

LATVIAN-BRAZILIAN ECONOMIC RELATIONS 1918–1940¹

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Abstract

This article provides an overview of Latvian-Brazilian economic relations in the interwar period. In the interwar period, economic relations between Latvia and Brazil were mainly confined to foreign trade. Latvia declared its independence in 1918, however Latvians had been emigrating to Brazil from 1890 and establishing farming colonies. By the end of the 1930s some 8000 Latvians had settled in Brazil. Latvia's foreign trade in relation to Brazil was regulated by the 1932 Commercial Agreement. Latvia's main imports from Brazil in the interwar period were coffee, cocoa, hides and furs, tobacco, raw rubber, and cotton, whilst Latvia's main exports to Brazil were fish conserves, paper, and rubber goods. In general, trade and thus economic relations were of marginal significance to both countries in the interwar period due partly to some similarities in their economic structures, but mainly because of geographical distance.

Keywords: Latvia, Brazil, economic relations, interwar period.

Introduction

Latvians had been immigrating to Brazil since the early 1890's. They were people who hoped to find land for farming, as well as a more prosperous and freer life in the country. The first group of Latvian immigrants (25 families) arrived in Brazil in 1890 under the leadership of a then idealistic young Karlis Balodis.³ Despite the more or less failure of this first attempt, Latvians continued to emigrate to Brazil. Most of the

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³ Kārlis Balodis (June 20, 1864 – January 13, 1931) was a notable Latvian economist, University professor, financier, statistician and demographer. Most notably, he was the author of civilian rationing, which was first used in Germany during the First World War and which was subsequently taken up by other nations. His attempts at colonisation failed and he returned to Germany to continue his studies at Jena University (for a detailed account of his Brazilian episode see Balabkins, Šņeps, 1993: 34–40).

immigrants up to WWII were Latvian Baptists, who established farming colonies and Baptist congregations in many areas in Southern Brazil (in the states of Santa Catarina, Paraná, São Paulo, and Rio Grande Do Sul). The Latvian immigrants had varied success, some were able to acclimatise to the unfamiliar circumstances and became wealthy, others didn't do so well.⁴ A number of the immigrants didn't stay in the colonies, but settled in the large cities (particularly in São Paulo, the most populous city in Brazil). By the end of the 1930s some 8000 Latvians had settled in Brazil.⁵

Latvia was recognised *de iure* by Western Europe on 26 January 1921. Brazil recognised Latvia *de iure* on 05 December 1921.⁶ Neither Latvia nor Brazil had official Legations in each other's countries. Nevertheless, Latvia had an honorary general-consul in Rio de Janeiro from 1930 to 1935 (when the general-consul for Brazil, Pēteris Oliņš (a career diplomat), was transferred to Argentina, where he was responsible for both Argentina and Brazil. There was also an honorary consul, Johan Gustaf Stål, in São Paulo from 1932 to 1968.

Brazil had an honorary consul in Rīga from 1922 to 1927, Alfrēds Dinbergs, a public servant (he worked for Latvian Railways) and politician (he was elected to the 4th Saeima).

Table 1. Selected economic indicators for Latvia and Brazil in the interwar period

	Latvia	Brazil
Population (millions)	2 (1939)	40.3 (1939)
Share of urban population (%)	34.6 (1935)	15 (1940)
Share of agriculture in the labour force (%)	67.8 (1935)	65 (1940)
GDP* per capita	4048 (1938)	1263 (1939)
Share of Agriculture in NI (%)	39.2 (1938)	32.7 (1930–1945 average)
Share of Manufacturing in NI (%)	20.5 (1938)	24.7 (1930–1945 average)

* GDP measured in 1990 International Geary-Khamis dollars

Sources: The Development of Brazil: Report of the Joint Brazil-United States Economic Development Commission, 1954; Wagner, Ward: 1980; Madison, 2003; Gómez-León, 2015; Darbiņš, Vītiņš: 1947.

⁴ For detailed examination of one such more or less successful Latvian colony – Varpa, see Augelli, 1958: 365–387.

⁵ Krasnais, 1938: 451.

⁶ LVVA, 2570 f, 3. apr., 1148 l., p. 106.

As can be seen from Table 1, despite the large difference in population, Latvia's share of urban population was nearly twice that of Brazil in the interwar period. The share of agriculture in the labour force was more or less similar to that of Brazil, but GDP per capita in Latvia was over three times larger than in Brazil. Latvia's share of manufacturing in NI was slightly less (4%) than that of Brazil, whilst Latvia's share of agriculture in NI was some 7% higher than Brazil. Nevertheless, Latvia was classified by the League of Nations as a "less industrialised" country, whilst Brazil was seen as a country "lagging in industrial development".⁷

Latvian-Brazilian Economic Relations 1922–1939

In the interwar years, Latvian and Brazilian economic relations were mainly confined to foreign trade. Although as early as 1920, Latvians in Brazil were writing to Latvia regarding the opportunities for trade – cotton, tobacco, raw rubber, cane sugar and other products⁸, direct Latvian-Brazilian trade commenced in 1922.

Latvia's foreign trade in the 1920s was based in large measure on a system of commercial and trade treaties. In the interwar period, Latvia had concluded commercial treaties with all important European states (except Spain), including its two most important trading partners – Great Britain (22.06.1923) and Germany (28.06.1926), as well as many states outside of Europe. They provided the regulatory framework within which were stated the obligations undertaken by Latvia in its foreign trade relations with its trading partners, in many cases till the end of the 1930s. Most of these treaties contained the Most Favoured Nation (MFN) principle⁹, as well as in practically all, the Baltic and Russian clause. The Baltic and Russian Clause stipulates that the priority rights and privileges, allowed to Estonia, Finland, Lithuania, and Russia, may not be made applicable to other contracting states by virtue of the most-favoured-nation principle.

Latvia's foreign trade in relation to Brazil was finally regulated by an exchange of notes between the Brazilian and Latvian governments constituting a commercial agreement¹⁰ in Paris on 21 September 1932,¹¹

⁷ Industrialisation and Foreign Trade, 1945: 26–27.

⁸ *Baltijas Vēstnesis*, No. 44, 23.02.1920: 4.

⁹ During and after the Great Depression some of the treaties were renegotiated, for example, with Great Britain, on a different basis than the MFN principle.

¹⁰ League of Nations, Treaty Series, Vol. CXXXVII, 1933: 61–68.

¹¹ This was apparently the "normal" method by which Brazil entered into trade agreements. The exchange was between the Brazilian Embassy and the Latvian Legation in Paris, France.

and came into force on 07 January 1933. It was initially for three years and on the expiry of the three year period would remain in force by tacit consent until it had been denounced by either party. The commercial agreement contained the MFN principle, as well as the Baltic and Russian clause, but no reciprocal clause for Brazil.

There was no Latvian direct foreign investment in Brazil (apart from the funds that the Latvian immigrants brought with them and their contribution to the Brazilian economy through their farms). On the other hand, in the period 1926–1928, there was Brazilian investment in the Latvian food processing industry of some 16000 lats.¹² This had disappeared by 1929 and there were no further Brazilian investments in Latvia for the rest of the interwar period.

Latvian-Brazilian Trade 1922–1939

The value of Latvian imports from and exports to Brazil can be seen in the Figure 1.



Figure 1. Latvia-Brazil Imports and Exports 1922–1939

* The data for 1939 is for eight months only – to 31 August 1939.

Sources: Latvijas Statistiskās gada grāmatas [Latvian Statistical Yearbooks], 1921–1939; Latvijas ārējā tirdzniecība un transits. 1922–1939 [Latvian Foreign Trade and Transit. 1922–1939]; Mēneša Biļetens Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939].

¹² Latvijas Statistiskā gada grāmata, 1930: 290.

As Figure 1 shows exports to Brazil in the interwar period were very low, reaching a pre-Depression high in 1929 of some 46 thousand lats. Exports fell dramatically with Great Depression, although they recovered the fairly low level of the 1920s, reaching a post-Depression high of some 40 thousand lats in 1934. Imports, on the other hand, remained very low in the early 1920s, but increased rapidly with a pre-Depression peak in 1928 and a value of 187 thousand lats. Imports also fell with Great Depression, although they recovered fairly quickly, starting to rise from 1932 and reaching their peak in the first eight months of 1939 and a value of 1087 thousand lats. It seems possible that the 1932 commerce agreement stimulated imports from Brazil, but had little effect on exports. Generally, imports substantially exceeded exports throughout the interwar period, especially in the 1930s.

Latvian Exports to Brazil

Latvia's main exports to Brazil were Fish and Fish conserves (including "Sprotas"¹³), Plywood, Paper and paper products, Rubber goods, and Linoleum (See Table 2).

The most important Latvian export to Brazil in the interwar period both in terms of volume and value was paper and paper products. Paper and paper products exports reached an early peak in 1929. The post-Depression peak in terms of volume and value was in 1935. Plywood exports began in 1935, but disappeared after 1936. Rubber product exports were also a small, but fluctuating part of exports throughout the interwar period.

A small, but consistent export to Brazil was fish and fish conserves (including "Sprotas", with a pre-Depression peak in 1926 and a post-Depression peak in 1938. Linoleum was an important export to Brazil in the 1920s. Linoleum in Latvia was produced by the Liepāja branch of the Swedish entrepreneurial family firm of Wicander (Linoleum Aktiebolaget Forshaga), the "Liepāja Cork and Linoleum Factory", which before the First World War had produced linoleum for the Russian market. After the war the factory renewed production, but already in 1922 was subject to the control of an international linoleum cartel based in Britain. However, in 1927, the Wicander firm sold its Liepāja branch to another cartel, which was based in Germany. The factory completely ceased production in 1930 and linoleum disappeared from the foreign trade of Latvia and from exports to Brazil.

¹³ "Šprotes" or sprats are close relatives of anchovies, sardines, and herrings. The Latvian style is to smoke and/or preserve them in oil.

Table 2. Latvia's Main Exports to Brazil (1924–1939)

Year	Rubber goods		Paper and paper products		Linoleum		Fish and Fish conserves (including "Spotes")	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1924	Less than 1 tonne	3	0	0	0	0	0	0
1925	1	16	Less than 1 tonne	2	4	5	0	0
1926	0	0	0	0	17	28	4	8
1927	0	0	0	0	12	21	Less than 1 tonne	2
1928	0	0	21	15	6	10	0	0
1929	0	0	52	32	9	11	Less than 1 tonne	1
1930	Less than 1 tonne	Less than 1000 Ls	6	3	0	0	Less than 1 tonne	1
1931	0	0	Less than 1 tonne	2	0	0	Less than 1 tonne	Less than 1000 Ls
1932	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	2	2
1933	0	0	9	3	Plywood		3	3
1934	0	0	2	2	0	0	2	2
1935	0	0	24	7	50	7	1	1
1936	0	0	8	4	150	28	2	4
1937	2	7	22	8	0	0	4	9
1938	1	5	0	0	0	0	6	14
1939*	0	0	0	0	0	0	0	0

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: Latvijas Statistiskās gada grāmatas [Latvian Statistical Yearbooks], 1921–1939; Latvijas ārējā tirdzniecība un transits. 1922–1939 [Latvian Foreign Trade and Transit. 1922–1939]; Mēneša Biļetens Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939].

Latvia also exported to Brazil small quantities of pig bristles, liquors etc (especially vodka), mushroom and cucumber conserves, jams and marmalades, potatoes, cellulose, books, and toys.

There were a number of attempts to interest Latvian exporters to export to Brazil in the interwar period both from the Latvian consuls in Brazil and from the Government, but to little avail. The most important attempt was a long article on the Brazilian economy and Latvian export possibilities in the journal published by the Ministry of Finance, *Ekonomists*, in 1934.¹⁴ The

¹⁴ *Ekonomists*, No. 21, 15.11.1934: 759–763.

article suggested that apart from the need of Latvian exporters to be more competitive, they would also need to find trading partners in Brazil or failing that, establish branches of their own firms in Brazil. Unfortunately, the geographic distance to Brazil and irregular shipping were enough to deter increasing exports to Brazil.

Latvian Imports from Brazil

Latvia's main imports from Brazil were Coffee and cocoa, Wool and cotton, Rubber, Furs and hides, Tobacco and tobacco products, and Carnauba (plant) wax. The amounts and value of Latvia's main imports imported from Brazil in the interwar period are shown in Table 3.

Table 3. Latvia's Main Imports from Brazil 1923–1939

Year	Coffee and cocoa		Wool and cotton		Rubber		Furs and hides		Tobacco and tobacco products		Carnauba (plant) wax	
	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)	tonnes	Value (1000 Ls)
1923	1	3	0	0	0	0	1	3	0	0	0	0
1924	Less than 1 tonne	Less than 1000 Ls	0	0	0	0	0	0	0	0	0	0
1925	16	23	0	0	0	0	0	0	0	0	0	0
1926	14	30	1	6	0	0	0	0	0	0	0	0
1927	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	3	0	0	Less than 1 tonne	Less than 1000 Ls	0	0	0	0
1928	8	18	0	0	9	19	55	16	0	0	Less than 1 tonne	Less than 1000 Ls
1929	8	18	0	0	3	6	5	11	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	2
1930	14	21	0	0	6	9	24	34	Less than 1 tonne	Less than 1000 Ls	Less than 1 tonne	Less than 1000 Ls
1931	10	10	0	0			16	26	2	3	0	0
1932	15	12	0	0	5	3	137	113	0	0	Less than 1 tonne	2
1933	222	152	Less than 1 tonne	2	25	22	63	38	1	2	3	5
1934	177	100	95	108	10	11	25	25	9	7	3	4
1935	177	79	54	59	Less than 1 tonne	Less than 1000 Ls	472	377	13	10	1	3
1936	193	121	0	0	8	14	288	304	16	13	2	6
1937	132	156	256	406	4	11	189	403	25	28	2	8
1938	308	273	329	415	0	0	124	224	23	26	Less than 1 tonne	1
1939*	136	104	378	511	0	0	297	448	0	0	1	4

* January–August 1939 (with commencement of WWII, Latvia ceased publication of detailed foreign trade statistics)

Sources: Latvijas Statistiskās gada grāmatas [Latvian Statistical Yearbooks]. 1921–1939; Latvijas ārējā tirdzniecība un transits. 1922–1939 [Latvian Foreign Trade and Transit. 1922–1939]; Mēneša Biļetens Nr. 10, oktobris 1939 [Monthly Bulletin, No. 10, October 1939].

Latvia's most important and consistent import from Brazil was coffee and cocoa. Although the quantities imported in 1920s were small, imports of coffee and cocoa increased dramatically after the signing of the 1932

commerce agreement, reaching a peak in 1938 with a value of 273 thousand lats. The other more or less consistent import during the interwar period was furs and hides. They also increase substantially during the 1930s with a peak in the eight months of 1939 and a value of 448 thousand lats.

Wool and cotton became a significant import in the 1930s, also reaching a peak in the eight months of 1939 and a value of 511 thousand lats. Tobacco and tobacco products were a small, but steady import in the 1930s, reaching a peak in 1937 and a value of 28 thousand lats. Another small, but steady import during the 1930s was Carnauba (plant) wax. Rubber was a small and intermittent import during the interwar years, reaching a peak in 1936 with a value of 14 thousand lats.

Latvia also imported from Brazil small quantities of fruits (oranges and bananas), medicinal plants, wheat bran, books, and jute sacks.

Conclusion

In the interwar years, Latvian and Brazilian economic relations were almost exclusively confined to foreign trade.

In 1929, when Latvian foreign trade reached its pre-Depression peak, Latvian exports to Brazil made up 0.02% of total Latvian exports, and Brazilian imports made up 0.01% of total Latvian imports. Similarly, in 1937, when Latvian foreign trade reached its post-Depression peak, Latvian imports from Brazil made up 0.4% of total Latvian imports and Latvian exports to Brazil were a negligible part of total Latvian exports. One suspects that the figures from the point of view of Brazil would be significantly less. In other words, trade and thus economic relations were of marginal significance to both countries in the interwar period.

It is interesting to note that in 2019, Latvian exports to Brazil totalled 12.2 million EUR (mainly machines, mechanisms, and electrical equipment, mineral products, and vehicles). Whilst imports from Brazil totalled 11.6 million EUR (mainly weapons and ammunition, plant products, and machines, mechanisms, and electrical equipment). Unlike the interwar period, Latvia has a positive trade balance with Brazil. Again, unlike the interwar period there are minor Latvian investments in Brazil (totalling some 1 million EUR). Similarly, there is some minor Brazilian foreign direct investments in Latvia to a value of 0.24 million EUR in 2019.¹⁵

¹⁵ Data from Latvian Ministry of Foreign Affairs, <https://www.mfa.gov.lv/arpolitika/divpusejas-attiecibas/latvijas-un-brazilijas-attiecibas#ekonomiskas-attiecibas> [Accessed 09.08.2020].

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