10,016	61.3	9,522	56.1
Bananas.....	3,212	12.9	2,624	24.6	3,770	25.0	4,302	26.7	4,748	29.1	5,482	32.3
Honey.....	135	.5	102	1.0	91	.6	95	.6	158	1.0	121	.7
Sugar.....	334	1.3	( <sup>3</sup> )		85	.6	( <sup>4</sup> )		65	.4	74	.4
Coffee, in the shell.....	456	1.8	183	1.7	99	.7	22	.1	74	.5	30	.2
Raw or semiprepared materials.....	1,643	6.6	336	3.1	308	2.0	848	5.2	760	4.7	1,267	7.5
Chicle.....	321	1.3	141	1.3	138	.9	805	5.0	514	3.1	775	4.6
Mahogany, cedar, and other fine woods.....	( <sup>5</sup> )		( <sup>5</sup> )		43	.3	87	.5	86	.5	173	1.0
Cattle hides.....	186	.7	108	1.0	52	.3	77	.5	80	.5	116	.7
Seeds, bulbs, roots, rhizomes, tubers, and shoots, for planting.....	185	.7	7	.1	11	.1	17	.1	28	.2	38	.2
Manufactures.....	171	.7	48	.5	152	1.0	191	1.2	301	1.8	287	1.7
Tanks and cylinders, empty.....	28	.1	20	.2	39	.3	43	.3	84	.5	113	.7
Essential oils of all classes.....	18	.1	1	( <sup>6</sup> )	37	.2	62	.4	54	.3	68	.4
Gold and silver.....	332	1.3	155	1.5	148	1.0	301	1.9	196	1.2	187	1.1
Gold, in bars.....	182	.7	155	1.5	141	.9	271	1.7	192	1.2	182	1.1
Live animals.....	9	( <sup>7</sup> )	1	( <sup>7</sup> )	4	( <sup>7</sup> )	9	.1	6	( <sup>7</sup> )	3	( <sup>7</sup> )
Art objects, antiquities, and collections.....			1	( <sup>8</sup> )	1	( <sup>8</sup> )	1	( <sup>8</sup> )			( <sup>8</sup> )	( <sup>8</sup> )

<sup>1</sup> Domestic exports. Gold and silver bullion and specie are included. Parcel post is included. Transit trade is excluded. Values are f. o. b. Guatemalan port or frontier, excluding export duties. (Beginning in 1940 export duties are included.)

<sup>2</sup> The Guatemalan monetary unit, the quetzal, is equivalent to the United States dollar.

<sup>3</sup> Classifications employed in this table are those given in the Guatemalan export statistics for 1939. Groups are ranked according to value in 1939.

<sup>4</sup> Less than \$500.

<sup>5</sup> Comparable data not available.

<sup>6</sup> Less than one-tenth of 1 percent.

Source. Compiled by the United States Tariff Commission from *Memoria de los Labores del Ejecutivo en el Ramo de Hacienda y Crédito Público*.

percent. In 1939 the value of exports of all commodities increased as compared with 1938, with the exception of coffee, honey, gold, and live animals.

Nine-tenths or more of all Guatemalan exports in the period 1929-39 consisted of foodstuffs, beverages, and condiments. One commodity, coffee, accounted for two-fifths to three-fourths of the value of total exports. As a result of the increase in the trade in bananas and the decline in the value of exports of coffee, however, the share of coffee in total exports declined irregularly from more than 76 percent in 1929 to 56 percent in 1939. During the same period exports of bananas, the second-ranking export commodity, increased from 13 percent of the total to 32 percent. Other products in the foodstuffs group include honey and sugar, but the value of such exports is small as compared with that of coffee and bananas (see table 4).

Exports of raw or semiprepared materials (exclusive of foodstuffs) from Guatemala represented from 2 to more than 7 percent of the value of all exports in the period 1929-39. Chicle, the most important commodity in this group, accounted for 4.6 percent of total exports in 1939, as compared with 1.3 percent in 1929. Other raw materials, no one of which accounted for more than 1 percent of the total value of exports in 1939, were mahogany, cedar, and other fine woods; cattle hides; and seeds, bulbs, and roots.

The remaining Guatemalan export groups are manufactures, gold and silver, live animals, and art objects, antiquities, and collections. The leading items in the manufactures group were empty tanks and cylinders (reexports) and essential oils. All exports in the gold and silver classification in 1939 consisted of gold in bars (see table 4).

*Destination.*—The principal foreign markets for the products of Guatemala in 1938, with the share of the value of total exports taken by each country, were the United States, 69 percent; Germany, 14 percent; the Netherlands, 5 percent; and Sweden, 4 percent. Minor markets in 1938 included Poland, Czechoslovakia, Finland, France, the United Kingdom, Japan, and Italy. Exports from Guatemala to selected countries, in specified years, 1929 to 1939, are shown in table 5. More detailed data for 1937 are shown in table 6.

In the period 1929-39 the United States not only maintained its position as the predominant purchaser of Guatemalan products, but substantially increased its participation in the trade; its share increased irregularly from 46 percent of the total in 1929 to 71 percent in 1939. The value of United States purchases from Guatemala ranged from 4 million (1932) to 12 million dollars (1939).

Germany ranked second as a purchaser of Guatemalan products during the decade; its share, however, declined from 40 percent in 1929 to 11 percent in 1939. German purchases varied in value from 9.9 million dollars (1929) to 1.9 million dollars (1939). During this period the value of Guatemalan exports of bananas and chicle, all of which went to the United States, increased, whereas the value of exports of coffee, for which Germany was an important market, declined.

The other principal commercial nations—the United Kingdom, France, Italy, and Japan—were not, except in occasional years,

TABLE 5.—Guatemala: Foreign trade with selected countries, in specified years, 1929 to 1939

[Value in thousands of U. S. dollars <sup>1</sup>]

Country	1929		1932		1936		1937		1938		1939	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
<b>Exports to <sup>1</sup>—</b>												
All countries.....	24,928	100.0	10,661	100.0	15,106	100.0	16,109	100.0	16,336	100.0	16,985	100.0
UNITED STATES.....	11,400	45.8	3,971	37.2	8,955	59.3	10,334	64.2	11,346	69.5	12,003	70.7
United Kingdom.....	156	.6	520	4.9	345	2.3	100	.6	57	.4	65	.4
Germany.....	9,928	39.8	3,014	28.3	2,792	18.5	2,803	17.4	2,308	14.1	1,948	11.5
Japan.....	2				25	1	33	.2	23	.1		
Italy.....	2		48	.4	167	1.1	185	1.2	19	.1	38	.2
France.....	78	.3	574	5.4	225	1.5	215	1.3	95	.6	66	.4
All other.....	3,362	13.5	2,534	23.8	2,597	17.2	2,439	15.1	2,488	15.2	2,865	16.8
<b>Imports from <sup>1</sup>—</b>												
Grand total, all countries, including 25 percent calculated for freight, insurance, etc.....	\$ 30,399		\$ 7,466		14,390		20,929		20,952		19,120	
Total, all countries, exclusive of the 25 percent.....	24,459	100.0	6,025	100.0	11,512	100.0	16,743	100.0	16,761	100.0	15,296	100.0
UNITED STATES.....	13,540	55.3	2,980	49.5	4,877	42.4	7,588	45.3	7,492	44.7	8,332	54.5
United Kingdom.....	2,305	9.4	615	10.2	1,051	9.1	1,393	8.3	1,023	6.1	568	3.7
Germany.....	3,364	13.8	705	11.7	3,568	31.0	5,429	32.4	5,881	35.1	4,129	27.0
Japan.....	290	1.2	142	2.4	66	.6	69	.4	39	.2	49	.3
Italy.....	533	2.2	147	2.4	169	1.5	253	1.5	225	1.4	266	1.7
France.....	878	3.6	194	3.2	212	1.8	182	1.1	254	1.6	213	1.4
All other.....	3,849	14.5	1,242	20.6	1,569	13.6	1,829	11.0	1,847	11.0	1,739	11.4
25 percent calculated for freight, insurance, etc.....	5,940		1,441		2,878		4,186		4,191		3,824	

<sup>1</sup> The Guatemalan monetary unit, the quetzal, is equivalent to the United States dollar.

<sup>2</sup> Domestic exports. Gold and silver bullion and specie are included. Parcel post is included. Transit trade is excluded.

<sup>3</sup> Includes trade with the following countries:

Exports to—	Value (\$1,000)	Percent of total	Imports from—	Value (\$1,000)	Percent of total
Sweden.....	946	5.6	Peru.....	255	1.7
Netherlands.....	889	5.2	Netherlands.....	215	1.4
Czechoslovakia.....	118	.7	Sweden.....	192	1.3
Poland.....	111	.7	Belgium.....	132	.9
Finland.....	106	.6			

<sup>4</sup> General imports. Bullion, specie, and parcel post are included. Transit and transshipment trade is excluded. The grand total of imports includes overseas imports on the basis of foreign values, imports by land, by parcel post, and by air, plus 25 percent of the foreign value of imports, an amount estimated to cover the charges for freight, insurance, commission, etc.

<sup>5</sup> In 1929 and 1932, the 25 percent additional to cover charges for freight, insurance, and commission includes only imports by sea and by parcel post.

Source: Compiled by the United States Tariff Commission from *Memoria de los Labores del Ejecutivo en el Ramo de Hacienda y Crédito Público*.

important factors in Guatemala's export trade. Fairly substantial exports, however, went to the Netherlands and Sweden (see table 5). With continental European markets closed as a result of the war, the export trade of Guatemala is now virtually confined to the United States.

Exports from Guatemala to other countries of Latin America are usually negligible. In 1937 they amounted to but \$129,000, as compared with a total export trade valued at 16.1 million dollars. The principal destinations were El Salvador and Honduras.

TABLE 6.—Guatemala: Foreign trade by geographic areas and principal countries, in 1937

[Value in thousands of U. S. dollars ]

Exports <sup>1</sup>			Imports <sup>2</sup>		
To—	Value	Percent of total	From—	Value	Percent of total
Western Hemisphere:			Western Hemisphere:		
UNITED STATES.....	10,334	64.2	UNITED STATES.....	7,588	45.3
Canada.....	221	1.4	Canada.....	57	.4
El Salvador.....	64	.4	Mexico.....	267	1.6
All other Western Hemisphere countries.....	67	.4	Peru.....	247	1.5
Total.....	10,686	66.4	Honduras.....	69	.4
			All other Western Hemisphere countries.....	189	1.1
Europe:			Total.....	8,417	50.3
United Kingdom.....	100	.6	Europe:		
Germany.....	2,803	17.4	United Kingdom.....	1,336	8.0
France.....	214	1.3	Germany.....	5,429	32.4
Italy.....	185	1.2	France.....	182	1.1
Netherlands.....	729	4.5	Italy.....	253	1.5
Sweden.....	667	4.1	Czechoslovakia.....	271	1.6
Czechoslovakia.....	289	1.8	Sweden.....	230	1.4
All other European countries.....	400	2.5	All other European countries.....	542	3.2
Total.....	5,387	33.4	Total.....	8,243	49.2
Asia:			Asia:		
Japan.....	33	.2	Japan.....	69	.4
All other Asiatic countries.....	3	( <sup>3</sup> )	All other Asiatic countries.....	14	.1
Total.....	36	.2	Total.....	83	.5
Africa.....			Africa.....	( <sup>3</sup> )	( <sup>3</sup> )
Oceania.....			Oceania.....		
Grand total.....	16,109	100.0	Grand total.....	16,743	100.0

<sup>1</sup> The Guatemalan monetary unit, the quetzal, is equivalent to the United States dollar.

<sup>2</sup> Domestic exports. Gold and silver bullion and specie are included. Parcel post is included. Transit trade is excluded. Values are f. o. b. Guatemalan port or frontier, excluding export duties. (Beginning in 1940 export duties are included.)

<sup>3</sup> General imports. Bullion, specie, and parcel post are included. Transit and transshipment trade is excluded. The grand total of imports includes overseas imports on the basis of foreign values, imports by land, by parcel post, and by air, but does not include additional 25 percent of the foreign value of imports to cover the charges for freight, insurance, commission, etc.

<sup>4</sup> Less than one-tenth of 1 percent.

<sup>5</sup> Less than \$500.

Source: Compiled by the United States Tariff Commission from *Memoria de los Labores del Ejecutivo en el Ramo de Hacienda y Crédito Público*.

In the decade 1929–38, nearly nine-tenths of all shipments of coffee from Guatemala went to four countries—the United States, Germany, Sweden, and the Netherlands. In 1929 and 1932 Germany was the leading purchaser of coffee, taking, respectively, 49 percent and 38 percent of the total quantity exported. The United States ranked second in these years, with 35 percent and 27 percent, respectively.



In the period 1936-38, however, the United States was the principal market for Guatemalan coffee, its share increasing from 48 to 59 percent of the total. German purchases of coffee were substantially smaller in 1936 than in either 1929 or 1932; in the 3 years 1936-38 the German share in the coffee trade declined from 25 percent to 20 percent. Minor markets for this product, in addition to those already mentioned, were Norway, France, Denmark, Poland, Czechoslovakia, and Finland.<sup>45</sup> All these European markets are now (1941) closed as a result of the war, and practically all Guatemalan exports of coffee go to the United States.<sup>46</sup>

Virtually all exports of bananas from Guatemala go to the United States. In the period 1929-38 from 92 to 99 percent of all bananas were shipped to this market, except in 1932, when the proportion was 62 percent.<sup>47</sup> All exports of chicle from Guatemala are now shipped to the United States. In 1929 the proportion coming to this market, as recorded in the Guatemalan statistics, was 30 percent; in 1932 it was 62 percent. In the period 1936-38, however, all exports of chicle went to the United States.<sup>48</sup>

Before the war, Germany, the Netherlands, and the United Kingdom were the chief purchasers of Guatemalan honey. In 1938 Germany occupied first place with 53 percent of the total, in terms of value, followed by the United Kingdom with 20 percent and the Netherlands with 19 percent.

Sugar exported by Guatemala prior to the war went to a number of different markets. In 1936 Uruguay was the principal purchaser (71 percent), and the United States, second (29 percent). In 1937, however, the United States occupied first place (36 percent), followed by Uruguay (33 percent) and Germany (22 percent). In 1938 the Netherlands was the principal destination of sugar, taking 73 percent of the total value; the remainder was shipped to the United States.

Of the remaining Guatemalan export commodities in 1938, the United States took 85 percent of the mahogany, cedar, and other fine woods (in terms of value); 96 percent of the seeds, bulbs, and roots; 96 percent of the empty tanks and cylinders;<sup>49</sup> 72 percent of the essential oils; and all of the gold. Exports of cattle hides in 1938 went to Germany (94 percent) and to the Netherlands (6 percent). Germany was the principal purchaser of cacao (70 percent); the remainder went to the United States. Zacatón root was shipped to Germany (53 percent), Cuba (22 percent), and France (16 percent). Practically all exports of live animals from Guatemala customarily go to El Salvador and Honduras.

#### Imports into Guatemala.

*Trend.*—The most significant features of Guatemala's import trade in the period 1929-39 were the decline of the United States as a source

<sup>45</sup> For detailed statistics of Guatemalan exports of coffee, by countries of destination, in specified years, 1929 to 1938, see the section on coffee in part III of this report.

<sup>46</sup> See the section on natural resources and economy for a discussion of the Inter-American Coffee Agreement and the restriction of coffee planting in Guatemala.

<sup>47</sup> See the section on bananas in part III of this report.

<sup>48</sup> See the section on chicle in part III of this report. It is possible that in 1929 and 1932 quantities of chicle were exported from Guatemala to British Honduras, and thence reexported to the United States.

<sup>49</sup> These apparently are tanks imported into Guatemala charged with various gases, and returned empty to the country of origin.

of imports through 1938, the increase in imports from Germany through that year, and the revival of the importance of the United States in 1939. Imports into Guatemala from all countries and from the United States, in the period 1924-39, have already been shown in tables 1 and 2.<sup>50</sup>

The year 1929, the earliest shown in the subsequent detailed tables, was not a peak year in imports either from the world or from the United States, having been exceeded slightly in each case in 1928.<sup>51</sup> The value of imports from the world in 1929, however, exceeded the annual average value of imports in the 5 years 1924-28 by 18 percent. Imports from the United States in 1929 exceeded the annual average for the 5 years by 15 percent.

Total imports into Guatemala<sup>52</sup> in 1929 were valued at 30.4 million dollars. They declined sharply to 7.5 million dollars in 1932, or about 25 percent of the 1929 value. After 1932 imports increased regularly, reaching 21 million dollars in 1938, or 69 percent of the 1929 level. In 1939 they declined to 19.1 million dollars.<sup>53</sup>

*Composition.*—The import trade of Guatemala consists of a wide range of manufactured products, raw materials, and foodstuffs. By far the major part of imports consists of manufactured products, the ratio of which to the value of total imports rose from 71 percent in 1932 to 80 or 81 percent in each of the 4 years 1936-39. Imports into Guatemala, by groups and principal commodities, 1936-39, are shown in table 7. Because of changes in the Guatemalan import classifications, it has been impracticable to provide corresponding data for 1929 and 1932.

Imports of all groups listed in table 7 increased substantially in value in 1937 as compared with 1936. Of these groups, imports of manufactures and of foodstuffs, beverages, and condiments declined in value from 1937 to 1939. Imports in the group of raw and simply prepared materials, however, continued to increase, while gold and silver and live animals increased in value in 1938 as compared with 1937, and declined in 1939. For these principal groups, the ratios of the dollar values of imports in 1939 to those in 1936 were as follows: Manufactures, 134 percent; raw and simply prepared materials, 134 percent; foodstuffs, beverages, and condiments, 117 percent; gold and silver bullion and specie, 380 percent; and live animals, 104 percent.

<sup>50</sup> In table 1, two totals are shown for imports in each year. This is a result of the method employed in determining the value of imports. To the declared foreign values there is added 25 percent, an amount estimated to cover the charges for freight, insurance, commissions, and other charges. The Guatemalan statistics do not, however, show imports by country of origin with the addition of this 25 percent, and the figures for imports from the United States in table 2, and for all countries shown in tables 5 and 6, are exclusive of the 25 percent. The figures and percentages shown for individual import commodities in table 7 are also exclusive of the 25 percent for freight, insurance, commissions, and other charges.

<sup>51</sup> For purposes of comparability, based on values exclusive of the 25 percent additional. See footnote 50.

<sup>52</sup> Including the 25 percent additional for freight, insurance, and commissions.

<sup>53</sup> Price and quantum indexes of Guatemalan imports are not available.

TABLE 7.—Guatemala: Imports,<sup>1</sup> by commodity groups, principal subgroups, and commodities, 1936-39

[Value in thousands of U. S. dollars <sup>2</sup>]

Commodity group, subgroup, or commodity <sup>3</sup>	1936		1937		1938		1939	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
Grand total, including 25 percent for freight, insurance, commissions, and other charges.....	14,390		20,929		20,952		19,120	
Grand total.....	11,512	100.0	16,743	100.0	16,761	100.0	15,266	100.0
Manufactures.....	9,196	79.9	13,647	81.5	13,601	81.2	12,305	80.5
Cotton fabrics, plain.....	1,479	12.8	2,060	12.3	1,407	8.4	2,252	14.7
Iron and steel pipe and fittings.....	104	.9	622	3.7	2,053	12.3	1,474	9.6
Locomotives and railway materials.....	204	1.8	1,328	7.9	956	5.7	938	6.1
Motor vehicles.....	578	5.0	861	5.1	498	3.0	500	3.3
Pumps, elevators, and windmills.....	25	.2	91	.5	302	1.8	351	2.3
Thread, cotton.....	402	3.5	494	2.9	351	2.1	313	2.0
Structural iron and steel.....	206	1.8	333	2.0	297	1.8	261	1.7
Fungicides for agriculture.....	5	( <sup>4</sup> )	311	1.9	350	2.1	246	1.6
Medicines, prepared, for internal use.....	191	1.7	243	1.5	248	1.5	239	1.6
Iron and steel, forged, drawn, or rolled.....	174	1.5	255	1.5	211	1.3	222	1.5
Leather.....	173	1.5	180	1.1	181	1.1	183	1.2
Outer clothing, wearing apparel, and miscellaneous articles of clothing, and for personal use.....	200	1.7	219	1.3	192	1.1	176	1.2
Industrial machinery and accessories.....	110	1.0	281	1.7	172	1.0	175	1.1
Tires and inner tubes for vehicles.....	80	.7	119	.7	129	.8	162	1.1
Apparatus for telegraphy, telephony, and television, and accessories.....	119	1.0	208	1.2	187	1.1	154	1.0
Matches and vestas (wax matches).....	194	1.7	210	1.3	204	1.2	148	1.0
Electrical machinery, apparatus, and material.....	67	.6	109	.7	133	.8	143	.9
Engineering machinery and accessories.....	49	.4	88	.5	118	.7	137	.9
Fabrics, artificial silk, plain.....	153	1.3	72	.4	151	.9	127	.8
Bags and sacks, empty, of jute and other vegetable fibers.....	134	1.2	235	1.4	154	.9	125	.8
Agricultural tools.....	127	1.1	156	.9	161	1.0	121	.8
Spare parts and accessories for motor vehicles.....	68	.6	107	.6	106	.6	117	.8
Fabrics, wool and other animal fiber, plain.....	151	1.3	145	.9	112	.7	114	.7
Paints, prepared.....	71	.6	86	.5	89	.5	99	.6
Paraffin, ceresine, and ozokerite, pure or simply colored.....	41	.4	120	.7	103	.6	118	.8
Tools, for artisans.....	55	.5	94	.6	93	.6	89	.6
Kitchen utensils and tableware of iron and steel.....	113	1.0	97	.6	107	.6	70	.5
Cotton articles for domestic use.....	63	.5	105	.6	77	.5	66	.4
Bottles of all kinds, except thermos.....	27	.2	73	.4	179	1.1	50	.3
Raw and simply prepared materials.....	1,257	10.9	1,501	9.0	1,647	9.8	1,688	11.0
Gasoline and naphtha.....	383	3.3	429	2.6	431	2.6	456	3.0
Petroleum, crude.....	303	2.6	241	1.4	329	2.0	310	2.0
Cotton, crude and ginned.....	144	1.2	167	1.0	123	.7	133	.9
Lubricating oils.....	58	.5	84	.5	80	.5	116	.8
Kerosene, and similar combustible oils.....	107	.9	159	.9	100	.6	105	.7
Fertilizers of all kinds.....	107	.9	71	.4	140	.8	99	.6
Foodstuffs, beverages, and condiments.....	988	8.6	1,477	8.8	1,308	7.8	1,160	7.6
Wheat flour.....	419	3.6	545	3.3	489	2.9	354	2.3
Whisky, bottled.....	85	.7	99	.6	101	.6	89	.6
Vegetable oils and fats, except peanut, cacao, and nutmeg butter.....	22	.2	55	.3	75	.4	73	.5
Lard.....	5	( <sup>4</sup> )	59	.4	55	.3	49	.3
Gold and silver bullion and specie and bank notes.....	25	.2	42	.3	105	.6	95	.6
Live animals.....	45	.4	73	.4	98	.6	47	.3
Art objects, antiquities, and collections.....	1	( <sup>4</sup> )	3	( <sup>4</sup> )	2	( <sup>4</sup> )	1	( <sup>4</sup> )
Plus 25 percent to cover freight, insurance, commissions, and other charges.....	2,878		4,186		4,191		3,824	

<sup>1</sup> General imports. Bullion, specie, and parcel post are included. Transit and transshipment trade is excluded. Imports into warehouse are included in imports on arrival. Values are declared values. The values shown for imports, by sea, are f. a. s. (free alongside ship), port of shipment, plus 25 percent to cover freight, insurance, commissions, and other charges, up to the Guatemalan port, and excluding the consular fees. This 25 percent is not distributed among the items in the detail, but is shown as one figure at the bottom of the table.

<sup>2</sup> The Guatemalan monetary unit, the quetzal, is equivalent to the United States dollar.

<sup>3</sup> Classifications employed in this table are those given in the Guatemalan import statistics for 1939. Groups are ranked according to value in 1939.

<sup>4</sup> Less than one-tenth of 1 percent.

Source: Compiled by the United States Tariff Commission from *Memoria de los Labores del Ejecutivo en el Ramo de Hacienda y Crédito Público*.

Six items in the manufactured-products group accounted for more than one-third of the value of all imports in 1939. These were plain cotton fabrics (15 percent); iron and steel pipe and fittings (10 percent); locomotives and railway materials (6 percent); motor vehicles (3 percent); pumps, elevators, and windmills (2 percent); and cotton thread (2 percent). No one of the remaining commodities shown in the manufactured-products group in 1939 accounted for as much as 2 percent of total imports, in terms of value. The other manufactures listed in table 7 include all those representing one-half of 1 percent or more in 1938, and cover a wide range of products. Some of the more important are structural iron and steel; prepared medicines; forged iron and steel; matches; apparatus for telegraphy, telephony, television, and accessories; leather; bottles; agricultural tools; and bags and sacks of jute and other vegetable fibers.

Raw and simply prepared materials constituted from 9 to 11 percent of all imports into Guatemala in the period 1936-39. The most important commodities in this group are gasoline and naphtha (3 percent in 1939) and crude petroleum (2 percent in 1939). Other products included crude and ginned cotton; lubricating oils; kerosene and similar combustible oils; and fertilizers of all kinds.

Foodstuffs, beverages, and condiments have accounted for fairly stable proportions of total imports into Guatemala in recent years, ranging between 8 and 9 percent in the period 1936-39. Wheat flour, the most important single commodity, declined, however, from nearly 4 percent in 1936 to somewhat more than 2 percent in 1939. Other products in this group include bottled whisky, vegetable oils and fats, and lard.

The remaining Guatemalan import groups are gold and silver; live animals; and art objects, antiquities, and collections. In 1939, these three groups constituted approximately 1 percent of the value of total imports.

*Sources.*—In 1938 the leading sources of imports into Guatemala, with the share of the total value supplied by each country, were the United States, 45 percent; Germany, 35 percent; and the United Kingdom, 6 percent. Other suppliers in 1938 included France, Belgium, Sweden, Peru, Italy, the Netherlands, and Japan. Imports into Guatemala from selected countries, in specified years, 1929 to 1939, have already been shown in table 5. More detailed data for 1937 have been shown in table 6.

The United States was the principal supplier of Guatemalan imports in the period 1929-39; its share in the trade declined from 55 percent of the total value in 1929 to 45 percent in 1938, and increased to 54 percent in 1939. The value of imports from the United States varied from 3 million dollars (1932) to 13.6 million dollars (1929); in 1939 it amounted to 8.3 million dollars. The share of Germany increased irregularly from 14 percent in 1929 to 35 percent in 1938, and declined to 27 percent in 1939. Purchases from Germany ranged in value from \$705,000 (1932) to 5.9 million dollars (1938), and in 1939 were 4.1 million dollars. The shares of the value of total imports supplied by the United Kingdom, France, Italy, and Japan declined irregularly in the period 1929-39; except for the United Kingdom, these countries are relatively unimportant factors in the Guatemalan import trade. The share of the United Kingdom, which was 9 percent in 1929 and 10 percent in 1932, declined from 9 per-

cent in 1936 to less than 4 percent in 1939. In value, Guatemalan purchases from the United Kingdom in the decade 1929-38 varied from \$615,000 (1932) to 2.3 million dollars (1929); in 1939 they amounted to \$568,000.<sup>44</sup>

Imports into Guatemala from other countries of Latin America usually are fairly substantial. In 1937, for example, they were valued at \$772,000, or 4.6 percent of total imports. The principal Latin American sources of imports into Guatemala are Mexico, Peru, and Honduras.

Textiles and manufactures imported into Guatemala in the period 1935-37 originated principally in Germany, the United States, and the United Kingdom; minor suppliers were Japan, Italy, France, Nicaragua, the Netherlands, and Czechoslovakia. In 1937,<sup>55</sup> Germany was the leading supplier of cotton fabrics, the principal item in this group, with nearly two-fifths of the total, in terms of value. The United Kingdom ranked second with nearly one-third, followed by the United States with about one-fifth. Germany in 1937 was also the principal source of cotton yarn and thread (56 percent); wool fabrics (58 percent); rayon fabrics (37 percent); jute, cotton, or mixed bags (49 percent); and hosiery (68 percent). The United States led in furnishing raw cotton in 1937, with nearly three-fourths of the total, on the basis of value; most of the remainder came from Nicaragua. In 1937, the United States also was the principal source of Guatemala's imports of cotton, wool, silk, rayon, and linen clothing, and hats and caps.

Germany was the chief supplier of iron and steel and manufactures in 1935-36; the United States and Belgium occupied second and third positions. In 1937 the United States ranked first with 56 percent of the total (in terms of value), followed by Germany with 40 percent.

In 1937 the United States and Germany together supplied nearly all Guatemalan imports of machinery and tools, railway and tramway material and supplies, and automotive vehicles, parts and accessories. In this year the United States furnished three-fifths of the value of machinery and tools, more than one-half of the railway and tramway material, and about three-fourths of the automotive vehicles and automotive parts and accessories.

In ordinary times, Guatemalan imports of chemical products originate chiefly in the United States and Germany. In 1937, the United States provided about one-half of the value of chemicals, pharmaceuticals, and medicinal preparations, more than three-fourths of the prepared paints, more than one-half of the soap, and one-third of the perfumes and cosmetics. Germany was the source of about one-fourth of the soap and chemicals, pharmaceutical and medicinal preparations, and more than one-fourth of the perfumes and cosmetics. France occupied second place in perfumes and cosmetics with more than 30 percent of the total. Fertilizers came principally from Germany (56 percent), the United States (25 percent), and Belgium (11 percent).

Of the various foodstuffs imported into Guatemala in 1937, wheat flour came principally from the United States (92 percent); alcoholic beverages from the United Kingdom (59 percent) and France (20 percent); animal lard from the United States (61 percent) and the

<sup>44</sup> For the value of purchases from Italy, France, and Japan, see table 5.

<sup>55</sup> The latest year for which data are readily available.

Netherlands (36 percent); and vegetable lard from the Netherlands (49 percent), the United States (27 percent), and the United Kingdom (22 percent).

Mexico was the principal supplier of crude petroleum and of gasoline and naphtha in 1935-36, and the United States of lubricating oils. In 1937, however, the United States led in furnishing imports of crude petroleum, with more than four-fifths of the total, in terms of value; it also supplied nearly nine-tenths of the lubricating oils. Peru occupied first place as the supplier of gasoline and naphtha, with 46 percent of the total, followed by the United States with 27 percent and Mexico with 15 percent.

Of the remaining Guatemalan import groups, Germany in 1937 supplied more than one-third of the paper and cardboard and manufactures, in terms of value), nearly one-half of the leather and manufactures, nearly three-fourths of the glass and glassware, and three-fifths of the cement. The United States ranked second in all these groups, and also supplied nearly three-fourths of the rubber and manufactures, nearly two-thirds of copper, brass, bronze, and manufactures, more than half of the motion-picture films, and all of the wood. All matches imported into Guatemala in ordinary times originate in Sweden.

### UNITED STATES TRADE WITH GUATEMALA

United States trade with Guatemala is conditioned chiefly by the output of, and the markets for, coffee and bananas, the country's two principal income-producing commodities. In recent years, the production and export of bananas have increased appreciably, as new acreage has been brought under cultivation to offset the loss of production in areas affected by plant disease. Moreover, the United States has greatly expanded its consumption of Guatemalan bananas and coffee, and has invested considerable amounts of new capital in Guatemalan banana plantations. As a result, the value of United States imports from and exports to Guatemala has risen materially.

#### Trend of United States-Guatemalan trade.

The United States market for Guatemalan bananas and coffee, constituting all but a small part of total imports from that country, has fluctuated greatly since 1924. In the period 1924-28, when the prices of bananas and coffee were high, total United States imports from Guatemala averaged 11.1 million dollars annually. They declined to 3.5 million dollars in 1933, but since then, chiefly because of a marked increase in shipments of bananas, they have risen steadily; in 1939 they reached 10.7 million dollars, or only slightly less than the level of predepression years. The growth of trade has been continued into the war period. In 1940, imports amounted to 11.1 million dollars. Because of the recent rise in imports, Guatemala's share in total United States imports from Latin America has also increased (see table 8).

Exports from the United States to Guatemala have also risen in recent years. They reached a recovery peak of 8.6 million dollars in 1939, compared with 2.8 million in 1932 and an average of 10.6 million in the period 1924-28. After the outbreak of war in Europe they increased further, reaching 9.1 million dollars in 1940 (see table 8).

A considerable part of the increased trade is attributable to the recent installation of spraying equipment on banana plantations to combat plant disease, and, since the outbreak of the war, to the diversion of purchases from European sources.

TABLE 8.—United States imports from and exports to Guatemala, 1924-40  
[Value in thousands of dollars]

Year	General imports		Exports (including reexports)		Year	General imports		Exports (including reexports)	
	Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America		Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America
1924	10,089	1.0	8,824	1.2	1933	3,484	1.1	3,097	1.4
1925	11,338	1.1	9,382	1.1	1934	4,543	1.2	4,070	1.3
1926	14,491	1.4	11,088	1.3	1935	6,144	1.3	3,918	1.1
1927	10,179	1.1	10,632	1.3	1936	8,364	1.7	4,553	1.2
1928	9,561	1.0	13,314	1.6	1937	9,611	1.4	7,612	1.3
1929	8,470	.84	11,525	1.3	1938	9,529	2.1	6,861	1.4
1930	7,401	1.1	7,305	1.2	1939	10,725	2.1	8,574	1.5
1931	4,651	.97	5,196	1.7	1940 <sup>1</sup>	11,091	1.8	9,117	1.3
1932	4,501	1.4	2,820	1.5					

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

**United States imports from Guatemala.**

*Composition.*—Approximately 90 percent of the imports from Guatemala are accounted for by bananas and coffee, the remainder being mainly crude chicle and hardwood logs. Until recently, coffee was the principal commodity imported from Guatemala, but because of increasing imports of bananas, chicle, and hardwood logs, its share in the trade has declined. In 1939 coffee represented 40 percent of the total imports, as compared with 60 percent in 1932, whereas imports of bananas increased from 38 percent in 1932 to 49 percent of the total in 1939; in that year their value exceeded that of imports of coffee by nearly 1 million dollars (see table 9).

*Bananas.*—Guatemala is the third largest source of United States imports of bananas, being exceeded only by Mexico and Honduras. In 1939 Guatemala supplied 17 percent of total United States requirements. Imports of bananas from Guatemala have increased greatly in quantity and value in recent years; in 1939 they totaled 9.6 million bunches, valued at 5.2 million dollars, compared with only 3.3 million bunches, valued at 1.7 million dollars, in 1932 (see table 9). Although part of this increase is attributable to the recovery in demand in the United States, it is principally the result of greatly increased production in Guatemala. Serious damage caused by disease in producing areas on the Atlantic coast led to rapidly expanding cultivation on the Pacific coast after 1936; the total acreage under cultivation in Guatemala has increased sharply since that year.<sup>56</sup> Severe windstorms in

<sup>56</sup> The United Fruit Company, which exports most of Guatemala's bananas, increased the area under its cultivation from 16,200 acres at the end of 1936 to 34,500 acres at the end of 1939.

June and December 1940, however, resulted in considerable damage to both Pacific and Atlantic coast plantations, and since then shipments to the United States have been materially reduced.

*Coffee.*—United States imports of coffee from Guatemala, the fifth largest source, have also increased greatly, having risen from 21.5 million pounds in 1929 to 56.4 million pounds in 1939. Because of low prices, the value of the trade has not exceeded that of predepression years, despite the increased volume (see table 9). The growing demand for Guatemalan coffee is a reflection not only of increased per capita consumption of all coffees in the United States, but also of the more rapid increase in the consumption of "mild" coffees (from Central American countries, Colombia, and Venezuela), which differ from the "strong" varieties constituting most of United States imports.

Under the Inter-American Coffee Agreement, effective for 3 years, October 1, 1940–October 1, 1943, basic quotas were adopted for allocating among the signatory coffee-producing countries exports to the United States and to all other consuming countries. According to the agreement, annual imports of coffee into the United States are to be limited to approximately 2.1 billion pounds (or 15.9 million bags of 60 kilograms), of which 70.8 million pounds, or 3.4 percent, may be entered from Guatemala.<sup>57</sup> The agreement permits an increase in Guatemala's share in total United States imports of coffee, the quota for Guatemala being somewhat larger than recent imports from that country (see table 9).

*Other products.*—In the last few years Guatemala has become a substantial secondary supplier of United States imports of chicle, used in making chewing gum. In 1932 no imports of chicle came from Guatemala, but in 1939 they amounted to 2 million pounds (valued at \$697,000) and represented 14 percent of total United States imports. Mexico remained the principal source, supplying 75 percent of the total. The increase in imports from Guatemala is attributable principally to a revival there of the collection of chicle, which in an earlier period had been large.

In recent years Guatemala has also become a leading supplier of certain imported hardwoods, the principal varieties being *lignum vitae*, used chiefly in shipbuilding, and *prima vera*, used in making furniture. United States imports of *lignum vitae*, more than one-half of which came from Guatemala in 1939, are utilized principally as bearings for propeller shafts of ships; the extreme density, toughness, and self-lubricating qualities of *lignum vitae* make it the only satisfactory material for this special purpose. Imports have increased greatly in the last 2 years, partly because of increased shipbuilding requirements (see table 9).

*Dutiable status of imports.*—Inasmuch as bananas, coffee, chicle, and hardwood logs are on the free list, practically all United States imports from Guatemala enter free of duty. In the trade agreement with Guatemala, effective June 15, 1936, the duty on honey was reduced from 3 cents per pound to 2 cents; it was further reduced to 1½ cents per pound in the second trade agreement with Canada, effective Janu-

<sup>57</sup> Effective June 1, 1941, the Inter-American Coffee Board increased the total quantity of coffee permitted entry into the United States, raising the Guatemalan quota to nearly 72 million pounds.



ary 1, 1939.<sup>57a</sup> The duties on pineapples, prepared guavas, not specially provided for, and guava and mango pastes and pulps were bound against increase at the rates to which they previously had been reduced in the agreement with Haiti, effective June 3, 1935. The duty-free status of bananas, coffee, and hardwood logs was also bound.

TABLE 9.—United States imports for consumption from Guatemala of principal commodities, in specified years, 1929 to 1939

Commodity		1929	1932	1936	1937	1938	1939 <sup>1</sup>
	Unit	Quantity					
Bananas, green or ripe.....	1,000 bunches.....	7,260	3,286	6,713	8,874	9,175	9,588
Coffee, raw or green.....	1,000 lb.....	21,550	27,198	55,208	55,948	55,910	56,368
Chicle, crude.....	1,000 lb.....			626	1,276	1,623	2,051
Hardwood logs:							
Lignum vitae.....	M board feet.....	6	4	15	32	105	319
Other (in large part prima vera).....	M board feet.....	28	93	172	461	361	687
	Tariff status	Value (1,000 dollars)					
Bananas, green or ripe.....	Free.....	3,756	1,701	3,390	4,424	4,594	5,234
Coffee, raw or green.....	Free.....	4,535	2,709	4,612	4,529	4,094	4,332
Chicle, crude.....	Free.....			139	346	532	697
Hardwood logs:							
Lignum vitae.....	Free.....	2	1	3	8	23	55
Other (in large part primavera).....	Free.....	17	10	17	53	40	89
Imports of commodities shown above.....		8,310	4,421	8,161	9,360	9,283	10,407
Total imports from Guatemala.....		* 8,470	* 4,501	8,377	9,606	9,530	10,721
Principal imports (shown above) as percent of total.....		98.1	98.2	97.4	97.4	97.4	92.1

<sup>1</sup> Preliminary.  
\* General imports.

Source: Compiled from official statistics of the U. S. Department of Commerce.

United States exports to Guatemala.

The composition of United States exports to Guatemala, largely a nonindustrial country, is similar to that of exports to most Central American countries, chiefly manufactured products. The principal groups of products are machinery and vehicles, metals and manufactures, and textile manufactures (see table 11). Exports to Guatemala are as diverse as those to other Latin American countries; the leading commodities, shown in table 12, aggregated less than one-half of total export values in 1939. Among these were cotton cloth, wheat flour, copper sulfate, fuel oil, centrifugal pumps, cotton sheetings, gasoline, passenger cars, and motortrucks.

The most outstanding factors affecting recent exports to Guatemala have been the efforts of banana producers to combat the ravages of the plant disease on the east coast, the development of new banana-producing acreage on the Pacific coast, and extension of the Guatemalan railroad system. Substantial quantities of capital equipment and supplies have been shipped to Guatemala to counteract the plant disease. Exports to Guatemala of copper sulfate, the principal constituent of the fungicide periodically sprayed upon the plants, increased in value from only a few hundred dollars in 1936 to \$291,000 in 1939. The installation and operation of permanent spraying

<sup>57a</sup> The reduced rate of 1½ cents per pound became applicable to imports from Guatemala by reason of the most-favored-nation provisions of the trade agreement with that country.

equipment also resulted in greatly increased shipments from the United States of pumps, fuel oil used in their operation, and pressure pipe utilized for distributing the fungicide. Because of increased railroad construction in Guatemala, exports of railroad ties, rails, and other track material rose sharply in 1937; shipments of locomotive and railway-car parts also increased (see table 12).

Other exports which have been appreciably larger in recent years include raw cotton, gasoline, steel bars and sheets, metal drums, household refrigerators, and radio apparatus. The quantity of raw cotton shipped to Guatemala in 1939 was more than double that of the previous decade; the increased exports of raw cotton, and the accompanying decreased trade in cotton cloth, reflect the growth of Guatemala's textile industry.

TABLE 11.—United States exports (domestic merchandise) to Guatemala, by commodity groups, in 1938 and 1939

[In thousands of dollars]

Commodity group	1938	1939 <sup>1</sup>	Commodity group	1938	1939 <sup>1</sup>
Animals and animal products, edible, total.....	153	165	Metals and manufactures, except machinery and vehicles, total.....	1,118	1,505
Animals and animal products, inedible, total.....	152	202	Iron and steel-mill products.....	669	892
Leather.....	104	152	Advanced manufactures of iron and steel.....	324	421
Vegetable food products and beverages, total.....	659	633	Machinery and vehicles, total.....	1,616	1,870
Wheat flour.....	444	377	Electrical machinery and apparatus.....	404	340
Vegetable products, inedible, except fibers and wood, total.....	172	208	Industrial machinery.....	639	764
Textile fibers and manufactures, total.....	900	1,403	Automobiles, parts and accessories.....	334	410
Raw cotton.....	86	110	Chemicals and related products, total.....	643	772
Cotton manufactures.....	602	959	Medicinal and pharmaceutical preparations.....	134	168
Wood and paper, total.....	475	483	Chemical specialties.....	275	362
Railroad ties, creosoted or other preserved.....	317	309	Pigments, paints, and varnishes.....	112	111
Paper and manufactures.....	83	129	Miscellaneous.....	273	323
Nonmetallic minerals, total.....	675	946			
Refined mineral oils.....	491	681	Total exports.....	6,836	8,510

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

TABLE 12.—United States exports (domestic merchandise) to Guatemala of principal commodities, in specified years, 1929 to 1939

[Value in thousands of dollars]

Commodity	Unit of quantity	1929		1932		1936		1937		1938		1939 <sup>1</sup>	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Lard, including neutral lard.....	1,000 lb.....	3,271	448	1,359	93	1	(?)	294	38	503	47	687	47
Wheat flour, wholly of United States wheat.....	1,000 bbl. (196 lb.).....	185	1,208	118	427	46	194	86	450	93	391	96	320
Other wheat flour.....	1,000 bbl. (196 lb.).....					26	125	18	117	11	63	13	51
Automobile tire casings.....	Number.....	6,723	125	2,393	29	3,156	40	5,904	85	3,493	54	5,432	81
Raw cotton, except linters, Upland, under 1½ inches.....	1,000 lb.....	848	93	266	17	559	75	1,061	124	860	84	1,165	108
Cotton sheetings, unbleached (gray).....	1,000 sq. yd.....	3,053	312	3,514	163	2,444	167	2,603	206	2,936	173	4,182	239
Cotton cloth, bleached, dyed, printed, and colored yarn fabrics.....	1,000 sq. yd.....	6,669	964	2,782	249	1,835	248	1,528	224	2,199	255	4,093	470
Shirts.....	100 doz.....	158	153	34	23	26	31	35	38	33	35	39	42
Railroad ties, creosoted or otherwise preserved.....	Thousand.....	49	51	6	5	23	13	149	143	312	317	4,280	146
Gasoline and other petroleum motor fuel.....	1,000 bbl. (42 gal.).....	14	98	14	63	37	131	58	196	43	135	70	202
Illuminating oil (kerosene).....	1,000 bbl. (42 gal.).....	4	33	4	19	5	27	8	43	12	57	16	77
Gas oil and distillate fuel oil.....	1,000 bbl. (42 gal.).....			3	1	10	23	10	39	6	21	27	57
Residual fuel oil.....	1,000 bbl. (42 gal.).....	281	248	85	76	150	126	292	236	229	200	288	199
Lubricating oil, red and pale.....	1,000 bbl. (42 gal.).....	3	55	1	17	2	80	6	56	3	44	5	72
Paraffin wax, refined.....	1,000 lb.....	2,113	116	2,955	88	2,668	166	2,364	91	2,428	85	2,116	81
Steel bars, not containing alloy.....	Short ton.....	346	21	56	3	140	98	843	47	1,248	65	2,302	105
Steel sheets, galvanized.....	Short ton.....	(10)	(10)	97	6	299	19	1,164	105	1,007	92	1,905	150
Structural shapes, fabricated.....	Ton.....	1,705	127	43	3	568	48	440	55	577	51	423	35
Railway-track material:													
Rails, 60 pounds and over per yard.....	Ton.....	11	12			1,599	28	6,191	145	770	22	142	7
Relaying rails.....	Ton.....	(10)	(10)	(10)	(10)	(10)	(10)	1,768	45				
Rails, joints, splice bars, fish plates, and tie plates.....	Short ton.....	318	15			207	9	1,026	44	1,671	32	220	10
Cast-iron pressure pipes and fittings.....	Short ton.....	81	4	436	10	334	18	5,245	105	1,119	68	885	50
Welded galvanized pipe, steel.....	Short ton.....	(10)	(10)	15	2	52	5	1,438	122	346	37	698	58
Car wheels, tires, and axles.....	Short ton.....	120	11	78	4	498	18	744	31	644	46	578	34
Miscellaneous cutlery and parts.....	Short ton.....		33		11		20		37		36		44
Metal drums and containers for oil, gas, and other liquids.....	(10).....	(10)	(10)		17		23		14		67		116
Miscellaneous iron and steel manufactures <sup>11</sup> .....	Number.....		88		8		29		38		74		55
Household refrigerators.....	Number.....	(10)	(10)	17	2	236	19	438	40	329	32	435	43

See footnotes at end of table.

TABLE 12.—United States exports (domestic merchandise) to Guatemala of principal commodities, in specified years, 1929 to 1939—Continued

Commodity	Unit of quantity	1929		1932		1936		1937		1938		1939	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Radio transmitting sets, tubes, and parts			6		6		4		64		87		7
Radio receiving sets	Number	126	8	915	34	2,240	82	2,299	83	2,121	73	3,202	79
Locomotive parts and accessories			10		2		24		41		30		31
Centrifugal pumps	Number	2	( <sup>2</sup> )	4	1	10	1	22	19	40	82	80	242
Reciprocating power pumps	Number	185	15	11	1	13	3	45	28	21	49	15	46
Pumps (other than centrifugal, reciprocating, rotary, and hand and windmill pumps) and parts			3		1		2		12		133		14
Iron or steel body valves and parts for steam, water, oil and gas			1				3		5		35		16
Motortrucks, busses, and chassis, new	Number	<sup>12</sup> 140	<sup>13</sup> 159	29	18	274	183	384	273	159	119	233	161
Passenger cars and chassis, new	Number	<sup>12</sup> 369	<sup>13</sup> 313	53	32	300	215	352	264	192	152	210	175
Automobile parts for replacement			109		32		33		67		60		64
Landplanes (powered)	Number	( <sup>10</sup> )	( <sup>10</sup> )	( <sup>10</sup> )	( <sup>10</sup> )				8		7		45
Motorcycles	Number	33	8	1	( <sup>2</sup> )	9	2	147	46	34	11	31	10
Parts of railway cars, except axles and wheels			19		6		21		36		36		34
Copper sulfate (blue vitriol)	1,000 lb.	36	2	24	1	6	( <sup>2</sup> )	3,426	172	6,813	223	7,707	291
Ready-mixed paints, stains, and enamels	1,000 gal.	<sup>14</sup> 42	<sup>14</sup> 66	18	29	40	63	47	81	47	87	46	84
Exports of commodities shown above			4,934		1,499		2,216		4,252		3,796		4,159
Total exports to Guatemala			11,436		2,794		4,521		7,397		6,836		8,510
Principal exports (shown above) as percent of total			43.1		53.7		49.0		57.5		55.5		48.9

<sup>1</sup> Preliminary.<sup>2</sup> Not over 500.<sup>3</sup> Used tire casings averaging less than \$2 not included in 1939.<sup>4</sup> United States official standard.<sup>5</sup> Classified as "Short-staple cotton under 1½ inches."<sup>6</sup> Quantity in 1,000 feet.<sup>7</sup> Classified as "Gasoline, naphtha, and other finished light products."<sup>8</sup> Classified as "Gas and fuel oil."<sup>9</sup> Includes small amount of stainless and other alloy steel.<sup>10</sup> Not separately classified.<sup>11</sup> Classified as "Rails, 50 pounds and over per yard."<sup>12</sup> Data not strictly comparable for the series.<sup>13</sup> May include some second-hand articles.<sup>14</sup> Classified as "Other ready-mixed paints."

Source: Compiled from official statistics of the U. S. Department of Commerce.

**Balance of payments between the United States and Guatemala.**

The principal features of the balance of payments between the United States and Guatemala in recent years (see table 13) have been the comparatively large import trade balance for the United States, the substantial expenditures of United States travelers in Guatemala, and the investment of new United States capital in Guatemalan banana plantations.

The United States has customarily had an import merchandise balance with Guatemala. This balance, moreover, has been comparatively large in the last 5 years; in 1939 it amounted to 2.2 million dollars. In addition to the strictly merchandise imports from Guatemala, the United States has also imported some gold which is the product of Guatemalan mines and does not represent monetary reserves. The substantial debit balance for the United States arising from the merchandise and gold accounts is increased further by the expenditures of United States travelers in Guatemala, which rose to 0.7 million dollars in 1938. (See table 13.)

Interest, bond-redemption, and sinking-fund receipts by United States owners of Guatemalan dollar bonds have been substantial credits for the United States in its financial transactions with Guatemala. Interest has been received continuously throughout the period shown, but the amounts received have been smaller and on an adjusted basis since 1932, when the dollar bonds of Guatemala went into default. At the end of 1938, estimated United States holdings of the dollar bonds of Guatemala totaled 4.7 million dollars (par value),<sup>58</sup> but as a result of retirements, and cancellations since then, this amount has been materially reduced. Until 1939 there were three issues of dollar bonds; one, after default, was replaced in 1936 by readjustment bonds on which interest has been paid in full. Partial interest continued to be paid on the other two issues, until one of these, which was privately held, was purchased and canceled by the Guatemalan Government in 1939. As a result of these actions, remittances (interest and principal payments) annually due United States owners of Guatemalan dollar bonds are no longer a large item in the balance of payments between the two countries.

The statistics shown in table 13 cover only part of the items customarily included in a balance-of-payments statement; the principal items omitted are the income from United States investments (credit) and the investment of United States capital in Guatemala (debit). Both items may be large, although they partially offset each other in the balance of accounts. As a result of the development of new banana-producing sites in Guatemala and the efforts of the banana producers to counteract the effects of banana diseases, several million dollars of new capital have been invested in United States enterprises in Guatemala. Such investments have, of course, been partly reflected in the recent increase in exports to Guatemala. A large part of the income from United States investments in Guatemala (valued at 50.4 million dollars at the end of 1936<sup>59</sup>) is also reflected in the merchandise account, as a substantial part of United

<sup>58</sup> U. S. Department of Commerce, *The Balance of International Payments of the United States in 1938*, p. 90.

<sup>59</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936*, p. 12.

States imports from Guatemala consists of products of United States enterprises operating in Guatemala. A part of the revenue obtained from the sale of such products in the United States market is retained by these concerns as income on their investment.

TABLE 13.—*Partial balance of payments between the United States and Guatemala, 1929-38*  
[In millions of dollars]

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
<b>Trade and service items:</b>										
Merchandise exports to Guatemala <sup>1</sup> .....	11.5	7.3	5.2	2.8	3.1	4.1	3.9	4.6	7.6	6.9
Merchandise imports from Guatemala <sup>1</sup> .....	8.5	7.4	4.7	4.5	3.5	4.5	6.1	8.4	9.6	9.5
Net merchandise exports to (+) or imports from (-) Guatemala.....	+3.0	-1	+5	-1.7	-4	-4	-2.2	-3.8	-2.0	-2.6
Receipts from Guatemala for shipping services <sup>2</sup> .....	.4	.3	.3	.1	.1	.1	.1	.1	.2	.1
Expenditures of Guatemalan travelers in U. S. <sup>3</sup> .....	.1	.1	.1	.....	.....	.1	.1	.1	.1	.1
Expenditures of U. S. travelers in Guatemala <sup>4</sup> .....	.2	.2	.1	.1	.1	.1	.2	.4	.5	.7
Interest receipts from Guatemala.....	.4	.4	.4	.3	.3	.2	.1	.2	.2	*.1
Net receipts from (+) or payments to (-) Guatemala for services <sup>5</sup> .....	+7	+6	+7	+3	+3	+3*	+1	.....	.....	-4
Net receipts from (+) or payments to (-) Guatemala on trade and service account <sup>6</sup> .....	+3.7	+5	+1.2	-1.4	-1	-1	-2.1	-3.8	-2.0	-3.0
<b>Gold and silver:</b>										
Net gold imports from Guatemala <sup>1</sup> .....	-2	-3	-3	-2	-1	-2	-2	-2	-3	-2
Net silver imports from Guatemala <sup>1</sup> .....	.....	.....	.....	.....	-1	.....	-1	.....	.....	.....
Net gold and silver imports from Guatemala.....	-2	-3	-3	-2	-2	-2	-3	-2	-3	-2
<b>Capital items:</b>										
Bond-redemption and sinking-fund receipts from Guatemala <sup>1</sup> .....	.....	+5	+5	+1	+3	.....	.....	+4	.....	+1
Net balance on items shown <sup>6</sup> .....	+3.5	+7	+1.4	-1.5	.....	-3	-2.4	-3.5	-2.3	-3.1

<sup>1</sup> United States statistics, unadjusted.

<sup>2</sup> Rough estimates.

<sup>3</sup> Allowance made for repurchases of Guatemalan dollar bonds by foreigners.

<sup>4</sup> Excluding return on United States direct investments in Guatemala.

<sup>5</sup> Bond-redemption receipts adjusted for repurchases by foreigners in all years; sinking-fund receipts in 1938 only.

<sup>6</sup> Exclusive of return on direct investments (receipts) and new investments (payments) in Guatemala.

NOTE.—Net credit balances for the United States are indicated by +; net debt balances by -.

Source: Especially prepared for this report by the Finance Division, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

# HONDURAS

## A DESCRIPTION

### Physical characteristics.

The Republic of Honduras,<sup>1</sup> third largest of the Central American countries, is bounded on the north by the Caribbean Sea, on the southeast by Nicaragua, on the northwest by Guatemala, and on the south by El Salvador and the Gulf of Fonseca. Extending about 200 miles from north to south at its widest point, and with a maximum length of more than 400 miles, it has a Caribbean coast line of about 350 miles, and a coast line on the Pacific Ocean (Gulf of Fonseca) of about 50 miles. The area of Honduras is 46,250 square miles, approximately equivalent to that of the State of New York.

Honduras is a mountainous and heavily timbered country. The mountain ranges and the spurs extending from them form a number of elevated tablelands and fertile valleys and plains. The principal plain is the Comayagua, northwest of Tegucigalpa, the capital city. About 40 miles in length and from 5 to 15 miles in width, it is very fertile. Other important plains are the Jamastran, the Lepaguare, and the Valle de Sula. In the mountain ranges of southern Honduras there are elevations of 10,000 feet; the mountains of the north are less high.

As in other mountainous tropical countries, the climate of Honduras varies considerably, depending on the altitude. In the coastal plains it is hot and humid, and the rainfall is heavy; in the plateau regions and in the mountains it is drier, and the climate is temperate and healthful. The average maximum temperature at Tegucigalpa is about 75° F. Although there are two seasons, the rainy and the dry, they are not clearly defined. In general, the rainy season extends from May to December and the dry season from January to April. Rainfall varies considerably in different parts of the country, but is heavier on the Atlantic coast than on the Pacific. The average annual rainfall at Tegucigalpa is about 65 inches.

The principal rivers of Honduras are the Ulúa, the Chameleco, the Aguan, the Sica, the Patuca, the Tinto, and the Wanks, which flow into the Caribbean Sea, and the Choluteca, the Goascorán, and the Nacaome, which flow into the Pacific. The chief navigable river is the Ulúa, which rises in the Comayagua Plain, and drains about one-third of the country; it is navigable for about 125 miles. There is one large navigable lake, Lake Yojoa, which is 25 miles long and 6 to 8 miles wide, situated in the western part of the country.

Approximately 1,500 miles of railroad are in operation in Honduras; about 800 miles is main-line trackage. All the railroads are owned or operated by two large fruit companies in northern Honduras. The principal lines are the Truxillo Railway, operating

<sup>1</sup> In Spanish, República de Honduras.

from Puerto Castilla toward Juticalpa; the Standard Fruit Railway Company, operating plantation railways east and west from La Ceiba; the Tela Railway,<sup>2</sup> operating plantation railways from Tela; and the National Railway of Honduras,<sup>3</sup> which connects Puerto Cortés with Potrerillos, a distance of 60 miles. Tegucigalpa, the capital, is not served by a railroad.

In 1938 there were about 500 miles of highways in Honduras, of which more than 300 miles were all-weather roads. The principal highways are the Carretera del Sur, from Tegucigalpa to San Lorenzo (84 miles), and the Carretera del Norte, from Tegucigalpa to Lake Yojoa (154 miles). Trunk highways between other points are under construction. During the fiscal year 1939-40, approximately \$69,000 was expended on the constructed portion of the Pan American Highway between Nacaome and Choluteca. On January 1, 1941, there were 1,590 automotive vehicles registered in Honduras.

#### Population.

In 1935, the year of the most recent census, the population of Honduras was 962,000, or about 21 persons to the square mile. Large sections of the country, however, are virtually unoccupied. By far the greater part of the Honduran population is rural; the 10 principal cities, including adjacent rural populations, accounted in 1935 for less than 15 percent of the total population. The Territory of Mosquitia, one of the two largest subdivisions of Honduras, is sparsely inhabited and largely unexplored.

The principal city of Honduras is its capital, Tegucigalpa. Located on an interior plateau at an elevation of about 3,500 feet, its population in 1935 was 35,000. Other important interior cities, with their populations in 1935,<sup>4</sup> are San Pedro Sula, in the northwestern part of the country, 17,500; Choluteca, inland from the Gulf of Fonseca, 13,600; Nacaome, near the Gulf of Fonseca, 11,300; Santa Rosa de Copán, in the western part of the country, 10,500; and Comayagua, northwest of Tegucigalpa, 10,300. The principal port on the Pacific Ocean is Amapala; located on Tigre Island, in the Gulf of Fonseca, it has a population of 2,900. Important ports on the Caribbean Sea, with their populations, are La Ceiba, 13,800; Trujillo, 10,300; Tela, 9,900; and Puerto Cortés, 6,500. All of these ports are located on the western half of the Caribbean coast of Honduras.

The people of Honduras are largely of European, Indian, and mixed European and Indian stock. Full-blooded Indians are estimated to number about 35,000; they live principally in the Mosquitia area in the eastern part of the Atlantic coast. On the Caribbean coast there are a number of Negroes, most of whom are employed by United States fruit-exporting companies. The language of Honduras is Spanish, but some Indian tribes speak only their own dialects. English is quite generally understood on the northern coast, where the fruit companies operate.

#### Natural resources and economy.

*Agriculture.*—Although mining has become of considerable importance in recent years, Honduras is essentially an agricultural country.

<sup>2</sup> Ferrocarril Tela.

<sup>3</sup> Ferrocarril Nacional de Honduras.

<sup>4</sup> These figures apparently include both the urban population of the cities and the population of their adjacent rural districts.



The principal agricultural exports are bananas and coffee, but small quantities of leaf tobacco, citrus fruits, and other products are shipped abroad. Sugarcane, beans, rice, corn, wheat, potatoes, cotton, and henequen are grown principally for domestic consumption, although there are occasionally some exports to the adjacent countries. Corn, the most important agricultural crop in Honduras, is an important element in the diet of the people. Little wheat is grown. Sugar, at one time an important export product, is no longer shipped abroad. Except for the extensive banana plantations in northern Honduras, there are no large agricultural estates, and farming is conducted chiefly on small holdings. Only a small part of the total area of the country is under cultivation.

The export trade of Honduras is largely dependent upon one commodity, bananas; in the decade 1929-38 this product constituted from three-fifths to four-fifths or more of total exports. Because of the importance of bananas, the effects of fluctuations in prices of that product, shifts in markets, and variations in the volume of production are directly reflected in both the export and the import trade. Moreover, since government revenue is in large part provided by import and export duties, any diminution in the foreign trade of the country adversely affects the fiscal position of the Government.

Although bananas grow in most parts of the country, up to elevations of 3,000 feet, production takes place principally in the humid lowlands along the Caribbean coast. Two United States companies are engaged in the trade. From 1928 to 1934 Honduras was the world's leading exporter of bananas. In 1938, however, it ranked third, being exceeded by both Jamaica and Mexico. The peak of Honduran production of bananas was reached in 1929. The decline in production after 1935 is attributable to the outbreak of sigatoka or leaf-spot disease and the subsequent abandonment of substantial banana acreage. Serious efforts have been made to control the disease, and the spraying and dusting of the banana plants has brought it partially under control. The decline in the production of bananas has adversely affected the export trade of Honduras, and the decline in exports has, of course, operated to reduce imports.

Coffee is the second-ranking Honduran agricultural export. Production and exports are small compared with other countries of Central America, but the coffee is of good quality. Cultivation occurs principally in the eastern part of the country in the Departments of Santa Barbara, Gracias, Copán, and Choluteca, at elevations of from 1,500 to 3,000 feet. The industry is not highly organized; production is largely by independent proprietors on small holdings. Exports of coffee in 1937-38 amounted to 2.6 million pounds.

The cultivation of tobacco and the manufacture of cigars is an important industry in Honduras. The tobacco, grown in the western Departments, is consumed principally in the domestic market, but large numbers of cigars are exported to El Salvador.

*Pastoral industries.*—Honduras has large areas of natural pasturage suitable for the raising of livestock; the principal ones now in use are in the north-central part of the country. The number of cattle in the country is estimated to be between 400,000 and 500,000. Cattle hides are exported, as well as some live cattle.

*Mining.*—A large number of minerals exist in Honduras, but, with the exception of gold and silver, few have been worked on a com-

mercial basis. Some minerals occur in each of the Departments. The mining of gold and silver has been very active since 1933. The value of gold production in 1939 was estimated to be 1.2 million dollars. Production of silver in 1939 amounted to 4.1 million troy ounces, valued at approximately 1.6 million dollars. Next to bananas, precious metals constitute the most important Honduran export; in 1938, gold and silver together accounted for more than one-fourth of total exports. Other minerals and ores existing in Honduras include copper, iron, coal, lead, zinc, nickel, antimony, and cinnabar. There is a small production of some of these minerals.

*Forest industries.*—The forest resources of Honduras are extensive. Large stands of mahogany and other hardwoods exist in the north-eastern part of the country, in the interior valleys, and near the southern coast. There are some exports of mahogany, but exports of other woods are negligible. Mahogany and other hardwoods were long an important item of export, but the increasing cost of inland transportation has caused a decline in production. Substantial quantities of coconuts are exported; they are grown principally in the Puerto Sol district of the Atlantic coast, from the Ulúa River to the Cuero River, and in the Bay Islands. Exports in 1938 amounted to 6.7 million nuts, valued at \$82,000. There are small exports of copra.

*Manufacturing.*—With the exception of small factories devoted to the production of light consumer goods, there has been little industrial development in Honduras. The industries for the most part operate on a small scale, employ but a few workers, and produce for a limited local market. Among the commodities produced are ready-made clothing, shoes, straw hats, leather goods, soap, candles, beer, mineral water, matches, cigars, cigarettes, wheat flour, banana flour, coffee, lard, coconut oil, canned fish, preserves, brooms, turpentine, and tiles. Practically the only manufactured product exported by Honduras is cigars, all of which customarily go to El Salvador.

*Foreign investments.*—Statistics of foreign investments in Honduras, other than those of the United States and the United Kingdom, are not available. United States direct investments at the end of 1936 amounted to 36.4 million dollars.<sup>5</sup> No data are available to show the composition of these investments by economic groups, but they are probably in agriculture (bananas), mining, public utilities, and transportation. No information is available concerning the size of the United States portfolio of Honduran securities.<sup>6</sup> In 1940, United Kingdom investments of all types in Honduras were estimated to be 1.7 million pounds sterling (approximately 7 million dollars).<sup>7</sup>

## THE FOREIGN TRADE OF HONDURAS

In recent years Honduras has accounted for about one-sixth of the value of all exports from the six countries of Central America, and for about one-eighth of all imports into them. Exports in the fiscal

<sup>5</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936*, p. 12. "Direct" investments are defined as all United States investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice.

<sup>6</sup> "Portfolio" investments are defined as equity and other security investments in foreign-controlled corporations, and investments in the security issues of foreign governments or subdivisions thereof.

<sup>7</sup> *The South American Journal*, January 25, 1941, pp. 49-50.

year<sup>9</sup> 1939 were valued at 9.9 million dollars, as compared with imports of 9.7 million dollars.<sup>9</sup>

Exports from Honduras customarily exceed imports into the country; exports have been greater than imports in 12 of the 16 fiscal years 1924-39. Exports exceeded imports in all years of the decade 1929-38 except in 1937 and 1938, when the import balances were, respectively, \$746,000 and 2.2 million dollars. Export balances in the 8 fiscal years 1929-36 ranged from \$492,000 (1936) to 10.2 million dollars (1930).<sup>10</sup>

In proportion to its population, the foreign trade of Honduras is small. Exports in 1939 were equal to about \$9.80 per capita, and imports to \$9.70 per capita.

#### Honduran commercial policy.

*The tariff.*—Honduras has a single-column tariff, from which conventional reductions were made in the trade agreement with the United States, effective March 2, 1936. These concessions were tentatively extended to Germany on August 1, 1936, but apparently were not extended to Belgium-Luxemburg and France, the other countries with which Honduras had most-favored-nation agreements.<sup>11</sup> The most-favored-nation agreements with Germany and France were denounced by Honduras later in 1936.

In the trade agreement between the United States and Honduras, effective March 2, 1936, tariff concessions granted by Honduras to the United States included reductions in duty on 17 tariff classifications, and bindings against increase in duty on 20 others. About 120 commodities were affected. The reductions in the Honduran duties ranged from about one-third to three-fourths of the duties in effect prior to the conclusion of the agreement. About 24 percent of United States exports to Honduras in 1934 were affected by the agreement. Concessions made by the United States to Honduras related entirely to distinctive tropical products. Five tariff items, making up a large part of total imports from Honduras, were bound on the free list, and reductions in duty were granted on four other products.<sup>12</sup> The products covered in the agreement represented 96 percent of United States imports from Honduras in 1934.

By a decree of December 15, 1937, effective January 21, 1938, Honduras inaugurated a triple-column tariff, based on trade balances. The maximum column (basic rates plus 50 percent) was applicable to the products of countries exports to which were valued at less than 25 percent of imports therefrom. The middle column (basic rates plus 25 percent) applied to the products of countries whose purchases from Honduras amounted to between

<sup>9</sup> Prior to 1937-38, all years are fiscal years ended July 31. In 1938 the fiscal year was changed by law to end June 30. The statistics for 1937-38, therefore, originally consisted of but 11 months (July 1-June 30). Subsequently, to make the statistics for that fiscal year comparable with those for other years, statistics for July 1938 were added to the 1937-38 fiscal year and thus made it a 12-month period. Consequently, July 1938 appears in both the 1937-38 and 1938-39 fiscal years.

<sup>10</sup> The Honduran monetary unit, the lempira, is maintained at the fixed rate of 2 lempiras to 1 United States dollar.

<sup>11</sup> Export values employed by Honduras are f. o. b. Honduran port or frontier, excluding export duties. Import values are f. o. b. place of consignment, excluding consular fees, as declared by merchants.

<sup>12</sup> The nonextension of the concessions to Belgium-Luxemburg and France was apparently on the ground that these countries had established exchange controls, quotas, or other measures which restricted imports from Honduras.

<sup>13</sup> See the section on United States trade with Honduras, p. 103 ff.

25 and 50 percent of their sales thereto. The minimum column (the rates hitherto in force) applied to the products of foreign countries taking Honduran products valued in excess of 50 percent of their sales to the Republic. The surcharges were applicable on the basis of trade statistics for the fiscal year ended July 31, 1937. Under the law, the Honduran Executive had discretionary power to apply the lowest rates to commodities from countries not entitled to such rates, provided the commodities were not obtainable elsewhere, and to raw materials and articles of prime necessity, irrespective of the country of origin.

The triple-column trade-balancing tariff was abolished February 8, 1939, and Honduras reverted to the single-column tariff system. The Executive does not have the power to alter import duties, either autonomously or in trade agreements, prior to legislative approval. Preferential rates are accorded to other countries of Central America which grant reciprocal preference to Honduran products. An agreement of February 28, 1918, between Honduras and El Salvador provides for reciprocal free trade in the products of both countries. A similar agreement with Nicaragua, concluded in 1930, was denounced by Honduras to expire July 17, 1936. There is no board or commission in Honduras to advise the Government on matters relating to the tariff.

The Honduran tariff is primarily for revenue,<sup>13</sup> but it restricts foreign competition with a number of the products of domestic industry. The rates of duty are high. The tariff law now in force was promulgated May 19, 1934, but certain additions, deletions, and changes in rates have been made from time to time. Duties are almost entirely specific. The specific duties are, with few exceptions, based on weight (gross kilograms). The ad valorem duties, except for precious stones and metals, are based on values f. o. b. port of export in the country of origin.

In addition to the regular import duties, there are various wharfage, port, and stowage charges, and a toll tax.<sup>14</sup> The Honduran Congress on January 30, 1940, established an ad valorem tax of 1 percent of the total value of each invoice covering foreign merchandise imported into Honduras through all land and sea ports of entry. The revenue derived from this tax is to be used for the construction and maintenance of the Honduran national highways.<sup>15</sup>

*Export duties.*—Export duties are levied by Honduras on a number of products, including bananas, female cattle, and a wide variety of specified woods,<sup>16</sup> as well as unspecified construction woods, cabinet woods, and dyewoods. The export duty on bananas is 2 centavos (\$0.01) per bunch, unless the exports are made by organizations to which concessions have been granted.<sup>17</sup> The export duty

<sup>13</sup> Of the Honduran revenues for the fiscal year 1938-39, which amounted to 11.4 million lempiras, 35 percent were accounted for by customs duties. Monopoly revenues yielded 21 percent; revenues from services, 17 percent; special revenues, 9 percent; stamp taxes, 8 percent; and other revenues, 10 percent.

<sup>14</sup> Parcel-post packages are assessed additional surcharges ranging from 50 centavos to 2.50 lempiras, depending on the amount of the duties.

<sup>15</sup> By action of April 8, 1927, and February 26, 1931, a 1-percent ad valorem tax had been imposed on all foreign merchandise entering Puerto Cortés.

<sup>16</sup> These include aguacatillo, brazilwood, logwood, careta, cedar, Cortés, cypress, ebony, oak, granadillo, Guanacaste, guachipilin, guarilla, lancewood, laurel, lignum vitae, mahogany, masicaran, mora, ocotillo, paleta, quebracho, rosewood, ronton, San Juan, Santa María, supa, toncontin, and walnut.

<sup>17</sup> No information is available concerning export duties applicable to bananas exported by companies operating under concessions.

on female cattle is 50 lempiras (\$25) per head. The private export of gold in any form is prohibited.

*Exchange control.*—The gold standard was suspended in Honduras and exchange control was introduced on May 27, 1934. The lempira is officially maintained at the rate of two lempiras to one United States dollar. All purchases and sales of foreign exchange must be made through the banks in the country, and must be authorized by the Exchange Control Commission. Each month, after the quantity of available exchange has been determined, a percentage thereof is allotted for imports, by means of quotas assigned to importers. These quotas are based on their actual importations over a specified period. No import permits are required.

#### Exports from Honduras.

*Trend.*—Despite certain changes in the composition of the Honduran export trade in the period 1929–39, it is still characterized by the predominance of bananas and precious metals. Significant features of the trade during the decade were the failure of export values to recover after 1932, the decline in the share of bananas in total exports, the rising share of precious metals, and the increasing importance of the United States as a market. Exports from Honduras to all countries and to the United States, in the fiscal years 1924–39, are shown in tables 1 and 2.

In several respects the export trade of Honduras after 1929 did not follow the general pattern of world trade or of Latin American trade as a whole. For example, the year 1929, the earliest shown in the detailed tables hereinafter presented, was not a peak year either in exports to the world or to the United States.<sup>16</sup> In the Honduran export trade, the peak came in 1930, when exports to the world exceeded the average for the 6 years 1924–29 by 59 percent. Exports to the United States in 1930 exceeded the 6-year average by 49 percent. Moreover, the value of Honduran exports did not recover after 1932, but continued downward until 1938, broken only by a slight increase in 1937.

TABLE 1.—Honduras: Trade with the world, 1924–39<sup>1</sup>

(In thousands of U. S. dollars<sup>2</sup>)

Year	Exports	Imports	Year	Exports	Imports
1924.....	7,897	11,138	1932.....	17,581	8,368
1925.....	11,983	12,753	1933.....	14,277	6,288
1926.....	13,456	9,900	1934.....	12,400	8,382
1927.....	17,546	10,630	1935.....	10,508	9,586
1928.....	23,143	12,574	1936.....	9,215	8,723
1929.....	21,589	14,861	1937.....	9,641	10,387
1930.....	26,171	15,946	1938.....	8,166	10,343
1931.....	20,028	10,291	1939.....	9,867	9,703

<sup>1</sup> Prior to 1937–38, all years are fiscal years ending July 31. In 1938 the fiscal year was changed by law to end June 30. The statistics for 1937–38, therefore, originally consisted of but 11 months (July 1–June 30). Subsequently, to make the statistics for that fiscal year comparable with those for other years, statistics, for July 1938 were added to the 1937–38 year, and thus made it a 12-month period. Consequently, July 1938 appears in both the 1937–38 and 1938–39 fiscal years.

<sup>2</sup> The Honduran monetary unit, the lempira, is maintained at the rate of 2 lempiras to 1 United States dollar. The Honduran statistics are variously recorded in lempiras and United States dollars.

Source: Compiled by the United States Tariff Commission from *Memoria del Subsecretario de Estado encargado del despacho de Hacienda y Crédito Público*, except 1924 and 1925 statistics, which are from the *Pan American Union*.

<sup>16</sup> According to the Honduran statistics, which include gold and silver, and which are based on fiscal years. See the section on United States trade with Honduras.

## THE FOREIGN TRADE OF LATIN AMERICA

TABLE 2.—Honduras: Trade with the United States, 1924-39<sup>1</sup>[Value in thousands of U. S. dollars<sup>2</sup>]

Year	Exports		Imports		Year	Exports		Imports	
	Value	Percent of total to United States	Value	Percent of total from United States		Value	Percent of total to United States	Value	Percent of total from United States
1924	7,186	91.0	9,784	87.8	1932	11,881	67.6	6,376	78.2
1925	11,072	92.4	10,264	80.5	1933	9,671	67.7	4,645	73.9
1926	10,309	76.6	8,116	82.0	1934	8,891	71.7	5,882	70.2
1927	13,486	76.9	8,445	79.4	1935	8,708	82.9	6,189	64.6
1928	17,647	75.3	10,029	79.8	1936	7,519	81.6	5,796	65.4
1929	18,273	74.4	11,563	77.8	1937	8,563	88.8	6,029	58.0
1930	19,352	73.9	11,886	74.5	1938	7,104	87.0	6,347	61.4
1931	14,500	72.4	7,368	71.6	1939	8,949	90.7	6,333	65.3

<sup>1</sup> Prior to 1937-38, all years are fiscal years ending July 31. In 1938, the fiscal year was changed by law to end June 30. See table 1, footnote 1.

<sup>2</sup> For the value of Honduran currency, see table 1, footnote 2.

Source: Compiled by the United States Tariff Commission from *Memoria del Subsecretario de Estado encargado del despacho de Hacienda y Crédito Público*, except 1924 and 1925 statistics, which are from the Pan American Union.

After an increase from 24.6 million dollars in 1929 to 26.2 million dollars in 1930, exports from Honduras declined regularly to 9.2 million in 1936. They increased to 9.6 million dollars in 1937, but declined to 8.2 million dollars in 1938. In 1939 exports increased to 9.9 million dollars, or 38 percent of the 1930 level. The failure of Honduran exports to recover after 1932 may be attributed in large part to the damage done to banana plants by the sigatoka or leaf-spot disease, which has been prevalent in Honduras for some years. Since 1939 some progress in controlling this disease has been reported.

Price and quantum indexes of exports from Honduras are not available. The effect of fluctuations in prices and quantities on the export trade, however, is indicated by statistics for the leading export commodity—bananas—which in the period 1929-39 constituted from three-fifths to four-fifths of total exports. The statistics indicate that the decrease in the value of Honduran exports between 1930 and 1938 is due almost entirely to the decline in the quantities of bananas exported, rather than to fluctuations in prices.

Quantities, values, and unit values of exports of bananas from Honduras to principal markets, in specified fiscal years, 1929 to 1939, are shown in table 3. Exports of bananas increased from 29.9 million bunches<sup>19</sup> in 1929 to 31.1 million bunches in 1932. The unit value meanwhile dropped from \$0.698 per bunch to \$0.449, a decline of more than one-third. After 1932, exports of bananas declined sharply to 13.6 million bunches in 1936. They recovered slightly to 14.1 million bunches in 1937, but declined to 9.4 million in 1938 (11 months). In 1939, they amounted to approximately 14 million bunches. Average unit values of exports of bananas did not change markedly between 1932 and 1939<sup>20</sup> (table 3).

<sup>19</sup> Bunches of 50 pounds.

<sup>20</sup> Inasmuch as bananas are produced in Honduras largely by United States companies, and enter this country free of duty, the recorded value of exports of bananas from Honduras (and therefore the unit values of such exports) may have little significance.

TABLE 3.—Bananas: Exports from Honduras to principal markets, in specified fiscal years, 1929 to 1939<sup>1</sup>

Country	1929	1932	1936	1937	1938 <sup>2</sup>	1939
Quantity (1,000 bunches of 50 pounds)						
Total, all countries.....	29,899	31,058	13,615	14,150	9,417	13,958
UNITED STATES.....	24,712	19,809	10,869	12,890	8,220	} (°)
Germany.....	3,057	3,598	256	111	270	
United Kingdom.....	1,820	4,016	1,141	114	240	
Netherlands.....	310	3,415	1,176	727	481	
All other.....	(°)	220	173	308	206	
Percentage to the United States.....	82.7	63.8	79.8	91.1	87.3	(°)
Value (1,000 lempiras)						
Total, all countries.....	(°)	(°)	11,929	(°)	8,452	12,480
Value (1,000 U. S. dollars)						
Total, all countries.....	20,869	13,950	5,965	6,299	4,226	6,245
UNITED STATES.....	16,210	8,898	4,754	5,739	3,688	} (°)
Germany.....	2,746	1,616	115	50	121	
United Kingdom.....	1,635	1,803	490	45	108	
Netherlands.....	278	1,534	528	326	216	
All other.....	(°)	99	78	139	93	
Percentage to the United States.....	77.7	63.8	79.7	91.1	87.3	(°)
Unit value per bunch of total exports.....	\$0.698	\$0.449	\$0.438	\$0.445	\$0.449	\$0.447

<sup>1</sup> Prior to 1937-38, all years are fiscal years ending July 31. In 1938, the fiscal year was changed by law to end June 30. See table 1, footnote 1.

<sup>2</sup> 11 months. Data for 12 months are not available.

<sup>3</sup> Not available.

<sup>4</sup> Not over 500.

\* Reported in United States dollars in 1929, 1932, and 1937.

Source: Compiled by the United States Tariff Commission from statistics of the Pan American Union (1929); Great Britain, Department of Overseas Trade (1932, 1936, and 1937); and official trade statistics of Honduras (1938 and 1939). Converted to United States weights and currency by applying the following factors: 1 Honduran bunch=1.113323 fifty-pound United States bunches; 1 lempira=1937-39, \$0.50.

*Composition.*—Exports from Honduras consist principally of bananas, silver, and gold. In 1939, these three commodities accounted for 88 percent of all shipments abroad, bananas alone constituting 63 percent of the total. Exports from Honduras, by groups and principal commodities, in specified fiscal years, 1929 to 1939, are shown in table 4.

For every commodity shown in table 4, except manufactured products, there was a drop in the dollar value of exports between 1929 and 1932. Bananas, raw tobacco, and manufactured products decreased in dollar value in 1937 as compared with 1932, but all other commodities showed increases. For the principal commodities, the ratios of the dollar values of exports in 1939 to those in 1929 were as follows: <sup>21</sup> Bananas, 30 percent; gold and silver, 164 percent; coffee, 47 percent; coconuts, 35 percent; raw tobacco, 27 percent; live animals, 74 percent; and manufactured products, 35 percent.

Bananas accounted for from two-fifths to four-fifths or more of the value of total exports from Honduras in the period 1929-39. As a result of the ravages of the leaf-spot disease and increased exports of silver and gold, however, the share of bananas declined from 85

<sup>21</sup> Statistics for 1938 actually cover but 11 months and are therefore not strictly comparable with those for other years.

TABLE 4.—Honduras: Exports,<sup>1</sup> by commodity groups and principal commodities, in specified fiscal years, 1929 to 1939[Value in thousands of U. S. dollars<sup>2</sup>]

Commodity group or commodity <sup>3</sup>	1929		1932		1936		1937		1938 <sup>4</sup>		1939	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
Grand total.....	24,589	100.0	17,581	100.0	9,215	100.0	9,641	100.0	8,166	100.0	9,867	100.0
Foodstuffs and beverages.....	22,298	90.8	14,480	82.4	6,450	70.0	6,874	71.3	5,216	63.9	6,648	67.4
Bananas.....	20,869	84.9	13,950	79.3	5,965	64.7	6,299	65.3	4,800	58.8	6,245	63.3
Coffee, in the grain.....	526	2.1	287	1.6	230	2.5	378	3.9	189	2.3	248	2.5
Grapefruit.....	( <sup>5</sup> )		( <sup>5</sup> )		129	1.4	20	.2	91	1.1	63	.6
Coconuts.....	153	.6	99	.6	71	.8	129	1.3	89	1.1	54	.9
Gold and silver.....	1,494	6.1	2,742	15.6	2,222	24.1	2,165	22.4	2,090	25.6	2,453	24.9
Silver, in bars.....	1,483	6.0	1,421	8.1	1,541	16.7	1,423	14.7	1,329	16.3	1,675	17.0
Gold in all forms.....	11	( <sup>5</sup> )	7	( <sup>5</sup> )	669	7.3	727	7.5	759	9.3	778	7.9
Raw materials.....	422	1.7	123	.7	425	4.6	485	5.0	685	8.4	560	5.7
Mineral tailings.....	( <sup>5</sup> )				287	3.1	369	3.7	353	4.3	281	2.8
Tobacco, raw.....	216	.9	103	.6	79	.9	60	.6	114	1.4	59	.6
Cyanides, precipitates of.....	( <sup>5</sup> )		( <sup>5</sup> )		( <sup>5</sup> )		( <sup>5</sup> )		82	1.0	59	.6
Live animals.....	207	.8	41	.2	74	.8	83	.9	149	1.8	154	1.5
Manufactured products.....	148	.6	196	1.1	44	.5	34	.4	28	.3	52	.5

<sup>1</sup> General exports. Bullion and specie are included. Transit and transshipment trade are excluded. Values are invoice values, i. e. b. Honduran port or frontier, excluding export duties, as declared by merchants and verified by the customs.

<sup>2</sup> The Honduran monetary unit, the lempira, is maintained at the rate of 2 lempiras to 1 United States dollar. See table 1, footnote 2.

<sup>3</sup> Classifications employed in this table are those given in the Honduran export statistics for 1938-39. Groups are ranked according to value in 1938-39.

<sup>4</sup> Prior to 1937-38 all years are fiscal years ending July 31. In 1938, the fiscal year was changed by law to end June 30. See table 1, footnote 1.

<sup>5</sup> Not shown separately.

<sup>6</sup> Less than one-tenth of 1 percent.

Source: Compiled by the United States Tariff Commission from *Memoria del Subsecretario de Estado encargado del despacho de Hacienda y Crédito Público*.



percent in 1929 to 59 percent in 1938; in 1939 it was 63 percent. Other agricultural products exported from Honduras include coffee, grapefruit, coconuts, and raw tobacco. Coffee, the most important, accounted for somewhat more than 2 percent of total exports in both 1929 and 1939 (see table 4).

Precious metals constituted a much larger part of Honduran exports in 1938 and 1939 than in 1929; the share of this group increased irregularly from 6 percent in 1929 to 26 percent in 1938; in 1939 it was 25 percent. In 1929 practically all exports of the precious metals were of silver in bars. In 1939, however, about two-thirds consisted of silver, and the remainder of gold amalgam and gold in bars.

Other Honduran exports, with their share of the total in 1939, include mineral tailings, 3 percent; live animals (largely cattle), 1.5 percent; and manufactured products (almost entirely cigars), less than 1 percent.

*Destination.*—The principal foreign markets for the products of Honduras in 1938, with the share of the value of total exports taken by each country, were the United States, 87 percent; El Salvador, 3 percent; the Netherlands, 3 percent; and Germany, 3 percent. Other markets in 1938 included the United Kingdom, Belgium, Japan, and Italy. In 1939, the principal markets were the United States (91 percent) and El Salvador (3 percent). Exports from Honduras to selected countries, in specified fiscal years, 1929 to 1939, are shown in table 5. More detailed data for 1937 are shown in table 6.

The United States has long been the principal market for Honduran exports. Its share, which was 74 percent of the total in 1929, increased irregularly to 91 percent in 1939. The value of United States purchases from Honduras ranged from 7.5 million dollars (1936) to 19.4 million (1930); in 1939 it was 8.9 million dollars. In 1929, Germany occupied second place in Honduran exports, with 12 percent of the total, followed by the United Kingdom with 8 percent. The shares of these two countries varied during the period 1929-39; in 1939, the share of each of them amounted to but 2 percent. Purchases of Honduran products by Germany ranged from \$130,000 (1937) to 2.9 million dollars (1929); in 1939 they amounted to \$191,000. Purchases by the United Kingdom varied from \$58,000 (1937) to 2 million dollars (1932), and in 1939 were \$180,000. France, Italy, and Japan have not been important purchasers of Honduran products (see table 5).

Exports from Honduras to other countries of Latin America are small. In 1937, for example, they amounted to \$188,000, or 2 percent of total shipments abroad. The principal Latin American market in that year was El Salvador.

The United States has been by far the principal market for Honduran bananas, its share in this trade ranging from three-fifths (1932) to nine-tenths (1937) of the total in the decade 1929-38; in 1938<sup>22</sup> its share was 87 percent. Other markets included Germany, the United Kingdom, and the Netherlands. In 1929 and 1932 these three countries purchased substantial quantities of bananas, but in the period 1936-38 their purchases declined markedly (see table 3).

<sup>22</sup> The latest year for which detailed statistics are available.

TABLE 5.—Honduras: Foreign trade with selected countries, in specified fiscal years, 1929 to 1939<sup>1</sup>[Value in thousands of U. S. dollars<sup>2</sup>]

Country	1929		1932		1936		1937		1938		1939	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
Exports to <sup>3</sup> —												
All countries.....	24,569	100.0	17,581	100.0	9,215	100.0	9,641	100.0	8,166	100.0	9,867	100.0
UNITED STATES.....	18,273	74.4	11,881	67.6	7,519	81.6	8,563	88.8	7,104	87.0	8,949	90.7
United Kingdom.....	1,979	8.0	2,016	11.5	525	5.7	58	.6	142	1.7	180	1.8
Germany.....	2,947	12.0	1,704	9.7	192	2.1	130	1.4	217	2.6	191	1.9
Japan.....	( <sup>4</sup> )		( <sup>4</sup> )		( <sup>4</sup> )		4	( <sup>4</sup> )	23	.3	22	.2
Italy.....	15	.1	12	.1	2	( <sup>4</sup> )	3	( <sup>4</sup> )	7	.1	9	.1
France.....	60	.2	147	.8	121	1.3	176	1.8	6	.1	( <sup>4</sup> )	( <sup>4</sup> )
All other.....	1,295	5.3	1,821	10.3	856	9.3	707	7.3	7,667	8.2	* 616	5.2
Imports from <sup>5</sup> —												
All countries.....	14,861	100.0	8,368	100.0	8,723	100.0	10,387	100.0	10,343	100.0	9,703	100.0
UNITED STATES.....	11,563	77.8	6,376	76.2	5,796	66.4	6,029	58.0	6,347	61.4	6,333	65.3
United Kingdom.....	838	5.6	334	4.0	310	3.6	339	3.3	310	3.0	308	3.2
Germany.....	632	4.3	304	3.7	545	6.2	990	9.5	1,177	11.4	1,108	11.4
Japan.....	71	.5	42	.5	667	7.6	1,516	14.6	654	6.2	584	6.0
Italy.....	162	1.1	69	.8	23	.3	21	.2	94	.9	43	.4
France.....	296	2.0	237	2.8	84	1.0	84	.8	81	.8	97	1.0
All other.....	1,299	8.7	1,008	12.0	1,298	14.9	1,398	13.5	* 1,880	13.3	* 1,235	12.7

<sup>1</sup> Prior to 1937-38, all years are fiscal years ended July 31. In 1938, the fiscal year was changed by law to end June 30. See table 1, footnote 1.<sup>2</sup> For the value of Honduran currency, see table 1, footnote 2.<sup>3</sup> General exports. Bullion and specie are included. Parcel post is excluded. Transit and transshipment trade is excluded.<sup>4</sup> Not shown separately.<sup>5</sup> Less than 500.<sup>6</sup> Less than one-tenth of 1 percent.<sup>7</sup> Includes trade with the following countries:

<i>Exports to—</i>	<i>Value</i>	<i>Percent</i>	<i>Imports from—</i>	<i>Value</i>	<i>Percent</i>
	<i>(\$1,000)</i>	<i>of total</i>		<i>(\$1,000)</i>	<i>of total</i>
El Salvador.....	240	2.9	Netherlands West Indies.....	424	4.1
Netherlands.....	227	2.8	El Salvador.....	353	3.4
Belgium.....	98	1.2	Belgium.....	84	.8

\* Includes trade with the following countries:

<i>Exports to—</i>	<i>Value (\$1,000)</i>	<i>Percent of total</i>	<i>Imports from—</i>	<i>Value (\$1,000)</i>	<i>Percent of total</i>
El Salvador.....	252	2.6	El Salvador.....	479	4.9
Canada.....	103	1.0	Netherlands West Indies.....	379	3.9
Netherlands.....	35	.4	Belgium.....	72	.7
Guatemala.....	33	.3			
Belgium.....	23	.2			

\* General imports. Bullion and specie are included. Parcel post is included. Transit and transshipment trade is excluded.

Source: Compiled by the United States Tariff Commission from Pan American Union, Foreign Trade Series No. 135 (1928-29 and 1931-32 statistics); *Memoria del Subsecretario de Estado encargado del despacho de Hacienda y Crédito Público* (1935-36 to 1938-39 statistics).

Practically all exports of gold, silver in bars, plantains, coconuts, grapefruit, and oranges from Honduras have customarily gone to the United States. In recent years, all exports of leaf tobacco, cigars, cattle, hogs, and lard have been taken by El Salvador. Prior to the outbreak of the war in Europe, France, Germany, and the United States were the principal markets for Honduran coffee, but their positions in the trade varied from year to year. Before the war all exports of cattle hides went to Germany, and those of sarsaparilla to Germany and the United States.

TABLE 6.—Honduras: Foreign trade, by geographic areas and principal countries, in 1937<sup>1</sup>

[Value in thousands of U. S. dollars]

Exports <sup>2</sup>			Imports <sup>2</sup>		
Country	Value	Percent of total trade	Country	Value	Percent of total trade
Western Hemisphere:			Western Hemisphere:		
UNITED STATES.....	8,563	88.8	UNITED STATES.....	6,029	58.0
El Salvador.....	152	1.6	Netherlands West Indies.....	555	5.4
All other Western Hemisphere countries.....	69	.7	El Salvador.....	252	2.5
			Canada.....	138	1.3
			Peru.....	63	.6
			Cuba.....	54	.5
			All other Western Hemisphere countries.....	94	.9
Total.....	8,784	91.1	Total.....	7,185	69.2
Europe:			Europe:		
Germany.....	130	1.4	Germany.....	990	9.5
United Kingdom.....	58	.6	United Kingdom.....	239	3.3
Netherlands.....	342	3.5	Netherlands.....	94	.9
France.....	176	1.8	France.....	94	.9
Belgium.....	138	1.5	Belgium.....	39	.4
Italy.....	3	(?)	Italy.....	21	.2
Czechoslovakia.....	6	.1	Spain.....	27	.3
All other European countries.....			Czechoslovakia.....	24	.2
			Sweden.....	21	.2
Total.....	853	8.9	All other European countries.....	35	.3
Asia:			Total.....	1,684	16.2
Japan.....	4	(?)	Asia:		
All other Asiatic countries.....			Japan.....	1,516	14.6
Total.....	4	(?)	All other Asiatic countries.....	2	(?)
Africa.....			Total.....	1,518	14.6
Oceania.....			Africa.....	(?)	(?)
Grand total.....	9,641	100.0	Oceania.....		
			Grand total.....	10,387	100.0

<sup>1</sup> Fiscal year ended July 31. For the value of Honduran currency, see table 1, footnote 2.

<sup>2</sup> General trade. Bullion and specie are included. Transit and transshipment trade is excluded. Parcel post is excluded from exports but included in imports.

<sup>3</sup> Less than one-tenth of 1 percent.

<sup>4</sup> Less than 500.

Source: Compiled by the United States Tariff Commission from *Memoria del Subsecretario de Estado encargado del despacho de Hacienda y Crédito Público, 1937-38*.

#### Imports into Honduras.

*Trend.*—Imports into Honduras consist of a wide variety of finished manufactured products, raw materials, and foodstuffs and beverages. Important developments in the import trade in the period 1929-39 included a decline in the total value of imports, a decline in the share of foodstuffs and beverages, the decline in the importance of the United States as a supplier of imports, and the

increasing importance of Germany and Japan. Imports into Honduras from all countries and from the United States in the fiscal years 1924-39 have already been shown in tables 1 and 2.

The year 1929, the earliest shown in the subsequent detailed table, was not a peak year in Honduran imports from the world or from the United States. In contrast with the situation in most of the Latin American countries, imports into Honduras reached their peak in 1930.<sup>23</sup> Imports from the world in 1930 exceeded the average for the 6 years 1924-29 by 24 percent; those from the United States exceeded the 6-year average by 23 percent.

Total imports into Honduras in 1929 were valued at 14.9 million dollars. They increased to 15.9 million dollars in 1930, but dropped sharply thereafter, reaching a low of 6.3 million in 1933, or 39 percent of the 1930 value. After 1933 the value of imports recovered irregularly, reaching 10.4 million dollars in 1937, or 70 percent of the 1929 level. In the 1938 fiscal year they declined slightly to 10.3 million dollars. Imports in 1939 were valued at 9.7 million dollars, or 65 percent of the 1929 value.<sup>24</sup>

*Composition.*—Honduran imports consist in large part of manufactured products. In the period 1929-39, from three-fifths to more than three-fourths of all imports, in terms of value, came under this classification; in the later years of the decade the ratio increased, reaching 77 percent in 1939. Imports into Honduras, by groups, principal subgroups, and commodities, in specified fiscal years, 1929 to 1939, are shown in table 7.<sup>25</sup>

Manufactured products imported into Honduras consist of a wide variety of commodities, few of which account for more than 2 percent of total imports. In 1937, the last year for which detailed statistics are available, more than two-fifths of all imports of manufactured products was accounted for by six commodities or groups of commodities. These, with their share of the value of total imports in that year, were cotton fabrics, 14 percent; iron and steel and manufactures, 13 percent; chemicals, 7 percent; machinery and tools, 6 percent; medicines and pharmaceutical products, 3 percent; and silk and rayon fabrics, 2 percent. Other manufactured products included paper and cardboard and manufactures; rubber and manufactures; automobiles and parts; leather; cotton thread; airplanes and accessories; explosives; hosiery; shoes; and railway ties.

Articles designated in the Honduran statistics as raw materials accounted for 11 to 16 percent of the value of all imports in the period 1929-39. The leading commodity in this group, petroleum and its products, in general constituted one-half or more of such imports. Other raw materials included woods of all kinds, lime, and fertilizers (see table 7).

The ratio of imports of foodstuffs and beverages to total imports declined in the period 1929-39. In 1929, 18 percent of the value of all Honduran imports consisted of foodstuffs; by 1939, the share had fallen to 10 percent. The commodities constituting the foodstuffs and beverages group cover a wide range of products, the principal of which are wheat, raw sugar, liquors, wheat flour, milk, and rice (see table 7).

<sup>23</sup> Fiscal year ended July 31.

<sup>24</sup> Price and quantum indexes of Honduran imports are not available.

<sup>25</sup> For years subsequent to 1937, data on the composition of imports into Honduras are available only by major groups and not by individual commodities.

TABLE 7.—Honduras: Imports,<sup>1</sup> by commodity groups, principal subgroups, and commodities, in specified fiscal years, 1929 to 1939[Value in thousands of U. S. dollars <sup>2</sup>]

Commodity group, subgroup, or commodity <sup>3</sup>	1929		1932		1936		1937		1938 <sup>4</sup>		1939	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
Grand total.....	14,861	100.0	8,368	100.0	8,723	100.0	10,387	100.0	10,343	100.0	9,703	100.0
Manufactured products.....	10,008	67.3	5,104	61.0	5,607	64.3	7,379	71.0	7,859	76.0	7,488	77.2
Cotton fabrics, including drills.....	2,411	16.2	969	11.6	791	9.1	1,413	13.6				
Iron and steel and manufactures <sup>5</sup> .....	1,007	6.8	342	4.1	1,126	12.9	1,319	12.7				
Chemicals.....	152	1.0	106	1.3	139	1.6	722	7.0				
Machinery and tools.....	857	5.8	432	5.2	745	8.5	897	8.7				
Medicines and pharmaceutical products.....	375	2.5	253	3.0	291	3.0	310	3.0				
Silk and rayon fabrics.....	114	.8	22	.3	104	1.2	233	2.2				
Paper and cardboard, and manufactures <sup>1</sup> .....	96	.6	158	1.9	168	1.9	174	1.7				
Rubber manufactures, including tires and tubes.....	142	1.0	58	.7	122	1.4	155	1.5				
Automobiles and parts.....	363	2.4	47	.6	128	1.5	139	1.3				
Leather.....	214	1.4	115	1.4	151	1.7	132	1.3	(10)		(10)	
Cotton thread.....	119	.8	67	.8	85	1.0	127	1.2				
Airplanes and accessories.....	(10)		(10)		37	.4	120	1.2				
Explosives.....	97	.7	66	.8	98	1.1	119	1.1				
Hosiery.....	(10)		(10)		86	1.0	108	1.0				
Shoes of all kinds.....	408	2.7	247	3.0	83	1.0	101	1.0				
Railway ties.....	(10)		(10)		125	1.4	100	1.0				
Wearing apparel, except hosiery.....	(10)		(10)		68	.8	90	.9				
Railway cars, locomotives, and tenders.....	298	2.0	119	.8	90	1.0	89	.9				
Perfumes, cosmetics, and toilet articles.....	(10)		(10)		84	1.0	84	.8				
Raw materials.....	2,091	14.1	893	10.7	1,426	16.4	1,332	12.8	1,393	13.5	1,203	12.4
Petroleum products.....	1,074	7.2	574	6.9	790	9.0	911	8.8				
Petroleum, crude.....	(10)		339	4.1	479	5.5	580	5.6				
Gasoline.....	(10)		143	1.7	199	2.3	186	1.8				
Kerosene.....	(10)		(10)		41	.5	70	.7				
Woods of all kinds, including sawn.....	691	4.6	140	1.7	251	2.9	102	1.0	(10)		(10)	
Lime.....	(10)		(10)		(12)		101	1.0				
Fertilizers, including chemical.....	(10)		(10)		143	1.6	86	.8				
Foodstuffs and beverages.....	2,695	18.1	1,495	17.8	1,177	13.5	1,172	11.3	1,087	10.5	996	10.3
Wheat.....	14,404	2.7	73	.9	159	1.8	231	2.2				
Sugar, raw.....	10,139	.9	11,831	1.0	10,162	1.9	216	2.1				
Wines, beers, liquors, and other beverages.....	427	2.9	188	2.2	135	1.5	130	1.2				
Milk, butter, and cheese (principally milk).....	237	1.6	1,123	1.5	91	1.0	76	.7	(10)		(10)	
Wheat flour.....	(10)		(10)		113	1.3	72	.7				
Grains, except wheat (principally rice).....	(10)		(10)		70	.8	68	.7				

Gold and silver, and gold and silver coin.....			871	10.4	510	5.8	500	4.8			2	(13)
Silver coin.....	(10)		(10)				500	4.8			} (10)	
Gold coin.....	(10)		(10)		510	5.8						
Live animals.....	67	.5	4	.1	3	(12)	5	.1	4	(12)	14	.1

<sup>1</sup> General imports. Bullion and specie are included. Parcel post is included. Transit and transshipment trade is excluded. Values are invoice values, f. o. b. place of consignment, excluding consular fees, as declared by merchants. Values, except those for 1937-38, were reported in United States dollars.

<sup>2</sup> For the value of Honduran currency, see table 1, footnote 2.

<sup>3</sup> Classifications employed in this table are those given in the Honduran import statistics for 1939. Groups are ranked according to value in 1939.

<sup>4</sup> Prior to 1937-38, all years are fiscal years ended July 31. In 1938, the fiscal year was changed by law to end June 30. See table 1, footnote 1.

<sup>5</sup> Exclusive of machinery and tools, automotive vehicles, and railway materials.

<sup>6</sup> Exclusive of mechanical tools and textile machinery.

<sup>7</sup> Exclusive of books, music, pictures, and other printed matter.

<sup>8</sup> Paper and cardboard only.

<sup>9</sup> Tires and tubes only.

<sup>10</sup> Not available.

<sup>11</sup> Exclusive of locomotives and tenders.

<sup>12</sup> Less than 500.

<sup>13</sup> Less than one-tenth of 1 percent.

<sup>14</sup> All grain.

<sup>15</sup> Includes a small amount of refined sugar.

<sup>16</sup> Exclusive of medicinal wines and champagne.

<sup>17</sup> Exclusive of cheese.

<sup>18</sup> Included with wheat.

Source: Compiled by the U. S. Tariff Commission from *Memoria del Subsecretario de Estado encargado del despacho de Hacienda y Crédito Público*, except 1929 and 1932 statistics, which are from *Foreign Commerce Yearbook* and the Pan American Union.

Gold and silver bullion and coin constituted 10 percent of the value of all Honduran imports in 1932, 6 percent in 1936, and 5 percent in 1937. In all other years shown in table 7 such imports were either nil or negligible. The remaining import group—live animals—is unimportant in relation to total imports into Honduras.

*Sources.*—The principal suppliers of Honduran imports in 1938, with the share of the total value furnished by each country, were the United States, 61 percent; Germany, 11 percent; and Japan, 9 percent. Other sources in 1938 included the Netherlands West Indies, El Salvador, the United Kingdom, Italy, Belgium, and France. In 1939 the principal suppliers of imports were the United States (65 percent), Germany (11 percent), and Japan (6 percent). Imports into Honduras from selected countries, in specified fiscal years, 1929 to 1939, have already been shown in table 5. More detailed data for 1937 have been shown in table 6.

The United States is by far the principal source of Honduran purchases abroad. Its share declined irregularly, however, from 78 percent in 1929 to 61 percent in 1938; in 1939 it increased to 65 percent. The value of purchases from the United States ranged from 4.6 million (1933) to 11.9 million dollars (1930); in 1939, it was 6.3 million. The share of Germany increased from 4 percent in 1929 and 1932 to 11 percent in 1938 and 1939. That of Japan rose from less than one-half of 1 percent in 1929 to 15 percent in 1937, but declined to 6 percent in 1939. In value, purchases from Germany varied from 304,000 (1932) to 1 million dollars (1938); and those from Japan ranged from 42,000 (1932) to 1.5 million dollars (1937). The increase of imports from Germany, particularly after 1936, was due largely to the development of the compensation system of trading. The proportion of imports purchased from the United Kingdom, Italy, and France has declined in recent years as compared with 1929 and 1932 (see table 7).<sup>26</sup>

Imports into Honduras from other countries of Latin America are fairly substantial. In 1937, for example, they were valued at \$460,000, or nearly 5 percent of total imports. In that year the principal Latin American suppliers were El Salvador, Peru, and Cuba. Most of the crude petroleum imported into Honduras comes from the Netherlands West Indies, but originates in Venezuela.<sup>27</sup> Imports from the Netherlands West Indies in 1939 amounted to \$379,000, or 4 percent of total imports.

Prior to the outbreak of war in Europe, manufactured products imported into Honduras originated principally in the United States, Germany, and Japan. The United States was the principal supplier of manufactures and semimanufactures of iron and steel; chemical products; medicinal compounds; hats; paper and cardboard and manufactures thereof; soaps; perfumes; colors, paints, and varnishes; prepared hides and skins; rubber and manufactures thereof; and wood and manufactures thereof. Japan was the principal source of cotton textiles, textiles of natural and artificial silk, and glassware, and ranked second as a supplier of hats, cotton thread, and rubber and manufactures thereof. The United Kingdom was the principal supplier of cotton thread. Germany ranked second as the source of a number of manufactured products, including manufactures of iron

<sup>26</sup> For the value of imports from these countries, see table 5.

<sup>27</sup> See Venezuela, in part II, vol. 1, of this report.



and steel; chemical products; colors, paints, and varnishes; paper and cardboard and manufactures; and prepared hides and skins. The United States ranked second as a supplier of cotton textiles, the Netherlands was the second source of medicinal compounds, and France was the second-ranking supplier of perfumes.

In the raw-materials import group, petroleum and its products have come principally from the United States, Peru, and the Netherlands West Indies. Crude petroleum has come chiefly from Curaçao, refined petroleum from the United States and Peru, gasoline from the United States, Peru, and El Salvador, and lubricating oil and grease from the United States. The United States has been the principal supplier of woods of all kinds, while fertilizers have originated chiefly in the United States and Germany.

In the foodstuffs and beverages group, the United States has been by far the principal supplier of wheat flour, milk, fish, preserved fruits, vegetable oils, and confectionery. Wheat has come almost entirely from Canada, the United States, and Argentina; sugar from the United States, El Salvador, and Cuba; and cheese from the United States, El Salvador, and other countries of Central America. El Salvador is customarily the source of rice imported into Honduras.

### UNITED STATES TRADE WITH HONDURAS

Commerce between the United States and Honduras has depended principally upon the Honduran banana industry. Although the economic position of most Latin American countries is similarly dependent upon one or two leading income-producing exports, few have been so severely affected in recent years by the vicissitudes of nature and of markets as has Honduras.

Since 1929 there has been an almost continuous decline in the exports of Honduran bananas, all but a small part of which are marketed in the United States. Until 1933 the decline was attributable chiefly to the curtailment in production necessitated by the reduced demand for bananas in the United States. Since then it has been due to the competitive displacement of Honduran bananas by those obtained from other sources and (after 1935) to the widespread loss in production caused by the banana-leaf blight which struck Honduras first among the Central American countries. The production of bananas in neighboring countries, also affected by the blight, has been augmented by the large-scale development of new producing sites. In Honduras, however, efforts to increase production have consisted principally of combating the leaf blight by intensive spraying operations.

Because exports of bananas from Honduras have declined so markedly in recent years, the capacity of that country to provide payment for imports has been greatly reduced. United States commerce with Honduras, therefore, has declined materially since 1929.

#### Trend of United States-Honduran trade.

United States imports from Honduras (exclusive of gold and silver) <sup>28</sup> reached a high of 12.8 million dollars in 1929, culminating an

<sup>28</sup> For imports of gold and silver, see table 12.

era of rapidly increasing trade which had its origin in the development of the banana industry in Honduras. Merchandise import values declined slowly but steadily thereafter, chiefly because of declining prices and shipments of bananas, and were lowest in 1937, when they amounted to 5.7 million dollars. This trend differed materially from that of imports from Latin America as a whole, which increased after 1932. There was some recovery in Honduran trade after 1937, and in 1939, merchandise imports from Honduras reached 7 million dollars; in 1940 they were valued at 9.5 million dollars (see table 8).<sup>29</sup> Part of the recent increase in trade is due to the greater supply of marketable bananas resulting from the efforts of growers to combat the leaf blight.

United States exports to Honduras were also at a peak in 1929 (12.8 million dollars). After declining to a low of 4.5 million dollars in 1932, however, they recovered irregularly to 6.3 million dollars in 1938. In 1939, they declined to 5.8 million dollars, but in 1940 were 7.3 million dollars, the largest since 1930.

TABLE 8.—United States imports from and exports to Honduras, 1924-40

[Value in thousands of dollars]

Year	General imports		Exports (incl. reexports)		Year	General imports		Exports (incl. reexports)	
	Value	Percent of total from Latin America	Value	Percent of total to Latin America		Value	Percent of total from Latin America	Value	Percent of total to Latin America
1924	5,960	0.58	9,101	1.20	1933	7,046	2.20	5,030	2.30
1925	8,719	.87	9,570	1.10	1934	7,791	2.10	5,993	2.00
1926	8,720	.84	7,540	.90	1935	6,226	1.40	5,533	1.60
1927	9,311	1.00	8,487	1.10	1936	6,078	1.20	4,900	1.20
1928	12,289	1.30	9,728	1.20	1937	5,674	1.84	5,568	.96
1929	12,833	1.30	12,811	1.40	1938	5,692	1.30	6,292	1.30
1930	12,600	1.90	9,602	1.50	1939	7,031	1.40	5,812	1.00
1931	11,870	2.50	5,990	1.60	1940 <sup>1</sup>	9,521	1.50	7,291	1.00
1932	9,004	2.80	4,473	2.30					

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

#### United States imports from Honduras.

*Composition.*—More than nine-tenths of United States imports from Honduras (exclusive of gold and silver) customarily consist of bananas; the remainder is largely accounted for by mahogany in the log, coconuts in the shell, and coffee (see table 9).<sup>30</sup>

*Bananas.*—For several years before 1935 Honduras was the world's leading producer of bananas; it was also the principal source of United States imports. Since 1935, however, Jamaica and Mexico have become larger producers, and Honduras has been displaced by Mexico as the principal supplier of United States imports. In 1932, Honduras accounted for nearly one-third of total world exports of bananas, but in 1938, for only one-twelfth. The decreasing impor-

<sup>29</sup> After 1935, United States imports of gold and silver from Honduras were substantially larger than in earlier years, the increase being principally in imports of gold (see table 12).

<sup>30</sup> For imports of gold and silver, see table 12.

tance of Honduras as a source of bananas is attributable not only to declining production in Honduras but also to increasing production in Mexico, Guatemala, Brazil, and certain other countries.

United States imports of bananas in 1929 totaled 65.1 million bunches, of which 22.7 million, or 35 percent, came from Honduras. In 1933, total imports declined to a low of 39.6 million bunches, of which Honduras supplied 12.9 million, or 33 percent. Thereafter, as imports from Mexico, Guatemala, Panama, and other sources increased, the share of Honduras declined; in 1939, total imports were 57.1 million bunches, of which 11.8 million, or 21 percent, were from Honduras. In 1940, total United States imports of bananas amounted to 52.3 million bunches, of which 14.6 million, or 28 percent, came from Honduras.

Since 1936, the principal factor operating against increased shipments of bananas from Honduras has been the prevalence of the leaf blight which in that year infected a large number of the plants in the country. Cultivation of large acreages has been abandoned,<sup>31</sup> but production in other areas has been sustained, at least in part, by periodically spraying the plants with a fungicide. Mobile spraying units are used where the terrain permits, but extensive permanent spraying equipment has also been installed. Because of the substantial capital investment in spraying equipment, it is likely that producing acreage will be cultivated longer than was previously customary; moreover, in order to increase the yield, the cultivation is more intensive.

*Dutiable status of imports.*—Because bananas are on the free list, practically all United States imports from Honduras enter free of duty. The principal dutiable import is coconuts in the shell, the duty on which is  $\frac{1}{4}$  cent each, having been reduced from  $\frac{1}{2}$  cent in the trade agreement with the United Kingdom, effective January 1, 1939. The ad valorem equivalent on imports of coconuts from Honduras in 1938 was 32 percent, and in 1933, 17.3 percent.

In the trade agreement with Honduras, effective March 2, 1936, the United States made tariff concessions affecting most of the imports from Honduras. Under the agreement, the duty-free status of bananas, plantains, cacao beans, coffee, raw deerskins, and sarsaparilla root was bound against change. The duties on pineapples, prepared or preserved guavas, and mango and guava pastes and pulps were bound at the rates to which they had previously been reduced in the trade agreement with Haiti, effective June 3, 1935. The duty on natural balsam, not specially provided for, was reduced from 10 percent to 5 percent ad valorem. Although not mentioned in the agreement with Honduras, mahogany in the log was bound duty-free under the previous agreement with Brazil, effective January 1, 1936.

<sup>31</sup> The United Fruit Company, which accounts for most of Honduran exports of bananas, had 35,800 acres under banana cultivation at the end of 1939, as compared with 67,900 acres at the end of 1935 and 74,600 acres at the end of 1932.

TABLE 9.—United States imports for consumption from Honduras of principal commodities, in specified years, 1929 to 1939<sup>1</sup>

Commodity	Unit	1929	1932	1936	1937	1938	1939 <sup>1</sup>
		Quantity					
Bananas, green or ripe.....	1,000 bunches.....	22, 676	18, 308	11, 015	9, 582	9, 889	11, 820
Coconuts, in the shell.....	Thousand.....	10, 356	6, 617	5, 033	8, 845	5, 731	4, 449
Coffee, raw or green.....	1,000 pounds.....	1, 033	1, 323	593	2, 022	1, 133	819
Mahogany, in the log.....	M board feet.....	3, 137	.....	5	303	1, 480	1, 263
	Tariff status	Value (1,000 dollars)					
Bananas, green or ripe.....	Free.....	11, 513	8, 610	5, 691	5, 097	5, 126	6, 552
Coconuts, in the shell.....	Dutiable.....	225	102	76	135	90	64
Coffee, raw or green.....	Free.....	214	104	65	152	71	62
Mahogany, in the log.....	Free.....	269	.....	(?)	26	134	107
Imports of commodities shown above.....		12, 221	8, 816	5, 832	5, 410	5, 421	6, 785
Total imports from Honduras.....		12, 833	9, 004	6, 043	5, 636	5, 677	7, 016
Principal imports (shown above) as percent of total.....		95. 2	97. 9	96. 5	96. 0	95. 5	96. 7

<sup>1</sup> Preliminary.<sup>2</sup> Not over \$500.<sup>3</sup> General imports.

Source: Compiled from official statistics of the U. S. Department of Commerce.

**United States exports to Honduras.**

The most conspicuous development affecting United States exports to Honduras in recent years has been the shipment of great quantities of equipment and supplies for use on the banana plantations to counteract the leaf blight. Customarily the principal groups of exports to Honduras have been machinery and vehicles, metals and manufactures, and textiles, but more recently exports of chemicals and related products (in large part copper sulfate used as a fungicide) have also become important (see table 10).

The installation of spraying equipment has greatly affected the trade in a number of the principal individual exports to Honduras (see table 11). The most noticeable increase has been in the exports of copper sulfate; shipments rose from a value of only a few dollars in 1932 to a peak of \$688,000 in 1937, when copper sulfate became by far the largest single export to Honduras. Other large increases after 1935 occurred in the exports of metal drums, iron pipe, pipe fittings, rubber hose, and power pumps required to construct the spraying equipment.

Other outstanding exports from the United States to Honduras include cotton cloth, airplanes, wheat, gasoline, railroad ties, motor trucks, dynamite, tire casings, and fuel oil. Recent exports of most of the leading products, apart from those required in spraying operations, have been very much smaller than in 1929 (see table 11).

TABLE 10.—United States exports (domestic merchandise) to Honduras, by commodity groups, in 1938 and 1939

[In thousands of dollars]

Commodity group	1938	1939 <sup>1</sup>	Commodity group	1938	1939 <sup>1</sup>
Animals and animal products, edible, total.....	126	130	Machinery and vehicles, total.....	986	1,284
Animals and animal products, inedible, total.....	225	216	Electrical machinery and apparatus.....	186	182
Leather.....	138	143	Industrial machinery.....	350	424
Vegetable food products and beverages, total.....	560	476	Automobile parts and accessories.....	103	170
Vegetable products, inedible, except fibers and wood, total.....	175	171	Aircraft and parts.....	176	205
Textile fibers and manufactures, total.....	919	853	Chemicals and related products, total.....	1,221	928
Cotton manufactures.....	774	486	Copper sulfate.....	653	350
Wood and paper, total.....	355	285	Medicinal and pharmaceutical preparations.....	141	162
Nonmetallic minerals, total.....	393	456	Miscellaneous.....	366	279
Refined mineral oils.....	273	275			
Metals and manufactures, except machinery and vehicles, total.....	926	878	Total exports.....	6,252	5,766
Iron and steel mill products.....	438	393			
Advanced manufactures of iron and steel.....	375	378			

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

**Balance of payments between the United States and Honduras.**

In each year of the period 1929-37, the value of United States imports from Honduras exceeded exports thereto. In 1931 the excess reached 5.9 million dollars, but since that year, because of the almost continuous decline in imports, the size of the import trade balance has been much smaller. In 1938 it was replaced by an export balance (see table 12). Imports of silver and gold were substantial throughout the period; should they be considered as part of the merchandise account (as they might, appropriately, inasmuch as they are the products of Honduran mines), the customary import trade balance would be greatly increased.

A notable feature of the United States balance of payments with Honduras, compared with those with most other Latin American countries, is the absence of any credits for the United States in the form of interest, bond-redemption and sinking-fund receipts. Honduras has no dollar indebtedness, and hence no service payments.

TABLE 11.—United States exports (domestic merchandise) to Honduras of principal commodities, in specified years, 1929 to 1939

[Value in thousands of dollars]

Commodity	Unit of quantity	1929		1932		1936		1937		1938		1939 <sup>1</sup>	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Upper leather (except lining and patent):													
Cattle side, grain	1,000 sq. ft.	197	50	235	32	320	46	261	42	279	43	316	55
Miscellaneous upper leather, n. e. s. <sup>2</sup>	1,000 sq. ft.	36	10	26	4	124	21	162	31	146	23	34	5
Oatmeal groats and rolled oats	1,000 lb.	445	46	282	25	421	35	392	33	495	40	468	39
Wheat	1,000 bu.	80	117	110	78	33	33	45	57	167	159	194	121
Wheat flour, wholly of United States wheat	1,000 bbl.					10	44	7	39	12	57	12	41
Other wheat flour	1,000 bbl.	56	369	32	122	10	44	6	36	6	29	9	32
Sugar, refined	Short ton	20	1	3	( <sup>3</sup> )	4,223	131	1,748	63	2,488	81	1,073	37
Automobile tire casings	Number	2,451	42	2,982	37	1,935	36	2,080	45	2,337	50	2,940	68
Rubber hose and tubing	1,000 lb.	36	17	19	7	29	12	58	24	110	43	44	16
Sheetings, unbleached	1,000 sq. yd.	2,835	244	3,073	129	452	33	205	14	1,788	90	1,331	71
Cotton cloth, bleached, dyed, and printed, and colored yarn fabrics	1,000 sq. yd.	10,012	1,346	5,304	444	1,493	185	922	119	5,164	527	2,544	280
Jute manufactures	1,000 lb.	348	36	240	14	249	13	362	26	268	19	322	21
Broadsilks, wholly or chiefly of silk	1,000 yd.	21	21	13	6	2	1	15	38	1	1	( <sup>3</sup> )	( <sup>3</sup> )
Railroad ties, creosoted or otherwise preserved	Thousand	146	176	89	68	131	126	101	104	43	46	4	87
Boards, planks, and scantlings, softwoods:													
Cypress	1,000 bd. ft.	1,050	67	361	17	1,047	47	197	13	1,499	79	109	96
Gasoline and other petroleum motor fuel	1,000 bbl.	102	479	26	128	26	257	23	123	26	97	26	6
Illuminating oil (kerosene)	1,000 bbl.	48	166	6	31	5	35	5	27	6	37	6	39
Gas oil and distillate fuel oil	1,000 bbl.			8	16	7	15	13	21	10	24	8	18
Residual fuel oil	1,000 bbl.	214	171	134	81	66	54	80	55	68	50	77	62
Cylinder lubricating oil	1,000 bbl.	44	616	3	45	3	47	3	52	4	68	4	62
Iron and steel scrap	Ton												( <sup>3</sup> )
Iron sheets, galvanized	Short ton			74	7	17	2	45	5	18	2	23	2
Steel sheets, galvanized	Short ton	1,155	114	154	11	265	17	458	42	179	15	358	20
Structural shapes, fabricated	Ton	415	37	467	25	1,027	78	396	52	27	110	11	29
Cast-iron soil pipe and fittings	Short ton	149	9	61	4	434	21	29	4	723	42	232	13
Welded black pipe, steel and wrought iron	Short ton	91	11	176	16	366	31	113	12	355	38	298	28
Welded galvanized steel pipe	Short ton	368	38	111	10	1,074	89	2,121	183	761	68	368	31
Wire rope and cable, not insulated	Short ton							97	30	6	2	41	6
Wire strand	Short ton	35	12	24	7	26	8	6	2	7	2	8	2
Miscellaneous cutlery and parts <sup>2</sup>			58		36		45		46		37		49
Metal drums and containers for liquids		( <sup>3</sup> )	( <sup>3</sup> )		17		15		33		144		125
Miscellaneous iron and steel manufactures <sup>2</sup>			77		19		10		39		57		36
Pipe fittings and valves, brass and bronze	Cwt.	146	10	37	2	202	10	1,111	61	773	42	309	18
Radio receiving sets	Number	4		395	19	1,169	45	1,126	36	473	18	526	18
Diesel and semi-Diesel engines	Number	37	4	4	31	3	9			10	45	6	20
Engine accessories and parts			16		13		23		23		46		30
Mining and quarrying machinery			41		47		102		67		67		40

Reciprocating power pumps.....	Number.....	20	7	12	5	16	8	60	62	37	43	5	2
Track-laying tractors.....	Number.....	35	59	.....	.....	4	15	4	15	8	32	10	23
Motor trucks, busses, and chassis, new.....	Number.....	* 131	* 166	6	5	39	27	64	42	42	35	63	86
Passenger cars and chassis, new.....	Number.....	* 204	* 123	26	14	70	46	68	49	32	24	46	32
Automobile parts for replacement on vehicles.....	Number.....	3	52	.....	20	.....	31	.....	35	.....	38	.....	44
Aircraft—landplanes.....	Number.....	.....	5	22	.....	21	75	.....	111	6	93	.....	175
Engines for aircraft.....	Number.....	1	1	3	5	20	19	21	33	13	9	1	2
Aircraft parts, instruments, and accessories (except tires).....	.....	.....	2	.....	7	.....	51	.....	49	.....	70	.....	27
Druggists' nonproprietary preparations: Tablets, pills, capsules, powders, ointments, and similar manufactures.....	.....	( <sup>1</sup> )	( <sup>1</sup> )	.....	21	.....	37	.....	31	.....	34	.....	36
Copper sulfate (blue vitriol).....	1,000 lb.....	134	10	( <sup>2</sup> )	.....	1,319	53	12,598	688	17,911	653	9,444	350
Ready-mixed paints, stains, and enamels.....	Gallon.....	( <sup>7</sup> )	95	18,427	31	24,625	47	15,988	33	31,474	60	30,049	60
Miscellaneous nitrogenous chemical fertilizer material <sup>3</sup> .....	Ton.....	14	1	467	15	.....	( <sup>4</sup> )	23	1	2,109	55	.....	.....
Dynamite.....	1,000 lb.....	420	55	443	53	691	84	774	99	513	67	599	77
Rifles.....	Number.....	32	( <sup>5</sup> )	9	( <sup>5</sup> )	67	( <sup>5</sup> )	1,373	39	3,654	84	165	2
Metallie cartridges.....	Thousand.....	* 46	26	17	( <sup>5</sup> )	408	9	2,457	69	61	5	811	11
Explosive shells and projectiles.....	Pound.....	.....	.....	.....	43	5,930	3	.....	.....	68,045	39	.....	.....
Miscellaneous printed matter, including photographs and blueprints <sup>4</sup> .....	.....	.....	28	.....	30	.....	.....	.....	55	.....	21	.....	41
Miscellaneous articles.....	.....	.....	70	.....	24	.....	41	.....	60	.....	53	.....	54
Exports of commodities shown above.....	.....	.....	5,332	.....	1,800	.....	2,321	.....	3,072	.....	3,724	.....	2,636
Total exports to Honduras.....	.....	.....	12,719	.....	4,432	.....	4,868	.....	5,492	.....	6,252	.....	5,766
Principal exports (shown above) as percent of total.....	.....	.....	41.9	.....	40.6	.....	47.7	.....	55.9	.....	59.6	.....	45.7

<sup>1</sup> Preliminary.

<sup>2</sup> Data not strictly comparable for the series.

<sup>3</sup> Not over 500.

<sup>4</sup> Converted from board feet to ties at 35 board feet to a tie.

Source: Compiled from official statistics of the U. S. Department of Commerce.

<sup>5</sup> Not separately classified.

<sup>6</sup> May include some second-hand articles.

<sup>7</sup> Not available.

<sup>8</sup> Shown in thousands of pounds.

On the basis of the available statistics, the United States appears to have a substantial net debit balance in its financial transactions with Honduras. The statement, however, does not include the income from United States direct investments or the new investment of capital in Honduras. At times both may have been large compared with other items, but they partially offset each other in the balance of accounts. United States direct investments in Honduras were valued at 36.4 million dollars at the end of 1936.<sup>32</sup> Their value, however, may have changed considerably since that time, because of damage done to the banana plantations by the leaf blight and the subsequent investment of capital in spraying equipment. The income from such investments, though not reported separately in the statement, is partly represented by merchandise imports from Honduras. Some of the leading United States companies operating in Honduras are engaged in the exportation of bananas, chiefly to this market; part of the dollar revenue obtained from such sales in the United States is retained as income on the investments in Honduras. Similarly, the recent investment of new United States capital in Honduras, represented in large part by the installation of spraying equipment obtained in the United States, is recorded in United States merchandise exports to Honduras.

TABLE 12.—*Partial balance of payments between the United States and Honduras, 1929-38*

[In millions of dollars]

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
<b>Trade and service items:</b>										
Merchandise exports to Honduras <sup>1</sup>	12.8	9.6	6.0	4.5	5.0	6.0	5.6	4.9	5.6	6.3
Merchandise imports from Honduras <sup>1</sup>	12.8	12.6	11.9	9.0	7.0	7.8	6.2	6.1	5.7	5.7
Excess of merchandise exports to (+) or imports from (-) Honduras		-3.0	-5.9	-4.5	-2.0	-1.8	-0.6	-1.2	-0.1	+0.6
Receipts from Honduras for shipping services <sup>2</sup>	.5	.3	.3	.2	.1	.1	.1	.1	.1	.1
Expenditures of Honduran travelers in the United States <sup>2</sup>	.3	.2	.2	.1	.1	.1	.1	.1	.2	.2
Expenditures of United States travelers in Honduras <sup>2</sup>	.3	.3	.3	.3	.3	.3	.3	.2	.2	.2
Net receipts from (+) or payments to (-) Honduras for services <sup>3</sup>	+0.5	+0.2	+0.2	.....	-0.1	-0.1	-0.1	.....	+0.1	+0.1
Net receipts from (+) or payments to (-) Honduras on trade and service account <sup>3</sup>	+0.5	-2.8	-5.7	-4.5	-2.1	-1.9	-0.7	-1.2	.....	+0.7
<b>Gold and silver:</b>										
Net gold imports from Honduras <sup>1</sup>	-0.3	-0.3	-0.3	-0.3	-0.3	-0.5	-0.5	-1.0	-1.3	-1.1
Net silver imports from Honduras <sup>1</sup>	-1.3	-1.0	-1.5	-1.6	-1.1	-1.1	-1.2	-1.5	-0.6	-1.5
Net gold and silver imports from Honduras	-1.6	-1.3	-1.8	-1.9	-1.4	-1.6	-1.7	-2.5	-1.9	-2.6
Net balance on items shown <sup>4</sup>	-1.1	-4.1	-7.5	-6.4	-3.5	-3.5	-2.4	-3.7	-1.9	-1.9

<sup>1</sup> United States statistics, unadjusted.

<sup>2</sup> Rough estimates.

<sup>3</sup> Exclusive of return on United States investments in Honduras.

<sup>4</sup> Exclusive of return on direct investments (receipts) and new investments (payments) in Honduras.

NOTE.—Net credit balances for the United States are indicated by +; net debit balances by -.

Source: Especially prepared for this report by the Finance Division, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.



# NICARAGUA

## A DESCRIPTION

### Physical characteristics.

The Republic of Nicaragua,<sup>1</sup> the largest of the six countries of Central America, is bounded on the north by Honduras, on the east by the Caribbean Sea, on the south by Costa Rica, and on the west by the Pacific Ocean. Extending about 250 miles from north to south, and with a maximum width of about 325 miles, it has a Pacific coast line of about 200 miles and a Caribbean littoral of more than 300 miles. The area of Nicaragua, including dependent islands, is 49,500 square miles, approximately equivalent to that of the State of New York.

Two mountain ranges traverse Nicaragua from northwest to southeast. One range consists of a series of volcanic peaks parallel to the Pacific Ocean and close to the coast; the main Cordillera, often called the Cordillera de los Andes,<sup>2</sup> extends northwest across the country from the Caribbean to merge with the Honduran highlands. Elevations in the main ranges reach 7,000 feet; the mean elevation is about 2,000 feet.

Between the two main mountain ranges lies a large depression containing extensive plains and the two great lakes of Nicaragua which together have an area of about 3,000 square miles. To the east of the main Cordillera, plateaus descend gradually toward the Caribbean coastal plain, known as the Mosquito Coast.<sup>3</sup> This eastern plateau and plains region constitutes about one-half the total area of the country.

The climate of Nicaragua varies from tropical to temperate, depending on the altitude. In the coastal plains and up to an elevation of about 2,000 feet (tierra caliente), the climate is hot and humid. In contrast with most of the other countries of Central America, the greater part of the population of Nicaragua lives in the tierra caliente. In the plateau regions of the interior (tierra templada) the climate is temperate. In the upper reaches of the mountains (tierra fria) it is distinctly cool. Since the prevailing winds are from the northeast, and carry moisture from the Atlantic, the eastern part of Nicaragua has rainfall throughout the year. In the western part of the country there are two distinct seasons, the rainy, extending from May to November, and the dry, extending from December to April. Rainfall varies considerably in different sections of the country; as much as 297 inches per year has been recorded at Bluefields, on the Caribbean side. The mean annual precipitation at Rivas, on the Pacific coast, is about 100 inches, while the

<sup>1</sup> In Spanish, República de Nicaragua.

<sup>2</sup> Although known by this name, the Nicaraguan mountains have no genetic connection with the South American Andean system.

<sup>3</sup> The Mosquito Coast takes its name from the ancient inhabitants of the region, the Misskito Indians. The name apparently was corrupted by the first European settlers.

annual average at Managua, the capital and largest city of Nicaragua, is about 65 inches.

There are numerous rivers in Nicaragua. The most important is the San Juan, which connects Lake Nicaragua with the Caribbean Sea, a distance of about 140 miles. On the San Juan River, which forms part of the boundary with Costa Rica, a regular steamship service connects Greytown with Granada, at the upper end of Lake Nicaragua. The longest river in Nicaragua, however, is the Coco, or Segovia, which flows about 300 miles from the eastern crest of the Cordillera to Cabo Gracias a Dios on the Caribbean. Other important rivers include the Matagalpa, or Río Grande, the Bluefields, and the Kuringwas, all of which flow into the Caribbean. The Matagalpa, or Río Grande, which has a length of about 230 miles, is only partially navigable, because of rapids. The Bluefields River is navigable for about 65 miles, from Bluefields to Rama.

One of the outstanding physical features of Nicaragua is the two large fresh-water lakes located in the depression between the two main mountain ranges. The larger, Lake Nicaragua, is about 92 miles long and 34 miles wide, and is navigable over its entire area. Lake Managua, connected with Lake Nicaragua by the Río Tipitapa, is 32 miles long and 16 miles wide. Both of these lakes are about 135 feet above sea level.

The San Juan River and Lake Nicaragua, which permit water transportation from the Caribbean Sea to within about 15 miles of the Pacific Ocean, have been the basis of various projects to connect the two oceans at that point. A number of surveys for such an interoceanic route were made during the nineteenth century, and on several occasions actual plans for its construction were made. Although the United States Government ultimately chose the Panamá route, the advantages of the one through Nicaragua were not lost sight of, and on February 26, 1913, a treaty was negotiated between the United States and Nicaragua for the acquisition by the United States of a canal route across Nicaragua. By the terms of the Bryan-Chamorro Treaty, proclaimed on June 24, 1916, the Government of Nicaragua granted to the Government of the United States in perpetuity the exclusive proprietary rights necessary and convenient for the construction, operation, and maintenance of an interoceanic canal by way of the San Juan River and Lake Nicaragua, or by way of any other route over Nicaraguan territory.<sup>4</sup> Although the construction of the Nicaraguan canal has not yet been undertaken, a complete survey of the contemplated route was made in 1929-31 by the Corps of Engineers of the United States Army.

About 395 miles of railroad are in operation in Nicaragua. The principal line, the National Railroad of Nicaragua,<sup>5</sup> operates in the western part of the country. Connecting Corinto with León, Managua, and several other cities, it has a total length of about 170 miles.<sup>6</sup> In addition, there are a number of private railways, the principal of which are those owned by the United Fruit Co. and

<sup>4</sup> The treaty also leased to the United States for a term of 99 years Great Corn Island and Little Corn Island in the Caribbean Sea east of Bluefields, and for a period of 99 years granted to the United States the right to establish, operate, and maintain a naval base on the Nicaraguan coast in the Gulf of Fonseca.

<sup>5</sup> Formerly the Pacific Railroad of Nicaragua.

<sup>6</sup> The gage of this railroad is 42 inches; the standard United States gage is 4 feet 8½ inches.

the Bragman's Bluff Lumber Co. Both of these companies operate banana plantations.

There are approximately 1,000 miles of highways in Nicaragua, about 500 miles of which are main highways suitable for year-round motor travel. The principal cities connected by highways are Managua and Granada, Puerto Díaz and La Libertad, and Managua and Matagalpa. The Nicaraguan section of the Inter-American Highway, when completed, will be 214 miles in length. It will follow the south and west coasts of Lake Nicaragua, passing through Managua and entering Honduras near the Gulf of Fonseca. In 1940 there were approximately 1,000 automotive vehicles registered in Nicaragua.

#### Population.

According to the last census, that of 1920, the population of Nicaragua was 638,000.<sup>7</sup> An estimate for 1938 placed the number of inhabitants at 1,172,000. On the basis of this estimate Nicaragua has about 24 persons to the square mile. About three-fourths of the total population, however, lives in the western half of the country.

The principal city of Nicaragua is its capital, Managua, situated on the southern shore of Lake Managua.<sup>8</sup> Its estimated population in 1938 was 115,000. Other important cities and towns, with their estimated population in 1938, are León,<sup>9</sup> to the north of Managua, 60,000; Granada, to the south of the capital, 20,000; Masaya, south of Managua, 14,000; Chinandega, northwest of Lake Managua, 13,000; and Matagalpa, north of Lake Nicaragua, 10,000.<sup>10</sup>

The principal port of Nicaragua is Corinto, on the Pacific coast. About three-fourths of Nicaragua's foreign trade passes through this city, which has a population of about 3,000. The other Pacific port is San Juan del Sur, which has about 1,500 inhabitants. Puerto Cabezas,<sup>11</sup> now the principal port on the east coast of Nicaragua, has a population of about 2,000. Bluefields,<sup>12</sup> formerly the chief eastern port, has about 7,000 inhabitants. San Juan del Norte (Greytown), once an important Caribbean port, has a population of 1,500.

Many of the people of Nicaragua are of mixed Spanish and Indian blood, although there are large numbers of pure Spanish and of pure Indian blood. In the eastern part of the country Negroes from the West Indies are employed on the banana plantations, and there are a number of persons of mixed Negro and Indian blood. The language of Nicaragua is Spanish.

#### Natural resources and economy.

*Agriculture.*—Nicaragua is almost wholly an agricultural country, although gold mining has become important in recent years, and there is some production of pastoral and forest products. The principal agricultural export crops are coffee and bananas, but some cotton, sugar, cacao, and cottonseed are also shipped abroad. Agricultural products grown principally for domestic consumption include corn,

<sup>7</sup> The census of 1882 showed a population of 276,000; that of 1900 showed a population of 500,000.

<sup>8</sup> Managua was almost entirely destroyed by an earthquake on March 31, 1941, but has been largely rebuilt.

<sup>9</sup> León was formerly the capital.

<sup>10</sup> The 1938 estimates are from the *Statesman's Year-Book*, 1940, pp. 1172-1173.

<sup>11</sup> Also known as Bragman's Bluff.

<sup>12</sup> Bluefields takes its name from the Dutch pirate Blewfeldt.

beans, potatoes, rice, cotton, tobacco, pineapples, and citrus fruits, as well as a wide variety of other tropical- and temperate-zone fruits and vegetables.

Coffee is the leading Nicaraguan export crop; it constituted nearly one-third of the value of all exports in 1939, as compared with more than one-half in 1929. Although exports of several other commodities are important, coffee is nevertheless the mainstay of the Nicaraguan economy, and fluctuations in price or losses of markets are immediately reflected in the foreign and domestic trade of the country.

Coffee is grown principally in the higher elevations, in the western part of the country, near Managua and Matagalpa. Nicaraguan coffee is of the "mild" variety (*Coffea arabica*), used in the United States largely for blending purposes. It commands a high price in European and United States markets, and like most of the coffee produced in the Caribbean region, competes only indirectly with Brazilian coffee.<sup>13</sup> Prior to the present war, one-half or more of the coffee from Nicaragua went to European markets. The outbreak of hostilities and the ensuing events resulted in the loss of these markets. To a certain extent, however, this loss is offset by the quota assigned for exports of coffee from Nicaragua to the United States under the terms of the Inter-American Coffee Agreement, signed November 28, 1940. Under this agreement, Nicaragua was permitted to ship to the United States 25.8 million pounds of coffee during the quota year beginning October 1, 1940.<sup>14</sup> This compares with actual shipments to the United States of 22.8 million pounds during the calendar year 1939.

As a part of the general economic program embraced in the law of September 11, 1939, the Government of Nicaragua on December 1, 1940, adopted regulations for the export of coffee, and established a Quota Board to supervise and control such exports. All exporters are required, on the order of the Quota Board, to deposit in bonded warehouses in Nicaragua a certain proportion of their exportable coffee crop. For the 1940-41 crop year, the provisional "sacrifice quota" was set at 10 percent.

Bananas, the second-ranking Nicaraguan agricultural export commodity, have accounted in recent years for about one-seventh of total exports (one-twelfth in 1939). They are grown principally on the Atlantic coast, in the El Gallo, Escondido, and Wawa areas. Two United States companies are engaged in the trade. Exports in 1939, practically all of which went to the United States, amounted to 1.5 million bunches, as compared with 3.6 million in 1929.<sup>15</sup> The decline in production and exports of bananas in recent years may be attributed to the sigatoka or leaf-spot disease, which is curtailing production in the Atlantic coastal areas. Attention is being given to the transfer of banana plantations to the Pacific coast and to other suitable producing areas.

Nicaraguan cotton, which is of good quality, is grown principally in the western part of the country, in the Departments of Chinandega and León. Production in the 1938-39 season amounted to 2.6

<sup>13</sup> In the trade, all coffees are roughly grouped into "Brazils" and "milds," the "milds" embracing all coffees grown outside Brazil.

<sup>14</sup> As of June 1, 1941, the quota was increased to 26.2 million pounds by the Inter-American Coffee Board.

<sup>15</sup> Exports in 1939 were the smallest since 1925.

million pounds. Prior to the war, exports of cotton went chiefly to Germany, Japan, and Guatemala. Cottonseed was shipped principally to Germany.

Sufficient sugar usually is produced in Nicaragua to satisfy the domestic demand and to provide a surplus for export, although in some years sugar must be imported. Sugarcane is grown principally in the northwestern part of the country, in the Department of Chinandega. Production averages about 15,000 short tons annually. Sugar refining is one of the most important Nicaraguan industries, employing more workers than any other single industry.

Nicaraguan cacao is of high quality, and there are large areas suitable for its cultivation. In recent years it has been planted in increasing quantities on banana plantations abandoned because of the leaf-spot disease. Exports of cacao in 1939 amounted to 838,000 pounds. Indigo was at one time an important article of export from Nicaragua. In recent years the industry has been revived on a small scale.

Other Nicaraguan agricultural products are grown principally for domestic use. They include corn, beans, wheat, rice, tobacco, yucca, plantains, pineapples, and oranges. Grains and vegetables are grown chiefly in the Departments of León and Chinandega. The production of rice is usually sufficient to meet domestic requirements, but imports are necessary in some years.

*Mining.*—Extensive deposits of minerals exist in Nicaragua, but, with the exception of gold and silver, mining has been little developed. Nicaragua ranks second in mineral wealth among the countries of Central America, being exceeded only by Honduras. The principal mineral deposits are in the Departments of León, Nueva Segovia, and Matagalpa.

Although gold mining has long been important in Nicaragua, production has increased rapidly in the last decade. In 1938 exports of gold accounted for more than one-fourth of all exports, in terms of value, as compared with only 4 percent in 1929; in 1939 and 1940 gold replaced coffee as the principal Nicaraguan export product. The value of gold production in 1939 was estimated to be 3.4 million dollars, and exports of gold in 1940 were valued at 5.7 million dollars. New ore-treating machinery and equipment is being installed at the mines, and the output continues to expand. The principal gold-producing area is the Coco or Segovia River and its tributaries, where gold-bearing gravels are worked. The chief problem associated with gold mining is transportation, since the mines are in a remote part of the country, reached only by river, by forest trails, or by air.

Some silver is mined, principally in conjunction with gold.<sup>16</sup> Exports of silver in 1940 were valued at \$100,000. Other minerals occurring in Nicaragua include copper, lead, zinc, tin, nickel, mercury, iron, sulfur, precious stones, and salt. None of these, except salt, is produced on a commercial scale; salt is produced in quantities usually sufficient to meet the domestic demand.

*Forest industries.*—The forest resources of Nicaragua are extensive. Among the many types of woods found are mahogany, ebony, cedar, lignum vitae, pine, rosewood, brazilwood, and quebracho. A wide

<sup>16</sup> In the sixteenth and seventeenth centuries, large quantities of silver were mined in Nicaragua.

variety of gums and medicinal plants is also found in Nicaragua; these include balsam of Peru, copaiba, cinchona, ipecacuanha, vanilla, and sarsaparilla. Some rubber has been produced, and coconuts are exported in small quantities. Both red and yellow cinchona grow wild in Nicaragua, but the bark is not produced commercially. In order to prevent the extinction of ipecacuanha, there has been for the last few years a definite limitation on the amount which may be collected and exported. The value of exports of ipecacuanha in the 4 years 1936-39 averaged \$92,000 annually.

Woods, particularly mahogany, were at one time a principal export from Nicaragua, but production has been declining in recent years. They constituted 12 percent of total exports in 1929, but only 4 percent in 1939. Mahogany is the most important of the forest resources, but since 1929 logging operations have been suspended. Exports now consist chiefly of pine, cocobolo, guayacan, n̄ambar, and cedar.

*Pastoral industries.*—The raising of livestock is an important industry in Nicaragua. The principal cattle-raising areas are in the Department of Chinandega, northeast of Lake Managua, and in the Departments of Chontales and Rivas, bordering Costa Rica. No data are available to show the number of cattle in Nicaragua, but it is believed to be in excess of 1 million. Quantities of cattle hides are exported, principally to the United States, and a considerable number of live cattle are customarily shipped each year to other Central American countries, particularly Costa Rica and Guatemala. There are few sheep in Nicaragua but large numbers of hogs and goats are raised, and substantial quantities of lard are exported, principally to Costa Rica.

*Manufacturing.*—Nicaragua has few manufacturing industries except those associated with the processing of agricultural commodities and those producing the simpler type of consumer goods. Coffee processing and sugar refining are important industries. The remaining industries consist for the most part of small shops, employing a few workers, and producing for a limited local market. Of these the soapmaking industry, which is highly protected, is the most important. The principal item of production is cheap laundry soap, but some toilet soap is also produced. The greater part of the domestic demand for soap is supplied by the local factories. The domestic textile industry is small; there is some production of cotton piece goods and rayon cloth. Other products of Nicaraguan manufacturing industry include furniture made from local woods, and leather goods, shoes, ready-made clothing, cigars, cigarettes, alcohol, beer, whisky, rum, soft drinks, matches, shoe polish, candles, perfumes, toilet water, and pharmaceuticals.

*Foreign investments.*—United States direct investments in Nicaragua at the end of 1936 amounted to 4.5 million dollars, the smallest in any country of Latin America.<sup>17</sup> No data are available to show these investments by economic groups, but direct investments by foreigners in Nicaragua are largely in mining and commercial opera-

<sup>17</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936*, p. 12. "Direct" investments are defined as all United States investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice.

tions, and in real estate. With the exception of those operated by the fruit companies, the railroads are now owned by the Nicaraguan Government. The National Bank, once controlled by a United States financial organization, is now controlled by Nicaraguan capital.

Total investments of the United Kingdom in Nicaragua in 1940 were estimated to be 416,000 pounds sterling (approximately 1.7 million dollars.)<sup>18</sup> Direct investments of the United Kingdom in 1940 were estimated to be about \$750,000, of France about \$750,000, of Germany about \$600,000, and of Italy about \$250,000. The extent of Canadian investment is not known, but it is principally in the gold-mining industry.<sup>19</sup>

Portfolio investments<sup>20</sup> in Nicaragua are not large, the total amount of outstanding Nicaraguan bonds being small. The funded debt of the Republic consists of the Bonds of 1909, issued in sterling, of which \$1,952,000 were outstanding on January 1, 1940, and the Guaranteed Customs Bonds of 1918, of which \$457,000 were outstanding on the same date. No data are available to show the nationality of holders of the Bonds of 1909. On December 31, 1939, however, the proportion of the value of the Customs Bonds of 1918 held by various nationalities was as follows: United States, 51 percent; Nicaragua, 33 percent; France, 9 percent; Italy, 4 percent; the United Kingdom, 2 percent; and Germany, 1 percent.<sup>21</sup>

In 1939 the Export-Import Bank of the United States made available to the Banco Nacional de Nicaragua, Inc., a credit of \$500,000 for purchases of United States agricultural and industrial products, and credit of 2 million dollars to the Republic of Nicaragua for the purchase of equipment and services.

## THE FOREIGN TRADE OF NICARAGUA

In recent years Nicaragua has accounted for about 8 percent of the value of all exports from the six countries of Central America, and for about 5 percent of all imports thereto. Exports in 1939 were valued at 8.3 million dollars, as compared with imports of 6.4 million dollars.<sup>22</sup> The share of Nicaragua in the total exports from and imports into Central America as a whole declined during the decade 1929-38.

Exports from Nicaragua customarily exceed imports into the country; exports were greater than imports in 12 of the 16 years 1924-39. In the 5 years 1935-39, exports exceeded imports in each year except 1936. The export balance in the other 4 years ranged from \$585,000 (1935) to 1.9 million dollars (1939).<sup>22</sup>

In proportion to its population, the foreign trade of Nicaragua is small. Exports in 1939 were equal to about \$7.10 per capita, and imports to \$5.40 per capita.

<sup>18</sup> *The South American Journal*, January 25, 1941, pp. 49-50.

<sup>19</sup> Report of United States Commercial Attaché, Managua, May 24, 1941.

<sup>20</sup> "Portfolio" investments are defined as equity and other security investments in foreign-controlled corporations, and investments in the security issues of foreign governments or subdivisions thereof.

<sup>21</sup> The Nicaraguan gold córdoba, used in recording trade statistics, is equivalent to the United States dollar. The internal value of the córdoba, however, has varied considerably during the years covered in this report. In both 1939 and 1940 the official value of the córdoba was \$0.20.

<sup>22</sup> Export values employed by Nicaragua are f. o. b. Nicaraguan port or frontier, excluding duties and taxes, as declared by merchants. Import values are f. o. b. port of embarkation in country of origin.

**Nicaraguan commercial policy.**

*The tariff.*—Nicaragua has a general tariff, from which conventional reductions were accorded to France by the *modus vivendi* of 1921,<sup>23</sup> and to the United States by the trade agreement which came into force October 1, 1936.<sup>24</sup> These concessions were extended to countries entitled thereto under most-favored-nation agreements, but were not generalized. Nicaragua may, therefore, be said to have a general and conventional tariff. Imports from the United States of articles on which concessions were made in the trade agreement with this country (as distinguished from the more extensive pledges not to increase certain tariff rates) covered only about 3 percent of total Nicaraguan imports. The concessions on French specialties were even less important. Even with the extension of these United States and French concessions to certain other countries, they probably did not cover more than 5 or 6 percent of the total imports into Nicaragua. There is thus some reason to regard Nicaragua as a country having a single-column tariff, with minor exceptions.

Changes affecting the tariff in Nicaragua are initiated by the Legislature; there is no board or commission to advise the Government on questions pertaining to the tariff. The administration of the tariff of Nicaragua has been under the control of a Collector General of Customs since December 16, 1911. By a legislative decree of September 9, 1939, the Executive was given emergency authority for 1 year to control imports and exports of all merchandise and to regulate the sale of imported and domestic products within the country. A legislative decree of August 13, 1940, extended this emergency authority for another year.

Nicaragua has in force unconditional most-favored-nation agreements with the United States, France, Germany, the United Kingdom, and Italy, and a conditional agreement with Spain.<sup>25</sup> These agreements, except those with France and Spain, pledged most-favored-nation treatment with a reservation permitting special concessions to other Central American countries. A reciprocal free-trade agreement signed with Guatemala in 1924 expired in 1934, but Nicaragua still accords free entry of Guatemalan products on the basis of the Washington pacts of 1923. Honduras gave notice of termination of a similar free-trade agreement with Nicaragua on July 17, 1936.

A law, effective for a period of 3 years from September 17, 1936, authorized the Nicaraguan Executive to grant, in commercial agreements, reductions of not more than one-fourth of the import duties then in force, and to make these agreements effective for periods not exceeding 3 years, subject to extension if the Legislature did not disapprove.<sup>26</sup> Since the expiration of this law, prior legislative approval is required for reductions in import duties by commercial agreements.

A trade agreement between the United States and Nicaragua became effective October 1, 1936, but by agreement between the two

<sup>23</sup> The *modus vivendi* with France was denounced by Nicaragua to terminate on August 15, 1936, but was renewed until June 30, 1938, pending negotiations for another trade agreement. The new agreement became effective July 1, 1938.

<sup>24</sup> The reciprocal duty concessions provided for in the trade agreement with the United States were terminated March 10, 1938.

<sup>25</sup> Although an unconditional most-favored-nation treaty in 1903 with Mexico is still acknowledged as being in force by Nicaragua, it is understood that the extension of conventional tariff reductions was denied to Mexican products in 1934, on the ground that such reductions were extended only to treaty countries which are leading consumers of Nicaraguan coffee.

<sup>26</sup> Decree of August 20, 1936.



countries, the reciprocal duty concessions provided for in the agreement were terminated March 10, 1938.<sup>27</sup>

The Nicaraguan tariff is primarily for revenue,<sup>28</sup> but protection is accorded a number of domestic manufactures, including soap, candles, cigarettes, beer, soft drinks, shoes, and ready-made clothing. The basic tariff law became effective March 1, 1918, but changes in the rates of duty have been made from time to time. Most of the duties are specific, and are generally levied on net weight, although some are assessed on gross weight. The few ad valorem duties are based on the f. o. b. value at the port of export; that is, the wholesale price of the merchandise in the principal markets of the exporting country, packed and ready for shipment. In addition to the regular import duties, certain customs surtaxes are levied on imported articles. On liquors, and on tobacco in any form, except leaf tobacco, a customs surtax of 75 percent of the duty is assessed. All other imports pay a surtax of 37½ percent of the duty, except flour and beans, which pay 25 percent when entered at Atlantic ports.<sup>29</sup>

Because of currency depreciation, the Executive, by a decree of February 10, 1938, authorized the Exchange Control Commission to determine the ratio at which paper córdobas are receivable in payment of import duties. Effective March 12, 1938, the Commission fixed this ratio at 2 paper córdobas for each córdoba of duty prescribed by the tariff. Although this action was designed to offset in part the depreciation in the value of the paper córdoba, it may in a sense be regarded as an increase in tariff duties, since the paper córdoba had been at a substantial discount in terms of gold for a number of years.

*Export duties.*—Export duties are levied by Nicaragua on a number of commodities. These include gold, coffee, bananas, coconuts, tortoise shell, hides and skins, livestock, rubber, unworked or sawed wood,<sup>30</sup> silver in bars, sea turtles, and tuna. The export duty on gold is \$17 per kilogram (2.2046 pounds). Export duties on coffee, the principal export commodity other than gold, were fixed by a decree of December 13, 1939, at from \$0.30 to \$0.50 United States currency per quintal of 46 kilograms (101.4 pounds), depending on the type or grade.<sup>31</sup> The regular export duty on bananas is 2 cents per stem of nine hands. By a congressional decree of January 8, 1936, however, an export duty of 10 cents per stem was levied for a period of 6 years on all bananas exported from the region of the Río Coco and its tributaries. The purpose of this duty is to provide funds to repair the damage caused by a

<sup>27</sup> Tariff concessions originally granted by Nicaragua to the United States included reductions in duty on 9 tariff items, and bindings against increase in duty on 15 others. More than 100 commodities were involved. About 26 percent of United States exports to Nicaragua in 1934 were affected by the agreement. Concessions made by the United States to Nicaragua related entirely to distinctive tropical products. Nine tariff items were bound on the free list, and the duty on one item was reduced. Imports of these products represented 94 percent of United States imports from Nicaragua in 1934.

<sup>28</sup> Of total Nicaraguan revenues of 5.6 million córdobas in the fiscal year 1937-38, 26 percent consisted of customs duties, 20 percent of internal revenue, 7 percent of special revenue, and 47 percent of earmarked revenues (from the National Railway, the National Bank, and the National Mortgage Bank). If the earmarked revenues are excluded, customs duties accounted for 47 percent of total revenues.

<sup>29</sup> In addition, a package tax of 10 cents per 46 kilograms or fraction thereof, up to a maximum of 1 córdoba, is levied on all imports by freight and parcel post. Parcel-post packages, in addition to the general surtaxes previously specified, pay a fee of 30 cents per package when valued in excess of \$10. A fee of 25 cents in stamps is also collected from the recipient upon delivery of all packages.

<sup>30</sup> Bamboo was exempted from export duty by an Executive decree of July 26, 1937.

<sup>31</sup> This range of duties is applicable provided the value of coffee (f. o. b. value port of shipment) does not exceed \$12 per quintal of 46 kilograms for washed coffee, and \$10 per quintal for other types or grades. If the values exceed those figures, the export duties range from \$0.45 to \$0.75 per quintal, depending on the type or grade.

hurricane, to improve the banana plantations in the region, and to improve the navigability of the river.

*Exchange control.*—The gold standard was abandoned by Nicaragua, and exchange control was introduced, on November 13, 1931.<sup>32</sup> Since that time there has been some type of exchange regulation in force, with varying degrees of control. On October 16, 1936, for example, the existing exchange regulations were modified to permit exporters to dispose of 70 percent of their drafts in the open market, the remaining 30 percent being retained by the National Bank of Nicaragua to cover Government requirements and to liquidate frozen foreign credits.

Under a law of July 31, 1937, the Exchange Control Commission created by the law of September 9, 1932, was reorganized, the membership to consist of the Minister of Finance and Public Credit, the General Manager of the National Bank of Nicaragua, and the Collector General of Customs. Under the provisions of the same law, an official commercial exchange rate of not to exceed 2 córdobas to the dollar was established, and only the National Bank was authorized to buy and sell exchange. It was also provided that the Bank should collect a tax of 7½ percent on all exchange transactions except those for service of the public debt and other official requirements.

A law published December 23, 1937, altered the exchange control system to provide for two exchange markets. The National Bank was authorized to deal in certain types of exchange at the rate of 4 córdobas to the dollar, and the free purchase and sale of other types were permitted. At the same time a tax of 10 percent, payable in foreign currency, was levied on all sales of exchange made by the National Bank, whether for its own account or for the account of third parties. The only exchange exempted from this tax was that sold to meet the official requirements of the Government, the customs, the National Railroad, and the National Bank. Because of the great fluctuation of the córdoba in the free market, full exchange control was reimposed on June 8, 1938, the official rate being set at 5 córdobas to the dollar.

By a series of laws in November 1940, the Nicaraguan system of exchange control was reorganized, the new control body being called the Commission of Exchange. The new Commission is an auxiliary organization of the Issue Department of the National Bank of Nicaragua. Its stated function is to maintain an equilibrium in the balance of payments by assuring that the foreign obligations of the country do not exceed its capacity to pay. An innovation in the operation and control of the exchange system is the provision that the importer need make only one application to the Commission which will cover the right to import, and automatically, if approved, will assure him the required exchange. Provision was also made for advance exchange purchases, by permitting importers to cover their orders either partially or entirely at the time the orders are placed. Authority was granted the Commission of Exchange to control the total amount of exchange issued, for the purpose of maintaining an equilibrium in the balance of payments.

*Compensation agreements.*—Nicaragua has had compensation trade with Germany and Japan. It is possible that some trade between

<sup>32</sup> From 1912 to 1931, the monetary unit was the gold córdoba, equivalent to the United States dollar. Following the abandonment of the gold standard, the córdoba depreciated; in 1939 and 1940 the official value of the paper córdoba was \$0.20. The gold córdoba, however, is still employed in recording trade statistics.

Nicaragua and Germany was conducted through private compensation transactions in the early years of German and Nicaraguan exchange control. After 1934, however, it appears that the greater part of the trade was conducted through the askimark system. Through 1936 coffee was the only important Nicaraguan export to Germany, but in 1937 cotton was also of considerable importance. Since the beginning of the war, the trade with Germany has virtually ceased. A compensation trade arrangement also exists between Nicaragua and Japan. Under the agreement, Nicaraguan products are paid for in Japanese manufactured goods.

#### Exports from Nicaragua.

*Trend.*—The outstanding features of the Nicaraguan export trade in the period 1929–39 were the maintenance by the United States of its predominant position as a market, the declining importance of coffee, bananas, and woods in Nicaraguan exports, and the increasing importance of gold and cotton. Exports from Nicaragua to the world and to the United States, in the period 1924–39, are shown in tables 1 and 2.

The year 1929, the earliest shown in the detailed tables hereinafter presented, was not a peak year in exports either to the world or to the United States. The value of exports to the world and to the United States in 1929 was exceeded in each of the years 1924–28, except 1927. Average annual exports to the world in the 5 years 1924–28 exceeded those in 1929 by about 9 percent. Average annual exports to the United States in the period 1924–28 exceeded those in 1929 by 16 percent.

Total exports from Nicaragua in 1929 were valued at 10.9 million dollars. Following the trend of world commerce, they declined regularly to 4.5 million dollars in 1932, or 42 percent of their 1929 value. After 1932 exports recovered irregularly, reaching 7 million dollars in 1937. The sharp decrease in the prices of coffee and other leading exports, however, caused a decline to 5.9 million dollars in 1938, or 54 percent of the 1929 level. In 1939, as a result of greatly increased exports of gold and larger exports of coffee, the value of total exports rose sharply to 8.3 million dollars, or 76 percent of that in 1929.

TABLE 1.—Nicaragua: Trade with the world, 1924–39

[Value in thousands of U. S. dollars <sup>1</sup>]

Year	Exports	Imports	Year	Exports	Imports
1924	12,990	8,807	1932	4,542	3,480
1925	12,360	10,376	1933	4,862	3,814
1926	13,029	10,255	1934	5,230	4,610
1927	9,026	10,208	1935	5,658	5,073
1928	11,693	13,350	1936	4,648	5,580
1929	10,873	11,797	1937	7,038	5,621
1930	8,343	8,172	1938	5,884	5,120
1931	6,575	6,015	1939	8,301	6,365

<sup>1</sup>The Nicaraguan gold córdoba, used in recording trade statistics, is equivalent to the United States dollar.

Source: Compiled by the United States Tariff Commission from *Memoria del Recaudador-General de Aduanas y Aita Comision*.

TABLE 2.—*Nicaragua: Trade with the United States, 1924-39*

[Value in thousands of U. S. dollars ]

Year	Exports		Imports		Year	Exports		Imports	
	Value	Percent of total to United States	Value	Percent of total from United States		Value	Percent of total to United States	Value	Percent of total from United States
1924.....	7,442	57.3	6,425	73.0	1932.....	2,964	65.3	2,181	62.7
1925.....	7,971	64.5	7,272	70.1	1933.....	2,437	50.1	2,394	62.8
1926.....	6,904	53.0	7,117	69.4	1934.....	2,598	49.7	2,712	58.8
1927.....	5,016	55.6	6,778	66.4	1935.....	3,151	55.7	2,538	50.0
1928.....	6,025	51.5	8,384	62.8	1936.....	2,505	53.9	2,580	46.2
1929.....	5,754	52.9	7,390	62.0	1937.....	3,897	55.4	3,045	54.2
1930.....	4,150	49.7	5,024	61.5	1938.....	3,961	67.3	3,058	59.7
1931.....	3,506	53.3	3,684	61.2	1939.....	6,432	77.5	4,352	68.4

<sup>1</sup> The Nicaraguan gold córdoba, used in recording trade statistics, is equivalent to the United States dollar.

Source: Compiled by the United States Tariff Commission from *Memoria del Recaudador-General de Aduanas y Alta Comisión*.

Price and quantum indexes of Nicaraguan exports are not available. The effect of fluctuations in prices and quantities on the export trade, however, is partially indicated by statistics for the leading export commodities, coffee, gold, and bananas, which in the period 1929-39 constituted seven-tenths or more of the total, in terms of value. The statistics indicate that the decline in the value of Nicaraguan exports between 1929 and 1932 was attributable more to fluctuations in the prices of commodities than to variations in the quantities exported. The recovery in the value of exports between 1932 and 1937 may be attributed chiefly to increases in the quantities of coffee and gold exported. The decline in export values in 1938 was due in large part to the drop in the price of coffee. The sharp rise in 1939 was principally the result of greatly increased shipments of gold and coffee.

Quantities, values, and unit values of selected Nicaraguan exports, in specified years, 1929 to 1939, are shown in table 3. Exports of coffee declined from 29.2 million pounds in 1929 to 17.9 million pounds in 1932, a decrease of about two-fifths. In the same period the average unit value declined by about three-fifths (from \$0.202 to \$0.083 per pound). After 1932 exports of coffee increased, reaching 34.8 million pounds in 1937. In 1938 they declined to 31.4 million, but were still 11 percent larger than in 1929. Exports of coffee in 1939 reached 38.4 million pounds, a figure nearly one-third greater than in 1929. The average value per pound of exports of coffee declined from \$0.083 in 1932 to \$0.073 in 1936. It increased to \$0.088 in 1937, but declined in 1938 to \$0.065, or 32 percent of the 1929 level. In 1939 it increased slightly, to \$0.069.

Exports of gold from Nicaragua declined in value from \$434,000 in 1929 to \$382,000 in 1932. Thereafter, as a result of greatly increased mining activity, they rose sharply, reaching 3.5 million dollars in 1939; in that year, gold became the leading Nicaraguan export commodity.

TABLE 3.—*Nicaragua: Exports of selected commodities, in specified years, 1929 to 1939*

Commodity	1929	1932	1936	1937	1938	1939
Quantity						
Gold concentrates, troy ounces (gold content).....	6,945	5,498	23,055	24,244	44,502	100,193
Coffee, 1,000 pounds.....	29,207	17,918	28,896	34,808	31,439	38,396
Bananas, 1,000 bunches of 50 pounds.....	3,609	2,979	1,704	2,180	1,720	1,458
Value (1,000 U. S. dollars) <sup>1</sup>						
Gold concentrates.....	\$ 434	\$ 382	808	849	1,551	3,503
Coffee.....	5,903	1,479	2,115	3,078	2,031	2,640
Bananas.....	1,985	2,238	770	985	777	654
Unit value (U. S. dollars)						
Gold concentrates, troy ounces (gold content).....	( <sup>2</sup> )	( <sup>2</sup> )	35.03	35.01	34.84	34.97
Coffee, pound.....	0.202	0.083	0.073	.088	.065	.069
Bananas, bunch of 50 pounds.....	.550	.751	.452	.452	.452	.449

<sup>1</sup> The Nicaraguan gold córdoba, used in recording trade statistics, is equivalent to the United States dollar.

<sup>2</sup> The value figures shown for 1929 and 1932 are for gold in all forms. In addition to gold concentrates there were exported gold amalgam, bars, and dust valued at \$278,173 in 1929, and at \$268,963 in 1932. All exports of gold for the period 1936-39 consisted of concentrates.

Source: Compiled by the United States Tariff Commission from *Report of the Collector General of Customs and High Commission* (1929 and 1932 statistics), and *Memoria del Recaudador-General de Aduanas y Alta Comisión* (1936-39 statistics).

Exports of bananas declined from 3.6 million bunches<sup>33</sup> in 1929 to 3 million in 1932, a decline of nearly one-fifth. The average unit value, however, is recorded as rising from \$0.55 to \$0.75 per bunch, an increase of more than one-third. After 1932 exports of bananas continued to decline. In 1936 they were 1.7 million bunches. They increased to 2.2 million in 1937, but declined to 1.7 million in 1938 and to 1.5 million in 1939. In the 4 years 1936-39, the average unit value of exports of bananas remained at approximately \$0.45, or about four-fifths of the 1929 level.<sup>34</sup>

*Composition.*—Nicaraguan exports consist predominantly of coffee, gold, bananas, and woods. In the period 1929-39 these four commodities accounted for from three-fourths to nine-tenths of all shipments abroad, in terms of value. Other export commodities include cotton, hides and skins, sugar, ipecacuanha, cacao, silver, and cottonseed. Exports from Nicaragua, by principal commodities, in specified years, 1929 to 1939, are shown in table 4.

For each commodity shown in table 4, except bananas and ipecacuanha, there was a sharp drop in the dollar value of exports between 1929 and 1932, caused in large part by lower prices. All commodities except bananas showed increases in 1937 as compared with 1932. Values of gold, cotton, hides and skins, ipecacuanha, cacao, and silver in 1937 were in excess of those for 1929. For the principal commodities, the ratios of the dollar values of exports in 1938 to those in 1929 were as follows: Coffee, 34 percent; gold, 357 percent; bananas, 39 percent; woods of all kinds, 29 percent; hides and skins, 100

<sup>33</sup> Bunches of 50 pounds.

<sup>34</sup> Inasmuch as bananas are produced in Nicaragua largely by United States companies, and enter this country free of duty, the recorded value of exports of bananas from Nicaragua (and therefore the unit values of such exports) may have little significance.

percent; sugar, 53 percent; and ipecacuanha, 1,950 percent. In 1939 exports of all commodities, except gold, coffee, and silver, declined in value as compared with 1938. Exports of gold more than doubled as compared with 1938, and there were substantial increases in the values for coffee and silver (see table 4).

TABLE 4.—Nicaragua: Exports,<sup>1</sup> by principal commodities, in specified years, 1929 to 1939

[Value in thousands of U. S. dollars <sup>2</sup>]

Commodity <sup>3</sup>	1929		1932		1936		1937		1938		1939	
	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total
Grand total.....	10, 873	100. 0	4, 542	100. 0	4, 648	100. 0	7, 038	100. 0	6, 884	100. 0	8, 301	100. 0
Gold.....	434	4. 0	382	8. 4	808	17. 4	849	12. 1	1, 551	26. 3	3, 503	42. 2
Coffee.....	5, 903	54. 3	1, 479	32. 6	2, 115	45. 5	3, 078	43. 7	2, 031	34. 5	2, 640	31. 8
Bananas.....	1, 985	18. 3	2, 238	49. 3	770	16. 5	985	14. 0	777	13. 2	654	7. 9
Woods of all kinds.....	1, 285	11. 8	39	. 9	97	2. 1	432	6. 1	377	6. 4	335	4. 0
Mahogany, un-												
manufactured.....	641	5. 9	( <sup>4</sup> )	( <sup>7</sup> )	3	. 1	92	1. 3	97	1. 6	34	. 4
Pine lumber.....	423	3. 9	16	. 4	24	. 5	80	1. 1	96	1. 6	130	1. 6
Royal cedar, un-												
manufactured.....	124	1. 1			12	. 3	26	. 4	90	1. 5	36	. 4
Cotton, raw.....			( <sup>4</sup> )	( <sup>7</sup> )	134	2. 9	553	7. 8	262	4. 5	253	3. 0
Hides and skins.....	146	1. 3	18	. 4	102	2. 2	230	3. 3	147	2. 5	99	1. 2
Silver.....	20	. 2	11	. 3	42	. 9	45	. 6	69	1. 2	96	1. 2
Sugar.....	238	2. 2	66	1. 4	83	1. 8	133	1. 9	128	2. 2	84	1. 0
Ipecacuanha.....	6	( <sup>7</sup> )	33	. 7	79	1. 7	95	1. 4	117	2. 0	76	. 9
Cacao.....	51	. 5	14	. 3	21	. 5	117	1. 7	83	1. 4	50	. 6
Cottonseed.....	( <sup>4</sup> )		( <sup>4</sup> )		5	. 1	73	1. 0	39	. 7	25	. 3
Miscellaneous products.....	719	6. 6	229	5. 0	368	7. 9	394	5. 6	236	4. 0	455	5. 5
Reexports.....	86	. 8	33	. 7	24	. 5	54	. 8	67	1. 1	30	. 4

<sup>1</sup> General exports. Bullion and specie are included. Parcel post is excluded. Transit and transshipment trade is excluded. Certain border trade is not included. Values are f. o. b. Nicaraguan port or frontier, including duties and taxes, as declared by merchants.

<sup>2</sup> The Nicaraguan gold córdoba, used in recording trade statistics, is equivalent to the United States dollar.

<sup>3</sup> Classifications employed in this table are those given in the Nicaraguan export statistics for 1939. Commodities are ranked according to value in 1939.

<sup>4</sup> Includes gold amalgam, bars, and dust valued at \$278,173.

<sup>5</sup> Includes gold amalgam, bars, and dust valued at \$268,983.

<sup>6</sup> Less than \$500.

<sup>7</sup> Less than 0.05 percent.

<sup>8</sup> Not shown separately.

Source: Compiled by the United States Tariff Commission from *Report of the Collector-General of Customs and High Commission* (1929 and 1932 statistics) and *Memoria del Recaudador-General de Aduanas y Alta Comisión* (1936-39 statistics).

In 1938, as in 1929, four-fifths or more of the Nicaraguan export trade consisted of four commodities—coffee, gold, bananas, and woods. The positions of each of these commodities in 1938, however, represented a marked change in the composition of the Nicaraguan export trade as compared with 1929. In 1929, coffee accounted for 54 percent of the value of all exports, bananas for 18 percent, woods for 12 percent, and gold for 4 percent. As a result of the great increase in exports of gold, and the higher price paid for gold by the United States Government, that product became the leading Nicaraguan export in 1939, constituting 42 percent of the value of total shipments abroad.<sup>55</sup> Coffee ranked second with 32 percent, bananas third with 8 percent, and woods fourth with 4 percent.

There were no exports of cotton from Nicaragua in 1929, and shipments in 1932 were valued at less than \$500. In 1936, however,

<sup>55</sup> Gold was also the leading Nicaraguan export commodity in 1940.

cotton represented nearly 3 percent of all exports. The share rose to 8 percent in 1937, but declined to 3 percent in 1939.

No one of the remaining Nicaraguan export commodities accounted for as much as 2 percent of the value of all exports in 1939. These included hides and skins, silver, sugar, ipecacuanha, cacao, and cottonseed. On the basis of value, these six commodities together represented 5 percent of all exports in 1939. Miscellaneous products formed 5.5 percent of the total, and reexports, less than 1 percent (see table 4).

*Destination.*—The principal markets for Nicaraguan exports in 1938, with the share of the total value taken by each country, were the United States, 67 percent; Germany, 15 percent; the Netherlands, 3 percent; and France, 3 percent. Other purchasing countries in 1938 included the United Kingdom, Japan, Peru, Guatemala, and Italy. In 1939, a year partially affected by the war in Europe, the

TABLE 5.—Nicaragua: Foreign trade with selected countries, in specified years, 1929 to 1939

[Value in thousands of U. S. dollars<sup>1</sup>]

Country	1929		1932		1936		1937		1938		1939	
	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total
<b>Exports to<sup>2</sup>—</b>												
All countries.....	10, 873	100. 0	4, 542	100. 0	4, 648	100. 0	7, 038	100. 0	5, 884	100. 0	8, 301	100. 0
UNITED STATES.....	5, 754	52. 9	2, 964	65. 3	2, 505	53. 9	3, 897	55. 4	3, 961	67. 3	6, 432	77. 5
United Kingdom.....	399	3. 7	295	6. 5	84	1. 8	53	. 7	136	2. 3	103	1. 2
Germany.....	1, 293	11. 9	425	9. 3	743	16. 0	1, 504	21. 4	867	14. 7	905	10. 9
Japan.....					139	2. 9	335	4. 8	120	2. 0	40	. 5
Italy.....	189	1. 7	40	. 9	31	. 7	45	. 6	21	. 4	5	. 1
France.....	894	8. 2	386	8. 5	608	13. 0	582	8. 3	189	3. 2	169	2. 0
All other.....	2, 344	21. 6	432	9. 5	543	11. 7	622	8. 8	1, 590	10. 1	1, 669	20. 0
<b>Imports from<sup>3</sup>—</b>												
All countries.....	11, 797	100. 0	3, 480	100. 0	5, 580	100. 0	5, 621	100. 0	5, 120	100. 0	6, 385	100. 0
UNITED STATES.....	7, 890	62. 7	2, 181	62. 7	2, 580	46. 2	3, 045	54. 2	3, 058	59. 7	4, 352	68. 4
United Kingdom.....	1, 276	10. 8	857	10. 3	697	12. 5	477	8. 5	422	8. 3	333	5. 2
Germany.....	1, 086	9. 2	299	8. 6	1, 837	32. 9	857	15. 2	513	10. 0	777	12. 2
Japan.....	166	1. 4	30	. 8	143	2. 6	243	4. 3	80	1. 6	55	. 9
Italy.....	239	2. 0	58	1. 7	42	. 7	39	. 7	292	5. 7	33	. 5
France.....	346	2. 9	118	3. 4	186	3. 3	127	2. 3	107	2. 1	165	2. 6
All other.....	1, 294	11. 0	437	12. 5	698	10. 7	833	14. 8	1, 648	12. 6	1, 650	10. 2

<sup>1</sup> The Nicaraguan gold córdoba, used in recording trade statistics, is equivalent to the United States dollar.

<sup>2</sup> General exports. Bullion and specie are included. Parcel post is excluded. Transit and transshipment trade is excluded. Certain border trade is not included. Export values are f. o. b. Nicaraguan port or frontier, excluding duties and taxes.

<sup>3</sup> Includes trade with the following countries:

Exports to—	Value (\$1,000)	Per cent of total	Imports from—	Value (\$1,000)	Per cent of total
Netherlands.....	206	3. 5	Peru.....	133	2. 6
Peru.....	115	2. 0	Panama.....	96	1. 9
Guatemala.....	57	1. 0	Czechoslovakia.....	84	1. 6
			Belgium.....	64	1. 2

<sup>4</sup> Includes trade with the following countries—

Exports to—	Value (\$1,000)	Per cent of total	Imports from—	Value (\$1,000)	Per cent of total
Netherlands.....	243	2. 9	Peru.....	173	2. 7
Peru.....	199	2. 4	Panama.....	59	. 9
Guatemala.....	6	. 1	Czechoslovakia.....	15	. 2
			Belgium.....	65	1. 3

<sup>5</sup> General imports. Bullion and specie are included. Parcel post is excluded. Transit and transshipment trade is excluded. Import values are f. o. b. port of embarkation in country of origin.

Source: Compiled by the United States Tariff Commission from Report of the Collector-General of Customs and High Commission (1929 and 1932 statistics) and Memoria del Recaudador-General de Aduanas y Alta Comision (1936-39 statistics).

principal export markets were the United States (77 percent) and Germany (11 percent). Exports from Nicaragua to selected countries, in specified years, 1929 to 1939, are shown in table 5. More detailed data for 1937 are shown in table 6.

The United States has long been Nicaragua's principal export market. During the period 1929-39 this country took from one-half to three-fourths of all exports, in terms of value. The share of the United States in 1939 was 77 percent, as compared with 53 percent in 1929. In terms of value, purchases of Nicaraguan products by the United States ranged from 2.5 million (1936) to 6.4 million dollars (1939).

TABLE 6.—*Nicaragua: Foreign trade, by geographic areas and principal countries, in 1937*

[Value in thousands of U. S. dollars <sup>1</sup>]

Exports <sup>2</sup>			Imports <sup>2</sup>		
To—	Value	Percent of total	From—	Value	Percent of total
<b>Western Hemisphere:</b>			<b>Western Hemisphere:</b>		
UNITED STATES.....	3,897	55.4	UNITED STATES.....	3,045	54.2
Canada.....	( <sup>3</sup> )	( <sup>4</sup> )	Canada.....	( <sup>5</sup> )	( <sup>6</sup> )
Costa Rica.....	128	1.8	Peru.....	186	3.3
Guatemala.....	72	1.0	West Indies.....	142	2.5
All other Western Hemisphere countries.....	128	1.8	Panama.....	110	2.0
			All other Western Hemisphere countries.....	159	2.8
<b>Total.....</b>	<b>4,225</b>	<b>60.0</b>	<b>Total.....</b>	<b>3,642</b>	<b>64.8</b>
<b>Europe:</b>			<b>Europe:</b>		
United Kingdom.....	53	.8	United Kingdom.....	477	8.5
Germany.....	1,504	21.4	Germany.....	857	15.2
France.....	682	8.3	France.....	127	2.3
Italy.....	45	.6	Italy.....	39	.7
Netherlands.....	192	2.7	Belgium.....	76	1.3
All other European countries.....	101	1.4	All other European countries.....	156	2.8
<b>Total.....</b>	<b>2,477</b>	<b>35.2</b>	<b>Total.....</b>	<b>1,732</b>	<b>30.8</b>
<b>Asia:</b>			<b>Asia:</b>		
Japan.....	335	4.8	Japan.....	243	4.3
All other Asiatic countries.....	1	( <sup>7</sup> )	All other Asiatic countries.....	4	.1
<b>Total.....</b>	<b>336</b>	<b>4.8</b>	<b>Total.....</b>	<b>247</b>	<b>4.4</b>
<b>Africa:</b>			<b>Africa:</b>		
.....			.....		
<b>Oceania:</b>			<b>Oceania:</b>		
.....			.....		
<b>Grand total.....</b>	<b>7,038</b>	<b>100.0</b>	<b>Grand total.....</b>	<b>5,621</b>	<b>100.0</b>

<sup>1</sup> The Nicaraguan gold córdoba, used in recording trade statistics, is equivalent to the United States dollar.

<sup>2</sup> For composition of import and export trade and export and import valuation systems, see table 5.

<sup>3</sup> Not over 500.

<sup>4</sup> Less than one-twentieth of 1 percent.

<sup>5</sup> Not shown separately.

Source: Compiled by the United States Tariff Commission from *Memoria del Recaudador-General de Aduanas y Alta Comisión, 1938*.

The net position of Germany, Nicaragua's second-ranking export market, was not greatly different at the beginning and end of the decade 1929-38. Its share in the export trade increased irregularly from 12 percent in 1929 to 21 percent in 1937, but declined to 11 percent in 1939. The value of German purchases ranged from \$425,000 (1932) to 1.5 million dollars (1937).

Shares of the Nicaraguan export trade going to the other principal commercial nations varied considerably during the period 1929-39. The share of the United Kingdom ranged from less than 1 percent



(1937) to 6 percent (1932); that of France varied from 2 percent (1939) to 13 percent (1936). Italy's share was less than 1 percent in all years shown in table 5 except 1929, when it was nearly 2 percent. For each of these three countries, the share of total exports was smaller in 1938 and 1939 than in 1929. There were no exports from Nicaragua to Japan in 1929 and 1932, but in the period 1936-38 that country took from 2 to 5 percent of total exports (less than 1 percent in 1939).<sup>56</sup>

Exports from Nicaragua to other countries of Latin America are fairly substantial. In 1937, for example, they amounted to \$328,000, or nearly 5 percent of the total, the principal markets being Costa Rica and Guatemala.

Coffee exported by Nicaragua during the decade 1929-38 went principally to the United States, Germany, France, and the Netherlands. Other markets included Finland, Italy, the United Kingdom, Belgium, Norway, and Spain. In 1929 the United States took 31 percent of all exports of coffee, followed by Germany with 20 percent, France with 16 percent, and the Netherlands with 13 percent. By 1938 exports of coffee to the United States had increased to 52 percent of the total, while the shares of Germany, France, and the Netherlands were, respectively, 20, 14, and 9 percent. Among the minor purchasers of coffee, Finland alone took larger quantities in 1938 than in 1929. The United Kingdom, Belgium, and Norway, which had taken fairly substantial quantities in 1929, were negligible markets in 1938. After 1936, because of the civil war, Spain ceased to be a market for Nicaraguan coffee.<sup>57</sup> In 1939 the share taken by the United States rose to 65 percent. Other purchasers in 1939 included Germany (16 percent), the Netherlands (9 percent), and France (6 percent).

In the years 1935-37, practically all Nicaraguan exports of gold, silver, and bananas went to the United States. The United States in these years also took three-fifths or more of all exports of hides and skins and one-half of all exports of woods. Germany was the destination of most of the remaining exports of hides and skins in the years 1935-37; in 1937 it was the second ranking purchaser of woods, taking more than one-fourth of the total, in terms of value.<sup>58</sup>

Prior to the war, exports of cotton from Nicaragua went to a variety of markets, including Germany, Japan, Guatemala, and El Salvador. In 1937 Germany ranked first, with nearly two-thirds of the total, followed by Japan with one-fourth and Guatemala with one-tenth. More than two-thirds of the cottonseed exported in 1937 was taken by Germany, and nearly one-third by Japan. In 1935 and 1936 Honduras was the principal purchaser of Nicaraguan sugar, but in 1937 all exports of this commodity went to the United States. Exports of cacao in 1935 and 1936 went chiefly to the United States and El Salvador; in 1937, however, Germany absorbed more than one-half of total exports of this product, in terms of value, followed by Japan with nearly two-fifths. The United States and Germany purchased by far the major part of the ipecacuanha exported from Nicaragua

<sup>56</sup> For the value of exports to the United Kingdom, France, Italy, and Japan, see table 5.

<sup>57</sup> For detailed statistics of exports of coffee from Nicaragua by countries of destination, see part III of this report, p. 52.

<sup>58</sup> The discussions of export commodities by countries of destination (except coffee), and of import commodities by countries of origin, are based on statistics furnished by the U. S. Department of Commerce. Except for coffee, data for years subsequent to 1937 are not readily available.

in 1935 and 1936; in 1937 the United States took more than two-fifths of the total, by value, the Netherlands nearly one-third, and Germany more than one-fourth.

Of the miscellaneous products exported from Nicaragua in 1937, lard went principally to Costa Rica (90 percent); balsam of Peru to Germany (59 percent) and the United States (28 percent); rubber to Japan (65 percent), Germany (20 percent), and the United States (15 percent); live turtles to the Grand Cayman Islands (74 percent); and empty containers (reexports) to the United States (92 percent).

#### Imports into Nicaragua.

*Trend.*—Significant features of the Nicaraguan import trade in the period 1929–39 were the maintenance by the United States of its predominant position as a supplier of Nicaraguan imports, and the failure of the import trade to recover after 1932 at the same rate as in other Latin American countries. Imports into Nicaragua from all countries and from the United States, in the period 1924–39, have already been shown in tables 1 and 2.

The year 1929, the earliest shown in the detailed tables, was not a peak year in imports either from the world or from the United States, having been exceeded in both cases in 1928. Imports from all countries in 1929, however, exceeded the annual average for the 5 years 1924–28 by 11 percent. Imports from the United States in 1929 exceeded the 5-year average by about 3 percent.

Total imports into Nicaragua in 1929 were valued at 11.8 million dollars. Their value declined sharply thereafter, and in 1932, when the low point was reached, they amounted to but 3.5 million dollars, or 29 percent of their 1929 value. After 1932 imports increased irregularly, reaching 5.6 million dollars in 1937. In 1938 they declined to 5.1 million dollars, or 43 percent of the 1929 level. In 1939 they rose to 6.4 million dollars, or 54 percent of those in 1929.<sup>99</sup>

*Composition.*—Imports into Nicaragua consist principally of textile manufactures; machinery and other equipment; mineral oils; iron and steel and manufactures thereof; and chemical and pharmaceutical products. In 1939 these five groups accounted for nearly three-fourths of all imports, in terms of value. Imports into Nicaragua, by groups, principal subgroups, and commodities, in specified years, 1929 to 1939, are shown in table 7.

Between 1929 and 1932 there was a sharp drop in the value of imports in all groups, subgroups, and individual commodities shown in table 7, except plain-woven cotton piece goods, crude petroleum, and dynamite. Comparing 1937 with 1932, there were increases in all groups, subgroups, and commodities except soap. For the principal groups, the ratios of the dollar values of imports in 1938 to those in 1929 were as follows: Textile manufactures, 49 percent; machinery and other equipment, 62 percent; iron and steel and manufactures thereof, 46 percent; oil, 47 percent; chemical and pharmaceutical products, 40 percent; explosives, 1,239 percent; and food products, 15 percent. In 1939 there was an increase in the value of imports in all groups, except explosives, paper and manufactures, friction matches, and the "all other commodities" classification.

The principal Nicaraguan import group, textile manufactures, accounted for one-fourth to one-third of total imports during the period

<sup>99</sup> Price and quantum indexes of Nicaraguan imports are not available.

1929-39. The ratio was higher in 1938 and 1939 than in 1929. From two-thirds to four-fifths of all imports in the textile group have customarily consisted of cotton manufactures. Other subgroups include manufactures of vegetable fibers other than cotton (largely jute sacks); silk manufactures; and wool manufactures.

Machinery and other equipment, and iron and steel and manufactures thereof, formed larger proportions of imports into Nicaragua in 1939 than in 1929 (see table 7). The principal items in the machinery group in 1939 were mining machinery; electrical machinery, miscellaneous equipment, and tools; and agricultural machinery. In the group of iron and steel and manufactures thereof, the principal items were bars, rods, sheets, and pipes and fittings.

Other important groups of imports, with the share of the total value accounted for by each in 1939, were oils (almost entirely mineral oils), 9 percent; chemical and pharmaceutical products, 7.5 percent; food products, 5 percent; vehicles, including automobiles and parts, 3.5 percent; and explosives (largely dynamite), 2 percent. Imports of explosives increased sharply in 1938 as compared with earlier years of the decade, but declined in 1939. Imports of foodstuffs declined from 13 percent of all imports in 1929 to 5 percent in 1938 and 1939. The principal food product imported is wheat flour. Imports of vehicles, including automobiles and parts, were larger in 1939 than in any year since 1929.

No one of the other Nicaraguan import groups, except the miscellaneous classification, represented as much as 3 percent of the total value of imports in 1939. Included, in the order of their importance, were paper and manufactures; hides, skins, and manufactures (largely tanned skins); stones, earthenware, cement, and products thereof; rubber and manufactures; copper and alloys; glass and glassware; tobacco and manufactures; beverages; motion-picture films; and friction matches. Miscellaneous products accounted for 5 percent of all imports in 1939 (see table 7).

*Sources.*—The principal sources of imports into Nicaragua in 1938, with the share of the value of total imports supplied by each country, were the United States, 60 percent; Germany, 10 percent; the United Kingdom, 8 percent; and Italy, 6 percent. Other suppliers in 1938 included Peru, France, Panama, Czechoslovakia, Japan, and Belgium. In 1939, when imports in the last quarter were influenced by the war in Europe, the principal sources were the United States (68 percent), Germany (12 percent), and the United Kingdom (5 percent). Imports into Nicaragua from selected countries, in specified years, 1929 to 1939, have already been shown in table 5. More detailed data for 1937 have been shown in table 6.

The United States regularly has been the predominant supplier of imports into Nicaragua. Its share in the import trade, which in 1929 and 1932 was 63 percent, declined in 1936 to 46 percent, but increased to 60 percent in 1938 and to 68 percent in 1939. In value, imports from the United States in the period 1929-39 ranged from 2.2 million (1932) to 7.4 million dollars (1929); in 1939 they were valued at 4.4 million.

Germany, the second-ranking supplier of imports, furnished 9 percent of the total in 1929. Its share increased irregularly to 24 percent in 1936, but returned in 1938 almost to the 1929 level; in 1939 it was 12 percent. Imports from Germany ranged in value

TABLE 7.—Nicaragua: Imports,<sup>1</sup> by principal commodity groups, subgroups, and commodities, in specified years, 1929 to 1939[Value in thousands of U. S. dollars<sup>2</sup>]

Commodity group, subgroup, or commodity <sup>3</sup>	1929		1932		1936		1937		1938		1939	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
Grand total.....	11,797	100.0	3,480	100.0	5,580	100.0	5,621	100.0	5,120	100.0	6,365	100.0
Textiles and manufactures thereof.....	3,047	25.8	1,099	31.0	1,708	30.6	1,613	28.7	1,606	29.4	1,840	29.0
Cotton and manufactures.....	2,103	17.8	896	25.7	1,375	24.6	1,249	22.2	1,228	23.9	1,534	24.1
Piece goods, plain-woven.....	542	4.6	541	15.5	730	13.1	678	12.1	797	15.6	930	14.6
Piece goods, twilled or figured in the loom.....	456	3.9	123	3.5	303	5.4	306	5.4	231	4.1	312	4.9
Vegetable fibers, other than cotton, and manufactures.....	226	1.9	61	1.8	177	3.2	190	3.4	173	3.4	135	2.1
Sacks, jute.....	152	1.3	26	1.0	108	1.9	116	2.1	115	2.3	77	1.2
Silk and manufactures.....	574	4.9	112	3.2	96	1.7	128	2.3	79	1.5	136	2.2
Wool and manufactures.....	144	1.2	30	.9	61	1.1	46	.8	28	.6	41	.6
Machinery and other equipment.....	1,263	10.7	200	5.7	539	9.6	604	11.8	790	15.4	1,185	18.6
Mining machinery.....	2	( <sup>4</sup> )	2	( <sup>4</sup> )	50	.9	81	1.4	307	6.0	388	6.1
Electric machinery, apparatus, and tools.....	278	2.4	63	1.8	135	2.4	162	2.7	193	3.8	307	4.8
Agricultural machinery.....	116	1.0	41	1.2	124	2.2	120	2.1	57	1.1	101	1.6
Oils.....	853	7.2	353	10.2	440	7.9	602	10.7	398	7.8	581	9.1
Mineral oils.....	655	5.6	319	9.2	402	7.2	572	10.2	379	7.4	558	8.8
Petroleum, crude.....	97	.8	91	2.6	120	2.1	244	4.3	109	2.1	168	2.6
Gasoline and naphtha.....	257	2.2	92	2.7	124	2.2	131	2.3	109	2.1	145	2.3
Petroleum, refined.....	172	1.5	87	2.5	88	1.6	110	2.0	80	1.6	126	2.0
Iron and steel and manufactures thereof.....	902	7.7	178	5.1	674	10.3	515	9.2	416	8.1	675	9.0
Bars, rods, sheets, etc.....	131	1.1	26	.8	99	1.8	136	2.4	92	1.8	78	1.2
Pipes and fittings.....	43	.4	10	.3	33	.6	51	.9	73	1.4	91	1.4
Chemical and pharmaceutical products, etc.....	922	7.8	401	11.5	579	10.4	521	9.3	372	7.3	475	7.5
Chemical and pharmaceutical products.....	531	4.5	222	6.4	417	7.5	363	6.5	275	5.4	343	5.4
Medicines.....	352	3.0	153	4.4	224	4.0	224	4.0	113	2.2	131	2.1
Paints, pigments, colors, and varnishes.....	96	.8	27	.8	56	1.0	40	.7	58	.8	58	.9
Perfumes, cosmetics, and toilet preparations.....	162	1.4	49	1.4	79	1.4	52	.9	36	.7	47	.7
Soap.....	133	1.1	33	.9	28	.5	32	.6	21	.4	28	.4
Food products.....	1,555	13.2	410	11.8	450	8.1	483	8.5	240	4.7	346	5.4
Wheat flour.....	487	4.1	184	5.3	225	4.0	227	4.0	138	2.7	184	2.9
Vehicles, including automobiles and parts.....	295	2.5	18	.5	60	1.1	147	2.6	88	1.7	221	3.5
Paper and manufactures.....	252	1.6	101	2.9	160	2.9	124	2.5	145	2.8	140	2.2
Explosives.....	23	.2	17	.5	146	2.6	78	1.4	286	5.6	416	6.4
Dynamite.....	8	.1	14	.4	34	.6	50	.9	37	.7	84	1.3
Cartridges.....	3	( <sup>4</sup> )	3	.1	105	1.9	28	.5	248	4.9	32	.5
Hides, skins, and manufactures.....	467	4.0	108	3.1	144	2.6	101	1.8	88	1.7	95	1.5
Skins, tanned.....	210	1.8	77	2.2	121	2.2	88	1.6	79	1.5	79	1.2

Stones, earths, cement, and products.....	81	.7	16	.5	78	1.4	79	1.4	64	1.3	94	1.5
Cement.....	55	.5	7	.2	59	1.1	44	.8	38	.8	66	1.0
Stones.....	26	.2	9	.3	19	.3	35	.6	26	.5	28	.8
Rubber and manufactures.....	116	1.0	30	.9	55	1.0	60	1.1	50	1.0	68	1.1
Copper and alloys.....	131	1.1	25	.7	48	.9	60	.9	42	.8	63	1.0
Glass and glassware.....	76	.6	21	.6	67	1.2	60	1.1	40	.8	65	1.0
Tobacco and manufactures.....	225	1.9	40	1.1	52	.9	74	1.3	52	1.0	54	.8
Leaf tobacco.....	27	.2	14	.4	52	.9	73	1.3	52	1.0	53	.8
Beverages, including cordials, beer, and wines.....	492	4.2	51	1.5	64	1.1	80	1.4	38	.7	55	.8
Films, cinematographic.....	35	.3	18	.5	42	.7	37	.6	26	.5	42	.7
Matches, friction.....	40	.3	26	.7	22	.4	21	.4	17	.3	11	.2
All other commodities.....	1,056	9.0	368	10.6	352	16.3	297	5.3	463	9.1	335	5.3

<sup>1</sup> General imports. Bullion and specie are included. Parcel post is included. Transit and transshipment trade is excluded. Values are f. o. b. port of embarkation in country of origin.

<sup>2</sup> The Nicaraguan gold córdoba, used in recording trade statistics, is equivalent to the United States dollar.

<sup>3</sup> Classifications employed in this table are based on those given in the Nicaraguan import statistics for 1939. Groups are ranked according to value in 1939.

<sup>4</sup> Less than one-twentieth of 1 percent.

Source: Compiled by the United States Tariff Commission from *Report of the Collector-General of Customs and High Commission* (1929 and 1932 statistics), and *Memoria del Recaudador-General de Aduanas y Alta Comisión* (1936-39 statistics).

from \$299,000 (1932) to 1.3 million dollars (1936), and in 1939 were \$777,000. The share of the United Kingdom ranged between 5 percent (1939) and 12 percent (1936). The value of imports from the United Kingdom varied from \$333,000 (1939) to 1.3 million dollars (1929).

France, Italy, and Japan have been minor factors in the Nicaraguan import trade. The combined share of these three countries was 6 percent in 1929 and 9 percent in 1938; in 1939 it declined to 4 percent. The increase in 1938 was largely attributable to the increase in imports from Italy, which in that year accounted for nearly 6 percent of total imports.<sup>40</sup>

Imports into Nicaragua from the other countries of Latin America are fairly substantial. In 1937, for example, they amounted to \$455,000, or 8 percent of the total, the principal sources being Peru and Panama.

Textile manufactures imported into Nicaragua prior to the war came principally from the United States, the United Kingdom, Germany, and Japan. The leading suppliers in the important subgroup of cotton manufactures in 1937,<sup>41</sup> with the share of the value of such imports supplied by each, were the United States, 43 percent; the United Kingdom, 21 percent; Germany, 17 percent; and Japan, 14 percent. In the same year, more than one-third of all wool manufactures came from the United Kingdom, nearly one-third from Germany, and about one-sixth from the United States. Japan was the principal supplier of silk manufactures (32 percent) and the United Kingdom of jute sacks (61 percent).

The United States was by far the principal source of imports of machinery and apparatus in the 3 years 1935-37, supplying approximately three-fourths of the total value. Germany ranked second, its share ranging from 12 to 16 percent. Germany led as a supplier of iron and steel and manufactures in 1935 (53 percent) and in 1936 (48 percent), followed by the United States; in 1937, however, the United States ranked first (52 percent).

Mineral oils imported into Nicaragua customarily come chiefly from Peru, the United States, and the Netherlands West Indies. In the period 1935-37, Peru furnished, in terms of value, more than two-thirds of all imports of gasoline and naphtha, and more than four-fifths of all kerosene. The remaining imports of these two products were supplied largely by the United States. The United States and the Netherlands West Indies were the leading suppliers of other mineral oils.

The United States, Germany, and the United Kingdom were the principal sources of Nicaraguan imports of chemical and pharmaceutical products in the 3 years 1935-37. On the basis of value, the United States in 1937 furnished approximately 50 percent of the chemicals, drugs, dyes, and medicines; nearly 60 percent of the perfumes, cosmetics, and toilet preparations; 70 percent of the paints, pigments, colors, and varnish; and 88 percent of the soap. Germany and France were, respectively, the second- and third-ranking sources

\* For the value of imports from France, Italy, and Japan, see table 5.

<sup>41</sup> The latest year for which data are readily available. The discussion of import commodities by countries of origin is based on statistics furnished by the U. S. Department of Commerce.

of all these subgroups except soap, the second and third suppliers of which were the United Kingdom and Germany.

Foodstuffs imported into Nicaragua come chiefly from the United States. In 1937, the United States provided 98 percent of the value of all imports of wheat flour, the leading commodity, 85 percent of all fruits and vegetables, 79 percent of all meats, 69 percent of all fish and shellfish, and all of the lard.

The principal sources of the remaining Nicaraguan import groups, with the share obtained in 1937, were: Paper and manufactures, the United States, 42 percent; automobiles and parts, the United States, 95 percent; leather, the United States, 67 percent; boots and shoes, the United States, 67 percent; rubber and manufactures, the United States, 73 percent; copper and alloys, the United States, 72 percent; glass and glassware, Germany, 42 percent; and beverages, the United Kingdom, 34 percent. Of the miscellaneous products imported in 1937, hats and caps came chiefly from Germany, and furniture and other manufactures of wood from the United States.

### UNITED STATES TRADE WITH NICARAGUA

The mining of gold in Nicaragua has been greatly accelerated in recent years, and has become the principal factor affecting United States commerce with that country. The development of this industry has resulted in a marked rise in the value of United States imports from Nicaragua and, because of the accompanying increase in investment of capital and purchasing power, has led to somewhat larger sales of United States merchandise to that country.

Other recent developments in the trade include the enlarged consumption in the United States of Nicaraguan coffee, the diminished supply of bananas because of the leaf blight, and the outbreak of the war in Europe, which greatly increased the importance of the United States as a market for Nicaraguan products and as a source of its imports of manufactured products.

#### Trend of United States-Nicaraguan trade.

United States imports of merchandise from Nicaragua averaged 5.5 million dollars annually in the 5-year period 1924-28. Because of smaller shipments and lower prices of the two leading products (coffee and bananas), imports declined sharply after 1929 to a low of 1.7 million dollars in 1934. Since then the recovery in imports (accounted for chiefly by coffee) has been irregular principally because of fluctuations in the supplies of coffee and bananas. In 1940, merchandise imports amounted to 2.9 million dollars, and were slightly smaller than in 1939 (see table 8).

Although recent imports of merchandise from Nicaragua have been comparatively small, imports of gold have increased sharply and have been sufficient to offset the reduced value of imports of merchandise. The value of gold imports rose from only \$152,000 in 1933 to \$848,000 in 1937, and to 3.4 million dollars in 1939; in 1940 they increased further to 5.3 million dollars, and greatly exceeded the value of all merchandise imported from Nicaragua. The sharp increase in imports of gold after 1937 was chiefly the result of the introduction of airplane transportation between Managua and the principal gold-producing field. Shipments of equipment and supplies to the mines

required several weeks over land, but only about an hour by air. The resulting savings in transportation costs permitted an expansion in the scale of operations and in the output of gold. Because of the increased imports of gold, the value of all imports from Nicaragua in recent years compares favorably with that preceding 1929 when gold represented only a fraction of the trade. Nicaragua's share in United States purchases from Latin America (including gold and silver) has also increased (see table 8).

United States exports to Nicaragua averaged 6.9 million dollars annually in the years 1924-28, but declined to 2 million in 1932, largely because of diminishing purchasing power in that country. Exports increased thereafter and reached 6.1 million dollars in 1940 (see table 8). The recent increase in trade may be attributed to a number of factors, among them increased Nicaraguan purchasing power, the larger requirements of the mining industry for equipment and supplies, and, since the war, the diversion of purchases from European sources.

TABLE 8.—United States imports from and exports to Nicaragua, 1924-40

[Value in thousands of dollars]

Year	General imports				Exports (incl. reexports)	
	Merchandise	Gold	Total <sup>1</sup>	Total imports from Nicaragua as percent of United States imports from Latin America <sup>1</sup>	Value	Percent of total United States exports to Latin America
1924.....	5,453	768	6,424	0.57	6,250	0.85
1925.....	6,188	528	6,812	.64	7,435	.88
1926.....	5,976	485	6,515	.56	6,264	.75
1927.....	4,227	391	4,645	.45	6,950	.86
1928.....	5,490	265	5,780	.56	7,357	.88
1929.....	5,748	317	6,121	.52	7,031	.77
1930.....	3,522	370	3,949	.45	4,869	.78
1931.....	2,382	414	2,830	.40	3,565	1.10
1932.....	1,964	322	2,327	.59	1,993	1.00
1933.....	2,225	152	2,705	.77	2,096	.97
1934.....	1,668	651	2,335	.51	2,524	.82
1935.....	2,783	628	3,464	.59	2,434	.71
1936.....	1,895	812	2,765	.45	2,412	.61
1937.....	3,103	848	3,995	.50	3,353	.88
1938.....	2,478	1,522	4,069	.67	2,807	.57
1939.....	2,902	3,426	6,428	.99	4,297	.75
1940 <sup>2</sup> .....	2,907	5,331	8,323	1.34	6,115	.84

<sup>1</sup> Including gold and silver.<sup>2</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

**United States imports from Nicaragua.**

*Composition.*—In 1939, United States imports of merchandise from Nicaragua totaled 2.9 million dollars, of which coffee represented 55 percent and bananas 28 percent. This represents a considerable shift since 1929, when bananas accounted for 45 percent and coffee for 32 percent of total imports (see table 9).

*Coffee.*—Imports of coffee from Nicaragua have increased markedly in recent years, in part because of the greater consumption of



coffee in the United States, but especially because of rapidly growing demand for "mild" coffees produced in Central America, Colombia, and Venezuela. Shipments of coffee to the United States, the market for more than one-half of Nicaragua's recent exports, increased from only a few hundred thousand pounds in 1932 to a peak of 22.8 million pounds in 1939. They increased further in 1940 to 30.1 million pounds. Thus the loss of European markets for Nicaraguan coffee resulting from the war has been partially offset by increased United States purchases.

Under the Inter-American Coffee Agreement, signed in November 1940, basic quotas were adopted for apportioning the United States and other world markets for coffee.<sup>42</sup> United States imports of coffee are limited to a maximum of approximately 2.1 billion pounds annually, of which Nicaragua may supply 25.8 million pounds, or approximately 1.2 percent. The amount permitted entry from Nicaragua is somewhat larger than were imports therefrom in 1939 (22.8 million pounds), but materially less than imports in 1940 (30.1 million pounds).

*Bananas.*—Virtually all shipments of Nicaraguan bananas come to the United States. During the period 1929-39 United States imports from Nicaragua declined rather steadily, in both quantity and value. In the last 2 years the decline in shipments has been due to the effects of the leaf blight which seriously reduced the production of marketable bananas in northeastern Nicaragua. In 1932 imports of bananas from Nicaragua amounted to 3.4 million bunches, and represented 7 percent of total United States imports of bananas; by 1940 they had declined to 1.2 million bunches, and were but 2 percent of the total.

*Other imports.*—Other leading products obtained by the United States from Nicaragua are cane sugar, pine lumber, ipecac, hardwood in the log (principally mahogany), and deer and reptile skins. Imports of mahogany have declined sharply in recent years, whereas those of pine lumber, ipecac (of which Nicaragua is the principal supplier), and deer and reptile skins have increased; they are still small, however, compared with the trade in coffee or bananas (see table 9).

*Dutiable status of imports.*—Only a small part of the United States imports from Nicaragua are dutiable, inasmuch as the leading merchandise imports, coffee and bananas, are on the free list. Cane sugar and pine lumber, which together represented only 5 percent of total merchandise imports from Nicaragua in 1939, are the principal dutiable products.

The United States and Nicaragua entered into a trade agreement, effective October 1, 1936, under which the United States made tariff concessions on a number of products of interest to Nicaragua. The duty on balsam of Peru was reduced from 10 percent to 5 percent ad valorem, and the duty-free status of coffee, bananas, plantains, ipecac, cacao beans, raw deerskins, raw reptile skins, turtles, cabinet woods in the log, fustic wood, logwood, and brazilwood was bound against change. On March 10, 1938, certain provisions of the agreement, including the tariff concessions, were terminated at the request of the Nicaraguan Government as a result of the difficult financial

<sup>42</sup> The quotas established in the Inter-American Coffee Agreement became effective October 1, 1940.

TABLE 9.—United States imports for consumption from Nicaragua of principal commodities, in specified years, 1929 to 1939<sup>1</sup>

Commodity	Unit	1929	1932	1936	1937	1938	1939 <sup>1</sup>
		Quantity					
Coffee, raw or green	1,000 lb.	9,007	809	7,522	13,495	15,568	22,781
Bananas, green or ripe	1,000 bunches	3,989	3,397	2,089	2,501	2,082	1,732
Cane sugar	1,000 lb.	5,660	883	2,500	5,160	10,214	6,960
Pine, boards, planks, deals, or sawed, n. e. s.	M bd. ft.	( <sup>2</sup> )	81	1,305	3,127	1,018	4,365
Ipecac, crude	1,000 lb.	1	9	35	39	45	42
Mahogany in the log	M bd. ft.	8,806	7	10	1,469	1,652	563
Miscellaneous hardwood logs	M bd. ft.	321	173	336	570	203	379
Deer, buck, or doe skins	1,000 pcs.	16	2	125	116	99	70
Reptile skins, raw	1,000 pcs.	* 6	* 5	8	9	9	6 <sup>3</sup>
	Tariff status	Value (1,000 dollars)					
Coffee, raw or green	Free	1,857	77	590	1,224	959	1,600
Bananas, green or ripe	Free	2,576	1,695	1,041	1,260	1,031	826
Cane sugar	Dutiable	140	9	31	134	137	86
Pine, boards, planks, deals, or sawed, n. e. s.	Dutiable	( <sup>2</sup> )	2	26	49	16	71
Ipecac, crude	Free	2	16	21	36	36	34
Mahogany in the log	Free	607	( <sup>4</sup> )	1	10	101	33
Miscellaneous hardwood logs	Free	20	10	22	41	14	25
Deer, buck, or doe skins	Free	16	1	57	59	47	24
Reptile skins, raw	Free	2	4	10	8	14	19
Value of commodities shown above		5,220	1,814	1,799	2,921	2,355	2,718
Total merchandise imports from Nicaragua		* 6,748	* 1,964	1,896	3,012	2,467	2,903
Principal imports (shown above) as percent of total		90.8	92.4	94.9	94.2	95.5	93.6

<sup>1</sup> Preliminary.<sup>2</sup> Not separately classified.<sup>3</sup> Thousands of pounds.<sup>4</sup> Not over 500.<sup>5</sup> General imports.

Source: Compiled from official statistics of the U. S. Department of Commerce.

situation confronting the country at that time. Because of commitments in other trade agreements, this action involved no changes in United States import duties.

#### United States exports to Nicaragua.

The composition of United States exports to Nicaragua, largely an agricultural country, is similar to that of exports to other Central American countries; exports consist chiefly of manufactured products, with textiles, and machinery and vehicles, predominating (see table 10).

The greatly increased activity in Nicaragua's gold-mining industry in recent years has been the principal factor affecting recent United States exports to that country. Shipments of mining machinery increased in value from only a few thousand dollars before 1936 to a peak of \$260,000 in 1939. Other mining materials which increased greatly for the same reason include steel bars, stationary engines, dynamite, and blasting caps. Large increases also occurred in the shipments of leaf tobacco, osnaburgs, welded black pipe, radio receiving sets, centrifugal pumps, and track-laying tractors. Exports of each of these items were much larger in 1939 than in 1929, whereas the total value of all United States exports to Nicaragua was less than two-thirds as large (table 11).

TABLE 10.—United States exports (domestic merchandise) to Nicaragua, by commodity groups, in 1938 and 1939

[In thousands of dollars]

Commodity group	1938		1939 <sup>1</sup>	
	1938	1939 <sup>1</sup>	1938	1939 <sup>1</sup>
Animals and animal products, edible, total.....	31	66	Metals and manufactures, except machinery and vehicles, total.....	359 541
Animal and animal products, inedible, total.....	35	82	Iron and steel mill products.....	180 310
Vegetable food products and beverages, total.....	185	265	Machinery and vehicles, total.....	698 1,094
Wheat flour.....	131	184	Electrical machinery and apparatus.....	146 211
Vegetable products, inedible, except fibers and wood, total.....	69	111	Industrial machinery.....	403 572
Textile fibers and manufactures, total.....	711	1,130	Automobiles, parts and accessories.....	60 89
Cotton cloth, duck and tire fabric.....	623	936	Chemicals and related products, total.....	233 348
Wood and paper, total.....	42	72	Miscellaneous.....	178 190
Nonmetallic minerals, total.....	226	351	Total exports.....	2,767 4,260
Refined mineral oils.....	159	264		

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

TABLE 11.—United States exports (domestic merchandise) to Nicaragua of principal commodities, in specified years, 1929 to 1939

[Value in thousands of dollars]

Commodity	Unit of quantity	1929		1932		1936		1937		1938		1939 <sup>1</sup>	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Upper leather (except patent), cattle side, grain	1,000 sq. ft.	64	20	62	9	27	5	111	24	28	5	75	15
Patent upper leather, cattle, and whole calf and kip	1,000 sq. ft.	117	37	91	16	18	3	94	22	29	5	77	16
Rice	1,000 lb.	1,162	45	84	2	35	1	751	19	78	2	9	( <sup>2</sup> )
Wheat flour wholly of United States wheat	1,000 lb.	79	494	50	180	33	175	33	197	30	128	58	( <sup>2</sup> ) 182
Other wheat flour	1,000 lb.					4	22	6	39	1	5	( <sup>2</sup> )	1
Leaf tobacco	1,000 lb.	71	23	60	18	126	36	177	53	130	33	170	43
Cotton duck, unbleached <sup>2</sup>	1,000 sq. yd.	80	33	41	8	64	21	66	20	29	5	60	17
Cotton cloth, unbleached gray:													
Sheetings	1,000 sq. yd.	2,108	174	2,801	130	1,425	94	1,670	129	3,902	206	6,032	325
Osnaburgs	1,000 sq. yd.	4	( <sup>2</sup> )	230	16	19	2	100	11	184	16	250	23
Cotton cloth, bleached, dyed, printed, and colored-yarn fabrics	1,000 sq. yd.	6,474	798	4,492	361	2,363	254	3,043	352	4,259	383	5,528	561
Blankets, cotton	1,000 lb.	35	19	32	11	15	6	21	10	45	19	49	17
Miscellaneous wood manufactures <sup>3</sup>			10		1		5		28		5		4
Gasoline and other petroleum motor fuel	1,000 bbl.	15	105	5	22	14	76	11	59	12	49	16	68
Gas oil, distillate fuel oil, and residual fuel oil	1,000 bbl.	161	140	27	20	38	44	67	65	42	54	105	125
Lubricating oil, red and pale	1,000 bbl.	2	49	1	25	1	15	2	30	2	25	3	28
Lubricating oil, cylinder	1,000 bbl.	1	17	( <sup>3</sup> )	5	1	16	1	15	1	15	1	18
Steel bars, not containing alloy <sup>2</sup>	1,000 lb.	653	15	95	2	4309	49	645	20	4109	44	4,527	41
Steel sheets, galvanized	1,000 lb.	( <sup>1</sup> )	( <sup>3</sup> )	217	7	483	16	389	17	323	14	385	16
Structural shapes, fabricated	Ton	168	13	7	1	2	( <sup>2</sup> )	150	25	77	8	35	4
Plates, fabricated, punched, or shaped	1,000 lb.	19	( <sup>2</sup> )	7	( <sup>2</sup> )	1	( <sup>2</sup> )			316	14	24	1
Welded black pipe, steel and wrought iron	1,000 lb.	549	47	18	1	116	4	138	6	622	43	679	51
Miscellaneous cutlery and parts <sup>2</sup>			38		25		46		37		18		37
Metal drums and containers for oil gas and other liquids			( <sup>1</sup> )		10		13		10		35		47
Miscellaneous iron and steel manufactures <sup>2</sup>			41		7		13		18		20		26
Generators:													
Direct current	Number	3	2	2	3	2	( <sup>1</sup> )	1	( <sup>3</sup> )	6	14	1	( <sup>3</sup> )
Alternating current	Number							5	23	2	( <sup>1</sup> )	3	( <sup>2</sup> )
Radio receiving sets	Number	17	1	99	4	404	15	544	23	300	9	929	27
Locomotive parts and accessories	Number		17		1		3		17		1		9
Steam engines, mechanical-drive turbines	Number									3	25		22
Stationary and portable engines, Diesel and semi-Diesel	Number	3	5	1	6			5	33	1	2	4	71
Engine accessories and parts	Number		33		6		16		16		24		6
Centrifugal pumps	Number	4	( <sup>1</sup> )	6	( <sup>1</sup> )	3	3	1	17	23	13	4	21
Sugar-mill machinery			20		3		14		6		19		8
Mining and quarrying machinery			17		2		43		76		202		260
Sawmill machinery			9		2		3		2		17		6

		27	3	12	16	15	25
Miscellaneous industrial machinery and parts <sup>1</sup>		1					
Track-laying tractors	Number	1					
Passenger cars and chassis (new)	Number	* 108	5	3	16	9	58
Motor trucks, busses, and chassis (new)	Number	* 40			10	8	22
Internal-combustion marine engines	Number	49	2	( <sup>2</sup> )	6	6	14
Miscellaneous vehicles and parts <sup>2</sup>	Number	1		( <sup>2</sup> )			22
Motor boats with engines installed	Number	5					6
Elixirs, tinctures, extracts, and similar liquid solutions	Number	9		3	2	3	8
Tablets, pills, capsules, powders, ointments, and similar manufactures						6	14
Laxatives, purgatives, and cathartics		( <sup>3</sup> )		16	13	23	8
Ready-mixed paints, stains, and enamels	1,000 gal.	( <sup>3</sup> )		8	17	17	13
Dynamite	1,000 lb.	59	10	11	21	14	26
Other explosives except smokeless powder	1,000 lb.	48	4	1	20	6	63
Blasting caps	1,000 caps.	177	3	79	1	179	4
Laundry soap	1,000 lb.	545	45	365	17	266	12
Ammunition—metallic cartridges	Thousand	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	4,217	97	2,628
Miscellaneous printed matter <sup>5</sup>		27		6	10	45	77
Miscellaneous articles <sup>6</sup>		41		9	7	10	19
Exports of commodities shown above		2,641		992	1,228	1,862	1,727
Total exports to Nicaragua		6,952		1,972	2,354	3,293	2,767
Principal exports (shown above) as percent of total		38.0		50.3	52.2	56.6	62.4
							2,454
							4,260
							67.7

<sup>1</sup> Preliminary.

<sup>2</sup> Not over 500.

<sup>3</sup> Data not strictly comparable for the series.

<sup>4</sup> Includes small amounts of stainless steel and other steel alloys.

Source: Compiled from official statistics of U. S. Department of Commerce.

<sup>5</sup> Not separately classified.

<sup>6</sup> May include some second-hand articles.

<sup>7</sup> Not available.

<sup>8</sup> Reported in pounds.

**Balance of payments between the United States and Nicaragua.**

The United States has customarily had an export merchandise balance with Nicaragua; that is, the value of United States exports to that country has exceeded that of merchandise imports therefrom. In most recent years the excess has not been large, but in 1939, because of the marked increase in exports, it rose to 1.4 million dollars. Imports of gold, however, are not included in the merchandise account; these have risen sharply in the last few years, and, if considered as part of the merchandise account (as they probably should be, inasmuch as they are the product of Nicaraguan mines and do not represent monetary reserves), they more than offset the merchandise export balance in each year since 1931. In 1939, imports of gold totaled 3.4 million dollars, and were two and one-half times the value of the merchandise export balance (see table 8).

Inasmuch as Nicaragua has no dollar debt,<sup>43</sup> that country has had no service payments to make to the United States. In May 1939, however, Nicaragua obtained substantial loans from the United States in the form of credits extended by the Export-Import Bank. A 2-million-dollar credit was extended, for a term of 7 years, to purchase equipment, materials, and supplies for the construction of roads and other public works. At the same time the Bank made available a one-half-million-dollar revolving credit in dollar exchange to finance purchases in the United States.

The movement of capital between the United States and Nicaragua is not reported in table 12. The new investment of United States funds in Nicaragua has probably not been large through most of the period shown, although United States capital has accounted for a substantial part of the recent expansion of the gold mining industry. Most of the increase in shipments of mining equipment to Nicaragua represents the investment of such capital. Income from United States direct investments is not reported, but until recent years it has probably not been large compared with most other items in the balance of payments. At the end of 1936, United States direct investments in Nicaragua were valued at only 4.5 million dollars, the smallest in any Latin American country at that time.<sup>44</sup> Since then, however, these investments have probably changed considerably in character, if not in value, because of the recent sale of a United States-owned power plant, and the new investment of capital in gold-mining properties.

The income from direct investments, though not reported, is partly included in the value of United States imports from Nicaragua. Some of these imports (including gold and bananas) are the products of United States companies; <sup>45</sup> of the revenue obtained by their sale in the United States, the companies retain a part as income from their property in Nicaragua. Inasmuch as the investment of new

<sup>43</sup> The bonds of 1909, of which there were 393,840 pounds sterling (approximately 1.9 million dollars) outstanding on January 31, 1941, were issued in sterling, and apparently are held in the United Kingdom. Of the guaranteed customs bonds of 1918, there were 386,700 córdobas outstanding on January 31, 1941. There are, however, frozen commercial credits, in terms of dollars, which originally amounted to approximately 3 million dollars; on January 31, 1941, they totaled about 1.5 million dollars. These credits were originally frozen because of the exchange difficulties in Nicaragua during the depression; payments are being made under an agreement between the Government of Nicaragua and the National Foreign Trade Council, Inc., of New York.

<sup>44</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936*, p. 12.

<sup>45</sup> One of the largest gold mines in Nicaragua is owned by a United States company. Practically all of the country's production of gold is shipped to the United States.

capital and the income from direct investments are not reported separately in the statement, the magnitude of the net balance for the items shown is of doubtful significance.

TABLE 12.—*Partial balance of payments between the United States and Nicaragua, 1929-38*

[In millions of dollars]

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
<b>Trade and service items:</b>										
Merchandise exports to Nicaragua <sup>1</sup> .....	7.0	4.9	3.6	2.0	2.1	2.5	2.4	2.4	3.4	2.8
Merchandise imports from Nicaragua <sup>1</sup> .....	5.7	3.5	2.4	2.0	2.2	1.7	2.8	1.9	3.1	2.5
Net merchandise exports to (+) or imports from (-) Nicaragua.....	+1.3	+1.4	+1.2	.....	-1	+8	-4	+5	+3	+3
Receipts from Nicaragua for shipping services <sup>2</sup> .....	.2	.2	.2	.1	.....	.1	.....	.....	.1	.1
Expenditures of Nicaraguan travelers in the United States <sup>2</sup> .....	.1	.1	.....	.....	.....	.....	.....	.1	.1	.1
Expenditures of United States travelers in Nicaragua <sup>2</sup> .....	.2	.2	.2	.1	.....	.....	.....	.....	.....	.....
Net receipts from Nicaragua for services <sup>2</sup> .....	+1	+1	.....	.....	.....	+1	.....	+1	+2	+2
Net receipts from (+) or payments to (-) Nicaragua on trade and service account <sup>2</sup> .....	+1.4	+1.5	+1.2	.....	-1	+9	-4	+6	+5	+5
<b>Gold and silver:</b>										
Net gold imports from Nicaragua <sup>1</sup> .....	-3	-4	-4	-3	-2	-7	-6	-8	-8	-1.5
Net silver imports from Nicaragua <sup>1</sup> .....	-1	.....	.....	.....	-3	.....	-1	.....	.....	-.1
Net gold and silver imports from Nicaragua.....	-4	-4	-4	-3	-5	-7	-7	-8	-8	-1.6
<b>Net balance for items shown<sup>4</sup>.....</b>	<b>+1.0</b>	<b>+1.1</b>	<b>+8</b>	<b>-3</b>	<b>-6</b>	<b>+2</b>	<b>-1.1</b>	<b>-2</b>	<b>-3</b>	<b>-1.1</b>

<sup>1</sup> United States statistics, unadjusted.

<sup>2</sup> Rough estimates.

<sup>3</sup> Excluding return on United States investments in Nicaragua.

<sup>4</sup> Excluding return on direct investments (receipts) and new investments (payments) in Nicaragua.

NOTE.—Net credit balances for the United States are indicated by +; net debit balances by -.

Source: Especially prepared for this report by the Finance Division, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

# PANAMA

## A DESCRIPTION

### Physical characteristics.

The Republic of Panama,<sup>1</sup> located on the isthmus which joins North and South America, is bounded on the north by the Caribbean Sea, on the south by the Pacific Ocean, on the east by Colombia, and on the west by Costa Rica. Extending about 480 miles from east to west,<sup>2</sup> and with a maximum width of 110 miles, it has an Atlantic coast line of 477 miles and a Pacific coast line of 767 miles. Its area, 32,380 square miles, is roughly equivalent to that of Maine.

The Canal Zone (area 553 square miles), a strip 10 miles wide connecting the Caribbean Sea and the Pacific Ocean, is located in the center of the Republic.<sup>3</sup> That portion of the Republic to the west of the Canal Zone (between the Zone and Costa Rica) is the more important from an economic standpoint.

Two mountain ranges, with elevations reaching 11,000 feet, extend the length of the country. These ranges are flanked by coastal plains of varying widths, which are crossed by many rivers; in general, the southern coastal plain is narrower than the northern. The mountain slopes are densely forested. The fertile valleys and plateaus between the two ranges provide grazing land for cattle, and rich soil for vegetables and tropical fruits. Only a small portion of the land, however, is actually cultivated.

In general, the climate of Panama is tropical, and the rainfall is heavy. But in the interior, where the elevations are greater, the climate is milder and the rainfall more moderate than in the coastal plains. There are two seasons, the rainy and the dry. The rainy season extends from the middle of April until the middle of December, with the heaviest precipitation at the beginning and the end of the season. The average annual rainfall on the Atlantic side (at Colón) is 129 inches; on the Pacific side (at Balboa Heights) it is 69 inches. On the Atlantic side there is some rainfall during the dry season.

The principal ports of the Republic are the cities of Panamá and Colón, but, because of the convenience of location, most of the trade passes through the Canal Zone cities of Balboa (adjacent to Panamá on the Pacific side) and Cristobal (adjacent to Colón on the Atlantic

<sup>1</sup> In Spanish, República de Panamá.

<sup>2</sup> Contrary to popular impression, the main axis of Panama runs from east to west, rather than from north to south. The direction of the Canal Zone and the Panama Canal is from northwest to southeast, rather than from east to west, as is commonly supposed. The Caribbean entrance to the Canal is actually west of the Pacific entrance.

<sup>3</sup> By the treaty between Panama and the United States, signed November 18, 1903, the Canal Zone, site of the Panama Canal, was leased in perpetuity to the United States. The cities of Panamá and Colón remain under the jurisdiction of the Republic of Panama, but certain jurisdiction was granted to the United States in both cities in all that relates to sanitation and public health. For the rights to the Canal Zone, the United States paid to Panama 10 million dollars, and \$250,000 yearly beginning 9 years after the date of the treaty. A new treaty, ratified by Panama in December 1936, and by the United States in July 1939, increased the annual payment to 430,000 balboas.



side).<sup>4</sup> Bocas del Toro and Puerto Armuelles are important ports in the Republic of Panama, but largely for local produce, especially fruits.

Except for the Canal, the Panama Railroad<sup>5</sup> affords the only means of transportation across the Isthmus. A modern concrete highway extends from the Pacific side to Madden Dam, about half the distance across the Isthmus; an additional 25 miles of roadway is now under construction, and when completed will provide a highway from Colón to the city of Panamá. Partial lateral transportation within the Republic of Panama is provided by a fine paved road from Panamá City west to David (in Chiriquí Province not far from the Costa Rican border), a distance of 315 miles. Eastward from Panamá City a highway extends to Chepo, a distance of about 45 miles. These roads form links in the projected Pan American highway, but construction of the difficult portion (about 150 miles) between Chepo and the Colombian border, and of an all-weather highway between David and the Costa Rican frontier, have not as yet been undertaken.<sup>6</sup>

#### Population.

According to the census of 1930, the population of Panama was 467,000. An official estimate for 1940 placed the number of inhabitants at 600,000, or about 18 persons to the square mile.<sup>7</sup> About one-fourth of the population, however, is concentrated in the two principal cities, Panamá and Colón. Panamá is the capital and chief commercial city of the Republic; in 1940 it had a population of 122,000. In the same year Colón, on the Atlantic coast, had a population of 46,000. Other cities and towns (with their populations in 1930) are David, 16,000; Penonomé, 16,000; Santiago, 14,600; Las Tablas, 13,000; Bocas del Toro, 9,300; La Palma, 8,800; and Chitré, 6,500.<sup>8</sup>

According to the census of 1930, 53 percent of the population of Panama consisted of mestizos; 17 percent of Europeans; 15 percent of Negroes; 9 percent of Indians; 5 percent of mulattoes; and 1 percent of orientals. Persons in domestic occupations and services constituted 27 percent of the population in 1930. Producers (including farmers, fishermen, fruit growers, and cattle raisers) accounted for 18 percent, students for 13 percent, industrial employees and persons preparing products for marketing or consumption for 9 percent, merchants for 1 percent, and miscellaneous (including Indians) for 32 percent. The language of Panama is Spanish, but English is widely spoken in business circles.

<sup>4</sup> Under the treaty of 1936 between Panama and the United States, Panama has the right to maintain its own customs houses in the Canal Zone ports.

<sup>5</sup> The stock of the Panama Railroad Company, which was organized in 1849, has since 1904 been owned by the United States Government. In addition to operating about 48 miles of railroad between Colón and the city of Panamá, the company owns real estate in both of those cities and operates commissaries (retail stores selling primarily to Government employees), cargo-handling activities at the harbor terminals, hotels, coaling plants, a steamship line, and a telephone system. The Governor of the Panama Canal is also President of the Panama Railroad Company.

<sup>6</sup> There is a narrow-gauge railroad of about 150 miles in the Bocas del Toro area, but this is chiefly for the banana trade. In the Province of Chiriquí there are about 60 miles of track; shorter lines exist in other areas.

<sup>7</sup> The civilian population of the Canal Zone in June 1939 was 28,978, and of this number, 8,979 were citizens of the United States. Employees of the Panama Canal and the Panama Railroad Company numbered 7,714.

<sup>8</sup> The principal cities of the Canal Zone are the capital, Balboa (at the Pacific entrance to the Canal), and Cristobal (at the Atlantic entrance).

**Natural resources and economy.**

Much of the economic activity of the Republic of Panama is closely associated with the transit of goods and passengers between the Atlantic and Pacific Oceans. Apart from this, Panama is essentially an agricultural country, although there is some commercial exploitation of pastoral, forest, and water resources. The agricultural importance of Panama as it relates to international trade, however, is a recent development. During the colonial period little attention was devoted to agriculture and stock raising; most foodstuffs as well as other commodities necessary to the life of the Isthmus were imported from Spain, from other parts of Central America, and from Spanish South America. The recent development of bananas and cacao has provided Panama with a source of considerable wealth. Only a small portion of the population, however, is engaged in agriculture, and a large part of the country's area is not cultivated. In recent years, efforts have been made by the Government to encourage the settlement of farmers on land in the interior, and to stimulate the production of certain agricultural products which are now imported.

From the time of the discovery of the Pacific Ocean by Balboa in 1513 until the completion of the Panama Canal in 1914, the Isthmus of Panama served as an entrepôt, and the chief income of the country during this period was derived from activities associated with the transportation of goods and passengers across the narrow neck of land separating the two oceans.<sup>9</sup> With the establishment of the Canal Zone and the completion of the Canal, allowing continuous passage for vessels without transshipping goods and passengers, some of these functions were lost. But the great increase in the volume of freight and in the number of passengers crossing the Isthmus by way of the Canal has given to the cities of Panamá and Colón a lucrative tourist trade and a trade in commodities for the supply of vessels. The extent to which the prosperity of Panama depends upon the Panama Canal and related activities may be gaged from statistics of traffic through the Canal. During the fiscal year 1939, for example, 5,903 ships passed through the Canal. Vessels calling at Canal ports in that year carried a total of nearly 119,000 transient passengers, in addition to an even larger number of seamen.<sup>10</sup> Moreover, the sale of commodities and services to the employees and residents of the Canal Zone and to United States Army and Navy personnel provides an important source of business to the merchants of Panama.<sup>11</sup>

*Agriculture.*—The principal agricultural products of Panama are bananas, cacao beans, coconuts, coffee, and sugar. Rice, corn, tobacco, and cotton are also grown, as well as a wide range of tropical fruits and vegetables. Bananas, cacao beans, and coconuts are the most important agricultural exports.

Panama ranks sixth among the Latin American countries in the export of bananas, the production of which is largely controlled by two United States companies. One of these possesses large plantations in the Provinces of Chiriqui and Bocas del Toro; the other

<sup>9</sup> Until the completion of the Panama Railroad in 1855, the passage was accomplished either entirely by mule trains, or partly by mule train and partly by small boats which utilized the Rio Chagre during the rainy season.

<sup>10</sup> In 1938 members of the crews of ships calling at Canal ports numbered more than 401,000.

<sup>11</sup> No private business enterprise is permitted in the Canal Zone except cable offices, shipping companies, or other organizations performing functions directly related to the operation and maintenance of the Canal.

purchases bananas from private growers in the Provinces of Colón, Panamá, and Darién, and in the Canal Zone. In the 3 years 1936-38, average annual exports of bananas amounted to 6 million bunches of 50 pounds each, practically all of which went to the United States. Bananas usually account for three-fifths or more of all exports, in terms of value.<sup>12</sup>

A fine quality of cacao is grown in the Province of Chiriquí; coconuts are grown chiefly by Indians in the San Blas region. Exports of cacao beans in 1938 amounted to 8.9 million pounds, and those of coconuts to 5.2 million nuts. Sufficient sugar and coffee are ordinarily produced in Panama to supply the domestic demand. In 1938, production of sugar, which totaled about 92,000 bags of 100 pounds, was in excess of domestic requirements. Exports of coffee are negligible. Although some rice is grown in Panama, the greater part of that consumed within the country must be imported.

*Pastoral industries.*—Cattle-raising is important in Panama. In 1936 there were estimated to be 450,000 cattle in the country, most of them of a small native breed. Most of the meat is consumed within the country or exported to the Canal Zone. In 1938, fresh beef ranked third and cattle hides sixth among Panama's exports, being valued at \$182,000 and \$51,000, respectively.

*Mining.*—Many minerals are found in Panama, but only gold and salt are mined on a commercial basis. Deposits of silver, copper, manganese, coal, iron, lead, and asbestos also exist.<sup>13</sup> The minerals are located chiefly in the interior, toward the Colombian border, and transportation presents a serious problem. The manganese deposits are reported to be extensive, but of such low grade as to preclude their development at present.

*Forest industries.*—The forest resources of Panama are extensive. More than 50 species of commercially valuable cabinet, building, and dye woods are found, including a fine type of mahogany. Other forest products include tagua nuts (vegetable ivory, used in the manufacture of buttons), toquilla straw (used in hat making), copaiba (a resinous substance used for medicinal purposes), sarsaparilla, ipecacuanha (a root used for medicinal purposes), balata (a gum resembling gutta percha), and rubber. Tagua nuts, balata, rubber, and hardwoods are exported in small quantities.

*Marine industries.*—Products of the adjacent waters are also a source of some wealth of Panama. Mother-of-pearl shells, the most important export of marine products, were exported to the value of \$25,000 in 1937. Other marine products include pearls, found off the Pearl Islands in the Bay of Panama and along the Pacific coast; tortoise shell, off the Atlantic coast; and coral and sponges, off both coasts. Sea salt is produced by evaporation at Aguadulce, on the Pacific coast.

*Manufacturing.*—There are few manufacturing industries in Panama; for the most part, production is confined to consumer goods. The principal products manufactured are sugar, beer, rum, whisky, candy, shoes, men's and women's ready-made clothing, leather goods, perfumes, soap, candles, felt and straw hats, tobacco products, canned milk, lumber, wood boxes, mahogany furniture, and floor tile.

<sup>12</sup> Bananas also form an important export from the Canal Zone. In the 3 years 1936-38, annual exports from the Zone averaged 1.6 million bunches of 50 pounds each.

<sup>13</sup> The value of gold production in 1939 was estimated to be \$105,000. Some silver and copper have been mined, but the quantities have been small.

*Foreign investments.*—Statistics of foreign investments in Panama, other than those of the United States, are not available. United States direct investments in Panama at the end of 1936 amounted to 26.7 million dollars.<sup>14</sup> No data are available showing the distribution of these investments by economic groups. The United States portfolio of Panamanian securities in 1935 was estimated to be 16.8 million dollars.<sup>15</sup>

### THE FOREIGN TRADE OF PANAMA

In 1938 Panama ranked fourth in foreign trade among the six republics of Central America. In that year, with domestic exports valued at 3.7 million dollars, Panama furnished 7 percent of the value of all commodities exported from these Central American countries. Imports, however, amounted to 17.7 million dollars, or more than 24 percent of the value of all their imports.

The extent to which Panama is still, as in the colonial period, dependent upon invisible exports may be gaged by the figures for the balance of trade. Merchandise imports are now, as then, greatly in excess of merchandise exports. In the decade 1929-38, average annual imports into Panama (including goods subsequently re-exported) amounted to 15.7 million dollars, as compared with annual average domestic exports of 3.4 million dollars.<sup>16</sup> In the 3 years 1936-38, the recorded import balance, as thus computed, ranged from 13.9 million to 17.8 million dollars, total imports exceeding domestic exports by an average of nearly 400 percent. In Panama's balance of payments, this difference is made up in part by the sale of domestic and imported commodities, and the rendering of services, to tourists and crews of ships calling at Canal ports, and to the residents and the authorities of the Canal Zone.<sup>17</sup> A part of these sales is officially recorded as reexports. In the 3 years 1936-38, reexports from Panama averaged nearly 4 million dollars annually, about nine-tenths of which represented reexports to the Canal Zone and ship supplies and tourist purchases. In 1937, Panama's total imports were equal to \$39.87 per capita and its exports of domestic merchandise to \$7.43, as compared with \$22.90 and \$25.10, respectively, for the United States.

<sup>14</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936*, p. 12. "Direct" investments are defined as all United States investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice.

<sup>15</sup> Cleona Lewis, *America's Stake in International Investments*, The Brookings Institution, 1938, p. 655. "Portfolio" investments are defined as equity and other security investments in foreign-controlled corporations, and investments in the security issues of foreign governments or subdivisions thereof.

<sup>16</sup> The Panamanian monetary unit, the balboa, is equivalent to the United States dollar. Export values employed by Panama (as declared by merchants and verified by the customs) are f. o. b. Panamanian port or frontier, including export duties, except for bananas. Values for exports of bananas are official valuations per unit of quantity, revised semi-annually. Import values employed by Panama are as declared by merchants and verified by the customs, f. o. b. place and date of consignment, as per consular invoice, including consular fees.

<sup>17</sup> Under emergency regulations effective December 1, 1939, United States army posts in the Canal Zone receive their supplies of foodstuffs direct from the United States. While this reduces the participation of Panamanian merchants in the trade with the Canal Zone, it is offset, at least in part, by the recent expansion of employment in the Canal Zone resulting from the construction of the new canal locks, and the augmentation of United States army and navy personnel. Part of the additional purchasing power thus created will no doubt be utilized by Canal Zone residents for purchases in the Republic.

### Commercial policy of Panama.

*The tariff.*—Since Panama became an independent state in 1903, its tariff has provided a single column of rates from which no conventional reductions have been made. Preferential tariff treatment is not accorded to any nation. Moreover, neither foreign-exchange restrictions<sup>18</sup> nor quantitative limitations on imports have been established. Panama does not have an unconditional most-favored-nation agreement with the United States, but does have such agreements with the United Kingdom, Germany, and Italy.

Prior to 1932, import duties were chiefly ad valorem, the typical duty being 15 percent. A new scale of duties took effect April 1, 1932. The new tariff imposed high specific duties on certain articles similar to national products. Before the new schedule was placed in effect, however, some of the duties were eliminated and others were reduced.<sup>19</sup>

With the object of stimulating the tourist trade and entrepôt business, the Government of Panama again revised the tariff schedule on December 28, 1934, effective June 1, 1935. This tariff provided for the exemption from duty of about 600 noncompetitive import commodities.<sup>20</sup> Article 2 of the tariff law provided for a refund of duty on articles reexported from Panama. Provision was also made for the free entry of machinery and raw materials imported for the use of industries established within the Republic.<sup>21</sup> At the same time, the tax on steamship agencies whose vessels carry cargo or passengers destined for the Republic was discontinued, and a surcharge of 50 percent ad valorem was placed on merchandise imported through banks, commission agents, or other persons operating in territory not under the jurisdiction of the Republic (such as the Canal Zone). An import tariff law, effective December 30, 1936, placed eight items on the free list, reduced the duty on one, and increased the duty on another. All of the commodities involved were of primary interest to the domestic soap industry, and the benefits to be derived were confined to those firms meeting the requirements with respect to the percentage of Panamanian labor employed.

On January 28, 1937, the National Assembly passed a bill reforming the basic tariff law. About 48 tariff items were transferred from the dutiable to the free list, and duties were reduced on 31. The rates on about 15 others were increased, and at least 6 articles previously on the free list were made dutiable. In order further to foster the development of those national industries based on indigenous raw materials, import duties were increased on hats and tile products by an Executive decree of August 23, 1939, based on a law of 1938.

The present tariff of Panama is primarily for revenue,<sup>22</sup> although tariffs have been established in favor of certain national industries. The principal protected products are sugar, rice, condensed milk, liquors, soap, shoes, hats, ceramic products, and furniture. Some of

<sup>18</sup> Panama does not issue paper money, but does issue silver, nickel, and copper coins. United States paper money and coins, however, circulate almost to the exclusion of other currency.

<sup>19</sup> On March 23, 1932. The new scale of duties had been enacted on December 26, 1931.

<sup>20</sup> These commodities, however, pay a 5 percent ad valorem consular fee on invoices.

<sup>21</sup> To obtain this privilege, such industries must conform to the laws of Panama regarding the percentage of Panamanian labor employed (75 percent), and to certain other requirements.

<sup>22</sup> In the biennial budget for 1939-40, which amounted to 22.8 million dollars, 27.4 percent of the total budgetary revenue consisted of import duties. Internal taxes accounted for 20.7 percent, patrimonial revenues (largely Canal annuities) for 15.7 percent, public-health revenues for 10.9 percent, and other revenues for 25.3 percent.

the import duties are specific, based on net, legal, or gross weight; others are ad valorem. The ad valorem rates range from 5 to 40 percent, but in most instances are 15 percent.

The Executive of Panama has several powers to alter import duties. A law of December 27, 1938, establishing an income and real estate tax, granted authority to the Executive to reduce import duties insofar as the revenue returns from such taxes permit. A law effective May 4, 1937, authorized the Executive to increase consular fees within narrow limits, and to impose a large but limited increase in the import duty on cooking chocolate when adequate supplies are produced in Panama. A law of December 28, 1934, authorized an increase in the import duty on shoes if deemed appropriate in the national interest. By a law of December 24, 1934, the Executive is empowered to remove duties from commodities not produced in Panama in order to develop the tourist trade, provided the decrees are issued at least 120 days before taking effect. The Executive is not authorized to put into force import-duty reductions provided in commercial agreements prior to legislative approval.

A law of December 28, 1934, created a Panamanian Tariff Commission. The specified duties of the Commission were to recommend to the Executive each year the tariff amendments which should be submitted for the consideration of the National Assembly, and to study any revisions of or additions to the tariff or the customs system recommended at any time by the Executive.<sup>23</sup>

*Export duties.*—Export duties levied by Panama include those on bananas, manganese ore, Perilla gum, nispero gum, ipecac, rubber, and timber from public lands.<sup>24</sup> The export duty on balata was removed in 1931, and that on pearl shells in 1932.

#### Exports from Panama.

*Trend.*—The export trade of Panama (domestic exports) is characterized by the dominance of one commodity, bananas, and by the importance of the United States as a customer.<sup>25</sup> Exports from Panama to the world and to the United States, in the period 1924–38, are shown in tables 1 and 2.

The year 1929, the earliest shown in the detailed tables hereinafter presented, was a peak year in exports both to the world and to the United States. Domestic exports to all countries in that year were 14 percent above the average for the 5 years 1924–28, while exports to the United States were 19 percent above the 5-year average.

Exports (excluding reexports) from Panama in 1929 were valued at 4.1 million dollars.<sup>26</sup> By 1932 they had declined to 2 million dollars, or 48 percent of their 1929 value. After 1932 exports increased regularly, again reaching 4.1 million dollars in 1937. In 1938 they declined to 3.7 million dollars, or 90 percent of the 1929 level. Domestic exports from Panama in 1939 amounted to 3.5 million dollars,<sup>27</sup>

<sup>23</sup> A law of January 28, 1937, added the members of the Tariff Committee of the National Assembly to the Tariff Commission.

<sup>24</sup> The rates, specified in the tariff law of February 11, 1925, are as follows: Manganese ore, 25 cents per ton; Perilla gum and nispero gum, \$6 per quintal; ipecac, \$2 per quintal; rubber, \$1 per quintal; and timber, \$2 per 1,000 board feet. The export duty on bananas was originally 1 cent per bunch, but in 1934 was increased to 2 cents per bunch. The duty on Perilla gum was removed in 1927, but re-levied in 1929. (The Panamanian quintal is equivalent to 220.46 pounds.)

<sup>25</sup> For a discussion of the reexport trade, see the section on reexports.

<sup>26</sup> The Panamanian monetary unit, the balboa, is equivalent to the United States dollar.

<sup>27</sup> Preliminary.

a decline of about 7 percent from 1938. The decline in 1939 is attributable largely to the smaller volume and value of exports of bananas.

TABLE 1.—Panama: Trade with the world, 1924-38

[In thousands of U. S. dollars <sup>1</sup>]

Year	Exports (domestic)	Imports (general)	Year	Exports (domestic)	Imports (general)
1924.....	3,008	13,769	1932.....	2,006	8,853
1925.....	3,680	16,129	1933.....	2,559	9,296
1926.....	3,538	15,740	1934.....	3,638	13,574
1927.....	3,910	14,700	1935.....	3,993	15,945
1928.....	4,113	16,182	1936.....	3,994	18,990
1929.....	4,144	19,278	1937.....	4,070	21,828
1930.....	3,302	18,337	1938.....	3,744	17,651
1931.....	2,608	13,492			

<sup>1</sup> The balboa is equivalent to the United States dollar.

Source: Compiled by the United States Tariff Commission from *Anuario de Estadística, República de Panamá, 1934* (1924-34 import statistics); *Boletín de Estadística, January-December* (1934-38 statistics); and *Boletín de Estadística* (all other statistics).

TABLE 2.—Panama: Trade with the United States, 1924-38 <sup>1</sup>[Value in thousands of U. S. dollars] <sup>2</sup>

Year	Exports (domestic)		Imports (general)		Year	Exports (domestic)		Imports (general)	
	Value	Percent to United States	Value	Percent from United States		Value	Percent to United States	Value	Percent from United States
1924.....	2,612	86.8	8,975	65.2	1932.....	1,922	95.8	5,413	61.2
1925.....	3,244	88.2	10,903	67.6	1933.....	2,291	89.5	5,314	57.2
1926.....	3,246	91.7	10,280	65.3	1934.....	3,371	92.7	7,074	52.1
1927.....	3,554	90.9	9,892	67.3	1935.....	3,724	93.3	8,602	53.9
1928.....	3,768	91.6	10,923	67.5	1936.....	3,599	90.1	9,778	51.5
1929.....	3,902	94.2	13,154	68.2	1937.....	3,698	90.9	11,357	52.0
1930.....	3,116	94.4	11,159	60.9	1938.....	3,340	89.2	10,139	57.4
1931.....	2,314	88.7	8,159	60.5					

<sup>1</sup> Statistics do not include trade with the Canal Zone, which is the ultimate destination of a substantial part of Panamanian imports and is the second market for Panamanian exports (see table 5).

<sup>2</sup> The balboa is equivalent to the United States dollar.

Source: Compiled by the United States Tariff Commission from *Boletín de Estadística, República de Panamá* (1924-33 statistics); *Anuario de Estadística* (1934 statistics); and *Boletín de Estadística, January-December* (1935-38 statistics).

Price and quantum indexes of exports from Panama are not available. The effect of fluctuations in prices and quantities on the export trade, however, is partially indicated by statistics for the leading export commodities, bananas and cacao beans, which in the decade 1929-38 constituted from three-fourths to nine-tenths of total exports, in terms of value. The quantities of bananas and cacao beans exported, and the average unit values, indicate that the decline in exports from Panama from 1929 to 1932, and the subsequent recovery, may be attributed more to variations in the quantities exported than to fluctuations in prices.

Quantities, values, and unit values of bananas and cacao beans, in specified years, 1929 to 1938, are shown in table 3. Exports of bananas declined by about two-thirds between 1929 and 1932, from 4.7 million bunches <sup>28</sup> to 1.5 million bunches. Reported average unit values in the

<sup>28</sup> Bunches of 50 pounds.

same period, however, increased by about 88 percent (from \$0.629 to \$1.181 per bunch).<sup>29</sup> The quantity of bananas exported increased after 1932, reaching 6.4 million bunches in 1938, or 137 percent of the 1929 level. Reported average unit values, however, declined sharply from \$1.181 per bunch in 1932 to \$0.435 per bunch in 1936; they continued at approximately the 1936 level in both 1937 and 1938.

Exports of cacao beans declined from 6.2 million pounds in 1929 to 1.4 million pounds in 1932, a decline of somewhat more than three-fourths. Average unit values, in the same period, however, declined by less than one-fourth. Exports increased sharply after 1932; in 1937 they reached 12.6 million pounds, more than double the quantity exported in 1929. In 1938 exports declined to 8.9 million pounds, but were still nearly 50 percent in excess of those for 1929. Unit values increased somewhat in 1936. In 1937, however, they returned approximately to the level in 1932, and in 1938 declined still further.

TABLE 3.—Panama: Exports of selected commodities, in specified years, 1929 to 1938

Commodity	1929	1932	1936	1937	1938
	Quantity				
Bananas, 1,000 bunches of 50 lb.....	4,678	1,463	5,825	5,838	6,400
Cacao beans, 1,000 lb.....	6,186	1,444	9,451	12,637	8,909
	Value (1,000 U. S. dollars) <sup>1</sup>				
Bananas.....	2,941	\$ 1,728	2,537	2,578	2,755
Cacao beans.....	472	85	617	759	442
	Unit value (U. S. dollars)				
Bananas, bunch of 50 lb.....	0.629	\$ 1.181	0.435	0.442	0.430
Cacao beans, lb.....	.076	.059	.065	.060	.050

<sup>1</sup> The balboa is equivalent to the U. S. dollar.

<sup>2</sup> Reported unit values for exports of bananas from Panama in 1932 were high as compared with those from other Latin American producing countries. This may be explained in large part by the arbitrary valuations placed on such exports by Panama. Such valuations do not necessarily have a direct relationship to market prices.

Source: Compiled by the United States Tariff Commission from official annual and monthly statistics of Panama.

*Composition.*—The export trade of Panama (excluding reexports) consists principally of two commodities, bananas and cacao beans. In the decade 1929–38 these two products accounted for from three-fourths to nine-tenths of the value of all exports. Other important commodities exported from Panama include fresh beef, gold, coconuts, cattle hides, and mother-of-pearl shells. Minor exports include tuna fish, balata, tagua nuts, tortoise shell, reptile skins, hats of straw or other fiber, and mahogany and other cabinet woods in the log. Domestic exports from Panama, by principal commodities, in specified years, 1929 to 1938, are shown in table 4.

For every individual commodity shown in table 4 there was a sharp drop in the dollar value of exports between 1929 and 1932.

<sup>29</sup> Reported unit values for exports of bananas from Panama in 1932 were high as compared with those from other producing countries in Latin America. This may be explained in large part by the arbitrary valuations placed on such exports by Panama. Such valuations do not necessarily have a direct relationship to market prices.



The decline is attributable to the greatly decreased quantity of exports of bananas (reported unit values having increased markedly), and to the decline, both in quantities and in prices, of other export commodities. All commodities showed increases in dollar value in 1937 as compared with 1932; the value of cacao beans in 1937 was greatly in excess of that for 1929. Exports of fresh beef were important in 1937; no exports were recorded in 1929 or 1932.

For the principal commodities, the ratios of the dollar values of exports in 1938 to those in 1929 were as follows: Bananas, 94 percent; cacao beans, 94 percent; coconuts, 24 percent; and cattle hides, 39 percent.

TABLE 4.—Panama: Exports,<sup>1</sup> by principal commodities, in specified years, 1929 to 1938

[Value in thousands of U. S. dollars<sup>2</sup>]

Commodity <sup>3</sup>	1929		1932		1936		1937		1938	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
Total domestic exports.....	4,144	100.0	2,006	100.0	3,994	100.0	4,070	100.0	3,744	100.0
Bananas.....	2,942	71.0	1,728	86.1	2,537	63.5	2,578	63.3	2,755	73.6
Cacao beans.....	472	11.4	85	4.3	617	15.4	759	18.7	442	11.8
Beef, fresh.....					14	.3	164	4.0	182	4.9
Gold ore, bars, powder, and old gold pieces.....	(4)	(4)	34	1.7	447	11.2	178	4.4	168	4.5
Coconuts.....	304	7.3	103	5.1	111	2.8	132	3.2	74	2.0
Cattle hides.....	131	3.2	6	.3	27	.7	60	1.5	51	1.4
Mother-of-pearl shells.....	37	.9	4	.2	19	.5	25	.6	9	.2
All other commodities.....	258	6.2	46	2.3	222	5.6	174	4.3	63	1.6
Reexports.....	119		56		3,401		4,549		3,925	
Percent of reexports to Canal Zone and "consumption on board" ships anchored in Canal ports.....		57.1		51.8		94.5		85.6		88.1

<sup>1</sup> Domestic exports. Bullion and specie are included. Parcel post is excluded. Transit and transshipment trade is excluded. Values are declared values, f. o. b. Panamanian port or frontier, including export duties, except for bananas. Values for banana exports are official valuations per unit of quantity, revised semiannually.

<sup>2</sup> The balboa is equivalent to the U. S. dollar.

<sup>3</sup> Classifications employed in the table are those given in the Panamanian export statistics for 1938. Commodities are ranked according to value in 1938.

<sup>4</sup> \$500.

<sup>5</sup> Less than one-tenth of 1 percent.

Source: Compiled by the United States Tariff Commission from *Boletín de Estadística, República de Panamá* (1929 and 1932 statistics) and *Boletín de Estadística, Panamá* (January–December (1936–38 statistics)).

The ratio of exports of bananas (based on the arbitrary valuation) to total domestic exports in the decade 1929–38 ranged from 63 percent (1936) to 86 percent (1932) of the total value. In 1938 it was 74 percent. The share of cacao beans, the second-ranking export commodity, fluctuated considerably during the decade, varying from 4 percent in 1932 to 19 percent in 1937; in 1938 it was 12 percent.

Fresh beef, no exports of which were recorded in 1929 and 1932, occupied fourth place in exports in 1937 and third place in 1938, with shares of 4 and 5 percent, respectively. Exports of gold have varied considerably; in recent years they have been more important than in 1929 and 1932. In 1936, exports of gold accounted for more than 11 percent of total domestic exports. In 1937 and 1938 they constituted more than 4 percent.

Coconuts were an important export from Panama in 1929, forming 7 percent of the total, but in the period 1936-38 they constituted only from 2 to 3 percent. Exports of cattle hides and mother-of-pearl shells have fluctuated considerably, both in value and in share of total exports (see table 4). The decline in exports of cattle hides after 1929 is attributable to the development of a domestic shoe industry. All export commodities, other than those mentioned above, constituted less than 2 percent of total domestic exports from Panama in 1938.

*Reexports.*—In recent years, reexports from Panama have formed a large part of the country's export trade. In 1929 and 1932, recorded reexports amounted to only \$119,000 and \$56,000 respectively. In 1934, however, in order to stimulate the tourist trade and the reexport trade, Panama adopted a new tariff schedule providing for exemption from duty of about 600 noncompetitive import commodities. In 1937 other import items were removed from the dutiable list, and duties were reduced on a number of commodities. Following the adoption of these two measures, reexports increased sharply. They were valued at 3.4 million dollars in 1936, at 4.5 million in 1937, at 3.9 million in 1938, and at 3.3 million in 1939. In 1937 and 1938 they exceeded the value of domestic exports. These reexports consist in part of merchandise purchased by residents of the Canal Zone and by tourists and members of the crews of ships calling at Canal ports, and in part of commodities reexported commercially from Panama to other countries. In 1938, nearly nine-tenths of the value of reexports represented exports to the Canal Zone, ship supplies, and tourist purchases.

*Destination.*—The principal markets for domestic exports from Panama in 1938, with share of the total value taken by each country, were the United States, 89 percent; the Canal Zone, 5 percent; and Germany, 4 percent. Other markets in that year included Colombia, the United Kingdom, Costa Rica, and Italy. Exports from Panama to selected countries, in specified years, 1929 to 1938, are shown in table 5. More detailed data for 1937 are shown in table 6.

The United States is regularly the principal market for exports from Panama, its share of the total value in the decade 1929-38 varying from 89 percent (1938) to 96 percent (1932). The value of United States purchases ranged from 1.9 million dollars (1932) to 3.9 million (1929); in 1938 it was 3.3 million dollars.

Of the remaining major commercial nations, Germany was, prior to the war, the only export market of consequence. Its share in the Panamanian export trade in 1938 was 4 percent, as compared with 1 percent in 1929, 1932, and 1936. The value of German purchases varied from \$20,000 (1932) to \$148,000 (1938). The proportion of exports absorbed by the United Kingdom declined from slightly more than 1 percent (\$54,000) in 1929 to less than 1 percent (\$23,000) in 1938. In none of the years shown in table 5 did the combined shares of France, Italy, and Japan reach 1 percent of total exports.

Exports from Panama to other countries of Latin America are negligible; in 1937 they were valued at \$11,000. Domestic exports to the Canal Zone, however, are fairly substantial. In 1937 they amounted to \$164,000, or 4 percent of total exports, and in 1938 to \$182,000, or 5 percent of the total.

TABLE 5.—Panama: Foreign trade with selected countries, in specified years, 1929 to 1938

[Value in thousands of U. S. dollars <sup>1</sup>]

Country	1929		1932		1936		1937		1938	
	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total
<b>Exports (domestic) to <sup>2</sup>—</b>										
All countries.....	4,144	100.0	2,006	100.0	3,994	100.0	4,070	100.0	3,744	100.0
<b>UNITED STATES.....</b>	3,902	94.2	1,922	95.8	3,599	90.1	3,698	90.9	3,340	89.2
United Kingdom.....	54	1.3	61	3.0	65	1.4	47	1.2	23	.6
Germany.....	45	1.1	20	1.0	40	1.0	103	2.5	148	3.9
Japan.....	15	.4	.....	.....	( <sup>3</sup> )	( <sup>3</sup> )	1	( <sup>3</sup> )	.....	.....
Italy.....	1	( <sup>4</sup> )	.....	.....	.....	.....	( <sup>3</sup> )	( <sup>3</sup> )	8	.2
France.....	22	.5	.....	.....	17	.4	11	.3	.....	.....
Canal Zone.....	.....	.....	.....	.....	14	.4	164	4.0	182	4.9
All other.....	105	2.5	3	.2	269	6.7	46	1.1	* 43	1.2
<b>Imports from <sup>4</sup>—</b>										
All countries.....	19,278	100.0	8,853	100.0	18,990	100.0	21,828	100.0	17,651	100.0
<b>UNITED STATES.....</b>	13,154	68.2	5,413	61.1	9,778	51.5	11,357	52.0	10,139	57.4
United Kingdom.....	1,636	8.5	740	8.4	1,106	6.1	1,275	5.8	841	4.8
Germany.....	1,029	5.3	475	5.4	824	4.3	1,169	5.4	1,101	6.2
Japan.....	145	.7	323	3.6	2,987	15.7	3,089	14.1	1,634	9.3
Italy.....	149	.8	131	1.5	88	.5	144	.7	144	.8
France.....	532	2.8	213	2.4	739	3.9	673	3.1	399	2.3
Canal Zone.....	( <sup>5</sup> )	( <sup>5</sup> )	76	.9	659	3.5	626	2.9	634	3.6
All other.....	2,633	13.7	1,482	16.7	2,749	14.5	3,495	16.0	* 2,759	15.6

<sup>1</sup> The balboa is equivalent to the United States dollar.<sup>2</sup> Domestic exports. Bullion and specie are included. Parcel post is excluded. Transit and transshipment trade is excluded. Values are declared values f. o. b. Panamanian port or frontier, including export duties, except for bananas. Values for banana exports are official valuations per unit of quantity, revised semiannually.<sup>3</sup> Less than one-tenth of 1 percent.<sup>4</sup> Less than \$500.<sup>5</sup> Includes trade with the following countries:

Exports to—	Value (\$1,000)	Percent of total	Imports from—	Value (\$1,000)	Percent of total
Colombia.....	23	0.6	China.....	536	3.0
Costa Rica.....	15	.4	Netherlands.....	323	1.8
			New Zealand.....	222	1.3

<sup>6</sup> General imports. Bullion, specie, and parcel post are included. Transit and transshipment trade is included. Values are declared values f. o. b. place and date of consignment, as per consular invoice, including consular fees.Source: Compiled by the United States Tariff Commission from *Boletín de Estadística, República de Panamá* (1929 and 1932 statistics); and *Boletín de Estadística*, monthly issues, January to December (1936, 1937, and 1938 statistics).

Practically all exports of bananas from Panama go to the United States. The United States customarily has also taken all exports of gold and coconuts as well as almost all exports of cattle hides and the greater part of exports of cacao beans. In 1938, however, Germany made heavy purchases of cacao beans from Panama. All exports of fresh beef are shipped to the Canal Zone. Prior to the war, mother-of-pearl shells were exported principally to Germany. Among the minor products, all exports of pearls customarily went to France; the principal purchasers of balata were the United States and the United Kingdom; of woods, the United States; and of tortoise shell, the United Kingdom and Germany.

TABLE 6.—Panama: Foreign trade, by geographic areas and principal countries, in 1937

[Value in thousands of U. S. dollars<sup>1</sup>]

Exports <sup>2</sup>			Imports <sup>3</sup>		
To—	Value	Percent of total	From—	Value	Percent of total
Western Hemisphere:			Western Hemisphere:		
UNITED STATES.....	3,698	90.9	UNITED STATES <sup>4</sup> .....	11,357	52.0
Canal Zone.....	164	4.0	Cuba.....	626	2.9
Canada.....	18	.4	Chile.....	148	.7
All other Western Hemisphere countries.....	20	.5	Canada.....	129	.6
			All other Western Hemisphere countries.....	108	.5
Total.....	3,900	95.8	Total.....	684	3.1
Europe:			Europe:		
Germany.....	103	2.5	United Kingdom.....	1,275	5.8
United Kingdom.....	47	1.1	Germany.....	1,169	5.4
France.....	11	( <sup>5</sup> ) .3	France.....	673	3.1
Italy.....	( <sup>5</sup> )	( <sup>5</sup> )	Netherlands.....	389	1.8
All other European countries.....	2	.1	Belgium.....	159	.7
			Italy.....	144	.7
Total.....	163	4.0	All other European countries.....	558	2.4
Asia:			Total.....	4,347	19.9
Japan.....	1	( <sup>5</sup> )	Asia:		
All other Asiatic countries.....			Japan.....	3,089	14.1
			China.....	886	4.1
Total.....	1	( <sup>5</sup> )	All other Asiatic countries.....	101	.5
Africa.....			Total.....	4,076	18.7
Oceania.....	6	.1	Africa.....	14	.1
			Oceania.....	334	1.5
Grand total.....	4,070	100.0	Country not shown.....	5	( <sup>5</sup> )
			Grand total.....	21,828	100.0

<sup>1</sup> The bolbo is equivalent to the United States dollar.<sup>2</sup> Domestic exports. Bullion and specie are included. Parcel post is excluded. Transit and transshipment trade is excluded.<sup>3</sup> General imports. Bullion, specie, and parcel post are included. Transit and transshipment trade is excluded.<sup>4</sup> Less than \$500.<sup>5</sup> Less than one-tenth of 1 percent.Source: Compiled by the United States Tariff Commission from *Boletín de Estadística* (monthly issues) January–December 1937.**Imports into Panama.**

*Trend.*—Significant features of the import trade of Panama in the decade 1929–38 included the maintenance by the United States of its position as the dominant supplier of imports, and the sharp increase in the period 1936–38 in the share of imports originating in Japan. Imports into Panama from all countries and from the United States, in the period 1924–38, have already been shown in tables 1 and 2.

The year 1929, the earliest shown in the subsequent detailed tables, exceeded all other years (except 1937) in imports from the world, and was a peak year in imports from the United States. The value of total imports in 1929 exceeded the average for the 5 years 1924–28 by 26 percent, and imports from the United States were 29 percent above the 5-year average.

Total imports into Panama in 1929 were valued at 19.3 million dollars. They declined in 1932 to 8.9 million dollars, or 46 percent of the 1929 level. After 1932 imports increased regularly, reaching

21.8 million dollars in 1937, or 13 percent above the value in 1929. Part of the increase in the value of imports after 1934 was due to the new tariff adopted on December 28, 1934, which provided for exemption from duty of about 600 noncompetitive import commodities<sup>30</sup> important in the trade with residents of the Canal Zone and with tourists. In 1938 the value of imports declined to 17.7 million dollars, or 92 percent of the 1929 level. The decline in imports in 1938 is attributable in part to the withdrawal in the spring of 1938 of several large luxury liners in the United States intercoastal trade. These ships previously had carried an important part of the most lucrative tourist business. The termination of this service resulted in lower per capita tourist purchases in Panama, and a slower movement of merchandise stocks, which in turn was reflected in decreased imports into Panama. Imports in 1939 were valued at 20.5 million dollars,<sup>31</sup> an increase of nearly 16 percent over 1938.<sup>32</sup>

*Composition.*—Imports into Panama consist principally of manufactured products and foodstuffs, many of which are destined for the tourist trade, for the trade with members of the crews of ships calling at Canal ports, and for that with residents of the Canal Zone. Imports into Panama, by principal commodities, in specified years, 1929 to 1938, are shown in table 7.<sup>33</sup>

Between 1929 and 1932 there was a sharp drop in the dollar value of imports of all commodities shown in table 7, except silk and rayon piece goods, which increased slightly. Imports of all commodities shown in table 7 were much larger in 1937 than in 1932, except those of cotton piece goods, iron and steel, chemicals and medicines, rice, and lard, which declined. Imports of a number of commodities were substantially smaller in 1937 and 1938 than in 1929; to some extent this reflects the development of domestic industry and agriculture.

For the principal commodities, the ratios of the dollar values of imports in 1938 to those in 1929 were as follows: Automobiles, 158 percent; meats, 181 percent; petroleum products, 146 percent; cotton piece goods, 45 percent; chemicals and medicines, 103 percent; silk and rayon piece goods, 123 percent; perfumery and cosmetics, 123 percent; wheat flour, 89 percent; butter, 232 percent; lumber, 60 percent; vegetables, 77 percent; milk, in all forms, 67 percent; and iron and steel, 16 percent.

The leading import commodities in 1938, with the share of the value of total imports represented by each, were: Automobiles, 4.4 percent; meats, 4 percent; petroleum products, 3.7 percent; cotton piece goods, 3.7 percent; chemicals and medicines, 3.4 percent; silk and rayon piece goods, 3.2 percent; perfumery and cosmetics, 2.7 percent; wheat flour, 2.7 percent; butter, 2.3 percent; lumber, 1.8 percent; vegetables, 1.8 percent; milk, in all forms, 1.5 percent; and iron and steel, 1.3 percent. No other individual commodities imported into Panama in 1938 represented as much as 1 percent of the value of total imports; because of the varied nature of the trade,

<sup>30</sup> See the discussion on commercial policy of Panama.

<sup>31</sup> Preliminary.

<sup>32</sup> Price and quantum indexes of imports are not available.

<sup>33</sup> Imports into Panama are listed by commodities only; it is not feasible to show imports by economic groups. Because of the large number of items in the Panamanian import schedule, only the principal ones are shown. The commodities listed in table 7 include only from two-fifths to one-half of total imports in the specified years.

TABLE 7.—Panama: Imports,<sup>1</sup> by principal commodities, in specified years, 1929 to 1938

[Value in thousands of U. S. dollars †]

Commodity <sup>4</sup>	1929		1932		1936		1937		1938 <sup>5</sup>	
	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total
Grand total.....	19,278	100.0	8,853	100.0	18,990	100.0	21,828	100.0	17,631	100.0
Automobiles.....	493	2.6	129	1.5	764	4.0	909	4.2	781	4.4
Meats.....	393	2.0	234	2.6	743	3.9	732	3.4	710	4.0
Petroleum products.....	450	2.3	251	2.8	801	4.2	681	3.1	659	3.7
Cotton piece goods.....	*1,446	7.5	*745	8.4	511	2.7	616	2.8	651	3.7
Chemicals and medicines.....	583	3.0	378	4.3	143	.8	252	1.2	602	3.4
Silk and rayon piece goods.....	*454	2.4	*460	5.2	1,140	6.0	1,015	4.6	580	3.2
Perfumery and cosmetics.....	372	1.9	161	1.8	749	4.0	670	3.1	475	2.7
Wheat flour.....	533	2.8	277	3.1	460	2.4	587	2.7	474	2.7
Butter.....	171	.9	111	1.3	343	1.8	366	1.7	397	2.3
Lumber <sup>6</sup> .....	531	2.8	66	.8	255	1.3	353	1.6	318	1.8
Vegetables.....	407	2.1	180	2.0	390	2.1	391	1.8	315	1.8
Milk, in all forms.....	381	2.0	270	3.0	318	1.7	333	1.5	257	1.5
Iron and steel.....	1,431	7.4	441	5.0	188	1.0	316	1.4	233	1.3
Automobile tire casings.....	201	1.0	97	1.1	139	.7	164	.8	162	.9
Cement.....	209	1.1	46	.5	107	.6	152	.7	142	.8
Lard, hog.....	278	1.4	132	1.5	101	.5	109	.5	108	.6
Leather footwear.....	522	2.7	67	.8	102	.5	95	.4	106	.6
Soaps.....	215	1.1	74	.8	120	.6	156	.7	105	.6
Rice.....	473	2.5	233	2.6	151	.8	175	.8	92	.5
Spirits, distilled.....	292	1.5	85	1.0	358	1.9	377	1.7	34	.2
All other commodities.....	9,443	49.0	4,416	49.9	11,107	58.5	13,379	61.3	*10,470	59.3

<sup>1</sup> General imports. Bullion, specie, and parcel post are included. Transit and transshipment trade is excluded. Values are declared values f. o. b. place and date of consignment, as per consular invoice, including consular fees.

<sup>2</sup> The balboa is equivalent to the United States dollar.

<sup>3</sup> Preliminary.

<sup>4</sup> Classifications employed in this table are those given in *Foreign Commerce Yearbook* for 1938. Commodities are ranked according to value in 1938. Data for 1929 and 1932 may not, in all cases, be strictly comparable with those for other years.

<sup>5</sup> Includes clothing and other manufactures.

<sup>6</sup> Includes railway ties.

<sup>7</sup> Includes \$63,600 (a correction in the April total), not distributed in the detail.

Source: Compiled by the United States Tariff Commission from *Boletín de Estadística, República de Panamá* (1929 and 1932 statistics), and U. S. Department of Commerce, *Foreign Commerce Yearbook* (1936, 1937, and 1938 statistics).

however, such commodities accounted for more than three-fifths of the total.

*Sources.*—The principal sources of imports into Panama in 1938, with the share furnished by each country, were the United States, 57 percent; Japan, 9 percent; Germany, 6 percent; the United Kingdom, 5 percent; the Canal Zone, 4 percent; and China, 3 percent. Other suppliers in 1938 included France, the Netherlands, New Zealand, and Italy. Imports into Panama from selected countries, in specified years, 1929 to 1938, have already been shown in table 5. More detailed data for 1937 have been shown in table 6.

The United States was by far the leading supplier of imports into Panama in the decade 1929-38, its share ranging from 51 percent (1936) to 68 percent (1929) of the total value. In value, imports from the United States ranged from 5.4 million (1932) to 13.2 million dollars (1929); in 1938 they were 10.1 million dollars.

In 1929 the United Kingdom and Germany occupied second and third places in Panama's imports, with shares of 8 and 5 percent, respectively. Between 1936 and 1938, imports from the United Kingdom declined from 6 to 5 percent, and those from Germany increased from 4 to 6 percent. The value of imports from the United Kingdom

ranged from \$740,000 (1932) to 1.6 million dollars (1929); in 1938 they were valued at \$841,000. Imports from Germany varied in value from \$475,000 (1932) to 1.2 million dollars (1937), and in 1938 were 1.1 million dollars.

The share of Japan, which was less than 1 percent in 1929, increased to 16 percent in 1936. Japan thus became the second-ranking supplier in 1936, and maintained that position in 1937 and 1938, although its share declined to 9 percent in the latter year. The value of imports from Japan ranged from \$145,000 (1929) to 3.1 million dollars (1937); in 1938 it was 1.6 million dollars. The increase in Japanese participation in the import trade was chiefly in textiles.

Prior to the war, imports into Panama from France represented between 2 and 4 percent of total imports, in terms of value. Italy was not an important factor in the Panamanian import trade.<sup>34</sup>

Imports into Panama from other countries of Latin America are not large. In 1937 they were valued at \$794,000, or 3.6 percent of total imports. The principal Latin American suppliers were Cuba and Chile. Imports from the Canal Zone in 1937 amounted to \$626,000, or 2.9 percent of total imports, and in 1938 to \$634,000, or 3.6 percent.

The Panamanian import statistics do not make readily available data showing imports of commodities by countries of origin.<sup>35</sup> Of the principal import commodities, however, the United States in the years 1936-38, was the predominant supplier of automobiles and tires, meats, chemicals and medicines, wheat flour, lumber, vegetables, iron and steel, lard, leather footwear, and soaps. Japan was the chief source of cotton piece goods and of silk and rayon piece goods, the principal textile imports. Other textiles and made-up articles came from a variety of sources. Imports of crude petroleum (presumably Venezuelan in origin) came principally from Curaçao; refined products were imported from the United States and the Canal Zone. Rice was obtained chiefly from China, while butter came from a variety of sources, including New Zealand, Australia, Cuba, and Argentina. Distilled spirits were imported principally from the United Kingdom (whisky), France (cognac and brandy), and Cuba (rum).

#### UNITED STATES TRADE WITH THE REPUBLIC OF PANAMA AND WITH THE CANAL ZONE

United States commerce with Panama and the Canal Zone, valued at 37 million dollars in 1939, is much larger than that with any other Central American country. Moreover, Panama is vitally important to the United States because of the strategic position which the Panama Canal occupies in United States commerce and national defense. Upon the Canal is dependent the large intercoastal maritime commerce of the United States. For a substantial part of the foreign commerce of the United States, the Canal also provides great savings in shipping distances. Finally, the United States Fleet, customarily stationed in the Pacific, is dependent upon the Canal for rapid access to the Atlantic Ocean.

<sup>34</sup> The values of imports from France and Italy varied as follows: France, from \$213,000 (1932) to \$739,000 (1936); Italy, from \$88,000 (1936) to \$149,000 (1929).

<sup>35</sup> The statistics show imports by country of origin only by tariff classification, not by commodity or economic groups. Moreover, the Panamanian statistics for recent years are reported on a monthly basis, and are not cumulative.

The extraordinary volume of United States trade with Panama and the Canal Zone arises almost entirely from operations associated with the Canal. Supplies for vessels and for tourists, provisions for the civilian and military personnel in the Zone, and construction materials and equipment for maintenance of the Canal are obtained largely from the United States, making Panama one of the leading export markets for the United States in Latin America.

#### Trend of the trade, 1924-40.

Since United States statistics of the commerce with the Republic of Panama and with the Canal Zone were not reported separately until 1938,<sup>39</sup> the Republic and the Canal Zone must be considered as one area in analyzing the long-run trend of the trade.

All but a small part of United States imports from this area, consisting largely of bananas and cacao, originate in the Republic. Their value has fluctuated less in the period since 1924 than that of imports from the rest of Latin America. In the 5-year period 1924-28, imports averaged 5.8 million dollars annually, but thereafter declined slowly to a low of 3.3 million in 1933, a figure which, however, represented an appreciably larger share of all United States imports from Latin America than in previous years. In terms of value, imports recovered somewhat after 1933; in 1939 they amounted to 4.1 million dollars, and in 1940 to 4.9 million dollars (see table 8).

Most of the United States exports to the Republic of Panama and the Canal Zone are destined for the Canal Zone, and the trend of the trade with the area as a whole has been closely related to fluctuations in commercial and tourist movements through the Canal. In the period 1924-28, exports averaged 31 million dollars annually, and while they declined thereafter to a low of 15.6 million dollars in 1932, the decrease was proportionately less than that in United States exports to Latin America as a whole (see table 8). After 1932, as traffic through the Canal increased, exports mounted steadily to a high of 32.6 million dollars in 1939. In 1940 they rose to 63.2 million dollars, far exceeding exports in any recent year. The recent sharp increase in exports to the area was accounted for in part by the diversion of Panamanian purchases from European sources, by increased construction connected with the Canal, and by augmented military and naval personnel in the Zone.

During the period for which the statistics of the United States trade with the Republic and the Canal Zone are reported separately (see table 9), imports from the Republic, valued at 3.6 million dollars in 1939, far exceeded those from the Canal Zone, where there is little production for export other than a comparatively small output of bananas. Exports to the Canal Zone, valued at 19.9 million dollars in 1939, are materially larger than to the Republic. Shipments to the Republic, moreover, are in considerable part for resale to residents of the Zone or to tourists in transit. After the outbreak of war, imports from the Republic increased somewhat, whereas imports from the Canal Zone increased only slightly. Exports to both areas, however, advanced sharply; those to the Republic in 1940 were valued at 19.1 million dollars, and those to the Canal Zone at 44.1 million dollars.

<sup>39</sup> The Canal Zone is not considered in United States trade statistics as a part of the United States customs area; it is treated as a foreign country for statistical purposes and in the administration of customs.



TABLE 8.—United States imports from and exports to the Republic of Panama the Canal Zone, 1938-40

[Value in thousands of dollars]

Year	General imports		Exports (including reexports)		Year	General imports		Exports (including reexports)	
	Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America		Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America
1924.....	5,004	0.48	26,367	3.6	1933.....	3,376	1.1	15,887	7.4
1925.....	6,431	.64	28,237	3.4	1934.....	4,187	1.1	18,335	6.0
1926.....	5,549	.53	31,921	3.8	1935.....	5,114	1.1	20,815	6.0
1927.....	5,384	.56	34,051	4.2	1936.....	4,594	.92	22,717	5.8
1928.....	6,298	.67	34,201	4.1	1937.....	4,623	.69	24,981	4.3
1929.....	5,351	.53	41,133	4.5	1938.....	3,921	.87	24,407	4.9
1930.....	4,735	.70	35,900	5.7	1939.....	4,051	.78	32,614	5.7
1931.....	4,590	.96	23,552	7.5	1940 <sup>1</sup> .....	4,935	.80	63,178	8.7
1932.....	3,530	1.1	15,609	8.0					

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

TABLE 9.—Comparison of United States trade with the Republic of Panama and the Canal Zone, 1938-40

[In thousands of dollars]

Year	General imports from—		Exports (including reexports) to—	
	Republic of Panama	Canal Zone	Republic of Panama	Canal Zone
1938.....	3,352	569	10,165	14,242
1939.....	3,582	479	12,752	19,862
1940 <sup>1</sup> .....	4,279	656	19,071	44,107

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

**United States trade with the Republic of Panama, 1938-39.**

*Imports.*—United States imports from the Republic of Panama are composed almost entirely of tropical products. Bananas, chiefly the product of United States companies operating in the Republic, represented four-fifths of total imports in 1939; most of the remainder was accounted for by cacao beans, coconuts, and natural gums and resins (see table 10). Unlike most other Central American countries, Panama sends very little coffee to the United States.

The Republic of Panama is the fourth largest source of United States imports of bananas and customarily has supplied almost one-tenth of this country's total requirements. In 1939 nearly 5.7 million bunches were imported from the Republic, or practically all the bananas exported by that country; these were valued at 2.9 million dollars, or more than 80 percent of the value of all imports from Panama in that year. As a result of destruction caused by windstorms in the summer of 1939, the volume of trade in bananas was materially smaller in that year than in 1938. The quantity imported into the United States in most recent years, however, has been very

much larger than before 1933 (as indicated by Panamanian trade statistics.)<sup>37</sup> Part of the increase is attributable to the development of new banana-producing areas, chiefly on the Pacific coast, following the abandonment of certain acreage on the Atlantic coast where the effects of the so-called Panama banana disease were most serious. Some of the acreage so affected was shifted to the production of cacao; this accounts for a part of the increase in United States imports of cacao from Panama in several recent years as compared with 1929. In 1939 such imports amounted to 7,481,000 pounds, valued at \$398,000, or 11 percent of the value of all imports from Panama in that year.

All the principal imports from the Republic, except coconuts in the shell, enter the United States free of duty. The rate on coconuts is one-fourth cent each, having been reduced from one-half cent in the trade agreement with the United Kingdom, effective January 1, 1939. Although Jamaica is the chief source of imports of coconuts, the Republics of Panama and Honduras also supply substantial quantities.

TABLE 10.—United States imports for consumption from the Republic of Panama, by principal commodities, in 1938 and 1939

[In thousands]

Commodity	Unit of quantity	Quantity		Value	
		1938	1939 <sup>1</sup>	1938	1939 <sup>1</sup>
Bananas, green or ripe.....	Bunch.....	6,352	5,698	\$2,855	\$2,924
Cocoa or cacao beans and shells thereof.....	Pound.....	4,177	7,481	274	398
Coconuts, in the shell.....	Number.....	5,263	3,651	89	62
Gums and resins.....	Pound.....	94	74	20	15
Value of imports shown above.....				3,211	3,399
Total value of imports from Panama.....				3,356	3,583
Principal imports (shown above) as percent of total.....				95.7	94.8

<sup>1</sup> Preliminary.

NOTE.—Statistics do not include direct United States trade with the Canal Zone.

Source: Compiled from official statistics of the U. S. Department of Commerce.

*Exports.*—United States exports to almost every Latin American country are dependent principally upon the export trade of these countries, it being imperative for the maintenance of their purchasing power to find export markets for their leading products. The Republic of Panama differs materially in this respect; its economy is largely dependent upon Canal traffic, the expenditures of tourists and others passing through the Canal Zone, and the expenditures of the civilian and military personnel resident in the Zone, and only partly upon the value of its exports. United States exports to the Republic are in large part for resale to residents of the Canal Zone, or to tourists, rather than for consumption in the Republic.

Exports to the Republic consist mainly of machinery and vehicles, metals and manufactures, textiles, vegetable food products, and edible animal products. Most of the exports are manufactures and are highly diversified; the 34 leading commodities in the trade aggregated only

<sup>37</sup> Exports of bananas from the Republic to the United States were reported to be only 1.4 million bunches in 1932, compared with 6.4 million in 1938. Some shipments from the Republic originate in Costa Rica.

29 percent of the total value of exports to Panama in 1939. Many of the principal exports are consumers' goods, and include cigarettes, wheat flour, passenger cars, fresh or frozen beef or veal, boards and planks of Douglas fir, motortrucks, cotton shirts, galvanized iron and steel sheets, butter, and lard (see table 11).

TABLE 11.—United States exports (domestic merchandise) to the Republic of Panama, by commodity groups and principal commodities, in 1938 and 1939

[In thousands]

Commodity	Unit of quantity	Quantity		Value	
		1938	1939 <sup>1</sup>	1938	1939 <sup>1</sup>
<b>Exports by commodity groups</b>					
Animals and animal products, edible				\$1,166	\$1,122
Animals and animal products, inedible				236	262
Vegetable food products and beverages				1,231	1,252
Vegetable products, inedible				705	787
Textile fibers and manufactures				1,256	1,487
Wood and paper				606	759
Nonmetallic minerals				472	692
Metals and manufactures (except machinery and vehicles)				1,064	1,569
Machinery and vehicles				1,794	2,886
Chemicals and related products				786	945
Miscellaneous				785	914
<b>Total</b>				<b>10,101</b>	<b>12,675</b>
<b>Exports of principal commodities</b>					
Cigarettes	Number	214,533	216,350	\$447	\$453
Wheat flour	Barrel (196 pounds)	91	101	449	348
Passenger cars and chassis, new	Number	( <sup>2</sup> )	( <sup>2</sup> )	265	314
Fresh or frozen beef and veal	Pound	1,461	1,212	221	199
Boards, planks, scantlings of Douglas fir, dressed	Foot	3,741	10,420	68	195
Motortrucks, busses, and chassis, new	Number	( <sup>2</sup> )	( <sup>2</sup> )	195	199
Cotton shirts	Dozen	20	21	149	168
Iron and steel sheets, galvanized	Short ton	2,362	3,911	102	157
Butter	Pound	443	536	121	142
Lard, including neutral lard	Pound	1,288	1,687	119	133
Women's full-fashioned hosiery of silk	Dozen pairs	17	22	100	132
Automobile parts for replacement	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	135	123
Hydraulic cement	Barrel	4	67	13	122
Automobile tire casings	Casing	6	9	73	111
Eggs, in the shell	Dozen	420	446	118	108
Exposed motion-picture films, positive	Linear foot	6,897	7,119	94	107
Radio receiving sets	Number	3	3	96	95
Steel bars, not containing alloy	Short ton	3,105	4,211	69	90
Hams and shoulders, cured	Pound	310	330	68	68
Pork, fresh or frozen	Pound	397	404	63	59
Miscellaneous iron and steel manufactures	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	58	56
Household electric refrigerators	Number	1	1	47	55
Men's boots and shoes	Pair	17	18	49	51
Refined sugar	Pound	918	2,323	19	48
White potatoes	Pound	4,686	3,145	59	41
Miscellaneous fresh vegetables	Pound	( <sup>2</sup> )	( <sup>2</sup> )	41	40
Poultry and game, fresh	Pound	263	187	61	37
Gas oil and distillate fuel oil	Barrel	16	22	25	29
Structural shapes, fabricated	Ton	( <sup>2</sup> )	( <sup>2</sup> )	18	23
Gasoline and other petroleum motor fuel	Barrel	2	2	11	11
Household and personal effects	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	13	23
Aircraft parts, instruments, and accessories, except tires	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	5	4
Milk and cream, evaporated	Pound	53	44	6	3
Residual fuel oil	Barrel		2		1
<b>Value of exports shown above</b>				<b>3,429</b>	<b>3,715</b>
<b>Total value of exports to Panama</b>				<b>10,101</b>	<b>12,675</b>
<b>Principal exports (shown above) as percent of total</b>				<b>33.9</b>	<b>29.3</b>

<sup>1</sup> Preliminary.

<sup>2</sup> Less than 500.

<sup>3</sup> Quantity not reported.

NOTE.—Exports do not include direct United States trade with the Canal Zone.

Source: Compiled from official statistics of the U. S. Department of Commerce.

*Financial transactions with Panama.*—The heavy excess of United States exports to Panama over imports therefrom is the most notable feature of the balance of payments between the United States and the Republic of Panama (see table 12).<sup>38</sup> The export trade balance has, moreover, increased greatly since 1938, having risen from 6.8 million dollars in 1938 to 9.2 million in 1939, and to 14.5 million in the first 12 months after the outbreak of war in Europe. The recent rise in the export trade balance, reflecting the sharp increase in exports, is probably due in large measure to the expanding purchasing power of Panama caused by the increased construction and military and naval activity in the Canal Zone.

Other substantial items in the balance of payments between the United States and Panama are the expenditures of United States travelers in Panama and the movement of paper money to Panama for circulation there. Interest, bond-redemption, and sinking-fund receipts from Panama, until recently, were also large compared with most other items in the statement. At the end of 1939 the outstanding dollar debt of Panama totaled 17.8 million dollars, of which estimated holdings in the United States were 11.3 million dollars.<sup>39</sup>

Under the terms of the bond contracts, service on the dollar debt is directly associated with the financial arrangements made between the United States and the Republic of Panama at the time of the establishment of the Canal Zone. Under the treaty of 1903, the United States made rental payments to the Republic, beginning 9 years after the date of the treaty and amounting to \$250,000 annually, and paid to the Republic 10 million dollars, of which 6 million was invested, as provided by the Constitution of Panama, in interest-bearing securities. This sum, known as the Constitutional Fund, was invested in first mortgages on real estate in New York City, as provided by legislation of the National Assembly. Both the income from the Constitutional Fund and the annual rental payments by the United States were later made security for two series of dollar bonds issued in 1923 and 1928.

In 1933 the principal issue of dollar bonds, the 5's of 1928 due in 1963, went into default, but payments continued to be made on the 5½'s of 1923 due in 1953 which are secured by a first lien on the income from the Constitutional Fund and the annual rental payments. In 1938, however, the Republic of Panama announced that no further funds would be transmitted until the question of Canal annuity payments had been settled with the United States.<sup>40</sup> Under the treaty of 1936, ratified in July 1939, the United States agreed to increase the annual payment from \$250,000 under the treaty of 1903 to 430,000 balboas,<sup>41</sup> and payments at this rate were made retroactive to 1934. In September 1939 the United States Government paid \$2,580,000 in settlement of arrears for the 6 years 1934-39; of this amount, 1.5 million dollars was paid to the fiscal agents for the benefit of bondholders, inasmuch as the Canal annuity payments (at the rate of \$250,000 annually) were pledged to the service of the dollar bonds. Shortly after this settlement, the Government of Panama filed a regis-

<sup>38</sup> Statistics of the balance of payments between the United States and the Republic of Panama are available for 1938 only.

<sup>39</sup> U. S. Department of Commerce, *The Balance of International Payments of the United States in 1939*, p. 79.

<sup>40</sup> With the devaluation of the dollar in terms of gold, the Panamanian Government in 1934 declined to accept payment of the annual rental in dollars.

<sup>41</sup> By agreement in 1904, the balboa was fixed at parity with the dollar.

tration statement with the Securities and Exchange Commission providing for a readjustment of the dollar debt. Briefly, the plan provides for the refunding of the two issues with bonds carrying lower rates of interest and provides for part payment of interest and sinking fund in arrears.<sup>42</sup>

The net balance on the items shown in the partial balance of payments amounts to nearly 7 million dollars as a credit for the United States. While the magnitude of this credit balance suggests that the Republic may have difficulty in balancing its financial transactions with the United States, the Republic of Panama has no such foreign-exchange problem. Most of the large credit balance owing the United States arises from the heavy export trade balance which, as noted, is the result of heavy purchases of merchandise in the United States for resale to foreign residents in the Republic, to residents in the Canal Zone, and to tourists. The net balance shown, however, does not include the return on United States direct investments (credit) or new investments (debit) in Panama. The former item may be substantial; at the end of 1936 United States direct investments in the Republic were valued at 26.7 million dollars.<sup>43</sup> The transfer of income from a large part of these investments involves no problem of foreign exchange, inasmuch as they give rise to export products (such as bananas) which are shipped and sold

TABLE 12.—Partial balance of payments between the United States and the Republic of Panama, in 1938

	In millions of dollars		In millions of dollars
<b>Trade and service items:</b>		<b>Gold and silver:</b>	
Merchandise exports to Panama †	10.2	Net gold imports from Panama †	-0.2
Merchandise imports from Panama †	3.4	Net silver imports from (-) or exports to (+) Panama †	
Net merchandise exports to Panama	+6.8	Net gold and silver imports from (-) Panama	- .2
Receipts from Panama for shipping services †	.5	<b>Capital items:</b>	
Expenditures of Panamanian travelers in the United States †	.2	Bond-redemption and sinking-fund receipts from Panama †	+ .4
Expenditures of United States travelers in Panama †	1.8	Reported net exports (+) of paper currency	+ .0
Interest receipts from Panama †	.1	Total reported capital movement	+1.3
Net payments to (-) Panama for services †	-1.0	Net balance on items shown †	+6.9
Net receipts from (+) Panama on trade and service account †	+5.8		

† United States statistics, unadjusted.

‡ Rough estimates.

§ Allowance made for repurchases of Panamanian dollar bonds by foreigners.

¶ Excluding return on United States direct investments in Panama.

‡ Exclusive of return on direct investments (receipts) and new investments (payments) in Panama.

NOTE.—Net credit balances for the United States are indicated by +; net debit balances by -.

Source: Compiled from statistics especially prepared for this report by the Finance Division, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

<sup>42</sup> Although the Foreign Bondholders Protective Council in April 1940 recommended acceptance of the plan to holders, it was necessary in October 1940, and again in January and February 1941, to extend the period within which the bonds could be deposited, because an insufficient number had been deposited to make the plan effective. The plan was declared effective March 28, 1941.

<sup>43</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936, 1938*, p. 12.

by United States enterprises, a part of the revenue being retained in this country as income of these concerns.

In July 1939 the United States Congress appropriated 1.5 million dollars to aid Panama in the construction of the Rio Hato Highway along the Pacific. Shortly afterward a credit of 2.5 million dollars was made available to the Republic by the United States Export-Import Bank for the same purpose. The loan is for a term of 10 years and provides that equipment and materials must be purchased or manufactured in either the United States or Panama.

#### United States trade with the Canal Zone, 1938-39.

In addition to its military significance, the Panama Canal permits great savings in shipping distances and time for United States and foreign vessels. Between New York and San Francisco, for example, the saving is 7,873 nautical miles, and between New York and Guayaquil, Ecuador, 7,405 nautical miles. About one-sixth of this country's total water-borne foreign commerce, and a much larger share of that with the Far East and the west coast of South America, moves through the Canal. Without the Canal, a very large part of United States intercoastal commerce could not be carried on. In the fiscal year ended June 30, 1939, the total volume of cargoes passing through the Canal was 27.9 million long tons, of which one-fourth (6.9 million tons) consisted of intercoastal cargoes and more than one-half (16.1 million tons) was the foreign commerce of the United States.<sup>44</sup>

The operation of the Canal and the administration of the Canal Zone are functions of the United States Government. Several thousand employees are required for this work. Other thousands in the armed forces of the United States are also stationed in the Canal Zone. Supplies for this civilian and military personnel, and the materials and equipment necessary for the operation of the Canal and the provisioning of vessels, are obtained largely from the United States. The Canal Zone, therefore, represents a large market for United States merchandise. Imports from the Canal Zone, however, are subject to United States duties.

Exports to the Canal Zone represent largely purchases by the United States Government. In the fiscal year 1939 the Panama Canal purchased through its Washington office merchandise valued at 4.5 million dollars, and the Panama Railroad Company (owned by the United States) made purchases amounting to 6.6 million dollars for its Commissary Division, which supplies employees and certain others in the Canal Zone. These combined purchases represented nearly two-thirds of total United States merchandise exports to the Canal Zone. A substantial part of the remainder is accounted for by the purchases of the United States Army and Navy.

United States exports to the Canal Zone, like those to the Republic of Panama, are highly diversified; they are composed in large part of consumers' goods and ships' supplies (see table 13). The leading exports in 1939 were fuel oil, gasoline, bituminous coal, cigarettes, steel bars, cement, boards of Douglas fir, eggs, butter, and a number of other foodstuffs.

United States imports from the Canal Zone are small, the principal products being bananas, tuna fish, coffee, and gums and resins (see table 14).

<sup>44</sup> For detailed statistics on traffic through the Panama Canal, see the *Annual Report of the Governor of the Panama Canal, 1939*.

TABLE 13.—United States exports (domestic merchandise) to the Canal Zone, by commodity groups and principal commodities, in 1938 and 1939

[In thousands]

Commodity	Unit of quantity	Quantity		Value	
		1938	1939 †	1938	1939 †
<b>Exports by commodity groups</b>					
Animals and animal products, edible.....				\$1,534	\$1,964
Animals and animal products, inedible.....				279	313
Vegetable food products and beverages.....				1,555	2,081
Vegetable products, inedible.....				754	856
Textile fibers and manufactures.....				786	851
Wood and paper.....				597	1,127
Nonmetallic minerals.....				3,698	4,333
Metals and manufactures (except machinery and vehicles).....				1,696	3,108
Machinery and vehicles.....				1,631	3,058
Chemicals and related products.....				649	836
Miscellaneous.....				1,017	1,278
<b>Total.....</b>				<b>14,196</b>	<b>19,805</b>
<b>Exports of principal commodities</b>					
Gas oil and distillate fuel oil.....	Barrel.....	929	1,008	\$1,376	\$1,321
Gasoline and other petroleum motor fuel.....	Barrel.....	231	246	631	748
Bituminous coal.....	Ton.....	86	137	430	684
Residual fuel oil.....	Barrel.....	853	848	713	662
Cigarettes.....	Number.....	213,745	232,530	519	561
Household and personal effects.....		( <sup>1</sup> )	( <sup>2</sup> )	376	483
Steel bars, not containing alloy.....	Short ton.....	1,817	18,987	52	441
Hydraulic cement.....	Barrel.....	90	199	183	433
Boards, planks, and scantlings of Douglas fir, dressed.....	Foot.....	5,409	17,062	110	381
Eggs in the shell.....	Dozen.....	882	1,129	268	294
Passenger cars and chassis, new.....	Number.....	( <sup>3</sup> )	( <sup>3</sup> )	151	227
Butter.....	Pound.....	638	850	164	224
Refined sugar.....	Pound.....	8,958	8,897	194	222
Milk and cream, evaporated.....	Pound.....	2,889	3,978	168	222
Fresh and frozen beef and veal.....	Pound.....	699	1,227	131	216
Miscellaneous iron and steel manufactures.....		( <sup>1</sup> )	( <sup>2</sup> )	108	176
Wheat flour.....	Barrel (196 pounds).....	36	44	157	170
Structural shapes, fabricated.....	Ton.....	2	1	199	164
Pork, fresh or frozen.....	Pound.....	501	989	81	141
White potatoes.....	Pound.....	6,599	8,727	84	131
Hams and shoulders, cured.....	Pound.....	464	584	102	124
Men's boots and shoes.....	Pair.....	38	52	98	122
Motortrucks, buses, chassis.....	Number.....	( <sup>3</sup> )	( <sup>2</sup> )	57	122
Poultry and game, fresh.....	Pound.....	303	507	70	105
Miscellaneous fresh vegetables.....	Pound.....	( <sup>4</sup> )	( <sup>1</sup> )	80	93
Women's full-fashioned hosiery of silk.....	Dozen pairs.....	9	12	63	88
Iron and steel sheets, galvanized.....	Short ton.....	1,726	1,674	79	76
Cotton shirts.....	Dozen.....	8	9	75	73
Household electric refrigerators.....	Number.....	( <sup>2</sup> )	1	56	68
Automobile tire casings.....	Casing.....	3	10	23	65
Aircraft parts, instruments and accessories, except tires.....		( <sup>2</sup> )	( <sup>2</sup> )	140	58
Radio receiving sets.....	Number.....	1	1	51	47
Lard, including neutral lard.....	Pound.....	340	449	34	38
Automobile parts for replacement.....		( <sup>1</sup> )	( <sup>1</sup> )	26	22
Exposed motion picture films, positive.....	Linear foot.....	1,335	1,349	18	19
<b>Value of exports shown above.....</b>				<b>7,067</b>	<b>9,024</b>
<b>Total value of exports to Canal Zone.....</b>				<b>14,196</b>	<b>19,805</b>
<b>Principal exports shown above as percent of total.....</b>				<b>49.8</b>	<b>45.6</b>

† Preliminary.

<sup>1</sup> Less than 500.

<sup>2</sup> Quantity not reported.

Source: Compiled from official statistics of the U. S. Department of Commerce.

TABLE 14.—United States imports for consumption from the Canal Zone, by principal commodities, in 1938 and 1939

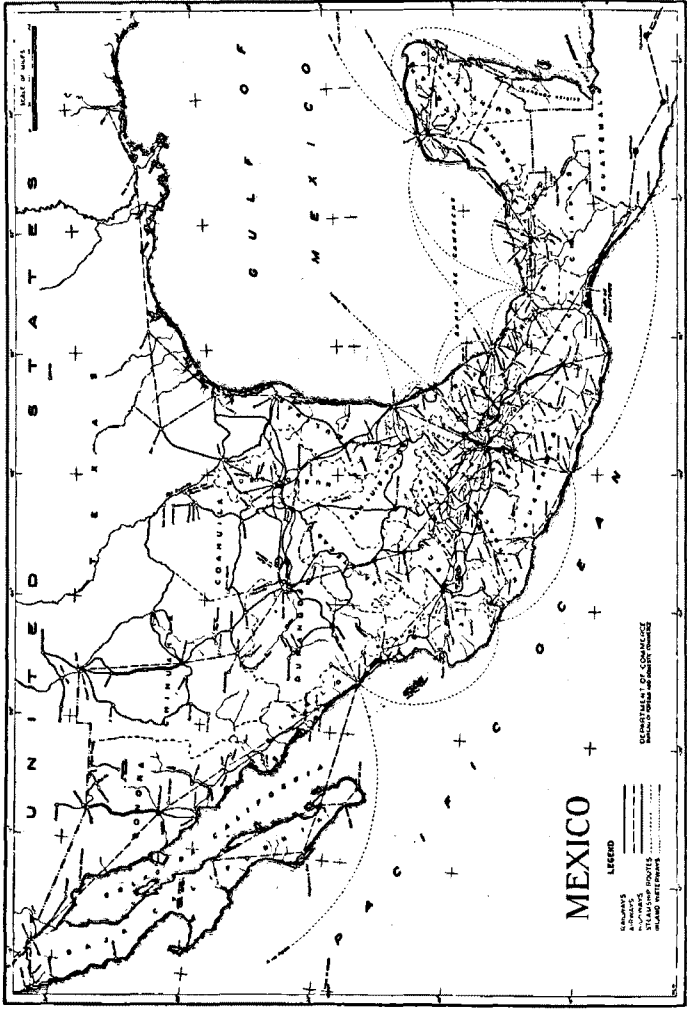
[In thousands]

Commodity	Unit of quantity	Quantity		Value	
		1938	1939 <sup>1</sup>	1938	1939 <sup>1</sup>
Bananas, green or ripe.....	Bunch.....	530	115	\$205	\$80
Tuna fish, fresh or frozen.....	Pound.....	480	741	28	33
Coffee, raw or green.....	Pound.....	352	191	36	20
Gums and resins.....	Pound.....	22	54	3	12
Coconuts in the shell.....	Number.....	345	190	5	4
Cocoa or cacao beans and shells thereof.....	Pound.....	1	50	(?)	4
Value of imports shown above.....				277	153
Total value of imports from Canal Zone.....				568	480
Principal imports (shown above) as percent of total.....				48.8	31.0

<sup>1</sup> Preliminary.<sup>1</sup> Less than 500.

Source: Compiled from official statistics of the U. S. Department of Commerce.





SCALE OF MILES

# MEXICO

## LEGEND

- BOUNDARIES
- CITIES
- STEAMSHIP ROUTES
- RAILROAD ROUTES

DEPARTMENT OF COMMERCE  
BUREAU OF MARINE AND WATERWAYS

# MEXICO

## A DESCRIPTION

### Physical characteristics.

The United Mexican States,<sup>1</sup> the only Latin American country having a common boundary with the United States, lies between the Río Grande and Guatemala. Stretching approximately 2,000 miles from northwest to southeast, it has its greatest width, nearly 1,300 miles, along the United States-Mexican border, and its narrowest point, about 140 miles, at the Isthmus of Tehuantepec. Its westernmost point is just below San Diego, California, while its easternmost point is due south of Birmingham, Alabama. Mexico has an area of 764,000 square miles, approximately one-fourth that of the continental United States.

About three-fourths of the Mexican area is occupied by a central plateau. This vast tableland attains its greatest elevation, about 8,000 feet, in the vicinity of Mexico City; from there it slopes to the north and to the east, the elevation on the United States-Mexican border in the vicinity of El Paso, Texas, being approximately 3,800 feet. Southward from Mexico City to the Isthmus of Tehuantepec the plateau narrows and descends less gradually. Flanking the central plateau on the east and west are mountain ranges, with elevations up to 18,000 feet. Between each of the mountain ranges and the coast are the tropical coastal plains. The Gulf coastal plain varies in width from a few miles to more than 100 miles, but the western coastal plain is in general very narrow. Three other regions—the Chiapas Highlands, the Peninsula of Yucatán, and the Peninsula of Baja (Lower) California—complete the Mexican area.

Because of the topography of the country and the scanty rainfall in much of the area, Mexico's rivers are of little value for navigation, the rivers on the Pacific coast being even less important than those on the Caribbean side. As sources of hydroelectric power and for purposes of irrigation, however, the rivers are of decided value.

The extensive area covered by Mexico and the wide range in elevation make its climate one of the most varied within a single national boundary. In general, there are two seasons, the rainy and the dry, but the amount of rainfall varies considerably with the altitude and the latitude.

In the tropical coastal plains, and in the subtropical regions extending up to about 3,000 feet, the climate is hot and humid, and rainfall averages between 80 and 100 inches annually. The heaviest precipitation occurs on the plains along the Gulf. The typical vegetation in these areas consists of palms, ferns, and dense jungles. In the arid subtropical regions yucca, cacti, and mesquite predominate.

<sup>1</sup> Officially known as *Estados Unidos Mexicanos* (United Mexican States) and as *República Mexicana* (Mexican Republic). The Federation consists of 28 States, 2 Territories, and the Federal District.

The central plateau region, which comprises three-fourths of the Mexican area, is temperate in climate. Here there is less rain, the Valley of Mexico averaging about 25 inches per year. In the high plateau and in the ranges trees are abundant, the timber line ranging from an elevation of 12,500 to 13,500 feet.

#### Population.

Mexico is the second most populous country of Latin America, being exceeded only by Brazil. According to the last census, that of 1930, the population of Mexico was 16,553,000. In 1937 it was estimated to be 19,154,000, or about 25 persons to the square mile. The concentration is greatest in the central plateau, especially in the areas adjacent to Mexico City.

Mexico City, with a population of 1,029,000 (1931),<sup>1</sup> is the capital and metropolis of the country, and is the third largest city in Latin America.<sup>2</sup> Other important cities, with their population in 1930,<sup>3</sup> are Guadalajara, 180,000; Monterrey, 133,000; Puebla, 115,000; Mérida, 95,000; San Luis Potosí, 74,000; León, 69,000; Tampico, 68,000; Veracruz, 67,000; Torreón, 66,000; and Aguascalientes, 62,000. The important seaports on the Gulf of Mexico are Tampico, Veracruz, Puerto México, Alvaro Obregón, Campeche, and Mérida. Those on the Pacific Ocean and the Gulf of California are Guaymas, Mazatlán, Manzanillo, Acapulco, and Salina Cruz.

Mixed races constitute about three-fifths of the Mexican population, with pure-blooded Indians accounting for nearly one-third and Europeans for about one-tenth. There are but few Negroes in Mexico. The influx of foreigners has been comparatively small, but has involved a large number of nationalities. Of the 160,000 foreign residents in 1938, 12,500 were from the United States, 12,700 from the United Kingdom, 7,300 from Germany, 5,000 from France, and 5,000 from Italy.

According to the census of 1930, the occupational distribution of Mexico's employed population was as follows: Agriculture and other rural industries, 77.2 percent; mineral and manufacturing industries, 6.3 percent; trade, 5.8 percent; government employment, 4.4 percent; domestic service, 4 percent; and communications, 2.3 percent.

#### Natural resources and economy.

*Mining.*—Since the discovery of the New World, Mexico has been one of the world's most important mineral-producing areas. It has produced more silver than any other country, and has been the world's leading exporter of that metal; it also ranks as one of the greatest producers and exporters of lead and petroleum. In 1929 approximately 75,000 persons were employed in mining and allied enterprises.<sup>4</sup> Although silver, gold, lead, copper, and petroleum are the leading minerals obtained in Mexico, that country produces many others of importance to modern industry. These include iron, zinc, tin, mercury, antimony, bismuth, tungsten, molybdenum, manganese, cadmium, selenium, arsenic, amorphous graphite, and platinum. Salt, opal, marble, and onyx are also of some significance. Mexican

<sup>1</sup> Mexico City is located in the Federal District, which has a population (including the City of Mexico) of 1,230,000. Buenos Aires, Argentina, and Rio de Janeiro, Brazil, have populations larger than that of Mexico City.

<sup>2</sup> Mexican census of 1930.

iron deposits are rich, bearing between 60 and 70 percent iron. There is, however, little coal in the country; the most important deposits are in the State of Coahuila.

The importance of mining in the foreign trade of Mexico may be gaged from the fact that in 1938 mineral products and their derivatives accounted for more than three-fourths of all exports, in terms of value. The leading metals are exported chiefly in the refined state, the minor metals, largely as unrefined ore. In addition to exports of crude oil, substantial quantities of refined petroleum products are exported, including gasoline, gas and fuel oil, kerosene, and lubricating oils.<sup>4</sup> Imports into Mexico are also influenced by the mining industry; a substantial part of the Mexican import trade is accounted for by supplies and equipment for mining enterprises, and much of the railroad development has been associated with the extraction of minerals.

Silver is found in most of the Mexican States, but the principal production occurs in the State of Hidalgo. It is estimated that since the Spanish conquest of Mexico in 1521 approximately 5.5 billion ounces of silver, or more than one-third of the total world production during that period, came from Mexico, which now accounts for about two-fifths of total world production. In 1939 Mexican production was estimated at 75.8 million ounces, valued at approximately 30 million dollars.<sup>5</sup>

As a source of gold, Mexico occupies sixth place among the countries of the world. Most of the gold in Mexico is mined in conjunction with silver. Production in 1939 had an estimated value of 33 million dollars.

As a source of lead, Mexico ranks second only to the United States. Most of the lead is produced in the States of Chihuahua and Nuevo León, and almost all of it is refined in Mexico. Production of lead, most of which was exported, amounted to 311,000 short tons in 1938. Production of zinc, which likewise is largely exported, amounted to 190,000 short tons in 1938.

Mexico ranks second among the copper-producing countries of Latin America, being exceeded only by Chile. Its production of this metal, however, falls far short of that in Chile and in the other large producing areas—the United States, Canada, Rhodesia, and the Belgian Congo. Mexican production of copper occurs largely in the northern States of Sonora and Coahuila. In the 3 years 1936–38 it averaged about 44,000 short tons (copper content) annually. Practically all exports of copper ore, concentrates, and unrefined metal from Mexico are shipped to the United States.<sup>6</sup>

Although Mexico ranked fourth among the petroleum-producing countries of the world in 1929, somewhat reduced production in Mexico in more recent years and greatly increased production in several other areas lowered its rank to seventh in 1939. The developed oil fields are located along the Gulf coast, principally in the States of Tamaulipas and Veracruz.

<sup>4</sup> For a discussion of the position of the various minerals in the export trade, see the section on composition of exports, p. 189.

<sup>5</sup> For a discussion of the United States silver-purchase program, see the section on United States silver policy and imports from Mexico, p. 234.

<sup>6</sup> In ordinary times about four-fifths of the copper imported by the United States from Mexico enters the United States under bond, for smelting, refining, and reexport.

Mexican production of crude petroleum (which in several years prior to 1926 had exceeded 100 million barrels) declined from 44.7 million barrels in 1929 to 32.8 million in 1932; thereafter it increased steadily to 46.7 million in 1937, but declined in 1938 to 38.3 million. Though it increased somewhat in 1939 (to 42.8 million barrels) it remained below the 1929 figure. Production of petroleum in Mexico in 1938-39 was affected by the expropriation of the properties of the foreign oil companies which have large interests in the Mexican oil industry.

About two-thirds of Mexico's production of petroleum and its derivatives are exported. Mexico, like Peru, exports a significant part of its petroleum in the form of refined products, principally gasoline, kerosene, fuel and gas oil, and lubricating oil. In 1938 only 4.8 million barrels of crude petroleum were exported (less than 13 percent of total production). Exports of gasoline amounted to 2.7 million barrels, those of fuel and gas oil to 6 million, those of lubricating oil to 889,000 barrels, and those of kerosene to 138,000.<sup>7</sup>

Production in 1938 of minerals other than those mentioned above was as follows: Antimony, 8,894 short tons; bismuth, 205 short tons; cadmium, 1.7 million pounds; molybdenum, 888 short tons; iron, 109,337 long tons; mercury, 647,000 pounds;<sup>8</sup> and white arsenic 19.6 million pounds.

*Agriculture.*—The fact that mineral products constitute the major portion of Mexico's exports has tended to obscure the important part which agricultural, pastoral, and forest industries occupy in the Mexican economy. According to the census of 1930, more than three-fourths of the persons employed in Mexico were engaged in agriculture and other rural industries, although only about one-fourth of the arable land (approximately 30 million acres) is actually cultivated. It is estimated that two-thirds of the land under cultivation requires irrigation. Mexican agricultural production is largely for domestic consumption, but a number of products are important in the export trade.

Since Mexico lies in both the Temperate and Torrid Zones, and since its elevational range is great, it has variations in climate which permit an agricultural diversification possible in few other countries. The principal agricultural crops produced are corn, wheat, beans, bananas, cotton, coffee, henequen, sugarcane, and tobacco. Crops important as exports are henequen, bananas, cotton, and coffee. Of one of these, henequen, Mexico is the principal source of world supplies.

A wide range of other agricultural products is grown in Mexico, including chickpeas, oats, rye, barley, rice, sesame, cacao, vanilla, castor beans, peanuts, nutmegs, cloves, ginger and other spices, fruits, vegetables, alfalfa, and a number of fibers such as zapupe, pita and ixtle hemp. Production of rice, grown chiefly in the coastal regions, is more than sufficient to meet domestic requirements. Fruits include oranges, lemons, grapefruit, apples, peaches, pears, plums, figs, dates, pineapples, mangoes, papayas, and guavas. A large number of vegetables are also grown; these include potatoes, string beans, tomatoes, lettuce, peas, green peppers, and melons. Tomatoes, lettuce, and peas are exported in considerable volume in winter months, principally to the United States.

<sup>7</sup> Exports of kerosene from Mexico have declined sharply since 1929, as have exports from the United States; total world exports, however, have remained about the same.

<sup>8</sup> Equal to 8,519 flasks of 76 pounds each.

The leading agricultural crop and the most important Mexican staple food is corn, grown in nearly every part of the country. About one-fourth of the total land under cultivation is devoted to this cereal, production of which averaged nearly 65 million bushels annually in the 3 years 1936-38. Practically the entire crop is required for domestic consumption. As a corn-producing country, Mexico ranks third among the Latin American countries, being exceeded by Argentina and Brazil.

Next to corn, the most important agricultural crop is beans, or frijoles, which are important in the Mexican diet. There are no accurate statistics of the size of the crop, but production is believed to average 30 million bushels annually. Only small quantities are exported. Closely allied to beans is another important crop—garbanzos, or chick-peas.

In the production of wheat, Mexico ranks fourth among the Latin American countries. In the 3 years 1936-38, production averaged 12.5 million bushels annually. Since most of the wheat grown in Mexico is of the soft variety, hard wheat must be imported for mixing. The most important wheat areas are those surrounding Mexico City, and in the northern States of Sonora, Coahuila, Chihuahua, and Durango. Because of uncertain rainfall, the size of the crop varies considerably from year to year.

Within recent years, Mexico has become one of the world's leading exporters of bananas. In 1929, with exports of 5.7 million bunches,<sup>9</sup> it ranked seventh among exporting countries. Exports in the 3 years 1936-38 averaged 14.5 million bunches annually. In 1938 Mexico ranked second, being exceeded only by Jamaica, and was the leading Latin American exporter of bananas. Practically all of the bananas exported from Mexico are shipped to the United States.

Mexico ranks fourth among the Latin American countries as a producer of cotton. Production in 1938-39 amounted to 306,000 bales, approximately two-thirds of which was consumed within the country. Usually the ratio of local consumption is even higher. Cotton production in Mexico declined somewhat between 1936-37 and 1938-39, but in 1938-39 was still about one-fourth larger than in 1929. The leading cotton-producing areas are in Baja California and in the States of Coahuila and Durango.

Mexico ranks higher in production than in exports of coffee because of the large consumption within its borders. In exports of coffee, Mexico ranks sixth among the countries of Latin America. Exports of coffee in the 3 years 1936-38 averaged nearly 83 million pounds annually, about three-fifths of which was shipped to the United States. Coffee is produced principally in the States of Veracruz, Chiapas, and Oaxaca.

World production of henequen, a fiber used in the making of binder twine and small ropes, takes place principally in the State of Yucatán.<sup>10</sup> Production in the 3 years 1936-38 averaged about 260 million pounds annually. The industry is controlled by a government organization which has taken over the functions of the Cooperative Society of Henequen Growers of Yucatán, and which

<sup>9</sup> Bunches of 50 pounds.

<sup>10</sup> Some henequen is also produced in Cuba. There is a large production of sisal, a closely related fiber, in the Netherlands Indies and British West Africa.

regulates production and exports, and fixes prices. An export tax was levied on henequen on April 1, 1937. The Mexican tax operates to retard the exports of henequen and to stimulate exports of Mexican binder twine made of henequen. Subsequently, an export tax was levied on binder twine, but at the same time the tax on henequen fiber was increased. Exports of henequen fiber (about 80 percent of which customarily goes to the United States) declined from 226 million pounds in 1936 to 128 million pounds in 1938. This decline was accompanied by an increase in the exports of binder twine made of henequen.<sup>11</sup>

Mexico ranks sixth among the Latin American countries as a producer of sugar. Production in the 3 years 1936-38 averaged 330,000 short tons annually, more than sufficient to meet domestic requirements. Large areas on the Gulf coast are suitable for the cultivation of sugarcane; the most important producing States are Veracruz and Sinaloa.

*Pastoral industries.*—While stock raising is not conducted in Mexico on as extensive a scale as in certain other Latin American countries, it ranks next to agriculture as a source of gainful employment. The area suitable for grazing is estimated to be 164 million acres, or about one-third of the entire area. The range territory, which includes most of the northern States, is one of the world's largest grazing areas. Substantial parts of it, however, are not at present in use.

According to the census of 1930, there were in Mexico 10 million cattle, 3.6 million sheep, 6.5 million goats, and 3.6 million hogs, as well as 1.8 million horses, and large numbers of poultry. There is intensive dairy farming in the Valley of Mexico, particularly in the vicinity of Mexico City. For the most part production of pastoral products is for the domestic market. The export of cattle, cattle hides, and goatskins, however, is important.

*Forest industries.*—It is estimated that 64 million acres, or more than one-seventh of the entire Mexican area, is forested. The most important forest product in the export trade is chicle, but a number of others are significant, including guayule rubber, copra, camphor, copal, coquito palm oil (an oil used in soap making), zacaton root, dyewoods, and other woods. The best woods are found along the coast and in the southern States. The principal varieties are oak, pine, fir, cedar, spruce, and balsam, which are consumed domestically, and ebony, mahogany, sandalwood, and rosewood, which are produced for both domestic consumption and export. Zacaton root, used for making coarse brushes, grows wild in the highlands.

A large part of the world supply of chicle, used in the manufacture of chewing gum, is produced in Mexico. Production of chicle takes place largely in Yucatán, but the States of Campeche and Veracruz are also important. In the absence of statistics, Mexican production of chicle may be gaged by exports. In the 3 years 1936-38 exports of chicle, most of which went to the United States, averaged 7.6 million pounds annually. In addition, Mexico probably consumed about 1 million pounds annually in the manufacture of chewing gum. In 1938, Mexico accounted for 74 percent of total world exports of chicle. The production of chicle and the trade in

<sup>11</sup> See the section on the trend of exports.

that commodity are largely operated by United States interests, which have important holdings of chicle-producing lands.

There is a small production of crude rubber in Mexico, all of which is obtained from wild guayule, a desert shrub. At the time of harvest, the entire plant is cut and the rubber removed by a mechanical process. United States interests have several thousand acres of guayule plants near Torreón, and these holdings account for the entire Mexican production. In 1912, the year of greatest output, Mexico produced 10,000 long tons of guayule rubber. Production declined after that year largely because of the decline in prices caused by increased production of rubber in Malaysia. In 1938, Mexican production amounted to about 3,000 long tons, practically all of which was shipped to the United States. Guayule rubber has a high resin content, which has confined its use in the United States principally to the manufacture of rubberized fabrics and to blending with crude rubber imported from other sources. When deresined, guayule rubber compares favorably in quality with crude rubber of other types.

*Manufacturing.*—Mexico has long attempted to foster manufacturing by protecting domestic industries. The decline in the volume and value of exports after 1929, and the consequent curtailment of imports, gave considerable impetus to the development of manufacturing within the country. To stimulate manufacturing and to protect domestic industries, imports of certain commodities were severely restricted by import duties.

In spite of certain natural disadvantages, such as the lack of extensive deposits of coal suitable for low-cost extraction, Mexico ranks as one of the important manufacturing nations of Latin America. Although there is some heavy industry, manufacturing is largely concentrated in the production of consumer goods. In addition to factory industry, a great deal of hand industry is carried on in households and in small shops. Such production is almost entirely for local markets.

Because of the lack of coal and the high cost of petroleum as an industrial fuel, great attention has been devoted to the development of hydroelectric power, and a large number of industrial establishments operate with electricity. There are more than 500 electric plants in Mexico, representing a capital investment of about 300 million pesos (approximately 60 million dollars). About half of these are hydroelectric. Annual production of electricity in Mexico has increased from about 32,000 kilowatt hours in 1900 to more than 2.5 billion kilowatt hours in 1938. It is estimated that only about 5 percent of Mexico's potential hydroelectric power has been developed.<sup>12</sup>

The number of industrial establishments in Mexico is about 43,500, and the total investment in manufacturing industries amounts to about 1 billion pesos (approximately 200 million dollars). The leading manufacturing centers are Monterrey, Guadalajara, León, the Federal District, and Puebla, although a number of other cities are also important.

A wide variety of manufactured foodstuffs is produced in Mexico, including sugar, flour, coffee, canned fruits and vegetables, alimentary

<sup>12</sup> Pan American Union, *Mexico*, American Nation Series, No. 13, 1940.



pastes, beer, and malt. Other products manufactured in Mexico, most of which are produced in quantities sufficient to meet the requirements of the domestic market, include cotton and rayon cloth, knitted goods, shoes, leather, canvas and rubber shoes, perfumes, automobile tires, matches, soap, cement, paper, cigars, cigarettes, bottles, glassware, and pottery. Other domestically produced articles include alcohol, razor blades, binder twine, airplanes, structural steel, railroad rails, cast-iron wheels for railroad cars, nails, spring wire, and sanitary fixtures.

If the production of foodstuffs and beverages is omitted, the leading Mexican industry is the textile industry, which supplies most of the home market. It is estimated that in 1933 Mexico produced 90 percent of the cloth consumed within the country. In 1936 the textile industry accounted for nearly 10 percent of the total value of industrial investment. The principal branch of the textile industry is that producing cotton textiles, which furnishes about four-fifths of the total value of textile production. There are numerous woolen mills, and a few large silk mills. In addition, there is a substantial clothing-manufacturing industry. Practically all of the cotton utilized in the manufacture of textiles is produced domestically, but most of the raw materials for the other branches of the textile industry are imported. Textiles are produced in many of the Mexican States, the more important centers being Puebla, the Federal District, Monterrey, and Guadalajara.

*Foreign investments.*—Statistics of total foreign investments in Mexico are not available. In 1932 total United States investments (direct and portfolio) were estimated to be 887 million dollars.<sup>13</sup> In the same year, the Mexican Chamber of Commerce estimated British investments in Mexico at 938 million dollars, French investments at 290 million dollars, Spanish investments at 195 million dollars, and German investments at 75 million dollars.<sup>14</sup> On the basis of these estimates, the investments of these five countries in Mexico in 1932 totaled 2,385 million dollars.

British investments in Mexico in 1938 were estimated to be 176 million pounds sterling (approximately 824 million dollars), of which 92 million pounds sterling (431 million dollars) were invested in railroads, 39 million pounds sterling (181 million dollars) in Government bonds, and 45 million pounds sterling (212 million dollars) in miscellaneous investments.<sup>15</sup> No recent data are available showing the size or composition of French, Spanish, or German investments in Mexico. The expropriation of foreign oil properties by the Mexican Government has, of course, substantially reduced the value of foreign investments in Mexico.

United States direct investments in Mexico rank third among the 20 Latin American countries and fourth among the countries of the world.<sup>16</sup> At the end of 1936, direct investments of United States capital in Mexico were officially estimated to be 479 million dollars, or

<sup>13</sup> *American Foreign Investments in 1931*, Foreign Policy Reports, vol. VII, No. 24, February 3, 1932.

<sup>14</sup> Foreign Policy Reports, vol. XIII, No. 11, August 15, 1937.

<sup>15</sup> *The South American Handbook*, London, 1940.

<sup>16</sup> United States direct investments in Mexico are exceeded by those in Canada, Cuba, and Chile. The rankings are those at the end of 1936. "Direct" investments are defined as all United States investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice.

17 percent of all such investments in the 20 Latin American countries.<sup>17</sup>

In order of their importance by industrial groups, United States direct investments in Mexico at the end of 1936 were distributed as follows: Mining and smelting, 213 million dollars (44.6 percent of the total); public utilities and transportation, 148 million dollars (30.8 percent); petroleum, 69 million dollars (14.4 percent); agriculture, 17 million dollars (3.5 percent); distribution or marketing, 11 million dollars (2.3 percent); manufacturing, 8 million dollars (1.7 percent); and miscellaneous, 13 million dollars (2.7 percent). Investments in the mining and smelting group are largely in organizations producing the precious metals; those in electric and gas utilities, railroads, and communication systems, named in the order of their importance, are the principal elements in the public utilities and transportation group.

Total United States direct investments in Mexico at the end of 1936 represented a decline of about 200 million dollars from those in 1929. In 1929 the United States Department of Commerce estimated that United States direct investments in Mexico amounted to 682 million dollars, of which 230 million was accounted for by mining and smelting, 200 million by petroleum,<sup>18</sup> and 164 million by public utilities and transportation. The decline in the public utilities and transportation group was accounted for almost entirely by railroads. The reduction in the investments in petroleum, according to the Department of Commerce, apparently reflect the effect of economic and political conditions on the value of the petroleum industry between 1929 and 1936. Since 1936 the expropriation of United States oil properties has further reduced the value of these investments.

United States portfolio investments<sup>19</sup> in Mexico, as of January 1, 1932, were estimated to be 162 million dollars, as compared with 2,141 million for the 20 Latin American countries combined.<sup>20</sup> At the end of 1935, the United States portfolio of Mexican securities was estimated at 261 million dollars. This compared with a total of 1,675 million for 18 of the 20 Latin American countries.<sup>21</sup>

Although the large Mexican industries have been financed with foreign capital, there has been a marked increase in recent years in the number of small plants established with Mexican capital. The investment of Mexican capital, however, has not been confined to industries producing for the domestic market. A substantial portion of the investment in industries producing for foreign markets has also consisted of funds of Mexican origin. According to the Bank of Mexico, 28 percent of the value of Mexican exports in 1936 consisted of products of concerns controlled by Mexican capital. The

<sup>17</sup> Except as otherwise noted, all statistics of United States direct investments are from the U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1929*, p. 18, and 1936, p. 12. Data for years subsequent to 1936 are not available. United States direct investments in the 20 Latin American countries at the end of 1936 amounted to 2,803 million dollars. In addition, about 44 million dollars was invested in the Guianas and in British, French, and Dutch possessions in the West Indies.

<sup>18</sup> According to the U. S. Department of Commerce, this amount included an estimate for omissions of 50 million dollars, which in view of the completeness of the available data, it was not thought necessary to make in the 1936 study. Reported data in 1929, therefore, amounted to 150 million dollars, as compared with 69 million in 1936.

<sup>19</sup> "Portfolio" investments are defined as equity and other security investments in foreign-controlled corporations, and investments in the security issues of foreign governments or subdivisions thereof.

<sup>20</sup> *American Foreign Investments in 1931*, Foreign Policy Reports, vol. VII, No. 24, February 3, 1932.

<sup>21</sup> Data for Ecuador and Paraguay are not available. Estimates are exclusive of repatriations and market purchases. Cleona Lewis, *America's Stake in International Investments*, The Brookings Institution, 1938, p. 655.

ratio dropped to 21 percent in 1937, but increased to 29 percent in 1938, and to 34 percent in 1939.<sup>22</sup>

#### National economic policy and the Six-Year Plan.<sup>23</sup>

The reorientation of the nation's economic and social structure has been an important feature of Mexican political life since the revolution of 1910. The Constitution of 1917 paved the way for this program, but its aggressive implementation did not begin until the inauguration of President Lázaro Cárdenas on November 30, 1934.

The Six-Year Plan<sup>24</sup> provided for the carrying out of the principles of the Constitution of 1917 with regard to the agrarian program, labor legislation, and nationalization or strict control of mineral resources; it also provided for a larger measure of governmental control or regulation of industry, agriculture, commerce, and cultural activities. The plan placed emphasis on a diminution of the country's dependence on foreign markets, on the encouragement of small or medium-sized industries instead of large units, and on the development of Mexican enterprises rather than foreign-controlled concerns. It also embraced plans for a wide range of other activities, including the enlargement of educational and public health facilities, the improvement of highways and railroads, the subsidization of aviation, and the development of a merchant marine. The second Six-Year Plan, to cover the period 1941-46, embodies further plans for the achievement of these objectives.

The principal means used by the Government to carry out its policy have been the expropriation of certain agricultural and mineral properties, a program of public works, the control of credit and prices, the adjustment of internal taxes and customs duties, the organization of cooperatives, the formation of mixed companies under the control of the State, and the limitation of new mining concessions to Mexican citizens. The Bank of Mexico has taken a direct part in the organization of a number of commercial banks, and the Bank of Agricultural Credit has taken the initiative in organizing and financing agricultural cooperatives, which control the principal export crops. A constitutional amendment, promulgated December 15, 1934, declared that Mexicans "shall be preferred to foreigners, in equality of circumstances, for all kinds of concessions and for all employments, offices, and commissions of the Government for which Mexican citizenship is not indispensable." Based on article 27 of the Constitution of 1917, the Executive, on November 23, 1936, signed an expropriation law which permitted Government seizure of property for reasons of public and social welfare.

*The agrarian program.*—Article 27 of the Constitution of 1917 declared that the ownership of lands and waters within the limits of the national territory was vested originally in the nation, and that the State has at all times the right to impose on private property such limitations as the public interest may demand. Articles 27 and 33 outlined the procedure for the distribution of agricultural land. A community of farmers or farm laborers may petition the Government for land. After investigation and approval of the petition,

<sup>22</sup> Banco de México, S. A., *Decimoctava Asamblea General Ordinaria de Accionistas*, 1940, p. 53.

<sup>23</sup> The discussion of the Six-Year Plan is based in part on material contained in the U. S. Department of Commerce's *World Economic Review*, 1933, 1934, 1935, and 1936, and *Economic Review of Foreign Countries*, 1937 and 1938.

<sup>24</sup> Adopted by the Querétaro convention of the National Revolutionary Party in December 1933.

the Government, operating under the Constitution, expropriates the requisite acreage and deeds it to the petitioning group. The community thus created then divides the most fertile portion of the land by lot, among the heads of the petitioning families. The remainder of the land, and all of the farm machinery, are owned in common. Members of the community are also organized into producers' and consumers' cooperatives. The original owners are paid for their land in Government bonds on the basis of the taxable value of the land expropriated.

During 1934 the distribution of lands to rural communities was stimulated by creating an autonomous agrarian bureau, simplifying the legal procedure, and generalizing the right to receive lands to all types of rural centers of population. By the end of 1934, more than 20 million acres of land had been distributed to communities, composed of more than 800,000 heads of families, and by the end of 1938, a total of nearly 57 million acres of land had been distributed under the agrarian laws. The program of land-distribution has been supplemented by various measures designed to improve the status of agriculture and to assist small farmers in raising their standard of living and improving their methods of cultivation. Appropriations for rural sanitation and education have been increased, and cooperatives have been organized under official auspices to handle the marketing of the principal crops, particularly those entering into export trade. Agricultural credit was liberalized by a reorganization of the Bank of Agricultural Credit in 1934, and the services of the Mexican Department of Agriculture were expanded.

*Petroleum.*—The legal basis for the nationalization of Mexico's petroleum resources was laid by article 27 of the Constitution of 1917, which declared petroleum and other mineral resources to be the property of the nation. In 1927, the Mexican Government recognized oil rights acquired prior to the time the Constitution of 1917 went into effect, and issued certain confirmatory concessions to the owners. After that time, however, the Government withheld the granting of numerous confirmatory concessions.

The Mexican Government has actively participated in the development and operation of the nation's petroleum resources since 1934. By a decree of January 26, 1934, a semiofficial company, the *Petróleos de México, S. A.*, was organized for the purpose of producing, refining, and distributing petroleum. The company, in which the Federal Government was the majority stockholder, was intended to serve as a nucleus for the development of a national oil industry. Steps also were taken to increase the Government's reserves of oil lands.

By an Executive decree of January 30, 1937, a Government agency, known as the *Administración General del Petróleo Nacional* (General Administration of National Petroleum) was established. This agency took over all oil reserves and other properties which had been held by the *Petróleos de México, S. A.* The functions of this new agency were to explore and to develop lands in the national petroleum reserve, to promote development in the petroleum industry, to regulate the internal marketing and the export of petroleum, and to carry out all operations related to the production, acquisition, disposal, transportation, warehousing, refining, and distribution of petroleum, gas, and their derivatives.

The events which led up to the expropriation of foreign-controlled oil properties in Mexico in 1938 had their beginnings in 1936. In that year, various unions in the petroleum industry merged to form the Syndicate of Petroleum Workers, which affiliated with the Confederation of Mexican Workers. On November 3, 1936, the Syndicate, under the Federal Labor Law of 1930, sought to obtain wage increases and social-welfare benefits. No agreement having been reached at a joint conference which lasted from December 1936 to May 1937, the Syndicate called a strike effective May 27, 1937. On June 7, 1937, the controversy was submitted to the Federal Conciliation and Arbitration Board; the strike was then ended and work was resumed. A special group of the Board handed down an award in favor of the union on December 28, 1937, and the oil companies filed a petition for injunction with the Mexican Supreme Court. The Supreme Court, in a decision of March 1, 1938, denied the injunction and sustained the findings of the Board. On March 16, 1938, the Syndicate of Petroleum Workers petitioned the Board to end the labor contract between the oil companies and the union, and on March 18, the Board declared the contract broken. On the same day foreign-controlled oil properties in Mexico were expropriated by Executive decree on the basis of the Expropriation Law of November 1936.

An Executive order of March 19, 1938, created the Administrative Council of Petroleum to take charge of the administration of the real and personal property expropriated from the various oil companies, and to formulate plans for the organization of the industry.<sup>25</sup> The Council was empowered to carry on all operations necessary for the exploration, development, refining, storage, and distribution of the products related to the expropriated properties, and to formulate regulations applicable when approved by the Executive.

After the expropriation of the oil properties, the Mexican Government entered into negotiations with the foreign oil companies, and, in at least one instance, a settlement was effected. On December 2, 1939, the Mexican Supreme Court upheld the action of the Mexican Government in expropriating foreign-controlled oil properties.

*Labor.*—The principles of article 123 of the Constitution of 1917, relating to the rights of labor, were embodied in legislation by the Federal Labor Law of 1931. This statute legalized collective bargaining; prohibited the lock-out; made the closed shop legal but not obligatory; restricted the right of employers to suspend operations or discharge workers; provided for dismissal wages when employees were dismissed without just cause, and established Government boards of conciliation and arbitration.

The Six-Year Plan called for the safeguarding by the State of the rights of labor, and for social and other allied legislation. Since the inauguration of the Six-Year Plan, the Federal Labor Law has been amended from time to time. A law of February 19, 1936, required payment for the weekly rest day, and thus raised wages by approximately 17 percent. The action of the boards of conciliation and arbitration has increased minimum wages, which were first established in 1933. The principle of profit sharing was incorporated in the settlement of a strike in the electrical industry in July 1936. More

<sup>25</sup> The order provided that membership of the Council (to be designated by the Executive) would consist of two representatives of the Ministry of Finance and Public Credit, three of the Ministry of National Economy, one of the National Administration of Petroleum, and three of the Union of Petroleum Workers.

generous paid vacations than those provided in the Federal Labor Law were obtained by the workers in the cotton textile industry as a result of a collective agreement effective April 27, 1939, and made applicable to the entire cotton textile industry by Executive decree.

In 1936, a number of unions combined to form the Confederación de Trabajadores de México (Confederation of Mexican Workers). Since that time a number of Mexican labor unions have been given entire or partial management of various Mexican industries. They now manage the National Railways, street railways, busses, and other public services, and share in the management of the national petroleum industries. Organized as producers' cooperatives, they are developing many of the other natural resources of the country and control sugar mills, textile mills, and shipping organizations.

*Other features.*—Besides giving attention to the agrarian program, the program for the nationalization of the petroleum industry, and the labor program, the Mexican Government has engaged in a wide range of other economic and social activities. Extensive public works programs have included the construction of irrigation projects, water-supply and sewage-disposal systems, schools, public buildings, highways and railroads, and the improvement of airports, maritime ports, and the national telegraph system. The Government has been active in exercising control over banking, credit, and prices, and over the food supply of the nation. In the mining industry, amendments to the mining law have favored Mexican citizens and small mining companies, and the organization of mining cooperatives has provided for greater governmental participation in the industry. The Six-Year Plan calls for the erection of central smelters and refineries, to treat ores at rates fixed by the Government.

A large number of Government-controlled enterprises and cooperatives have been established in Mexico, including sugar mills, a life-insurance company, a paper-importing and manufacturing company, a plow-manufacturing cooperative, and a Government-controlled cinematographic institute for the production and distribution of motion-picture films. The Government-owned paper-importing company, assisted by preferential tariff and freight rates, has become preeminent in the paper-importing business. As of March 15, 1936, most of the foreign fire and other insurance companies ceased to write policies in Mexico, and the Government-sponsored company became outstanding in that field.

A number of important decree-laws promulgated in 1937 provided for extensive governmental control over the economic life of the nation. These decrees established control over the production, distribution, and prices of all commodities which may be declared of fundamental importance by the Department of National Economy.<sup>26</sup> The National Railways of Mexico were expropriated in accordance with the provisions of the Expropriation Law of November 23, 1936. A concession was granted for the establishment of a National Foreign Trade Bank, most of the paid-in capital being furnished by the Federal Government, and a National Labor Bank for Industrial Promotion was established to finance cooperatives of workers in the operation of industrial enterprises. The Federal Electric Commission,

<sup>26</sup> For example, a decree effective May 19, 1938, established a processing tax of 7 pesos per quintal of 46.02 kilograms on cotton utilized by domestic textile mills, the proceeds to be used to pay a subsidy to the cotton industry.

having been granted preferential rights to water power, was given authority to organize and administer a national system of electric generation, transmission, and distribution.

### THE FOREIGN TRADE OF MEXICO

In foreign trade, Mexico ranged fourth in 1938 among the 20 countries of Latin America. In that year, Mexican exports, valued at 185 million dollars, constituted 10 percent of the value of all commodities exported from the Latin American republics. Imports into Mexico, valued at 109 million dollars, accounted for more than 7 percent of all products imported by these countries.<sup>27</sup> Mexican exports are customarily greater than imports. In the decade 1929-38 exports exceeded imports by 31 to 92 percent; the export balance ranged from 34 to 100 million dollars.<sup>28</sup>

#### Mexican commercial policy.

Mexican foreign trade in the decade 1929-38 was greatly influenced by the tariff, nontariff import controls, import and export subsidies, export duties, barter arrangements, the policies of the Mexican Government with respect to industry and agriculture, and the policy of the United States with respect to silver.

*The tariff.*—The Mexican tariff is single-column both in form and practice, the same rates being applicable to the products of all countries whether or not they have most-favored-nation agreements with Mexico. In the decade 1929-38, the tariff probably outweighed other instruments of trade control, largely because of the discretionary power accorded the Mexican Executive to modify tariff rates.

Since 1917 the Executive has from time to time had wide authority over the tariff. The budget law of December 31, 1936, authorized the Executive "to introduce such modifications in the import and export tariffs as may be deemed convenient", and "to increase whenever necessary the import duties imposed upon the products of a country which in any manner subjects imports from Mexico to differential duties or practices which place them in a disadvantageous position as compared with those of other countries." Under this authority the Executive has made frequent changes in the general tariff rates, but penalty duties on products of particular countries have not been applied, at least in recent years. The Executive is also empowered to decree duty-free entry or temporary reduction of import duties for any product under conditions of local scarcity or public distress, and to grant duty-free entry for cables and wire for the national telegraph system, and for armaments, ammunition, and implements of war for the Army and Navy.

<sup>27</sup> Export values employed by Mexico are invoice values, f. o. b., except in the case of petroleum and metals. Petroleum and its derivatives are valued on the basis of the average monthly prices quoted in New York, minus the export tax, transportation cost, and other expenses. The value of metals in the exports is the arithmetical average of the daily quotations for each month in the New York market, converted to national currency at the monthly average dollar quotations. Import values are invoice values, c. i. f. Mexican port.

<sup>28</sup> A large portion of Mexican exports consists of minerals, part of the production of which is by foreign-controlled companies. Such financial returns to the foreign companies as are included in the sales value of mineral exports probably do not afford foreign purchasing power for Mexico. Thus this trade may not provide foreign exchange in amounts commensurate with the values reported in the trade returns. In addition to returns on investments, the expenses incurred outside of Mexico by foreign companies decrease the amount of exchange made available by exports of such companies. If the companies were controlled by Mexican interests but financed with foreign capital, the net exchange position might not be very different from that which now prevails.

The discretionary power of the Executive to change tariff rates was omitted in the federal budget law of 1938, and the powers of the Executive to legislate were definitely limited, except under conditions of national emergency, by an amendment to article 49 of the Constitution on August 2, 1938. The customs-administrative law, however, confers on the Mexican Executive discretionary power to prohibit or restrict the importation, exportation, or transit of products considered injurious to public health, morals, or national decorum or which affect the economic situation of the country or endanger its peace or safety. Under this authorization, imports of various commodities have been prohibited from time to time.<sup>29</sup>

The present Mexican tariff, that of January 1, 1930, came into force by Executive decree under authorization granted in the budget law. The rates of this tariff were all specific, and were generally intended to include the equivalent of the former ad valorem consular fees, as well as a large proportion of the general surtaxes previously assessed on duties. A general surtax of 2 percent of the duties (for freight shipments) was retained when the tariff of 1930 was put into effect. This was increased in 1931 to 3 percent of the duties, and since then has remained unchanged. The surtax on parcel post shipments is 10 percent of the duty.

From the promulgation of the tariff of 1930 until 1938, a large number of amendments were made, practically all by Executive decree under the authorization of the annual budgetary law. One of the most extensive tariff revisions was that which became effective January 28, 1937. This revision affected practically all items of the tariff, increasing duties for 633. Another comprehensive change became effective January 21, 1938, when a decree established tariff increases in 218 classifications, or about one-third of the total number of items in the Mexican tariff schedule. By a decree effective August 30, 1938, the duties on an extensive list of products, principally raw materials, were reduced to levels prevailing in 1936, or to lower rates. Exceptions were passenger automobiles, on which the duties were increased, and trucks of more than four cylinders, on which duties were retained at existing levels. During 1939 and 1940, import duties were increased on a number of commodities, including synthetic fibers and yarns of animal and vegetable origin, alcoholic beverages, shawls, copper wire and cable, and miscellaneous products. A decree effective March 8, 1940, established new tariff classifications covering a wide range of commodities, but only minor changes were made in the rates of duty on a few products.

In the Mexican tariff, sliding-scale duties are imposed on cacao beans and gasoline. Such duties are automatically increased as the prices of these commodities in Mexico decline.<sup>30</sup>

By a decree of February 17, 1940, authorization was made for the exemption of new industrial enterprises from the payment of various taxes and customs duties for a period of 5 years. The exemption

<sup>29</sup> These powers are distinct from the discretionary powers granted the Executive to change tariff rates under the annual federal budget laws prior to 1938. Executive decrees promulgated subsequent to 1938 are based upon enabling legislative enactments.

<sup>30</sup> Of the two rates provided for cacao beans, the higher one (1.90 pesos per kilogram) is double the lower rate, and is assessed when the average price of first grade Tabasco cacao in carload lots at Mexico City is 2.70 pesos per kilogram, or less. By a decree of December 14, 1932, a minimum duty on gasoline of 0.70 peso per 100 liters was established, but sliding-scale duties were also provided, to be applied on the basis of average sales prices for the previous month at specified points in Mexico. By a decree of April 4, 1934, gasoline became duty-free upon proof by importers that direct transportation from local producing centers was not available, but otherwise the sliding-scale duties remained applicable.



extends to import duties, including surtaxes, on imported machinery and raw materials (provided the latter are of kinds not produced in Mexico), export duties and taxes, income taxes, and stamp taxes.

For the purpose of studying tariff policy and proposing to the Minister of Finance and Public Credit, for submission to the Federal Executive, such modifications as it considers appropriate in the import and export tariffs, there is a Mexican Tariff Commission. As reorganized by a decree of August 26, 1927, the Commission consists of eight members designated by various ministries, and of one member each representing industrial, commercial, agricultural, and labor interests. Only members appointed from government ministries may vote on matters under consideration; the other members have the right of advice or discussion, but not of voting. A member appointed from the Ministry of Finance and Public Credit is President of the Commission.

*Nontariff import controls.*—A general policy of import controls by nontariff measures has not been adopted by Mexico, although the withdrawal by the Bank of Mexico of its support of the peso-dollar exchange rate in March 1938, and the subsequent decline in the foreign-exchange value of the peso, operated to effect a curtailment of imports. Moreover, a decree-law of June 25, 1937 (apparently held in abeyance), authorizes governmental control over the production, importation, distribution, and prices of all commodities that may be declared of fundamental importance by the Ministry of National Economy.

As a measure to stabilize the Mexican silk and rayon industries, and to prevent overproduction, a presidential decree, effective June 24, 1937, prohibited the importation of all silk or rayon yarn or thread and (for a period of 2 years) all machinery for weaving or knitting silk and rayon, except under prior import permits from the Ministry of National Economy. By a decree-law of December 31, 1937, increased duties on silk or rayon yarn were substituted for this prohibition, importations authorized by permit being dutiable at lower rates. Prohibition of machinery imports, except under permit, presumably remained in force.

Subsidies of 20 percent ad valorem for imports of essential commodities, payable from the proceeds of an additional export duty of 12 percent ad valorem on exported products, were authorized by a decree effective August 9, 1938. This measure was adopted at least in part to recapture for the Government the profits on export products arising out of the depreciation of the peso, and to utilize a part of the funds so obtained for facilitating the importation of essential commodities. The law is administered by a Committee on Appraisals and Subsidies to Foreign Commerce, consisting of four interdepartmental representatives, one Tariff Commission representative, and two bank representatives.<sup>31</sup> The committee is empowered to select the commodities the imports of which are to be subsidized, and is also authorized to determine periodically the valuation of export products for payment of the tax. The first import subsidy was granted for kidney beans on September 26, 1938, since domestic stocks were insufficient to meet requirements. The subsidy was granted with the proviso that the local sales price must not exceed that assigned by the Regulating Committee on the Marketing of Foodstuffs. Sub-

<sup>31</sup> One of the Bank of Mexico and one of the National Bank of Foreign Commerce.

sidies for specified quantities of rice were authorized by the committee during October 1938.

*Export duties, subsidies, and embargoes.*—Export duties of various types have long been levied on a number of commodities exported from Mexico. On September 1, 1939, an entirely new system of assessing export duties and classifying export merchandise was adopted. Under the new export tariff, approximately 225 items were made subject to specific duties.<sup>32</sup>

In addition to other export duties, one of 12 percent ad valorem was authorized by a decree effective August 9, 1938. This duty becomes effective when the prices of the exported commodities in Mexican currency exceed the average price during the month of February 1938. The law provides that of the income derived from the tax, 50 percent will be utilized for payment of subsidies of 20 percent ad valorem on imported products necessary to the domestic economy; the remainder is to be used by the Government in carrying out its social program. The additional export duty is not applied to products manufactured or produced within Mexican free zones,<sup>33</sup> and exported therefrom. The additional export duty on silver was abolished August 16, 1939. From time to time certain commodities have been exempted from the additional export duty.

By providing preferential treatment in the export duties on certain Mexican products exported in containers manufactured wholly or in substantial part of native fibers, the Mexican export tariff tends to restrict the use of imported packing materials.<sup>34</sup> By a decree of December 28, 1939, a subsidy was granted on binder twine exported by the association "Henequeneros de Yucatán," equivalent to the amount of the additional export tax levied on the product. A resolution of the Ministry of Finance and the Ministry of National Economy, effective January 9, 1940, provided for the payment of a subsidy of 0.865 peso per gross kilogram on exports of chicle (about 8 cents per pound).

Under the customs administrative law the Executive has discretionary power to prohibit the exportation of products which affect the economic situation of the country, and this authority has been utilized from time to time. Effective January 12, 1940, for example, exports of beans, rice, wheat, imported medicinal preparations, and raw materials used in the manufacture of pharmaceutical or medicinal products were prohibited, in order to safeguard domestic supplies and to avoid further price increases. The embargo on the export of medicinal products and raw materials used in their preparation was removed July 2, 1940.

*Exchange and monetary control.*—Under the monetary law of 1932, the Bank of Mexico was authorized to regulate the currency and

<sup>32</sup> Among these were living animals, various animal and fish products, hides and skins, chick-peas, beans, rice, barley, corn, wheat, coffee, certain nuts, hemp, linen, wool, ixtle, pits, jute, zuzupe, aromatic and other woods, oleaginous seeds, chicle, tanning materials, fertilizers, various stones, crude petroleum and certain of its derivatives, mineral waxes, paraffin, mercury, waste metals, and electric locomotives.

<sup>33</sup> In general, a free zone (free port or foreign trade zone) is an isolated, enclosed, and policed area, in or adjacent to a port of entry, without resident population, furnished with the necessary facilities for loading and unloading, for supplying fuel and ships' stores, for storing goods, and for reshipping them by land and water. It is an area within which goods may be landed, stored, mixed, blended, repacked, and reshipped without payment of duties and without the intervention of customs officials. It is subject equally with adjacent regions to all the laws relating to public health, vessel inspection, postal service, labor conditions, immigration, and, indeed, everything except customs.

<sup>34</sup> Products affected by differential export treatment (depending on the origin of containers in which exported) include coffee, sesame seed, beans, chick-peas, wheat, barley, chicle, and bean meal.

foreign exchange transactions. In practice, however, there have been no restrictions on the sale of exchange.

After the abandonment of the gold standard on July 25, 1931, the peso of 0.75 gram of fine gold remained the monetary unit, but the silver peso was made full legal tender. The peso fluctuated freely until July 1933, but since then it has been maintained at fixed rates with the United States dollar through the purchase and sale of dollars by the Banco de México. Until November 1933 the rate was 3.55 pesos to the dollar.<sup>36</sup> From that time until March 19, 1938, the rate was 3.60 pesos to the dollar.<sup>38</sup>

A factor affecting the stability of the Mexican currency, and consequently its foreign purchasing power, was the United States silver-purchase policy, which benefited Mexico as the world's largest silver-producing country. Begun in December 1933, the program was continued under the Silver Purchase Act of 1934. From 44 cents per ounce in December 1933, the New York price of silver increased to a high of 81 cents per ounce in April 1935. During 1936 it returned to a general level of 44 or 45 cents.<sup>37</sup>

While the silver-purchase program brought prosperity to Mexico, it also caused monetary difficulty. The rise in the price of silver during April 1935 made it profitable to melt down Mexican silver coins for sale as bullion. As a result, the Mexican Government decreed on April 27, 1935, that all silver and silver coins in the hands of the public and the banks were State property, and required that they be turned into the Treasury in exchange for notes. The Bank of Mexico was authorized to suspend the conversion of notes into metal, and to sell exchange at the rate of 3.60 pesos per dollar. The price of silver having declined during 1936, the essential provisions of the law of April 27, 1935, were repealed on September 1, 1936, and coinage of the silver peso, 720/1,000 fine, was resumed. The equivalent value of the peso was to be fixed by a later law.

By the Silver Purchase Agreement signed on January 6, 1936, the United States agreed to purchase through the Bank of Mexico practically all newly mined Mexican silver. The agreement was to remain in force until February 1, 1936, and from month to month thereafter. It was provided that the United States might terminate its silver purchases at the end of any month, by giving notification on or before the 15th of that month. The agreement was terminated on March 31, 1938, following notification by the United States Government. Thereafter the Bank of Mexico suspended gold and foreign-exchange operations, and abandoned the rate of 3.60 pesos to the United States dollar. Despite the termination of the agreement, the United States has continued to make substantial purchases of silver from Mexico.

The withdrawal of support of the peso by the Bank of Mexico in March 1938 was followed by a decline of 20 percent or more in its foreign-exchange value, which curtailed imports sharply. During the 6 months March-August, for example, United States exports to Mexico decreased 54.5 percent as compared with the corresponding period in 1937. No official rate for the peso was quoted between March 18, 1938, and February 2, 1939, when the Bank of Mexico an-

<sup>36</sup> 1 peso = \$0.2816.

<sup>37</sup> 1 peso = \$0.2777.

<sup>38</sup> For a discussion of United States silver policy, see the section on United States silver policy and imports from Mexico, p. 204 ff.

nounced that it would buy dollars at 4.985 pesos,<sup>38</sup> and sell at 4.99 pesos.<sup>39</sup> The average rate for 1939 was 5.18 pesos to the dollar;<sup>40</sup> that for the month of September 1940 was 4.96 pesos to the dollar.<sup>41</sup>

*Commercial treaties and agreements.*—Under the Constitution, the Executive is authorized to conclude treaties with foreign states, but is required to submit them to the Federal Congress for ratification. The Senate has exclusive authority to approve diplomatic treaties and conventions concluded by the Executive with foreign states. Mexico has unconditional most-favored-nation agreements in force with Brazil, Ecuador, the Dominican Republic, El Salvador, France, Italy, Spain, and Japan. During the period 1937–39, Mexican petroleum and petroleum products were exchanged in “barter” transactions for German, Italian, and Japanese manufactured goods. In April 1939, Mexico concluded a barter agreement with Italy providing for the exchange of Mexican petroleum for Italian rayon. The operation of these “barter” arrangements has, of course, been severely restricted by the war which began in September 1939.

#### Exports from Mexico.

*Trend.*—Mexican exports are predominantly of mineral products and vegetable raw materials. Significant changes in Mexican export trade during the decade 1929–38 included the decline in exports of crude petroleum, kerosene, and henequen, and the increase in exports of gasoline, lubricating oils, and bananas.

Mexican exports (including gold and silver) to all countries and to the United States, in the period 1924–38, are shown in tables 1 and 2. The equivalent dollar figures have been greatly affected by the fall in the value of the peso. Exports in 1929 were valued at 591 million pesos (285 million dollars).<sup>42</sup> Following the trend of world trade, they declined in 1932 to 305 million pesos (97 million dollars), or 52 percent of the 1929 peso value and 34 percent of the dollar value. All commodities except fuel oil and gold shared in the decline. The declines were most marked in the mineral products. After 1932 exports recovered, reaching 892 million pesos (248 million dollars) in 1937. In 1938, they were 838 million pesos (185 million dollars), or 142 percent of the 1929 peso figure but only 65 percent of the 1929 dollar value. Exports in 1939 were valued at 914 million pesos<sup>43</sup> (approximately 176 million dollars).

Price and quantum indexes of Mexican exports are not available. The effect of fluctuations in prices and quantities on the export trade of Mexico, however, is partially indicated by an examination of the statistics (in quantity and dollar value) for the principal Mexican export commodities (see table 3). These data suggest that the decline in the value of Mexican exports from 1929 to 1932 was due more to a decline in prices than to a quantitative decline in exports, and that the subsequent recovery reflects in greater degree a recovery in prices.

<sup>38</sup> 1 peso = \$0.2006.

<sup>39</sup> 1 peso = \$0.2004.

<sup>40</sup> 1 peso = \$0.1930.

<sup>41</sup> 1 peso = \$0.2016.

<sup>42</sup> The year 1929 (the earliest shown in the detailed tables hereinafter presented) was not a peak year either in exports to the world as a whole or to the United States, having been exceeded, in both peso and dollar value, in each year from 1924 to 1928. In terms of dollar value, exports to the world in 1929 were about one-tenth lower than the average for the 5 years 1924–28, while exports to the United States were nearly one-fourth smaller than the 5-year average.

<sup>43</sup> Preliminary.

TABLE 1.—Mexico: Trade with the world, 1924-38

[Value in thousands]

Year	Exports <sup>1</sup>		Conversion rates: 1 peso equals—	Imports	
	Pesos	United States dollars		Pesos	United States dollars
1924	614,713	298,197	\$0.4851	321,318	155,871
1925	682,170	336,924	.4939	350,996	193,113
1926	691,754	334,186	.4831	381,293	184,188
1927	633,659	299,067	.4720	346,387	163,495
1928	592,444	285,025	.4811	357,762	172,119
1929	590,659	284,579	.4815	382,248	184,167
1930	458,674	216,173	.4713	350,178	165,039
1931	399,711	141,857	.3549	216,585	76,866
1932	304,697	97,046	.3185	180,912	57,621
1933	364,967	102,556	.2810	244,475	68,697
1934	643,710	178,565	.2774	333,974	92,644
1935	750,292	208,431	.2778	406,136	112,825
1936	775,313	215,227	.2776	464,143	128,846
1937	892,389	247,638	.2775	613,755	170,317
1938	838,128	185,394	.2212	494,118	109,299

<sup>1</sup> Including gold and silver.Source: Compiled by the United States Tariff Commission from *Estadística del Comercio Exterior* (1924-33 statistics) and *Revista de Estadística*, Julio 1939 (1934-38 statistics).TABLE 2.—Mexico: Trade with the United States, 1924-38<sup>1</sup>

[Value in thousands]

Year	Exports <sup>2</sup>			Imports		
	Pesos	United States dollars	Percent to United States	Pesos	United States dollars	Percent from United States
1924	493,224	239,263	80.2	233,194	113,122	72.6
1925	516,548	255,123	75.7	274,496	135,574	70.2
1926	491,095	237,248	71.0	268,622	129,771	70.5
1927	417,221	196,928	65.8	232,815	109,898	67.2
1928	404,072	194,399	68.2	241,613	116,240	67.5
1929	358,751	172,846	60.7	264,010	127,200	69.1
1930	267,513	126,079	58.3	238,869	112,579	68.2
1931	244,431	86,749	61.2	144,584	51,313	66.9
1932	199,012	63,385	65.3	115,431	36,765	63.8
1933	174,871	49,139	47.9	146,545	41,179	69.9
1934	333,604	92,542	51.8	202,705	56,230	60.7
1935	471,203	130,900	62.8	265,348	73,714	65.3
1936	471,101	130,778	60.8	274,457	76,189	59.1
1937	501,763	139,239	56.2	381,479	105,861	62.1
1938	564,846	124,944	67.4	284,933	63,027	57.7

<sup>1</sup> For conversion rates, see table 1. Mexican statistics exclude Puerto Rico and the Philippines.<sup>2</sup> Including gold and silver.Source: Compiled by the United States Tariff Commission from *Estadística del Comercio Exterior* (1924-33 statistics) and *Revista de Estadística*, Julio 1939 (1934-38 statistics).

The outstanding feature of the Mexican export trade during the decade was a drastic quantitative decline in exports of crude petroleum, kerosene, asphalt and asphaltic emulsions, and copper, and a substantial increase in the quantity of exports of gold and silver, and of certain refined petroleum products (such as gasoline and lubricating oils). Noteworthy also was the increase in the quantity of exports of certain agricultural products, particularly bananas and coffee, and the decline in exports of chicle and henequen, although exports of binder twine made from henequen increased substantially.

Exports of crude petroleum dropped from 15.5 million barrels in 1929 to 9.7 million in 1932, a decline of more than one-third. In the same period, unit values declined by more than one-half. In terms of quantity, exports of crude petroleum continued to decline after 1932, reaching 6.8 million barrels in 1936, and 4.8 million in 1938, or about three-tenths of the quantity exported in 1929. Unit values increased by 142 percent between 1932 and 1936, but declined thereafter; in 1938 the unit value of exports of crude petroleum was approximately three-fourths of that in 1929.

In contrast with exports of crude petroleum, those of gasoline more than doubled between 1929 and 1937, increasing from 1.8 million barrels to 4.4 million. Unit values, however, declined by nearly one-half between 1929 and 1932. They recovered thereafter, and in 1936 and 1937 approached the 1929 level. In 1938, exports of gasoline fell off sharply to 2.7 million barrels, or 151 percent of the 1929 figure, and the unit value declined almost to the 1932 level.

Exports of fuel and gas oil increased from 6.1 million barrels in 1929 to 10.5 million in 1936; in 1938, however, they were slightly below the 1929 level. Unit values declined by about one-fifth between 1929 and 1932, but in 1938 were about one-tenth above the 1929 level.

Exports of kerosene dropped more than 90 percent during the decade 1929-38, declining from approximately 1.5 million barrels in 1929 to 138,000 barrels in 1938. Unit values in 1938 were 56 percent of those in 1929. Exports of asphalt and asphaltic emulsions fluctuated considerably during the decade, ranging between 135,000 long tons (1932) and 490,000 long tons (1937); in 1938, they were 143,000. Unit values increased by nearly one-fourth between 1929 and 1932, but in 1938, they were less than three-fourths of those in 1929.

The general trend of exports of lubricating oil was downward between 1929 and 1937, exports declining irregularly from 446,000 barrels to 401,000. In 1938, however, exports increased sharply to 889,000 barrels, almost double the 1929 figure. Unit values in 1938, however, were only 48 percent of those in 1929.

The proportion of exports of lead, zinc, and copper in the form of ore, concentrates, and bars fluctuates sharply from year to year. Statistics of the total quantities and unit values of the exports of these metals, therefore, lack comparability and are of little significance. Exports of lead<sup>44</sup> declined in value from 41 million dollars in 1929 to 6.8 million dollars in 1932. Thereafter they increased to 33.4 million dollars in 1937, but declined to 29.3 million dollars in 1938, or 71 percent of the 1929 value. The value of exports of zinc<sup>44</sup> declined by about nine-tenths between 1929 and 1932—from 29.4 million dollars to 3.2 million dollars. They increased to 23.8 million dollars in 1937, but declined to 19.4 million dollars in 1938, or 66 percent of their 1929 value. Exports of copper declined in value from 42.8 million dollars in 1929 to 4.4 million dollars in 1932. Thereafter they increased, reaching 15 million dollars in 1938, or 35 percent of the 1929 level.

During the decade 1929-38, Mexican exports of bananas increased substantially. They declined from 5.7 to 4.2 million bunches between 1929 and 1932, but in the 3 years 1936-38, average annual exports amounted to 14.5 million bunches. Unit values declined sharply be-

<sup>44</sup> Ore, concentrates, and bars.

tween 1929 and 1932, and thereafter displayed only minor variations. Unit values in 1938 were 38 percent of those in 1929.

The general trend of exports of henequen was downward during the decade 1929-38. Exports increased from 255 million pounds in 1929 to 301 million in 1932. Thereafter they declined sharply, reaching 128 million in 1938. Unit values in 1932 were only slightly more than one-fourth of those in 1929, and in 1938 were still little more than one-half of those in 1929.

The decline in exports of henequen from Mexico was accompanied by a substantial increase in exports of binder twine made of henequen. Mexican exports of binder twine go largely to the United States. Such exports to the United States increased irregularly from 2.8 million pounds, valued at \$297,000, in 1929 to 21.7 million pounds,

TABLE 3.—Mexico: Exports of selected commodities, in specified years, 1929 to 1938

Commodity	1929	1932	1936	1937	1938
	Quantity				
Petroleum, crude, 1,000 bbl.....	15,470	9,745	6,836	7,459	4,840
Gasoline, 1,000 bbl.....	1,790	2,100	4,272	4,392	2,715
Kerosene, 1,000 bbl.....	1,466	1,011	607	692	138
Fuel and gas oil, 1,000 bbl.....	6,147	8,545	10,515	8,957	6,021
Lubricating oil, 1,000 bbl.....	446	398	375	401	889
Asphalt and asphaltic emulsions, long tons.....	279,906	135,359	329,802	489,971	142,578
Bananas, 1,000 bunches of 50 lb.....	5,686	4,206	14,529	14,752	14,246
Henequen, 1,000 lb. <sup>1</sup> .....	255,158	301,355	226,470	169,999	127,687
Chicle, 1,000 lb.....	11,223	4,403	6,690	8,786	7,318
Coffee, 1,000 lb.....	65,864	44,197	94,417	77,273	77,419
Cotton, raw, bales.....	74,167	17,397	229,752	41,466	97,308
	Value (1,000 U. S. dollars) <sup>2</sup>				
Petroleum, crude.....	15,809	4,630	7,875	7,977	3,810
Gasoline.....	6,024	3,790	12,943	13,605	5,016
Kerosene.....	3,954	2,134	1,200	1,499	204
Fuel and gas oil.....	5,635	6,133	12,050	11,816	6,285
Lubricating oil.....	5,863	3,399	3,393	3,543	656
Asphalt and asphaltic emulsions.....	4,794	2,355	4,777	6,609	1,771
Lead (ore, concentrates, and bars) <sup>3</sup> .....	40,902	6,817	20,537	33,432	29,253
Zinc (ore, concentrates, and bars) <sup>3</sup> .....	29,389	3,223	16,787	23,795	19,383
Copper (ore, concentrates, and unrefined metal) <sup>3</sup> .....	42,850	4,353	7,201	14,511	15,066
Bananas.....	3,901	1,323	4,465	4,769	3,741
Henequen <sup>1</sup> .....	15,545	4,685	10,025	9,398	4,260
Chicle.....	4,865	1,121	1,308	2,193	2,162
Coffee.....	15,506	4,576	8,019	7,746	5,683
Cotton, raw.....	6,228	610	12,871	2,326	3,911
	Unit value (U. S. dollars)				
Petroleum, crude, bbl.....	1.02	0.475	1.15	1.07	0.787
Gasoline, bbl.....	3.37	1.80	3.03	3.10	1.85
Kerosene, bbl.....	2.66	2.11	1.98	2.17	1.48
Fuel and gas oil, bbl.....	.917	.718	1.15	1.32	1.04
Lubricating oil, bbl.....	13.15	8.54	9.04	8.63	6.27
Asphalt and asphaltic emulsions, long ton.....	17.13	21.09	14.48	13.49	12.42
Bananas, bunch of 50 lb.....	.686	.315	.307	.323	.261
Henequen, lb. <sup>1</sup> .....	.061	.016	.044	.055	.033
Chicle, lb.....	.434	.255	.196	.230	.295
Coffee, lb.....	.235	.104	.085	.100	.073
Cotton, raw, bale.....	83.97	29.34	56.02	56.10	40.19

<sup>1</sup> Includes "cleaned" and "washed"; statistics in part III of this report, p. 86, exclude "washed" for the years 1929 and 1933.

<sup>2</sup> Converted at rates shown in table 1.

<sup>3</sup> The proportion of exports of lead, zinc, and copper in the form of ore, concentrates, and bars fluctuates considerably from year to year. Statistics of the total quantities and unit value of the exports of these metals, therefore, lack comparability, and are omitted from this table.

Source: Compiled by the United States Tariff Commission from *Estadística del Comercio Exterior* and *Revista de Estadística*.

valued at more than 1 million dollars, in 1937. After 1937 they declined sharply; in 1939 they amounted to 6.2 million pounds, valued at \$244,000.

Exports of chicle, which amounted to 11.2 million pounds in 1929, declined sharply to 4.4 million in 1932; they were 7.3 million in 1938, or 65 percent of the 1929 level. Unit values declined by more than one-half between 1929 and 1936, but thereafter increased. In 1938, they were 68 percent of those in 1929.

Mexican exports of coffee declined from 66 million pounds in 1929 to 44 million in 1932, but increased to 94 million in 1936. In each of the years 1937 and 1938 they amounted to 77 million pounds, or 117 percent of the 1929 figure. Unit values declined by two-thirds between 1929 and 1936, increased somewhat in 1937, and in 1938 were 31 percent of those in 1929.

There were marked fluctuations in Mexican exports of raw cotton during the decade 1929-38. Exports ranged from 17,000 bales (1932) to 230,000 (1936). In 1938, they were 97,000, as compared with 74,000 in 1920. Unit values declined by two-thirds between 1929 and 1932, nearly doubled between 1932 and 1937, and declined in 1938 to 48 percent of the 1929 level.

*Composition.*—Exports from Mexico, by principal commodities, in specified years 1929 to 1938, are shown in pesos in table 4 and in dollars in table 5.<sup>45</sup> The Mexican export classification distinguishes five main groups—raw and semiprocessed materials, precious metals, foodstuffs and beverages, live animals, and manufactured products.<sup>46</sup>

TABLE 4.—Mexico: Exports,<sup>1</sup> in terms of pesos, by principal commodities, in specified years, 1929 to 1938

[Value in thousands of pesos]

Commodity <sup>2</sup>	1929	1932	1936	1937	1938
Grand total.....	500,659	304,697	775,313	892,389	838,128
Raw and semiprocessed materials:					
Lead.....	84,893	21,404	73,979	120,476	132,246
Zinc.....	60,988	10,119	60,470	85,749	87,624
Petroleum and products (except asphalt and emulsions and solutions of).....	77,386	63,065	134,946	138,526	71,751
Gasoline.....	12,502	11,900	46,625	49,029	22,675
Gas oil.....	6,513	5,474	17,125	20,351	17,736
Petroleum, crude.....	32,813	14,536	28,369	28,746	17,226
Fuel oil.....	5,182	13,783	26,283	22,229	10,679
Lubricants.....	12,170	10,672	12,223	12,768	2,514
Kerosene.....	8,206	6,700	4,323	5,403	921
Copper.....	88,938	13,668	25,942	52,293	68,112
Benqueen, cleaned and washed.....	32,265	14,799	36,114	33,868	19,269
Cotton, raw.....	12,926	1,602	46,364	8,383	17,680
Chicle.....	10,096	3,519	4,713	7,901	9,773
Antimony.....	926	653	7,403	11,958	9,833
Aspidium.....	2,550	346	4,483	6,378	8,956
Asphalt and asphaltic emulsions.....	9,951	8,964	17,208	23,817	8,007
Fibra de lechuguilla (fiber of the small maguey).....	(1)	172	3,737	4,135	3,315
Molybdenum.....	(1)	14	2,994	3,472	3,059
Hides, cattle.....	467	230	4,214	5,819	3,083
Goat and kid skins.....	4,499	873	2,333	3,656	2,565
Precious metals:					
Gold.....	(1)	33,522	130,240	127,846	131,043
Silver.....	93,315	34,947	114,527	127,508	107,518
Bars, mixed.....					15,625
Gold coin.....	196	28,870			

See footnotes at end of table.

<sup>45</sup> The data for 1929 and 1932 are believed to be comparable with those for 1936-38, but since no Mexican trade annuals have been published since 1933, and since subsequent data are published only in summary form, they may not be strictly so.

<sup>46</sup> Totals for these groups are not available; it is possible only to show totals and the percentage of total trade by individual commodities.



TABLE 4.—Mexico: Exports<sup>1</sup> in terms of pesos, by principal commodities, in specified years, 1929 to 1933—Continued

[Value in thousands of pesos]

Commodity <sup>2</sup>	1929	1932	1936	1937	1938
<b>Foodstuffs and beverages:</b>					
Coffee.....	32,184	14,367	28,887	27,915	25,691
Bananas or plantains, fresh.....	8,096	4,154	16,086	17,187	16,913
Chick-peas.....	6,632	3,826	4,396	12,004	5,317
Vanilla.....	973	1,008	1,821	2,330	2,390
Tomatoes.....	9,841	13,450	3,578	3,025	1,974
<b>Live animals:</b>					
Cattle.....	7,314	1,878	4,300	4,706	8,722
<b>Manufactured products:</b>					
Henequen manufactures.....	990	1,428	3,115	3,364	2,334
Footwear, shoes, etc.....	6	(?)	206	352	1,258
Hats of palm.....	459	302	462	562	464
Books, periodicals, printed material, etc.....	(?)	(?)	(?)	99	486
<b>Exports from free zones<sup>4</sup>.....</b>	(?)	(?)	77	16	7,950

<sup>1</sup> General exports. Bullion and specie are included. Transit trade is excluded. Parcel post is included in 1929. For valuations see footnote 1, table 7. All commodities representing four-tenths of 1 percent or more of the total exports in 1938 are included. Exports from "free zones" are not included in the total, but are shown separately at the bottom of this table.

<sup>2</sup> Classifications employed in this table are those given in the Mexican export statistics for 1938. Groups are ranked according to value in 1938. Data for the years 1929 and 1932 are believed to be comparable in most instances, but may not be strictly so. This lack of comparability is unavoidable because Mexico has not published complete detailed trade statistics since 1933. Statistics for 1938 are revised data from *Revista de Estadística*, July, 1940.

<sup>3</sup> Not shown separately.

<sup>4</sup> Less than 300.

<sup>5</sup> For a definition of "free zone," see the section on export duties, subsidies, and embargoes, p. 183.

Source: Compiled by the United States Tariff Commission from *Estadística del Comercio Exterior* and *Revista de Estadística*.

Tables 4 and 5 include, in terms of value, about 95 percent of total exports in 1938. The products classified as raw materials in the tables constituted nearly 46 percent of total exports in 1938. Precious metals accounted for more than 30 percent of the total, foodstuffs and beverages for a little over 6 percent, and live animals and manufactured products together for less than 2 percent.

For every individual commodity shown in table 5, except fuel oil, gold, and gold coin, there was a drop in the dollar value of exports between 1929 and 1932, caused in considerable part by lower prices. The decline in the dollar value of exports of henequen was small, and exports of gold and gold coin showed very large increases. Nearly all commodities for which data are given showed marked increases in dollar value in 1937 over 1932; only kerosene, gold coin, and tomatoes were lower in value in 1937 than in 1932. For a considerable number of commodities, including gasoline, gas oil, fuel oil, antimony, cadmium, gold, and bananas, the dollar values in 1937 exceeded those in 1929. In 1938 exports of raw cotton, cadmium, cattle, and footwear increased as compared with the previous year; all others declined.

For the principal commodities, the ratios of the dollar values of exports in 1938 to those in 1929 were as follows: Lead, 71 percent; zinc, 66 percent; copper, 35 percent; gasoline, 83 percent; henequen, 27 percent; gas oil, 125 percent; raw cotton, 63 percent; crude petroleum, 24 percent; silver, 53 percent; coffee, 37 percent; and bananas, 96 percent. The dollar value of the peso, however, was less than half as high in 1938 as in 1929.

Raw materials, the most important Mexican export group, cover a wide variety of mineral and vegetable materials, and for 1938 constituted about one-half of the value of total exports. The most im-

TABLE 5.—Mexico: Exports,<sup>1</sup> in terms of dollars, by principal commodities, in specified years, 1929 to 1938

[Value in thousands of U. S. dollars]

Commodity <sup>2</sup>	1929 (1 peso = \$0.4618)		1932 (1 peso = \$0.3185)		1936 (1 peso = \$0.2776)		1937 (1 peso = \$0.2775)		1938 (1 peso = \$0.2212)	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
Grand total.....	284, 579	100. 0	97, 046	100. 0	215, 227	100. 0	247, 638	100. 0	188, 394	100. 0
<b>Raw and semiprocessed materials:</b>										
Lead.....	40, 902	14. 4	6, 817	7. 0	20, 537	9. 5	33, 432	13. 5	29, 253	15. 8
Zinc.....	29, 389	10. 3	3, 223	3. 3	16, 787	7. 8	23, 795	9. 6	19, 383	10. 5
Petroleum and products (except asphalt and emulsions and solutions of).....	37, 275	13. 1	20, 086	20. 7	37, 461	17. 4	38, 440	15. 5	15, 871	8. 6
Gasoline.....	6, 024	2. 1	3, 790	3. 9	12, 943	6. 0	13, 605	5. 5	5, 016	2. 7
Gas oil.....	3, 138	1. 1	1, 743	1. 8	4, 754	2. 2	5, 647	2. 3	3, 923	2. 1
Petroleum, crude.....	15, 809	5. 5	4, 630	4. 8	7, 875	3. 7	7, 977	3. 2	3, 810	2. 1
Fuel oil.....	2, 497	. 9	4, 390	4. 5	7, 296	3. 4	6, 169	2. 5	2, 362	1. 3
Lubricants.....	5, 863	2. 1	3, 399	3. 5	3, 393	1. 6	3, 543	1. 4	556	. 3
Kerosene.....	3, 954	1. 4	2, 134	2. 2	1, 200	. 5	1, 499	. 6	204	. 1
Copper.....	42, 850	15. 1	4, 353	4. 5	7, 201	3. 3	14, 511	5. 9	15, 066	8. 1
Henequen (cleaned and washed).....	15, 545	5. 5	4, 685	4. 8	10, 025	4. 7	9, 398	3. 8	4, 261	2. 3
Cotton, raw.....	6, 228	2. 2	510	. 5	12, 871	6. 0	2, 326	. 9	3, 910	2. 1
Chicle.....	4, 865	1. 7	1, 121	1. 2	1, 308	. 6	2, 193	. 9	2, 162	1. 2
Antimony.....	446	. 2	208	. 2	2, 055	1. 0	3, 318	1. 3	2, 175	1. 2
Cadmium.....	1, 229	. 4	110	. 1	1, 245	. 6	1, 767	. 7	1, 981	1. 1
Asphalt and asphaltic emulsions.....	4, 794	1. 7	2, 855	2. 9	4, 777	2. 2	6, 609	2. 7	1, 771	1. 0
Ixte de lechuguilla (fiber of the small maguey).....	( <sup>3</sup> )		55	. 1	1, 037	. 5	1, 148	. 5	733	. 4
Molybdenum.....	( <sup>3</sup> )		4	( <sup>3</sup> )	823	. 4	963	. 4	677	. 4
Hides, cattle.....	225	. 1	73	. 1	1, 615	. 5	1, 615	. 7	682	. 4
Goat and kid skins.....	2, 168	. 8	278	. 3	648	. 3	1, 014	. 4	667	. 3
<b>Precious metals:</b>										
Silver.....	44, 959	15. 8	11, 131	11. 5	31, 793	14. 8	35, 383	14. 3	23, 783	12. 8
Gold.....	( <sup>3</sup> )		10, 677	11. 0	36, 155	16. 8	35, 477	14. 3	28, 987	15. 6
Gold coin.....	95	( <sup>3</sup> )	9, 195	9. 5						
Bars, mixed (doré).....									3, 456	1. 9
<b>Foodstuffs and beverages:</b>										
Coffee.....	15, 506	5. 4	4, 576	4. 7	8, 019	3. 7	7, 746	3. 1	5, 683	3. 1
Bananas or plantains, fresh.....	3, 901	1. 4	1, 323	1. 4	4, 465	2. 1	4, 799	1. 9	3, 741	2. 0
Chick-peas.....	3, 195	1. 1	1, 222	1. 3	1, 220	. 6	3, 331	1. 3	1, 176	. 6
Vanilla.....	469	. 2	321	. 3	505	. 2	646	. 3	529	. 3
Tomatoes.....	4, 742	1. 7	4, 284	4. 4	993	. 5	840	. 3	437	. 2
<b>Live animals:</b>										
Cattle.....	3, 524	1. 2	598	. 6	1, 194	. 6	1, 306	. 5	1, 929	1. 0
<b>Manufactured products:</b>										
Henequen manufactures.....	477	. 2	455	. 5	865	. 4	934	. 4	516	. 3
Footwear, shoes, etc.....	3	( <sup>4</sup> )	( <sup>5</sup> )		57	( <sup>5</sup> )	98	( <sup>5</sup> )	278	. 2
Hats of palm.....	221		96	. 1	128	. 1	156	. 1	103	. 1
Books, periodicals, printed material, etc.....	( <sup>6</sup> )		( <sup>6</sup> )		( <sup>6</sup> )		28	( <sup>6</sup> )	108	. 1
Export from free zones <sup>6</sup> .....	( <sup>7</sup> )		( <sup>7</sup> )		21	( <sup>7</sup> )	4	( <sup>7</sup> )	1, 758	. 9

<sup>1</sup> General exports. Bullion and specie are included. Transit trade is excluded. Parcel post is included in 1929. For valuations, see footnote 1, table 7. All commodities representing four-tenths of 1 percent or more of the total exports in 1938 are included. Exports from "free zones" are not included in the total, but are shown separately at the bottom of this table.

<sup>2</sup> Classifications employed in this table are those given in the Mexican export statistics for 1938. Groups are ranked according to value in 1938. Data for the years 1929 and 1932 are believed to be comparable in most instances, but may not be strictly so. This lack of comparability is unavoidable because Mexico has not published complete detailed trade statistics since 1933. Statistics for 1938 are revised data from *Revista de Estadística*, July 1940.

<sup>3</sup> Not shown separately.

<sup>4</sup> Less than one-tenth of 1 percent.

<sup>5</sup> Less than \$500.

<sup>6</sup> For a definition of "free zone," see the section on export duties, subsidies, and embargoes, p. 183.

Source: Compiled by the United States Tariff Commission from *Estadística del Comercio Exterior* and *Revista de Estadística*.

portant commodities in this group, with their shares of all exports in 1938, were lead, 16 percent; zinc, 10 percent; copper, 4.6 percent; gasoline, 2.7 percent; henequen, 2.3 percent; and gas oil, raw cotton, and crude petroleum, 2.1 percent each. Other commodities included fuel oil, chicle, antimony, cadmium, and asphalt and asphaltic emulsions, but no one of these products constituted more than 1.3 percent of total exports. In 1938, more than seven-tenths of the exports shown for the raw-materials group in table 5 consisted of mineral products.

The positions of the major commodities in the raw-materials group have shifted markedly since 1929. In that year, copper, rather than lead, was the leading product. While lead and zinc in 1938 accounted for approximately the same share of total exports as in 1929, copper declined from 15 percent to less than 5 percent of the total. Among the other commodities, henequen, crude petroleum, and lubricants accounted for smaller percentages of total exports in 1938 than in 1929, while gas oil, fuel oil, antimony, and cadmium accounted for larger percentages.

In 1938, the precious metals accounted for more than 30 percent of all exports from Mexico. Silver in that year constituted 13 percent of the total, as compared with 16 percent in 1929. Exports of gold, which were insignificant in 1929, increased irregularly from 11 percent of the total in 1932 to 16 percent in 1938.

The principal commodities in the foodstuffs and beverages group in 1938, with shares of total exports, were coffee, 3 percent, and bananas, 2 percent. Other products were chick-peas, vanilla, and tomatoes. These five commodities accounted for 6 percent of all exports in 1938, as compared with 10 percent in 1929 and 12 percent in 1932.

Other Mexican exports are relatively unimportant. In 1938 live animals (cattle) and exports from free zones each accounted for 1 percent of the total. Manufactured products—henequen manufactures (principally binder twine), shoes, hats, books, periodicals, and printed materials—together accounted for less than 1 percent.

*Destination.*—The principal destinations of Mexican exports in 1938, with the shares of the total value accounted for by each country, were the United States, 67 percent; the United Kingdom, 9 percent; Germany, 8 percent; and Belgium, 5 percent. Other purchasers of Mexican products included France, the Netherlands, the Netherlands West Indies, Japan, and Italy. Exports from Mexico to selected countries, in specified years, 1929 to 1938, are shown in pesos in table 6 and in dollars in table 7. More detailed data for 1937 are shown in table 8.

The United States is the principal market for Mexican exports. In the years shown in table 7, it took between 56 and 67 percent of the value of all exports, the share in 1938 being substantially above that in 1929. The value of United States purchases from Mexico ranged from 63 million dollars (1932) to 173 million dollars (1929); in 1938 it amounted to 125 million dollars.<sup>47</sup> The United Kingdom, the next most important market, absorbed between 9 and 11 percent of Mexican exports, except in 1932, when its share

<sup>47</sup> The dollar value of the peso in 1938 was less than half of that in 1929.

fell to 4 percent. The value of such exports ranged from 3.9 million dollars (1932) to 29 million dollars (1929); in 1938 it was 17.5 million dollars. The share of Germany varied between 7 percent and 11 percent, and was 8 percent in 1938. German purchases ranged from 6.4 million dollars (1932) to 23.3 million dollars (1937); in 1938 they amounted to 14.3 million dollars. The share of France declined irregularly from 4 to 2 percent during the decade. In most of the years shown in table 7, Japan and Italy each took less than 1 percent of the value of all Mexican exports;<sup>48</sup> sales to Japan have fluctuated widely.

Mexican exports to other countries of Latin America form but a small part of total exports. In 1937 they were valued at 4.4 million

TABLE 6.—Mexico: Foreign trade with selected countries, in terms of pesos, in specified years, 1929 to 1938

[Value in thousands of pesos]

Country	1929	1932	1936	1937	1938
<b>Exports to<sup>1</sup>—</b>					
All countries.....	590,659	304,697	775,313	892,389	838,128
UNITED STATES.....	358,751	199,012	471,101	501,763	564,846
United Kingdom.....	60,686	12,094	67,857	98,582	79,054
Germany.....	44,858	19,999	82,231	83,884	64,454
Japan.....	1,395	750	18,485	10,420	3,591
Italy.....	2,301	1,549	1,774	3,632	5,439
France.....	22,947	5,563	16,142	21,108	19,114
All other.....	99,721	65,730	117,723	173,000	* 101,630
<b>Imports from<sup>1</sup>—</b>					
All countries.....	382,248	180,912	464,143	613,755	494,118
UNITED STATES.....	264,010	115,431	274,457	381,479	284,933
United Kingdom.....	25,648	14,336	23,709	28,559	20,161
Germany.....	30,742	20,565	71,444	98,622	93,437
Japan.....	1,387	650	3,325	10,769	8,771
Italy.....	3,479	1,787	2,020	6,015	9,610
France.....	19,253	10,034	16,770	20,261	19,946
All other.....	37,729	18,109	68,418	68,050	* 57,260

<sup>1</sup> General exports. Bullion and specie are included. Transit trade and parcel post are excluded. For valuations, see footnote 1, table 7.

<sup>2</sup> Includes trade with the following countries:

Exports to—	Pesos (1,000)	Imports from—	Pesos (1,000)
Belgium.....	39,066	Sweden.....	11,641
Netherlands.....	16,520	Switzerland.....	7,912
Netherlands West Indies.....	8,844	Belgium.....	6,964
Denmark.....	6,060	Canada.....	5,156

<sup>3</sup> General imports. Bullion, specie, and parcel post are included. Transit trade is excluded. For valuations, see footnote 3, table 7.

Source: Compiled by the United States Tariff Commission from *Estadística del Comercio Exterior* and *Revista de Estadística*.

dollars, or 1.8 percent of total exports. Cuba, Brazil, Chile, and Argentina are the most important Latin American markets for Mexican products.

In 1938, practically all Mexican exports of silver, gold, copper, and bananas, and approximately 90 percent (in terms of value) of those of chicle and henequen, went to the United States. The United States was also the leading purchaser of Mexican coffee (70 percent)

<sup>48</sup> The value of exports to France, Italy, and Japan varied as follows: France from 1.8 million dollars (1932) to 11 million dollars (1929); Italy, from 422,000 (1936) to 1.2 million dollars (1938); and Japan, from 239,000 (1932) to 5.1 million dollars (1936).

TABLE 7.—Mexico: Foreign trade with selected countries, in terms of dollars, in specified years, 1929 to 1938

[Value in thousands of United States dollars]

Country	1929 (1 peso= \$0.4818)		1932 (1 peso= \$0.3185)		1936 (1 peso= \$0.2776)		1937 (1 peso= \$0.2775)		1938 (1 peso= \$0.2212)	
	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total
<b>Exports to—</b>										
All countries.....	284,579	100.0	97,046	100.0	215,227	100.0	247,638	100.0	185,394	100.0
UNITED STATES.....	172,846	60.7	63,385	65.3	130,778	60.8	139,239	56.2	124,944	67.4
United Kingdom.....	29,239	10.3	3,852	4.0	18,837	8.7	27,357	11.0	17,487	9.4
Germany.....	21,613	7.6	6,370	6.6	22,827	10.6	23,278	9.4	14,257	7.7
Japan.....	672	.2	239	.2	5,132	2.4	2,892	1.2	794	.4
Italy.....	1,109	.4	493	.5	492	.2	1,008	.4	1,203	.7
France.....	11,056	3.9	1,772	1.8	4,481	2.1	5,857	2.4	4,228	2.3
All other.....	48,044	16.9	20,935	21.6	32,660	15.2	48,007	19.4	22,481	12.1
<b>Imports from—</b>										
All countries.....	184,167	100.0	57,621	100.0	128,846	100.0	170,317	100.0	109,299	100.0
UNITED STATES.....	127,200	69.1	36,765	63.8	78,189	59.1	105,861	62.1	63,027	57.7
United Kingdom.....	12,357	6.7	4,566	7.9	6,382	5.1	7,925	4.6	4,460	4.1
Germany.....	14,812	8.0	6,550	11.4	19,833	15.4	27,368	16.1	20,668	18.9
Japan.....	698	.4	207	.4	2,033	1.6	2,988	1.8	1,940	1.8
Italy.....	1,676	.9	569	1.0	661	.4	1,689	1.0	2,128	1.9
France.....	9,276	5.0	3,196	5.5	4,655	3.6	5,622	3.3	4,412	4.0
All other.....	18,178	9.9	5,768	10.0	18,993	14.8	18,884	11.1	12,656	11.6

<sup>1</sup> General exports. Bullion and specie are included. Transit trade and parcel post are excluded. Export values are invoice values, f. o. b., except in the case of petroleum and metals. Petroleum and its derivatives are valued on the basis of the average monthly prices quoted in New York, minus the export tax, transportation cost, and other expenses. The value of metals in the exports is the arithmetical average of the daily quotations for each month in the New York market, converted to national currency at the monthly average dollar quotations.

<sup>2</sup> Includes trade with the following countries:

Exports to—	U. S. dollars (1,000)	Percent of total	Imports from—	U. S. dollars (1,000)	Percent of total
Belgium.....	8,641	4.7	Sweden.....	2,575	2.4
Netherlands.....	3,654	2.0	Switzerland.....	1,750	1.6
Netherlands West Indies.....	1,936	1.1	Belgium.....	1,545	1.4
Denmark.....	1,340	.7	Canada.....	1,140	1.0

<sup>3</sup> General imports. Bullion, specie, and parcel post are included. Transit trade is excluded. Import values are invoice values c. i. f. Mexican port.

Source: Compiled by the United States Tariff Commission from *Estadística del Comercio Exterior* and *Revista de Estadística*.

and cotton (40 percent).<sup>40</sup> Germany, with 22 percent of the total, was the second-ranking market for coffee. Other purchasers of cotton in 1938, with their share of total exports, were Italy, 19 percent; Germany 15 percent; and the United Kingdom, 12 percent.

Mexican exports of lead and zinc go to a large number of markets. In 1938 the United Kingdom was the leading purchaser of lead, taking 23 percent of total exports. It was followed by Belgium, with 22 percent; Germany, with 19 percent; France, with 10 percent; and the Netherlands, with 6 percent. Exports of zinc in 1938 went to Belgium (30 percent), Germany (26 percent), France (13 percent), and Japan (3 percent). The United Kingdom was the prin-

<sup>40</sup> Mexican cotton, which is of the short-staple variety, enters the United States free of duty. Large quantities of cotton exported by Mexico to countries other than the United States pass through the United States in transit. In many years this has caused a considerable discrepancy between statistics of Mexican exports of cotton to the United States and United States statistics of imports of cotton from Mexico. No data are available to show what proportion of Mexican cotton imported into the United States for consumption actually remains in this country. Under a general quota in effect since September 1939, United States imports (for consumption) of cotton from Mexico are limited to 8,893,259 pounds (equivalent to 18,584 bales of 478 pounds net) for each 12-month period beginning September 20.

TABLE 8.—Mexico: Foreign trade, by geographic areas and principal countries, in 1937

(Value in thousands of U. S. dollars)

Exports <sup>1</sup> (1 peso=\$0.2775)			Imports <sup>1</sup> (1 peso=\$0.2775)		
To—	Value	Percent of total	From—	Value	Percent of total
<b>Western Hemisphere:</b>			<b>Western Hemisphere:</b>		
UNITED STATES.....	139,239	56.2	UNITED STATES.....	105,861	62.1
Canada.....	91	(?)	Canada.....	1,839	1.1
Netherlands West Indies.....	11,339	4.6	Bolivia.....	2,100	1.2
Bahama Islands.....	2,073	.8	Argentina.....	543	.3
All other Western Hemisphere countries.....	5,106	2.1	All other Western Hemisphere countries.....	627	.4
<b>Total.....</b>	<b>157,848</b>	<b>63.7</b>	<b>Total.....</b>	<b>110,970</b>	<b>65.1</b>
<b>Europe:</b>			<b>Europe:</b>		
United Kingdom.....	27,357	11.0	United Kingdom.....	7,925	4.6
Germany.....	23,278	9.4	Germany.....	27,368	16.1
France.....	5,857	2.4	France.....	5,622	3.3
Italy.....	1,008	.4	Italy.....	1,669	1.0
Belgium.....	11,342	4.6	Sweden.....	2,417	1.4
Netherlands.....	7,000	2.8	Switzerland.....	2,370	1.4
All other European countries.....	8,050	3.3	All other European countries.....	7,313	4.3
<b>Total.....</b>	<b>83,892</b>	<b>33.9</b>	<b>Total.....</b>	<b>54,684</b>	<b>32.1</b>
<b>Asia:</b>			<b>Asia:</b>		
Japan.....	2,892	1.2	Japan.....	2,988	1.8
All other Asiatic countries.....	421	.1	All other Asiatic countries.....	501	.3
<b>Total.....</b>	<b>3,313</b>	<b>1.3</b>	<b>Total.....</b>	<b>3,489</b>	<b>2.0</b>
<b>Africa</b> .....			<b>Africa</b> .....		
	469	.2		225	.1
<b>Oceania</b> .....			<b>Oceania</b> .....		
	1,976	.8		531	.3
<b>Other countries</b> .....			<b>Other countries (not listed)</b> .....		
	140	.1		418	.3
<b>Grand total.....</b>	<b>247,638</b>	<b>100.0</b>	<b>Grand total.....</b>	<b>170,317</b>	<b>100.0</b>

<sup>1</sup> General exports; Bullion and specie are included, but parcel post and transit trade is excluded. General imports; bullion, specie, and parcel post are included, but transit trade is excluded. For valuations, see footnotes 1 and 3, table 7.

<sup>2</sup> Less than one-tenth of 1 percent.

Source: Compiled by the United States Tariff Commission from *Revista de Estadística*, July 1939.

cial purchaser of mercury in 1938, taking 46 percent of the total.

Mexican exports of petroleum and products in 1938 went principally to the following countries: Crude petroleum, the United States (nearly 50 percent of the total value);<sup>50</sup> fuel and gas oil, the United Kingdom (nearly 50 percent); gasoline, the United Kingdom (over 45 percent); kerosene, the United Kingdom (over 70 percent); and lubricating oil, the United Kingdom and the Bahama Islands (84 percent). Asphalt in this year went to a variety of markets, including, in the order of their importance, Australia, the United Kingdom, France, Germany, Sweden, and Belgium.

#### Imports into Mexico.

*Trend.*—The most notable features of the Mexican import trade in the decade 1929–38 were the decline in the share of total imports supplied by the United States, the increasing importance of Germany as a supplier and (in later years of the decade) the decline in the share of total imports accounted for by automobiles, trucks, accessories, and parts.

<sup>50</sup> See the discussion on imports of petroleum in the section on United States trade with Mexico, p. 209–210.

Imports into Mexico from all countries and from the United States, in the period 1924-38, have already been shown in tables 1 and 2.<sup>51</sup> Total imports into Mexico in 1929 were valued at 382 million pesos (184 million dollars). In 1932, they declined to 181 million pesos (58 million dollars), or 47 percent of the 1929 peso value and 31 percent of the dollar value. They amounted in 1937 to 614 million pesos (170 million dollars), or 160 percent of the 1929 peso figure and 59 percent of the dollar value. In 1938 they declined to 494 million pesos (109 million dollars). Imports in 1939 increased to 630 million pesos<sup>52</sup> (approximately 122 million dollars).

Price and quantum indexes of Mexican imports are not available. A price index for 38 import commodities in terms of pesos, however, gives the following trend for the years 1936-39 (taking 1934 as a base): 1936, 108.1; 1937, 119.3; 1938, 104.8; and 1939, 101.6.<sup>53</sup> In terms of dollars, the figures for 1938 and 1939 would be much lower because of the decline in the dollar value of the peso in 1938. In general, the peso prices of imports have shown less fluctuation since 1929 than the peso prices of exports.

*Composition.*—Imports into Mexico, by principal commodities, in the years 1936 to 1938, are shown in pesos in table 9, and in dollars in table 10.<sup>54</sup> Because of successive changes in the import classifications, it has not been practicable to include data for 1929 and 1932. Imports into Mexico consist largely of manufactured products, raw and semimanufactured materials, and machinery, apparatus, and tools.

A tabulation of imports in 1938 by certain major groups<sup>55</sup> showed that machinery, apparatus, tools, and vehicles accounted for 33 percent of total imports in that year. Mineral products constituted 18 percent of total imports; vegetable products, 15 percent; chemical products, 13 percent; animal products, 5 percent; yarn and textiles, 5 percent; textile manufactures, 1 percent; and products of "other" industries, 10 percent.

In 1938 the most important item in the large and inclusive manufactured-products group was automobiles, accessories, and parts, which accounted for more than 6 percent of total Mexican imports. Other items, none of which reached 2 percent of the total in that year, included tubes, piping, and couplings of iron and steel; colors derived from coal tar; cotton cloth; capsules, pills, and tablets; injectable solutions and preparations; newsprint; and sheet iron and steel. The share of automobiles, accessories, and parts in 1938, as well as that of tubes, piping, and couplings of iron and steel, represented a substantial decline from those in 1936 and 1937.

<sup>51</sup> The year 1929 (the earliest year shown in the detailed tables) was not a peak year either in imports from the world as a whole or from the United States, having been exceeded in 1925 and 1926. The dollar value of imports from the world as a whole in 1929, however, was about 6 percent larger than the average for the 5 years 1924-28. Imports from the United States in 1929 were 5 percent greater than the 5-year average.

<sup>52</sup> Preliminary.

<sup>53</sup> Banco de México, S. A., *Decimoctava Asamblea General Ordinaria de Accionistas*, 1940, p. 55.

<sup>54</sup> Totals for imports by groups are not available; it is possible to show only totals and percentages of total imports by individual commodities. Table 10 includes all commodities representing four-tenths of 1 percent or more of total imports in 1938, but only about 40 percent of Mexican imports in that year are covered. Individual commodities other than those mentioned in table 10 are shown in the Mexican import statistics, but they constitute such small percentages of the total, and are so numerous, that it is impracticable to list them. Moreover, in the Mexican import statistics a large proportion of the total is included in the classification "All other."

<sup>55</sup> Pan American Union, *Mexico*, Foreign Trade Series No. 175, 1939.

TABLE 9.—Mexico: Imports,<sup>1</sup> in terms of pesos, by principal commodities, in 1936, 1937, and 1938<sup>2</sup>

[Value in thousands of pesos]

Commodity <sup>3</sup>	1936	1937	1938	Commodity <sup>3</sup>	1936	1937	1938
Grand total.....	464,143	613,755	494,116	Semimanufactures—Con.			
Manufactured products (other than machinery, etc.):				Paper and cardboard, unfinished.....	5,574	5,760	3,828
Automobiles, passenger and truck, and accessories and parts.....	50,547	71,321	31,442	Black alkaline cyanide, in flakes.....	2,785	2,674	3,600
Passenger cars.....	25,957	30,969	14,236	Lubricating oils and greases.....	3,122	4,180	3,409
Trucks.....	18,290	30,969	11,299	Caustic soda.....	2,713	2,765	3,400
Chassis, pneumatic rubber tires, and motors for automobiles.....	6,300	9,383	5,908	Acetyl-salicylic acid.....	1,432	1,462	3,292
Iron parts for machinery.....	11,536	20,338	7,627	Paraffin.....	1,341	2,832	2,606
Accessories for the installation of machinery.....	4,944	5,908	6,980	Cigarette paper.....	1,229	1,758	1,956
Electric generators and motors.....	3,349	3,377	3,616	Machinery, apparatus, and tools:			
Agricultural implements.....	2,549	2,421	2,170	Iron parts for machinery.....	8,383	11,566	11,776
Sewing machines.....	3,949	6,179	1,798	Accessories for the installation of machinery.....	3,769	5,634	6,969
Tractors.....	3,205	4,474	1,602	Electric generators and motors.....	3,349	3,377	3,616
Raw materials:				Agricultural implements.....	3,949	6,179	1,798
Copra.....	6,852	13,046	7,382	Sewing machines.....	3,949	6,179	1,798
Fuel oil.....	1,967	3,933	4,459	Tractors.....	3,205	4,474	1,602
India rubber, crude.....	3,266	6,516	4,297	Raw materials:			
Hops.....	986	1,343	1,973	Copra.....	6,852	13,046	7,382
Foodstuffs and beverages:				Fuel oil.....	1,967	3,933	4,459
Wheat.....	17	870	14,163	India rubber, crude.....	3,266	6,516	4,297
Corn.....	3	454	3,219	Hops.....	986	1,343	1,973
Liquors and spirits.....	2,650	2,770	2,961	Foodstuffs and beverages:			
Hog lard and compound lard.....	474	2,690	2,204	Wheat.....	17	870	14,163
Fish and shellfish, in cans.....	998	1,219	1,773	Corn.....	3	454	3,219
Olive oil.....	1,044	1,776	1,762	Liquors and spirits.....	2,650	2,770	2,961
Imports into free zones <sup>4</sup> .....	6,919	17,355	21,291	Hog lard and compound lard.....	474	2,690	2,204

<sup>1</sup> General imports. Bullion, specie, and parcel post are included. Transit trade is excluded. For valuations, see footnote 3, table 7. All commodities representing four-tenths of 1 percent or more of the total imports in 1938 have been compiled. Imports into "free zones" are not included in the totals, but are shown separately at the bottom of this table.

<sup>2</sup> Because of the successive changes in the Mexican import classifications, it has not been practicable to include data for 1929 and 1932; in those years imports were valued at 382,248,000 pesos and 180,912,000 pesos, respectively.

<sup>3</sup> Classifications employed in this table are those given in the Mexican import statistics for 1938. Groups are ranked according to value in 1938. Statistics for 1938 are revised data from *Revista de Estadística*, July 1940.

<sup>4</sup> Not shown separately.

<sup>5</sup> For a definition of "free zone," see the section on export duties, subsidies, and embargoes, p. 183.

Source: Compiled by the United States Tariff Commission from *Revista de Estadística*.

The imports shown for the group of semimanufactures underwent little change in relative importance in the years 1936-38. The most important single commodities in 1938 were rayon, in yarn or floss; pulp, for paper manufacture; tin plate; and carded wool. Other products in this group each represented less than 1 percent of the value of total imports (see table 10).

In the machinery, apparatus, and tools group, the only individual commodities accounting for more than 1 percent of total imports in 1938 were iron parts for machinery, and accessories for the installation of machinery. Imports of both of these items increased between 1936 and 1938. Other products included in this classification are electric generators and motors, agricultural implements, tractors, and sewing machines.

The remaining Mexican import groups are composed of raw materials, and foodstuffs and beverages. In 1938, the most important crude materials were copra, fuel oil, and crude rubber. No single



TABLE 10.—Mexico: Imports,<sup>1</sup> in terms of dollars, by principal commodities, in 1936, 1937, and 1938<sup>2</sup>

[Value in thousands of U. S. dollars]

Commodity <sup>3</sup>	1936 (1 peso=\$0.2776)		1937 (1 peso=\$0.2775)		1938 (1 peso=\$0.2212)	
	Value	Percent of total	Value	Percent of total	Value	Percent of total
Grand total.....	128,846	100.0	170,317	100.0	109,299	100.0
Manufactured products (other than machinery, etc.):						
Automobiles, passenger and truck, and accessories and parts.....	14,032	10.9	19,792	11.6	6,955	6.4
Passenger cars.....	7,206	5.6	8,594	5.0	3,149	2.9
Trucks.....	5,077	3.9	8,594	5.1	2,499	2.3
Chassis, pneumatic rubber tires, and motors for automobiles.....	1,749	1.4	2,604	1.5	1,307	1.1
Tubes, piping, and couplings of iron and steel.....	3,202	2.5	5,644	3.3	1,687	1.5
Colors derived from coal tar.....	1,372	1.1	1,640	1.0	1,544	1.4
Cotton cloth.....	( <sup>4</sup> )		2,100	1.2	1,293	1.2
Capsules, pills, and tablets, etc.....	1,243	1.0	1,532	.9	1,266	1.2
Injectable solutions and preparations.....	1,198	.9	1,574	.9	1,266	1.2
Newsprint paper for periodicals.....	635	.5	1,191	.7	1,202	1.1
Sheet iron and steel.....	1,754	1.4	2,720	1.6	1,149	1.1
Apparatus for radio sets.....	1,398	1.1	2,271	1.3	897	.8
Drugs and pharmaceutical specialties, n. s. m.....	787	.6	1,002	.6	753	.7
Wool cloth.....	( <sup>4</sup> )		627	.4	529	.5
Semimanufactures:						
Rayon, in yarn or floss.....	3,007	2.3	3,767	2.2	3,284	3.0
Pulp for the manufacture of paper.....	1,078	.8	1,854	1.1	1,377	1.3
Tin plate.....	1,523	1.2	1,791	1.1	1,272	1.2
Wool, carded.....	1,079	.8	1,311	.8	1,070	1.0
Hides and skins, tanned.....	1,113	.9	1,428	.8	902	.8
Paper and cardboard, unfinished.....	1,547	1.2	1,598	.9	847	.8
Black alkaline cyanide, in flakes.....	773	.6	742	.4	798	.7
Lubricating oils and greases.....	867	.7	1,160	.7	754	.7
Caustic soda.....	753	.6	767	.4	752	.7
Acetyl-salicylic acid.....	397	.3	406	.2	728	.7
Paraffin.....	372	.3	786	.5	576	.5
Cigarette paper.....	341	.3	488	.3	433	.4
Machinery, apparatus, and tools:						
Iron parts for machinery.....	2,327	1.8	3,210	1.9	2,605	2.4
Accessories for the installation of machinery.....	1,046	.8	1,569	.9	1,542	1.4
Electric generators and motors.....	930	.7	937	.5	800	.7
Agricultural implements.....	708	.5	672	.4	490	.4
Sewing machines.....	1,096	.8	1,715	1.0	398	.4
Tractors.....	890	.7	1,241	.7	354	.3
Raw materials:						
Copra.....	1,902	1.5	3,870	2.3	1,633	1.5
Fuel oil (combustible petroleum).....	546	.4	1,091	.6	986	.9
India rubber, crude.....	907	.7	1,808	1.1	951	.9
Hops.....	274	.2	373	.2	437	.4
Foodstuffs and beverages:						
Wheat.....	5	( <sup>5</sup> )	241	.1	3,133	2.9
Corn.....	1	( <sup>5</sup> )	126	.1	712	.7
Liquors and spirits.....	736	.6	769	.5	659	.6
Hog lard and compound lard.....	132	.1	747	.4	498	.4
Fish and shellfish, in cans.....	277	.2	338	.2	392	.4
Olive oil.....	290	.2	493	.3	390	.4
Imports into free zones <sup>6</sup> .....	1,921	1.5	4,816	2.8	4,710	4.3

<sup>1</sup> General imports. Bullion, specie, and parcel post are included. Transit trade is excluded. For valuations, see footnote 3, table 7. All commodities representing four-tenths of 1 percent or more of the total imports in 1938 have been compiled. Imports into "free zones" are not included in the totals, but are shown separately at the bottom of this table.

<sup>2</sup> Because of successive changes in the Mexican import classifications, it has not been practicable to include data for 1929 and 1932; for those years imports were valued at \$184,167,000 and \$57,621,000, respectively. For conversion rates, see table 1.

<sup>3</sup> Classifications employed in this table are those given in the Mexican import statistics for 1938. Groups are ranked according to value in 1938. Statistics for 1938 are revised data from *Revista de Estadística*, July 1940.

<sup>4</sup> Not shown separately.

<sup>5</sup> Less than one-tenth of 1 percent.

<sup>6</sup> For a definition of "free zone," see the section on export duties, subsidies, and embargoes, p. 183.

Source: Compiled by the United States Tariff Commission from *Revista de Estadística*

commodity in the foodstuffs and beverages group constituted as much as 1 percent of total imports. The most important items were liquors and spirits, hog lard and compound lard, olive oil, and canned fish and shellfish (see table 10).

*Sources.*<sup>66</sup>—The principal suppliers of Mexican imports in 1938, with the share of the value supplied by each, were the United States, 58 percent; Germany, 19 percent; the United Kingdom, 4 percent; and France, 4 percent. Other sources included Sweden, Italy, Japan, Switzerland, Belgium, and Canada. Imports into Mexico from selected countries, in specified years, 1929 to 1938, have already been shown in pesos in table 6 and in dollars in table 7. More detailed data for 1937 are shown in table 8.

The significant features of the distribution of Mexican imports in the decade 1929–38 were the decline in the importance of the United States and the increasing importance of Germany. The United States was by far the principal supplier of Mexican imports throughout the decade; its share in the trade, however, declined irregularly from 69 percent in 1929 to 58 percent in 1938. The value of Mexican purchases from the United States ranged from 37 million (1932) to 127 million dollars (1929); in 1938 they amounted to 63 million dollars.<sup>67</sup>

The share of Germany increased regularly from 8 percent (1929) to 19 percent (1938). Mexican purchases from Germany ranged in value from 6.6 million (1932) to 27.4 million dollars (1937); in 1938 they amounted to 20.7 million dollars. The proportion of the value of Mexican imports furnished by the United Kingdom decreased, falling irregularly from 7 percent in 1929 to 4 percent in 1938; the value ranged from 4.6 million (1932) to 12.4 million dollars (1929) and in 1938 was 4.5 million dollars. France's share, which was 5 percent in both 1929 and 1932, declined to 3 percent in 1937, and increased to 4 percent in 1938. The shares of Italy and Japan, which were each less than 1 percent in 1929, increased to nearly 2 percent in 1938.<sup>68</sup>

Imports into Mexico from other countries of Latin America constitute but a small part of total imports. In 1937 they amounted to 3 million dollars, or 1.8 percent of total imports. The most important Latin American suppliers in 1937 were Bolivia and Argentina.

In terms of value, the largest single item in imports from the United States in 1938 was automobiles, trucks, and chassis, which accounted for 9 percent of total imports from this country. Practically all Mexican imports of automobiles, trucks, and chassis come from the United States. Other principal imports from the United States, with the percentage of total imports from that country, were grains, 6 percent; petroleum and products, 5 percent; and copra, 2 percent. Other imports, in the order of their importance, included tubes of iron and steel, foundations for machinery, caustic soda, radios, hand

<sup>66</sup> A satisfactory analysis of commodities imported into Mexico for years subsequent to 1933, by countries of origin, is impracticable because only the principal imports are listed under each country; since there is no complete listing of commodities by countries of origin, it is not possible in many cases to compare the quantities furnished by the various supplying countries.

<sup>67</sup> Converted from the peso figures at the average annual rate of exchange, which was less than half as high in 1938 as in 1929.

<sup>68</sup> The value of imports from France, Italy, and Japan varied as follows: France, from 8.2 million dollars (1932) to 9.3 million dollars (1929); Italy, from 561,000 (1936) to 2.1 million dollars (1938); and Japan, from 207,000 (1932) to 3 million dollars (1937).

tools, alkaline cyanides, tractors, electric generators and motors, plows, and canned vegetable foodstuffs.

Five commodities or groups of commodities accounted in 1938 for nearly one-sixth of total imports from Germany. These were paints and varnishes (5.3 percent), hand tools (3.5 percent), foundations for machinery (3.4 percent), tubes of iron and steel (2.8 percent), and cable of common metal (1.3 percent). Other commodities included hops, cotton stockings and socks, and malt.

No countries other than the United States and Germany accounted in 1938 for more than about 4 percent of total imports into Mexico. Other countries, with the chief imports from each, were: The United Kingdom, cotton thread, carded wool, and cotton cloth; France, medicinal products, wines and liquors, carded wool, and perfumes; Sweden, wood pulp, wire and cable for electrical transmission, and telephone apparatus; Italy and Japan, rayon yarn; Switzerland, watches, and paints and varnishes; Belgium, carded wool; Canada, alkaline cyanides and barley; the Netherlands, cheese; Czechoslovakia, costume jewelry; and Spain, wines, liquors, cider, and olive oil.

### UNITED STATES TRADE WITH MEXICO

Mexico is the only Latin American country having a common border with the United States. Although this contiguity has resulted in some specialized border trade and has contributed materially to the volume of tourist travel,<sup>59</sup> particularly since the recent completion of that section of the Pan American Highway connecting the United States and central Mexico, it has contributed little to the commerce between the two countries. This is partly because neither in Mexico nor in the United States is the region near the border a principal center of production or consumption. Much of the merchandise moves by water.<sup>60</sup> Proximity to the United States, however, has been a factor in the trade with Mexico as with other nearby countries in or adjacent to the Caribbean, inasmuch as this country is the nearest and greatest market for the tropical foodstuffs and industrial raw materials of this region. Although Mexican ports on the Gulf are only short distances from United States ports on the Gulf, New York and other North Atlantic points are no closer to the principal business centers of Mexico than to those of Colombia or Venezuela.

Other factors in the trade between the United States and Mexico more important than proximity have been the complementary nature of their economies, Mexico's rich mineral resources, the established trade routes, and the large direct investments of the United States

<sup>59</sup> Measured in terms of expenditures by travelers, the volume of travel between the United States and Mexico is greater than that between the United States and any other country of Latin America.

<sup>60</sup> In 1938, United States merchandise trade with Mexico was distributed among customs districts as follows:

Customs district	United States imports for consumption (1,000 dollars)	United States exports (including reexports) (1,000 dollars)
New York.....	13,742	15,925
San Antonio.....	4,876	23,249
New Orleans.....	7,487	4,944
El Paso.....	2,806	6,740
San Diego.....	2,584	4,243
Arizona.....	2,001	3,254
Other districts.....	8,987	3,661
<b>Total.....</b>	<b>42,483</b>	<b>62,016</b>

in Mexico's principal export industries. Mexico, a country chiefly dependent on agriculture and mining, has been the source for the United States of large quantities of minerals, particularly silver, gold, and petroleum, and lesser quantities of foodstuffs and other raw vegetable materials. The United States has been by far the principal market for Mexican exports, and, being a leading industrial nation, this country has been for Mexico the source of a wide range of manufactured products. United States direct investments in Mexico, the third largest in Latin America (following those in Cuba and Chile), have also been of great importance in the trade, inasmuch as a substantial part of United States imports from that country are the products of United States-owned enterprises,<sup>61</sup> and the exports to Mexico include considerable equipment and supplies for such concerns.

Since 1932 the commerce between the United States and Mexico has been affected by a series of unusual economic and political developments in both countries. These developments have been based on governmental action and have had to do principally with the trade in silver, gold, and petroleum, three of Mexico's largest export products. In the spring of 1933 the United States departed from the gold standard; this was followed by the devaluation and stabilization of the dollar in the beginning of 1934 at approximately 59 percent of its former value in terms of gold. The great increase in the price of gold in terms of dollars encouraged its production abroad for sale to the United States. By this action the substantial amounts of gold sold to the United States by Mexico were increased in dollar value by nearly 70 percent, apart from any change in quantity. Shortly after the devaluation of the dollar, the United States Government adopted a policy designed to raise the price of silver and initiated an extensive silver purchase program which caused silver prices to advance rapidly. The effect of this program upon the value of silver shipped to the United States from Mexico, the world's largest producer of that metal, was especially great.

Whereas the policies of the United States Government affecting silver and gold served to increase greatly the value of the commerce between the United States and Mexico, the expropriation of the foreign-owned petroleum companies by the Mexican Government in 1938 operated to decrease it. The institutional framework of Mexico's economic organization has undergone a marked change since 1910, and more especially since 1933. The essential features of this change have been (1) the expropriation and distribution of land (domestic and foreign owned) among the small farmers; (2) extensive social legislation designed to improve labor conditions; (3) improvements in educational facilities, sanitation, irrigation, and communication; and (4) the progressively increased regulation, or (in some cases) expropriation of foreign-owned enterprises.<sup>62</sup> The last of these has been of greatest importance in terms of United States-Mexican commerce, particularly because the foreign companies affected have accounted for a substantial part of the commerce between the two countries. Thus, after the Mexican Government's

<sup>61</sup> In recent years nearly three-fourths of Mexico's total exports have been controlled predominantly by foreign capital. See the *Eighteenth Report of the Bank of Mexico*, 1940, p. 53.

<sup>62</sup> For a detailed discussion, see the section on the national economic policy and the Six-Year Plan, p. 176 ff.

expropriation of the properties of the petroleum companies (some of the largest of which were United States concerns), there was a sharp decline in United States imports of petroleum and petroleum products from Mexico, inasmuch as shipments from the former subsidiaries to the parent companies in the United States practically ceased. More recently, shipments increased as new marketing arrangements were made.

#### Trend of United States-Mexican trade.

*United States imports from Mexico.*—During the middle 1920's aggregate imports from Mexico, including silver and gold,<sup>63</sup> averaged more than 220 million dollars annually, and exceeded United States imports from any other Latin American country except Cuba. With the general decline in metal prices (except for gold) beginning in 1926, imports dropped steadily to a low in 1933 of only 53 million dollars, or 23 percent of their value in the peak year 1926. After 1933, imports from Mexico advanced, reaching 130 million dollars in 1937, the highest since 1929. In 1939 they were 122 million dollars and in 1940 131 million dollars (see table 11).

Imports of merchandise from Mexico increased appreciably after 1933, but United States imports of Mexican silver and gold, as a result of the silver-purchase program and the devaluation of the

TABLE 11.—United States imports from and exports to Mexico, 1924-40

[Value in thousands of dollars]

Year	General imports				Total imports from Mexico as percent of United States imports from Latin America <sup>1</sup>	Exports (including reexports) <sup>1</sup>	
	Merchandise	Silver	Gold	Total		Value	Percent of total United States exports to Latin America
1924.....	167,087	45,828	5,459	218,374	19.2	135,075	18.3
1925.....	178,635	41,458	5,097	225,390	21.0	144,720	17.1
1926.....	169,306	35,394	23,913	228,614	19.8	134,994	16.2
1927.....	137,815	34,396	6,001	178,212	17.3	109,148	13.6
1928.....	124,514	45,191	4,610	174,315	17.0	115,654	13.9
1929.....	117,738	40,511	9,174	167,423	14.4	133,863	14.7
1930.....	80,293	24,897	20,805	125,995	14.3	116,135	18.5
1931.....	47,612	16,035	25,319	88,966	12.6	52,366	16.8
1932.....	37,423	10,750	20,407	68,580	17.5	32,527	16.7
1933.....	30,716	17,500	4,859	53,165	15.2	37,521	17.4
1934.....	36,495	22,506	30,388	89,389	19.4	55,061	17.9
1935.....	42,467	63,686	14,563	120,736	20.7	65,574	19.0
1936.....	48,938	30,447	40,664	120,049	19.5	76,041	19.3
1937.....	60,130	30,802	39,250	130,172	16.4	109,450	18.9
1938.....	49,030	42,375	37,168	128,573	21.1	62,016	12.5
1939.....	56,266	31,773	33,816	121,855	18.7	83,178	14.6
1940 <sup>2</sup> .....	73,780	25,811	29,866	131,477	16.1	96,940	13.3

<sup>1</sup> Exports of gold and silver are negligible and are not included.

<sup>2</sup> Including gold and silver.

<sup>3</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

<sup>63</sup> In United States statistics of foreign trade, gold and silver bullion and coin are excluded from the figures for merchandise and shown separately. The imports of gold from many countries, and to some extent also of silver, arise from the settlement of international balances. In the case, however, if imports of gold and silver from countries which are large producers of those metals, the trade is essentially in the nature of merchandise.

dollar, increased even more. Although silver ordinarily is the largest import from Mexico, in several recent years the value of imports of gold has exceeded that of silver. Moreover, recent imports of silver from Mexico have been only somewhat larger in terms of value than during most of the 1920's, whereas imports of gold have been several times larger. In the period 1924-28, gold represented only 4 percent of the total value of imports from Mexico, but rose to 28 percent of the total in the last 6 years, 1934-39. During the same interval imports of silver increased from 20 percent to 31 percent of the total, whereas merchandise fell from 76 percent to 41 percent.

Mexico's recent share in total United States imports from Latin America (including gold and silver) has been somewhat larger than during the depression years, but about the same as during the 1920's. (See table 11.) Exclusive of gold and silver, however, Mexico's recent participation in United States purchases from Latin America has been materially smaller than before 1929. Merchandise from Mexico in 1939 represented 11 percent of such imports from Latin America as a whole, compared with an average of 17 percent for the years 1924-26.

*United States exports to Mexico.*—The trend of United States sales to Mexico is closely related to the trend of United States purchases therefrom, for Mexico's foreign purchasing power is in large measure dependent upon its exports to the United States, which customarily takes about two-thirds of Mexico's total exports. During the years 1924-26, United States exports to Mexico averaged 138 million dollars, but they declined thereafter (as did imports) and reached a low of only 33 million dollars in 1932. During the depression years, however, exports to Mexico were better sustained than exports to Latin America as a whole.

With the recovery in Mexican purchasing power, United States exports to that country increased and by 1937 amounted to 109.4 million dollars. The subsequent sharp decline in exports to Mexico in 1938 was the result of a number of related factors, among them the expropriation of the petroleum properties, the depreciation in the foreign-exchange value of the peso, and the loss of Mexican buying power through the general decline in the world demand for, and prices of, some of the country's principal minerals. After 1938, exports to Mexico again increased; in 1939 they amounted to 83.2 million dollars, and in 1940 to 96.9 million dollars. (See table 11.)

During the 15 years preceding 1938, the position of Mexico as an export market for the United States increased in importance compared with that of most other countries of Latin America. Until 1932 Mexico was usually the second or third largest market for the United States in Latin America, accounting for between 13 and 18 percent of total sales to that area. But in 1932-37, Mexico became the largest market in Latin America and took, on the average, about 18 percent of total sales to Latin America. Reflecting the sharp drop in sales during 1938, Mexico in that year ranked but third and took only 13 percent of total United States sales to Latin America. In 1939, however, Mexico regained its leading position and accounted for nearly 15 percent of the total. (See table 11.)

**United States imports from Mexico.**

*Composition.*—United States imports from most of the individual Latin American countries consist predominantly of only one or two commodities. Although silver and gold account for a large share of aggregate imports from Mexico, the merchandise trade is diverse, largely because of that country's wide range of natural resources and climate. Mexico is the only country in Latin America producing large quantities of such diversified commodities as minerals, fruits and vegetables (tropical and nontropical), pastoral products, and textile fibers. Because of the variety of Mexican products, the aggregate value of United States imports from that country is less influenced by critical developments affecting one or two leading products, for example, petroleum or silver, than is the value of imports from other Latin American countries.

In 1939, aggregate United States imports from Mexico amounted to 122 million dollars, of which general merchandise represented 46 percent, gold 28 percent, and silver 26 percent. The leading merchandise imports in that year, together with the share which they represented in total imports from Mexico (including gold and silver), were as follows: Copper, 6.7 percent; bananas, 5.2 percent; cattle, 4.9 percent; lead, 4.4 percent; coffee, 3.9 percent; chicle, 3.2 percent; henequen, 2.9 percent; and crude petroleum, 2.8 percent.<sup>64</sup> These imports, each of which exceeded 3 million dollars in value, amounted in the aggregate to 41 million dollars and represented 34 percent of total imports from Mexico and 75 percent of the imports of merchandise. During the last decade, imports of copper, crude petroleum, and henequen decreased greatly in importance, whereas imports of most of the other leading products, especially bananas, increased. As already noted, the share of gold and silver in the trade rose markedly.

*United States silver policy and imports from Mexico.*—No other economic policy has been more far-reaching in its effect upon the commercial relations between this country and Mexico than the silver policy of the United States. Silver is the largest source of the Mexican Government's revenue; it is that country's leading export; and it is also, as a rule, the largest United States import from Mexico. Since 1934 the price of silver and the volume of the imports of silver from Mexico have been determined almost entirely by the operation of the silver-purchase program of the United States. This program has entailed (1) the purchase by the United States Government, beginning December 1933, of newly mined domestic silver at prices materially above the world or open-market price then prevailing, and (2) the purchase, beginning June 1934, of foreign silver to augment the monetary silver stocks in the United States.

At the World Monetary and Economic Conference held at London, July 1933, eight nations, including the United States, reached a special agreement on silver. Five of the eight countries were large producers of silver and agreed to absorb, from their own combined production, silver amounting in the aggregate to 35 million ounces annually for a period of 4 years beginning with 1934. The United States agreed to take at least 24.4 million ounces, which represented 70 percent of the aggregate quota and was somewhat in excess of its

<sup>64</sup> In 1937, the year preceding the expropriation, crude petroleum represented 2.5 percent of the total United States imports from Mexico, and in 1938, 1.6 percent.

production in 1933. The comparatively large commitment by the United States was important because this country was the world's second largest producer and, until 1931, was a heavy net exporter of silver. (See table 13.) On December 21, 1933, the agreement was ratified for the United States by the President who, under the powers granted by the so-called Thomas amendment to the Agricultural Adjustment Act (passed the preceding May), also authorized the purchase by the United States Treasury of all newly mined domestic silver at a price of 64.64 cents per ounce.<sup>65</sup> At that time, the open-market price at New York was about 43.9 cents per ounce. This part of the United States silver program, however, had only a small and indirect effect upon the price and imports of Mexican silver compared with subsequent United States purchases of foreign silver.<sup>66</sup>

About 6 months after the Presidential proclamation directing the purchase of newly mined domestic silver, the United States Congress passed the Silver Purchase Act of 1934.<sup>67</sup> One of its purposes was to increase the proportion of silver to gold in the monetary stocks of the United States with the ultimate objective of having and maintaining one-fourth of the monetary value of such stocks in silver. To achieve this end the Secretary of the Treasury was directed to purchase foreign silver, in addition to domestic silver, at such prices and times, and under such conditions, as he might deem reasonable and in the public interest; however, it was provided that no silver should be purchased at a price higher than its mint value (\$1.29 + an ounce) in the United States, and that no stocks of silver (foreign or domestic) in the continental United States on May 1, 1934, should be purchased at more than 60 cents an ounce.<sup>68</sup>

That part of the act pertaining to the purchase of foreign silver has recently been the subject of congressional debate. In June 1939, when the President's monetary powers under the Gold Reserve Act of 1934 came up for renewal, the United States Senate voted to discontinue the purchase of foreign silver. But as finally renewed for 2 years, on July 6, 1939, the Gold Reserve Act left unchanged the provisions of the Silver Purchase Act and thus continued the Treasury's authority to purchase foreign silver. A year later the Senate again passed a bill terminating the purchase of foreign silver, but by the middle of November 1940, the House of Representatives had taken no action.

In the next few years after 1934 the silver-purchase program brought about a large increase in the United States monetary stocks of silver, and led to an exceptionally large inflow of silver into the United States from practically all countries producing or holding silver. It also increased sharply, though temporarily, the world price of silver, stimulated materially world production, and led to a serious contraction in the Chinese and Mexican silver currencies. As shown in table 12, acquisitions by the United States Treasury of newly mined

<sup>65</sup> This price was changed to 71.11 cents on Apr. 10, 1935, to 77.57 cents on Apr. 24, 1935, to 64.64 cents on Dec. 30, 1937, and by act of Congress, to 71.11 cents on July 6, 1939.

<sup>66</sup> The international agreement expired at the end of 1937, and no apparent effort was made to extend it owing to the foreign purchase operations of the United States silver program.

<sup>67</sup> Public. No. 438, 73d Cong., approved June 19, 1934.

<sup>68</sup> The act also authorized the nationalization of silver, and under this power the President ordered, on Aug. 9, 1934, the delivery to the United States Government of all silver, except manufactured metal, in the United States. This order was later revoked, Apr. 28, 1938.



domestic silver amounted to 31 million ounces in the fiscal year 1935. They were small, however, compared with the acquisitions of "Purchase Act silver," which amounted to 294 million ounces in that fiscal year and were obtained largely from foreign sources. This relationship between newly mined domestic and foreign silver was also maintained in subsequent years. The monetary stocks of silver increased rapidly and reached 3.9 billion dollars at the end of June 1940, compared with only 0.9 billion dollars when the act was passed.<sup>69</sup> Despite this increase, the share of silver in the total monetary stocks of the United States has failed to reach the ratio of 25 percent contemplated in the act. Principally because of the extensive flight of capital from Europe in recent years, the stocks of gold in the United States have risen so rapidly as to prevent the achievement of that objective.

TABLE 12.—Silver: United States acquisitions<sup>1</sup> and monetary stocks, fiscal years, 1934-40

Fiscal year ended June 30	U. S. acquisition of—		Monetary stocks of silver (\$1.29+ per fine ounce)	Ratio of silver to total U. S. monetary stocks (gold and silver)
	Newly mined domestic silver	Purchase Act silver		
	1,000 fine ounces		Million dollars	Percent
1934.....	8,558		698	10.3
1935.....	30,863	293,738	1,463	13.8
1936.....	48,784	558,640	2,250	17.5
1937.....	63,030	163,031	2,542	17.2
1938.....	68,716	337,225	3,066	19.1
1939.....	63,150	352,718	3,605	18.3
1940.....	62,545	195,824	3,940	16.5

<sup>1</sup> Statistics do not include generally small amounts of nationalized silver, silver contained in gold bullion, deposits, etc., and silver received in exchange for government-stamped bars. In 1935 the quantity of silver acquired through nationalization was temporarily large, totaling 112.3 million ounces.

Source: Acquisitions, U. S. Bureau of the Mint, annual reports of the Director of the Mint; monetary stocks, U. S. Treasury Department, *Bulletin of the Treasury Department*.

The large acquisition of foreign silver under the Silver Purchase Act was reflected, of course, in a great increase in the quantity and value of United States imports of silver, especially from Mexico, the United Kingdom, India, and China. As shown in table 13, net imports of silver into the United States from the world rose from 41 million dollars in 1933 to 336 million in 1935, the first full year of the Silver Purchase Act. A substantial part of this rise was due to increased silver prices. Although net imports declined sharply after 1935, they continued to be several times larger than in the period immediately prior to the inauguration of the program. Imports of silver from Mexico represented more than one-fifth of United States imports from the world in the period 1935-39, and have shown about the same trend as total imports. Imports of silver from Mexico rose from 17.6 million dollars in 1933 to 63.7 million dollars in 1935, an increase of more than 250 percent. They declined sharply after

<sup>69</sup> Based on the legal value of silver for purposes of coinage (\$1.29 per fine ounce).

1935 but still remained higher than in several years before 1934 (see table 13).<sup>70</sup>

With a few countries, including Mexico, China, and Canada, the United States made special arrangements relating to the purchase of silver. From the beginning of 1936 until the end of March 1938, the United States had an agreement with Mexico under which this country agreed to purchase a maximum of 5 million ounces a month of newly mined Mexican silver. Early in 1938 the United States also agreed to buy, and later actually purchased, from the Mexican Government, 35 million ounces of silver which it had accumulated prior to 1938. On March 31, 1938, a few days after the expropriation of the oil properties by Mexico, the United States discontinued until further notice the fixed monthly silver-purchase arrangements with Mexico. Thereafter newly mined Mexican silver was imported into the United States and was purchased by the Treasury on the New York market as was silver from other sources.

The United States and Mexico signed an agreement on November 19, 1941, providing for the purchase by the Treasury Department of newly mined Mexican silver direct from the Mexican Government at the daily price quoted by the Treasury on the day of purchase. Since the signing of the agreement, the price fixed by the Treasury has been 35 cents per ounce. Private interests, however, have offered somewhat higher prices, and much of the newly mined Mexican silver, therefore, has been consumed industrially.

TABLE 13.—Silver: Price at New York, and the movement of silver to and from the United States, 1929-40

Year	Average price, New York, fine bar silver	Imports from—		Exports	Total net imports (+) or ex- ports (-)
		Mexico	Rest of world		
	<i>Cents per ounce</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>
1929.....	53.3	40,511	23,429	53,407	-19,467
1930.....	38.5	24,897	17,864	54,157	-11,396
1931.....	29.0	16,035	12,629	26,465	+2,179
1932.....	28.2	10,750	8,900	13,550	+5,800
1933.....	35.0	17,560	42,635	19,041	+41,184
1934.....	48.3	22,306	80,219	16,551	+86,174
1935.....	64.6	63,686	<sup>1</sup> 290,845	18,801	+335,730
1936.....	45.4	30,447	<sup>2</sup> 152,369	2,966	+179,651
1937.....	45.2	30,802	61,075	12,042	+79,635
1938.....	43.5	42,375	<sup>3</sup> 188,156	7,062	+223,440
1939.....	39.4	31,773	53,534	14,630	+70,677
1940 <sup>4</sup> .....	35.1	25,611	32,623	3,674	+54,760

<sup>1</sup> The United Kingdom accounted for \$245,429,000.

<sup>2</sup> China accounted for \$69,996,000, and the United Kingdom for \$53,424,000.

<sup>3</sup> The United Kingdom accounted for \$134,362,000.

<sup>4</sup> Preliminary.

Source: Prices, U. S. Treasury Department, *Annual Report of the Director of the Mint: statistics of movement*, compiled from official statistics of the U. S. Department of Commerce.

<sup>70</sup> The statistics in table 13 include, in addition to silver bullion, substantial amounts of coin. Imports from Mexico of silver bullion alone, in specified years, 1929 to 1939, were as follows (in millions):

Year	Ounces	Dollars	Year	Ounces	Dollars
1929.....	69.9	37.1	1937.....	69.4	30.8
1933.....	49.2	17.4	1938.....	67.4	42.4
1934.....	47.8	22.3	1939.....	60.6	31.8
1935.....	61.0	51.9	1940 (prelim.).....	74.0	25.8
1936.....	67.8	30.4			

Since 1933 the price of silver of both foreign and domestic origin has been dependent almost entirely upon purchases by the United States Government. Because of increasing world production (until 1930) and decreasing industrial and monetary demand, the price of silver declined steadily from an average of 69.4 cents at New York in 1925 to a low of 24.6 cents an ounce in 1932. In the month preceding the Silver Purchase Act, May 1934, it averaged 44.5 cents an ounce,<sup>71</sup> but because of the ensuing purchases by the United States and accompanying speculation, the price rose rapidly to a peak of 81.3 cents an ounce on April 26, 1935.<sup>72</sup> It then fell rapidly until the beginning of 1936, during most of which year and throughout 1937 it held at about 45 cents an ounce, the purchase price maintained by the United States Treasury. As shown in table 13, the United States Treasury reduced its price again in 1938, and in 1939 when it averaged 39.1 cents an ounce, the lowest yearly average since the program began and lower than the price that had obtained immediately before the purchase of foreign silver began. In 1940 the price averaged 35.1 cents per ounce. It is problematical what the price of silver might have been in recent years had the United States Government not purchased more than 2 billion ounces of silver since 1934, a quantity amounting to one and one-half times the world's total production since that year.

Although the United States silver-purchase program considerably improved Mexican purchasing power by increasing the price of silver and expanding the quantity of imports from Mexico, it had an adverse effect upon Mexico's currency, which had been based upon silver after 1931. When the price of silver rose to such high levels in 1935, Mexican silver pesos for a time were worth more as bullion than as coin. Large amounts of Mexican silver coin were consequently sold for their bullion content. In 1935 United States imports of silver coin from Mexico amounted to 11.7 million dollars and were equal to 23 percent of the value of imports of bullion from that country.<sup>73</sup> As a result of the contraction in the country's currency, Mexico departed from the silver standard, adopted a managed currency, nationalized silver bullion and coin, and reduced the silver content of the peso.<sup>74</sup>

Since 1933, world production of silver has increased greatly, in part because of the silver-purchase program of the United States and in part because of the increased output of the base metals, copper, lead, and zinc, the ores of which often contain silver as a byproduct. Byproduct production accounts for only about one-fourth of the silver mined in Mexico, but more than two-thirds of that in the rest of the world.<sup>75</sup> The silver-purchase program, therefore, was a greater

<sup>71</sup> The increase in the New York selling price between 1932 and 1934 (see table 13) reflected chiefly the depreciation of the foreign-exchange value of the dollar which occurred in the period April 1933-January 1934. The New York quotations were not representative, therefore, of the fluctuations in world price in this period.

<sup>72</sup> In a published letter to Senator McCarran, June 11, 1935, the Secretary of the Treasury stated his belief that the rapid increase in price in the latter part of April was not "the result of the normal operation of legitimate market forces" but rather that it was "to be attributed to the manipulation of speculative interests."

<sup>73</sup> In order to discourage this destruction of foreign coin, the United States Treasury on May 20, 1935, prohibited, except under license, the entry into the United States of foreign coin. This action, however, did not prevent the melting down of silver coin in foreign countries and subsequent sale to the United States of the bullion so obtained.

<sup>74</sup> The effects of the United States silver policy on Chinese currency were very similar to those on Mexican currency.

<sup>75</sup> United States Bureau of Mines, *Economic Relations of Silver to Other Metals in Argentiniferous Ores*, Economic Paper No. 10, 1930.

stimulus to silver production in Mexico than in most other countries. Mexican production, however, failed to increase as rapidly after 1933 as did world production. World production exceeded somewhat the 1929 peak in each of the years 1937-40; but production in Mexico in these years failed to reach more than 80 percent of its 1929 level (see table 14).

TABLE 14.—*Silver: Production in Mexico, the United States, and the world, 1929-40*

[In millions of fine ounces]

Year	Mexico	United States	World total	Year	Mexico	United States	World total
1929.....	108.9	61.2	261.0	1935.....	75.6	45.6	220.7
1930.....	105.4	60.6	248.7	1936.....	77.5	63.4	253.7
1931.....	86.1	30.8	196.0	1937.....	84.7	71.3	274.6
1932.....	69.3	23.8	164.9	1938.....	81.0	61.7	267.8
1933.....	68.1	22.8	169.2	1939.....	75.9	63.9	265.9
1934.....	74.1	32.5	190.4	1940.....	82.6	68.3	263.8

Source: U. S. Treasury Department, *Annual Report of the Director of the Mint*.

*Imports of petroleum and its products.*—Although the United States is itself the world's largest producer and a net exporter of petroleum and its products, it ordinarily imports substantial amounts of crude petroleum and fuel oil. Mexico is usually a secondary source of both products, by far the principal supplier of crude being Venezuela and of fuel oil, the Netherlands West Indies.<sup>76</sup> Until about 1927, however, Mexico, supplied all but a small part of the United States imports of crude petroleum and fuel oil. With the marked decline in production in Mexico and the rapid development of the Venezuelan fields, the quantity imported from Mexico and that country's share in total imports of these products diminished materially and have remained small compared with previous years.

United States imports of crude petroleum and fuel oil may be explained in part by the fact that the Mexican and Venezuelan crudes yield a larger proportion of heavy refined products than does most United States crude; domestic petroleum is better adapted to the manufacture of the more highly refined or light products such as gasoline. Moreover, a large and probably a major part of the imports from Venezuela, the Netherlands West Indies, and Mexico (until 1938) have been the products of properties owned by United States companies.

The most influential factor in the recent trend of imports of crude petroleum and fuel oil from Mexico has been the expropriation of foreign petroleum properties by the Mexican Government in March 1938.<sup>77</sup> The companies operating the bulk of the United States-owned properties were subsidiaries of large petroleum companies in the United States, and their operations were integrated with the refining and marketing activities of the parent companies. With the expropriation of their Mexican properties, it was possible for the parent companies in the United States to curtail sharply their imports of Mexican petroleum by substituting petroleum

<sup>76</sup> Most of the petroleum products imported from the Netherlands West Indies are refined from crude petroleum obtained chiefly from Venezuela.

<sup>77</sup> For a description of this action see the discussion on petroleum in the section on national economic policy and the Six-Year Plan, p. 176 ff.

obtained from other company sources in the United States or elsewhere. As a result, a marked drop in imports of petroleum and fuel oil from Mexico occurred in 1938. But, owing to the development of new marketing outlets and to the conclusion of a working arrangement between the Mexican Government and the parent company of one of the companies that had operated in Mexico, shipments of Mexican crude petroleum to the United States increased sharply in 1939, and in 1940 they far surpassed the level of imports preceding expropriation. Shipments of fuel oil to the United States, however, have remained small (see table 15).

In 1937, imports of crude petroleum from Mexico totaled 3.5 million barrels, all for consumption in the United States, but in 1938, the year of the expropriation, they declined to 2.5 million barrels; in 1939, imports rose to 5.0 million, of which 3.4 million were for refining and export.<sup>78</sup> Since the outbreak of the present war, with the accompanying loss of certain European markets for refined products, United States imports of crude from Mexico have increased greatly, and have again become entirely for consumption, as before 1938. In the first 9 months of 1940 they were more than double those in the comparable period of 1939, and amounted to 8.5 million barrels, a larger volume than in any year since 1930. Much of the recent sharp increase in imports occurred after April 1940 and may have resulted from the conclusion of a purchase agreement in the spring of 1940 between the Mexican Government and a United States company which had owned petroleum properties in Mexico.

*Imports of other products.*—Mexico is also a substantial supplier for the United States of copper, lead, and zinc. In Mexico copper and lead are in part joint products obtained in the mining of silver, and consequently their production has increased somewhat with the output of silver in recent years. In 1929 total United States imports of copper from Mexico were valued at 25 million dollars and represented more than one-fifth of all merchandise imports from Mexico; more recently they have been smaller, partly because of lower prices. In 1939 they amounted to 8 million dollars, or 15 percent of merchandise imports. Recent imports of copper concentrates have been only fractions of the 1929 figures; imports of unrefined copper in 1939 were less than two-thirds of the weight and not much more than one-third of the value of imports in 1929. In ordinary times, all but a small part of the entries from Mexico are for refining and export, and not for consumption in the United States; such imports enter free of duty.

Imports of lead, amounting to 5.3 million dollars in 1939, are also ordinarily entered chiefly for refining and export, and so are free of duty; but imports of zinc, valued at 0.9 million dollars in 1939, are almost entirely for consumption in the United States (see table 15.)

Among the leading vegetable products obtained from Mexico are bananas, chicle, and henequen, for each of which that country is the principal supplier of United States imports. The commercial production of bananas in Mexico and imports from that country have increased greatly since 1932. In that year the United States imported 4.5 million bunches from Mexico, or 9 percent of the im-

<sup>78</sup> The destination of the refined products is not known, because the trade statistics do not segregate the refined products of domestic crude from those of foreign crude petroleum.

ports from all countries, but in 1939 that country supplied 13.9 million bunches, or nearly 25 percent of the total.

The United States obtains most of its crude chicle, used in making chewing gum, from Mexico. Imports from that country declined from 8.3 million pounds in 1929 to 3.2 million pounds in 1933. With the subsequent recovery in general purchasing power, the demand for chewing gum (and hence, for chicle) increased, and by 1939 nearly 11 million pounds of Mexican chicle entered the United States, or almost three-fourths of the total quantity imported.

Heniquen, used principally in the manufacture of binder twine, is obtained almost entirely from Mexico.<sup>7</sup> The quantity imported has fluctuated considerably in recent years; in 1929 about 85,000 tons were imported from Mexico compared with 41,000 tons in 1931 and 52,000 tons in 1939. Although imports of heniquen have declined in the last decade, imports of binder twine from Mexico have increased greatly (see table 15).

United States imports of live cattle, the third largest merchandise import from Mexico in 1939, come almost entirely from Canada and Mexico. Canada is the principal source of calves and of heavy "slaughter" cattle, whereas Mexico is the chief supplier of imports of cattle weighing between 200 and 700 pounds each, that is, "stocker" and "feeder" cattle imported for fattening. In 1929, aggregate imports of cattle from Mexico were valued at 7 million dollars, but as a result of increased import duties in 1930, and of reduced demand in the United States, the quantity and value of cattle imported from Mexico (and Canada) declined drastically for several years thereafter. In 1932, imports from Mexico were valued at only 1.3 million dollars. After the drought in the United States in 1934, imports increased considerably in 1935. In 1939, owing to poor grazing in Mexico and higher prices in the United States, shipments into the United States from Mexico increased again and were much larger in volume than in any previous year; in terms of value (5.9 million dollars), they were the highest since 1929 (see table 15).

Imports of antimony ore from Mexico, although they represent only a small fraction of United States trade with that country, are of considerable significance, inasmuch as antimony is a strategic raw material. Of the quantity consumed in the United States, chiefly in storage batteries and bearing metal, all but a small fraction is supplied by imports. Mexico is at present the principal supplier and in recent years has accounted for between two-thirds and three-fourths of the total. Imports from that country have increased several fold since 1929, principally because of the construction in 1931 of a smelter at Laredo, Texas, to refine Mexican ore. Bolivia, the second largest source, has recently increased in importance as a supplier.

Mexico is also a leading source of United States imports of coffee, cotton, and a number of vegetables, including fresh tomatoes, peas, peppers, and dried chick-peas, most of which are winter grown. Coffee and cotton are substantial imports in United States merchandise trade with Mexico (see table 15), but the quantities imported are

<sup>7</sup> In 1939 Mexico supplied 43 percent of the total United States imports of sisal and heniquen combined. These two similar fibers are not segregated in United States import statistics; most of the sisal is from the Netherlands Indies and British East Africa.

TABLE 15.—United States imports for consumption from Mexico of principal commodities, in specified years, 1929 to 1939  
[Value in thousands of dollars]

Commodity	Tariff status	Unit of quantity	1929		1932		1936		1937		1938		1939 <sup>1</sup>	
			Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Cattle	Dutiable	1,000 lb	108,003	6,992	33,492	1,280	72,848	1,946	87,893	2,407	133,101	3,332	204,031	5,937
Shellfish, <i>B. &amp; P. f.</i>	Free	1,000 lb	( <sup>2</sup> )	( <sup>2</sup> )	1,383	127	1,636	223	3,478	433	277	277	2,563	376
Goat and kid skins, dry and dry-salted	do	1,000 lb	5,722	2,338	1,873	313	2,692	787	2,876	1,027	2,378	584	2,421	634
Bran, shorts, and other wheat by-product feeds	Dutiable	Short ton	4,339	112	4,161	46	22,080	350	15,017	323	6,649	104	13,277	205
Peas (except cowpeas and chick-peas), green or unripe (T. D. 45314)	do	1,000 lbs	22,019	1,101	16,389	822	3,055	147	6,351	324	2,491	121	2,018	99
Chick-peas or garbanzos, dried	do	1,000 lb	49,410	3,129	8,522	331	7,772	313	8,603	346	6,103	269	6,755	277
Tomatoes, natural state	do	1,000 lb	87,855	2,791	91,795	3,028	41,205	1,284	52,126	1,600	20,807	623	14,619	445
Bananas, green or ripe	Free	1,000 bunches	5,700	3,219	4,549	2,232	15,555	6,107	16,766	6,194	16,497	6,786	13,913	6,310
Coffee, raw or green	do	1,000 lb	31,267	7,868	21,203	2,446	58,785	5,567	41,098	3,972	49,946	4,302	58,191	4,679
Vanilla beans	Dutiable	1,000 lb	197	482	168	366	261	447	268	631	197	492	270	802
Quayule rubber	Free	1,000 lb	2,857	545	3,987	1,612	2,753	287	6,028	746	5,618	629	5,001	463
Chicle, crude	do	1,000 lb	8,261	4,238	3,987	( <sup>3</sup> )	5,180	1,218	7,959	2,237	4,923	1,458	10,926	3,820
Candelilla wax	do	1,000 lb	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	1,804	242	2,844	339	1,411	165	3,357	420
Raw cotton, staple under 1½ inches	do	1,000 lb	27,367	5,013	4,887	283	5,673	626	10,679	1,259	26,135	2,171	8,652	668
Henequen	do	Ton	85,340	12,083	118,172	5,657	71,043	7,160	61,792	6,423	48,387	3,971	51,568	3,498
Istle or tampico fiber	do	Ton	11,577	1,274	8,404	338	6,154	530	10,724	967	5,707	359	10,401	984
Binder twine, n. s. p. f.	do	1,000 lb	2,825	298	10,311	567	23,636	881	21,674	1,011	16,009	750	6,235	244
Crude petroleum:														
For domestic consumption	Taxable	1,000 bbl	412,663	11,398	7,147	4,618	4,459	3,720	3,512	3,278	1,602	1,441	1,688	987
Bonded for manufacture and export	Free	1,000 bbl									882	617	3,359	2,343
Fuel oil, including topped crude:														
For domestic consumption	Taxable	1,000 bbl	41,654	1,591	1,937	1,254	188	144	192	100	27	20	40	28
Bonded for supplies of vessels	Free	1,000 bbl					2,439	1,306	3,033	1,796	322	183	41	29
Copper:														
Concentrates:														
For smelting, refining, and export	Free	Short ton of copper content	14,954	4,843	309	28	395	71	118	24	1,338	249	948	172
For consumption	Taxable	Short ton of copper content												
Unrefined black, blister, and converter in pigs or converter bars:														
For smelting, refining, and export	Free	Short ton of copper content					23,725	3,712	35,037	7,847	30,684	5,268	40,015	7,184
For consumption	Taxable	Short ton of copper content	769,087	20,612	30,098	3,705	392	63	140	22	243	43	3,739	688
Refined, in cathodes, ingots, plates, or bars:														
For export	Free	Short ton of copper content	( <sup>3</sup> )	( <sup>3</sup> )	469	70	4	1						
For consumption	Taxable	Short ton of copper content					6,734	1,000	5,441	1,123	3,277	534		

<b>Lead:</b>														
Ores, fine dust, and matte, n. s. p. f.:														
For smelting, refining and export.....	Free.....	Short ton of lead content.....	* 981	* 98	(10)	(11)	311	21	1,507	127	42	4	5,611	558
For consumption.....	Dutiable.....	Short ton of lead content.....	* 6,855	* 818	550	63	515	39	2,270	218	3,435	296	4,998	410
Bullion or base bullion:														
For smelting, refining, and export.....	Free.....	Short ton of lead content.....	53,993	4,984	15,185	911	17	1	959	118	5,385	466	51,764	4,144
For consumption.....	Dutiable.....	Short ton of lead content.....	4,412	395	2,417	114	445	36	(10)	(11)	110	12	1,677	158
Zinc, blocks, pigs, or slabs:														
For smelting, refining, and export.....	Free.....	Short ton.....							161	14	350	17	35	3
For consumption.....	Dutiable.....	Short ton.....					6,869	400	7,956	689	3,346	178	16,506	872
Antimony ore.....	Free.....	Short ton.....	946	79	3,355	61	24,754	688	34,781	1,048	14,891	670	18,036	676
Arsenic acid or white arsenic.....	do.....	Short ton.....	9,966	748	3,325	183	8,174	427	11,500	556	8,422	415	8,123	378
Imports of commodities shown above.....			97,029			30,475		39,744		47,199		36,806		48,180
Total imports of merchandise from Mexico.....			<sup>12</sup> 117,738			<sup>13</sup> 37,423		46,643		55,258		42,483		54,474
Principal imports (shown above) as percent of total.....			82.4			81.4		85.2		85.4		86.6		88.4

<sup>1</sup> Preliminary.

<sup>2</sup> Consists largely of abalone.

<sup>3</sup> Not separately classified.

<sup>4</sup> Free of duty under the Tariff Acts of 1922 and 1930; taxable under the 1932 revenue act, effective June 21, 1932. No free imports for the period June 21 to Dec. 31, 1932.

<sup>5</sup> Does not include topped crude or distillate fuel oil, of which imports from Mexico are believed to be unimportant.

<sup>6</sup> Free of duty under the Tariff Acts of 1922 and 1930; taxable under the 1932 revenue act, effective June 21, 1932. No taxable imports June 21 to Dec. 31, 1932.

Source: Compiled from official statistics of the U. S. Department of Commerce.

<sup>7</sup> Free of duty under the Tariff Acts of 1922 and 1930; taxable under the 1932 revenue act, effective June 21, 1932.

<sup>8</sup> Free of duty under the Tariff Acts of 1922 and 1930; taxable under the 1932 revenue act, effective June 21, 1932. There were no free imports in 1932.

<sup>9</sup> Fine dust not included.

<sup>10</sup> Less than 1 short ton.

<sup>11</sup> Less than 500.

<sup>12</sup> General imports.

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small compared with supplies obtained from other sources. Imports of Mexican cotton are negligible compared with United States production or exports, and of this country's imports of coffee less than 3 percent usually comes from Mexico.

*Dutiable status of imports.*—Approximately one-fourth of the imports of merchandise from Mexico in recent years have been dutiable, or subject to import-excite taxes. By far the largest dutiable imports from Mexico are cattle and petroleum. Imports of copper are in ordinary times almost entirely for refining and export and therefore free of duty. Other leading duty-free imports are bananas, coffee, henequen, and lead for refining and export (see table 15). Imports of gold and silver are, of course, free of duty.

Cattle are dutiable at various rates depending upon their weight and type. The principal category of imports from Mexico, cattle weighing 200 pounds and less than 700 pounds each, are dutiable at 2½ cents per pound, equivalent to 83 percent ad valorem based upon imports from Mexico in 1939. Other classifications of cattle, imports of which are supplied mainly by Canada, are dutiable at lower rates as a result of tariff concessions granted in the trade agreement with Canada.<sup>80</sup> Imports from Mexico under such classifications have, of course, likewise received the reduced rates, although imports at the lower rates are limited by tariff quotas. In most years since the agreement, imports from Mexico in these classes have exceeded the amount permitted entry at the reduced rates; the excess was subject to the preagreement rates.

Under the Tariff Act of 1930 petroleum and its products are free of duty, but under the Revenue Act of 1932, imports of these products for consumption in the United States were made subject to import-excite taxes. In the trade agreement with Venezuela, effective December 16, 1939, the tax on crude petroleum, topped crude, fuel oil, and gas oil was reduced from ½ cent to ¼ cent per gallon. Imports entered for consumption at the reduced rate, however, were made subject to an aggregate quota not to exceed 5 percent of the total quantity of crude petroleum processed in refineries in the continental United States during the preceding calendar year; imports in excess of this amount were taxable at the former rate. The tariff quota was allocated among the principal supplying sources on the basis of their shares in United States imports of these products during the first 10 months of 1939; for 1940 the allocation is as follows:

Country	Percent	Thousands of barrels
Venezuela	71.9	44,500
Netherlands and overseas possessions	20.3	12,564
Colombia	4.0	2,476
All other (unallotted)	3.8	2,352
	100.0	61,892

After the allocation of quotas for Venezuela, the Netherlands (mainly the Netherlands West Indies), and Colombia, Mexico competes with all other sources for the unallotted remainder. The maximum share it may obtain in imports taxable at the reduced rate is 3.8 percent of the total, which is materially smaller than its share

<sup>80</sup> Effective January 1, 1936. A supplemental agreement became effective January 1, 1939.

in such taxable imports in most recent years.<sup>21</sup> In the first 9 months of 1940 total imports of crude petroleum, fuel oil, and gas oil from Mexico amounted to 10.6 million barrels, of which about 2.3 million were dutiable at the trade-agreement rate. In April 1940 Mexico exhausted its quota of imports at the trade agreement rate, and of the amount entered in the first 9 months almost four-fifths, or 8.3 million barrels, was taxable at the rate established in the revenue act.

#### United States exports to Mexico.

The United States export trade with Mexico is highly diversified, its composition being similar to that of exports to the rest of Latin America. Because Mexico is largely a raw-material-producing country, most of the exports to that country are manufactured products. In 1939 the leading groups of exports to Mexico were machinery and vehicles, representing 40 percent of the total; metals and manufactures, 17 percent; chemicals and related products, 9 percent; and nonmetallic minerals, 8 percent (see table 16). In the order of their value, the leading individual exports to Mexico, shown in table 17, were passenger cars, auto parts, motortrucks, landplanes, tin plate, corn, steel sheets, gasoline, wheat, mining and quarrying machinery, radio sets, and lubricating oil. Mexico has been one of the leading foreign markets for the United States of a number of manufactures; among these are railway cars and parts, railway-track material, tubular steel products, steel wire, radio apparatus, industrial chemicals, and explosives.

The principal factors influencing United States exports to Mexico in the period 1929-39 were the variations in the Mexican food supply and in the country's purchasing power, determined in part by the activity of its extractive industries and the value of its exports to the United States and other markets. In the period 1929-32, practically all United States exports to Mexico declined sharply, because of the decline in Mexican national income and because most of the exports consisted of durable goods, the demand for which could be deferred. After 1933, as a result of a general improvement in economic conditions in Mexico, especially in the extractive industries, most of the exports which before had declined so drastically underwent a marked increase. In 1939, exports of steel sheets, tin plate, and auto parts (among others) exceeded in value those in 1929; the increase was due in part to greater industrialization, as evidenced, for example, by the expansion of the assembly in Mexico of automobile parts manufactured in the United States. The comparatively heavy exports of corn and wheat in 1938 and 1939 were caused chiefly by purchases of the Mexican Government to supplement poor crops in 1937 and 1938.

Part of the sharp drop after 1937 in exports of a number of the leading manufactures resulted from the controversy in the petroleum industry early in 1938, the depreciation of the peso after March 1938,

<sup>21</sup> Taxable imports from Mexico of crude petroleum, topped crude, fuel oil, and gas oil have been as follows:

Year	Thousands of barrels	Percent of total imports	Year	Thousands of barrels	Percent of total imports
1933-----	6,200	16.4	1937-----	3,704	11.5
1934-----	6,144	16.9	1938-----	1,629	6.5
1935-----	3,487	10.3	1939-----	1,728	5.6
1936-----	4,627	12.6	1940 (January- September)-	10,560	22.3

the temporary upward revision in Mexican tariff rates, and the decrease of foreign purchases by the Mexican Government.

TABLE 16.—United States exports (domestic merchandise) to Mexico, by groups of commodities, in 1938 and 1939

[In thousands of dollars]

Commodity group	1938	1939 <sup>1</sup>	Commodity group	1938	1939 <sup>1</sup>
Animals and animal products, edible, total.....	1,246	1,393	Metals and manufactures, except machinery and vehicles, total..	9,605	13,619
Lard, including neutral lard.....	658	742	Iron and steel, scrap, ingots, blooms, billets, etc., and plates, sheets, and skelp....	1,324	2,269
Animals and animal products, inedible, total.....	766	1,058	Tin plate, terneplate, and taggers' tin.....	1,049	1,854
Vegetable food products and beverages, total.....	6,226	4,332	Tubular products and fittings.....	869	1,600
Corn.....	774	1,572	Wire and manufactures.....	612	942
Wheat.....	2,861	1,162	Tools.....	544	846
Vegetable products, inedible, except fibers and wood, total.....	1,560	2,505	Machinery and vehicles, total.....	21,576	32,298
Automobile casings.....	170	431	Radio apparatus.....	1,025	1,419
Textile fibers and manufactures, total.....	2,346	3,395	Industrial machinery.....	7,210	7,330
Tire fabric.....	497	579	Agricultural machinery and implements.....	1,450	1,951
Silk manufactures.....	418	464	Automobiles, parts and accessories.....	6,523	12,829
Rayon manufactures.....	151	251	Aircraft and parts.....	1,247	3,240
Wood and paper, total.....	2,438	3,403	Chemicals and related products, total.....	5,108	7,102
Boards, planks, and scantlings.....	492	516	Coal-tar products.....	290	688
Greaseproof, waterproof, and wrapping paper.....	415	712	Sodium hydroxide.....	809	865
Nonmetallic minerals, total.....	5,707	6,735	Miscellaneous.....	3,948	4,970
Petroleum and products.....	3,665	3,919	Total exports.....	59,526	80,800

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

TABLE 17.—United States exports (domestic merchandise) to Mexico of principal commodities, in specified years, 1929-39

[Value in thousands of U. S. dollars]

Commodity	Unit of quantity	1929		1932		1936		1937		1938		1939 <sup>1</sup>	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Lard.....	1,000 lb.....	62, 077	7, 859	88, 708	2, 174	1, 700	197	6, 798	811	7, 234	858	10, 486	872
Corn.....	1,000 bu.....	354	404	5	6	14	28	39	991	774	2, 141	1, 572	
Wheat.....	1,000 bu.....	2, 862	2, 549	19	15	31	28	1, 185	2, 804	2, 801	1, 970	1, 192	
Cotton tire fabric.....	1,000 sq. yd.....	26	10	197	83	1, 034	805	1, 829	440	1, 585	497	2, 146	579
Gasoline and other petroleum motor fuels <sup>2</sup> .....	1,000 bbl.....	558	2, 750	518	1, 431	199	602	244	813	238	806	360	1, 200
Crude oil and distillate fuel oil.....	1,000 bbl.....	1, 741	1, 678	253	222	224	241	265	333	373	420	105	162
Residual fuel oil.....	1,000 bbl.....			891	673	675	491	1, 170	843	875	821	351	271
Lubricating oil, red, pale, and cylinder oil.....	1,000 bbl.....	70	859	35	356	65	687	94	1, 007	84	838	96	1, 063
Paraffin wax.....	1,000 lb.....	24, 910	1, 110	4, 999	118	2, 063	58	13, 299	441	16, 831	308	21, 833	648
Iron and steel scrap, and tin-plate scrap, etc. <sup>3</sup> .....	Ton.....	7, 847	62	168	1	33, 678	351	61, 346	931	21, 301	254	37, 150	381
Steel ingots, blooms, billets, slabs, sheet bars and tin-plate bars <sup>4</sup> .....	Ton.....	44	7	97	6	2, 470	82	24, 020	571	139	7	468	17
Steel sheets, black, ungalvanized.....	Short ton.....	8, 249	274	2, 154	110	16, 007	812	25, 314	1, 619	11, 446	698	23, 102	1, 365
Tin plate, terneplate, and tappers tin.....	Short ton.....	12, 269	1, 185	3, 170	245	15, 405	1, 459	15, 503	1, 614	9, 084	1, 049	18, 158	1, 864
Casing and oil-line pipe.....	Short ton.....	6, 859	718	796	80	2, 662	250	13, 035	916	682	73	462	61
Tin cans, finished or unfinished.....	Short ton.....	1, 138	196	881	70	1, 364	213	1, 657	363	1, 737	328	1, 824	346
Miscellaneous iron and steel manufactures <sup>5</sup> .....	Short ton.....	( <sup>6</sup> )	1, 547		217		673		672		365		381
Copper ore, concentrates, matte, unrefined copper as blister, converter copper or anodes <sup>6</sup> .....	Short ton.....		8			3, 033	415	2, 185	688	96	19	2	1
Lead pigs, bars, sheets, pipes.....	Short ton.....	75	12	86	4	8, 056	645	8, 154	660	11, 403	917	2, 045	183
Household electric refrigerators.....	Number.....	( <sup>7</sup> )	( <sup>7</sup> )	10, 602	54	4, 935	415	7, 325	599	1, 926	158	4, 835	419
Radio receiving sets.....	Number.....	10, 326	748	16, 172	892	85, 704	2, 086	93, 634	2, 385	34, 508	711	61, 718	1, 128
Locomotives, steam.....	Number.....	9	828			15	212	17	794	17	1, 378	1	2
Excavators, including power shovels.....	Number.....	31	233	12	145	29	476	43	645	12	192	9	47
Mining and quarrying machinery.....	Number.....		1, 867		322		1, 360		1, 739		1, 017		1, 137
Petroleum and gas well-drilling apparatus.....	Number.....		147		153		290		607		123		146
Other petroleum well and refining machinery.....	Number.....		607		474		814		773		93		68
Sewing machines for domestic use.....	Number.....	34, 443	1, 078	2, 018	72	20, 812	899	15, 482	636	820	14	993	25
Sugar-mill machinery.....	Number.....		896		74		133		1, 504		77		74
Miscellaneous industrial machinery and parts <sup>4</sup> .....	Number.....		1, 652		360		739		1, 178		639		724
Motortrucks, buses and chassis, new.....	Number.....	<sup>10</sup> 3, 798	<sup>10</sup> 2, 848	364	270	5, 799	3, 909	6, 748	4, 083	1, 610	1, 160	3, 425	2, 358
Passenger cars and chassis, new.....	Number.....	<sup>10</sup> 12, 076	<sup>10</sup> 8, 035	971	738	7, 384	4, 746	9, 121	6, 076	2, 845	2, 080	6, 089	4, 425
Automobile parts for assembly.....	Number.....		1, 686		368		2, 312		3, 028		1, 669		4, 164
Automobile parts for replacements <sup>11</sup> .....	Number.....		948		274		611		916		770		1, 066
Landplanes (powered).....	Number.....	( <sup>9</sup> )	( <sup>9</sup> )	( <sup>9</sup> )	( <sup>9</sup> )	47	800	77	1, 109	58	1, 030	60	2, 638
Freight cars.....	Number.....	607	1, 330	22	14	337	173	1, 591	2, 340	448	554	541	400

See footnote at end of table.

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TABLE 17.—United States exports (domestic merchandise) to Mexico of principal commodities, in specified years, 1929-39—Continued

Commodity	Unit of quantity	1929		1932		1936		1937		1938		1939 <sup>1</sup>	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Soda ash.....	Short ton.....	6,611	102	5,830	165	14,254	324	16,130	261	14,767	375	19,618	469
Sodium hydroxide (dry weight).....	.....do.....	7,450	448	8,989	437	15,357	608	19,047	752	19,092	809	20,094	865
Exports of commodities shown above.....			45,021		10,063		28,363		44,951		24,922		31,469
Total exports to Mexico.....			132,189		31,624		74,417		105,761		59,525		80,800
Principal exports (shown above) as percent of total.....			34.1		31.8		39.1		42.5		41.9		38.9

<sup>1</sup> Preliminary.<sup>2</sup> Includes neutral lard.<sup>3</sup> Classified as "Gasoline, naphtha, and other finished light products" in 1929 and 1932.<sup>4</sup> Exports not strictly comparable for the series.<sup>5</sup> Excludes tin-plate bars in 1929 and 1932.<sup>6</sup> Classified as "Copper ores, concentrates, composition metal, and unrefined copper" in 1929, and as "Copper ore, concentrates, matte, and regulus" in 1932.<sup>7</sup> Less than 1 ton.<sup>8</sup> Not over \$500.<sup>9</sup> Not separately classified.<sup>10</sup> May include some second-hand articles.<sup>11</sup> Includes asbestos clutch lining in 1929 and 1932, not included in later years.

Source: Compiled from official statistics of the U. S. Department of Commerce.

**Balance of payments between the United States and Mexico.**

Statistics bearing on the balance of payments between the United States and Mexico (see table 18) are most useful in giving a survey in summary form of the extent and nature of the various commercial and financial transactions between the two countries. Moreover, they hold special interest for each country—for Mexico, because the United States accounts for approximately two-thirds of that nation's financial transactions with the world, and for the United States, because the aggregate value of its commercial and financial dealings with Mexico are larger than those with any other country in Latin America.

As a rule, the United States has had a substantial merchandise export balance with Mexico; that is, the value of merchandise exported to that country has exceeded imports therefrom. However, gold and silver from Mexico are not shown in table 18 as a part of the merchandise account; inasmuch as these precious metals are the products of Mexican mines and do not represent monetary reserves, it would appear more appropriate to consider them as part of the merchandise account. If imports of gold and silver are combined with merchandise, United States exports to Mexico become far less than imports therefrom. The excess of aggregate imports amounted to 38.7 million dollars in 1939, and since 1929, has been as high as 65.2 million (1938) and as low as 8.1 million dollars (1930). The net debit balance with Mexico arising from the aggregate commodity trade (including gold and silver) has been further increased by the large expenditures of United States travelers in Mexico. These were estimated at 44 million dollars in 1938 and were more than one-half the value of imports of gold and silver.

Inasmuch as gold and silver together exceed all other debit items in the United States balance of payments with Mexico, it is clear that United States monetary policy in recent years, involving the purchase of gold at \$35 per ounce, and silver at prices ranging from 35 cents to 81 cents per ounce, has contributed materially to strengthening Mexico's international financial position and to extending its commercial relations with this country.

Interest, bond-redemption, and sinking-fund receipts at times have been substantial credit items for the United States in the balance of payments with several Latin American countries, but such receipts from Mexico have been practically nil throughout the period shown, inasmuch as the dollar debt of Mexico has been in default since 1914.

The net debit balance in the financial transactions between the United States and Mexico, shown in the last item of table 18, is large, but it is based on only a part of the accounts customarily entering into a balance-of-payments statement. The income from United States direct investments in Mexico is the principal account for which statistics are not available; this credit for the United States at times has undoubtedly been large compared with many other items in the statement. At the end of 1936, United States direct investments in Mexico were the third largest in Latin America,

with a reported value of 479 million dollars; of this amount, investments in petroleum accounted for 69 million dollars, mining and smelting for 213 million, and public utilities and transportation for 147 million.<sup>82</sup> Expropriation of the petroleum properties may have reduced the total substantially (at least by a part of the amount of the reported value of petroleum properties); still the aggregate value of United States direct investments and the income therefrom are probably large.

Although the income from direct investments in Mexico is not shown separately as a credit item in table 18, the major part of United States imports from Mexico (including gold and silver) are the products of United States-owned enterprise.<sup>83</sup> The proceeds obtained from the sale of such products in United States or other markets constitute, in part, the return on invested capital. A large portion, however, and at times possibly all, of the gross revenues of these enterprises may be required to pay operating expenses in Mexico. Insofar as the income from direct investments is transferred by shipments of goods, Mexico has no financial transfer problem. But when the income from investments which yield no export product (a public-utility enterprise, for example) is to be transferred to the United States, then a financial transfer involving the purchase of dollar exchange is necessary.

Other items in the balance of payments for which statistics are not available include the investment of new United States capital in Mexico (a debit for the United States), and the net movement (in either direction) of banking funds and security transactions. How much these items have affected the net debit balance is not known. After the spring of 1938, the sharp decline in the foreign-exchange value of the peso and the movement of foreign capital to and from Mexico were interrelated factors in the balance of payments. The depreciation of the peso operated to keep within Mexico the capital and profits of foreign-owned companies (except for transfers accomplished through the export of Mexican commodities), and might conceivably have stimulated the investment of new foreign capital. The amount of new United States capital invested in Mexico in recent years, however, has probably been small; in fact, as a result of the governmental, economic, and social program in Mexico, there may have been a withdrawal of capital funds. It would appear, therefore, that the actual net debit balance for the United States has been considerably smaller than that shown in table 18, principally because the large item representing the return on direct investments in Mexico is not accounted for as an offsetting credit.

<sup>82</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936, 1938*, p. 12.

<sup>83</sup> The Bank of Mexico reports that in recent years nearly three-fourths of Mexico's exports to the world are the products of enterprises controlled predominantly by foreign capital; it is likely that an equally large part of exports to the United States are the products of companies controlled by United States capital.

TABLE 18.—*Partial balance of payments between the United States and Mexico, 1929-38*

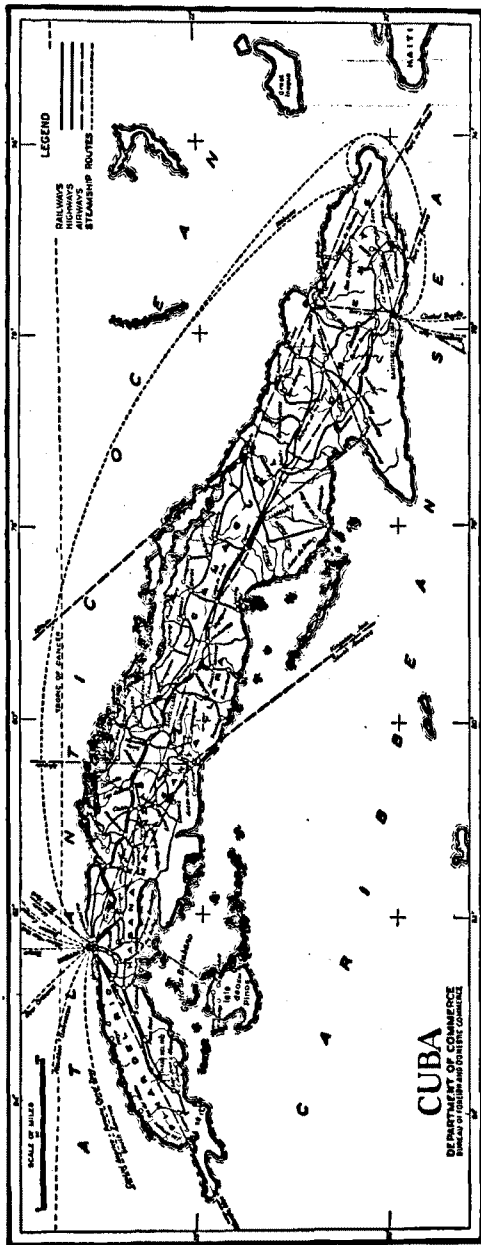
[In millions of dollars]

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
<b>Trade and service items:</b>										
Merchandise exports to Mexico <sup>1</sup> .....	133.9	116.1	52.4	31.9	37.5	55.1	65.6	76.0	109.5	62.0
Merchandise imports from Mexico <sup>1</sup> .....	117.7	80.3	47.6	37.4	30.7	36.5	42.5	49.9	60.1	49.0
Excess of merchandise exports to (+) or imports from (-) Mexico.....	+16.2	+35.8	+4.8	-5.5	+6.8	+18.6	+23.1	+27.1	+49.4	+13.0
Receipts from Mexico for shipping services <sup>2</sup> .....	2.3	1.7	1.5	1.0	.5	.6	.7	.8	1.1	.7
Expenditures of Mexican travelers in the United States <sup>3</sup> .....	7.0	13.0	9.0	5.0	4.0	4.0	5.0	5.0	5.0	4.0
Expenditures of United States travelers in Mexico <sup>3</sup> .....	38.0	56.0	44.0	36.0	28.0	45.0	34.0	40.0	45.0	44.0
Interest receipts from Mexico.....					.1	.1				
Net payments to Mexico for services <sup>4</sup> .....	-28.7	-41.3	-33.5	-30.0	-23.4	-40.3	-28.3	-34.2	-38.9	-39.3
Net receipts from (+) or payments to (-) Mexico on trade and service account <sup>4</sup> .....	-12.5	-5.5	-28.7	-35.5	-16.6	-21.7	-5.2	-7.1	+10.5	-26.3
<b>Gold and silver:</b>										
Net gold imports from Mexico <sup>1</sup> .....	-5.6	-20.4	-22.3	-20.1	-4.3	-30.1	-13.7	-40.0	-38.5	-36.5
Net silver imports from Mexico <sup>1</sup> .....	-35.3	-23.5	-15.1	-10.5	-17.6	-22.0	-58.3	-29.9	-30.2	-41.7
Net gold and silver imports from Mexico.....	-40.9	-43.9	-37.4	-30.6	-21.9	-52.1	-72.0	-69.9	-68.7	-78.2
<b>Capital items:</b>										
Bond-redemption and sinking-fund receipts from Mexico.....		+1			+1.2					
Net balance on items shown <sup>4</sup> .....	-53.4	-49.3	-66.1	-66.1	-37.3	-73.8	-77.2	-77.0	-68.2	-104.5

<sup>1</sup> United States statistics, unadjusted.<sup>2</sup> Rough estimates.<sup>3</sup> Excluding return on United States direct investments in Mexico.<sup>4</sup> Exclusive of return on direct investments (receipts) and new investments (payments) in Mexico.

Source: Especially prepared for this report by the Finance Division, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.





# CUBA

## A DESCRIPTION

### Physical characteristics.

The Republic of Cuba<sup>1</sup> occupies the Island of Cuba (the largest of the West Indies group), the adjacent Isle of Pines, and other smaller islands. Only 90 miles from Key West, Fla., at its nearest point, the Island of Cuba stretches 750 miles from east to west. It has an average width of 60 miles, and a maximum width of 160 miles. The coast line exceeds 2,000 miles. Cuba's area, about 44,000 square miles, is approximately equivalent to that of Pennsylvania.

Several irregular mountain ranges cross Cuba, forming a number of fertile plateaus and valleys. About one-half of the island is either flat or rolling; the remainder is hilly and mountainous, with the highest elevation about 8,400 feet.

Cuba has excellent harbors, the most important of which are Habana, Cienfuegos, and Santiago de Cuba. The rivers are generally too short and too rapid for navigation.

The climate of Cuba is semitropical. Because of the prevailing winds, its insular position, and the fact that the axis of the island extends east and west rather than north and south, the climate is moderate and uniform. Temperatures at the eastern end of the island are slightly higher than in the west. There are two distinct seasons—the warm rainy season from May to October, and the cool dry season from November to April. The rainfall averages from 45 to 50 inches annually in the coastal regions, and about 60 inches annually in the interior.

### Population.

According to the census of 1931, the population of Cuba was 3,962,000. An official estimate for 1938 placed the number of inhabitants at 4,215,000. On the basis of this estimate, there were about 95 persons per square mile, more than in any other Latin American country except El Salvador and Haiti. In 1938, however, approximately 25 percent of the population was concentrated in the Province of Habana, which accounts for only 7 percent of the Cuban area.

The principal cities of Cuba, with their estimated population in 1938, are Habana, the capital and chief commercial city, 569,000; Holguin, 141,000; Camagüey, 138,000; Santiago de Cuba, 107,000; Santa Clara, 100,000; Cienfuegos, 92,000; Sancti Spiritus, 92,000; Matanzas, 73,000; Guantánamo, 68,000; Manzanillo, 66,000; and Pinar del Río, 65,000.

The people of Cuba are for the most part descendants of Spanish colonial settlers and more recent European immigrants, but there

<sup>1</sup> In Spanish, República de Cuba.

are many Negroes and persons of mixed race along the coasts and in certain of the provinces.

Cuba has received the major portion of the immigration in the West Indian area. The largest number of immigrants entering in any 1 year arrived in 1920, when 174,221 persons were admitted. By 1930 entries had declined to 12,219. A large part of the decline after 1924 may be attributed to the fact that the entry of Jamaican and Haitian laborers for seasonal work in the sugarcane fields was prohibited.

#### Natural resources and economy.

*Agriculture.*—The outstanding characteristic of the Cuban economy is its dependence upon sugar and tobacco and their products. In the decade 1929–38, approximately nine-tenths of all Cuban exports, in terms of value, were included in these two groups. Sugar and other derivatives of sugarcane alone accounted for from three-fourths to four-fifths of the value of all exports during the decade. In recent years, however, considerable diversification of agriculture has taken place.

Cuba is the outstanding Latin American producer and exporter of sugar, furnishing more than one-half of total Latin American production, and about three-fourths of all Latin American exports. Cuba supplies only about one-tenth of the world production of sugar, but accounts for nearly one-fourth of the sugar entering international trade. Cuban production in 1928–29 amounted to 5.8 million short tons. In the 3 years 1935–36 to 1937–38, it averaged 3.2 million short tons annually.

Cuba leads in the production and export of blackstrap molasses, a byproduct obtained in the manufacture of sugar. About 85 percent of total Latin American exports of this product comes from Cuba, exports from which in the 3 years 1936–38 averaged more than 163 million gallons annually. During recent years Cuba, in addition to its production of blackstrap molasses, has also produced large quantities of so-called high-test molasses. This is a partially inverted sirup from which no sugar has been extracted; it is produced from surplus cane. This molasses moves through the same trade channels as blackstrap, and is utilized in part for the same purposes (principally the production of alcohol).

Exports of sugar and sugar products are the determining factors in the trend of the Cuban economy. Any rise or decline in the value of exports of sugar (whether resulting from changes in quantity or in price) is directly reflected in the Cuban import trade, as well as in internal economic conditions. The state of the Cuban sugar market is determined in part by the world market for sugar,<sup>2</sup> but more especially by the sugar policy of the United States. In terms of value this country customarily takes two-thirds or more of total

<sup>2</sup>In order to stabilize the production and international marketing of sugar, the major sugar exporting and importing countries concluded an international sugar agreement at London on May 6, 1937. Under the terms of this agreement, the major exporting countries agreed to limit for a period of 5 years their exports of sugar to the so-called free market, a term used to designate the limited international trade in sugar which does not enjoy preferential treatment. The principal importing countries also agreed not to adopt measures which would reduce the free market for sugar.

Cuban exports of sugar, as well as about nine-tenths of all exports of blackstrap molasses.<sup>3</sup>

Tobacco is the second important article of Cuban production and export. Cuba ranks second, in terms of quantity, among the many Latin American producers of tobacco, being exceeded only by Brazil. Production averaged nearly 51 million pounds annually in the 3 crop years 1936-37 to 1938-39. Cuban tobacco enjoys a unique reputation; for many years Cuba has been famous as a center of production of fine cigar tobaccos and of fine cigars. By far the larger part of its production of tobacco and cigars is exported, so that prosperity in the Cuban tobacco industry is directly affected by conditions in export markets, especially in the United States.<sup>4</sup> The choicest Cuban tobacco is grown principally in the famous Vuelta Abajo district, in the Province of Pinar del Río.

In recent years the Cuban tobacco industry has suffered severely because of various circumstances that have restricted its export trade. The value of exports of tobacco and tobacco products fell from more than 40 million dollars in 1929 to 14 million dollars in 1938. The mechanization of the United States cigar industry, and the sharp decline in the consumption of higher-priced cigars containing large proportions of Havana leaf, were among the chief factors in the loss of Cuban trade in leaf tobacco. The Spanish market for Cuban cigar leaf tobacco, customarily second only to the United States, was seriously curtailed by the civil war in Spain. The Cuban trade in cigars was damaged by adverse economic conditions and various trade restrictions in Europe, as well as by the increasing competition of the cigarette throughout the world. Following labor troubles in Habana, important cigar factories owned by United States interests were closed, and in 1932 a factory was built in New Jersey for the manufacture of Havana cigars. Thereafter, Cuban exports of cigars to the United States declined. This was the second migration of a part of the Cuban tobacco industry to the United States. Much earlier, under the encouragement of the high United States duty on cigars, a clear-Havana cigar industry, with Cuban workers, had been established in Key West and Tampa, Florida.

Fruits and vegetables, next in commercial importance to tobacco, are grown in Cuba for the domestic and the United States markets. The principal fruits exported are bananas, pineapples, avocados, and grapefruit. Exports of vegetables, chiefly from the Provinces of Habana and Pinar del Río (at the western end of the island), include, in the order of their importance, tomatoes, eggplant, potatoes, green peppers, lima beans, cucumbers, okra, squash, and string beans. Tomatoes alone account for approximately one-half of total exports of vegetables.

<sup>3</sup> Since 1934 the marketing of sugar in continental United States has been limited by law (except for the period September 12 to December 31, 1939). The Secretary of Agriculture under this authority designates at the beginning of the year the maximum quantity to be marketed, subject to revision during the year. The estimated consumption is apportioned to the supplying areas in accordance with a formula set forth in the statute. The continental producing areas, the domestic offshore areas (Hawaii, Puerto Rico, the Virgin Islands, and the Philippines), Cuba, and each of the other regular foreign supplying countries are assigned definite pro rata shares of the total designated supply. Of the total United States consumption of sugar, under the quota program, Cuba supplies about 29 percent. The quota provisions of the Sugar Act of 1937 were scheduled to expire on December 31, 1940, but were extended for 1 year by an act of Congress approved October 10, 1940.

<sup>4</sup> See the section on manufacturing, pp. 227-228.

Other Cuban agricultural products include henequen, coffee, cacao, rice, honey, beeswax, and cotton. Production of henequen (a fiber used in the manufacture of rope, wrapping twine, and binder twine) is estimated to have been 33 million pounds annually in the 3 years 1936-38. Exports in the same period ranged between 13 million and 23 million pounds and went largely to the United States.

Production of coffee, once an important crop (especially in the eastern half of the island), fell off greatly, but has recently been given considerable attention, and Cuba now produces an excess over domestic requirements. Production in 1937 and 1938 averaged 15 million pounds annually, as compared with less than 500,000 pounds in 1929.

Cacao is grown in the Provinces of Oriente and Santa Clara, but production is small. Some rice is grown in Cuba, but production provides less than one-tenth of domestic requirements. The abundance of flowers throughout the year supports large numbers of bees. In 1938 exports of honey totaled 13 million pounds, while those of beeswax amounted to 638,000.

Cuban agriculture has become more diversified as a result of higher tariff duties after 1927, the policies of the Government after 1930, and the Three-Year Plan of 1937. Cuba is now self-sufficient in a number of agricultural products which formerly were imported in substantial quantities. In addition to coffee, these include corn, beef, eggs, and dairy products.<sup>5</sup>

*Pastoral industries.*—An equable climate, adequate pasture lands, and absence of pests make large parts of Cuba suitable for stock raising. For many years, cattle raising was one of Cuba's most important industries. According to the census of 1931 there were nearly 3 million cattle, nearly 1 million hogs, and 101,000 sheep in the country. Pastoral products are consumed largely in the domestic market. Total exports of such products in 1938 were valued at 2.8 million dollars, of which 1.6 million dollars were accounted for by raw hides and skins. Small quantities of chilled beef, butter, and other animal products also are exported.

*Forest industries.*—Forests cover about one-sixth of the Cuban area. Among the more important types of wood are cedar, mahogany, ebony, *lignum vitae*, and *majagua* (a member of the linden family). Exports of lumber and timber in 1937 were valued at \$427,000, and in 1938 at \$311,000. The most important wood exported is mahogany; in 1938, 125,000 cubic feet, valued at \$161,000, were shipped abroad. Cedar is utilized principally in the manufacture of cigar boxes and pencils.

*Marine industries.*—Sponges constitute a source of considerable wealth to Cuba, the gathering of sponges being an industry of importance on the southern coast of the Province of Habana and on the adjacent Isle of Pines. Exports of sponges in 1938 amounted to 712,000 pounds, valued at \$597,000. Turtle shell and mother-of-pearl are also exported. Other fishery products are of limited importance and are consumed locally.

*Mining.*—Although Cuba is primarily an agricultural country, great attention has been given in recent years to the development of its mineral resources. From the standpoint of their present develop-

<sup>5</sup> For a further discussion of agricultural diversification, see the section on the Three-Year Plan, p. 228.

ment, the most important minerals are manganese, copper, iron, chromium, and asphalt. A large number of other minerals, however, are found in Cuba; these include gold,<sup>6</sup> silver, mercury, zinc, lead, barium, antimony, sulphur, coal, asbestos, petroleum, and salt.

Cuba now ranks second among the Latin American countries, in terms of quantity, as a producer of manganese, being exceeded only by Brazil.<sup>7</sup> In terms of value, however, Cuba ranks first because of the high quality of its ore and the preferential treatment which is accorded Cuban manganese in the United States.<sup>8</sup> Production in Cuba increased regularly from 1,000 long tons in 1929 to 129,000 long tons in 1937; in 1938 it was 122,000 long tons. The increase in recent years resulted from the success of a new process for concentrating the ore. All exports of manganese are shipped to the United States.

Cuba ranks fourth among the Latin American countries as a producer of copper, although its output is much smaller than that of any of the three leading countries.<sup>9</sup> Annual production in the 3-year period 1936-38 averaged 13,800 short tons (copper content), practically all of which was exported to the United States.<sup>10</sup>

Cuba possesses iron-ore reserves which are among the most extensive of Latin America. They are estimated to be 3,159 million long tons, or more than one-fourth of all those Latin American reserves the development of which is believed to be a commercial possibility under present conditions. The iron-ore deposits of Cuba have been developed and mined by United States steel interests. Large tonnages of high-grade ore are located close to the seaboard, where they can be shipped to market by low-cost water transportation. Practically all of the Cuban ore is exported to plants along the eastern coast of the United States. Exports amounted to 74,000 long tons in 1929. In 1936 they were 340,000 long tons, and in 1937, 374,000 long tons, but in 1938 they declined to 98,000 long tons.<sup>11</sup>

*Manufacturing.*—Cuban manufacturing industry produces a wide range of commodities, chiefly for domestic consumption. The principal industries, however, are the processing of sugarcane and the manufacture of tobacco products.<sup>12</sup> Associated with the sugar industry is the manufacture of rum and industrial alcohol from molasses. The chief impetus to the development of other manufactures came with the decline in the sugar and tobacco industries after 1924.

In 1927 the Cuban tariff was revised, principally for the purpose of fostering domestic industries. Duties were increased on a number of products, including shoes, clothing, soap, perfumes, toilet preparations, beer, paints, and varnishes, and thereafter imports of such products declined. By 1930, as a result of the decline in Cuban purchasing power, the necessity of importing raw materials, the high cost of fuel, and the persistence of foreign competition in certain lines despite increased duties, it was decided to embark upon a broad plan

<sup>6</sup> The value of gold production in 1939 was estimated to be \$105,000.

<sup>7</sup> Brazilian production of manganese ore in 1938 amounted to 218,000 long tons.

<sup>8</sup> Under a provision of the commercial convention signed by the United States and Cuba in 1902, and reaffirmed by the trade agreement of 1934, Cuban manganese enters the United States free of duty.

<sup>9</sup> Chile, Mexico, and Peru.

<sup>10</sup> Imports of copper into the United States from Cuba in 1939 amounted to 5,831 short tons (copper content).

<sup>11</sup> Imports of iron ore (including manganese iron ore) into the United States from Cuba in 1939 were 269,666 long tons.

<sup>12</sup> See the section on agriculture, pp. 224-226.

for the diversification of agriculture and for the development of manufacturing industry. In 1937 a 3-year plan for the development of industry and agriculture was announced.

Cuban manufactures which are produced with domestic raw materials (in addition to sugar, molasses, alcohol, cigars, and cigarettes), include rope and twine, jerked beef, dairy products, canned fruits, rum, furniture, cement, brick, and tile. A much wider range of domestically produced commodities is manufactured from imported raw materials. These include soap, perfumes, toilet preparations, beer, mineral waters, condensed milk, paint, matches, cotton piece goods, clothing, hosiery, blankets, towels, knit goods, shoes, hats, paper, cardboard, ink, tin containers, glassware, and aluminum ware.

*The Three-Year Plan.*—Announcement of Cuba's Three-Year Plan was made in July 1937. Under the Government's program, the agricultural objectives of the plan included coordination of the sugar industry, distribution of government lands to small farmers, agricultural education and experimentation, scientific breeding of cattle and hogs, establishment of a tariff-protected meat-packing industry, encouragement of the vegetable-oil industry by the planting of peanuts and soybeans, and the draining of swamps to produce land suitable for rice cultivation.

In the program for the diversification of agriculture, emphasis has been placed on truck farming, potato culture, corn production, the coffee industry, dairying and the production of beef, pork, poultry, and vegetable oils.

On the industrial side, in addition to plans for a large number of small industries, attention has been given to the garment, shoe, and furniture industries, and to the production of construction materials, including cement, fabricated steel, brick, mosaic floor tiles, and ornamental iron work. Special consideration has also been accorded those industries which utilize domestic materials, and which tend to stimulate the expansion of agriculture.<sup>13</sup>

*Foreign investments.*—Foreign investments in Cuba consist largely of United States capital, much of which entered Cuba during and after the World War of 1914-18. United States direct investments in Cuba exceed those in any other country of Latin America, and Cuba ranks second among the countries of the world in total United States direct investments.<sup>14</sup> At the end of 1936, direct investments of United States capital in Cuba amounted to 666 million dollars, or 24 percent of all such investments in the 20 Latin American countries.<sup>15</sup>

In the order of their importance by industrial groups, United States direct investments in Cuba at the end of 1936 were distributed as follows: Public utilities and transportation, 315 million dollars (47

<sup>13</sup> In addition to the agricultural and industrial objectives, the Three-Year Plan also provides for the reform of mining legislation, the revision of the taxation system, the organization of a national banking system, the revision of labor legislation, and the extension of social insurance, public education, and health and charity work.

<sup>14</sup> Canada ranks first. "Direct" investments are defined as all United States investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice.

<sup>15</sup> All statistics of United States direct investments are from the U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1929*, p. 18, and *1936*, p. 12. Data for years subsequent to 1936 are not available. United States direct investments in the 20 Latin American countries at the end of 1936 amounted to 2,803 million dollars. In addition, about 44 million dollars was invested in the Guianas and in British, French, and Dutch possessions in the West Indies.

percent of the total); agriculture, 265 million dollars (40 percent); manufacturing, 27 million dollars (4 percent); distribution, 15 million dollars (2 percent); mining and smelting, 15 million dollars (2 percent); petroleum, 6 million dollars (1 percent); and miscellaneous, 24 million dollars (4 percent). Sugar plantations and centrals, usually associated with foreign investments in Cuba, accounted for 240 million dollars or 36 percent of the total.

Total United States direct investments in Cuba at the end of 1936 were 253 million dollars less than in 1929. In 1929 the United States Department of Commerce estimated that such investments amounted to 919 million dollars, of which 544 million dollars was accounted for by investments in Cuban sugar, including 55 million dollars of preferred stock, and 125 million dollars of bonds, debentures, and notes. In the reorganization of the Cuban sugar industry between 1930 and 1936, preferred stock was reduced to 25 million dollars, and bonds to 55 million dollars. Other investments in agriculture did not change greatly between 1929 and 1936.

United States direct investments in Cuban public utilities and railroads increased from 215 million dollars in 1929 to 315 million dollars at the end of 1936. This increase cannot be accounted for except on the basis of a change in the method of valuation.<sup>16</sup> The reduction in estimated United States direct investments in Cuban manufacturing enterprises from 45 million dollars in 1929 to 27 million dollars in 1936 occurred largely in the manufacture of tobacco products.

United States portfolio investments<sup>17</sup> in Cuba, as of January 1, 1932, were estimated to be 206 million dollars, as compared with 2,141 million dollars for the 20 Latin American countries combined.<sup>18</sup> At the end of 1935, the United States portfolio of Cuban securities was estimated at 115.2 million dollars. This compared with 1,675 million dollars for 18 of the 20 Latin American countries.<sup>19</sup>

Foreign investments in Cuba, other than those of United States nationals, for the most part represent British and Spanish holdings. British investments in Cuba in March 1940 (both direct and portfolio), quoted on the London Stock Exchange, amounted to 34.4 million pounds sterling (approximately 138.6 million dollars).<sup>20</sup> About four-fifths of total British capital invested in Cuba is in railroads, about one-tenth in Government bonds, and the remainder in miscellaneous investments. Information as to Spanish investments in Cuba is not available. Retail commerce in Cuba, however, is largely controlled by the Spanish colony, which also owns much urban property. It was estimated that in the years prior to 1935 annual remittances to Spain by Spaniards in Cuba amounted to be-

<sup>16</sup> According to the U. S. Department of Commerce, it is possible that the valuation employed in 1929 was too low, or that the one used in 1936 was too high, or both.

<sup>17</sup> "Portfolio" investments are defined as equity and other security investments in foreign-controlled corporations, and investments in the security issues of foreign governments or subdivisions thereof.

<sup>18</sup> *American Foreign Investments in 1931*, Foreign Policy Reports, vol. VII, No. 24, February 3, 1932.

<sup>19</sup> The figures do not include Ecuador and Paraguay. Estimates are exclusive of repatriations and market purchases. Cleona Lewis, *America's Stake in International Investments*, The Brookings Institution, 1938, p. 655.

<sup>20</sup> *The South American Journal*, March 30, 1940.



tween 10 and 20 million dollars, and that the interest on Spanish capital invested in Cuba was about 3 million dollars per year.<sup>21</sup>

### THE FOREIGN TRADE OF CUBA

In 1938 Cuba ranked fifth in foreign trade among the countries of Latin America. In that year, with exports valued at 143 million dollars, Cuba furnished 8 percent of the value of all commodities exported from the 20 Latin American countries.<sup>22</sup> Imports amounted to 106 million dollars, and represented 7 percent of the value of all Latin American imports. Cuban exports customarily exceed imports. In the years 1936-38, the export balance ranged from 37 to 56 million dollars, exports exceeding imports by 35 to 50 percent.<sup>23</sup>

In proportion to its population, Cuba has a larger foreign trade than any other important country of the Western Hemisphere except Canada and Argentina. In 1937 Cuba's imports were equal to \$31.55 per capita and its exports to \$45.30, as compared with \$22.90 and \$25.10, respectively, for the United States. In proportion to national income, the disparity between Cuban foreign trade and that of the United States would be even more pronounced. The reason for Cuba's large foreign trade lies in the undiversified character of its products, arising out of specialization, its peculiar advantages in the production of sugar and certain types of tobacco for which there is a large demand, its preferential trade relations with the United States, and its proximity to large consuming centers.

#### Cuban commercial policy.

Since 1929, the foreign trade of Cuba has been influenced by the increased preferential treatment accorded by Cuba and the United States to each other's products, by the policy of the United States for sugar, by the Cuban policy of differential tariff treatment based on trade balances, by the Cuban policy of diversification of agriculture and industry, and by exchange regulations.

*The tariff.*—Since March 1935, the Cuban tariff, as applied to products of countries other than the United States, has been a three-column tariff consisting of maximum, minimum, and intermediate columns, applied chiefly on the basis of bilateral trade balances.<sup>24</sup> A special or fourth column in the Cuban tariff applies only to products of the United States. This column, by virtue of the commercial convention of 1902 between Cuba and the United States, the trade agreement of August 24, 1934, and the supplementary agreement effective December 23, 1939, consists of rates all of which represent "exclusive and preferential reductions." They are arrived at by applying stipulated percentages of reduction, ranging from 20 to 60

<sup>21</sup> Commission on Cuban Affairs, Foreign Policy Association, *Problems of the New Cuba*, 1935.

<sup>22</sup> In trade statistics, the Cuban peso is equivalent to the U. S. dollar.

<sup>23</sup> Export values employed by Cuba are *L. o. b.* Cuban port, as declared by merchants and verified by the customs. Import values are *L. o. b.* port of embarkation in country of origin, as declared by merchants and verified by the customs.

<sup>24</sup> A few products are admitted at treaty rates lower than present minimum-column rates of duty. Such conventional concessions are not generalized by Cuba. Cuba has in force most-favored-nation treaties with Spain and France (Cuban concessions on United States trade being excluded from such commitments), which antedate the adoption of the new tariff system. Minimum-column tariff treatment, therefore, is extended to the products of these two countries regardless of the trade balance. By one other agreement only, that concluded with the United Kingdom February 19, 1937, is Cuba pledged to extend most-favored-nation tariff treatment (apart from the treatment accorded products from the United States), without limitation and without regard to the balance of trade.

percent, to the lowest rates of duty payable on like imports from any other country.<sup>25</sup>

Since 1903, products of the United States have received preferential treatment in Cuba (as have Cuban products in the United States); moreover, this treatment is recognized as an exception to the operation of the most-favored-nation clause. The statements below with respect to Cuban tariff policy and practice relate only to treatment of imports from countries other than the United States. In recent years the United States has supplied, in terms of value, between two-thirds and three-fourths of all Cuban imports.

The present Cuban tariff policy, involving differential tariff treatment on the basis of trade balances, became effective March 29, 1935. The so-called import-control law<sup>26</sup> effected a complete change in Cuban tariff policy, although it utilized the then existing maximum and minimum tariff schedules. Prior to 1935 the minimum rates had been the ordinary Cuban tariff for imports from countries other than the United States, and the maximum rates had constituted a penalty schedule which had not in fact been applied.

Under the new policy, the minimum column ceased to have the character of a general tariff. Instead, the law provided that in the future the rates of the minimum tariff should apply only to the products of those countries the purchases of which from Cuba were equal to at least one-half the value of Cuban imports therefrom. The former maximum duties, which were double the minimum rates, were retained under the new name "maximum general tariff," and were made to apply to countries the purchases of which from Cuba were less than one-fourth of the value of their sales to Cuba. Intermediate rates, consisting of the minimum duties increased by one-fourth, were made applicable to countries imports of which from Cuba amounted to more than one-fourth but less than one-half of their exports to Cuba.

These provisions were to be applied in any given year on the basis of Cuba's trade with each foreign country in the preceeding calendar year, as indicated by the official Cuban import and export statistics.<sup>27</sup> The law further provided that the tariff changes it introduced should in no way modify the preferential treatment of products of the United States under the provisions of the trade agreement of August 24, 1934, or the most-favored-nation treatment pledged by treaty to France and Spain.

<sup>25</sup> Accordingly, a number of United States products are entitled to preferential rates of duty based on conventional rates which are lower than existing minimum-column duties, and are bound against increase. The concessions provided for by the agreements with the United States are not subject to extension or generalization on the basis of most-favored-nation obligations to third countries, and the existing commercial treaties of Cuba with other countries make specific exception of the United States-Cuban reciprocity favors. A few products of the United States, which entered Cuba free of duty before the agreement of 1934 was concluded, are entitled to continued free entry, even though dutiable if imported from other countries.

<sup>26</sup> Enacted March 15, 1935.

<sup>27</sup> For its first application, effective March 29, 1935, the use of 1933 trade figures was specified by the law. Under the first year's application, the Cuban minimum tariff rates were applied to the products of 24 countries, the intermediate rates applying in the case of 7 countries, and the maximum rates in the case of 22 specified countries and in addition to the products of those countries taking no exports from Cuba in 1933. Subsequently, certain countries specified for intermediate or maximum tariff treatment were transferred to the minimum or intermediate groups, as a result of commitments by which these countries obligated themselves to purchase Cuban products to the extent required for such improved tariff treatment. In a general way this experience has been repeated from year to year. The tariff treatment so determined continued to be applied, unless otherwise modified, until superseded each following year as a result of examination of trade statistics for the preceding calendar year. The effective dates of the Presidential decrees establishing such classifications of countries for tariff purposes are as follows: February 29, 1936; March 31, 1937; April 11, 1938; April 4, 1939; and April 9, 1940.

In order to provide the basis for the negotiation of commercial agreements, an amendment to the law of 1935 was adopted. This authorized the application, during any year, of the minimum-column duties to the products of countries obligating themselves to import Cuban products equal in value to at least 50 percent of their exports to Cuba during the same year. The amendment also provides that the application of the minimum tariff to any country may be withdrawn after July 1 of each year, if it appears unlikely that the country concerned will be able to fulfill its obligations to purchase Cuban products within the year. Furthermore, the termination of minimum-tariff treatment is authorized if the foreign country benefited thereby adopts measures of any kind restricting the transfer of funds to Cuba.

A few raw materials and articles of prime necessity were excluded from the application of duties based on trade balances, and continue to pay the minimum duties. This special application of minimum duties to selected articles, regardless of country of origin, has been provided for by 6-month periods, the latest extension dating from August 2, 1940. Since April 1936, however, the Cuban Government has been authorized to impose surtaxes resulting in the equivalent of intermediate duties on these raw materials and articles of prime necessity, if imported from countries with which the trade balance is notably unfavorable to Cuba. To date, only rice from Thailand (Siam) has been made subject to such a surtax.

Because Cuba remains bound by most-favored-nation obligations in treaties with Spain and France, in force since 1927 and 1929, respectively, the provisions of the import-control law for differential tariff treatment contingent upon the balance of trade have not been applied to these two countries, and their products generally have been assured minimum-column tariff treatment. The Cuban Government had previously denounced its most-favored-nation agreements with Japan and Portugal, to take effect only a few days after the new tariff policy went into operation. The most-favored-nation provision of the treaty of 1903 with Italy, requiring a year's notice, was denounced to expire January 5, 1936. Until early in 1938, Cuba had no other most-favored-nation obligations.

Since 1938, Cuba has entered into most-favored-nation agreements with four countries. An agreement with Chile, effective January 13, 1938, limits the application of most-favored-nation tariff treatment by Cuba (and, therefore, of Cuban minimum-column rates) to specified articles of trade. Moreover, an agreement with Italy, in force since March 27, 1939, and one with Portugal (which became effective April 24, 1939, but was denounced by Cuba effective June 24, 1940), contained reservations making the continued application of most-favored-nation or minimum-tariff treatment in Cuba conditional upon purchases of Cuban products by Italy and Portugal, respectively, at a level of not less than one-half the value of their imports into Cuba. Only in the commercial agreement with the United Kingdom, in force since September 10, 1938, has Cuba undertaken to grant most-favored-nation tariff treatment without limitation and without reference to the balance-of-trade provisions of the 1935 import-control law.<sup>23</sup>

<sup>23</sup> In 1938 Cuban exports to the United Kingdom were valued at 19.6 million dollars, and imports from the United Kingdom at 4.5 million dollars.

The Cuban Executive was not specifically authorized by the import-control law of March 1935 to amend tariff provisions and classifications, or to change the then existing tariff rates as such. On October 3, 1935, however, the Provisional Executive promulgated a decree-law authorizing the Executive to make whatever changes in the existing tariff and customs provisions that the Secretary of Finance might recommend, after a report had been made thereon by the Cuban Technical Tariff Commission which was recreated by that law. The Executive's control over changes in the tariff included the right to impose new rates of duty, to eliminate existing rates, and to create new classifications. These broad powers over the tariff, conferred upon the Provisional Executive, continue to have legal existence by virtue of a provision in the Constitutional Law of June 1935.<sup>29</sup>

The import-control law of March 1935 reenacted the provisions of the Cuban tariff law for countervailing duties to offset foreign export subsidies, direct or indirect, and for measures of protection for Cuban industry or commerce against the various forms of foreign dumping. The new law also provided for additional duties in the form of surtaxes based on the rates in the maximum column. These surtaxes apply to articles the importation of which would cause grave injury to Cuban industry, agriculture, or commerce because of any considerable depreciation of the currency, excessively low wages, or other profound economic disturbances in the country of origin or shipment. These provisions have been applied against Japanese textiles of cotton, rayon, and silk.

*Nontariff trade controls.*—The Cuban practice of unequal treatment of like imports extends beyond the application of ordinary tariff rates. For example, two rates of consular charges generally apply on shipments of goods to Cuba, depending upon the country of origin. Moreover, a substantial reduction in the Cuban consumption tax on whisky was originally established in favor of whisky manufactured in the United Kingdom and Canada, by decree-law effective September 11, 1935. The reduced rate also applies to whisky manufactured in the United States, by virtue of the United States-Cuban trade agreement. The reduction has not been generalized, but apparently is subject to extension to most-favored-nation-treaty countries.

The Cuban Tariff Law of 1927 contains a general provision prohibiting the importation of specified products and of any other articles the acquisition of which would be contrary to Cuban national interest or public health.<sup>30</sup>

The decree-law of April 4, 1936, providing for import surtaxes on rice and other basic commodities, also authorized the Cuban Executive to introduce an import-quota system. Annual quotas may be established on imported articles which are also grown or produced in Cuba, and which require protection. The quota restrictions are to be applied in such a way as to favor countries having reciprocal commercial agreements with Cuba, or which are entitled to receive mini-

<sup>29</sup> The provision stipulates that all laws, decree-laws, and decrees then in force are to continue unless in conflict with that Constitution, and until specifically abolished or amended. A new Constitution was adopted by Cuba as of October 10, 1940. The discussion in this section refers to the status of these measures prior to that date.

<sup>30</sup> The same law authorized the Executive, after a hearing by the Technical Tariff Commission, temporarily to prohibit the exportation of foodstuffs or raw materials, or to impose export duties on such articles, for the purpose of preventing irreparable injury to Cuban national interests. Any such action taken must be reported to the Congress.

num-column tariff treatment. Measures taken under these quota provisions have applied, since May 1937, to imports of condensed, evaporated, or concentrated milk (except products of the United States, France, and Spain) and since July 1939, to imports of henequen or sisal fiber (except imports of these products from the United States).

*Exchange control.*<sup>31</sup>—A form of exchange control has been in effect in Cuba since July 15, 1939. Cuban exporters of sugar and sirup are required to deliver to the Government 30 percent of the dollars obtained from such exports, in return for Cuban silver pesos at par. Exporters of other Cuban products could be, but have not in fact been, required to deliver 15 percent of the dollar proceeds of their sales abroad.<sup>32</sup> From the funds so accumulated, the Government services its foreign debts, pays the salaries of its representatives abroad, purchases supplies, and allocates the remaining exchange at par to Cuban importers for imports of merchandise of prime necessity. Few importers receive this par exchange, but dollar exchange is regularly available in the exchange markets, and drafts payable in foreign currencies are sold freely by all the important banks in Cuba.<sup>33</sup>

*Commercial treaties and agreements.*—Under the Constitutional Law of June 11, 1935, the Cuban Executive has authority to conclude treaties.<sup>34</sup> He is obliged, however, to submit them to the Senate for approval. Commercial agreements other than treaties are not provided for in the Constitution.

Cuba has in force only four commercial treaties or agreements,<sup>35</sup> besides the preferential trade agreement with the United States, and not including arrangements concerning tariff treatment under the import-control law. Agreements with Spain and France have been in force since 1927 and 1929, respectively.<sup>36</sup>

In May 1937, Cuba established an interdepartmental committee on commercial treaties and agreements, composed of representatives of the Cuban Departments of State, Finance, Agriculture, and Commerce and Labor. This committee is charged with the study of such agreements as are in force or under contemplation, presumably for the purpose of advising the Executive. The Cuban Legislature has its own committees on foreign relations, tariffs, and commerce, to which commercial agreements and related matters are referred before being submitted for approval.

The trade agreement with the United States, effective September 3, 1934, was put in force on the part of Cuba by Executive action, under the provisions of the Constitutional Law of February 3, 1934. This trade agreement while in force supersedes the commercial convention of 1902, known as the Reciprocity Treaty. By the provisions of the agreement, a great number of Cuban import duties on United States products were reduced or bound against increase; moreover, the percentage of preference accorded many United States products

<sup>31</sup> For years the Cuban peso was kept at par with the United States dollar. The recent coinage of large quantities of silver currency, however, has resulted in the depreciation of the peso, in terms of the United States dollar, to the current (June 1940) quotation of \$0.80. During the year prior to that date, the rate of discount varied from 2-3 percent to as high as 15-16 percent. United States currency is legal tender in Cuba. In trade statistics, the Cuban peso is equivalent to the United States dollar.

<sup>32</sup> Before September 15, 1939, the specified percentages were 20 and 10.

<sup>33</sup> Certain well-known United States and Canadian banking institutions have branches in the larger Cuban cities and also maintain offices in the smaller cities.

<sup>34</sup> A new Constitution was adopted as of October 10, 1940. The discussion in this section refers to the powers exercised by the Executive prior to that date.

<sup>35</sup> These affect only a small number of tariff rates.

<sup>36</sup> See also the section on the tariff.

was increased, tariff classifications were changed, and certain Cuban consumption taxes were modified.

In the agreement, Cuban concessions to the United States included preferential treatment on more than 400 specified tariff items, the margin of preference to the United States ranging from 20 percent to 60 percent of the "minimum" rates of duty. The United States concessions to Cuba included preferential treatment on 35 specified tariff items,<sup>87</sup> the margin of preference to Cuba being increased from the previous uniform 20 percent to 40 percent on 4 items, and to 50 percent on 6 items. On all unspecified dutiable articles the preference remains at 20 percent of the minimum duty. Except for special arrangements regarding Cuban sugar and tobacco, each country agreed that no quantitative restrictions should be imposed on any article enumerated in the schedules of the agreement. Imports of Cuban grapefruit, avocados, and winter vegetables were permitted to enter the United States at specially reduced rates during certain seasons.

A supplementary trade agreement between the United States and Cuba, effective December 23, 1939, amended the trade agreement of 1934. The supplementary agreement provided for the restoration of the reduced United States duties on Cuban cigars, and (subject to quantitative limitations) on Cuban cigar-filler leaf and scrap tobacco, to replace the concessions originally provided in the 1934 agreement but terminated in March 1936.<sup>88</sup> On cigar-wrapper tobacco a preferential rate lower than that specified in the earlier agreement, but already applied to the Cuban product as a result of a concession in the trade agreement with the Netherlands, was bound against increase. For Cuban sugar, provision was made to restore the reduced duties, effective before the suspension of the quota provisions of the Sugar Act of 1937<sup>89</sup> (at the rate of 0.9 cent per pound of 96° sugar), upon the reestablishment by the United States of the sugar-quota system. The continued application of the reduced rates of duty was made contingent upon the existence of a statutory provision for the imposition of limitations on the importation or marketing of Cuban sugar. In accordance with the amendatory agreement, the reduced rates on Cuban sugar again became effective on December 27, 1939. The new agreement did not alter the basic preferential provisions of the trade agreement of 1934.

#### Trend of the trade.

*Exports.*—Total exports from Cuba in 1929 amounted to 272 million dollars. By 1932 they had declined to 81 million dollars or 29 percent of their 1929 value. They recovered to 186 million dollars in 1937, and were 143 million dollars in 1938. The decline in 1938 was largely the result of lower prices for sugar and the smaller volume of exports of sugar. Preliminary returns indicate that exports in 1939 were valued at 148 million dollars, an increase of about 3 percent over 1938.

The year 1929, the earliest shown in the detailed tables hereinafter presented, was not a peak year in exports either to the world or to the United States. Exports to all countries declined irregularly

<sup>87</sup> Including the many grades of sugar as one item.

<sup>88</sup> See the discussion of the tariff status of tobacco, p. 260.

<sup>89</sup> The quota provisions of the Sugar Act of 1937 were suspended from September 12 to December 31, 1939.

from 435 million dollars in 1924 to 272 million dollars in 1929.<sup>40</sup> Exports to the United States were larger in each year from 1924 to 1927 than they were in 1929. Exports from Cuba to all countries and to the United States, in the period 1924-38, are shown in tables 1 and 2.

TABLE 1.—Cuba: Trade with the world, 1924-38

[Value in thousands of U. S. dollars †]

Year	Exports	Imports	Year	Exports	Imports
1924	434,865	289,831	1932	80,672	51,024
1925	353,964	297,324	1933	84,391	42,360
1926	301,708	250,826	1934	107,746	73,418
1927	324,368	257,384	1935	128,022	95,465
1928	278,070	212,817	1936	154,847	103,215
1929	272,440	216,215	1937	186,071	129,572
1930	167,410	162,452	1938	142,678	106,007
1931	118,865	80,111			

† In trade statistics, the Cuban peso is equivalent to the U. S. dollar.

Source: Compiled by the United States Tariff Commission from *Comercio Exterior, República de Cuba*.

TABLE 2.—Cuba: Trade with the United States,<sup>1</sup> 1924-38

[Value in thousands of U. S. dollars †]

Year	Exports		Imports		Year	Exports		Imports	
	Value	Percent of total to United States	Value	Percent of total from United States		Value	Percent of total to United States	Value	Percent of total from United States
1924	362,265	83.3	191,571	66.1	1932	57,482	71.3	27,653	54.2
1925	284,200	74.6	187,224	63.0	1933	57,112	67.7	22,674	53.5
1926	242,882	80.5	160,051	61.4	1934	81,094	75.3	41,225	56.2
1927	256,143	79.0	159,056	61.8	1935	101,534	79.3	55,686	58.3
1928	202,535	72.8	129,349	60.8	1936	121,899	78.7	66,494	64.4
1929	208,754	76.6	127,051	58.8	1937	150,148	80.7	88,847	68.6
1930	116,116	69.4	91,872	56.6	1938	108,363	75.9	75,152	70.9
1931	89,074	74.9	45,940	57.3					

† These statistics do not include the trade of Cuba with Puerto Rico and Hawaii.

† In trade statistics, the Cuban peso is equivalent to the U. S. dollar.

Source: Compiled by the United States Tariff Commission from *Comercio Exterior, República de Cuba*.

Price and quantum indexes of Cuban exports are not available. The effect of fluctuations in prices and changes in quantities on the export trade of Cuba, however, is partially indicated by statistics for the leading export commodities—sugar, leaf tobacco, and cigars—which in the decade 1929-38 constituted three-fourths to four-fifths or more of all Cuban exports, in terms of value. The quantities of these products exported from Cuba, and their average unit values, indicate that the decline in Cuban exports from 1929 to 1932 was due as much to a decline in the quantities exported as to the reduction in prices, whereas the subsequent recovery was caused in large part by an improvement in prices. Quantities, values, and unit values of selected export commodities, in specified years, 1929 to 1938, are shown in table 3.

Cuban exports of sugar declined from 5.5 million short tons in 1929 to 2.9 million short tons in 1932, a drop of nearly one-half. In each of the years 1936-38 exports were maintained at approximately

† In trade statistics, the Cuban peso is equivalent to the U. S. dollar.

the 1932 level (see table 3). The price of sugar shipped to the United States<sup>42</sup> declined from 2.0 cents per pound (ex duty) in 1929 to 0.93 cent per pound in 1932, a decline of slightly more than one-half. After 1932 prices of sugar shipped to the United States recovered, reaching 2.71 cents per pound in 1936, or more than one and one-third times the 1929 level. In 1937 they declined to 2.55 cents, in 1938 to 2.04 cents, and in 1939 to 1.87 cents. In January 1940 the domestic price of sugar was 1.96 cents per pound. Thereafter it declined irregularly to 1.75 cents in August; in September 1940 it was 1.81 cents per pound.

In the world market, the price of sugar declined from 1.91 cents per pound in 1929 to 0.87 cent per pound in 1932. After 1932, however, prices of sugar shipped to the world market recovered slowly. In 1936 the price was only 1 cent per pound; thereafter it increased, reaching 1.46 cents per pound in 1939.<sup>42</sup> In January 1940 the world price of sugar (New York basis) was 1.73 cents per pound; it then declined steadily to 0.91 cent in September.<sup>43</sup>

Exports of leaf tobacco from Cuba declined from 47 million pounds in 1929 to 23 million pounds in 1936, a decline of more than one-half. Thereafter they increased, reaching 28 million pounds in 1938, or 79 percent of the 1929 level. Unit values of exports of leaf tobacco declined by more than one-half between 1929 and 1932 (from 58.4 to 28.2 cents per pound). In 1937 they increased to 41.0 cents per pound, but in 1938 declined to 37.4 cents, or 64 percent of the 1929 figure. (See table 3.)

Exports of cigars declined by more than two-thirds between 1929 and 1932 (from 89 million to 29 million). In 1936 they amounted to 42 million, but declined in 1938 to 33 million, or 36 percent of the 1929 level. Unit values of exports of cigars declined by more than one-fourth between 1929 and 1932 (from \$114.80 per thousand to \$82.78 per thousand). They increased to \$102.20 per thousand in 1937, but declined in 1938 to \$91.41 per thousand, or 80 percent of the 1929 level. (See table 3.)

*Imports.*—Significant developments in the Cuban import trade during the decade 1929–38 included the increasing importance of the United States as a supplier and the decline in the importance of imports of foodstuffs. Imports into Cuba from all countries and from the United States, in the period 1924–38, have already been shown in tables 1 and 2. The year 1929, the earliest shown in the subsequent detailed tables, was not a peak year in imports either from the world or from the United States. Imports from all countries in 1929 were exceeded substantially in each of the 4 years 1924–27, and imports from the United States in 1929 were exceeded in each of the 5 years 1924–28.

Cuban imports in 1929 were valued at 216 million dollars. In 1932, they decreased to 51 million dollars, or to less than one-fourth of their 1929 value. All commodity groups shared in the decline, but the principal groups affected were machinery, instruments, appa-

<sup>42</sup> See table 13.

<sup>43</sup> Prices are f. o. b. Habana (No. 4 contract) plus transportation charges from Habana to New York.



ratus, and vehicles; metals and manufactures; and animals and their products. Imports increased to 130 million dollars in 1937, but fell to 106 million dollars in 1938. Imports in 1939 were valued at nearly 106 million dollars.<sup>44</sup>

TABLE 3.—Cuba: Exports of selected commodities, in specified years, 1929 to 1938

Commodity	1929	1932	1936	1937	1938
Quantity					
Sugar, 1,000 short tons .....	5,544	2,931	2,910	2,988	2,911
Molasses, blackstrap, 1,000 gallons .....	244,322	130,112	202,718	168,105	118,906
Leaf tobacco, 1,000 lb. ....	46,693	36,869	23,049	27,379	28,025
Cigars, 1,000 .....	89,387	28,569	42,054	35,762	32,634
Copper ore and concentrates, short tons .....	63,988	23,818	48,501	44,349	55,929
Manganese ore, long tons (gross) .....	8,400	18,874	36,053	131,934	119,968
Value (1,000 U. S. dollars) <sup>1</sup>					
Sugar .....	204,849	53,973	112,591	127,285	99,771
Molasses, blackstrap .....	11,674	3,457	10,726	8,188	4,387
Leaf tobacco .....	27,247	10,381	9,153	11,217	10,478
Cigars .....	10,262	2,365	4,038	3,655	2,983
Copper ore and concentrates .....	1,851	309	1,543	2,977	2,342
Manganese ore .....	55	121	515	2,590	2,255
Unit value (U. S. dollars)					
Sugar, short ton .....	36.95	18.42	38.69	42.60	34.28
Molasses, blackstrap, gallon .....	.048	.027	.053	.049	.037
Leaf tobacco, pound .....	.548	.282	.397	.410	.374
Cigars, 1,000 .....	114.80	82.78	96.73	102.20	91.41
Copper ore and concentrates, short ton .....	28.93	12.97	31.81	67.14	41.82
Manganese ore, long ton (gross) .....	6.59	6.39	14.29	18.12	18.79

<sup>1</sup> In trade statistics, the Cuban peso is equivalent to the U. S. dollar.

Source: Compiled by the United States Tariff Commission from *Comercio Exterior, República de Cuba*.

#### Exports from Cuba.

*Composition.*—Sugar and other derivatives of sugarcane, and tobacco products account for nearly nine-tenths of all Cuban exports, in terms of value. In addition to these two groups, the Cuban export classification includes stone, gravel, and mineral products; food products (other than sugar and related products); animals and their products; forest products; and miscellaneous products. Exports from Cuba, by groups, principal subgroups, and commodities, in specified years, 1929 to 1938, are shown in table 4.

For all groups shown in table 4, except food products, there was a sharp drop in the value of exports between 1929 and 1932, caused in part by lower prices and in part by the decreased quantities of exports. The value of exports in the food-products group declined but slightly, and one subgroup—vegetables, cereals, and grains—showed a substantial increase over 1929. Several individual commodities in other groups, for example, manganese ore, and metals and manufactures, were substantially larger in 1932 than in 1929.

\* Preliminary. Price and quantum indexes of Cuban imports are not available.

TABLE 4.—Cuba: Exports,<sup>1</sup> by commodity groups, principal subgroups, and commodities, in specified years, 1929 to 1938

[Value in thousands of U. S. dollars]

Commodity group, subgroup, or commodity <sup>2</sup>	1929		1932		1936		1937		1938	
	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total
Grand total.....	272,440	100.0	80,672	100.0	154,847	100.0	186,071	100.0	142,678	100.0
Sugar and other derivatives of sugarcane.....	218,004	80.0	58,453	72.5	126,913	82.0	148,191	79.7	112,399	78.8
Sugar, raw.....	188,636	69.2	39,682	49.2	89,800	58.0	104,845	56.3	82,397	57.7
Sugar, refined.....	16,213	6.0	14,290	17.7	22,791	14.7	22,411	12.1	17,374	12.2
Molasses, sirup, etc.....	11,737	4.3	3,771	4.7	12,941	8.4	19,309	10.4	11,552	8.1
Distilled products.....	1,400	.5	709	.9	1,381	.9	1,597	.9	1,075	.8
Tobacco and manufactures.....	37,925	14.0	12,926	16.0	13,331	8.6	14,947	8.0	13,540	9.5
Tobacco, unmanufactured.....	27,247	10.0	10,381	12.9	9,153	5.9	11,217	6.0	10,478	7.3
Cigars (twisted tobacco).....	10,262	3.8	2,365	2.9	4,068	2.6	3,655	2.0	2,983	2.1
Stone, gravel, and mineral products.....	4,402	1.6	737	.9	3,752	2.4	7,211	3.9	5,399	3.8
Copper ore.....	1,651	.7	309	.4	1,543	1.0	2,977	1.6	2,342	1.6
Manganese ore.....	55	( <sup>3</sup> )	121	.1	515	.3	2,390	1.3	2,255	1.6
Iron ore.....	343	.1	65	.1	822	.5	914	.5	239	.2
Food products <sup>4</sup> .....	5,498	2.0	5,242	6.5	5,116	3.3	7,660	4.1	5,074	3.6
Fresh fruits.....	3,523	1.3	2,835	3.5	3,071	2.0	4,536	2.4	2,469	1.7
Bananas.....	1,615	.6	1,393	1.7	2,168	1.4	3,360	1.8	1,396	1.0
Vegetables, cereals, and grains.....	1,405	.5	2,211	2.7	1,630	1.0	2,219	1.2	1,807	1.3
Animals and their products.....	3,063	1.1	1,107	1.4	2,575	1.7	3,692	2.0	2,765	1.9
Hides and skins, raw.....	1,693	.6	441	.5	1,478	1.0	2,158	1.2	1,570	1.1
Forest products.....	1,307	.5	570	.7	1,569	1.0	2,095	1.1	1,434	1.0
Miscellaneous products, metals and manufactures, and chemical and pharmaceutical products.....	2,241	.8	1,637	2.0	1,600	1.0	2,275	1.2	2,067	1.4
Metals and manufactures.....	624	.2	784	1.0	580	.4	1,163	.6	1,151	.8
Miscellaneous products.....	1,338	.5	683	.8	899	.6	1,042	.6	841	.6

<sup>1</sup> General exports. Gold and silver bullion and specie are excluded. Values are f. o. b. Cuban port, as declared by merchants and verified by the customs.

<sup>2</sup> In trade statistics, the Cuban peso is equivalent to the U. S. dollar.

<sup>3</sup> Classifications employed in this table are those given in the Cuban export statistics for 1938. Groups are ranked according to value in 1938.

<sup>4</sup> Less than one-tenth of 1 percent.

<sup>5</sup> Including fish and meats, but not sugar and its derivatives.

Source: Compiled by the United States Tariff Commission from *Comercio Exterior, República de Cuba*.

All groups and commodities showed increases in value in 1937 over 1932; in several cases values in 1937 were in excess of those for 1929 (see table 4). Exports of practically all groups, subgroups, and commodities declined in 1938. For the principal groups and commodities, the ratios of the dollar values of exports in 1938 to those in 1929 were as follows: Sugar and other derivatives of sugarcane, 52 percent; raw sugar, 44 percent; refined sugar, 107 percent; molasses, sirup, etc., 98 percent; tobacco and manufactures, 36 percent; copper ore, 127 percent; manganese ore, 4,100 percent; and food products, 92 percent.

In the decade 1929-38 approximately three-fourths to four-fifths of the value of all Cuban shipments abroad consisted of sugar and other derivatives of sugarcane. The most important sugar product, raw sugar, in the years 1936-38 accounted for between 56 and 58 percent of all exports. Other derivatives of sugarcane, with their share of total exports in 1938, included refined sugar, 12 percent, and molasses and sirup, 8 percent.

The second most important Cuban export group, tobacco and manufactures, is composed almost entirely of unmanufactured to-

bacco and cigars. This group accounted for 14 to 16 percent, respectively, of the value of all exports in 1929 and 1932; in the period 1936-38, it formed between 8 and 9 percent of the total.

Other important Cuban exports are mineral products (now almost entirely composed of copper ore, manganese ore, and iron ore), and foodstuffs (largely fruits and fresh vegetables). In 1938 these groups each accounted for less than 4 percent of all Cuban exports. The percentage for the minerals group represents a substantial increase over that for 1929 and 1932. That of foodstuffs (which does not include sugar) has varied considerably.

Other Cuban exports in 1938 were animals and their products (largely raw hides and skins); forest products (principally mahogany); and miscellaneous products (including metals and their manufactures, chemicals, and pharmaceutical products.

*Destination.*—The principal markets for Cuban exports in 1938, with share of the total value taken by each country, were the United States, 76 percent, and the United Kingdom, 14 percent. Other purchasing countries in that year, no one of which accounted for as much as 2 percent of total exports, included Germany, Belgium, France, Spain, Japan, and Italy.

In each year of the decade 1929-38, approximately nine-tenths of all Cuban shipments abroad, in terms of value, went to the United States and the United Kingdom. There was but little variation in the share taken by each of these two countries. That of the United States ranged between 71 percent in 1932 and 79 percent in 1936, and was 76 percent in 1938. United States purchases from Cuba varied from 57 million (1932) to 209 million dollars (1929); in 1938 they amounted to 108 million dollars. The share of the United Kingdom varied between 11 percent (1937) and 15 percent (1932), and was 14 percent in 1938. In terms of value, United Kingdom purchases of Cuban products ranged from 12.4 million (1932) to 34 million dollars (1929); in 1938 they amounted to 19.6 million dollars.

The value of exports to France varied between 1 and 2 percent of the total. Germany's share increased irregularly from less than 1 percent in 1929 to nearly 2 percent in 1938. Shipments to Italy and Japan formed a negligible part of total Cuban exports during the decade.

TABLE 5.—Cuba: Foreign trade with selected countries, in specified years, 1929 to 1938

[Value in thousands of U. S. dollars <sup>1</sup>]

Country	1929		1932		1936		1937		1938	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
<b>Exports to—</b>										
All countries.....	272, 440	100. 0	80, 672	100. 0	154, 847	100. 0	186, 071	100. 0	142, 673	100. 0
UNITED STATES.....	208, 754	76. 6	57, 482	71. 3	121, 899	78. 7	150, 148	80. 7	108, 363	76. 0
United Kingdom.....	34, 242	12. 6	12, 444	15. 4	19, 881	12. 8	20, 011	10. 8	19, 602	13. 7
Germany.....	2, 251	. 8	657	. 8	2, 406	1. 6	3, 136	1. 7	2, 755	1. 9
Japan.....	245	. 1	48	. 1	168	. 1	69	. 1	197	. 1
Italy.....	41	( <sup>2</sup> )	17	( <sup>2</sup> )	4	( <sup>2</sup> )	209	. 1	52	( <sup>2</sup> )
France.....	5, 818	2. 1	2, 040	2. 5	2, 556	1. 7	2, 304	1. 2	2, 053	1. 5
All other.....	21, 089	7. 8	7, 964	9. 9	7, 933	5. 1	10, 194	5. 5	9, 656	6. 8
<b>Imports from—</b>										
All countries.....	216, 215	100. 0	51, 024	100. 0	103, 215	100. 0	129, 572	100. 0	106, 007	100. 0
UNITED STATES.....	127, 051	58. 8	27, 653	54. 2	66, 494	64. 4	88, 847	68. 6	75, 152	70. 9
United Kingdom.....	12, 021	5. 6	2, 985	5. 8	5, 096	4. 9	6, 321	4. 9	4, 490	4. 3
Germany.....	7, 477	3. 5	2, 134	4. 2	4, 798	4. 7	5, 845	4. 5	4, 681	4. 4
Japan.....	1, 202	. 6	509	1. 0	652	. 6	737	. 5	502	. 5
Italy.....	1, 955	. 9	435	. 9	187	. 2	465	. 4	671	. 6
France.....	8, 990	4. 1	1, 688	3. 3	2, 605	2. 5	2, 897	2. 2	2, 778	2. 6
All other.....	57, 519	26. 6	15, 620	30. 6	23, 383	22. 7	24, 460	18. 9	17, 733	16. 7

<sup>1</sup> In trade statistics, the Cuban peso is equivalent to the U. S. dollar.<sup>2</sup> General exports. Values are f. o. b. Cuban port, as declared by merchants and verified by the customs.<sup>3</sup> Less than one-tenth of 1 percent.<sup>4</sup> Includes trade with the following countries:

Exports to—	Value (\$1,000)	Percent of total	Imports from—	Value (\$1,000)	Percent of total
Belgium.....	2, 054	1. 4	Thailand (Siam).....	2, 947	2. 8
Spain.....	1, 292	. 9	British India.....	2, 034	1. 9
			Spain.....	1, 586	1. 5
			Belgium.....	1, 322	1. 2

<sup>5</sup> General imports. Values are f. o. b. port of embarkation in country of origin, as declared by merchants and verified by the customs.Source: Compiled by the United States Tariff Commission from *Comercio Exterior, República de Cuba*.

The United States is by far the principal market for Cuban sugar, customarily taking three-fourths or more of the total, in terms of value (more than 80 percent in 1938). Other important markets in 1938 were the United Kingdom and France.

From one-third to one-half of all Cuban exports of leaf tobacco are customarily taken by the United States. In 1938, the United States took nearly 47 percent of the total quantity exported; other markets included Spain, Germany, Argentina, the Netherlands, and Puerto Rico. The United Kingdom is the principal purchaser of Cuban cigars; other countries of destination include Spain, the United States, France, Germany, and Argentina.

TABLE 6.—Cuba: Foreign trade, by geographic areas and principal countries, in 1937

[Value in thousands of U. S. dollars <sup>1</sup>]

Exports <sup>2</sup>			Imports <sup>2</sup>		
To—	Value	Percent of total	From—	Value	Percent of total
<b>Western Hemisphere:</b>			<b>Western Hemisphere:</b>		
UNITED STATES.....	150,149	80.7	UNITED STATES.....	88,847	68.6
Canada.....	662	.4	Canada.....	1,011	.8
Argentina.....	557	.3	Netherlands West Indies.....	1,900	1.5
All other Western Hemisphere countries.....	1,541	.8	Mexico.....	1,509	1.2
			Chile.....	1,210	.9
			All other Western Hemisphere countries.....	1,240	.9
<b>Total.....</b>	<b>152,909</b>	<b>82.2</b>	<b>Total.....</b>	<b>95,717</b>	<b>73.9</b>
<b>Europe:</b>			<b>Europe:</b>		
United Kingdom.....	20,011	10.8	United Kingdom.....	6,321	4.9
Germany.....	3,136	1.7	Germany.....	5,845	4.5
France.....	2,304	1.2	France.....	2,897	2.2
Italy.....	209	.1	Italy.....	465	.4
Belgium.....	2,389	1.3	Spain.....	1,854	1.4
All other European countries.....	3,999	2.1	Belgium.....	1,825	1.4
			All other European countries.....	4,352	3.4
<b>Total.....</b>	<b>32,048</b>	<b>17.2</b>	<b>Total.....</b>	<b>23,559</b>	<b>18.2</b>
<b>Asia:</b>			<b>Asia:</b>		
Japan.....	70	( <sup>3</sup> )	Japan.....	737	.6
All other Asiatic countries.....	7	( <sup>3</sup> )	Thailand (Siam).....	4,285	3.3
			British India.....	3,154	2.4
			All other Asiatic countries.....	1,419	1.1
<b>Total.....</b>	<b>77</b>	<b>(<sup>3</sup>)</b>	<b>Total.....</b>	<b>9,595</b>	<b>7.4</b>
<b>Africa:</b>			<b>Africa:</b>		
Africa.....	937	.5	Africa.....	554	.4
<b>Oceania:</b>			<b>Oceania:</b>		
Oceania.....	100	.1	Oceania.....	147	.1
<b>Grand total.....</b>	<b>186,071</b>	<b>100.0</b>	<b>Grand total.....</b>	<b>129,572</b>	<b>100.0</b>

<sup>1</sup> In trade statistics, the Cuban peso is equivalent to the U. S. dollar.<sup>2</sup> General imports; import values are f. o. b. port of embarkation in country of origin. General exports; gold and silver bullion and specie are excluded. Export values are f. o. b. Cuban port.<sup>3</sup> Less than one-tenth of 1 percent.Source: Compiled by the United States Tariff Commission from *Comercio Exterior, República de Cuba, 1938*.

Practically all exports of Cuban bananas are shipped to the United States. The United States also takes all Cuban exports of copper ore, manganese ore,<sup>45</sup> and iron ore. In terms of value the United States took more than one-half of all coffee exported from Cuba in 1937; other markets were France, Czechoslovakia, Spain, Denmark, and the Netherlands.

<sup>45</sup> Manganese ore was accorded entry into the United States free of duty under the Tariff Acts of 1897, 1909, and 1913. After it became dutiable in 1922, the manganese ore of Cuba was admitted free in compliance with regulations governing the free entry of Cuban products under the terms of the commercial convention concluded between the United States and Cuba on December 11, 1902. The free-entry status was continued by virtue of the trade agreement of August 24, 1934. Inasmuch as the United States duty on manganese ore imported from all other foreign countries (except Germany) is one-half cent per pound of manganese content (reduced from 1 cent per pound of manganese content in the trade agreement with Brazil, effective January 1, 1936), the Cuban product receives a tariff preference in this market of \$10 per short ton of manganese. Cuban producers, therefore, may market their ore in the United States at prices higher than can be obtained elsewhere.

TABLE 7.—Cuba: Imports,<sup>1</sup> by commodity groups, principal subgroups, and commodities, in specified years, 1929 to 1938

[Value in thousands of U. S. dollars]

Commodity group, subgroup, or commodity <sup>1</sup>	1929		1932		1936		1937		1938	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
Grand total.....	216, 215	100. 0	51, 024	100. 0	103, 215	100. 0	129, 572	100. 0	106, 007	100. 0
Food products and beverages.....	79, 074	36. 6	17, 328	33. 9	27, 381	26. 5	33, 444	25. 8	29, 704	28. 0
Cereals and flour.....	25, 009	11. 6	8, 587	16. 8	12, 707	12. 3	16, 307	12. 6	14, 435	13. 6
Rice.....	14, 743	6. 8	6, 354	10. 5	7, 323	7. 1	9, 960	7. 7	8, 863	8. 4
Wheat flour.....	8, 596	4. 0	3, 085	6. 0	5, 264	5. 1	6, 230	4. 8	5, 388	5. 1
Meats and fats (not including eggs).....	24, 146	11. 2	2, 918	5. 7	4, 720	4. 6	6, 129	4. 7	5, 422	5. 1
Lard, hog, pure.....	9, 453	4. 4	1, 160	2. 3	3, 328	3. 2	4, 894	3. 8	3, 970	3. 7
Vegetables and fruits.....	11, 811	5. 5	2, 085	4. 1	4, 221	4. 1	4, 588	3. 5	4, 051	3. 8
Oils, refined.....	3, 111	1. 4	1, 620	3. 2	2, 142	2. 1	2, 403	1. 9	1, 984	1. 9
Olive oil.....	2, 461	1. 1	1, 344	2. 6	1, 433	1. 4	1, 784	1. 4	1, 283	1. 2
Canned and otherwise preserved foodstuffs.....	2, 423	1. 1	411	. 9	1, 165	1. 1	1, 341	1. 0	1, 185	1. 1
Fish, fresh, dried, or salted.....	2, 898	1. 3	595	1. 2	979	. 9	1, 064	. 8	1, 087	1. 0
Textiles and manufactures.....	37, 545	17. 4	10, 820	21. 2	21, 683	21. 0	25, 463	19. 7	19, 525	18. 4
Raw cotton and manufactures.....	18, 526	8. 6	6, 177	12. 1	11, 778	11. 4	13, 684	10. 6	10, 043	9. 5
Piece goods and finished articles.....	17, 154	7. 9	4, 957	9. 7	9, 128	8. 8	11, 059	8. 5	7, 768	7. 3
Wool, bristles, hair, etc., and their manufactures.....	2, 245	1. 0	522	1. 0	1, 554	1. 5	1, 793	1. 4	1, 551	1. 5
Wool and mixed wool fabrics, in the piece.....	1, 865	. 9	420	. 8	1, 219	1. 2	1, 420	1. 1	1, 235	1. 2
Silk and silk manufactures.....	5, 298	2. 5	1, 268	2. 5	462	. 4	654	. 5	482	. 4
Vegetable fibers, other than cotton, including rayon, and manufactures.....	11, 476	5. 3	2, 853	5. 6	7, 880	7. 7	9, 332	7. 2	7, 441	7. 0
Sneaks, jute.....	48, 657	4. 0	2, 007	3. 9	2, 588	2. 5	2, 539	2. 0	2, 110	2. 0
Machinery, instruments, apparatus, and vehicles.....	21, 126	9. 8	2, 891	5. 7	11, 786	11. 4	15, 500	12. 0	12, 508	11. 8
Machinery and apparatus.....	11, 541	5. 3	1, 751	3. 4	6, 043	5. 9	8, 285	6. 4	7, 117	6. 7
Industrial machinery, apparatus, and parts, including agricultural, sugar refining, and distilling machinery.....	2, 830	1. 3	709	1. 4	2, 028	2. 0	2, 382	1. 8	2, 191	2. 1
Carrriages and automobiles, etc.....	7, 508	3. 5	834	1. 6	4, 306	4. 2	5, 432	4. 2	4, 405	3. 9
Automobiles, trucks, and parts.....	6, 516	3. 0	795	1. 6	4, 078	4. 0	4, 977	3. 8	3, 690	3. 5
Musical instruments, etc.....	1, 454	. 7	203	. 4	1, 157	1. 1	1, 324	1. 0	952	. 9
Materials used in pharmacy, and industrial chemicals.....	10, 452	7. 6	5, 250	10. 3	11, 777	11. 4	13, 720	10. 6	11, 024	10. 4
Chemical and pharmaceutical products.....	4, 072	1. 9	2, 576	5. 0	6, 137	5. 9	6, 719	5. 2	6, 054	5. 7
Patent medicines.....	2, 779	1. 3	818	1. 7	2, 228	2. 2	2, 244	1. 7	2, 016	1. 9
Oils and greases, and wax, crude.....	3, 164	1. 5	1, 003	2. 0	2, 160	2. 1	2, 163	1. 7	1, 310	1. 2
Simple drugs.....	1, 014	. 7	517	1. 1	1, 257	1. 2	2, 111	1. 6	1, 648	1. 6
Colors, dyes, and varnishes.....	1, 511	. 7	479	. 9	1, 003	1. 0	1, 274	1. 0	932	. 9
Stones, earthen, nonmetallic minerals, glass, and ceramics.....	19, 204	8. 9	5, 543	10. 9	10, 145	9. 8	12, 480	9. 6	9, 000	8. 5
Coal, shale, bitumen, and derivatives.....	13, 616	6. 3	4, 347	8. 5	7, 239	7. 0	8, 410	6. 5	6, 662	6. 3
Petroleum, crude, and derivatives.....	9, 378	4. 3	3, 548	6. 9	5, 705	5. 5	6, 618	5. 1	5, 160	4. 8
Coal and coke.....	2, 975	1. 4	973	1. 9	1, 505	1. 5	1, 750	1. 4	1, 474	1. 4

See footnotes at end of table.

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TABLE 7.—Cuba: Imports,<sup>1</sup> by commodity groups, principal subgroups, and commodities, in specified years, 1929 to 1938—Continued[Value in thousands of U. S. dollars<sup>1</sup>]

Commodity group, subgroup, or commodity <sup>2</sup>	1929		1932		1936		1937		1938	
	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total	Value	Percent of total
Stones, earth, etc.—Continued.										
Glass and crystal.....	2,454	1.1	618	1.2	1,838	1.8	2,571	0.2	2,021	1.9
Clay, cement, sand, porcelain, and similar products.....	1,757	.8	312	.6	704	.7	1,090	.8	880	.8
Metals and manufactures.....	15,055	6.9	2,933	6.7	8,372	8.1	12,172	9.4	9,391	8.9
Iron and steel.....	11,603	5.4	2,432	4.8	6,843	6.6	10,019	7.7	7,604	7.2
Copper and alloys.....	2,486	1.1	259	.6	915	.9	1,342	1.0	1,062	1.0
Paper and manufactures.....	6,310	2.9	2,093	4.1	3,651	3.6	5,460	4.2	4,735	4.5
Paper, semifinished (not made up).....	2,922	1.4	1,098	2.2	1,648	1.6	2,576	2.0	2,179	2.1
Wood and other vegetable materials.....	5,942	2.7	1,255	2.4	2,334	2.3	3,144	2.4	2,554	2.5
Wood, rough-sawn, or semifinished.....	4,808	2.2	981	1.9	1,863	1.8	2,534	2.0	2,196	2.1
Pine, not planed.....	2,740	1.3	566	1.1	1,213	1.2	1,635	1.3	1,358	1.3
Animals and their products.....	5,591	2.6	857	1.7	1,985	1.9	2,896	2.2	2,113	2.0
Hides and skins.....	3,019	1.4	765	1.6	1,447	1.4	2,143	1.7	1,466	1.4
Miscellaneous products, tobacco and manufactures, and free entries.....	9,916	4.6	2,074	4.1	4,101	4.0	5,293	4.1	4,445	4.2
Miscellaneous products.....	9,158	4.2	1,818	3.6	3,632	3.5	4,715	3.6	3,918	3.7
Automobile tires and inner tubes.....	1,743	.8	616	1.2	907	.9	1,099	.8	1,017	1.0

<sup>1</sup> General imports. Values are f. o. b. port of embarkation in country of origin, as declared by merchants and verified by the customs.

<sup>2</sup> In trade statistics, the Cuban peso is equivalent to the U. S. dollar.

<sup>3</sup> Classifications employed in this table are those given in the Cuban import statistics for 1938. Groups are ranked according to value in 1938.

<sup>4</sup> May not be strictly comparable with later years.

<sup>5</sup> Includes "Cinematographic projection apparatus" in all years; beginning in 1932 consists chiefly of radios and parts.

Source: Compiled by the United States Tariff Commission from *Comercio Exterior, República de Cuba*.

**Imports into Cuba.**

*Composition.*—Imports into Cuba consist of a wide variety of manufactured articles, foodstuffs, and raw materials. The Cuban import classification consists of 10 groups, the most important of which are food products and beverages; textiles and their manufactures; machinery, instruments, apparatus, and vehicles; materials used in pharmacy, and industrial chemicals; stones, earths, non-metallic minerals, glass, and ceramics; and metals and manufactures. In 1938 these six groups accounted for 87 percent of all Cuban imports, in terms of value. Imports into Cuba, by groups, principal subgroups, and commodities, in specified years, 1929 to 1938, are shown in table 7.

Between 1929 and 1932 there was a sharp drop in the value of imports in all groups and commodities shown in table 7. Imports of all groups and commodities (except olive oil and silk) were much larger in 1937 than in 1932; with the exception of chemical and pharmaceutical products, simple drugs, and glass and crystal, they were smaller than in 1929. Imports of nearly all products or groups of products declined in 1938. For the principal groups, the ratios of the value of imports in 1938 to that in 1929 were as follows: Food products and beverages, 38 percent; textiles and manufactures, 52 percent; machinery, instruments, apparatus, and vehicles, 59 percent; materials used in pharmacy, and industrial chemicals, 67 percent; stones, earths, nonmetallic minerals, glass, and ceramics, 52 percent; and metals and manufactures, 62 percent.

Food products and beverages constituted between one-fourth and one-third of all Cuban imports in the decade 1929-38. The share of this group declined irregularly from 37 percent in 1929 to 28 percent in 1938, reflecting the diversification of Cuban agriculture and the domestic production of certain foodstuffs theretofore imported. The most important foodstuff subgroup is cereals and flour, almost entirely accounted for by rice and wheat flour. Other groups include meats and fats (chiefly lard), vegetables and fruits, refined oils (largely olive oil), canned and preserved foodstuffs, and fresh, dried or salted fish (see table 7).

In later years of the decade 1929-38 textiles and manufactures, the second important Cuban import classification, constituted between 17 and 21 percent of all imports, in terms of value. Cotton and its manufactures accounted for one-half or more of all imports of textiles and manufactures during the decade (9.5 percent of total imports in 1938). Other textile imports are of "other" vegetable fibers (including rayon); wool, bristles, hair and manufactures; and silk.

The share of imports of machinery, instruments, apparatus, and vehicles, which accounted for 12 percent of the total value of imports in 1938, was greater in later years than in 1929 and 1932. In general, more than half of such imports consisted of machinery and apparatus; the other subgroups included carriages and automobiles, and musical instruments.

In 1938, materials used in pharmacy, and industrial chemicals; stones, earths, nonmetallic minerals, glass, and ceramics; and metals and manufactures constituted, respectively, 10, 9, and 9 percent of total imports (in terms of value). There was little variation from these percentages in the period 1936-38. In these major groups, the



principal subgroups in 1938 were chemical and pharmaceutical products; coal, shales, bitumen, and derivatives; and iron and steel and manufactures.

Other Cuban imports, with shares of total imports in 1938, are paper and manufactures, 4 percent; wood and other vegetable materials, 2 percent; animals and their products, 2 percent; and miscellaneous commodities, tobacco and manufactures, and duty-free goods, 4 percent. These percentages are fairly representative of the decade 1929-38.

*Sources.*—The United States is by far the major source of Cuban imports; during the decade 1929-38 it accounted for one-half to seven-tenths of the total, in terms of value. In 1938, the principal suppliers of Cuban imports, with the share of the total value supplied by each country, were the United States, 71 percent; Germany, 4 percent; the United Kingdom, 4 percent; Thailand (Siam), 3 percent; and France, 3 percent. Other sources included British India, Spain, Belgium, Italy, and Japan.

The share of the United States increased irregularly from 59 percent in 1929 to 71 percent in 1938. Cuban purchases from the United States ranged in value from 27.7 million dollars (1932) to 127 million dollars (1929); in 1938 they amounted to 75 million dollars.

That portion of Cuban imports not furnished by the United States is distributed among a large number of countries, but, among the major commercial nations, no one supplied more than 6 percent of the total value in the years shown in table 7. The share of the United Kingdom declined irregularly from 6 percent in 1929 to 4 percent in 1938, and that of France from 4 percent to less than 3 percent. Germany's share increased irregularly from 3 percent in 1929 to 4 percent in 1938. Japan and Italy have been minor suppliers of Cuban imports; in none of the years shown did imports from these sources constitute more than 1 percent of the total value.

The United States is by far the principal supplier of imports in all of the important Cuban import groups. In terms of value, the United States in 1938 furnished 68 percent of all imports of food products and beverages; 63 percent of all textiles and manufactures; 91 percent of all machinery and vehicles; 53 percent of all pharmaceutical products and industrial chemicals; 70 percent of all ceramic products; 77 percent of all metals and manufactures; and 67 percent of all paper and manufactures.

The United States supplied even greater percentages of certain subgroups and individual commodities. For example, the United States supplied all of the wheat flour and lard, two of the three most important products within the foodstuffs group. The United States also furnished 75 percent of all imports of cotton and manufactures; 88 percent of all machinery and apparatus; 90 percent of all automobiles, trucks, and parts; 71 percent of all crude petroleum and derivatives; and 79 percent of all iron and steel and manufactures.

Germany, ranking second as a supplier of Cuban imports in 1938, did not figure prominently in imports in any major group except pharmaceutical products and industrial chemicals, in which it supplied about 12 percent of the total value. This group alone accounted for more than one-fourth of all imports from Germany in 1938. Other groups of some importance in total imports from Germany

were textiles and manufactures; machinery and vehicles; fuels and ceramics; and metals and manufactures.

Approximately three-fourths of all Cuban imports from the United Kingdom in 1938 (value basis) consisted of textiles and manufactures; cotton piece goods and finished articles were the most important. Imports from that country in all other groups constituted very small proportions of the total value of those groups.

In imports of some individual commodities, certain countries other than those mentioned above were important in 1938. Thus, Thailand (Siam) accounted for one-third of all imports of rice; British India supplied more than four-fifths of all jute sacks; and France accounted for more than two-fifths of all imports of patent medicines.

### UNITED STATES TRADE WITH CUBA

With no other country does the United States have as close economic relations as with Cuba. For nearly four decades the trade between the United States and Cuba has received exclusive preferential tariff treatment, each country according the products of the other lower rates of duty than it accords the same products imported from other countries. For the United States, Cuba is practically the only foreign source of sugar; it is also one of this country's largest foreign markets, notwithstanding its rather small population. Moreover, United States citizens have made greater direct investments in Cuba than in any other country in Latin America, or than in any country in the world, except Canada. For Cuba, the United States is of great importance principally because it takes all but one-fourth of Cuba's total exports, and because a large, if not a major part, of all foreign direct investments in Cuba are owned by United States nationals. Furthermore, the condition of Cuba's sugar industry, the basic factor influencing the economic and political status of that country, has in recent years been dependent in large measure upon the control of the marketing and importation of sugar in the United States.

The share of the United States in the foreign trade of Cuba is greater than its share in the trade of almost any other country in Latin America.<sup>46</sup> In 1939 the aggregate value of the commerce between the United States and Cuba totaled 187 million dollars, and represented nearly 80 percent of Cuba's entire trade with the world. The predominant position of the United States in the trade of Cuba has been the outgrowth of a number of interrelated political, geographic, and economic factors. Of foremost historical importance is the role which the United States played in the economic development of Cuba after it became a republic. The Reciprocity Treaty of 1902, providing for reciprocal preferential tariff treatment, not only led to a rapid development of the production of sugar in Cuba, but also encouraged investment of United States capital in that country. Such investments were valued at two-thirds of a billion dollars in 1936.

The fact that Cuba's products are mainly tropical or semitropical has contributed to the growth of trade with the United

<sup>46</sup> Comparative statistics of the trade of Latin America with the world and with the United States in 1938 are shown in table 7 of part I of this report.

States. Although large amounts of sugar are produced in the continental United States and in its insular possessions, importations from Cuba, which has great natural advantages in the production of cane sugar, have supplemented supplies obtained from United States sources. For many years before 1931 the United States supplied nearly one-half of its requirements of sugar by imports from Cuba, almost the sole foreign source, and less than one-fourth from production in continental United States.<sup>47</sup> A further stimulus to trade between the two countries has been the fact that the economy of Cuba, as developed after 1902, became highly specialized agriculturally, leaving the country dependent upon foreign sources not only for manufactures but for many foodstuffs as well. With substantial credits available in the United States, Cuba obtained most of its requirements of manufactured goods, chiefly vehicles, machinery, textiles, and foodstuffs, from this country. Geographic proximity has also been of importance in the trade.

Although many factors have contributed to the growth of United States-Cuban trade, others have tended to constrict it. These included, particularly in the years 1920-33: (1) The long decline in the price of sugar after 1920 caused by greatly increased world production; (2) the material expansion after the war of sugar production in the insular areas of the United States (including the Philippines), which ship to the United States free of duty; and (3) the contraction after 1929 in the world and United States consumption of sugar, which led to greatly decreased prices and considerably smaller Cuban exports to both the United States and other countries.

The initiation in 1934 of a sugar-control program by the United States, under which the marketing and importation of sugar are controlled by absolute quotas, served to increase the quantity of Cuban sugar taken by the United States as compared with 1932 and 1933; Cuban quotas, however, have been materially smaller than average imports from that country during the period 1922-31. The program also increased sugar prices in this country, thereby raising the value of imports of sugar from Cuba. The consequent increase in Cuba's buying power led to larger United States exports to that country.

#### Trend of United States-Cuban trade.

Particularly important in affecting United States trade with Cuba have been changes in sugar prices (ex duty) in the United States and changes in the volume of Cuban sugar taken by this market. The most noteworthy features with respect to prices have been the precipitous drop after the abnormal post-war peak in 1920 (when 96° raw sugar averaged 12 cents per pound and was as high as 22.5 cents), the long-continued decline in the years 1924-32 (when the price of sugar at New York, ex duty, fell to only 0.93 cent per pound), and the considerable recovery after 1932, the average for 1936 being 2.71 cents and for 1939, 1.87 cents.<sup>48</sup> In January 1940 the price of sugar at New York, ex duty, fell to only 0.93 cent per cents in August, and was 1.81 cents in September. In terms of quantity, imports of sugar from Cuba remained fairly stable after

<sup>47</sup> More recently the Cuban participation has fallen materially, while the continental and insular has increased (see table 10).

<sup>48</sup> See table 13.

the long decline in the period 1926-33, being limited by the quota provisions.

The value of aggregate imports from Cuba (between two-thirds and three-fourths of which is represented by sugar) moved in about the same manner as sugar prices. Imports declined precipitately after the extraordinary high of 722 million dollars reached in 1920; although there was some recovery in 1923 and 1924, they continued to fall almost steadily in the period 1925-32, finally reaching a low of 58.3 million dollars in 1932. Thereafter, imports rose and by 1937 totaled 148 million dollars; they declined to 104.9 million dollars in 1939, and were 105.4 million dollars in 1940 (see table 8).

Inasmuch as Cuba's capacity to purchase from the United States has been limited principally by its sales to this country, the trend of United States exports to Cuba has followed closely the trend of imports therefrom. Exports dropped sharply after the peak in 1920, and declined almost continuously thereafter to a low of 25.1 million dollars in 1933. They then recovered to 92.3 million dollars in 1937, which, though much higher than in 1933, was nevertheless materially smaller than in any predepression year. Exports in 1939 were valued at 81.6 million dollars; they increased in 1940 to 84.7 million dollars (see table 8).

TABLE 8.—United States imports from and exports to Cuba, 1924-40

[Value in thousands of dollars]

Year	General imports		Exports (incl. reexports)		Year	General imports		Exports (incl. reexports)	
	Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America		Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America
1924.....	361,721	34.9	199,778	27.1	1933.....	58,499	18.5	25,093	11.6
1925.....	261,673	26.0	198,655	23.5	1934.....	78,929	21.3	45,323	14.8
1926.....	250,600	24.1	160,488	19.3	1935.....	104,303	22.6	60,139	17.5
1927.....	256,786	26.8	155,383	19.3	1936.....	127,475	25.4	67,421	17.1
1928.....	202,842	21.4	127,897	15.4	1937.....	148,045	22.0	92,263	16.0
1929.....	207,421	20.5	128,909	14.1	1938.....	105,691	23.3	76,331	15.4
1930.....	121,949	18.0	93,550	14.9	1939.....	104,930	20.3	81,646	14.4
1931.....	90,059	18.8	46,964	15.0	1940 <sup>1</sup> .....	105,425	17.0	84,692	11.7
1932.....	58,330	18.1	28,756	14.7					

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

The marked fluctuations in United States-Cuban commerce have caused considerable changes in Cuba's share in United States trade with the world and with Latin America. During the World War of 1914-18 and for several years thereafter, Cuba ranked first among the countries of Latin America both as a source of imports and as a market for exports. During the middle 1920's Cuba's share in the trade with that area lessened materially, and in 1928 Cuba as a source of supply ranked second to Brazil and as a market, second to Argentina. The decline in Cuba's participation continued, and by 1932 only 18 percent of total United States purchases from Latin America came from Cuba, compared with 35 percent in 1924;

in 1933 the Cuban market ranked only fourth and represented but 12 percent of total United States sales to Latin America, compared with 27 percent in 1924. With the subsequent higher prices for sugar in the United States and the attendant improvement in Cuban purchasing power, that country's share in the total United States trade with Latin America increased in the next few years. It has remained appreciably less, however, than in the period before 1925, when the price of sugar was much higher and the volume of imports greater.

Not only is Cuba important in United States trade with Latin America, but it also holds a large place in the commerce of the United States with the world. During the period since 1920, Cuba's share of total United States imports has varied from a maximum of 13.7 percent in 1920 to a minimum of 4.0 percent in 1930 and 1933; in 1939 it was 4.5 percent. The highest proportion for Cuba in total United States exports occurred in 1920 when that country took 6.3 percent of the total; the lowest proportion was in 1933 and amounted to 1.5 percent. In 1939 Cuba took 2.6 percent of total United States exports.

In the first year after the outbreak of war in Europe, United States trade with Cuba increased. The advance in the value of this trade, however, was considerably less than the increase in United States trade with Latin America as a whole. This may be explained by the fact that Cuba previously had a much larger share of its total trade with the United States than most other Latin American countries, and, hence, had less occasion to alter its channels of trade when the war curtailed shipments between Cuba and Europe. Small increases likewise have occurred in United States trade with most of the other Caribbean and Central American countries, which also customarily have carried on the major part of their trade with this country.

#### United States imports from Cuba.

*Composition.*—Cane sugar represented nearly three-fourths of the total value of United States imports from Cuba in 1939. Its share in this trade has not fluctuated greatly in the period 1924-39 (the lowest percentage during that period being 62 percent in 1930 and the highest, 81 percent in 1927). The ratio was somewhat smaller after 1924 (87 percent) than before that year because of the lower price and smaller quantity of sugar as compared with other products imported from Cuba. Other leading imports from Cuba, together with their share in the trade in 1939, were cigar leaf tobacco, 7 percent; molasses, 6 percent; bananas, 2 percent; and manganese ore, 2 percent. Imports of these and other leading products are shown in table 9.

*Imports of sugar.*—Cuba is by far the largest foreign supplier of sugar for the United States. This country in ordinary times obtains its supply of sugar from three principal sources: (1) Continental United States (beet and cane), supplying about 34 percent of total requirements in 1939; (2) the insular possessions of the United States (chiefly Hawaii and Puerto Rico) and the Philippines, together supplying 41 percent; and (3) Cuba, supplying 25 percent of the total. Imports from other foreign countries have been negligible compared with United States consumption or with imports from Cuba.

TABLE 9.—United States imports for consumption from Cuba of principal commodities, in specified years, 1929 to 1939  
[Value in thousands of dollars]

Commodity	Tariff on imports, end of 1939		Unit of quantity	1929		1932		1936		1937		1938		1939 <sup>1</sup>	
	From Cuba	From other countries		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Tomatoes, natural state.	2.4¢ per lb.; except from Dec. 1 to last day of Feb. when rate is 1.9¢.	3¢ per lb.	1,000 lb.	26,332	860	25,560	508	44,031	765	42,795	771	44,494	818	33,963	596
Bananas, green or ripe.	Free	Free	1,000 bunches.	3,801	1,801	3,651	1,471	6,151	2,772	8,534	3,645	4,227	1,641	4,790	2,096
Pineapples in crates of 2.45 cubic feet.	20¢ per crate	35¢ per crate	1,000 crates	1,425	2,053	911	908	828	864	1,130	1,159	1,014	1,064	1,083	1,132
Cane sugar (96%)	0.9¢ per lb.	1.97½¢ per lb.	Short ton	3,650,344	137,609	1,806,112	37,884	1,925,150	96,469	2,069,293	103,808	1,878,938	76,828	1,872,310	72,772
Molasses not used for the extraction of sugar or for human consumption.	0.024¢ per lb.	0.03¢ per lb.	1,000 gal.	213,424	10,226	94,436	2,779	184,282	9,229	237,272	13,207	130,041	5,815	160,386	5,172
Molasses and sugar sirup, n. s. p. f.	Dutiable at various rates; 20% preference.	Dutiable at various rates.	1,000 gal.	119	23	5,678	383	15,173	1,654	8,212	1,239	8,660	1,498	9,040	1,346
Rum in containers holding each 1 gallon or less.	\$2.00 per gal.	\$2.50 per gal.	1,000 pt. gal.	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	347	1,576	304	1,600	193	1,000	175	904
Leaf for cigar wrappers, unstemmed.	\$1.20 per lb.	\$1.50 per lb. <sup>2</sup>	1,000 lb.	142	434	75	281	183	570	188	589	179	596	174	574
Cigar leaf (filler), unstemmed.	17½¢ per lb. <sup>1</sup>	35¢ per lb.	1,000 lb.	6,794	5,097	3,641	2,006	4,594	2,270	4,208	2,243	2,710	1,584	2,187	1,181
Cigar leaf (filler), stemmed.	25¢ per lb. <sup>2</sup>	50¢ per lb.	1,000 lb.	15,016	13,598	7,646	5,595	6,512	4,672	6,940	4,959	6,917	4,922	8,200	5,465
Scrap tobacco	17½¢ per lb. <sup>2</sup>	35¢ per lb.	1,000 lb.	2,121	610	2,838	648	2,764	805	2,608	752	2,940	822	3,163	858
Sisal and henequen fibers.	Free	Free	1,000 tons	3	421	2	85	4	491	7	775	3	270	8	554
Iron ore, including magnetiferous iron ore, n. s. s.	do.	do.	1,000 tons	641	2,335	77	184	445	1,056	442	1,066	149	358	270	506
Manganese ore (including ferruginous or concentrates), and magnetiferous iron ore, containing 35 percent and over of manganese.	do.	0.5¢ per lb. of manganese. <sup>3</sup>	Short ton (manganese content).	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	10,556	521	63,151	2,186	68,918	2,242	57,924	1,600

See footnotes at end of table.

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TABLE 9.—United States imports for consumption from Cuba of principal commodities, in specified years, 1929 to 1939—Continued  
[Value in thousands of dollars]

Commodity	Tariff on imports, end of 1939		Unit of quantity	1929		1932		1936		1937		1938		1939 <sup>1</sup>	
	From Cuba	From other countries		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Copper concentrates.....	Free.....	Free if for refining and export; otherwise dutiable at 4¢ per lb.	Short ton (copper content).	4,905	1,373	3,746	455	10,259	1,231	14,015	2,715	9,672	1,470	5,831	850
Imports of commodities shown above.....					176,438		53,187		124,945		140,715		100,928		95,786
Total imports from Cuba.....					207,421		58,330		129,734		146,898		105,444		101,086
Principal imports (shown above) as percent of total.....					85.1		91.2		96.3		95.8		95.7		94.8

<sup>1</sup> Preliminary.

<sup>2</sup> In crates of 1.06 cubic feet.

<sup>3</sup> Not separately classified.

<sup>4</sup> Reduced from \$2.25 a pound in the trade agreement with the Netherlands, effective Feb. 1, 1936.

Source: Compiled from official statistics of the U. S. Department of Commerce.

<sup>5</sup> Imports in any calendar year in excess of an aggregate quota of 22 million pounds of cigar-leaf filler and scrap tobacco are dutiable at the general rate less 20 percent.

<sup>6</sup> Reduced from 1 cent a pound in the trade agreement with Brazil, effective Jan. 1, 1936.

<sup>7</sup> General imports.

Cuba's participation in the United States market for sugar was considerably smaller after 1930 than it had been previously (see table 10). Before 1930, Cuba customarily supplied about one-half of total United States consumption, whereas since then it has averaged only somewhat more than one-fourth of the total. This decline was due to the displacement of Cuban sugar by that obtained from insular and (to a lesser extent) from continental sources. The sources of sugar consumed in the United States since 1907 are shown in table 10. The tonnage supplied by the insular areas increased rapidly during the period 1917-32; total continental production has increased steadily since 1907, while the amounts supplied by Cuba decreased throughout the period 1927-34.

TABLE 10.—Sugar: Consumption in the United States, showing areas in which the sugar was grown; 5-year averages, 1907-31, annual 1932-40

[Refined or consumption basis]

Yearly average or year	Cuba	United States insular areas <sup>1</sup>	Continental United States			Foreign countries other than Cuba <sup>2</sup>	Total United States consumption
			Cane	Beet	Total continental		
Quantity (1,000 short tons)							
1907-11.....	1,508	863	378	508	886	358	2,615
1912-16.....	2,057	1,053	237	725	962	65	4,137
1917-21.....	2,117	1,039	222	803	1,026	173	4,354
1922-26.....	3,262	1,337	171	859	1,121	74	5,804
1927-31.....	2,919	2,058	145	1,063	1,209	25	6,210
1932.....	1,647	2,786	150	1,232	1,382	25	5,840
1933.....	1,496	2,828	294	1,277	1,571	8	5,903
1934.....	1,415	2,652	238	1,444	1,682	1	5,751
1935.....	1,836	2,531	290	1,322	1,612	2	5,981
1936.....	1,840	2,552	418	1,366	1,784	8	6,184
1937.....	2,018	2,688	464	1,159	1,623	45	6,378
1938.....	1,829	2,544	515	1,330	1,835	69	6,277
1939.....	1,571	2,610	580	1,559	2,139	6	6,326
1940.....	1,785	2,619	391	1,599	1,990	4	6,398
Percentage of total market deliveries							
1907-11.....	41.7	23.9	10.5	14.0	24.5	9.9	100.0
1912-16.....	49.7	25.4	5.7	17.6	23.3	1.6	100.0
1917-21.....	48.6	23.9	5.1	18.4	23.5	4.0	100.0
1922-26.....	56.2	23.0	3.0	16.5	19.5	1.3	100.0
1927-31.....	47.0	33.1	2.3	17.2	19.5	.4	100.0
1932.....	28.2	47.7	2.6	21.1	23.7	.4	100.0
1933.....	25.4	47.9	5.0	21.6	26.6	.1	100.0
1934.....	24.6	46.1	4.2	25.1	29.3	(?)	100.0
1935.....	30.7	42.3	4.9	22.1	27.0	(?)	100.0
1936.....	29.8	41.3	6.7	22.1	28.8	.1	100.0
1937.....	31.7	42.2	7.2	18.2	25.4	.7	100.0
1938.....	29.1	40.5	8.2	21.1	29.3	1.1	100.0
1939.....	24.8	41.3	9.2	24.6	33.8	.1	100.0
1940.....	27.9	40.9	6.1	25.0	31.1	.1	100.0

<sup>1</sup> Including the Philippines.

<sup>2</sup> Imports subject to full tariff rates. Prior to 1932 includes very small quantities of sugar derived from foreign molasses and United States maple syrup.

<sup>3</sup> Less than one-tenth of 1 percent.

Source: United States Tariff Commission, *Statistics on Sugar*, March 1940, p. 27; and *Weekly Statistical Sugar Trades Journal*, Jan. 15, 1942 (1940 statistics).

Probably the principal reason for the increased importance of the domestic continental and insular sources of sugar prior to 1934



was the tariff, which encouraged production in these areas. Before that time, imports from Cuba were subject to high and gradually increased duties (though at preferential rates), whereas shipments into the United States from the insular areas and the Philippines, being free of duty, had the same tariff advantage as production in the continental United States.<sup>49</sup> In 1934 the quota system halted the decline in the imports from Cuba and stabilized the total supplies received from the insular areas. In the same year the duty on Cuban sugar was reduced by more than one-half.

Sugar is a staple article of consumption and the demand for it is quite inelastic; that is, variations in price lead to only moderate changes in the quantity consumed. This is of considerable significance, for during the period of generally declining prices from 1920 to 1932 the volume of sugar consumed in the United States increased but slightly, and per capita consumption failed to increase. On the other hand, the small year-to-year variations in consumption are caused principally by fluctuations in the general purchasing power of the country. Thus, after 1929, adverse economic conditions in the United States (and in the world) operated to check or retard the consumption of sugar and to depress its price, whereas after 1932 improved purchasing power led to increased consumption despite higher prices.

*Other imports.*—In addition to its outstanding position as a source of sugar, Cuba is a leading supplier of United States imports of cigar leaf tobacco and manganese ore. Although the United States is itself one of the largest producers and exporters of tobacco in the world, it imports special grades or types of tobacco to supplement domestic output. The tobacco imported from Cuba consists chiefly of cigar filler; it has a characteristic aroma and commands a much higher price than United States filler tobacco. Cigar-filler tobacco from Cuba, almost the exclusive foreign source, formerly was used in high-priced cigars, but since the decline in the market for such cigars, much of the Cuban leaf has been blended with domestic leaf in the manufacture of low-priced cigars. The market for Cuban cigar filler, nevertheless, has contracted materially in recent years. In 1939, imports of cigar leaf filler from Cuba totaled 10.4 million pounds valued at 6.6 million dollars, as compared with 21.8 million pounds valued at 18.7 million dollars in 1929 (see table 9). Imports of Cuban leaf tobacco for cigar wrappers have increased, and supplement that produced in the United States and that imported in ordinary times chiefly from the Netherlands Indies.

Cuba is of growing importance to the United States as a source of manganese. Inasmuch as most of the United States requirements are supplied by imports, manganese has been designated a strategic material, for which problems of procurement have arisen as a result of the war. The United States customarily obtains its imports of manganese ore from a number of sources, but principally from the Soviet Union, Cuba, the Gold Coast, and Brazil. Imports from Cuba increased greatly in quantity and value in the period 1936-39, largely because of the development of a new process and the construction of a new plant for concentrating the Cuban ore. Manganese

<sup>49</sup> Imports from the Philippines in excess of the quota designated in the Philippine Independence Act, as amended in 1939, are subject to the full tariff; no dutiable imports have, however, been entered.

ore from Cuba, moreover, is free of duty, whereas that from other countries is dutiable. In 1936, imports from Cuba of manganese ore (containing 35 percent or more manganese) amounted to \$500,000 and represented only 6 percent by value of total United States imports of that product; in 1939, after an appreciable decline from 1938, they amounted to 1.7 million dollars and were 20 percent of the total.

#### United States commercial policy and imports from Cuba.

*Cuba's preferential tariff position.*—Cuba is the only country with which the United States has a reciprocity treaty involving exclusive preferential tariff treatment. Under the treaty of commercial reciprocity in 1902, the United States granted Cuba, on all dutiable commodities, exclusive reductions of 20 percent below the rates on like products from other countries; furthermore, it agreed not to impose duties subsequently upon the products of Cuba then entering free of duty. The 20-percent preference affected chiefly sugar and tobacco, while the duty-free status of imports from Cuba of copper ore, manganese ore, coconuts, bananas, and certain other fruits, and some other products was guaranteed. A few commodities, notably manganese ore, avocados, and copper concentrates, which were bound free under the treaty, subsequently became dutiable (or taxable) if imported from any country other than Cuba.<sup>50</sup>

Under the reciprocal trade agreement of 1934 the United States continued to accord the products of Cuba a minimum-tariff preference of 20 percent; in addition, the base rates of duty on certain products were reduced, and on others the rates were reduced and the preference was materially increased.<sup>51</sup> At present, therefore, the rates on dutiable Cuban products in general are from 20 to 50 percent less than the lowest rates accorded the products of other countries. Moreover, under the 1934 agreement a few products of Cuba continue free of duty, whereas the same products of other countries are dutiable. The competitive position of Cuban products in United States markets is, of course, appreciably enhanced by the preferential tariff treatment accorded them. A comparison of the preferential and full rates of duty on the leading products imported from Cuba is included in table 9.

In part for climatic reasons and in part because the preferential tariff of the United States stimulated Cuban production of sugar and certain other dutiable products (in contrast to bananas, coffee, and other products on the general free list), Cuba has specialized in sugar and tobacco. Consequently, some 99 percent of total United States imports from Cuba are dutiable, though at reduced rates, whereas other Caribbean and Central American countries supply the United States mainly with articles which are free of duty.<sup>52</sup>

*Tariff on sugar.*—Although imports of sugar from Cuba have long received preferential tariff treatment, nevertheless, until the imposition in 1934 of the quota system on sugar (discussed below), the tariff

<sup>50</sup> An extensive analysis of the operation of the treaty with Cuba from 1903 to 1925 may be found in *Effects of the Cuban Reciprocity Treaty*, United States Tariff Commission, Washington, 1929.

<sup>51</sup> For a discussion of the concessions granted by Cuba to the United States, see the section on commercial treaties and agreements, pp. 234-235.

<sup>52</sup> For comparative statistics on the dutiable status of imports from Cuba and each of the other Latin American countries, see part I of this report, table 20.

was the principal restriction upon imports from Cuba.<sup>53</sup> This was because the principal competition met by Cuban sugar in the United States market after 1913 was not from the product of other foreign countries (subject to full duty), but rather from that of domestic insular and continental areas, the products of which are not subject to duty. Furthermore, inasmuch as the rates of duty on sugar were increased in each of the tariff acts after 1913 (see table 11), the competitive position of continental and insular sugar was progressively strengthened (until 1934) as compared with Cuban sugar. Under the Tariff Act of 1930 the rate was raised for the third time in a decade and reached a level double that in the act of 1913. The higher tariff rates contributed materially to Cuba's declining participation in the United States market (see table 10).

A reversal in the upward trend of rates occurred, however, in June 1934, when, under the so-called flexible tariff provision of the act of 1930, the general rate of duty on sugar was reduced one-fourth (from 2.5 cents to 1.875 cents per pound) by Presidential proclamation following a cost-of-production investigation by the United States Tariff Commission.<sup>54</sup> In consequence, the preferential rate on Cuban sugar was reduced from 2 cents to 1.5 cents per pound. In the following September the rate on Cuban sugar was further reduced to 0.9 cent per pound under the terms of the reciprocal trade agreement with Cuba; the effect of this concession was to increase the preference on Cuban sugar from 20 percent to 52 percent, or by more than two and one-half times. Neither of the reductions in duty in 1934, however, permitted Cuba to sell increased quantities of sugar in the United States market, because on June 8, 1934, the amount of sugar which could be marketed in the United States was limited by a law authorizing absolute quotas. Moreover, the reduced rates in the trade agreement were to be effective only so long as the quota system was operative. For a short time in 1939 when the outbreak of war in Europe led to a sharp speculative rise in sugar prices, the quota restrictions were temporarily suspended, and imports of sugar from Cuba became dutiable at the preagreement rates.<sup>55</sup> The rate of 0.9 cent per pound was restored on December 27, 1939, by a supplementary agreement with Cuba, and in a second such agreement, effective January 5, 1942, its rate was reduced to 0.75 cent per pound.

The ad valorem equivalents of the rates of duty on imports of Cuban sugar have fluctuated widely, having ranged between 9 percent and 193 percent in the period 1920-39. These changes, shown in table 13, reflect the combined influence of fluctuations in prices and changes in the rates of duty. Thus, the generally rising trend of ad valorem rates in the period 1923-30 was the result of the decline in sugar prices, and the unusually high ad valorem equivalents in the succeeding few years reflected the increased rate of duty in the Tariff Act of 1930, as well as the continued decline in prices. The return to lower ad valorem equivalents after 1934 resulted from the

<sup>53</sup> A substantial amount of sugar, representing almost 6 percent of total United States imports of sugar in 1939, is entered for further manufacture (or for use in manufactured products) and is subsequently exported with benefit of drawback; that is, 99 percent of the duty is refunded.

<sup>54</sup> United States Tariff Commission, *Report to the President on Sugar*, Report No. 73, Second Series, 1934.

<sup>55</sup> By the terms of the supplementary agreement with Cuba, December 1939, sugar from Cuba was again to receive the agreement rate upon announcement of restoration of the quotas. Such announcement was made on December 27, 1939, and the reduced rate on Cuban sugar again became effective.

TABLE 11.—*Sugar: Rates of duty on United States imports*

Authority and date	Sugar testing 96°		
	Rate on imports from Cuba	General tariff rate	Amount of Cuban preference
	Cents per pound		Percent
Act of 1909.....	1.348	1.685	20
Act of 1913.....	1.0048	1.256	20
Act of 1921.....	1.6	2.0	20
Act of 1922.....	1.7648	2.206	20
Act of 1930.....	2.0	2.5	20
Sec. 336, Tariff Act of 1930, June 8, 1934 <sup>1</sup> .....	1.5	1.875	20
Trade agreement, Sept. 3, 1934.....	.9	1.875	52
Suspension of quotas, Sept. 12, 1939.....	1.5	1.875	20
Supplementary trade agreement, Dec. 27, 1939.....	.9	1.875	52
Second supplementary trade agreement, Jan. 5, 1942.....	.75	1.875	60

<sup>1</sup> On the same date the Jones-Costigan Sugar Act became effective, establishing quotas limiting imports and marketings of domestic sugar in the United States.

lower rates of duty instituted in that year and the increase in prices (ex duty).<sup>56</sup> Inasmuch as the quota system has largely displaced the tariff in its effect upon the domestic price of sugar, it may be appropriate to calculate the ad valorem equivalent of the difference between the price of sugar at New York (duty-paid) and the price at London (New York basis<sup>57</sup>). In 1935, the first full year under the quota, the average New York price (duty-paid) exceeded the London by 2.23 cents; this differential was equivalent to a tariff of 223 percent based on the average London price of 1.0 cent. In 1938, the latest full year under the quota system, the excess amounted to 1.80 cents, or 158 percent of the average London price of 1.14 cents.

*Position of Cuban sugar under the quota system.*—In recent years the most important factor affecting United States imports of Cuban sugar has been the quota system, established on June 8, 1934, under the Jones-Costigan Act, which provided for absolute quotas limiting importations and the marketing of sugar. This system was renewed for 3 years in the Sugar Act of 1937,<sup>58</sup> and was subsequently extended until December 31, 1941. The Sugar Act provides that the United States Secretary of Agriculture shall determine for each calendar year the amount of sugar needed to meet the requirements of consumers in continental United States. This amount is then allocated among the various supplying areas according to the proportions established in the act. United States domestic areas (including insular possessions) were allotted 55.59 percent of estimated consumption, but

<sup>56</sup> A substantial amount of sugar, representing almost 6 percent of total United States imports of sugar in 1939, is entered for further manufacture (or for use in manufactured products) and is subsequently exported with benefit of drawback; that is, 99 percent of higher than the world price of sugar. The Cuban valuation on sugar shipped to the United States is determined by the New York price (before duty, freight, and other charges). Because the quota system has resulted in higher prices for sugar in domestic markets than in world markets, the Cuban valuation on sugar shipped to the United States has therefore been high compared with the world price, as indicated by the London market. For the period 1935-38, the ad valorem equivalent rates calculated upon London values are approximately double those shown in table 13 based upon the Cuban valuation.

<sup>57</sup> The London price adjusted for differences in transportation costs between Habana and London, and Habana and New York.

<sup>58</sup> The Sugar Act of 1937 also imposed an excise tax on manufactured sugar produced in the United States and an import-compensating tax on manufactured sugar imported into the United States. The rate of tax is ½ cent per pound on 96° sugar, and adjustments are made for sugar having a different polariscopic test. The preferences accorded Cuban sugar in tariff duties do not apply to taxes under the Sugar Act, the taxes applying equally to all sugar regardless of source.

not less than 3,715,000 short tons, the Philippines 15.41 percent,<sup>59</sup> Cuba 28.60 percent, and other foreign countries 0.40 percent. If any area is unable to fill its quota, the deficiency may be allotted among the other suppliers, except that any deficiency in the quota for the Philippines must be allotted to foreign countries other than Cuba. The final quota allocations (after reallocations) since 1934 are shown in table 12.

The general effect of the quota system upon Cuba's participation in the United States market is shown by a comparison of the proportions of United States needs supplied by Cuba before and after the initiation of the quotas in 1934 (see table 10). In general, the Cuban share under the quota has exceeded that in the few years just preceding the quota, but it has been materially smaller than before 1930. In the 5 years 1935-39, Cuba supplied about 30 percent of domestic requirements, as compared with 25 percent in 1933 and 53 percent in 1929.

TABLE 12.—*Sugar: United States quotas (after reallocations) for principal areas, 1934-40*

Area	1934	1935	1936	1937	1938	1939 <sup>1</sup>	1940 <sup>2</sup>
Quantity (1,000 short tons—raw value)							
Domestic beet.....	1,556	1,550	1,342	1,417	1,584	1,803	1,550
Mainland cane.....	261	260	392	472	429	595	430
Insular possessions <sup>3</sup> .....	1,761	1,719	1,946	1,891	1,742	2,098	1,745
Philippines.....	1,006	982	1,001	998	991	980	982
Cuba.....	1,866	1,823	2,103	2,149	1,954	1,930	1,750
Other foreign and unallotted reserve <sup>4</sup> .....	26	25	29	115	81	62	24
<b>Total quota.....</b>	<b>6,476</b>	<b>6,359</b>	<b>6,813</b>	<b>7,043</b>	<b>6,781</b>	<b>7,468</b>	<b>6,471</b>
Percent of total quota							
Domestic beet.....	24.0	24.4	19.7	20.1	23.4	24.1	23.9
Mainland cane.....	4.0	4.1	5.8	6.7	6.3	8.0	6.5
Insular possessions <sup>3</sup> .....	27.3	27.1	28.5	26.8	25.7	28.1	27.0
Philippines.....	15.5	15.4	14.7	14.2	14.6	13.1	15.2
Cuba.....	28.8	28.6	30.9	30.5	28.8	25.9	27.0
Other foreign and unallotted reserve <sup>4</sup> .....	.4	.4	.4	1.7	1.2	.8	.4
<b>Total quota.....</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Quotas for 1939 were suspended on Sept. 11, 1939. The data shown are preliminary figures for entries from offshore areas and marketings by mainland cane and beet sugar producers as reported by the Department of Agriculture.

<sup>2</sup> Revised quota as of Aug. 26, 1940.

<sup>3</sup> Hawaii, Puerto Rico, and the Virgin Islands of the United States.

<sup>4</sup> Mainly Latin American countries.

Source: United States Tariff Commission, *Statistics on Sugar*, March 1940, p. 29.

*Sugar prices and the quota system.*—In addition to determining Cuba's participation in United States consumption of sugar, the quota system has had a material effect upon Cuban purchasing power, for the quota system is the principal factor influencing the price of sugar in the United States. That quantity of Cuban sugar which can be sold in the United States market receives a considerably higher

<sup>59</sup> The quota for the Philippines may not be less than the duty-free quota established in the Philippine Independence Act of 1934, amounting to 850,000 long tons (952,000 short tons), of which not more than 50,000 long tons (56,000 short tons) may be refined sugar. Annual quotas for the Philippines under the Jones-Costigan Act and the Sugar Act of 1937 have been larger than the duty-free quotas fixed in the Independence Act. Receipts from the Philippines in excess of the quotas established in the Independence Act are subject to the full United States duty. No dutiable sugar, however, has been received from the Philippines.

price than Cuban sugar sold in other markets. Since the middle of 1934, when the quota system was first imposed, the annual average price of sugar, ex duty at New York, has been between 28 percent and 133 percent higher than the world price, as indicated by the London market (see table 13). This price premium in the United States market has been especially important to Cuba, because the price in world markets and the volume of Cuban sugar taken by these markets (other than the United States) has remained at depression levels. Prior to the inauguration of the quota system, Cuban sugar received only the world price in the United States market, since under the tariff the world price and the United States price, less the duty on Cuban sugar, were approximately equal.

Under the quota system the amount of Cuban sugar marketed in the United States not only increased somewhat, as compared with that in 1932 and 1933, but, because of increased prices (ex duty), the value of Cuban sugar sold in this country was greatly enhanced. In 1933 imports of sugar from Cuba had amounted to only 37.0 million dollars (compared with 137.6 million dollars in 1929), but by 1937 they reached 103.8 million dollars. The quantity increased much less rapidly, rising from 1.6 million short tons in 1933 to 2.1 million short tons in 1937.

TABLE 13.—Sugar: Wholesale price quotations in New York and London, and, average equivalent ad valorem rates of duty, annual, 1919-40

Year	Price quotations, 96° raw sugar				Ad valorem equivalent of duties on imports of sugar of all degrees from—	
	New York, c. and f., less duty	London market, N. Y. basis	Spread between N. Y. and London prices <sup>1</sup>	Duty-paid at New York <sup>2</sup>	Cuba	Other countries
					Percent	Percent
	Cents per pound	Cents per pound	Cents per pound	Cents per pound		
1919.....	6.36			7.36	18	18
1920.....	11.96			12.96	9	9
1921.....	3.46			4.81	32	21
1922.....	3.00			4.64	64	50
1923.....	5.22			6.98	36	45
1924.....	4.17			5.93	41	50
1925.....	2.56			4.32	69	62
1926.....	2.59	2.62	-0.03	4.35	75	69
1927.....	2.96	2.91	+0.05	4.72	62	69
1928.....	2.45	2.49	-0.04	4.21	73	79
1929.....	2.00	1.91	+0.09	3.76	94	111
1930.....	1.48	1.36	+0.12	3.37	116	124
1931.....	1.34	1.25	+0.09	3.34	152	185
1932.....	.93	.87	+0.06	2.93	193	179
1933.....	1.23	.97	+0.26	3.23	171	219
1934.....	-1.48	1.04	+0.44	3.00	73	223
1935.....	2.33	1.00	+1.33	3.23	45	203
1936.....	2.71	1.00	+1.71	3.61	37	180
1937.....	2.55	1.27	+1.28	3.45	37	162
1938.....	2.04	1.14	+0.90	2.94	45	182
1939.....	1.87	1.46	+0.41	2.95	51	133
1940.....	1.89	1.11	+0.78	2.79	57	148

<sup>1</sup> New York price over London price +; New York under London price —.

<sup>2</sup> Calculated: New York price plus duty on Cuban sugar.

NOTE.—The London price (New York basis) is the London price adjusted for differences in transportation costs between Habana and London, and Habana and New York.

Source: United States Tariff Commission, *Statistics on Sugar and Facts About Sugar*.

*Tariff status of tobacco.*—Other leading dutiable imports from Cuba include tobacco, pineapples, tomatoes, and rum; of these, imports of tobacco are the largest. In the trade agreement with Cuba, concluded in 1934, the duty on cigar-wrapper tobacco from Cuba was reduced from \$1.82 a pound to \$1.50 a pound, and imports of cigar-filler tobacco, scrap tobacco, cigars, and cigarettes were made dutiable at 50 percent of the general rates, instead of at 80 percent of those rates as theretofore. The amount of imports of tobacco and tobacco products, however, was subject to an annual absolute quota of 18 percent of the tobacco used in the manufacture of cigars in the United States in the previous year. Furthermore, the tariff concessions were conditioned upon the continuance of the United States agricultural program restricting the production of tobacco. This particular program was terminated in March 1936, and imports of tobacco and tobacco products from Cuba again became dutiable without quota restriction at the preagreement rates.

In a supplementary trade agreement with Cuba, effective December 23, 1939, the rate concessions of the 1934 agreement on cigar-filler tobacco, scrap tobacco, and cigars were restored, and the preferential rate based on the concession on wrapper tobacco in the Netherlands agreement (effective February 1, 1936), already enjoyed by Cuba, was bound against increase. A tariff quota, amounting to an aggregate of 22 million pounds, limits the concession on cigar-filler and scrap tobacco; imports above this amount are dutiable at the general rates less the usual 20-percent preferential. In recent years imports have been well below this quota. On the basis of the average unit value of imports from Cuba in 1939, the ad valorem equivalent of the present reduced duty on Cuban stemmed cigar-filler tobacco, the most important class, was 37.5 percent.

In a second supplementary trade agreement with Cuba, effective January 5, 1942, the duties on tobacco entering the United States from Cuba were reduced by 50 percent from the statutory rates established in the Tariff Act of 1930. On the effective date of that agreement the duty on Cuban wrapper tobacco became 91 cents per pound; on unstemmed filler tobacco, 14 cents per pound; on stemmed filler tobacco, 20 cents per pound; on scrap tobacco, 14 cents per pound; and on cigars, \$1.80 per pound plus 10 percent ad valorem.

#### United States exports to Cuba.

The composition of the United States exports to Cuba differs considerably from that of exports to most countries in Latin America, since food products and textiles constitute a proportionately larger part and machinery and vehicles a smaller part of the total trade. In 1939 the leading groups of exports to Cuba were textile fibers and manufactures, representing 20 percent of the total; vegetable food products and beverages, 18 percent; machinery and vehicles, 12 percent; and metals and manufactures, 11 percent (see table 14).<sup>60</sup> The leading individual exports to Cuba, shown in table 15, are lard, rice, flour, cotton cloth, rayon piece goods, crude petroleum, and passenger cars. The share of certain consumers' goods, particularly foodstuffs and textiles, in United States sales to Cuba is larger as compared with other Latin American countries. This is a reflection chiefly of the

<sup>60</sup> For comparison with the similar ratios for exports to Latin America as a whole, see table 16 in part I of this report.

high degree of specialization by Cuba in the production of its leading crops, sugar and tobacco, and of the tariff preferences accorded United States products in that country.

The Cuban market for United States products in the last decade has been influenced primarily by the amount of Cuban purchasing power, which is determined by the activity of the country's sugar industry and the value of its exports to the United States and other principal markets. Following 1929, most of the United States exports to Cuba declined drastically, but after 1933, with the improved prices for sugar in the United States market, United States sales to Cuba recovered considerably. Although exports of many products in recent years remained far below those in 1929, a few have increased materially and have even exceeded exports in 1929 (see table 15). Among these are rice, tin plate, steel bars, glass containers, raw cotton, cotton yarn, rayon yarn, rayon piece goods, cotton bags, radio sets, and electric refrigerators. The decreased exports of cotton fabrics to Cuba, the largest foreign market for United States cotton manufactures, and the great increase in exports of raw cotton and of cotton yarns, reflect the development of the Cuban cotton-textile industry. The larger exports of radios and electric refrigerators are an indication of the widening of the market for relatively new products in commerce. The greatly increased exports of rice are attributable principally to the substantial tariff preference accorded this United States product in the Cuban market in recent years.

TABLE 14.—United States exports (domestic merchandise) to Cuba, by groups of commodities, in 1938 and 1939

[In thousands of dollars]

Commodity group	1938	1939 <sup>1</sup>	Commodity group	1938	1939 <sup>1</sup>
Animals and animal products, edible, total	5,824	4,999	Nonmetallic minerals—Continued.		
Hams and shoulders, cured	468	418	Glass containers	739	762
Lard, including neutral	3,976	3,814	Metals and manufactures, except machinery and vehicles, total	7,129	9,101
Animals and animal products, inedible, total	2,047	2,293	Iron and steel bars, rods and plates	535	800
Upper leather	1,026	1,052	Tin plate, terneplate, and tangers' tin	1,015	1,173
Leather boots and shoes	416	510	Tubular products and fittings	640	868
Vegetable food products and beverages, total	14,458	14,458	Wire and manufactures	679	975
Milled rice	5,296	6,125	Other metals and manufactures	4,260	5,285
Wheat flour	4,946	3,937	Machinery and vehicles, total	11,312	10,033
White potatoes	564	566	Electrical machinery and apparatus	2,123	2,135
Vegetable products, inedible, except fibers and wood, total	2,451	3,150	Industrial machinery	3,145	3,207
Automotive tires (casings)	904	1,002	Agricultural machinery and implements	315	381
Textile fibers and manufactures, total	12,570	16,301	Automobiles, parts and accessories	3,970	2,896
Raw cotton	517	1,019	Other machinery and vehicles	1,750	1,714
Cotton yarn	715	1,027	Chemicals and related products, total	3,892	4,994
Cotton cloth, duck and tire fabric	4,813	6,167	Medicinal and pharmaceutical preparations	1,415	1,585
Cotton and jute bags	1,080	1,433	Pigments, paints and varnishes	378	450
Rayon yarn and woven piece goods	2,907	3,514	Fertilizers and fertilizer materials	330	690
Wood and paper, total	4,440	4,410	Miscellaneous	3,155	3,438
Boards, planks, and scantlings, Southern pine	1,215	1,066			
Boxboard and other paper-board	406	483			
Nonmetallic minerals, total	8,402	7,653			
Bituminous coal	1,436	1,294			
Crude petroleum	1,260	1,502			
Gasoline and other petroleum motor fuel	1,772	1,333			
			Total exports	75,678	80,830

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.





Passenger cars and chassis (new).....	Number.....	11 6,013	113,987	581	374	3,655	2,489	4,127	2,913	2,702	2,071	1,941	1,410
Automobile parts for replacement.....			863		199		495		711		617		650
Exports of commodities shown above.....			55,782		14,901		37,219		51,408		42,411		43,659
Total exports to Cuba.....			125,279		28,396		66,706		90,790		75,678		80,900
Principal exports (shown above) as percent of total.....			44.6		52.6		55.3		56.6		56.0		54.0

<sup>1</sup> Preliminary.

<sup>2</sup> Converted from bushels to pounds, on basis of 57 pounds per bushel.

<sup>3</sup> Converted from bushels to pounds, on basis of 60 pounds per bushel.

<sup>4</sup> Used tire casings averaging less than \$2 not included in 1939.

<sup>5</sup> Includes knit dress and piece goods.

<sup>6</sup> Includes naphtha and other finished light products.

<sup>7</sup> Includes all glass containers, whether filled or unfilled.

<sup>8</sup> Includes small amount of stainless and other alloy steel.

<sup>9</sup> Not separately classified.

<sup>10</sup> Data not comparable for the series.

<sup>11</sup> May include some second-hand articles.

Source: Compiled from official statistics of the U. S. Department of Commerce.

**Balance of payments between the United States and Cuba.**

Inasmuch as approximately four-fifths of all Cuban foreign financial transactions are with the United States, statistics of the balance of payments between the United States and Cuba (see table 16) hold special interest for both countries, but particularly for Cuba. A noteworthy feature of the balance of payments between the two countries is the large excess of United States imports from Cuba over exports thereto. Since 1928 this import trade balance has ranged between 79 million dollars (1929) and 23 million dollars (1939); among the Latin American countries it has customarily been exceeded only by the import trade balance which the United States has with Brazil.<sup>61</sup> The second largest payment to Cuba, among the accounts shown in table 16, is the expenditures of United States travelers in Cuba; such expenditures amounted to approximately 15 million dollars in 1938, and exceeded those to any other country in Latin America except Mexico, which accounts for about two-thirds of total United States travelers' expenditures in the Latin American area.

Partially offsetting the large net payments to Cuba on merchandise and travel accounts are the sums received by the United States in the form of interest, bond-redemption and sinking-fund receipts from Cuban dollar bonds held in the United States. These holdings are estimated to have amounted to 68 million dollars (par value) at the end of 1938, and were the fifth largest for any Latin American country.<sup>62</sup> Receipts on Cuban dollar bonds remained sizable throughout most of the period 1929-38, reflecting the continued payment of interest.<sup>63</sup> Sinking-fund payments, however, are in arrears on most of the issues.

The gold and silver account shows that the United States has exported to Cuba increasingly large amounts of silver since 1932. This is of special interest, for Cuba is the only country in Latin America to which the United States exports silver; many of the countries are large sources rather than markets for that product. Exports of silver to Cuba in large part represent shipments of Cuban currency which has been coined here from silver purchases in the United States. The recent increase in shipments of silver has resulted from the initiation in 1933 of an extensive silver coinage program, designed among other things to increase the circulation of Cuban currency. In 1935 nearly one-half of the stock of circulating

<sup>61</sup> See Brazil, part II, vol. 1, of this report.

<sup>62</sup> U. S. Department of Commerce, *The Balance of International Payments of the United States in 1938, 1939*, appendix D, p. 90.

<sup>63</sup> Interest has continued to be paid on all but one of the issues, and this issue was replaced in 1938 and interest has since been paid in full.

currency in Cuba consisted of United States money, which is legal tender in Cuba.<sup>64</sup>

The principal item offsetting the net debit balance arising from the merchandise and travel accounts, namely, the return on United States direct investments in Cuba, is not shown in table 16 as a credit item because the statistics are not available, but it unquestionably is of considerable magnitude. United States direct investments in Cuba, which had an estimated value of 666 million dollars at the end of 1936, were considerably larger than those in any other country in Latin America, and represented 24 percent of the total United States direct investments in that area.<sup>65</sup> Moreover, they were the second-largest foreign United States investments in the world. Investments in sugar plantations and sugar mills accounted for two-fifths of the total value, but ranked second to public utilities and transportation which represented nearly one-half of the total. Prior to the depression, the value of the investments, particularly in the sugar industry, was far greater than in recent years.

While the income from direct investments in Cuba is not shown in the table, it should be understood that a substantial part of the shipments of Cuban sugar to the United States is the product of United States-owned enterprise,<sup>66</sup> the value of which consists, in part, of the return on a considerable, although not principal, portion of United States investments in Cuba. The transfer of income in this manner does not, of course, involve a financial transfer such as arises when income from investments in public utilities or transportation is to be transferred from Cuba to the United States. In such instances, where no merchandise export occurs, the transfer is made by purchasing United States exchange with Cuban funds.

Other items for which statistics are not available include the investment of new United States capital in Cuba and the net movement of banking funds and security transactions. It appears, therefore, that the net debit balance shown in the last item of table 16 may differ materially from the actual net balance of financial transactions between the United States and Cuba. The actual net debit balance is probably considerably smaller than that shown in table 16.

<sup>64</sup> U. S. Department of Commerce, *Handbook of Foreign Currencies*, 1938, p. 58.

<sup>65</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936, 1938*, table 4, p. 12.

<sup>66</sup> Only a part of the revenue of such shipments represents income on investment, because out of these revenues must be paid the operating expenses of the company in Cuba.

TABLE 16.—Partial balance of payments between the United States and Cuba, 1929-38

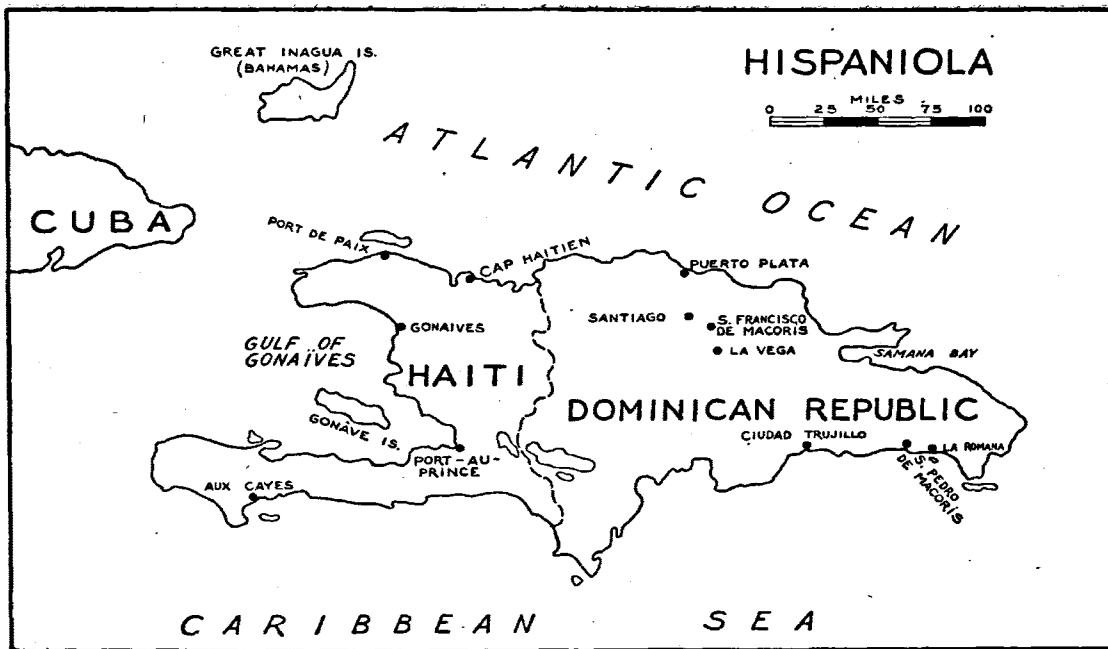
[In millions of dollars]

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
<b>Trade and service items:</b>										
Merchandise exports to Cuba <sup>1</sup> .....	128.9	93.6	47.0	28.8	25.1	45.3	60.1	67.4	92.3	76.3
Merchandise imports from Cuba <sup>1</sup> .....	207.4	121.9	90.1	58.3	58.5	78.9	104.3	127.5	148.0	105.8
Excess of merchandise imports from Cuba.....	-78.5	-28.3	-43.1	-29.5	-33.4	-33.6	-44.2	-60.1	-55.7	-29.5
Receipts from Cuba for shipping services <sup>2</sup> .....	7.2	4.4	4.1	2.0	1.1	1.6	2.1	2.4	3.4	2.8
Expenditures of Cuban travelers in the United States <sup>3</sup> .....	5.1	4.4	3.1	1.9	2.2	2.7	2.6	3.7	3.9	4.8
Expenditures of United States travelers in Cuba <sup>4</sup> .....	17.5	18.8	16.5	10.8	6.5	4.5	5.3	12.9	15.0	15.0
Interest receipts from Cuba.....	6.2	6.2	6.7	5.7	5.4	2.4	2.3	2.2	1.9	*2.7
Net receipts from (+) or payments to (-) Cuba for services <sup>5</sup> .....	+1.0	-3.8	-3.6	-1.2	+2.2	+2.2	+1.7	-4.6	-5.8	-4.7
Net payments to Cuba on trade and service account <sup>6</sup> .....	-77.5	-32.1	-46.7	-30.7	-31.2	-31.4	-42.5	-64.7	-61.5	-34.2
<b>Gold and silver:</b>										
Net gold imports from Cuba <sup>1</sup> .....	-1	-1.9	-5.9	-1.5	-3	-5	-9	-6	-6	-2
Net silver imports from (-) or exports to (+) Cuba <sup>1</sup> .....	-1	.....	-6	+6	+1.7	+3.8	+5.6	*9.0	+7.5	+4.3
Net gold and silver imports from (-) or exports to (+) Cuba.....	-2	-1.9	-6.5	-9	+1.4	+3.3	+4.7	+3.4	+6.9	+4.1
<b>Capital items:</b>										
Bond-redemption and sinking-fund receipts from Cuba <sup>7</sup> .....	.....	+6.4	+10.8	+14.5	+5.5	+1.2	+1.7	+3.3	+2.6	+1.9
Reported net exports (+) or (-) of paper currency.....	-5.5	-5.8	-29.1	-14.2	+3.3	.....	-7.1	-5.6	+1.2	-4.3
Total reported capital movements.....	.....	+6	-18.3	+3	+8.8	+1.2	-5.4	-2.3	+3.8	-2.4
Net balance on items shown <sup>8</sup> .....	-83.2	-33.4	-71.5	-31.3	-21.0	-26.9	-43.2	-58.6	-50.8	-32.5

<sup>1</sup> United States statistics, unadjusted.<sup>2</sup> Rough estimates.<sup>3</sup> Allowance made for repurchases of Cuban dollar bonds by foreigners.<sup>4</sup> Excluding return on United States direct investments in Cuba.<sup>5</sup> Nominal values; bullion values would be smaller.<sup>6</sup> Bond-redemption receipts adjusted for repurchases by foreigners in all years; sinking-fund receipts in 1938 only.<sup>7</sup> Exclusive of return on direct investments (receipts) and new investments (payments) in Cuba.

NOTE.—Net credit balances for the United States are indicated by +; net debit balances by -.

Source: Especially prepared for this report by the Finance Division, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.



# DOMINICAN REPUBLIC

## A DESCRIPTION

### Physical characteristics.

The Dominican Republic<sup>1</sup> occupies the eastern two-thirds of the Island of Hispaniola, or Santo Domingo, which lies in the Caribbean Sea between Cuba and Puerto Rico; the remainder of the island is occupied by the Republic of Haiti. Extending about 240 miles from east to west, the Dominican Republic has a maximum width of about 170 miles, a coast line of more than 1,000 miles, and a common border with Haiti of 193 miles. Its area, including small adjacent islands, is 19,332 square miles, about equivalent to that of New Hampshire, Vermont, and Rhode Island combined.

Four parallel mountain ranges traverse the Dominican Republic from east to west. The largest of these ranges, the Cordillera Central, divides the country into almost equal parts, and extends westward into Haiti. Pico Trujillo,<sup>2</sup> in the Cordillera Central, with an elevation of 10,300 feet, is the highest point in the West Indies. The heavily forested mountain ranges are interspersed with valleys, some of which are extremely fertile. The principal valley, that of the Cibao, is 140 miles long and varies in width from 10 to 30 miles.

The Dominican Republic lies entirely within the Torrid Zone, but the mountain ranges and the trade winds combine to give it a varied climate. The annual average temperature ranges between 63° and 92° F., that on the coast being about 78° F. In the interior the temperature varies with the altitude. In general there are two seasons, the rainy season from May to November and the dry season from December to April. Seasonal differences are less pronounced in the northern part of the country. The western third of the Republic is semiarid.

The rivers of the Dominican Republic in general are short and rapid, and are more important for irrigation and as potential sources of hydroelectric power than they are for navigation. The principal rivers, navigable for short distances, are the Yaque del Norte and the Yuna, in the Cibao Valley; the Yaque del Sur, which empties into Neiba Bay; the Macorís, which flows through the province of the same name; and the Ozama and the Isabel, which unite to form the port of Ciudad Trujillo.

About 150 miles of railroad are in operation in the Dominican Republic, in addition to about 265 miles of private lines on the larger sugar estates. Public railroads are the government-owned Domini-

<sup>1</sup> In Spanish, República Dominicana. When Columbus discovered the island in 1492, he named it Española. The name of the Republic is derived from Santo Domingo (Saint Dominic), the name of the city founded by Bartholomew Columbus in 1496. Santo Domingo, now called Ciudad Trujillo, was the first permanent European settlement in the New World. The island, second largest in the West Indies, is known variously as Española, Hispaniola, Santo Domingo, or Haiti. The Dominican Republic should not be confused with the British Crown Colony of Dominica, in the Windward Islands group.

<sup>2</sup> Formerly Monte Tina.

can Central Railroad, operating between Puerto Plata, Santiago, and Moca (70 miles), and the privately owned Samaná-Santiago Railroad, which connects Sánchez, La Vega, and Moca (87 miles).

Except for the areas served by the two railway lines, transportation in the Dominican Republic depends on the highway system. There are approximately 3,000 miles of roads and highways in the country. About 900 miles are motor highways, and of these about 500 miles consist of all-weather construction. Three principal trunk highways connect the capital, Ciudad Trujillo, with other parts of the Republic. The longest all-weather route (161 miles) connects Ciudad Trujillo with the southern Haitian border at Comendador, where it joins the road to Port-au-Prince, Haiti. In 1937 there were 2,559 motor vehicles in operation in the country.

#### Population.

The population of the Dominican Republic has increased rapidly in the last century. In 1824 it was estimated to be about 54,000. When the first official census was taken in 1921, it was about 900,000. According to the census of 1935, the population was 1,480,000, of which 73,000 were foreigners, principally Haitians. An official estimate for 1937 placed the number of inhabitants at 1,581,000, or about 82 persons to the square mile.<sup>3</sup> The population, however, is very unevenly distributed, centering in the fertile valleys; about five-sixths of the population is rural.

The principal city of the Dominican Republic is Ciudad Trujillo, the capital and chief port.<sup>4</sup> Its population in 1935 was 71,000. Other important cities and towns, with their population in 1935, are Santiago de los Caballeros, the chief city in the northern section, 34,000; San Pedro de Macoris, the largest sugar port on the south coast, 19,000; Puerto Plata, the largest port on the north coast, 12,000; La Romana, a sugar port on the south coast, 11,000; San Francisco de Macoris, an interior city, 10,000; and La Vega, in the central section of the island, 9,000.

According to the census of 1935, about two-thirds of the population consisted of mixed races, about one-fifth of Negroes, and about one-seventh of persons of European (principally Spanish) extraction. The aboriginal Indian population has long since been assimilated. The official language of the Dominican Republic is Spanish. On the Dominican-Haitian frontier, however, a Haitian dialect is also spoken.<sup>5</sup>

#### Natural resources and economy.

*Agriculture.*—The Dominican Republic is an agricultural country, with but few mining and manufacturing industries. The principal export crops are sugar, cacao, coffee, and tobacco; but corn, rice, beans, bananas, oranges, coconuts, pineapples, and mangoes are grown, principally for domestic consumption, as well as a wide variety of other tropical fruits and vegetables. About one-half of the area of the country is suitable for agriculture, but only about one-fifth is actually under cultivation.

<sup>3</sup> Among the 20 Latin American countries the density of population in the Dominican Republic is exceeded only by that in Haiti, El Salvador, and Cuba.

<sup>4</sup> On January 11, 1936, the name of the capital was changed from Santo Domingo to Ciudad Trujillo. The name Santo Domingo is now given to the district in which the capital is located.

<sup>5</sup> This dialect is based on French, but contains a high percentage of Spanish, Indian, and English words.



The outstanding feature of the economy of the Dominican Republic is the extent of its dependence upon a small number of agricultural commodities. In the decade 1929-38, for example, approximately three-fifths of all Dominican exports, in terms of value, consisted of sugar, and another fifth consisted of cacao and coffee.

In recent years, however, some diversification of agriculture has taken place. The Government has made efforts to increase the production of certain crops which in the past have been of minor importance, and to create a greater self-sufficiency with respect to foodstuffs. Special attention has been given to irrigation projects,\* to the development of the interior highway system, and to the distribution of land to needy agriculturists. Courses in agriculture have been established in the public schools, and the scope of the experimental farms of the Department of Agriculture has been broadened. The quality of some of the leading export products, cacao, coffee, and tobacco, has been further improved as a result of legislation regulating the harvesting, grading, packing, and marketing of the crops.

Of special significance to agriculture in the Dominican Republic have been the efforts to produce domestic foodstuffs to replace at least in part those imported. Domestic production of rice, for example, has been greatly stimulated by the imposition of an import duty and an import-licensing arrangement, and by the installation of irrigation systems. Imports of rice declined markedly during the decade 1929-38, those in 1938 being valued at less than 14 percent of those in 1929. Per capita consumption of wheat flour declined during the decade, and simultaneously there was increased consumption of wheat substitutes, such as corn, rice, plantains, and yucca flour. Imports of wheat flour in 1938 were valued at only about one-third of those in 1929. Reflecting increased production of hogs and the establishment of a domestic edible-oil industry, imports of lard and edible oils in 1938 were only 13 percent and 29 percent, respectively, of those in 1929. A law promulgated September 14, 1940, prohibited the importation of coffee, placed a tax on its consumption within the country, and provided for the regulation of its production, sale, and exportation.

From colonial times sugar has been the principal crop of the Island of Hispaniola. Among the countries of Latin America, the Dominican Republic now ranks third as a producer of sugar, being exceeded only by Cuba and Brazil, and second as an exporter of sugar, being surpassed only by Cuba. Production of sugar in the Dominican Republic averaged 491,000 short tons annually in the 3 years 1936-38. Exports in the same period, which went principally to the United Kingdom, averaged 467,000 short tons annually. Production of sugar is carried on in all the lowland sections of the Republic, but the greatest concentration is in the vicinity of San Pedro de Macoris.

The Dominican Republic also ranks next to Cuba as an exporter of blackstrap molasses.<sup>†</sup> Inasmuch as this molasses is a byproduct of

\*During the decade a comprehensive program of public works was undertaken by the Dominican Republic. In addition to irrigation projects, the program included improvement of harbor, port, and shipping facilities (especially at the port of Ciudad Trujillo), the construction and repair of highways, bridges, and railroads, and the erection of public buildings.

†Blackstrap molasses is used chiefly in the manufacture of industrial alcohol, and to a lesser extent as an ingredient of sweet cattle feeds and in the manufacture of yeast and vinegar.

the sugar industry, output varies directly with the production of sugar. Exports of blackstrap molasses from the Dominican Republic, practically all of which went to the United States, averaged 20.2 million gallons<sup>a</sup> annually in the 3 years 1936-38. Small quantities of cane sirup are also exported.

Cacao ranks second as a Dominican Republic export crop. Imported originally from Trinidad, cacao became an important crop during the period 1900-20, although its production has increased little since. About nine-tenths of the Dominican crop is produced in the Cibao Valley. In the production of cacao beans, the Dominican Republic ranks second among the countries of Latin America, being exceeded only by Brazil. Production in the 3 years 1936-38 averaged 48.3 million pounds annually.

Coffee, the third-ranking export crop, is grown principally in the highland regions, and, prior to the outbreak of the war, was shipped chiefly to Europe, and especially to France. The main coffee production is concentrated in the southwestern Provinces of Trujillo, Azua, and Barahona, and in the Cibao Valley. Exports of coffee in the 3 years 1936-38 averaged 25 million pounds annually, but shipments declined during this period from 32.1 million pounds in 1936 to 18.6 million pounds in 1938.

Among the other agricultural products of the Dominican Republic, tobacco, corn, bananas, and rice are of importance. Tobacco is grown principally in the Cibao Valley Provinces; a large part of the crop is used in the domestic tobacco-manufacturing industry at Santiago. Exports of tobacco in 1937, a poor crop year, amounted to 3,456 tons, as compared with 6,920 tons in 1935. Large quantities of corn and bananas are produced, principally for domestic consumption, although considerable quantities are customarily exported to Puerto Rico. The domestic production of rice in 1937 amounted to about 20,000 tons, about one-fourth of which was grown on irrigated land.

*Pastoral industries.*—The raising of livestock constitutes an important activity in the Dominican Republic. According to the livestock census of 1935, there were 913,000 cattle, 853,000 hogs, and 35,000 sheep in the country, as well as 2.6 million poultry and a large number of mules and burros. There were 399,000 beehives in 1935. An estimated 3 million acres of land are available for year-round pasturage. The meats produced are consumed within the country, but hides and skins form an important article of export. In recent years attention has been given to scientific breeding, and pure-bred strains have been imported to improve the herds.

*Mining.*—A number of minerals are found in the Dominican Republic, but most of the known deposits are not of commercial importance, and mining has been little developed. The principal mineral actually produced is gold, but copper, iron, nickel, silver, platinum, lignite, and petroleum exist, as well as large quantities of rock salt with associated gypsum and clay deposits. The value of the gold produced in 1939 was estimated to be \$245,000.

*Forest industries.*—The forest resources of the Dominican Republic are fairly extensive. Some of the best and most accessible stands of timber, however, have already been cut. The exploitation of the remaining forest resources is retarded considerably by lack of ade-

<sup>a</sup> Gallons of 11.7 pounds.

quate transportation facilities. Woods found in the Republic include cedar, satinwood, mahogany, lignum vitae, pine, and juniper, as well as a variety of dye-woods. Lignum vitae (found in many parts of the country) and mahogany are exported.

*Manufacturing.*—The principal manufacturing industries of the Dominican Republic are those associated with the processing of agricultural products, particularly sugarcane, cacao, coffee, and tobacco. Most other manufacturing industries are engaged in the production of consumer goods for the domestic market, including such articles as shoes, sole leather, shirts and other clothing, straw hats, cigarettes, cigars, smoking tobacco, matches, soap, chocolate, salt, starch, flour, macaroni, edible oils, butter, cheese, alcohol, rum, beer, tile, brick, pottery, furniture, and mattresses. The production of rock salt is a government monopoly.

It is estimated that in 1936 there were 1,818 industrial establishments in the country, employing nearly 25,000 persons. Except for the sugar mills, most of these establishments are small enterprises of the household type, each employing but a few workers and producing for a very limited local market. The principal manufacturing centers are Ciudad Trujillo, Puerto Plata, San Pedro de Macoris, and La Vega. Industrial production in 1937 was valued at 23 million dollars. Industries producing foodstuffs accounted for 16.5 million dollars, and sugar mills alone for approximately 12 million. In order to stimulate domestic industry, exemption from certain national and municipal taxes has been provided for new industries, and for old industries which expand their activities.

*Foreign investments.*—Statistics of foreign investments in the Dominican Republic, other than those of the United States, are not available. United States direct investments at the end of 1936 amounted to 40.7 million dollars.<sup>9</sup> Of this amount, 32.9 million dollars was invested in agricultural enterprises, most of which was probably in the sugar industry. No data are available to show the distribution of other investments by economic groups. The United States portfolio of Dominican Republic securities in 1935 was estimated to be 15.5 million dollars.<sup>10</sup>

## THE FOREIGN TRADE OF THE DOMINICAN REPUBLIC

In 1939, exports from the Dominican Republic were valued at 18.6 million dollars, as compared with imports of 11.6 million dollars.<sup>11</sup> Exports have customarily exceeded imports. In the four years 1936-39, the official figures showed export balances ranging from 3 million dollars (1938) to 7 million dollars (1939), exports exceeding imports by from 26 to 61 percent.<sup>12</sup> In 1938 exports from the Dominican Republic were equal to \$9.70 per capita and imports to \$7.70 per capita,

<sup>9</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936*, p. 12. "Direct" investments are defined as all United States investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice.

<sup>10</sup> Cleona Lewis, *America's Stake in International Investments*, The Brookings Institution, 1938, p. 655. "Portfolio" investments are defined as equity and other security investments in foreign-controlled corporations, and investments in the security issues of foreign governments or subdivisions thereof.

<sup>11</sup> Until April 1938 the monetary unit was the United States dollar; since that time it has been the peso, equivalent in value to the United States dollar.

<sup>12</sup> Export values employed by the Dominican Republic are f. o. b. Dominican port or frontier, including export duties. Import values are declared invoice values, f. o. b. country of origin.

as compared with \$25.10 and \$22.90, respectively, for the United States.

#### Commercial policy of the Dominican Republic.

The Dominican Republic nominally has a single-column tariff applicable to the products of all countries, from which conventional reductions have not been made.<sup>13</sup> In addition to import duties, however, a schedule of sales, use, and consumption taxes is levied on the importation of about 250 products; these are intended chiefly for revenue, since most of the commodities are not produced in the Dominican Republic. A law of April 17, 1935, authorizes the Executive to increase, reduce, or abolish the sales, use, and consumption taxes, and to make reductions of from 5 to 90 percent in such taxes in exchange for concessions to Dominican products by foreign countries. The tariff rates and the last tenth of the sales taxes are not subject to reduction, so that any bargaining with another country concerns the difference between two sets of rates prescribed by law.

The Dominican Republic has not established either foreign-exchange control or quotas. A congressional law of September 12, 1939, authorized the Executive to regulate the importation, exportation, sale, and distribution of specified products considered to be prime necessities,<sup>14</sup> but apparently no such measures have been adopted.

The Dominican tariff is largely a revenue measure,<sup>15</sup> but it accords protection to a number of the products of domestic agriculture and industry, including rice, shoes, shirts, hats, furniture, and beer. Moreover, after 1925, protection was accorded to many types of merchandise directly or indirectly competitive with imports by the imposition of internal sales, use, and consumption taxes upon the grade imported. In 1933 heavy taxes were imposed on certain goods, particularly flour and rice, which up to that time had constituted important items of import. By a law of March 13, 1935, most of the internal-revenue taxes were reenacted, and many new ones were introduced. While the new rates were partly protective, they were partly for revenue purposes, since additional funds were desired for extensive improvements to the port of Ciudad Trujillo. A congressional law, effective May 29, 1940, established an export duty on sugar of 20 percent of the amount by which the f. o. b. sales price at Dominican ports may at any time exceed \$1.50 per 100 pounds for raw sugar, and \$2.75 per 100 pounds for refined sugar.

<sup>13</sup> Until February 1941, the import duties proper were in a measure bound by the convention with the United States. Article IV of that convention, signed December 27, 1924, was interpreted to mean that no branch of the Dominican Government may modify the tariff schedule without previous consultation with the United States Government. Under the modus vivendi of April 1, 1905, between the United States and the Dominican Republic, the United States-Dominican convention of February 7, 1907, and the United States-Dominican convention of 1924, collection of customs duties and payment of interest and amortization of the three Dominican bond issues were performed by a United States Receiver-General of Customs. A convention between the United States and the Dominican Republic terminating the collection of Dominican customs by an agent of the United States was signed September 24, 1940, and was ratified by the United States Senate on March 8, 1941.

<sup>14</sup> The articles specified were bread, meat, fish, milk, butter, cheese, coffee, chocolate, eggs, edible fats and oils, sugar, salt, cereals, vegetables, other articles considered essential for human consumption, coal, and medicinals.

<sup>15</sup> Of the Dominican Republic revenues for 1938, which amounted to 11.9 million dollars, 24 percent were accounted for by customs duties, 12 percent by the consumption tax (Law 854), and 9 percent by the cargo tax (all collected by the Receivership). Of the internal taxes, the sugar tax accounted for 7 percent, the cigarette tax for 4 percent, and the alcohol tax for 3.5 percent. A wide variety of other internal taxes and revenues accounted for the remainder.

Conventional reductions in the "sales, use, and consumption" taxes on a considerable list of products, largely Spanish specialties, were accorded by an agreement with Spain, which came into force on October 16, 1935. Spain, on its part, accorded unconditional most-favored-nation treatment to a list of important Dominican products and the second-column Spanish rates to all others, and granted an annual quota of 10,000 metric quintals for Dominican coffee, with provision for an increased quota if Spanish exports to the Dominican Republic should increase over the previous year. This *modus vivendi* with Spain was terminated by the Dominican Republic, effective December 15, 1936.

A similar agreement with France, effective September 30, 1936, provided for sharp reductions in the sales, use, and consumption taxes (and internal taxes on alcoholic beverages) on a wide range of French products, including preserved foodstuffs, confections, mineral and medicinal waters, pharmaceutical specialties, and alcoholic beverages, of specified brands or trade names. The Dominican Republic also undertook to purchase in France 80,000 bags for the packing of coffee for shipment to France, in exchange for an annual French quota of 5.4 million kilograms of Dominican coffee.<sup>19</sup> The unconditional most-favored-nation commitment was limited on the French side to a list of leading Dominican products. On December 15, 1939, the Dominican Government temporarily suspended the commercial treaty with France because of the difficulties in carrying out the terms of the convention under war conditions.

The Dominican Republic extends its concessions to third countries only as required by unconditional most-favored-nation agreements in force. Such treatment is accorded the United States under a *modus vivendi* effective September 25, 1924. The reduced internal taxes and consumption taxes applying to French products thus were extended to similar articles imported from the United States, effective March 9, 1937.

#### **Exports from the Dominican Republic.**

*Trend.*—In its export trade, the Dominican Republic is largely dependent upon one commodity, sugar, and to a lesser extent upon cacao and coffee. The most significant features of the export trade in the decade 1929-38 were the decline in the ratio of exports of coffee to total exports, the increase in the importance of sugar, the maintenance by the United Kingdom of its position as the principal market for Dominican exports, the decline in the importance of France, and the increase in the importance of the United States. Exports from the Dominican Republic to the world and to the United States, in the period 1924-39, are shown in tables 1 and 2.

The year 1929, the earliest shown in the detailed tables hereinafter presented, was not a peak year in the value of exports either to the world or to the United States, having been exceeded in each of the 5 years 1924-28 (see tables 1 and 2). The value of exports to the world in 1929 was 16 percent below the average for the 5 years 1924-28, and that of exports to the United States in 1929 was 24 percent below the 5-year average. The low value of exports in 1929 as

<sup>19</sup> This provision was later changed to require that Dominican coffee exported to France be sacked in bags of French manufacture and origin, provided a sufficient number of these bags were available on the Dominican market for prospective shipments.

compared with the immediately preceding years is due in large part to the decline in the prices of sugar and the other major export commodities of the Dominican Republic.

TABLE 1.—*Dominican Republic: Trade with the world, 1924-39*[Value in thousands of U. S. dollars <sup>1</sup>]

Year	Exports	Imports	Year	Exports	Imports
1924.....	30,263	21,581	1932.....	11,164	7,794
1925.....	26,771	25,339	1933.....	9,625	9,323
1926.....	24,896	23,678	1934.....	12,895	10,574
1927.....	31,178	27,784	1935.....	15,487	9,790
1928.....	28,755	26,788	1936.....	16,150	9,927
1929.....	23,736	22,729	1937.....	18,120	11,692
1930.....	18,552	15,229	1938.....	14,347	11,342
1931.....	13,067	10,152	1939.....	18,643	11,592

<sup>1</sup> Until April 1938, the monetary unit was the United States dollar. Since that time it has been the peso, equivalent to the United States dollar.

Source: Compiled by the United States Tariff Commission from *Report of the Dominican Customs Receivership*.

TABLE 2.—*Dominican Republic: Trade with the United States, 1924-39*[Value in thousands of U. S. dollars <sup>1</sup>]

Year	Exports		Imports		Year	Exports		Imports	
	Value	Percent of total to United States	Value	Percent of total from United States		Value	Percent of total to United States	Value	Percent of total from United States
1924.....	9,285	30.7	14,616	67.7	1932.....	1,908	17.1	4,596	59.0
1925.....	5,608	20.9	16,502	65.1	1933.....	1,928	20.0	5,385	57.8
1926.....	5,629	22.6	14,378	60.7	1934.....	2,614	20.3	6,016	56.9
1927.....	8,853	28.4	17,772	64.0	1935.....	4,154	26.8	4,742	48.4
1928.....	6,517	22.7	16,374	61.1	1936.....	4,602	30.4	4,765	48.9
1929.....	5,427	22.9	13,457	59.2	1937.....	5,832	32.2	6,115	52.3
1930.....	4,368	23.5	8,546	56.1	1938.....	4,607	32.1	6,072	53.5
1931.....	3,428	26.2	5,883	57.9	1939.....	5,051	27.1	6,862	59.2

<sup>1</sup> Until April 1938, the monetary unit was the U. S. dollar. Since that time it has been the peso, equivalent to the U. S. dollar.

Source: Compiled by the United States Tariff Commission from *Report of the Dominican Customs Receivership*.

Total exports from the Dominican Republic in 1929 were valued at 23.7 million dollars. Following the trend of world commerce, they declined to 11.2 million dollars in 1932 and still further to 9.6 million in 1933, or 41 percent of their 1929 value. After 1933 exports increased irregularly, reaching 18.1 million dollars in 1937. As a result of lower prices for the principal export commodities, they declined in 1938 to 14.3 million dollars, or 60 percent of the 1929 level. Exports in 1939 were valued at 18.6 million dollars, an increase of 30 percent as compared with 1938. The increase was largely the result of higher prices for sugar, coffee, and cacao. In 1940 exports of these products were adversely affected by the war, and prices declined.

Price and quantum indexes of exports from the Dominican Republic are not available. The effect of fluctuations in prices and quantities on the export trade, however, is indicated by statistics for the leading export commodities—sugar, cacao, and coffee—which in the decade 1929-38 constituted four-fifths or more of total Dominican exports, in

terms of value. The statistics indicate that the decline in the value of Dominican Republic exports from 1929 to 1933 may be attributed almost entirely to a decline in prices rather than to a decline in the quantities of the products exported. Moreover, the increase in the value of exports after 1933 may be attributed chiefly to the recovery of prices.

Quantities, values, and unit values of selected Dominican export commodities, in specified years 1929 to 1938, are shown in table 3. Exports of sugar increased from 356,000 short tons in 1929 to 485,000 short tons in 1932, an increase of more than one-third. In the same period, however, the average unit value declined by nearly three-fifths (from \$34.57 to \$14.17 per short ton). After 1932 exports of sugar declined somewhat; in 1938, despite the decline, they amounted to 447,000 short tons, or 26 percent above the 1929 level. The average unit value increased after 1932, but in 1938 it was only 56 percent of that in 1929.

Exports of cacao beans declined in quantity by about one-fifth between 1929 and 1932—from 47 million to 38.3 million pounds. The average unit value, however, declined by about two-thirds during the same period. After 1932 exports of cacao beans increased regularly, reaching 62.6 million pounds in 1938, or about one-third more than in 1929. Unit values increased markedly from 1932 until 1937, but in 1938 dropped to a point not much above that in 1932.

Exports of coffee increased from 12.1 million pounds in 1929 to 14.1 million pounds in 1932, and sharply to 32.1 million pounds in 1936, or more than two and one-half times the quantity in 1929. In the same period, however, average unit values declined by more than two-thirds. After 1936 exports of coffee declined sharply. In 1938 they amounted to only 18.6 million pounds, but were still 50 percent above the 1929 level. The average unit value from 1936 to 1938 was even lower than in 1932; in 1938 it was 36 percent of that in 1929.

TABLE 3.—Dominican Republic: Exports of selected commodities, in specified years, 1929 to 1938

Commodity	1929	1932	1936	1937	1938
Quantity					
Sugar, short tons .....	355,574	484,731	479,288	473,641	447,174
Cacao beans, 1,000 lb. ....	47,007	38,275	40,049	43,226	62,529
Coffee, 1,000 lb. ....	12,142	14,137	32,121	24,359	18,552
Value (1,000 U. S. dollars) †					
Sugar .....	12,291	6,869	8,569	10,740	8,664
Cacao beans .....	3,870	1,027	1,585	2,524	1,918
Coffee .....	2,444	1,255	2,030	1,765	1,040
Unit value (U. S. dollars)					
Sugar, short ton .....	34.57	14.17	17.89	22.68	19.36
Cacao beans, pound .....	.082	.027	.040	.058	.031
Coffee, pound .....	.201	.089	.063	.072	.056

† Until April 1938, the monetary unit was the U. S. dollar. Since that time it has been the peso, equivalent to the U. S. dollar.

Source: Compiled by the United States Tariff Commission from Report of the Dominican Customs Receiver.

*Composition.*—Exports from the Dominican Republic consist principally of sugar, cacao, coffee, molasses, and tobacco. In 1938 these five commodities accounted for 88 percent of all shipments aboard, in terms of value. Sugar, cacao, and coffee accounted for 81 percent of total exports in that year, and sugar alone for 60 percent. Exports from the Dominican Republic, by principal commodities, in specified years, 1929 to 1938, are shown in table 4.

For every individual commodity shown in table 4 (except cattle), there was a sharp drop in the dollar value of exports between 1929 and 1932, caused in large part by lower prices. All commodities for which data are available, except leaf tobacco and plantains, showed increases in dollar value in 1937 as compared with 1932; the values for molasses, cattle, lignum vitae, mahogany, and beeswax were higher in 1937 than in 1929. For the principal commodities, the ratios of the dollar values of exports in 1938 to those in 1929 were as follows: Sugar, 70 percent; cacao beans, 50 percent; coffee, 43 percent; molasses, 89 percent; leaf tobacco, 29 percent; corn, 48 percent; and cattle, 362 percent.

TABLE 4.—Dominican Republic: Exports,<sup>1</sup> by principal commodities, in specified years, 1929 to 1938

[Value in thousands of U. S. dollars <sup>2</sup>]

Commodity group or commodity <sup>3</sup>	1929		1932		1936		1937		1938	
	Value	Per-cent of total	Value	Per-cent of total	Value	Per-cent of total	Value	Per-cent of total	Value	Per-cent of total
Grand total.....	23,736	100.0	11,164	100.0	15,150	100.0	18,120	100.0	14,347	100.0
Sugar <sup>4</sup> .....	12,291	51.8	6,869	61.5	8,569	56.6	10,740	59.3	8,664	60.4
Sugar, raw.....	12,259	51.6	6,859	61.4	8,509	56.2	10,683	59.0	8,592	59.9
Cacao beans.....	3,870	16.3	1,027	9.2	1,585	10.5	2,524	13.9	1,918	13.4
Coffee.....	2,444	10.3	1,255	11.2	2,020	13.3	1,765	9.7	1,040	7.2
Molasses.....	689	2.9	441	3.9	985	6.5	844	4.7	616	4.3
Tobacco and manufactures.....	1,461	6.2	276	2.5	241	1.6	207	1.1	437	3.0
Leaf tobacco.....	1,381	5.8	225	2.0	199	1.3	172	1.0	404	2.8
Gold.....	( <sup>5</sup> )		( <sup>5</sup> )		379	2.5	263	1.4	236	1.6
Corn.....	437	1.8	36	.3	309	2.0	319	1.8	212	1.5
Animals.....	58	.2	73	.7	99	.6	148	.8	201	1.4
Cattle.....	42	.2	60	.5	72	.5	102	.6	152	1.1
Hides, skins, and leather.....	447	1.9	77	.7	206	1.4	284	1.6	154	1.1
Hides, cattle.....	268	1.1	48	.4	121	.8	195	1.1	88	.6
Woods.....	244	1.0	74	.7	159	1.0	234	1.3	113	.8
Lignum vitae.....	104	.4	22	.2	81	.5	122	.7	40	.3
Mahogany.....	38	.2	11	.1	23	.2	43	.2	31	.2
Bananas.....	( <sup>5</sup> )		( <sup>5</sup> )		1	( <sup>5</sup> )	29	.2	95	.7
Cane sirup.....	( <sup>5</sup> )		( <sup>5</sup> )		116	.8	57	.3	86	.6
Starch.....	( <sup>5</sup> )		51	.5	48	.3	215	1.2	64	.4
Beeswax.....	84	.4	20	.2	86	.6	94	.5	59	.4
Plantains.....	127	.5	84	.7	57	.4	65	.4	19	.1
Miscellaneous products.....	1,310	5.5	655	5.9	180	1.2	210	1.1	181	1.3
Reexports.....	274	1.2	226	2.0	110	.7	122	.7	252	1.8

<sup>1</sup> General exports, including bullion. Values are f. o. b. Dominican port or frontier, including export duties.

<sup>2</sup> Until April 1938, the monetary unit was the United States dollar. Since that time it has been the peso, equivalent to the United States dollar.

<sup>3</sup> Classifications employed in this table are those given in the Dominican Republic export statistics for 1938. Commodities are ranked according to value in 1938.

<sup>4</sup> Does not include exports of sugarcane, which amounted to \$931,203 in 1929 and \$549,610 in 1932. Thereafter no exports of sugarcane are shown.

<sup>5</sup> Not shown separately.

<sup>6</sup> Less than one-tenth of 1 percent.

Source: Compiled by the United States Tariff Commission from *Report of the Dominican Customs Receipts*.



Sugar accounted for between one-half and three-fifths of the value of all exports in each year shown in table 4. In 1938 its share of the total was 60 percent, as compared with 52 percent in 1929. The share of the second-ranking export product, cacao beans, varied considerably; in 1938 it was 13 percent, as compared with 16 percent in 1929 and 9 percent in 1932. The ratio of exports of coffee to total exports increased from 10 percent in 1929 to 13 percent in 1936, but declined to 7 percent in 1938. Exports of molasses constituted a larger part of exports in 1938 (4 percent) than in 1929, while those of tobacco and manufactures declined sharply from 6 percent in 1929 to 1 percent in 1937, and were 3 percent in 1938.

Other Dominican export commodities, no one of which represented as much as 2 percent of the aggregate value of exports in 1938 are gold, corn, cattle, hides and skins, woods (principally *lignum vitae* and mahogany), bananas, cane sirup, starch, beeswax, and plantains. In 1938 these 10 commodities together accounted for less than 9 percent of total exports. Miscellaneous products formed 1 percent of the total, and reexports nearly 2 percent.

*Destination.*—The principal foreign markets for the products of the Dominican Republic in 1938, with the share of the value of total exports taken by each country, were the United Kingdom, 42 percent; the United States, 32 percent; and France, 8 percent. Minor markets in 1938 included Germany, Morocco, the Netherlands, the Netherlands West Indies, Puerto Rico, Japan, and Italy. Exports from the Dominican Republic to selected countries, in specified years, 1929 to 1938, are shown in table 5. More detailed data for 1937 are shown in table 6.

In each of the years shown in table 5, the United Kingdom, the United States, and France together took approximately three-fourths of all exports from the Dominican Republic. Except in 1937, when it was replaced by the United States, the United Kingdom has been the principal export market. Its share has varied considerably, from 30 percent (1937) to 43 percent (1932); in 1938 it was 42 percent. In value, United Kingdom purchases ranged from 4.8 million (1932) to 8.9 million dollars (1929); in 1938 they amounted to approximately 6 million dollars. The share of the United States, which was 23 percent of the total in 1929, declined to 17 percent in 1932, but was nearly one-third of the total in the 3 years 1936-38; in 1939 it was 27 percent. The value of United States purchases from the Dominican Republic varied from 1.9 million (1932) to 5.8 million dollars (1937), and in 1939 was 5.1 million. The position of France shifted markedly during the decade, its share ranging from 8 percent (1938) to 19 percent (1932). Purchases by France ranged in value from 1.2 million (1938) to 2.7 million dollars (1929).<sup>27</sup>

Exports from the Dominican Republic to the other countries of Latin America are negligible. In 1937 they amounted to but \$160,000, or less than 1 percent of the total.

The United Kingdom has been by far the principal market for sugar exported from the Dominican Republic, customarily taking from one-half to seven-tenths of the total, in terms of value. In 1929 and 1932, the United States took less than 1 percent of all Dominican exports of sugar, but in recent years it has been the second

<sup>27</sup> For the share and value of purchases by minor suppliers, see table 5.

most important market, taking between 11 and 15 percent of the total in the period 1936-38. Other purchasers of sugar exported from the Dominican Republic have been France, Morocco, New Zealand, the Netherlands, the Netherlands West Indies, and the Virgin Islands.<sup>19</sup>

TABLE 5.—Dominican Republic: Foreign trade with selected countries, in specified years, 1929 to 1938

[Value in thousands of U. S. dollars<sup>1</sup>]

Country	1929		1932		1936		1937		1938	
	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total	Value	Per- cent of total
<b>Exports to —</b>										
All countries.....	23,736	100.0	11,164	100.0	15,150	100.0	18,120	100.0	14,347	100.0
UNITED STATES:	5,427	22.8	1,908	17.1	4,602	30.4	5,832	32.2	4,607	32.1
United Kingdom.....	8,903	37.5	4,841	43.4	5,599	37.0	5,430	30.0	5,980	41.7
Germany.....	940	4.0	138	1.2	328	2.2	389	3.2	484	3.4
Japan.....	1	( <sup>2</sup> )	.....	.....	258	1.7	235	1.3	35	.2
Italy.....	141	.6	236	2.1	25	.1	76	.4	10	.1
France.....	2,743	11.6	2,110	18.9	1,773	11.7	2,595	14.3	1,152	8.0
All other.....	5,581	23.5	1,931	17.3	2,565	16.9	3,363	18.6	2,079	14.5
<b>Imports from —</b>										
All countries.....	22,729	100.0	7,794	100.0	9,927	100.0	11,692	100.0	11,342	100.0
UNITED STATES:	13,457	59.2	4,596	59.0	4,765	48.0	6,115	52.3	6,072	53.5
United Kingdom.....	1,389	6.1	380	4.9	634	6.4	777	6.7	564	5.0
Germany.....	1,176	5.2	323	4.1	707	7.1	905	7.7	865	7.6
Japan.....	82	.3	68	.9	1,273	12.8	1,479	12.7	1,202	10.6
Italy.....	377	1.7	104	1.3	46	.5	121	1.0	205	1.8
France.....	586	2.6	195	2.5	183	1.8	307	2.6	364	3.2
All other.....	5,662	24.9	2,128	27.3	2,319	23.4	1,988	17.0	2,070	18.3

<sup>1</sup> Until April 1938, the monetary unit was the U. S. dollar. Since that time it has been the peso, equivalent to the U. S. dollar.

<sup>2</sup> General exports, including bullion. Values are f. o. b. Dominican port or frontier, including export duties.

<sup>3</sup> Does not include negligible trade with noncontiguous territories of the United States (Puerto Rico, etc.).

<sup>4</sup> Less than one-tenth of 1 percent.

<sup>5</sup> Includes trade with the following countries:

Exports to—	Value (\$1,000)	Percent of total	Imports from—	Value (\$1,000)	Percent of total
Morocco.....	412	2.9	British India.....	505	4.5
Netherlands.....	400	2.8	Netherlands West Indies.....	345	3.0
Netherlands West Indies.....	354	2.5	Thailand (Siam).....	237	2.1
Puerto Rico.....	333	2.3			

<sup>6</sup> General imports, including bullion. Values are declared invoice values, f. o. b. country of origin.

Source: Compiled by the United States Tariff Commission from *Report of the Dominican Customs Receivership*.

The outbreak of war in Europe created a serious problem with respect to the marketing of the sugar crop of the Dominican Republic, inasmuch as that country depended in great measure on European markets. Since the beginning of the war, however, the United Kingdom and the British Dominions have made large purchases of Dominican sugar. The future of the market for Dominican sugar depends upon a number of factors, including the continuance of purchases by the United Kingdom and the British Dominions, the availability of ocean shipping, and the development of new markets, particularly in the Western Hemisphere.

The United States is the predominant market for cacao beans exported from the Dominican Republic, but its share in the trade de-

<sup>19</sup> For detailed statistics of exports of sugar from the Dominican Republic to principal markets, see the section on sugar in part III of this report.

clined somewhat during the course of the decade 1929-38 as a result of increased purchases by Germany. In 1929, 1932, and 1936, between 96 and 98 percent of all Dominican cacao beans (quantity basis) went to the United States. In 1937 and 1938, however, German purchases increased sharply, and the share of the United States fell, respectively, to 84 and 91 percent in those years. The share of Germany amounted to 11 percent in 1937 and to 8 percent in 1938.<sup>19</sup>

TABLE 6.—Dominican Republic: Foreign trade, by geographic areas and principal countries, in 1937

[Value in thousands of U. S. dollars]

Exports <sup>1</sup>			Imports <sup>1</sup>		
To—	Value	Percent of total	From—	Value	Percent of total
<b>Western Hemisphere:</b>			<b>Western Hemisphere:</b>		
UNITED STATES <sup>2</sup> .....	5,832	32.2	UNITED STATES <sup>2</sup> .....	6,115	52.3
Canada.....			Canada.....	203	1.7
Puerto Rico.....	519	2.9	Netherlands West Indies.....	270	2.3
Netherlands West Indies.....	259	1.4	All other Western Hemisphere countries.....	256	2.2
All other Western Hemisphere countries.....	294	1.6			
Total.....	6,904	38.1	Total.....	6,844	58.5
<b>Europe:</b>			<b>Europe:</b>		
United Kingdom.....	5,430	30.0	United Kingdom.....	777	6.7
Germany.....	589	3.2	Germany.....	905	7.7
France.....	2,595	14.3	France.....	307	2.6
Italy.....	76	.4	Italy.....	121	1.0
Netherlands.....	562	3.1	Belgium.....	228	2.0
All other European countries.....	53	.3	Netherlands.....	131	1.1
			All other European countries.....	314	2.7
Total.....	9,805	51.8	Total.....	2,783	23.8
<b>Asia:</b>			<b>Asia:</b>		
Japan.....	235	1.3	Japan.....	1,479	12.6
All other Asiatic countries.....	2	( <sup>3</sup> )	British India.....	386	3.3
			All other Asiatic countries.....	137	1.2
Total.....	237	1.3	Total.....	2,002	17.1
<b>Africa:</b>			<b>Africa:</b>		
Morocco.....	1,077	5.9	Africa.....	7	.1
All other African countries.....	208	1.2			
Total.....	1,285	7.1			
<b>Oceania:</b>			<b>Oceania:</b>		
New Zealand.....	389	2.2	Oceania.....	56	.5
Grand total.....	18,120	100.0	Grand total.....	11,892	100.0

<sup>1</sup> General trade, including bullion. Import values are declared invoice values, f. o. b. country of origin. Export values are f. o. b. Dominican port or frontier, including export duties. Until April 1938, the monetary unit was the U. S. dollar. Since that time it has been the peso, equivalent to the U. S. dollar.

<sup>2</sup> Does not include trade with noncontiguous territories of the United States (Puerto Rico, etc.).

<sup>3</sup> Less than one-tenth of 1 percent.

Source: Compiled by the United States Tariff Commission from *Report of the Dominican Customs Receivership, 1938*.

France and the United States were the leading markets for Dominican coffee during the decade 1929-38. In terms of quantity, the share of France, the principal purchaser, varied from 37 percent (1929) to 59 percent (1936), and was 40 percent in 1938. The second-ranking market for coffee has been in the United States. In 1929 the United States took 12 percent of all exports of coffee; its share in

<sup>19</sup> See the section on cacao in part III of this report.

the trade increased to 27 percent in 1937 and to 32 percent in 1938. Purchases of Dominican Republic coffee by the Netherlands and Germany were much larger in the period 1936-38 than in 1929 and 1932. Purchases by Spain declined sharply after the outbreak of the Civil War in 1936. Puerto Rico, which ranked third as a market for Dominican coffee in 1929 and fifth in 1932, was not a purchaser in the 3 years 1936-38.<sup>20</sup>

The war has resulted in the loss of the important European market for Dominican coffee, but this loss is in part offset by the quota assigned to the Dominican Republic for exports to the United States under the Inter-American Coffee Agreement, signed November 28, 1940. The Dominican quota for the year beginning October 1, 1940, is set at 120,000 bags (about 15.9 million pounds), whereas exports to the United States amounted to 60,000 bags (7.9 million pounds) in 1939 and to 80,000 bags (10.6 million pounds) in 1940.<sup>21</sup>

Of the principal remaining Dominican export products, molasses, gold, and starch customarily go almost entirely to the United States. Puerto Rico is the leading market for corn exported from the Dominican Republic, and, prior to 1938, was the principal destination of its exports of bananas. In 1938 the continental United States was the principal market for bananas, with Puerto Rico taking most of the remainder. Cuba usually has been the leading destination for exports of cattle hides, but, in the past, quantities were also taken by Germany, the United Kingdom, and Portugal. Prior to the outbreak of war in Europe, France and the Netherlands were the principal markets for leaf tobacco, and the United Kingdom for *lignum vitae*. As a result of the war, Spain is now the only remaining market for Dominican leaf tobacco.

#### Imports into the Dominican Republic.

*Trend.*—Imports into the Dominican Republic consist in large part of a wide variety of finished manufactured products and foodstuffs, but also include some semimanufactured commodities and raw materials. The most significant features of the import trade of the Republic in the decade 1929-38 were the decline in the importance of foodstuffs; the increasing importance of iron and steel and manufactures, machinery and apparatus, and chemical and pharmaceutical products; and the sharp increase in imports from Japan in the period 1936-38. Imports into the Dominican Republic from all countries and from the United States, in the period 1924-39, have already been shown in tables 1 and 2.

The year 1929, the earliest shown in the subsequent detailed tables, was not a peak year either in imports from the world or from the United States. Imports from the world in each of the 4 years 1925-28 exceeded those in 1929; the average annual value of imports in the 5-year period 1924-28 exceeded the value in 1929 by 10 percent. Imports from the United States in 1929 were exceeded in each of the 5 years 1924-28; the average annual value of imports during this period exceeded that in 1929 by 18 percent. The decline in imports in 1929 was probably caused by the decline in exports resulting from the low prices for Dominican products, especially sugar.

<sup>20</sup> See the section on coffee in part III of this report. Puerto Rico imposed a duty of 15 cents a pound on coffee on May 5, 1931.

<sup>21</sup> Years ending June 30.

Total imports into the Dominican Republic in 1929 were valued at 22.7 million dollars. Their value declined sharply thereafter, and in 1932, when the low point was reached, amounted to but 7.8 million dollars, or little more than one-third of their 1929 value. After 1932, imports increased irregularly, reaching 11.7 million dollars in 1937. Imports in 1939 were substantially the same, or about 48 percent of those in 1929.

*Composition.*—Imports into the Dominican Republic consist largely of textiles and manufactures, foodstuffs, iron and steel and manufactures, chemical and pharmaceutical products, machinery and apparatus, and mineral oils. In 1938 more than three-fourths of the aggregate value of imports was included in these six import groups. Imports by principal groups, subgroups, and commodities, in specified years, 1929 to 1938, are shown in table 7.

Between 1929 and 1932 there was a sharp drop in the value of imports of all commodities shown in table 7. Comparing 1937 with 1932, increases are found in the imports in all commodity groups except foodstuffs and hides and skins and manufactures thereof. Individual commodities, imports of which were smaller in 1937 than in 1932, were rice, fish, meats (including lard), soap, and gasoline. In general, the value of imports in most groups and of most individual commodities was smaller in 1937 and 1938 than in 1929.

For the principal groups, the ratios of the dollar values of imports in 1938 to those in 1929 were as follows: Textiles and manufactures thereof, 61 percent; foodstuffs, 26 percent; iron and steel and manufactures, 78 percent; chemical and pharmaceutical products, 73 percent; machinery and apparatus (including agricultural machinery), 70 percent; mineral oils, 42 percent; cars, carriages, and other vehicles, 84 percent; and paper and manufactures, 84 percent.

Textiles and manufactures, the leading Dominican import group, accounted for between two-tenths and three-tenths of the value of all imports in the years shown in table 7 (27 percent in 1938). Imports of cotton and manufactures thereof, largely cotton cloth, constituted about two-thirds of all imports of textiles (14 to 20 percent of total imports). Other vegetable fibers and manufactures, principally jute bags for packing sugar, cacao, and coffee, were the second-ranking textile imports, accounting for 4 to 8 percent of total imports. Other textile subgroups are silk and rayon and manufactures thereof, and wool, bristles, hair, horsehair, and their manufactures; these together have accounted, in general, for about 3 percent of total imports.

Imports of foodstuffs, the second-ranking group, constituted a declining proportion of Dominican imports during the decade 1929-38. In 1929, 27 percent of total imports, in terms of value, consisted of food products, and in 1938 only 14 percent. The decline in percentage share was most marked in rice and meats (largely lard) which, respectively, formed 2.6 percent and 1.2 percent of total imports in 1938, as compared with 9.3 percent and 4.7 percent in 1929. For the principal individual commodities within the group, the ratios of the dollar values of imports in 1938 to those in 1929 were as follows: Rice, 14 percent; wheat flour, 34 percent; fish, 42 percent; lard, 13 percent; oils for table use, 29 percent; confectionery, 74 percent; and canned or preserved goods, 46 percent.



In contrast with imports of foodstuffs, iron and steel and manufactures thereof, machinery and apparatus, and chemical and pharmaceutical products constituted a more significant part of imports into the Dominican Republic in the years 1936-38 than in 1929 and 1932. The iron and steel group, which accounted for more than 6 percent of the total in 1929, increased to 10 percent in 1938, although the absolute value in the latter year was smaller. "Machinery and apparatus" and "chemical and pharmaceutical products" each constituted 6 percent of the total in 1929 as compared with 9 percent each in 1938.

Imports of mineral oils (7 percent in 1938) declined somewhat in percentage share and markedly in value during the decade. The shares of cars, carriages, and other vehicles, and of paper and manufactures, increased during the decade. Other imports into the Dominican Republic, no one of which constituted as much as 2 percent of the value of total imports in 1938, include hides and skins and manufactures thereof; rubber and manufactures (largely tires and tubes); liquors and beverages; glass and glassware; and cement. Miscellaneous products accounted for nearly 8 percent of total imports in 1938.

*Sources.*—The principal sources of imports into the Dominican Republic in 1938, with the share of the value of total imports supplied by each country, were the United States, 53 percent; Japan, 11 percent; Germany, 8 percent; and the United Kingdom, 5 percent. Other suppliers in 1938 included British India, France, the Netherlands West Indies, Thailand (Siam), and Italy. Imports into the Dominican Republic from selected countries, in specified years, 1929 to 1938, have already been shown in table 5. More detailed data for 1937 have been shown in table 6.

The United States is regularly the principal supplier of Dominican Republic imports, but its share declined somewhat during the decade 1929-38. In 1929 and 1932 the United States accounted for 59 percent of the value of total imports, in 1936 for 48 percent, and in 1939 for 59 percent. The value of imports from the United States ranged from 4.6 million (1932) to 13.5 million dollars (1929); in 1939 it was 6.9 million dollars.

In 1929 and 1932 the United Kingdom and Germany occupied second and third places, respectively, in the Dominican Republic import trade. By 1938 the share of Germany had risen to nearly 8 percent as compared with 5 percent in 1929, but that country still occupied third place. In value, imports from Germany varied from 323,000 (1932) to 1.2 million dollars (1929), and in 1938 were \$865,000. The share of the United Kingdom showed but little variation during the decade, ranging between 5 and nearly 7 percent, but in 1938 that country occupied fourth place as a supplier. The value of imports from the United Kingdom ranged from 380,000 (1932) to 1.4 million dollars (1929); in 1938 it was \$564,000.

In both 1929 and 1932 Japan accounted for less than 1 percent of the value of imports into the Dominican Republic. Its share increased sharply to nearly 13 percent in 1936 and 1937, and declined to 11 percent in 1938. In each of these 3 years Japan occupied second place as a supplier of imports into the Dominican Republic. In value, imports from Japan varied from 68,000 (1932) to 1.5

million dollars (1937), and were 1.2 million dollars in 1938. The shares of France and Italy showed only minor variations during the decade; imports from these two countries combined ranged from 2 to 5 percent of the total.<sup>22</sup>

Imports into the Dominican Republic from other countries of Latin America are small. In 1937 they were valued at \$172,000, or 1.5 percent of total imports.

Imports of cotton and manufactures thereof, which generally account for about two-thirds of all textile imports, in recent years have originated chiefly in Japan and the United States, although small quantities have come from the United Kingdom. In 1937 Japan furnished about one-half of all imports of cotton manufactures, in terms of value, and the United States about one-third. The position of the United States with respect to cotton piece goods in that year represents a drastic decline from 1932, when the share of the United States was more than four-fifths of the trade. Jute bags, an important item in the textiles group, came principally from British India. About one-half of the value of imports of silk and rayon and manufactures thereof in 1937 came from Japan, and most of the remainder from the United States.

In the important machinery-and-apparatus group, the United States was the predominant supplier in 1937, furnishing nearly nine-tenths of the total value. The remainder came largely from Germany, although the United Kingdom was a minor supplier.

The United States led in the trade in chemical and pharmaceutical products in 1937, with 42 percent of the total, in terms of value. France supplied 13 percent and Germany 12 percent. A large part of imports in this group consists of medicines, drugs, and similar preparations for popular use.

Dominican Republic imports of structural iron in 1937 came principally from the United States, which accounted for more than 48 percent of the total value. Belgium occupied second place with 35 percent, and Germany third place with 10 percent. More than one-third of the value of this group in 1937 consisted of galvanized-iron sheets, of which Belgium was the chief supplier.

Practically all imports of automobiles into the Dominican Republic originate in the United States. The United States is customarily first or second as a source of imports of gasoline. In 1937 it occupied first place, with 49 percent of the total, followed by the Netherlands West Indies with 40 percent. In 1937 the United States furnished 69 percent of the value of all imports of paper and manufactures, the remainder coming principally from Sweden, Germany, Finland, and Estonia. In the foodstuffs group, practically all imports of wheat flour come from the United States.

### UNITED STATES TRADE WITH THE DOMINICAN REPUBLIC

The principal factors influencing recent commercial relations between the United States and the Dominican Republic have been the increasing diversification of Dominican production, the establishment of the United States quota system for sugar (which has operated to increase the quantity of Dominican sugar consumed in

<sup>22</sup> For the value of purchases from France and Italy, see table 5.



this country), the loss of Dominican markets in Europe after the outbreak of war in 1939, and the signing in September 24, 1940, of a convention between the United States and the Dominican Republic terminating the collection of the Dominican customs by an agent of the United States.<sup>28</sup>

The economy of the Dominican Republic and the exports of that country to the United States are based preeminently upon the production of sugar, cacao, and coffee. Although these products still represent all but a small part of Dominican exports, there has been a noticeable diversification of Dominican production in recent years. The production and exportation of bananas and of tapioca, for example, have increased greatly, and these products now account for a substantial part of United States purchases from the Republic.

Before the outbreak of the war, Europe customarily took more than one-half of all Dominican exports and an even larger share of its exports of sugar, the leading export product. With the loss of certain outlets in Europe, the United States market, which previously absorbed about one-third of all Dominican exports, but only one-sixth of its shipments of sugar, has become more important as a Dominican market. The United States has also become a more important source of manufactured products for the Dominican Republic, as purchases were diverted from former European sources.

#### **Trend of United States-Dominican Republic trade.**

United States imports from the Dominican Republic were at their peak in 1927 (11 million dollars) when the prices of the leading products in the trade were comparatively high. Imports declined steadily to a low of 3.3 million dollars in 1933, and then rose to 7.4 million dollars in 1937, with all of the five leading imports contributing to this increase. The value of the trade has been lower since 1937; in 1939 it was valued at 5.8 million dollars, and in 1940 at 5.4 million. This decline contrasts sharply with the rise in imports from Latin America as a whole in the same period.

United States exports to the Dominican Republic were also at their peak in 1927 (18.9 million dollars) when Dominican purchasing power, dependent chiefly upon the value of the country's export trade, was large. Exports to the Republic declined thereafter and reached their low of 4.5 million dollars in 1935. There was some recovery later, and in 1940 exports were 7 million dollars. Since 1934 the Republic's share in United States exports to Latin America as a whole has been significantly smaller than in most previous years (see table 8).

#### **United States imports from the Dominican Republic.**

*Composition.*—Imports into the United States from the Dominican Republic consist principally of vegetable food products. Cacao, sugar, coffee, tapioca, and bananas, the leading commodities, represented four-fifths of the total trade in 1939. The composition of imports has changed noticeably in recent years, the importance of cacao having declined after 1929. In that year cacao represented

<sup>28</sup> Ratified by the United States Senate on March 8, 1941. Prior thereto an agent of the United States Government had collected Dominican customs for the payment of service on the Dominican bonded debt.

53 percent of total imports, and the combined value of the four other leading products (almost entirely coffee at that time) represented but 4 percent of the total. By 1939, however, cacao had declined to 36 percent of the total, whereas the four other products had risen to 45 percent.

TABLE 8.—United States imports from and exports to the Dominican Republic, 1924-40

[Value in thousands of dollars]

Year	General imports		Exports (including reexports)		Year	General imports		Exports (including reexports)	
	Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America		Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America
1924.....	5,825	0.56	15,642	2.10	1933.....	3,279	1.00	5,520	2.50
1925.....	7,258	.72	17,764	2.10	1934.....	3,785	1.00	5,820	1.90
1926.....	8,131	.78	14,572	1.70	1935.....	4,983	1.10	4,518	1.30
1927.....	11,026	1.10	18,871	2.30	1936.....	5,354	1.10	4,578	1.20
1928.....	9,372	.99	16,807	2.00	1937.....	7,377	1.30	6,469	1.10
1929.....	8,465	.83	14,190	1.60	1938.....	5,745	1.30	5,695	1.20
1930.....	7,255	1.10	9,271	1.50	1939.....	5,824	1.10	6,780	1.20
1931.....	5,125	1.10	6,010	1.90	1940 <sup>1</sup> .....	5,368	.96	6,998	.87
1932.....	3,380	1.10	4,630	2.40					

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

*Cacao.*—In recent years the United States has taken practically all of the Dominican production of cacao. In fact, the Republic has been a substantial source of supply for the United States, having accounted for somewhat less than one-tenth of the total; other important suppliers have been the Gold Coast, Brazil, Nigeria, Venezuela, and Ecuador.

United States imports of cacao from the Dominican Republic have fluctuated widely in both quantity and value since 1929. In 1939 they totaled 56.7 million pounds and were substantially larger than for many years. Though recent imports have been larger in quantity than in 1929, the value of the trade, because of lower prices, has been much smaller than in that year (see table 9).

*Sugar.*—The Dominican Republic, Haiti, and Peru hold similar positions with respect to United States imports of sugar; they are the leading sources of United States imports of sugar entered at the full rate of duty.<sup>24</sup> Because sugar from these sources is subject to the full rate of duty when imported into the United States, these countries have shipped most of their production to other markets, principally the United Kingdom. In recent years less than 15 percent of the Dominican production of sugar has gone to the United States.

Although United States imports of sugar from the Dominican Republic are not large, they have increased greatly in the last few

<sup>24</sup> Imports from Cuba, which account for all but a small part of total United States imports of sugar from foreign countries, are dutiable at the preferential rate of 0.9 cent per pound of 96° sugar; imports from other countries are subject to the full duty of 1.875 cents.

years, principally because of the United States quota system for sugar adopted in June 1934. Prior to 1934, it had been unprofitable for Dominican producers to sell sugar in the United States market because of the preferential rate of duty accorded Cuban sugar. Consequently, practically all of the shipments to the United States were for refining and export with benefit of drawback. Under the quota system, however, the price of sugar in the United States at times rose above the world price by more than the amount of the full duty. It became profitable, therefore, to sell in the United States whatever quantity of Dominican sugar was permitted entry under the quota. This quantity, moreover, has been increased greatly in certain years since 1934 as a result of the reallocation of quotas not filled by other sources of supply. In 1937, for example, the quota for the Dominican Republic was raised to 32,100 short tons compared with 3,300 tons in 1936.<sup>25</sup> Actual imports of sugar from the Dominican Republic, consisting almost entirely of unrefined sugar, have been far greater than the quota for that country, because they include shipments entered for refining and export with benefit of drawback which are not chargeable against the country's quota.<sup>26</sup> In 1940 imports from the Dominican Republic totaled 25,000 tons, whereas the final quota (after reallocation) was 3,200 tons.

*Coffee.*—About one-third of total Dominican shipments of coffee go to the United States. The quantity taken by this market has increased materially since 1932, and while this is partly a reflection of increased production in the Dominican Republic, it is mainly the result of the greater demand in the United States for "mild" coffee produced in the Dominican Republic and other countries in the Caribbean area. In 1939 the United States imported 9.9 million pounds of coffee from the Dominican Republic, compared with only 1.3 million pounds in 1932. Although the share of the Republic in total United States imports of coffee is small (less than 1 percent), it has increased appreciably since 1932.

In November 1940 the Dominican Republic, with several other countries in the Western Hemisphere, entered into the Inter-American Coffee Agreement which provides for the allocation of exports to the United States market and to the rest of the world. Under the agreement, the United States will permit the annual entry of about 15.9 million pounds of coffee from the Dominican Republic, as compared with imports of 9.9 million pounds in 1939. Inasmuch as that country lost a substantial part of its export market as a result of the war, the increased quantity of imports permitted entry into the United States therefrom is of considerable significance.

*Other products.*—Bananas and tapioca have also been imported from the Dominican Republic in increasingly large quantities in recent years. Development of the trade in both products has resulted principally from the expansion of Dominican production. The production of bananas, most of which are destined for the United States, has been stimulated by the decreased production since 1935 in certain

<sup>25</sup> The final quotas (after reallocations) for the Dominican Republic have been as follows, in thousands of short tons: 1934, 2.3; 1935, 3.3; 1936, 3.3; 1937, 32.1; 1938, 6.2; and 1940, 3.2. (In 1939 the quota system was suspended for a time after the outbreak of the war; hence, comparable data are not available for that year.)

<sup>26</sup> The so-called imports for consumption, shown in table 9 are reported by the Department of Commerce, include sugar intended for export with benefit of drawback. In 1937 more than 75 percent of the total exports with benefit of drawback were from "full-duty" countries; the Dominican Republic alone accounted for 68 percent of the total.

Central American countries affected by the banana-leaf blight. Although Dominican shipments to the United States are not large compared with those from other suppliers, they have risen from a negligible quantity in 1932 to 826,000 bunches, valued at \$359,000, in 1939 (see table 9).

In 1933 total United States imports of tapioca, the starch made from the tuberous root of the cassava, amounted to 190 million pounds valued at 2.8 million dollars. In that year virtually all the shipments came from Asia, mainly the Netherlands Indies; since then, however, a small though increasing quantity has come from the Dominican Republic and Brazil. United States consumption of tapioca has expanded greatly, and in 1939 imports totaled 383 million pounds, of which the Netherlands Indies supplied 355 million pounds and the Dominican Republic, the second largest source, 25 million pounds, or several times the quantity in preceding years (see table 9).

Inedible molasses, a byproduct of the sugar industry used chiefly in the manufacture of industrial alcohol, has been regularly imported from the Dominican Republic in substantial quantities, ranging in recent years between 16 and 22 million gallons.

*Dutiable status of imports.*—Cacao, coffee, tapioca, and bananas enter the United States free of duty. Approximately two-fifths of United States imports from the Dominican Republic, however, have consisted of products subject to import duties; but these include a substantial quantity of dutiable sugar imported for refining and later exported with benefit of drawback amounting to 99 percent of the duty paid. The principal dutiable imports, other than sugar, are molasses, chickens, corn, and sawed mahogany. The average equivalent ad valorem of the duties on dutiable imports from the Dominican Republic (84 percent in 1939 and 105 percent in 1938) is high compared with most other Latin American countries. This is because sugar, which represents more than one-half of all dutiable imports from the Dominican Republic, is subject to a duty of 1.875 cents per pound (96° sugar), equivalent to about 132 percent on sugar imported from the Dominican Republic in 1939. If the sugar reexported with benefit of drawback were excluded, the ad valorem equivalent of the duties on all dutiable imports would be much lower. Under the quota system the preferential duty on sugar from Cuba is the chief reason for the development of the reexport trade in Dominican and other full-duty sugars.

#### United States exports to the Dominican Republic.

United States exports to the Dominican Republic (see table 10) consist of a wide range of products, machinery and vehicles and textiles being the two largest groups. In 1939 the outstanding individual exports were, in the order of their value, cotton cloth, passenger cars, wheat flour, sugar machinery, gasoline, motor trucks, confectionery, wire and manufactures, and lard. The combined value of these products, however, represented only one-fourth of the total trade, the remainder consisting of a great variety of products (see table 11).

In line with the trend of total exports to the Dominican Republic, the recent trade in all but a few of the leading products has been much smaller than in 1929. Particularly sharp declines occurred in

TABLE 9.—United States imports for consumption from the Dominican Republic of principal commodities, in specified years, 1929 to 1939

[Value in thousands of dollars]

Commodity	Tariff status	Unit of quantity	1929		1932		1936		1937		1938		1939 <sup>1</sup>	
			Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Chickens, ducks, geese, and guineas, live	Dutiable	1,000 lb.	* 8	* 2	( <sup>2</sup> )	( <sup>2</sup> )	105	14	372	49	417	56	461	61
Goat and kid skins, dry and dry-salted	Free	1,000 pcs.	471	182	136	21	217	54	279	104	206	47	285	63
Beeswax, crude	do	1,000 lb.	* 308	* 93	203	26	457	96	445	108	424	82	385	70
Corn	Dutiable	1,000 bu.	200	211	64	32	418	233	413	308	288	164	73	37
Tapioca, crude (cassava), flour and prepared	Free	1,000 lb.	3	( <sup>3</sup> )	2,758	54	1,456	38	5,273	155	3,780	107	25,060	540
Plantains, green or ripe	do			( <sup>3</sup> )		94		73		98		28		5
Bananas, green or ripe	do	1,000 bunches	8	4	( <sup>3</sup> )	( <sup>3</sup> )	3		124	51	420	149	826	350
Cocoa or cacao beans and shells thereof	do	1,000 lb.	46,326	4,447	34,565	1,213	37,723	1,960	37,935	2,973	53,583	2,060	56,746	2,092
Coffee, raw or green	do	1,000 lb.	1,351	290	1,282	131	6,699	551	6,513	585	6,061	495	9,912	682
Cane sugar <sup>4</sup>	Dutiable	Short ton	528	28	10,974	214	60,868	1,158	76,813	1,709	61,313	1,256	35,018	1,002
Molasses and sugar sirup, n. s. p. f. <sup>5</sup>	do	1,000 gal.	( <sup>3</sup> )	( <sup>3</sup> )	706	75	830	87	976	98	763	91	1,505	184
Molasses not used for extraction of sugar, or for human consumption	do	1,000 gal.	19,422	677	15,400	543	22,133	794	19,816	733	19,845	685	16,419	405
Mahogany, sawed, not further manufactured than planed, tongued, and grooved, n. s. p. f.	do	M ft.	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	292	21	452	38	404	39	172	17
Lignum vitae, in the log	Free	1,000 lb.	4,005	36	566	7	( <sup>3</sup> )	22	2,394	37	585	11	* 88	11
Imports of commodities shown above				5,970		2,410		5,104		7,046		5,270		5,528
Total imports from Dominican Republic				8,465		3,380		5,351		7,378		5,829		5,788
Principal imports (shown above) as percent of total				70.5		71.3		95.4		95.5		90.4		95.5

<sup>1</sup> Preliminary.

<sup>2</sup> Classified as poultry, live.

<sup>3</sup> Not over 500.

<sup>4</sup> Includes a negligible quantity of other animal wax.

Source: Compiled from official statistics of the U. S. Department of Commerce.

<sup>5</sup> Not separately reported.

<sup>6</sup> A substantial part of these imports have been reexported with benefit of drawback.

<sup>7</sup> Not specially provided for.

<sup>8</sup> Unit of quantity is 1,000 board feet.

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the shipments of lard, wheat flour, Southern-pine boards, gasoline, and fuel oil. The decreased exports of lard were due in part to larger production of hogs in the Republic, while the decreased shipments of wheat flour reflect the increased Dominican production of corn, rice, and tapioca.

Though most exports have declined, a few have increased materially in recent years. Among these are confectionery, wire and manufactures, track-laying tractors, calf and kip upper leather, glass containers, rayon piece goods, and radio receiving sets (see table 11).

TABLE 10.—United States exports of domestic merchandise to the Dominican Republic, by commodity groups, in 1938 and 1939

[Value in thousands of dollars]

Commodity group	Value		Percent of total	
	1938	1939 <sup>1</sup>	1938	1939 <sup>1</sup>
Animals and animal products, edible.....	260	289	4.6	4.3
Animals and animal products, inedible (except wool and hair)....	184	221	3.3	3.3
Vegetable food products and beverages.....	672	665	12.0	10.0
Vegetable products, inedible (except fibers and wood).....	195	224	3.5	3.3
Textile fibers and manufactures.....	842	1,086	15.0	16.2
Wood and paper.....	262	268	4.7	4.0
Nonmetallic minerals.....	472	603	8.4	9.9
Metals and manufactures (except machinery and vehicles).....	743	681	13.2	13.2
Machinery and vehicles.....	1,132	1,482	20.1	22.2
Chemicals and related products.....	468	599	8.3	8.5
Miscellaneous.....	389	339	6.9	5.1
Total.....	5,619	6,687	100.0	100.0

<sup>1</sup> Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

#### Balance of payments between the United States and the Dominican Republic.

Except for the years 1935-38, the United States has customarily had an export trade balance with the Dominican Republic; that is, the value of exports thereto has exceeded the value of imports therefrom. In 1939 the export trade balance again became significant and amounted to 1 million dollars. Partly offsetting the export trade balance has been the importation of small quantities of gold and silver, the products of Dominican mines (see table 12).

For several years one of the largest and most regular items in the financial transactions between the United States and the Dominican Republic has been the value of interest payments to United States holders of Dominican dollar bonds.<sup>27</sup> Interest payments on the dollar bonds have been made in full, and although the bonds defaulted on sinking-fund payments in 1931, there have been partial payments since then. United States holdings of these bonds were estimated at 7.3 million dollars (par value) at the end of 1939.<sup>28</sup>

Under the *Modus Vivendi* of 1905, the Convention of 1907, and later under the Treaty of 1924, an agent designated by the United States was granted the power to collect the Dominican customs and from such revenues to make service payments to holders of the ex-

<sup>27</sup> The declining trend of total interest receipts shown in table 12 reflects the diminishing amount of the bonds held in the United States.

<sup>28</sup> U. S. Department of Commerce, *The Balance of International Payments of the United States in 1939*, p. 79.

TABLE 11.—United States exports (domestic merchandise) to the Dominican Republic of principal commodities, in specified years, 1929 to 1939

[Value in thousands of dollars]

Commodity	Unit of quantity	1929		1932		1936		1937		1938		1939	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Cod, haddock, hake, pollock, cusk—salted, pickled, or dry-cured. <sup>1</sup>	1,000 lb.-----	926	67	94	4	104	5	1,158	63	1,212	71	1,306	69
Lard, including neutral lard.....	1,000 lb.-----	4,919	677	3,165	212	155	20	175	25	1,155	111	1,497	110
Upper leather (except lining and patent):													
Cattle, side upper (except kip side and calf side), grain, black and other.	1,000 sq. ft.-----	309	67	243	34	705	102	1,069	152	449	69	349	67
Calf and kip sides and whole skins, black	1,000 sq. ft.-----	52	11	38	7	44	7	61	13	193	34	284	53
Oatmeal, groats, and rolled oats, in bulk and in packages.	1,000 lb.-----	190	17	103	11	310	28	455	40	516	41	523	37
Wheat flour.....	1,000 bbl. (196 lb.)	120	865	70	280	50	235	45	279	47	245	53	188
Tomato paste.....	1,000 lb.-----	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	483	44	460	34	774	61
Confectionery, other than chocolate candy	1,000 lb.-----	477	73	136	16	181	23	408	50	478	58	1,038	126
Wheat.....	1,000 bu. (60 lb.)	10	14	1	1	( <sup>2</sup> )	( <sup>2</sup> )	10	15	35	40	26	17
Paddy or rough rice and milled rice, including brown.	1,000 lb.-----	732	26	77	8					1,230	29	176	6
Biscuits and crackers.....	1,000 lb.-----	338	75	100	18	107	24	119	27	118	28	150	34
Automobile tire casings.....	Number	10,466	175	4,015	43	6,632	90	6,059	81	5,818	90	7,504	90
Cotton cloth, bleached, dyed, printed, and colored yarn fabric.	1,000 sq. yd.-----	13,908	1,900	11,560	938	2,882	352	3,741	486	4,305	453	5,110	590
Rayon and other synthetic fiber, piece goods—woven pile and other.			34		54		27		50		33		56
Blankets.....	1,000 lb.-----	120	68	97	30	33	12	71	28	71	31	125	42
Southern pine boards, planks, and scantlings, dressed.	M feet-----	4,312	181	1,083	25	1,101	34	1,051	37	395	11	100	5
Paper bags.....	1,000 lb.-----	418	31	438	22	578	26	621	33	653	37	243	20
Boxes and cartons.....	1,000 lb.-----	350	23	396	17	346	25	406	33	181	12	94	7
Printing paper, newsprint and book paper, not coated.	1,000 lb.-----	490	25	267	11	491	27	945	47	781	34	680	36
Gasoline and other petroleum motor fuel.....	1,000 bbl. (42 gal.)	760	789	736	701	19	58	36	121	29	77	49	130
Illuminating oil (kerosene).....	1,000 bbl. (42 gal.)	43	336	19	116	27	133	34	168	33	163	80	132
Gas oil and distillate fuel oil.....	1,000 bbl. (42 gal.)	222	205	19	20	5	8	22	41	6	12	11	21
Lubricating oil, red and pale.....	1,000 bbl. (42 gal.)	5	91	3	40	5	42	7	59	6	52	9	75
Unfilled glass containers.....	1,000 gr.-----	( <sup>2</sup> )	27	( <sup>2</sup> )	9	8	25	13	42	( <sup>2</sup> )	33	( <sup>2</sup> )	64
Structural iron and steel shapes, not fabricated.	Ton-----	77	1	14	1	112	5	575	48	70	4	107	7
Wire and manufactures.....	Short ton-----	934	73	295	23	518	47	1,422	107	1,225	95	1,711	120

See footnotes at end of table.

TABLE 11.—United States exports (domestic merchandise) to the Dominican Republic of principal commodities, in specified years, 1929 to 1939—  
Continued

[Value in thousands of dollars]

Commodity	Unit of quantity	1929		1932		1935		1937		1938		1939 <sup>1</sup>	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Metal drums and containers for oil, gas and other liquids.....			( <sup>2</sup> )		46		51		92		191		72
Miscellaneous iron and steel advanced manufactures <sup>10</sup> .....			538		17		15		43		31		34
Steel bars, not containing alloy.....	Short ton.....	629	30	87	4	11 440	11 21	570	38	11 638	11 32	11 769	11 39
Steel sheets, galvanized.....	Short ton.....	12 520	12 43	125	8	290	18	476	46	331	26	873	67
Iron or steel, welded black pipe.....	Short ton.....	257	23	51	5	92	9	312	34	124	11	176	16
Insulated copper wire and cable.....	Short ton.....	53	23	22	7	57	19	62	35	58	20	67	22
Household electric refrigerators and parts.....	Number.....	( <sup>3</sup> )	( <sup>3</sup> )	150	19	267	24	414	36	248	24	323	30
Radio receiving sets.....	Number.....	117	10	659	29	1,051	42	1,383	47	1,065	36	1,008	33
Mechanical-drive turbines.....	Number.....							1	45				
Dredging machinery.....							64		54		( <sup>4</sup> )		( <sup>4</sup> )
Sugar-mill machinery, other than cane mills.....			160		60		77		170		105		142
Motortrucks, busses, and chassis (new).....	Number.....	13 196	13 125	55	35	155	119	250	178	156	118	175	129
Passenger cars and chassis (new).....	Number.....	13 639	13 408	96	67	320	238	340	252	160	141	325	237
Automobile parts for replacement.....			82		19		37		49		37		57
Track-laying tractors.....	Number.....	3	4	1	2	6	23	11	42	18	65	16	46
Merchant vessels.....	Number.....	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	( <sup>5</sup> )	2	124		
Cold, cough, and bronchial preparations.....			3		2		14		38		13		6
Ready-mixed paints, stains, and enamels.....	1,000 gal.....	82	16	29	22	44	36	63	26	46	41	70	70
Toilet or fancy soap.....	1,000 lb.....	239	61	108	26	227	31	240	45	197	42	277	66
Metallic cartridges.....	Thousand.....	14 8,567	3	103	13	1,024	26	79	2	1,044	33	628	20
Geographic maps and charts.....			( <sup>6</sup> )		( <sup>6</sup> )		( <sup>6</sup> )		1		28		( <sup>6</sup> )
Miscellaneous articles <sup>10</sup> .....			55		17		38		44		46		55
Exports of commodities shown above.....			7,281		2,541		2,264		3,443		3,066		3,304
Total exports to Dominican Republic.....			13,651		4,536		4,508		6,371		5,619		6,687
Principal exports (shown above) as percent of total.....			53.3		56.0		50.2		54.0		54.6		49.4

<sup>1</sup> Preliminary.<sup>2</sup> Includes smoked fish prior to 1936, and pickled, 1936-38.<sup>3</sup> Not separately classified.<sup>4</sup> Not over 500.<sup>5</sup> Excludes used tire casings averaging less than \$2 each.<sup>6</sup> Knit piece goods not included.<sup>7</sup> Includes naphtha and other finished light products.<sup>8</sup> Quantity not reported.<sup>9</sup> Includes filled glass containers.<sup>10</sup> Data not strictly comparable for the series.<sup>11</sup> Includes a small amount of stainless and other alloy steel.<sup>12</sup> Includes iron sheets galvanized.<sup>13</sup> May include some second-hand articles.<sup>14</sup> Pounds.

Source: Compiled from official statistics of the U. S. Department of Commerce.



TABLE 12.—Partial balance of payments between the United States and the Dominican Republic, 1929-38

[In millions of dollars]

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
<b>Trade and service items:</b>										
Merchandise exports to Dominican Republic <sup>1</sup> .....	14.2	9.3	6.0	4.6	5.5	5.8	4.5	4.6	6.5	5.7
Merchandise imports from Dominican Republic <sup>1</sup> .....	8.5	7.3	5.1	3.4	3.3	3.8	5.0	5.4	7.4	6.7
Net merchandise exports to (+) or imports from (-) Dominican Republic.....	+5.7	+2.0	+0.9	+1.2	+2.2	+2.0	-0.5	-0.8	-0.9	.....
Receipts from Dominican Republic for shipping services <sup>2</sup> .....	.5	.3	.3	.2	.1	.1	.1	.1	.1	.1
Expenditures of Dominican travelers in the United States <sup>3</sup> .....	.5	.5	.3	.2	.2	.3	.3	.4	.4	.4
Expenditures of U. S. travelers in Dominican Republic <sup>3</sup> .....	.5	.5	.5	.3	.3	.4	.4	.4	.5	.5
Interest receipts from Dominican Republic.....	1.0	1.0	.9	.9	.9	.9	.9	.9	.8	1.4
Net receipts from Dominican Republic for services <sup>4</sup> .....	+1.5	+1.3	+1.0	+1.0	+0.9	+0.9	+0.9	+1.0	+0.8	+1.4
Net receipts from (+) or payments to (-) Dominican Republic on trade and service account <sup>5</sup> .....	+7.2	+3.3	+1.9	+2.2	+3.1	+2.9	+4	+2	-1	+4
<b>Gold and silver:</b>										
Net gold imports from Dominican Republic <sup>1</sup> .....	.....	-1	-2	-5	-1	-1	-1	-3	-3	-3
Net silver imports from Dominican Republic <sup>1</sup> .....	.....	-1	.....	-1	.....	.....	.....	.....	.....	-2
Net gold and silver imports from Dominican Republic.....	.....	-2	-2	-6	-1	-1	-1	-3	-3	-5
<b>Capital items:</b>										
Bond-redemption and sinking-fund receipts from Dominican Republic <sup>6</sup> .....	.....	+1.4	+1.4	+1	+1	.....	.....	.....	+4	.....
Reported net exports (+) or imports (-) of paper currency.....	+2	-1	-2	+3	+5	+7	+3	+9	+6	+7
Total reported capital movement.....	+2	+1.3	+1.2	+4	+6	+7	+3	+9	+1.0	+7
Net balance on items shown <sup>6</sup> .....	+7.4	+4.4	+2.9	+2.0	+3.6	+3.5	+6	+8	+6	+6

<sup>1</sup> United States statistics, unadjusted.<sup>2</sup> Rough estimates.<sup>3</sup> Allowance made for repurchases of Dominican dollar bonds by foreigners.<sup>4</sup> Excluding return on United States direct investments in the Dominican Republic.<sup>5</sup> Bond-redemption receipts adjusted for repurchases by foreigners in all years; sinking-fund receipts in 1938 only.<sup>6</sup> Exclusive of return on direct investments (receipts) and new investments (payments) in Dominican Republic.

NOTE.—Net credit balances for the United States are indicated by +; net debit balances by -.

Source: Especially prepared for this report by the Finance Division, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

ternal bonds of the Republic.<sup>29</sup> On September 24, 1940, however, the two Governments signed a convention (ratified by the United States Senate on March 8, 1941) under which the United States relinquished its control of Dominican customs. The convention provides that the Dominican Republic resume collection of its customs revenues; that a sole depository bank for all revenues of the Dominican Government and a representative of the bondholders be selected by the two countries; that service on the bonds be an irrevocable first lien on all the

<sup>29</sup> Annual, external debt service, which amounted to 1.1 million dollars in 1939, has averaged about one-third of total Dominican customs revenue since 1932; previously it represented between two-thirds and three-fourths of the total. The smaller share in recent years reflects chiefly the suspension of sinking-fund payments in 1931.

revenues of the Republic and is to be disbursed by the depository bank on behalf of the Dominican Government; and that the schedule of bond amortization previously adopted remain in force,<sup>30</sup> but that if Dominican revenues exceed 12.5 million dollars in any year, specified percentages of the excess are to be paid into the sinking fund for additional redemption of bonds.

Statistics of the return on United States direct investments and of the investments of new capital in the Dominican Republic are not available; both may be substantial compared with most other items in the balance of payments. United States direct investments in the Republic at the end of 1936 were valued at 40.7 million dollars, of which more than three-fourths was represented by agricultural properties, chiefly sugar plantations and mills.<sup>31</sup> Though the income from these properties is not shown as a separate item (credit) in the statement, it is partly represented by imports of certain merchandise (debit) from the Dominican Republic. United States companies which own sugar properties, for example, receive income on their investments by retaining (in the United States or other countries) part of the revenues from sugar sold in this or other markets.

For several years the movement of new United States capital into the Dominican Republic has probably not been large. In the last year, however, substantial credits have been extended by the United States Government. In June 1940 the Export-Import Bank made available to the Republic a 2-million-dollar credit for a term of 5 years for the purchase of materials, equipment, and services. At the end of that year the credit was increased to 3 million dollars.

<sup>30</sup> Under a sinking-fund readjustment plan in 1934, sinking-fund payments were resumed (1936) on a reduced basis. Under the plan the maturity of the two series of dollar bonds was also extended for some years; the 5½'s of 1922 due 1942 were extended to 1961, and the 5½'s of 1926 due 1940 were extended to 1969.

<sup>31</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936*, p. 12.

# HAITI

## A DESCRIPTION

### Physical characteristics.

The Republic of Haiti<sup>1</sup> occupies the western third of the Island of Hispaniola, or Santo Domingo,<sup>2</sup> which lies in the Caribbean Sea between Cuba and Puerto Rico. Haiti is shaped somewhat like a horseshoe, two peninsulas extending westward from the main body of the island to form the Gulf of Gonaïves. The coast line is extremely irregular. There is a land frontier with the Dominican Republic of 193 miles. The area of Haiti, including adjacent dependent islands,<sup>3</sup> is about 10,700 square miles, or somewhat greater than that of Maryland.

Haiti is a rugged country, nearly four-fifths of the entire area being mountainous. Three principal ranges traverse the country; these are interspersed with and flanked by a number of valleys or plains of varying size. In the southeastern range, elevations reach 9,000 feet, and in the central range about 7,000 feet. In the north the mountains are lower, the highest being about 4,600 feet. The valleys and plains are very fertile, and even a substantial part of the elevated lands may be cultivated. The principal plains are the Artibonite, extending eastward from the Gulf of Gonaïves; the Plaine du Cul-de-Sac, extending inland from Port-au-Prince; the Plaine du Nord, on the northern coast near Cap Haitien; and the Central Plain, an interior plain bordering the Dominican Republic. The valleys and plains are separated by mountain ranges, making communication between them difficult, and creating, in effect, independent economic units. As a result, Haiti possesses no less than 14 seaports, each serving a valley or plain. Despite the number of ports in Haiti, however, about three-fifths of all imports and about one-third of all exports pass through Port-au-Prince.

Haiti lies wholly within the Torrid Zone, and, as in other mountainous tropical areas, its climate varies with the altitude. In the coastal regions, where the main centers of population are located, the climate is warm and equable. At Port-au-Prince the annual mean temperature is 81° F., and the daily temperature range, approximately 19°. The rainfall varies considerably in the different parts of the country; certain sections are arid, while others receive heavy precipitation. Generally there are two rainy seasons, from March to May and from September to December.

There are numerous rivers in Haiti, most of them short. Many of the stream beds are dry except in the rainy seasons. In general, the rivers are useful for irrigation, but not for navigation. The

<sup>1</sup> In French, République d'Haiti.

<sup>2</sup> The island, second largest in the West Indies, is known variously as Hispaniola, Española, Santo Domingo, or Haiti. The eastern two-thirds is occupied by the Dominican Republic.

<sup>3</sup> The largest of these is the Island of La Gonâve, in the Gulf of Gonaïves.

most important river, the Artibonite, flows from east to west through the valley of the same name, and empties into the Gulf of Gonaïves. This river, which is navigable for about 100 miles, is not only the source of water for Haiti's principal irrigation system, but is also of some use for transportation. There are a number of lakes in Haiti. The largest is the Etang Saumatre, east of Port-au-Prince, on the Dominican frontier. This lake, which has an area of 112 square miles, has no outlet to the sea.

About 160 miles of railroad are in operation in Haiti. The National Railroad Company of Haiti<sup>4</sup> operates lines from Port-au-Prince to St. Marc and Verrettes (87 miles) and from Cap-Haitien to Bahon (19 miles). The Cul-de-Sac Railroad Company<sup>5</sup> operates lines from Port-au-Prince to Léogane (21 miles) and from Port-au-Prince eastward (35 miles).

There are approximately 1,500 miles of motor highways in Haiti, connecting all the important cities, but some of these are frequently impassable after rains. The international highway from Port-au-Prince to Ciudad Trujillo, Dominican Republic, is an all-weather road.

#### Population.

In 1918, the population of Haiti was estimated to be 1,631,000. An estimate for 1940 placed the number of inhabitants at 2,700,000.<sup>6</sup> On the basis of this estimate, there are about 265 persons to the square mile, making Haiti the most densely populated of the 20 Latin American Republics.<sup>7</sup> Large sections of the country, however, are virtually unoccupied. By far the greater part of the Haitian population is rural; the eight principal cities together account for considerably less than 10 percent of the total population.

The principal city of Haiti, its capital and chief port, is Port-au-Prince, located in the southeastern extremity of the Gulf of Gonaïves. The population of the city is estimated to be 105,000. All the other important cities of Haiti are also seaports, serving as outlets for the productive valleys and plains. The most important of these, with their estimated populations, include Cap-Haitien, on the northern coast, 15,000; Aux Cayes, on the southwest coast, 15,000; Gonaïves, on the upper coast of the Gulf of Gonaïves, 10,000; Jacmel, on the southern coast of the island, 10,000; St. Marc, on the Gulf of Gonaïves, 10,000; Jérémie, on the northwestern coast of the Tiburon Peninsula, 7,500; and Port-de-Paix, on the northern coast, 7,500.<sup>8</sup>

About nine-tenths of the people of Haiti are Negroes, and most of the remainder are mulattoes. The official language is French. A large part of the population, however, especially in the rural areas, speaks a dialect based on French, but containing a large percentage of Spanish, Indian, and English words. Haiti is the only republic of the Western Hemisphere in which French is the official language, and is one of the two Negro republics in the world.<sup>9</sup>

<sup>4</sup> Compagnie Nationale des Chemins de Fer d'Haiti.

<sup>5</sup> Compagnie des Chemins de Fer de la Plaine du Cul-de-Sac.

<sup>6</sup> U. S. Bureau of Foreign and Domestic Commerce, *Commercial Travelers' Guide to Latin America*, 1940, part III, p. 6.

<sup>7</sup> The density of population in Haiti is about twice that of El Salvador, the next most densely populated Latin American country. The population of the adjacent Dominican Republic averages about 79 persons per square mile. Certain of the British and French West Indian islands, however, are more densely populated than is Haiti.

<sup>8</sup> U. S. Bureau of Foreign and Domestic Commerce, *Commercial Travelers' Guide to Latin America*, 1940, part III, pp. 204-207.

<sup>9</sup> The other is the Republic of Liberia, on the west coast of Africa.

**Natural resources and economy.**

*Agriculture.*—Haiti is an agricultural country. Although nearly four-fifths of its area is mountainous, the numerous valleys and the several large plains are extremely fertile, and even most of the elevated lands may be utilized for agriculture. Large plantations existed during the colonial period, but, with the exception of several sugarcane, sisal, and banana plantations operated by United States interests, cultivation at present is carried on chiefly by individual proprietors on small holdings. The methods of cultivation are generally primitive.

The principal Haitian export crops are coffee, cotton, sugar, sisal, bananas, cacao, and molasses. In 1938 these seven products accounted for more than nine-tenths of the value of all exports. Other agricultural commodities exported include tobacco, cashew nuts, castor beans, cottonseed cake, honey, beeswax, and pineapples. Corn, peas, beans, rice, and manioc, as well as a wide variety of other vegetables and fruits, are grown chiefly for domestic consumption. Logwood, a wood used in the production of a dyestuff, and *lignum vitæ* are the most important forest products exported from Haiti.

In spite of the importance of the agricultural commodities produced in Haiti, foodstuffs until recently constituted the largest single group of imports. In 1929 they represented 35 percent of total imports, in terms of value. During the decade 1929-38, however, the proportion of Haitian imports composed of foodstuffs declined steadily, reaching 18 percent in 1938.

Coffee is by far the most important Haitian crop, and the country's chief export, accounting for about one-half of the value of total shipments abroad, which in 1939 amounted to 7.3 million dollars. Coffee was introduced into Haiti in the early eighteenth century, when that country was a French colony, and large plantations were developed. During the wars of independence at the beginning of the nineteenth century, however, the plantations were destroyed, and have not since been revived. Cultivated chiefly on the moist mountain slopes, coffee for the most part is at present grown on individual holdings by small proprietors, and indeed may be said practically to grow wild in parts of the country. Haitian coffee is of a "mild" type (*Coffea arabica*), and, when properly prepared for market, commands a premium price.<sup>10</sup> Until 1936, Haitian coffee was shipped chiefly to France, but the denunciation of the Franco-Haitian commercial convention in that year was followed by the virtual loss of the French market.<sup>11</sup>

The extent of Haiti's dependence upon coffee has made the country susceptible to the disadvantages inherent in a "one-crop" economy. Moreover, prior to 1929, the lack of facilities on the part of the small coffee growers for drying, cleaning, and grading the crop resulted in a large quantity of extraneous material in the coffee delivered for export at Haitian ports. Since much of the coffee was dried on the ground, it had an earthy flavor which made it difficult to market in the United States. As a result of the conditions under which it was grown and prepared, the yield of the coffee trees and the quality of the coffee tended to decline. Since 1929, however, the Government

<sup>10</sup> In the trade all coffees are roughly grouped into "Brazils" and "milda," the latter comprising all coffees grown outside of Brazil.

<sup>11</sup> See the section on exports from Haiti.

has made efforts to improve the cultivation, drying, and grading of coffee. A system of standards and markings for export coffee, introduced in 1929, has resulted in marked improvement. To improve the flavor of the coffee, large numbers of small concrete drying platforms have been erected throughout the country.

In order to reduce the country's dependence on coffee, efforts have been made by the Haitian Government to diversify agriculture, particularly by developing an export trade in sisal and bananas, and by improving the quality of the cacao crop. These efforts and the decline in the price of coffee account for the decline in the ratio of exports of coffee to total exports in the decade 1929-38.

While the conditions under which Haitian coffee has been grown have tended to diminish the value of the crop, the lack of a plantation type of organization has provided an element of elasticity in the Haitian economic structure, since the individual growers more readily adapt themselves to changing conditions. The country has thus been less susceptible to the impact of price fluctuation and changes in markets.

Cotton, which ranks second as an export crop, now accounts for more than 10 percent of the total value of Haitian exports. Haitian cotton is a small but fairly constant crop, produced principally in the drier parts of the mountain slopes, in the plains, and on the Island of La Gonâve. The most important producing areas are in the Artibonite and Cul-de-Sac plains. Haitian cotton is partly of the long, fine Sea Island variety, but in general it is mixed and extremely irregular in staple length. A large part of the crop is tree cotton from semi-wild plants,<sup>12</sup> but some cotton is grown under irrigation. Production has declined somewhat in recent years because of the spread of the boll weevil in certain of the producing areas. Exports, which approximate production, averaged more than 24,000 bales<sup>13</sup> annually in the 3 years 1936-38. In the past they have gone chiefly to the United Kingdom, France, Germany, and Japan.

The third-ranking Haitian export crop is sugar, grown principally in the Cul-de-Sac and Léogane plains. In the colonial period, the cultivation of sugarcane was an important economic activity, but the sugar plantations were destroyed during the wars of independence, and production ceased to be of commercial importance. During the World War of 1914-18, production was renewed, and since then has increased rather steadily. Haiti now ranks seventh among the Latin American countries as a producer of sugar. Production in the crop years 1935-36 to 1937-38 averaged 42,370 short tons annually. Haiti also produces and exports quantities of the so-called blackstrap molasses, the waste or byproduct molasses obtained in the manufacture of sugar.<sup>14</sup> Production may be gaged by exports, which in the 3 fiscal years 1936-38 averaged 2.4 million gallons<sup>15</sup> annually.

Sisal and bananas, production and exports of which were unimportant in the 1920's, now occupy significant positions in the Haitian

<sup>12</sup> All cottons are perennial but in most countries the crop is seeded annually, largely to reduce damage by insects and disease. In Haiti the cotton plants often bear for 10 years. Experiments have been made with several types of annual cotton. Annual cotton, however, is more difficult and expensive to cultivate than tree cotton, which constitutes much of the Haitian production.

<sup>13</sup> Bales of 478 pounds, net.

<sup>14</sup> This molasses is used chiefly in the manufacture of industrial alcohol, and to a lesser extent as an ingredient of sweet cattle feeds and in the manufacture of yeast and vinegar.

<sup>15</sup> Gallons of 11.7 pounds.

economy. Exports of sisal averaged but 628,000 pounds annually in the period 1926-31; they increased to nearly 16 million pounds in 1938. Unlike coffee and cotton, sisal is grown on plantations. The principal producing area is adjacent to Fort Liberté, on the northern coast. About nine-tenths of all exports of sisal are shipped from this port.<sup>16</sup>

Exports of bananas from Haiti were negligible in 1929, and in 1932 they were small. In 1935, a United States company entered into a contract with the Haitian Government for a monopoly of the purchase of bananas for export. Some plantations were started by the company, chiefly in the Artibonite Valley, and in the vicinity of Cap-Haitien and Port-de-Paix. For the most part, however, the bananas exported are grown by individual proprietors, to whom instruction in proper methods of cultivation is given. Exports of bananas, which amounted to 33,000 bunches in 1933, increased to 600,000 bunches in 1936, to 1.3 million in 1937, and to 2 million in 1938, when they accounted for 6 percent of all exports, in terms of value.

Cacao is largely a subsidiary crop in Haiti. Unless the price is good, the proprietors of small holdings do not gather the beans; this factor accounts for the marked fluctuations in the volume and value of exports from year to year. The Haitian Government has attempted to improve the quality of the crop for marketing in the United States.

On May 5, 1941, the Governments of the United States and Haiti announced that agreement had been reached in principle regarding a long-term program of cooperation in the development of the Haitian economy. The central features of this program will be a broad plan for developing rubber; an increase in banana plantings; the planting of spices, drug plants, food plants, fiber plants, and oil-bearing plants; the improvement of Haitian cacao; the development of Haiti's forest resources; and the stimulation of small handicraft industries. The program is based on numerous surveys and on the long experience of the United States Department of Agriculture, which has already, in cooperation with the Haitian Government, established in Haiti an agricultural experiment station and breeding gardens for rubber plants. The program will also involve an addition of up to \$500,000 of credits in the contract entered into in 1938 by the Export-Import Bank of the United States and a United States engineering firm for the extension of a credit of 5 million dollars. These additional credits will permit the completion of certain highway and irrigation projects and will provide adequate transportation facilities in the areas suitable for rubber and general agricultural development.<sup>17</sup>

*Pastoral industries.*—Although cattle raising is encouraged in Haiti, there were estimated to be only 105,000 cattle in the country in 1933. Other livestock in that year included 310,000 goats, 350,000 hogs, 400,000 horses, and 650,000 asses.<sup>18</sup> There are small exports of goat-skins and cattle hides.

*Mining.*—The mineral resources of Haiti are said to be extensive, but are as yet undeveloped. Among the minerals existing in the country are gold, silver, copper, iron, sulfur, kaolin, gypsum, and

<sup>16</sup> Sisal is used principally in the manufacture of wrapping twine and small ropes. It is similar to henequen, which is used chiefly for making binder twine. Both are obtained from closely related but distinct species of the agave plant.

<sup>17</sup> U. S. Department of State, Press Release No. 221, May 5, 1941.

<sup>18</sup> Estimates from *Statesmen's Year-Book*, 1938.

limestone. Gold was washed during the Spanish colonial period, but since that time there has been little exploitation of the country's mineral resources.

*Manufacturing.*—There is little of industrial manufacturing in Haiti except that associated with the first processing of agricultural products, especially coffee, sugar, and sisal. In addition to a large sugar mill at Port-au-Prince, there are several small factories making lard compounds, some cabinet-making shops, and some small establishments manufacturing soap, cigarettes, and bricks. Numerous small distilleries produce rum and other spirits; small quantities of rum are exported.

*Foreign investments.*—Statistics of foreign investments in Haiti, other than those of the United States, are not available. United States direct investments at the end of 1936 amounted to nearly 10 million dollars. Of this amount, 3.6 million dollars was invested in public utilities and transportation enterprises.<sup>19</sup> No data are available to show the distribution of the remainder of the investments by economic groups, but they are probably in agriculture, principally sugar, bananas, and sisal. The United States portfolio of Haitian securities in 1935 was estimated to be 9.7 million dollars.<sup>20</sup>

A law of October 16, 1935, amended January 4, 1939, prohibits foreigners and naturalized Haitians from engaging in retail trade in a number of articles, principally foodstuffs, cheap textiles, household supplies, and notions. As a result of this law, some capital was withdrawn from Haiti by merchants who found it necessary to liquidate their businesses.

For many years, under the convention of 1915, the United States supervised the finances of Haiti, including the collection and allocation of revenues pledged for the service of the Haitian debt. Under an Executive agreement of August 7, 1933, United States supervision was relaxed in many nonfiscal respects, although no alteration was made in the purely fiscal control. In 1934, however, fiscal supervision was also materially modified, a Fiscal Representative being appointed to succeed the Financial Adviser and General Receiver.

On May 5, 1941, it was announced by the Governments of the United States and Haiti that an agreement had been reached in principle to modify the Executive agreement of August 7, 1933. It is anticipated that under the agreement eventually to be concluded, the National Bank of the Republic of Haiti will assume responsibility for the control and operation of the Haitian budget, the Haitian Government's accounting and disbursing systems, the collection of customs and internal revenue, and supervision over other financial matters. The National Bank would become the sole depository of Haitian Government funds, and would receive irrevocable orders to make no payments for the account of the Haitian State until the service of the bonds of 1922 has been provided. The Board of Directors of the National Bank would be composed of seven directors, four Haitians

<sup>19</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries*—1936, p. 12. "Direct" investments are defined as all United States investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice.

<sup>20</sup> Cleona Lewis, *America's Stake in International Investments*, The Brookings Institution, 1938, p. 655. "Portfolio" investments are defined as equity and other security investments in foreign-controlled corporations, and investments in the security issues of foreign governments or subdivisions thereof.



and three citizens of the United States. The Office of Fiscal Representative and Deputy Fiscal Representative would be abolished, and the property belonging to the organization of the Fiscal Representative would become the property of the National Bank.<sup>21</sup>

### THE FOREIGN TRADE OF HAITI

Exports from Haiti in the fiscal year 1938 were valued at 6.9 million dollars, as compared with imports of 7.6 million dollars.<sup>22</sup> Imports into Haiti have exceeded exports therefrom in 9 of the 15 fiscal years 1924-38 (see table 1).<sup>23</sup> The import balance in 1937 amounted to \$244,000, and in 1938 to \$649,000.<sup>24</sup> In proportion to its population, the foreign trade of Haiti is small. Exports from Haiti in 1938 were equal to \$2.60 per capita and imports to \$2.80 per capita.

#### Haitian commercial policy.

*The tariff.*—The Haitian tariff has three levels of rates—maximum, minimum, and conventional (below the minimum). By the law of July 9, 1926, Haiti adopted a maximum-minimum tariff, the minimum rates being subject to an increase of one-half (as maximum or penalty rates) on products of countries not according unconditional most-favored-nation treatment to Haitian products. The schedules placed in effect April 16, 1935, doubled the minimum rates to form the maximum.

Minimum rates are extended to countries which are entitled thereto under most-favored-nation agreements, and to numerous other nations which in fact accord unconditional most-favored-nation treatment to Haitian products provided that in the fiscal year 1932-33 they took at least 1 percent of total exports from Haiti, or supplied less than one-half of 1 percent of its imports. Conventional reductions below the minimum (basic) column on a list of United States products are extended to third countries under most-favored-nation agreements, but are not generalized to other countries. Haiti has most-favored-nation agreements in force with the United States, Belgium, Canada, Denmark, France, Germany, Italy, the Netherlands, Switzerland, and the United Kingdom. It has established neither foreign-exchange control nor quotas. There is no special agency to advise the Government on tariff matters.

In the trade agreement between the United States and Haiti, effective June 3, 1935, tariff concessions granted by Haiti to the United States included reductions in duty on 13 tariff classifications, conditional reductions in duty on 3, and bindings against increase in duty on 19. The reductions in the Haitian duties ranged from one-fourth to two-thirds of the duties in effect prior to the conclusion of the agreement. Concessions made by the United States to Haiti related almost entirely to distinctively tropical products. Seven tariff items were bound on the free list, and reductions in duty ranging from 15.3 to 50 percent were granted on four products. Assurance was given that, under the United States sugar-control program, sugar imported

<sup>21</sup> U. S. Department of State, Press Release No. 220, May 5, 1941.

<sup>22</sup> The Haitian monetary unit, the gourde, is maintained at the legal rate of 5 gourdes to 1 U. S. dollar. United States currency circulates freely.

<sup>23</sup> Fiscal years ended September 30.

<sup>24</sup> Export values employed by Haiti are f. a. b. Haitian port or frontier, including export duties. Import values are declared values, c. i. f. port of importation.

into the United States from Haiti with benefit of drawback will not be charged against the Haitian quota.<sup>25</sup>

Prior to 1936, France took the major part of Haitian exports, and Haiti was closely linked to France in its commercial policy. For many years, by a series of treaties between the two countries, Haiti, in addition to most-favored-nation treatment, extended to specified French products a one-third reduction of its import-duty rates, in return for minimum French duties on coffee and other Haitian products. A commercial agreement of April 12, 1930, and a supplementary accord of March 10, 1934, by which reductions were made for a list of French products, expired on May 26, 1935, but were continued as of July 10, 1935, until denounced by France to terminate on April 18, 1936. During the period when these agreements were not in force, the maximum Haitian tariff rates were applied to French products, and the maximum French rates to Haitian products. By a commercial agreement of June 24, 1938, reductions of one-third of the duties were again granted by Haiti to France on a wide range of commodities, and extended to the United States and other countries enjoying most-favored-nation treatment in Haiti. Upon importation into France, certain Haitian products listed in the convention were to enjoy most-favored-nation treatment. France also agreed to accord to Haiti a normal quota of not less than 12 million kilograms of coffee (26.5 million pounds) per year.<sup>26</sup> This agreement was temporarily suspended on November 23, 1940, after the outbreak of the war in Europe.

The Constitution of Haiti authorizes the Executive to issue decree-laws during the recess of the National Assembly, with the approval of a Permanent Legislative Committee selected by the Assembly. The president of this committee is authorized to countersign such decree-laws, and is required to report the committee's action to the next ordinary session of the Assembly. An example of these executive powers as applied to the tariff was the increase in the general import surtax from one-tenth to two-tenths of the duties by a decree-law of November 29, 1937. The Executive may conclude treaties changing tariff rates, but such agreements become effective only upon ratification by the Legislature. Following the outbreak of the present war, the Executive was authorized on September 12, 1939, to take all necessary measures to protect the consuming public through the issuance of decrees or resolutions having the force of law. Under this authorization, attempts were made to prevent profiteering and unwarranted price rises within the country by restricting the exportation of certain commodities, particularly foodstuffs.

The Haitian tariff is largely for revenue.<sup>27</sup> The rates of duty are comparatively high, the average equivalent ad valorem rate in 1939 being about 50 percent. Duties are either specific or ad valorem, or both. On many products the Customs Law provides that the duties may be based on either weight or value, whichever produces the higher duty.

<sup>25</sup> See the section on United States trade with Haiti, p. 318 ff.

<sup>26</sup> This quota was not reached in the fiscal year 1938-39. See footnote 37, p. 312.

<sup>27</sup> Of the Haitian revenues for the fiscal year 1938-39, which amounted to 31.1 million gourdes (6.2 million dollars), 82.3 percent consisted of customs duties. Internal-revenue taxes accounted for 16.1 percent, and miscellaneous revenues for 1.6 percent.

An emergency revenue law of September 26, 1932, established a general surtax of 5 percent of the duty on all dutiable imported merchandise. On March 14, 1937, the rate of this surtax was increased to 10 percent, and on December 1 of the same year it was raised to 20 percent on all commodities except those included in the United States-Haitian trade agreement, and on like imports from most-favored nations.

*Export duties.*—Export duties are levied by Haiti on a large number of products, and from time to time certain commodities have been removed from the list, or the rates have been changed. Since coffee constitutes a large part of total exports, the export duties on it form a large item in governmental receipts, and fluctuations in the size of the coffee crop and in the quantity of coffee exported result in distinct variations in revenue. Under the Tariff Act of September 4, 1905, ad valorem export surtaxes were levied on certain articles, in addition to the regular specific export duties. The specific rates in the Tariff Act of 1926, however, are inclusive of the regular export duties and the surtaxes.<sup>28</sup>

By a law of October 1, 1929, the Haitian Executive, upon the recommendation of the Secretary of State for Finance, was given authority to suspend collection of all or any part of the duties on exports, with a view to reducing revenues from export duties by an amount estimated to be equal to the revenues derived from excise taxes. Under this authorization, an Executive order removed the export duties on nearly all fruits and fresh vegetables grown in Haiti.<sup>29</sup> The export duty on cacao was removed in 1930, that on castor beans on August 10, 1935, and that on scrap copper and other scrap metals on July 16, 1937. The export duty on cottonseed was abandoned on October 31, 1932; subsequently a duty equal to one-half the previous rates was imposed, but this was abolished on June 10, 1939. The export duty on logwood has been suspended from time to time for periods of 1 year. All export duties on sugar and molasses were suspended for 3 years from May 28, 1935, and for 2 more years from May 30, 1938. Under the operation of a decree-law of September 16, 1939, however, the export duties on sugar were restored; the new law provided a sliding tax based on the price of sugar in New York. As a result of the modification in the Brazilian coffee-valorization plan, which was placed in effect in November 1937, Haiti on November 27, 1937, reduced its export duties on coffee by approximately one-half, in order to permit Haitian coffee to continue to compete in world markets. In an effort to open up new markets, the export duties on coffee were further reduced by one-third on October 31, 1940.

#### Exports from Haiti.

*Trend.*—The most notable features of the Haitian export trade in the decade 1929-38 were the declining importance of exports of coffee, the increasing importance of exports of sugar, sisal, and bananas, and the shift from France to the United States as the principal ex-

<sup>28</sup> The Haitian tariff act of 1926 provided for export duties on coffee, cacao, cotton, cottonseed, alcohol, wax, hides and skins, copper, shell, orange peel, sponges, miscellaneous fruits and foodstuffs, iron, lead, guano, beans, corn, honey, pita, sugar, several species of wood, and on products, wares, and other articles not specified.

<sup>29</sup> Export duties on bananas and plantains had already been removed on June 15, 1928.

port market. Exports from Haiti to the world and to the United States, in the fiscal years 1924-40, are shown in tables 1 and 2.<sup>30</sup>

The year 1929, the earliest shown in the detailed tables hereinafter presented, was not a peak year in exports to either the world or the United States. The value of exports to the world in 1929 was exceeded by that in 1925, 1926, and 1928; average exports in the 5 years 1924-28 exceeded those in 1929 by about 10 percent. Exports to the United States in 1929 were exceeded by those in the years 1924-28, except in 1927; the average of exports to the United States in the 5 years 1924-28 exceeded those in 1929 by 24 percent. The value of exports in 1929 was exceeded by those in prior years, largely because of the higher prices of coffee in the earlier period.

TABLE 1.—Haiti: Trade with the world, 1924-40<sup>1</sup>

[In thousands of U. S. dollars<sup>2</sup>]

Year	Exports	Imports	Year	Exports	Imports
1924.....	14,176	16,166	1933.....	9,330	7,667
1925.....	19,404	20,238	1934.....	10,309	9,137
1926.....	20,248	18,851	1935.....	7,126	8,232
1927.....	15,299	15,751	1936.....	9,448	7,584
1928.....	22,667	20,248	1937.....	8,971	9,215
1929.....	16,724	17,238	1938.....	6,946	7,595
1930.....	14,145	12,842	1939.....	7,268	8,181
1931.....	8,963	9,576	1940.....	5,399	7,940
1932.....	7,221	7,461			

<sup>1</sup> Fiscal years ended Sept. 30.

<sup>2</sup> The Haitian monetary unit, the gourde, is maintained at the legal rate of 5 gourdes to 1 U. S. dollar.

Source: Compiled by the United States Tariff Commission from *Annual Report of the Fiscal Representative, Haiti*.

TABLE 2.—Haiti: Trade with the United States, 1924-40<sup>1</sup>

[Value in thousands of U. S. dollars<sup>2</sup>]

Year	Exports <sup>3</sup>		Imports <sup>3</sup>		Year	Exports <sup>3</sup>		Imports <sup>3</sup>	
	Value	Percent of total to United States	Value	Percent of total from United States		Value	Percent of total to United States	Value	Percent of total from United States
1924.....	1,329	9.4	12,999	80.4	1933.....	584	6.3	4,770	62.2
1925.....	2,319	11.9	15,568	76.9	1934.....	906	8.8	4,421	48.4
1926.....	1,378	6.8	14,030	74.4	1935.....	860	12.1	3,983	48.4
1927.....	1,195	7.8	12,057	76.5	1936.....	1,346	14.2	4,283	56.5
1928.....	1,853	8.2	15,247	75.3	1937.....	2,500	27.9	4,698	51.0
1929.....	1,306	7.8	12,041	69.9	1938.....	2,972	42.8	4,126	54.3
1930.....	1,305	9.2	9,001	70.1	1939.....	2,502	34.4	5,093	62.3
1931.....	727	8.1	6,578	68.7	1940.....	2,787	51.6	5,767	72.6
1932.....	585	8.1	5,043	67.6					

<sup>1</sup> Fiscal years ended Sept. 30.

<sup>2</sup> The Haitian monetary unit, the gourde, is maintained at the legal rate of 5 gourdes to 1 U. S. dollar.

<sup>3</sup> Does not include trade with the Virgin Islands, as Haitian statistics make no distinction as to ownership. Also does not include imports from Puerto Rico, which amounted to the following (in thousands of dollars): 1929, 468; 1932, 196; 1936, 24; 1937, 39; 1938, 57; 1939, 48; 1940, 48. Exports to Puerto Rico were either nil or negligible in these years.

Source: Compiled by the United States Tariff Commission from *Annual Report of the Fiscal Representative, Haiti*.

Exports from Haiti in 1929 were valued at 16.7 million dollars. By 1932, as a result of poor crops and the decline in the prices of export commodities, they amounted to but 7.2 million dollars, or 43

<sup>30</sup> In the following discussion, all years mentioned are fiscal years ended September 30.

percent of the 1929 value. After 1932, rising prices for some export commodities and improved coffee crops brought about some recovery of Haitian export values. They increased to 10.3 million dollars in 1934, declined sharply in 1935, but in 1936 were 9.4 million. Thereafter they declined regularly to 6.9 million dollars in 1938, or 42 percent of their 1929 value. The decline in 1938 may be attributed principally to the small coffee crop and to the decline in the prices of coffee and other principal export commodities. Exports in 1939 amounted to 7.3 million dollars, an increase of 5 percent from 1938, but in 1940 they were valued at only 5.4 million dollars, a decline of 26 percent from 1939. The decline in 1940 was due principally to the loss of continental European markets as a result of the war.

Price and quantum indexes of Haitian exports are not available. The effect of fluctuations in prices and quantities on the export trade, however, is partially indicated by statistics for the leading export commodities—coffee, cotton, sugar, and sisal—which in the decade 1929–38 constituted approximately nine-tenths of total exports, in terms of value. The statistics indicate that the decline in the value of Haitian exports from 1929 to 1932 may be attributed more to the decline in prices than to the decline in the quantities exported. Subsequent variations in the value of exports were due both to changes in the prices of some commodities and to marked changes in the quantities of others. After 1932 the quantity of coffee, sugar, and sisal exported increased substantially, while that of cotton did not. The unit values of the exports of cotton and sisal increased, that of sugar remained fairly constant, and that of coffee declined. Quantities, values, and unit values of selected export commodities, in specified fiscal years, 1929 to 1938, are shown in table 3.

TABLE 3.—Haiti: Exports of selected commodities, in specified fiscal years, 1929 to 1938<sup>1</sup>

Commodity	1929	1932	1936	1937	1938
Quantity					
Coffee, 1,000 pounds.....	62,956	51,158	79,565	54,699	55,253
Cotton, raw, bales of 478 pounds, net.....	21,929	29,095	26,539	24,957	21,593
Sugar, short tons.....	5,213	22,701	35,363	35,720	37,909
Sisal, 1,000 pounds.....	105	6,148	12,468	13,662	15,924
Value (1,000 U. S. dollars) <sup>2</sup>					
Coffee.....	12,899	5,257	5,969	4,679	3,465
Cotton.....	2,071	613	1,445	1,533	1,052
Sugar.....	211	444	764	616	778
Sisal.....	9	175	602	765	647
Unit value (U. S. dollars)					
Coffee, pound.....	0.205	0.103	0.074	0.096	0.053
Cotton, raw, bale of 478 pounds, net.....	94.43	27.92	54.44	61.65	48.72
Sugar, short ton.....	40.44	19.57	19.93	22.85	20.54
Sisal, pound.....	.065	.028	.048	.056	.041

<sup>1</sup> Fiscal years ended Sept. 30.

<sup>2</sup> The Haitian monetary unit, the gourde, is maintained at the legal rate of 5 gourdes to 1 U. S. dollar.

Source: Compiled by the United States Tariff Commission from *Annual Report of the Fiscal Representatives, Haiti*.

*Composition.*—During the decade 1929–38 coffee, cotton, sugar, and sisal accounted for from 85 to 93 percent of all exports, in terms of value. A marked shift in the relative importance of these commodities took place during the decade, however. In 1929 more than 89 percent of the total value of Haitian exports consisted of coffee and cotton (coffee alone, 77 percent), whereas sugar and sisal together accounted for only 1.4 percent. In 1938, coffee and cotton constituted 65 percent of total exports (coffee alone, 50 percent), while the combined share of sugar and sisal increased to more than 20 percent.

Exports of principal commodities from Haiti in specified fiscal years, 1929 to 1938, are shown in table 4. For all commodities shown in the table, except sugar, sisal, and bananas, there was a sharp drop in the value of exports between 1929 and 1932, caused in considerable part by lower prices. Sugar, sisal, and bananas showed marked increases in value because of the increases in the quantities exported (see table 4). All commodities increased in dollar value in 1937 as compared with 1932, except coffee and logwood; the values for sugar, sisal, bananas, and goatskins were in excess of those for 1929. For the principal commodities, the ratios of the dollar values of exports in 1938 to those in 1929 were as follows: Coffee, 27 percent; cotton, 51 percent; sugar, 369 percent; sisal, 7,200 percent; bananas, 5,700 percent;<sup>31</sup> cacao beans, 59 percent; and molasses, 95 percent.

TABLE 4.—Haiti: Exports,<sup>1</sup> by principal commodities, in specified fiscal years, 1929 to 1938<sup>2</sup>

[Value in thousands of U. S. dollars †]

Commodity <sup>4</sup>	1929		1932		1936		1937		1938	
	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total
Grand total.....	16,724	100.0	7,221	100.0	9,448	100.0	8,971	100.0	6,946	100.0
Coffee.....	12,899	77.1	5,267	72.9	5,869	62.1	4,679	52.2	3,465	49.9
Cotton, raw.....	2,071	12.4	813	11.3	1,445	15.3	1,533	17.1	1,052	15.1
Sugar, raw and refined <sup>5</sup> .....	211	1.3	444	6.2	764	8.1	816	9.1	778	11.2
Sisal.....	9	.1	175	2.4	602	6.4	764	8.5	647	9.3
Bananas.....	( <sup>6</sup> )	( <sup>7</sup> )	7	.1	154	1.6	376	4.2	400	5.8
Cacao beans.....	237	1.4	51	.7	114	1.2	200	2.2	139	2.0
Molasses.....	125	.7	77	1.1	114	1.2	79	.9	119	1.7
Goatskins.....	137	.8	64	.9	83	.9	156	1.7	91	1.3
Cottonseed cake.....	177	1.1	86	1.2	102	1.1	131	1.5	83	1.2
Logwood.....	502	3.0	164	2.3	95	1.0	129	1.4	75	1.1
All other commodities.....	307	1.8	71	.9	105	1.1	100	1.1	96	1.4
Reexports.....	49	.3	2	( <sup>7</sup> )	1	( <sup>7</sup> )	8	.1	1	( <sup>7</sup> )

<sup>1</sup> General exports. Bullion and parcel post are included. Specie is excluded. Values are f. o. b. Haitian port or frontier, including export duties.

<sup>2</sup> Fiscal years ended Sept. 30.

<sup>3</sup> The Haitian monetary unit, the gourde, is maintained at the legal rate of 5 gourdes to 1 U. S. dollar.

<sup>4</sup> Classifications employed in this table are those given in the Haitian export statistics for 1938. Commodities are ranked according to value in 1938.

<sup>5</sup> Almost entirely raw sugar.

<sup>6</sup> Less than \$500.

<sup>7</sup> Less than one-tenth of 1 percent

Source: Compiled by the United States Tariff Commission from *Annual Report of the Fiscal Representative, Haiti*.

Coffee is by far the leading Haitian export commodity. Its share in total exports, however, declined from 77 percent in 1929 to 50 percent in 1938. This decline reflected in part the virtual loss of the French

<sup>31</sup> Comparison of 1932 and 1938. Exports of bananas were negligible in 1929.

market after 1936, and in part the growing importance of exports of other products, especially sugar and sisal.<sup>32</sup> In terms of quantity, Haitian exports of coffee dropped from 63 million pounds in 1929 to 51.2 million pounds in 1932, a decline of about 19 percent. Average unit values in the same period, however, declined by approximately one-half, from \$0.205 to \$0.103 per pound. Exports of coffee reached 79.6 million pounds in 1936, but the unit value of such exports meanwhile declined to \$0.074 per pound, or little more than one-third of that in 1929. Between 1936 and 1938, Haitian coffee imported into France was subject to an import duty that practically excluded it from the French market. France had been taking about two-thirds of the Haitian coffee crop. In 1937 other European countries took increased quantities, and, for the first time, the United States purchased considerable quantities. Nevertheless, Haitian exports of coffee declined to 54.7 million pounds in 1937, and in 1938 were 55.3 million pounds, or 88 percent of 1929 exports. The average unit value of exports increased to \$0.086 per pound in 1937, but declined to \$0.063 per pound in 1938, or about 31 percent of the 1929 level (see table 3).

Exports of raw cotton from Haiti during the decade constituted between 11 percent (1932) and 17 percent (1937) of all exports, in terms of value. In contrast with exports of coffee, exports of cotton increased by about one-third between 1929 and 1932—from 21,929 to 29,095 bales.<sup>33</sup> Average unit values in the same period, however, dropped sharply from \$94.43 per bale to \$27.92 per bale, a decline of more than two-thirds. By 1936 exports had decreased to 26,539 bales, the average unit value meanwhile recovering to \$54.44 per bale. As a result of the spread of the boll weevil, quantities declined to 24,867 bales in 1937 and to 21,593 bales in 1938, a point slightly below the 1929 level. Average unit value increased to \$61.65 per bale in 1937, but declined in 1938 to \$48.72 per bale, only slightly more than one-half of that in 1929 (see table 3).

In 1929 shipments of sugar represented somewhat more than 1 percent of total Haitian exports, while sisal and bananas each constituted one-tenth of 1 percent or less. Exports of each of these commodities increased regularly in each subsequent year shown in table 4; in 1938 sugar accounted for 11 percent of the value of all exports, sisal for 9 percent, and bananas for nearly 6 percent.

Exports of sugar from Haiti in 1929 amounted to 5,213 short tons; by 1932 they had more than quadrupled (22,701 short tons). Average unit values in the same period declined by approximately one-half (from \$40.44 to \$19.57 per short ton). The quantity of exports in 1936 was 38,363 short tons, or 735 percent of that in 1929. There was little variation during the period 1936-38, average annual exports amounting to 37,330 short tons.<sup>34</sup> Average unit values in 1936 were slightly above those in 1932; they increased to \$22.86 per ton in 1937, but declined in 1938 to \$20.54 per ton, slightly more than one-half of the 1929 level (see table 3).

<sup>32</sup> In the fiscal year 1938-39, coffee accounted for 51 percent of the value of total exports. For the share of France in exports of coffee, see the section on destination of exports.

<sup>33</sup> Bales of 478 pounds, net.

<sup>34</sup> Under the terms of the agreement reached by sugar-producing countries at the International Sugar Conference in 1937, exports of sugar from Haiti, until 1942, are limited to an annual quota of 32,500 tons.

In 1929 exports of sisal from Haiti amounted to but 105,000 pounds. They increased sharply to 6.1 million pounds in 1932, but average unit values meanwhile declined by approximately two-thirds (from \$0.085 to \$0.028 per pound). After 1932, exports continued to increase, reaching 15.9 million pounds in 1938. Average unit values increased to \$0.056 per pound in 1937, but declined in 1938 to \$0.041, or slightly less than half of the 1929 level (see table 3).

Other Haitian export commodities, no one of which accounted for more than 2 percent of total exports in 1938, are cacao beans, molasses, goatskins, cottonseed cake, and logwood. Of these commodities, cacao beans, molasses, and goatskins accounted for larger shares in 1938 than in 1929, and logwood for a smaller share. Reexports from Haiti are negligible.

TABLE 5.—Haiti: Foreign trade with selected countries, in specified fiscal years, 1929 to 1938<sup>1</sup>

[Value in thousands of U. S. dollars<sup>2</sup>]

Country	1929		1932		1936		1937		1938	
	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total
<b>Exports to<sup>1</sup>—</b>										
All countries.....	16,724	100.0	7,221	100.0	9,448	100.0	8,971	100.0	6,946	100.0
UNITED STATES <sup>4</sup> .....	1,306	7.8	585	8.1	1,346	14.2	2,500	27.9	2,972	42.8
United Kingdom.....	815	4.9	930	12.9	1,426	15.1	1,449	16.1	944	13.6
Germany.....	682	4.1	233	3.2	207	2.2	374	4.2	143	2.1
Japan.....	3	( <sup>5</sup> )	—	—	142	1.5	187	2.1	153	2.2
Italy.....	1,225	7.3	753	10.4	63	.7	730	8.1	75	1.1
France.....	9,247	55.3	3,223	44.6	4,459	47.2	1,463	16.3	802	11.5
All other.....	3,446	20.6	1,497	20.8	1,805	19.1	2,268	25.3	*1,857	26.7
<b>Imports from<sup>1</sup>—</b>										
All countries.....	17,238	100.0	7,461	100.0	7,584	100.0	9,215	100.0	7,595	100.0
UNITED STATES <sup>4</sup> .....	12,041	69.8	5,043	67.6	4,283	56.5	4,698	51.0	4,126	54.3
United Kingdom.....	1,172	6.8	687	9.2	957	12.6	1,641	17.8	1,176	15.5
Germany.....	756	4.4	313	4.2	495	6.5	650	7.0	488	6.4
Japan.....	17	.1	30	.4	460	6.1	643	7.0	404	5.3
Italy.....	181	1.0	59	.8	61	.8	97	1.1	72	1.0
France.....	1,354	7.9	438	5.9	399	5.3	224	2.4	252	3.3
All other.....	1,717	10.0	891	11.9	929	12.2	1,262	13.7	*1,077	14.2

<sup>1</sup> Fiscal years ended Sept. 30.

<sup>2</sup> The Haitian monetary unit, the gourde, is maintained at the legal rate of 5 gourdes to 1 U. S. dollar.

<sup>3</sup> General exports. Bullion and parcel post are included. Specie is excluded. Values are f. o. b. Haitian port or frontier, including export duties.

<sup>4</sup> Does not include negligible trade with noncontiguous territories of the United States (Puerto Rico, etc.).

<sup>5</sup> Less than one-tenth of 1 percent.

<sup>6</sup> Includes trade with the following countries:

Exports to—	Value (\$1,000)	Percent of total	Imports from—	Value (\$1,000)	Percent of total
Belgium.....	866	12.5	Belgium.....	218	2.9
Denmark.....	372	5.4	Canada.....	181	2.4
Netherlands.....	190	2.7			

<sup>7</sup> General imports. Bullion and parcel post are included. Specie is excluded. Values are declared values, c. i. f., port of importation.

Source: Compiled by the United States Tariff Commission from *Annual Report of the Fiscal Representative, Haiti*.

**Destination.**—The principal markets for Haitian exports in 1938, with the share of the total value taken by each country, were the United States, 43 percent; the United Kingdom, 14 percent; Belgium, 12 percent; France, 12 percent; and Denmark, 5 percent. Other purchasing countries in that year, no one of which took as much as



3 percent of total exports, included the Netherlands, Japan, Germany and Italy. Exports from Haiti to selected countries, in specified fiscal years, 1929 to 1938, are shown in table 5. More detailed data for 1937 are shown in table 6.

TABLE 6.—Haiti: Foreign trade, by geographic areas and principal countries, in 1937<sup>1</sup>

[Value in thousands of U. S. dollars<sup>2</sup>]

Exports <sup>3</sup>			Imports <sup>4</sup>		
To—	Value	Percent of total	From—	Value	Percent of total
<b>Western Hemisphere:</b>			<b>Western Hemisphere:</b>		
UNITED STATES <sup>4</sup> .....	2,500	27.9	UNITED STATES <sup>4</sup> .....	4,698	51.0
Canada.....	58	.7	Canada.....	194	2.1
Netherlands West Indies.....	30	.3	Netherlands West Indies.....	168	1.8
Virgin Islands.....	29	.3	Puerto Rico.....	39	.4
All other Western Hemisphere countries.....	27	.3	All other Western Hemisphere countries.....	122	1.3
<b>Total.....</b>	<b>2,644</b>	<b>29.5</b>	<b>Total.....</b>	<b>5,221</b>	<b>56.6</b>
<b>Europe:</b>			<b>Europe:</b>		
United Kingdom.....	1,449	16.1	United Kingdom.....	1,641	17.8
Germany.....	374	4.2	Germany.....	650	7.1
France (including Corsica).....	1,463	16.3	France (including Corsica).....	224	2.4
Italy.....	729	8.1	Italy.....	97	1.1
Belgium-Luxemburg.....	1,125	12.5	Belgium-Luxemburg.....	255	2.8
Denmark.....	417	4.7	Netherlands.....	203	2.2
Sweden.....	197	2.2	All other European countries.....	186	2.0
Netherlands.....	192	2.1			
All other European countries.....	188	2.1			
<b>Total.....</b>	<b>6,134</b>	<b>68.3</b>	<b>Total.....</b>	<b>3,256</b>	<b>35.3</b>
<b>Asia:</b>			<b>Asia:</b>		
Japan.....	187	2.1	Japan.....	643	7.0
All other Asiatic countries.....			China.....	37	.4
			All other Asiatic countries.....	40	.4
<b>Total.....</b>	<b>187</b>	<b>2.1</b>	<b>Total.....</b>	<b>720</b>	<b>7.8</b>
<b>Africa:</b>			<b>Africa:</b>		
	6	.1		4	.1
<b>Oceania:</b>			<b>Oceania:</b>		
				14	.2
<b>Grand total.....</b>	<b>8,971</b>	<b>100.0</b>	<b>Grand total.....</b>	<b>8,215</b>	<b>100.0</b>

<sup>1</sup> Fiscal year ended Sept. 30.

<sup>2</sup> The Haitian monetary unit, the gourde, is maintained at the legal rate of 5 gourdes to 1 U. S. dollar.

<sup>3</sup> General trade. Bullion and parcel post are included. Specie is excluded. Import values are declared values, c. i. f. port of importation. Export values are declared values, f. o. b. Haitian port or frontier, including export duties.

<sup>4</sup> Does not include trade with noncontiguous territories of the United States (Puerto Rico, etc.).

Source: Compiled by the United States Tariff Commission from *Annual Report of the Fiscal Representative, Haiti, 1937*.

Until 1937 France was the major market for Haitian products, taking between 45 and 55 percent of all exports, in terms of value. In that year, however, the United States superseded France as the principal destination, and by 1938 the proportion of Haitian exports shipped to France had dropped to 11 percent. The value of French purchases ranged from \$802,000 (1938) to 9.2 million dollars (1929). The share of the United States, which was approximately 8 percent in 1929 and 1932, and 14 percent in 1936, increased sharply to 28 percent in 1937 and to 43 percent in 1938. In value, United States purchases from Haiti varied from \$585,000 (1932) to 3 million dollars (1938). The shift from France to the United States as the leading customer followed the termination of the commercial convention be-

tween France and Haiti in April 1936. The French market for Haitian coffee was again opened by the signing of a new commercial convention on June 24, 1938, but the trade was hampered by various restrictions.<sup>35</sup>

Haitian exports to the United Kingdom constituted less than 5 percent of the total in 1929; the share increased to 16 percent in 1937, but declined to 14 percent in 1938. Purchases of Haitian products by the United Kingdom ranged in value from \$815,000 (1929) to 1.4 million dollars (1937). Italy's participation in the Haitian export trade was substantial in the early years of the decade 1929-38. It increased from 7 percent in 1929 to 10 percent in 1932, was negligible in 1936, substantial in 1937 (8 percent), but dropped to 1 percent in 1938. Haitian products purchased by Italy ranged in value from 63,000 (1936) to 1.2 million dollars (1929); in 1938 they were valued at only \$75,000. The share of Germany during the decade varied from 2 percent (1936 and 1938) to 4 percent (1929 and 1937). Japanese purchases, which were negligible in 1929 and nonexistent in 1932, constituted between 1.5 and 2.2 percent of the total in the 3 years 1936-38.<sup>36</sup>

Exports from Haiti to the other countries of Latin America are negligible. In 1937, for example, they amounted to but \$2,000 out of total exports of nearly 9 million dollars.

In 1929, 1932, and 1936, France was the principal market for Haitian coffee, taking 59, 56, and 67 percent, respectively, in terms of quantity. The remainder went largely to European countries, especially Denmark, Italy, and Belgium. The United States took only 3 percent of all Haitian coffee in 1929, and 2 percent in 1932 and 1936. After 1936 the United States and Belgium became the principal purchasers of Haitian coffee, but Denmark, France, the Netherlands, Sweden, Norway, Italy, and Germany took important quantities. Belgium occupied first place in 1937 (23 percent), followed by France (20 percent), the United States (19 percent), and Italy (15 percent). In 1938 the United States became the principal market for Haitian coffee (35 percent); other purchasers included Belgium (25 percent), Denmark (11 percent), France (10 percent), and the Netherlands (5 percent).<sup>37</sup>

The outbreak of war in September 1939, and the ensuing events, caused the loss of this important European market for coffee. Under the terms of the Inter-American Coffee Agreement of November 28, 1940, however, Haiti received a quota for exports of coffee to the United States which compensates in part for the loss of European markets. The agreement provided that Haiti should receive, for the quota year beginning October 1, 1940, an allotment of 275,000 bags<sup>38</sup> (36.4 million pounds), whereas exports to the United States for the

<sup>35</sup> In 1939, Haitian exports to France increased substantially, the share of France amounting to 21 percent of total exports, but France did not regain its former predominant position.

<sup>36</sup> The value of German purchases varied between \$143,000 (1938) and \$682,000 (1929). Purchases by Japan ranged from \$3,000 (1929) to \$187,000 (1937).

<sup>37</sup> For detailed statistics of Haitian exports of coffee by countries of destination, in selected years, 1929 to 1938, see the section on coffee in part III of this report. In the fiscal year 1938-39 the principal purchasers were the United States (32 percent), France (26 percent), Belgium (19 percent), and Denmark (10 percent). Although under the Franco-Haitian Convention of 1938 it was agreed that France would accord Haiti an annual quota of 26.5 million pounds of coffee, actual exports to France in the fiscal year 1938-39 amounted to only 16.9 million pounds.

<sup>38</sup> Bags of 60 kilograms, net.

years ended June 30, 1939 and 1940, were 145,499 bags (19.2 million pounds) and 147,837 bags (19.6 million pounds), respectively.

During the decade 1929-38 the United Kingdom was the principal market for Haitian exports of raw cotton. In 1935 its share of the total value of exports of cotton amounted to 57 percent, but by 1937 it had declined to 44 percent. France, the second-ranking purchaser of cotton, took approximately one-third of such exports in 1936 and 1937. Other markets in these years included Japan and Germany.

Sugar exported from Haiti during the decade 1929-38 went principally to the United Kingdom, its share in the value of the trade ranging from 54 percent (1938) to 96 percent (1932).<sup>39</sup> Except in 1929, when Canada was the next ranking purchaser, the United States occupied second place. The proportion taken by the United States, however, varied considerably; it declined from 4 percent in 1929 to 1 percent in 1932, increased to 15 percent in 1936, declined to 11 percent in 1937, and reached 42 percent in 1938. Minor markets for Haitian sugar in the decade 1929-38 were the Netherlands West Indies and the Virgin Islands.

Practically all Haitian exports of sisal, bananas, cacao beans, molasses, and goatskins, and most of the exports of logwood, usually have been shipped to the United States. Prior to the outbreak of the war, the United Kingdom took the greater part of exports of cottonseed cake. Among the minor export products included in the "other commodities" group (see table 4), the United States has customarily taken all exports of castor beans and pineapples, and most of the beeswax, rum, and cashew nuts. Prior to the war, about one-half of all lignum vitae was exported to the United States. Germany took more than one-half of all exports of honey; other markets were the United Kingdom, Belgium, and France.

#### Imports into Haiti.

*Trend.*—Outstanding developments in the Haitian import trade in the decade 1929-38 were the increasing importance of textile manufactures and of machinery and apparatus, the declining importance of foodstuffs, and the increased share of total imports furnished by the United Kingdom and Japan. The United States maintained its position as the predominant supplier of Haitian imports, though its share was much smaller in 1938 than in 1929. The share of the United States, however, rose sharply in 1939 and 1940 as a result of the war in Europe. Imports into Haiti from all countries and from the United States, for the fiscal years 1924-40,<sup>40</sup> have already been shown in tables 1 and 2.

The year 1929, the earliest shown in the subsequent detailed tables, was not a peak year either in imports from the world or from the United States. Imports from all countries in 1929 were exceeded in value by those in each of the 5 years 1924-28, except 1924 and 1927, and imports from the United States were exceeded in each of the years 1924-28. Average annual imports from all countries in the 5 years 1924-28 exceeded those in 1929 by 6 percent; average annual imports

<sup>39</sup> For detailed statistics of Haitian exports of sugar by countries of destination, in selected years, 1929 to 1938, see the section on coffee in part III of this report.

<sup>40</sup> In the following discussion, all years mentioned are fiscal years ended Sept. 30.

from the United States in the 5 years exceeded those in 1929 by 16 percent.

Haitian imports, which in 1929 were valued at 17.2 million dollars, declined regularly to 7.5 million dollars in 1932, or 43 percent of their 1929 value. After 1932, principally because of changes in purchasing power resulting from variations in the value of export crops, imports fluctuated considerably (see table 1). In 1937 they reached 9.2 million dollars, but declined to 8.2 million dollars in 1939. Imports in 1940 were valued at 7.9 million dollars, a decline of 3 percent as compared with 1939.<sup>41</sup>

TABLE 7.—Haiti: Imports,<sup>1</sup> by principal commodity groups, subgroups, and commodities, in specified fiscal years, 1929 to 1938<sup>2</sup>

[Value in thousands of U. S. dollars<sup>3</sup>]

Commodity group, subgroup, or commodity <sup>4</sup>	1929		1932		1936		1937		1938	
	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total	Value	Per cent of total
Grand total	17,238	100.0	7,461	100.0	7,584	100.0	9,215	100.0	7,595	100.0
Textiles and manufactures										
Cotton and manufactures	3,663	21.3	2,222	29.8	2,290	30.2	3,504	38.0	2,729	35.9
Piece goods, plain-woven	3,114	18.0	1,997	26.8	1,993	26.3	3,184	34.6	2,479	32.6
Piece goods, twilled or figured in the loom	1,259	7.3	1,116	15.0	1,135	15.0	1,870	20.3	1,456	19.2
Vegetable fibers other than cotton, and manufactures	1,147	6.7	472	6.3	536	7.1	857	9.3	626	8.2
Bags, jute	321	1.9	128	1.7	207	2.7	215	2.3	168	2.2
Silk <sup>5</sup> and manufactures	203	1.2	81	1.1	144	1.9	111	1.2	109	1.4
Wool, bristles, and hair, and manufactures	94	.5	50	.7	60	.8	56	.6	46	.6
133	.8	47	.6	31	.4	48	.5	35	.5	
Foodstuffs (including live animals and beverages)	6,053	35.1	2,218	29.7	1,764	23.3	1,735	18.8	1,361	17.9
Wheat flour	2,995	17.4	993	13.3	763	10.1	823	8.9	555	7.3
Fish	674	3.9	267	3.6	302	4.0	262	2.8	226	3.0
Rice	529	3.1	114	1.5	109	1.4	85	.9	63	.8
Chemical and pharmaceutical products, etc.	1,233	7.2	672	9.0	743	9.8	799	8.7	742	9.8
Soap	635	3.7	307	4.1	295	3.9	359	3.9	351	4.6
Chemical and pharmaceutical substances and products	352	2.0	216	2.9	263	3.5	265	2.9	230	3.0
Perfumery, cosmetics, and other toilet preparations	113	.7	80	1.1	100	1.3	85	.9	83	1.1
Paints, pigments, varnishes, inks, colors, and dyes	131	.8	68	.9	84	1.1	87	.9	74	1.0
Machinery and apparatus, including agricultural machinery	814	4.7	344	4.6	439	5.8	596	6.5	891	7.8
Machinery and apparatus	674	3.9	287	3.8	323	4.3	456	4.9	436	5.7
Electrical machinery, apparatus, and appliances <sup>6</sup>	159	.9	97	1.3	141	1.9	155	1.7	136	1.8
Agricultural machinery, tools, and implements	140	.8	57	.8	116	1.5	140	1.5	155	2.1
Iron and steel and manufactures	1,224	7.1	286	3.8	425	5.6	490	5.4	414	5.5
Kitchen utensils	179	1.0	67	.9	101	1.3	114	1.2	66	.9
Bars, beams, plates, etc., of cast iron, wrought iron, and steel	211	1.2	51	.7	84	1.1	121	1.3	90	1.2
Nails, tacks, and brads	42	.2	24	.3	35	.5	30	.3	28	.4
Cutlery	38	.2	24	.3	33	.4	35	.4	20	.3
Pipes and fittings	78	.5	17	.2	27	.4	34	.4	20	.3
Oils, mineral	991	5.7	551	7.4	393	5.0	515	5.6	383	5.0
Gasoline	568	3.3	252	3.4	114	1.5	205	2.2	161	2.1
Kerosene	259	1.5	186	2.5	171	2.3	148	1.6	127	1.7
Cars, carriages, and other vehicles, and accessories	829	4.8	187	2.5	292	3.9	308	3.4	239	3.2
Automobiles	384	2.2	105	1.4	185	2.4	165	1.8	103	1.4
Trucks	125	.7	22	.3	58	.8	85	.9	76	1.0

See footnotes at end of table.

<sup>4</sup> Price and quantum indexes of Haitian imports are not available.

TABLE 7.—Haiti: Imports,<sup>1</sup> by principal commodity groups, subgroups, and commodities, in specified fiscal years, 1929 to 1938<sup>2</sup>—Continued[Value in thousands of U. S. dollars<sup>3</sup>]

Commodity group, subgroup, or commodity <sup>4</sup>	1929		1932		1936		1937		1938	
	Value	Per-cent of total	Value	Per-cent of total	Value	Per-cent of total	Value	Per-cent of total	Value	Per-cent of total
Paper and manufactures, including books and other printed matter.....	244	1.4	124	1.7	157	2.1	158	1.7	168	2.2
Paper and manufactures.....	184	1.1	101	1.4	118	1.6	120	1.3	121	1.6
Books and other printed matter.....	60	.3	23	.3	39	.5	38	.4	47	.6
Tobacco and manufactures.....	130	.6	86	1.1	105	1.4	116	1.3	124	1.6
Cigarettes.....	81	.5	74	1.0	30	.4	55	.6	78	1.0
Wood and manufactures (including rattan, bamboo, straw, etc.).....	540	3.1	164	2.2	238	3.1	234	2.5	126	1.6
Boards, planks, and beams.....	390	2.3	130	1.7	185	2.4	185	2.0	93	1.2
Hides and skins and manufactures.....	359	2.1	155	2.1	140	1.8	111	1.2	111	1.5
Boots, shoes, and slippers.....	195	1.1	73	1.0	67	.9	56	.6	52	.7
Rubber and manufactures.....	184	1.1	91	1.2	109	1.4	101	1.1	101	1.3
Tires and tubes for vehicles.....	(?)		(?)		90	1.2	84	.9	85	1.1
Stones, earths, cement, and products.....	311	1.8	109	1.5	157	2.1	196	2.1	149	2.0
Glass and glassware.....	75	.4	31	.4	70	.9	48	.5	44	.6
Cement.....	167	1.0	50	.7	54	.7	97	1.0	64	.9
Earthenware, porcelain, clay, and pottery.....	42	.2	22	.3	23	.3	35	.4	30	.4
Stones, earths, and manufactures.....	27	.2	6	.1	10	.2	16	.2	11	.1
All other products.....	663	3.8	252	3.4	342	4.5	343	3.7	357	4.7

<sup>1</sup> General imports. Bullion and parcel post are included. Specie is excluded. Values are c. i. f., port of importation.

<sup>2</sup> Fiscal years ended Sept. 30.

<sup>3</sup> The Haitian monetary unit, the gourde, is maintained at the legal rate of 5 gourdes to 1 U. S. dollar.

<sup>4</sup> Classifications employed in this table are based on those given in the Haitian import statistics for 1938. Groups are ranked according to value in 1938.

<sup>5</sup> Classified as "natural and artificial silk" only in 1936.

<sup>6</sup> Includes "radio receiving sets" beginning in 1936; not specifically mentioned before 1936.

<sup>7</sup> Not shown separately.

<sup>8</sup> The detail does not add to the total imports, and the "All other products" group has been adjusted accordingly.

Source: Compiled by the United States Tariff Commission from *Annual Report of the Fiscal Representative, Haiti*.

*Composition.*—Haitian imports consist of a wide variety of manufactured products and foodstuffs. The principal import groups are textiles and manufactures, foodstuffs, chemical and pharmaceutical products, machinery and apparatus, iron and steel and manufactures, and mineral oils. In 1938 these six groups accounted for 82 percent of all Haitian imports, in terms of value. Imports into Haiti, by principal groups, subgroups, and commodities, in specified fiscal years, 1929 to 1938, are shown in table 7.

Between 1929 and 1932 there was a sharp drop in the value of imports in all groups shown in table 7. Imports in all groups except foodstuffs, mineral oils, and hides and skins and manufactures were larger in 1937 than in 1932 but were smaller than in 1929. Imports in all the principal groups declined in 1938 as compared with 1937. For the principal groups, the ratios of the value of imports in 1938 to that in 1929 were as follows: Textiles and manufactures, 74.5 percent; foodstuffs and beverages, 22 percent; chemical and pharmaceutical products, 60 percent; machinery and apparatus, 73 percent; iron and steel and manufactures, 34 percent; mineral oils, 39 percent; and cars, carriages, and other vehicles, and accessories, 29 percent.

In the decade 1929-38, textiles and manufactures, the leading Haitian import group, accounted, in terms of value, for from one-fifth to two-fifths of all imports. The importance of this group in the total trade increased sharply during the decade, having risen (irregularly) from 21 percent in 1929 to 36 percent in 1938. This increase in percentage share is attributable largely to the declining imports of foodstuffs; the value of imports of textiles in 1938 was only three-fourths as great as in 1929. Imports in the textiles group consist principally of cotton manufactures; in general, four-fifths or more of all textile imports fall into this classification. One of the most important of the items in the imports of cotton textiles is blue denim, which is worn by large numbers of the people. Other imported textiles include vegetable fibers other than cotton and manufactures (principally jute bags for packing coffee, sugar, and cacao), silk and manufactures, and wool, bristles, hair, and manufactures.

Perhaps the most significant feature of the Haitian import trade in the decade 1929-38 was the decline in the value and share of foodstuffs imported into the country. In 1929 foodstuffs constituted the most important group of imports. Valued at more than 6 million dollars, they represented 35 percent of the total. The ratio, however, declined to 18 percent in 1938, when such imports were valued at only 1.4 million dollars. Wheat flour, the most important item in the foodstuffs group, has customarily accounted for from two-fifths to one-half of all such imports. Other imported foodstuffs include fish and rice. The ratios of the value of imports of these commodities in 1938 to those in 1929 are as follows: Wheat flour, 18.5 percent; fish, 33.5 percent; rice, 12 percent.

Imports in the third-ranking Haitian import group, chemical and pharmaceutical products, varied in share from 7 to 10 percent of total imports during the decade 1929-38. Soap, the principal product, generally accounted for about one-half of total imports in this classification. Imports of machinery and apparatus (including agricultural machinery) constituted a more important part of total imports in 1938 (8 percent) than they did in 1929 (5 percent). Manufactures of iron and steel and mineral oils were not as important elements in the trade, their respective shares declining somewhat in 1938 as compared with 1929, while values were considerably lower (see table 7).

On the basis of value, the remaining seven Haitian import groups (exclusive of miscellaneous products) together represented 13.4 percent of total imports in 1938. Groups, the imports of which constituted a smaller percentage of the total in 1938 than in 1929, were: Cars, carriages, and other vehicles; wood and manufactures; and hides and skins and manufactures. Groups in which imports were more important in 1938 than in 1929 were paper and manufactures, tobacco and manufactures (largely cigarettes), rubber and manufactures, and stones, earths, cement, and products (see table 7). Miscellaneous products, not included in the groups already discussed, accounted for 5 percent of the total value of imports in 1938.

*Sources.*—The United States is by far the major source of Haitian imports; in the decade 1929-38 it accounted for from one-half to seven-tenths of the total, in terms of value. In 1938, the principal suppliers of imports into Haiti, with the share of the total value

supplied by each country, were the United States, 54 percent; the United Kingdom, 15 percent; Germany, 6 percent; and Japan, 5 percent. Other sources in that year included France, Belgium, Canada, and Italy. Imports into Haiti from selected countries, in specified fiscal years, 1929 to 1938, have already been shown in table 5. More detailed data for 1937 are shown in table 6.

Although the United States maintained its position as the principal supplier of Haitian imports during the decade 1929-38, its share declined irregularly from 70 percent of the total in 1929 to 54 percent in 1938.<sup>42</sup> The value of purchases from the United States varied from 4.1 million (1938) to 12 million dollars (1929). While the share of the United States declined, those of the United Kingdom and Germany increased. Imports from the United Kingdom rose irregularly from 7 percent of the total in 1929 to more than 15 percent in 1938, the value of imports ranging from \$687,000 (1932) to 1.6 million dollars (1937). Germany's share in the Haitian import trade, which was 4 percent in 1929 and 1932, increased to 7 percent in 1937, but declined to 6 percent in 1938. The value of imports from Germany varied from \$313,000 (1932) to \$756,000 (1929).

In 1929 France ranked second as a supplier of Haitian imports, with a share of 8 percent of the total value. Its share declined to 5 percent in 1936, the year in which the Franco-Haitian commercial convention was terminated, and in 1937 and 1938 amounted, respectively, to 2 and 3 percent.<sup>43</sup> The value of Haitian purchases from France during the decade ranged from \$224,000 (1937) to 1.4 million dollars (1929).

Imports from Japan, which were less than 1 percent of the total in 1929 and 1932, increased to between 5 and 7 percent in the period 1936-38, notwithstanding the differential tariff imposed on goods from countries not purchasing specified quantities of Haitian products.<sup>44</sup> Italy has been a minor factor in the Haitian import trade, its share in the decade 1929-38 being somewhat under 1 percent of the total.

Imports into Haiti from other countries of Latin America are small. In 1937 they were valued at only \$83,000, or considerably less than 1 percent of total imports.

Japan was the principal source of Haitian imports of cotton manufactures in 1935, furnishing approximately three-fifths of the total, in terms of value. After that year, however, imports of cotton manufactures from Japan declined, and the United States became the chief supplier. In 1937<sup>45</sup> the United States supplied 37 percent of the value of cotton manufactures, the United Kingdom 36 percent, and Japan 20 percent. Imports in 1937 of vegetable fibers other than cotton and manufactures thereof, came from the United Kingdom (29 percent), Germany (16 percent), Belgium (15 percent), and the United States (14 percent).

The United States is by far the principal supplier of Haitian imports of foodstuffs; in the years 1935-37, three-fourths of such im-

<sup>42</sup> In the period 1924-28 the share of the United States ranged from 74 to 60 percent. Since the outbreak of war in Europe (September 1939) its share has again risen, reaching 73 percent in 1940.

<sup>43</sup> In the fiscal year 1938-39, the share of France rose to 5 percent.

<sup>44</sup> The value of purchases from Japan varied from \$17,000 (1929) to \$643,000 (1937).

<sup>45</sup> The discussion of import commodities by countries of origin is based on statistics of the U. S. Department of Commerce. Data for years subsequent to 1937 are not readily available.

ports came from this country. Other sources in 1937 included Canada, the Netherlands, and France. Almost all of the imports of wheat flour and over 80 percent of those of meat and meat products in the years 1935-37 originated in the United States. In 1935 and 1936, the United States supplied more than two-thirds of the total imports of fish, and Canada approximately one-fourth. In 1937 Canada occupied first place with 56 percent, and the United States second place with 40 percent. More than four-fifths of all rice imported into Haiti in 1935-37 (in terms of value) came from the Netherlands.

Chemical and pharmaceutical products imported into Haiti in 1937 came chiefly from the United States (36 percent), France (23 percent), and Germany (22 percent). Imports of soap originate chiefly in the United Kingdom. In the period 1935-37 that country supplied approximately three-fourths or more of the value of such imports; other sources in 1937 included the Netherlands and the United States.

In the years 1935-37, the United States supplied more than two-fifths of the value of all imports of machinery and apparatus and iron and steel manufactures; nearly two-fifths of imports of mineral oils and of shoes; and practically all of the imports of motor vehicles, lumber, and tobacco and manufactures. Imports of agricultural machinery, tools, and implements in 1937 came from Germany (42 percent), the United Kingdom (33 percent), and the United States (20 percent). Germany was the second-ranking supplier of machinery and apparatus and of iron and steel and manufactures in the 3 years 1935-37. Curaçao occupied second place in these years in the supply of mineral oils (approximately one-third). Czechoslovakia was the second most important source of shoes, with approximately one-fourth of the total value. In 1936 and 1937, Germany was the principal supplier of cement, furnishing more than 90 percent of the total value.

### UNITED STATES TRADE WITH HAITI

Commercial relations between the United States and Haiti have been altered considerably in the last few years by the growing diversification of Haitian production resulting in larger aggregate purchases of Haitian exports by the United States, and by the marked contraction of Haitian trade with Europe following the decrease in the price of coffee and the loss of markets after the outbreak of the war.

Coffee, the mainstay of the economy of Haiti and the leading commodity imported by the United States from that country, has been supplemented in recent years by the increased production for export of other commodities, particularly bananas and sisal. Both of these have accounted for an increasingly large share of all United States imports from Haiti, which in 1939 reached a value exceeding that in any other year of the period 1924-39. United States shipments of merchandise to Haiti, however, have been severely depressed in most recent years, principally because of the sharp decline in the price of coffee and the accompanying contraction in Haitian purchasing power. The war in Europe also has seriously affected Haiti's commercial position, inasmuch as more than one-half of the



total market for Haitian coffee was in belligerent countries. Shipments to the United States, therefore, have become of greatly increased importance to Haiti in the last 2 years. Moreover, because of the inability of Haiti to obtain supplies from customary European sources, exports to that country from the United States were larger in 1939 and 1940 than for a number of preceding years.

#### Trend of United States-Haitian trade.

The most notable feature of the trend of United States imports from Haiti in the last 15 years is the marked increase in the value of the trade after 1932. In 1939 merchandise imports from Haiti were 3 million dollars, or double the average imports in the period 1924-28 (1.5 million dollars), and exceeded those in every year after the peak of 1920. Since the outbreak of the European war in September 1939, imports have continued to enter at the same high level; in 1940 they amounted to 3.6 million dollars (see table 8). Most of the recent increase in imports from Haiti is accounted for by the trade in coffee, bananas, and sisal, the combined value of which increased from only \$200,000 in 1932 (or one-third of the total trade) to 2.7 million dollars in 1939 (or nine-tenths of the total). Because of this growth in imports, Haiti's participation in total United States imports from Latin America has increased materially in the last 7 years (see table 8).

TABLE 8.—United States imports from and exports to Haiti, 1924-40

[Value in thousands of dollars]

Year	General imports		Exports (incl. re-exports)		Year	General imports		Exports (incl. re-exports)	
	Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America		Value	Percent of total United States imports from Latin America	Value	Percent of total United States exports to Latin America
1924.....	1,166	0.11	11,570	1.60	1933.....	804	0.25	3,595	1.70
1925.....	2,080	.20	13,711	1.60	1934.....	1,223	.33	3,436	1.10
1926.....	1,379	.13	10,858	1.30	1935.....	1,161	.25	3,250	.94
1927.....	1,247	.13	11,071	1.40	1936.....	1,818	.36	3,942	1.00
1928.....	1,567	.17	12,742	1.50	1937.....	2,846	.43	4,084	.71
1929.....	1,445	.14	8,790	.97	1938.....	2,967	.65	3,642	.74
1930.....	1,123	.17	7,104	1.10	1939.....	3,031	.59	5,128	.90
1931.....	760	.16	4,822	1.50	1940.....	3,619	.58	4,618	.64
1932.....	611	.19	4,005	2.10					

† Preliminary.

Source: Compiled from official statistics of the U. S. Department of Commerce.

The trend of United States exports to Haiti has differed considerably from that of imports therefrom. Exports, valued at 5.1 million dollars in 1939, recovered in that year only one-fifth of the decline that occurred between the period 1924-28 (average 12 million dollars) and 1935 (3.3 million dollars). The increase in exports in 1939 was due at least in part to the enlarged program of public construction in Haiti; in 1940 exports amounted to 4.6 million dollars (see table 8). The declining trend of shipments to Haiti was the result principally of contracting world markets for, and declining

prices of, Haiti's principal export products upon which Haitian buying power is preponderantly dependent. After 1933, Haiti's share in United States exports to Latin American as a whole was somewhat smaller than in most preceding years.

#### United States imports from Haiti.

*Composition.*—Raw materials, chiefly unmanufactured foodstuffs, constitute practically all of the United States imports from Haiti. In 1939 coffee represented 46 percent of total imports, bananas 28 percent, and sisal 15 percent (a total of 89 percent). In 1929 the combined value of imports of these commodities represented only 14 percent of the total. Other substantial imports are cacao, goat and kid skins, cane sugar, and logwood; the trade in all of these, except sugar, has declined greatly since 1929 (see table 9).

*Coffee.*—Imports of Haitian coffee have increased extraordinarily in both quantity and value since 1932. In 1939 they reached a peak of 23 million pounds, valued at 1.4 million dollars, exceeding imports in any previous year. Imports of coffee from Haiti have increased principally because considerable effort has been made by the Haitian Government to improve the quality of that product marketed in the United States. Moreover, the supply of Haitian coffee available for sale in the United States has increased as a result of the much smaller quantities taken since 1935 by France, which was formerly the principal outlet.

Under the recent Inter-American Coffee Agreement (November 28, 1940) entered into by the United States and 14 coffee-producing countries in Latin America, the maximum quota of United States imports of coffee permitted entry from Haiti was set at approximately 36.4 million pounds, or 1.7 percent of the total quantity. The quota for Haiti permits a substantial increase in United States imports of coffee from that country; this is of material significance to Haiti in view of the large markets in Europe lost as a result of the war.

*Bananas.*—United States imports of bananas from Haiti have likewise increased greatly, having risen from only a few thousand bunches in 1932 to more than 2 million bunches in 1939. The increased shipments of bananas are attributable to expanding production in Haiti after 1932, when the first large plantings were made. Since 1935 a United States company, under the terms of a contract with Haiti, has had the exclusive right to purchase and export Haitian bananas, most of which are shipped to the United States.

*Sisal.*—Haiti is virtually the only country in the Western Hemisphere producing sisal,<sup>46</sup> most of which comes from Java, Tanganyika, and Kenya. Although sisal has been grown in Haiti for many years, it is only in the last 10 years that production has become substantial. Shipments to the United States, which account for almost all the Haitian output, rose from a negligible quantity in 1929 to 6.3 million pounds in 1939.

*Dutiable status of imports.*—Most of the principal imports from Haiti are on the free list. The leading dutiable imports are cane sugar and castor beans, which together represented only 1.4 per-

<sup>46</sup> Henequen, which is produced principally in Mexico, is similar to sisal; they are obtained from the leaves of two closely related but distinct species of the agave plant. Sisal is used chiefly for making wrapping twines and small ropes, and henequen principally for making binder twine.

cent of all imports in 1939. Most of the imports of sugar from Haiti have been entered for refining and export with benefit of drawback; imports retained in the United States are subject to the full rate of duty (1.875 cents per pound on 96° sugar<sup>47</sup>), and the quantity permitted to be marketed is limited under the sugar-quota system adopted in 1934. United States imports of castor beans, all but a small part of which come from Brazil, are dutiable at one-fourth cent per pound, having been reduced from one-half cent in the trade agreement with Brazil, effective January 1, 1936.

TABLE 9.—United States imports for consumption from Haiti of principal commodities, in specified years, 1929 to 1939

Commodity	Unit	1929	1932	1936	1937	1938	1939
		Quantity					
Coffee, raw or green.....	1,000 lb.....	867	200	4,373	11,849	18,113	23,102
Bananas, green or ripe.....	1,000 bunches.....	67	38	714	1,379	1,443	2,030
Sisal, unmanufactured.....	Ton.....	67	2,974	4,485	5,545	6,134	6,296
Cocoa or cacao beans.....	1,000 lb.....	3,655	1,963	3,697	3,059	2,421	2,617
Goat and kid skins, dry and dry-salted.....	1,000 lb.....	484	257	404	471	369	401
Cane sugar.....	1,000 lb.....	25	106	12,159	9,598	34,887	2,088
Logwood, crude.....	Ton.....	18,272	6,925	7,801	10,460	2,549	2,453
Castor beans.....	1,000 lb.....	404	14	34	13	818	327
Rum.....	1,000 pf. gal.....	(1)	(1)	8	4	4	1
Molasses, not for human consumption.....	1,000 gal.....	2,829	2,092	1,963	2,892	-----	-----
	Tariff status	Value (1,000 dollars)					
Coffee, raw or green.....	Free.....	185	21	310	847	1,027	1,405
Bananas, green or ripe.....	Free.....	19	19	357	682	686	857
Sisal, unmanufactured.....	Free.....	10	168	422	616	481	448
Cocoa or cacao beans.....	Free.....	295	61	196	194	97	98
Goat and kid skins, dry and dry-salted.....	Free.....	168	39	101	176	85	82
Cane sugar.....	Dutiable.....	1	1	125	99	355	35
Logwood, crude.....	Free.....	282	104	95	125	33	31
Castor beans.....	Dutiable.....	14	(?)	1	(?)	18	6
Rum.....	Dutiable.....	(1)	(1)	29	15	8	4
Molasses, not for human consumption.....	Dutiable.....	90	162	65	99	-----	-----
Imports of commodities shown above.....		975	503	1,738	2,819	2,889	2,966
Total imports from Haiti.....		1,445	1,611	1,846	2,889	2,962	3,034
Principal imports (shown above) as percent of total.....		67.5	82.3	94.3	97.6	97.5	97.8

<sup>1</sup> Not separately classified.

<sup>2</sup> Less than 500.

<sup>3</sup> General imports.

Source: Compiled from official statistics of the U. S. Department of Commerce.

Under the trade agreement between the United States and the Republic of Haiti, effective June 3, 1935, the United States made tariff concessions affecting most of the products of special interest to Haiti.<sup>48</sup> The import duties on pineapples in crates were reduced from 50 cents per crate to 35 cents; on pineapples in bulk, from 1½ cents each to ¾ cent; on prepared and preserved guavas, not specially provided for, from 35 percent to 17½ percent; on mango pastes and pulps, and guava pastes and pulps, from 35 percent to 25 percent ad valorem; and on rum in containers holding 1 gallon

<sup>48</sup> Imports from Cuba, which supplies all but a small part of United States imports from foreign countries, are dutiable at the preferential rate of 0.9 cent per pound (96°).

<sup>49</sup> Most of these concessions, especially on free articles, have been repeated in subsequent agreements with other countries.

or less, from \$5 to \$2.50 per proof gallon. The duty-free status of bananas, plantains, cacao, coffee, logwood, sisal, and ginger root was bound against change for the life of the agreement.

#### United States exports to Haiti.

Haiti is predominantly an agricultural country, and United States shipments to the Republic consist chiefly of a wide variety of manufactured products. In 1939 the largest groups of the exports shown in table 10 were textiles (33 percent), machinery and vehicles (15 percent), and nonmetallic minerals, principally petroleum products (11 percent). Few of the leading individual commodities represent more than a small part of the total value; the most important of these are cotton cloth, wheat flour, gasoline, bleached cotton sheeting, motortrucks, and passenger cars (see table 11.)

The value of aggregate exports to Haiti in 1938 and 1939 was materially below the level in 1929, and few of the principal exports have risen in the last 2 years to their predepression figure. The few which have equaled or exceeded in value exports in 1929 are cigarettes, jute bags, sugar-mill machinery, and unbleached cotton drills and twills.

TABLE 10.—United States exports of domestic merchandise to Haiti, by commodity groups, in 1938 and 1939

[Value in thousands of dollars]

Commodity group	Value		Percent of total	
	1938	1939	1938	1939
Animals and animal products, edible.....	153	201	4.4	4.0
Animals and animal products, inedible.....	39	42	1.1	.8
Vegetable food products and beverages.....	499	446	13.9	8.8
Vegetable products, inedible.....	174	215	4.8	4.2
Textile fibers and manufactures.....	1,279	1,681	35.5	33.1
Wood and paper.....	114	184	3.1	3.6
Nonmetallic minerals.....	247	559	6.9	11.0
Metals and manufactures (except machinery and vehicles).....	236	494	6.6	9.7
Machinery and vehicles.....	498	772	13.8	15.2
Chemicals and related products.....	155	241	4.3	4.8
Miscellaneous.....	201	241	5.6	4.8
Total.....	3,600	5,076	100.0	100.0

Source: Compiled from official statistics of the U. S. Department of Commerce.

#### Balance of payments between the United States and Haiti.

Most of the financial transactions between the United States and Haiti arise from the trade in merchandise. On merchandise account the value of exports to Haiti has long exceeded that of imports therefrom, but the amount of the export trade balance has diminished almost steadily in the last 15 years, having declined from 11.6 million dollars in 1925 to 1 million dollars in 1940.

Interest receipts from Haiti have regularly constituted a large item in the balance of payments between the United States and that country (see table 12). The regularity of receipts, until 1941, has been the result of the continued full payment of interest on Haitian dollar bonds. In February 1941 an accord between the United States and Haiti provided for postponement of payment of one-

third of the interest due. Because of diminished United States holdings, reflecting the calling in of bonds, the aggregate amount of interest received has declined steadily in the period shown in table 12. At the end of 1939 such holdings were estimated at 5.7 million dollars (par value).<sup>49</sup> Service on the dollar bonds of Haiti has been directly under the control of the United States, which has had supervision over Haitian finances as provided in the Convention of 1915. Security for the dollar bonds is a specific first charge upon the internal revenues and customs duties of the Republic,<sup>50</sup> and under the convention, service on the bonds was allotted from such revenues by fiscal officers nominated by the United States Government. It is likely, however, that this arrangement will shortly be changed because of the agreement in principle recently reached between the United States and the Republic of Haiti.<sup>51</sup>

Bond-redemption and sinking-fund receipts on the dollar bonds were substantial before 1938. In that year, because of low government revenues accompanying the persistent low prices for Haiti's principal exports,<sup>52</sup> that country entered into an accord with the United States permitting a suspension of full amortization payments which previously had been paid in advance of schedule. The original period of suspension was subsequently extended to September 30, 1941.

Statistics of the income from United States direct investments in Haiti (credit) and the movement of new capital into Haiti (debit) are not available. At times, however, they may have been substantial as compared with most other items in the balance of payments with Haiti. At the end of 1936 United States direct investments in Haiti were valued at 9.7 million dollars.<sup>53</sup> Some of these properties yield products which are shipped to the United States and thus are included (as a debit item) in the value of imports from Haiti. A part of revenue obtained by the shipment of such products, among them sugar, sisal, and bananas, is retained in the United States and represents income on the investment in Haiti.

In the last few years, the movement of capital into Haiti has consisted principally of credits extended by the United States Government. In 1938 Haiti launched an extensive program of public works, including the construction of bridges, irrigation and drainage works, and the improvement of roads. The program, which is to be carried out over a period of 3 or 4 years, is to be executed under the terms of a contract entered into between Haiti and a United States engineering company, and is being financed by the Export-Import Bank of the United States through an extension to the engineering company of a credit amounting to 5 million dollars (June 1938).<sup>54</sup> In June 1939

<sup>49</sup> U. S. Department of Commerce, *The Balance of International Payments of the United States in 1939*, p. 79.

<sup>50</sup> During the fiscal year ended September 30, 1940, debt service amounted to \$619,000 and represented 11.5 percent of total Haitian revenues; previously it had been as high as 30.5 percent of total revenues (1932).

<sup>51</sup> See the section on natural resources and economy for recent developments in the Haitian fiscal system.

<sup>52</sup> The decline in the world prices of coffee after the fall of 1937 led Haiti to reduce drastically its export tax on coffee so that Haitian producers might compete with others supplying the world markets.

<sup>53</sup> U. S. Department of Commerce, *American Direct Investments in Foreign Countries—1936*, p. 12.

<sup>54</sup> It was announced on May 5, 1941, that an additional one-half million dollars would be made available to the engineering company to permit the completion of certain highway and irrigation projects now under construction. See the section on natural resources and economy, p. 239 ff.

TABLE 11.—United States exports (domestic merchandise) to Haiti of principal commodities, in specified years, 1929 to 1939

[Value in thousands of dollars]

Commodity	Unit of quantity	1929		1932		1935		1937		1938		1939	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Lard, including neutral lard.....	1,000 lb.....	3, 113	464	2, 667	228	546	74	512	78	621	70	912	84
Herring, salted, pickled, or dry-cured.....	1,000 lb.....	463	23	293	9	501	17	845	23	(1)	(1)	(1)	(1)
Wheat flour, wholly of United States wheat.....	1,000 bbl. (105 lb.).....	277	1, 777	179	687	14	65	29	153	43	212	47	160
Other wheat flour.....	1,000 bbl. (196 lb.).....					115	470	73	466	39	202	44	170
Automobile tire casings.....	Thousand.....	6	84	3	38	3	41	3	46	2	37	4	56
Cigarettes.....	Thousand.....	26, 940	71	24, 259	66	12, 108	20	24, 435	60	29, 140	73	30, 375	76
Other tobacco manufactures <sup>1</sup> .....	1,000 lb.....	1	(2)	(2)	(2)	94	43	83	41	56	31	28	15
Cotton manufactures:													
Cotton cloth, unbleached:													
Drills, twills, and satens.....	1,000 sq. yd.....	4 159	4 15	4 127	4 9	192	22	131	15	396	26	408	33
Sheetings.....	1,000 sq. yd.....	2, 804	226	6, 426	249	2, 061	112	1, 564	83	3, 658	162	5, 289	230
Osnaburgs.....	1,000 sq. yd.....	8	1	753	54	403	44	236	24	113	7	70	6
Cotton cloth, bleached, dyed, printed, and colored yarn fabrics.....	1,000 sq. yd.....	11, 438	1, 473	11, 808	847	7, 875	784	7, 241	751	10, 959	927	13, 565	1, 167
Bags of jute.....	1,000 lb.....	267	28	360	16	341	22	635	40	378	24	838	63
Boards, planks and scantlings, softwoods:													
Southern pine, rough.....	1,000 feet.....	2, 536	87	1, 316	30	1, 792	48	1, 723	52	1, 204	29	2, 007	50
Southern pine, dressed.....	1,000 feet.....	3, 433	135	1, 816	42	2, 211	68	1, 609	55	1, 544	42	1, 981	64
Gasoline and other petroleum motor fuel.....	1,000 bbl. (42 gal.).....	37	317	27	160	14	54	17	59	31	85	135	304
Illuminating oil (kerosene).....	1,000 bbl. (42 gal.).....	27	217	23	139	23	109	19	84	17	72	17	70
Gas oil and distillate fuel oil.....	1,000 bbl. (42 gal.).....	2	8	(2)	1	2	2	77	126	3	5	4	8
Lubricating oil, red and pale.....	1,000 bbl. (42 gal.).....	2	35	1	16	2	20	2	23	1	12	2	21
Petroleum coke.....	Ton.....									1, 083	24		
Steel sheets, galvanized.....	1,000 lb.....	(2)	(2)	11	(2)	1, 024	33	506	23	378	17	1, 085	44
Metal drums and containers for oil, gas, and other liquids.....	(2)	(2)		44		21		32		39		47	
Miscellaneous iron and steel manufactures <sup>1</sup> .....			258		5		15		32		18		20
Stationary and portable engines, Diesel and semi-Diesel.....	Number.....	2	24	1	21			2	5	1	68	2	1
Engine accessories and parts.....			6		6		15		28		10		9
Sugar-mill machinery.....			25		4		24		63		29		35
Motortrucks, busses, and chassis (new).....	Number.....	7 67	7 63	28	15	102	65	104	73	95	74	183	152
Passenger cars and chassis (new).....	Number.....	1734	178	88	49	231	153	168	118	92	69	152	116
Automobile parts for replacement.....			57		29		37		32		32		51

Ready-mixed paints, stains, and enamels.....	1,000 gal.....	\$ 15	\$ 30	6	12	11	20	14	24	10	18	22	36
Laundry soap.....	1,000 lb.....	5,610	365	1,583	53	507	22	678	31	541	23	830	34
Metallic cartridges.....	Thousand.....	\$ 3,828	1	8	(?)	61	2	817	25	745	24	1	36
Miscellaneous articles *.....			50		21		48		68		68		74
Exports of commodities shown above.....		6,018		2,850		2,580		2,734		2,529		3,241	
Total exports to Haiti.....		8,574		3,941		3,872		4,025		3,600		5,076	
Principal exports (shown above) as percent of total.....		70.5		72.3		66.6		67.9		70.2		63.8	

- \* Not separately classified.
- \* Other than cigars and cheroots, cigarettes, chewing tobacco, plug, and other smoking tobacco.
- \* Not over 500.
- \* Classified as "Drills and twills."
- \* Classified as "Gasoline, naphtha, and other finished light products."

- \* Data not strictly comparable for the series.
- \* May include some second-hand articles.
- \* Classified as "Other ready mixed paints."
- \* Quantity represents pounds.

Source: Compiled from official statistics of the U. S. Department of Commerce.

the Export-Import Bank extended to the United States company handling the shipment and sale of Haiti's bananas a credit of one-half million dollars for the purchase of construction material and equipment to be used in Haiti.

TABLE 12.—*Partial balance of payments between the United States and Haiti, 1929-38*

[In millions of dollars]

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
<b>Trade and service items:</b>										
Merchandise exports to Haiti <sup>1</sup> .....	8.8	7.1	4.8	4.0	3.6	3.4	3.3	3.9	4.1	3.6
Merchandise imports from Haiti <sup>1</sup> .....	1.4	1.1	.8	.6	.8	1.2	1.2	1.8	2.9	3.0
Net merchandise exports to Haiti.....	+7.4	+6.0	+4.0	+3.4	+2.8	+2.2	+2.1	+2.1	+1.2	+6
Receipts from Haiti for shipping services <sup>2</sup> .....	.3	.3	.3	.2	.1	.1	.1	.1	.1	.1
Expenditures of Haitian travelers in the United States <sup>2</sup> .....	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1
Expenditures of United States travelers in Haiti <sup>2</sup> .....	.2	.2	.2	.1	.3	.3	.2	.3	.2	.1
Interest receipts from Haiti.....	1.0	.8	.8	.7	.7	.7	.6	.6	.5	.3
Net receipts from Haiti for services <sup>3</sup> .....	+1.3	+1.0	+1.0	+3	+6	+6	+6	+5	+5	+4
Net receipts from Haiti on trade and service account <sup>4</sup> .....	+8.7	+7.0	+5.0	+4.3	+3.4	+2.8	+2.7	+2.6	+1.7	+1.0
<b>Capital items:</b>										
Bond-redemption and sinking-fund receipts from Haiti <sup>5</sup> .....	.....	+5	+4	+4	+8	+6	+6	+8	+1.0	.....
Net balance for items shown <sup>6</sup> .....	+8.7	+7.5	+5.4	+4.7	+4.2	+3.4	+3.3	+3.4	+2.7	+1.0

<sup>1</sup> United States statistics, unadjusted.

<sup>2</sup> Rough estimates.

<sup>3</sup> Allowance made for repurchases of Haitian dollar bonds by foreigners.

<sup>4</sup> Excluding return on U. S. direct investments in Haiti.

<sup>5</sup> Bond-redemption receipts adjusted for repurchases by foreigners in all years; sinking-fund receipts in 1938 only.

<sup>6</sup> Exclusive of return on direct investments (receipts) and new investments (payments) in Haiti.

NOTE.—Net credit balances for the United States are indicated by +; net debit balances by —.

Source: Especially prepared for this report by the Finance Division, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.



# THE AMERICAS

