1.1 All that glitters is not gold

At the end of the 19th century – when prospectors had already given up their search for gold in Minas Gerais and abandoned the villages in the hills to look for work on the coast – the town of Itabira was little more than Cauê Peak. Cauê was one of those places that nature seems to have sculpted by hand: a mountain that rose up suddenly from the surrounding plains, forming a unique feature. It is said that during full moons, the mountain used to shine as if lit up by floodlights hung from the sky. However, as we know, all that glitters is not gold.

The word Itabira is of Tupi origin, meaning rock (“ita”) that shines (“bira”). Contrary to the assumptions of the adventurers who arrived to dig at the foot of Cauê Peak (the shining rock itself) in search of gold, what made the mountain shine was its enormous quantity of iron. It was a reddish iron that spread out its color across the landscape, the layers of clay and the rivers in the surrounding area. The color would enter family homes and remain there, ingrained. At the turn of the 20th century, Cauê Peak was mapped as the biggest iron deposit in the world. The news spread across the planet. The gold prospectors had left Itabira, but now foreign miners started to appear.

The Itabira Iron Ore Company was the first company authorized to prospect for iron in the region. It was the successor to the Brazilian Hematite Syndicate and, over the course of its existence, it witnessed various political upheavals, rises and falls in the international economy, changes in legislation and, above all, nationalist movements. The workers of Itabira created their own dialect, guinlagem de camaco (or “monkey language”), to avoid being understood by their foreign bosses. As time went by, the Itabira Iron Ore Co., which grew up around the Vitória-Minas Railroad, acquired the profile of the men who ran it. Percival Farquhar – who is said to have kept the first dollar he earned mounted in a frame next to his bed, beside a photograph of his parents – was one of them.

Farquhar was a legendary figure, someone whose life seems like something from a work of fiction. Some consider him a capitalist genius; others, an opportunist. Born in the city of York, Pennsylvania, in the United States, he came to Brazil after working on railroad construction ventures in Latin America (including the unsuccessful Madeira-Mamoré adventure in what is now the Brazilian state of Acre), and he acquired the Itabira Iron Ore Co. in 1919. The paths taken by the company – especially those that, using the railroad, would transport ore to the sea and to fortune – were always intimately connected with Farquhar’s trajectory and personality. The businessman was the main actor in violent political battles and, for better or worse, he was the target of nationalist campaigns concerning the right to extract ore in Brazil.

The history of Companhia Vale do Rio Doce (CVRD), established in 1942 from Farquhar’s Itabira Iron Ore Co., began slightly earlier, and is intertwined with the history of mining in Brazil. It is a history of dreams, adventure, politics, wealth, war, love and man. A history that, as will become evident, was born in the shiny rocks of Cauê Peak.

1 - The name Itabira has two different interpretations. According to linguist Theodoro Sampaio, it means rock that rises. However, in the book Voyages dans le provinces de Rio de Janeiro et de Minas Gerais (Paris: Gibret et Darez, 1830, vol. 1, p. 270), by Auguste de Saint-Hilaire, the name Itabira is said to come from the aboriginal words “ita” and “bera,” meaning “shiny rock.” According to Saint-Hilaire, “Therefore, Itabira does not mean higher, sharp rock, as has been suggested.” See Sampaio, Theodoro. O Tupi na geographia nacional. Instituto Historico e Geographico de S. Paulo. São Paulo: Typ. da Casa Eclectica, 1901. Available at: <http://biblio.wdfiles.com/local--files/sampaio-1901-tupi/sampaio_1901_tupi.pdf>.

2 - The words of “guinlagem de camaco” are made by swapping the first consonant or group of consonants of the second syllable with the first letter of the first syllable. In this way, “linguagem” becomes “guinlagem” (or “guilagem”), and “macaco” becomes “camaco.”
The discovery of new processes for transforming iron into steel had immediate consequences. Steel, an alloy of iron and carbon, and more malleable than cast iron, was essential to the production of machines for new factories and girders for construction.
Interest in the country’s mineral reserves was further shaped by the creation, in 1907, of the Geological and Mineralogical Service of Brazil (SGMB), which was replaced in 1934 by the National Mineral Production Department (DNPM).

In turn, technical advances in steelmaking stimulated the mining of coal to make coke, widely used to reduce iron ores in blast furnaces. Improvements to processes and techniques for extracting coal enabled deeper seams to be mined and higher output. Other minerals, such as copper, lead, zinc, bauxite and manganese, gained many new uses and their production expanded. In various Brazilian states, important advances were made in the field of geological prospecting and surveying, enabling a significant increase in the number of mineral discoveries. It was in this new context – in which scientific research became ever more linked to economic progress – that the Ouro Preto Mining School was established. Founded in 1876, the School directly influenced the formulation of Brazil’s mining policy at the start of the republican period. The School produced the first generations of Brazilian geologists, blast furnace designers and steelmaking industrialists. It was the right moment. Brazil needed research and information in this area, and this was provided by the School’s professors and alumni. They also provided assistance to small iron prospectors and mining companies interested in introducing technological changes to boost productivity.

Initially, the Mining School’s attentions focused on coal. Under the direction of geologist Luiz Felipe Gonzaga de Campos, the potential of the Santa Catarina carbon basin was evaluated, starting in 1892. In 1906, the Minister of Transport and Public Works, Miguel Calmon, established the Geological Commission of Brazil. The idea was to continue research already initiated and, in particular, conduct studies on untapped minerals.

Led by Orville Derby, this commission divided the country into three districts: the south region, with its notable carbon reserves; the central region, known since the 18th century for gold exploration; and the north region, whose potential was practically unknown. The three regions were placed under the leadership, respectively, of geologists Francisco de Paula Oliveira, Gonzaga de Campos and Astolfo Díaz do Santos Pires, all former students of the Mining School. 

The results of the commission’s work – which put into concrete numbers what had until then been mere speculation – changed the way mineral policy was established in the country. Gonzaga de Campos, for example, estimated that there were around 1 billion metric tons of iron reserves in the state of Minas Gerais. In terms of coal, earlier assessments about the feasibility of harnessing them were confirmed, and this encouraged the establishment of companies interested in exploiting carbon deposits in the south of Brazil.

Interest in the country’s mineral reserves was further shaped by the creation, by means of Decree 623 of January 1907, of the Geological and Mineralogical Service of Brazil (SGMB), which was replaced in 1934 by the National Mineral Production Department (DNPM). The SGMB, whose first director was Orville Derby, became the main instrument for geological and mineral studies in the country. Right from the start, the focus of the SGMB’s research was iron.

In its first year, the SGMB was tasked with conducting prospecting and economic studies concentrating on iron ore in the municipalities of Conselheiro Lafaiete, Mariana, Itabira and Sabará in Minas Gerais. These studies resulted in two maps showing the distribution of iron and manganese deposits in the Irin Quadriangular region. Above all, the study revealed the existence of immense iron reserves of exceptional quality in Itabira. This small town in Minas Gerais was now on the geological and economic map of Brazil.

In 1912, the SGMB published its second study, which provided an inventory of the country’s iron deposits in three districts: the south region, with its notable carbon reserves; the central region, known since the 18th century for gold exploration; and the north region, whose potential was practically unknown. The three regions were placed under the leadership, respectively, of geologists Francisco de Paula Oliveira, Gonzaga de Campos and Astolfo Díaz do Santos Pires, all former students of the Mining School. 


Ouro Preto Mining School

“...a very small area of land, one can see an almost complete range of the metamorphic rocks that cover a large area of Brazil, and all of the city’s surroundings are used for fruitful, interesting mineral excursions.”

(Claude Henri Gorceix, founder of the Ouro Preto Mining School, 1874)

Anyone who strolls around the hilly streets of Ouro Preto will sooner or later come across a plaque on the door of one of the city’s fine old buildings, giving the name of a student fraternity house. Dotted all over the city they are occupied by students from across the country, the most visible sign of the 135-year history of the Ouro Preto Mining School (known by Portuguese acronym EMOP). The School’s history is intertwined with the history of mining in Brazil. In addition to its beautiful main building in the center of the city, EMOP has a pioneering record in geological mapping, famous professors, and a vocation for scientific research. Every year, a new intake of students arrives, keen to obtain an excellent education and to enjoy the fraternity houses’ lively parties. EMOP has been—and continues to be—a leading school in the study of mining in Brazil. The School currently turns out 72 newly qualified geologists and mining engineers each year, many more than in the past.

The Ouro Preto Mining School was opened in 1876, but in its first year, it did not attract a single applicant. Afterwards, things improved... a little. In the second year, seven people applied, and four were accepted. The School is the fruit of the personal efforts of Emperor Pedro II, who had plans to study better the mineral wealth of Brazil. He invited Augusto Dahrein, his fellow member of the Science Academy of Paris and director of the Mining School of Paris, to lead a project to build an institution to study Brazilian geology. His invitation—sent in a letter in 1872—said: “...not only will the country benefit from greater use of its mines, but the natural sciences in general will be very much strengthened.” Dahrein was unable to leave France, but he recommended his compatriot Claude Henri Gorceix for the mission. Four years later, Gorceix founded not only the School, but also a new way of looking at the country’s mineral resources. After EMOP, Brazil’s underground resources would never be the same.

Within 30 years or so, the engineers graduating from the School began to dictate the course of the country’s mining policy. The laboratories swarmed with activity, students went onto the field to look for new deposits, and the mining sector replaced pure chance with strategic study. At the 1910 Geological Congress of Stockholm, which showed the world the potential of Brazil’s minerals, geological mapping was demonstrated by the first professionals to have graduated from EMOP. Thousands of people have studied at the School since then. Former president Getúlio Vargas, for example, spent a short time studying there. Even today, Vale recruits a significant share of its employees from among EMOP alumni. It’s always been that way. In fact, EMOP—part of the Federal University of Ouro Preto since 1969—educated the first two presidents of Vale: Israel Pinheiro and Dermeval Pimenta.

1 - See more information at: www.ufop.br.
1.3 Setbacks in iron production

Although many studies and surveys revealed or confirmed the existence of large iron ore deposits in Brazil, it took some time before there were any significant advances in exploiting them. Various factors explain the limited development of iron ore extraction and the late establishment of steelmaking on an industrial scale in the country.

Known reserves of iron ore – located mainly in the state of Minas Gerais and, to a lesser extent, in Mato Grosso – were a great distance not only from the coal reserves of Rio Grande do Sul and Santa Catarina, but also from the potential iron and steel consuming markets of Rio de Janeiro, São Paulo and the northeast of the country. The high cost of railroad transportation and the low quality of Brazilian coal for coking purposes (the transformation of coal into coke, an essential fuel used in steel blast furnaces) were other major difficulties. Besides these problems, there were others related to the limited size of the domestic market, a shortage of capital, and the lack of an appropriate tariff policy. Iron imported from Europe, for example, enjoyed a special tariff, a privilege it had held since the 1810s. 14

For all of these reasons, until the start of the 1920s, steel production in Brazil was practically limited to the smelting of iron in small furnaces fed by charcoal, generally located close to iron ore deposits in Minas Gerais, in the municipalities of Kurupá, Mariana, Santa Bárbara, Itabira, Conceição and Minas Novas. 15 And nearly everything produced there was destined for “domestic use.”

Some of the iron was used to make horseshoes, hoes, sickles and axes, and some was sold in bars to neighboring municipalities. There were also many foundries spread across various parts of the country. A common feature of the overwhelming majority of these establishments was the use of imported raw materials.16 The only two operations to produce pig iron on an industrial scale before the 1920s were the Esperança Plant and the Companhia Siderúrgica Mineira, established in 1888 and 1917, respectively.17

In the 1910s, certain factors began to favor the development of steelmaking. Studies and research conducted by students and professors at the Mining School confirmed that the country had large reserves of high-quality iron ore. In turn, an increase in the pace of railroad and port construction, the growth of urban infrastructure in the major Brazilian cities, and rising agricultural production (which needed tools and machines) led to growing imports of iron, steel and metal artifacts. The First World War (1914-1918) also had a major influence on the Brazilian steel industry. The conflict hindered iron and steel imports, generating shortages of production. This exposed the fragility and dependence of Brazil’s economy and demonstrated the need to harness the country’s abundant mineral resources.

15 From left to right: details of the Factory (depicted by Jean-Baptiste Almanak Laemmert of 1913). 16 Special visitations to the Esperança Plant. Some of the iron was used to make horseshoes, hoes, sickles and axes, and some was sold in bars to neighboring municipalities. There were also many foundries spread across various parts of the country. A common feature of the overwhelming majority of these establishments was the use of imported raw materials. The only two operations to produce pig iron on an industrial scale before the 1920s were the Esperança Plant and the Companhia Siderúrgica Mineira, established in 1888 and 1917, respectively.
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Shortly afterwards, Decrease 8.019 of May 19, 1910 granted favors and privileges to companies or individuals, Brazilian or foreign, that proposed to build steelworks in Brazil. These favors included the right to construct, equip and operate quays, bridges and docks, and permission to connect mineral deposits and plants to railroads and ports through branch lines. The government also granted exemption from taxes and reduced or loading and unloading charges at federal ports.20

Another notable occurrence during this period was the 11th International Geological Congress of September 1910, held in Stockholm. This event was convened by the major European and North American steel companies, with the purpose of making a detailed assessment of global iron reserves. Delegations from many countries attended the event, including Brazil, represented by Osvalde Derly.

Derly went to the congress with the intention of showing Brazil’s mining potential to the rest of the world. He presented a report by the Geological and Mineralogical Service of Brazil, produced by Gonzaga de Campos, that identified Brazilian mineral deposits, evaluated them for their potential, and gave their exact position on a map of Minas Gerais. The report also reported the existence of iron ore in the states of Bahia, Goiás, São Paulo, Paraná, Santa Catarina, Rio Grande do Sul and Mato Grosso. For these states, however, there was no reliable information on the potential of these deposits.21

As a result of the congress, large companies from England, the United States, Germany, Belgium and France, in pursuit of obtaining official knowledge of Brazil’s reserves, calculated at 19 billion metric tons, took interest in harnessing the country’s iron ore. Taking advantage of gaps in the first republican Constitution, these powerful companies, known as “syndicates,” acquired all of the identified deposits, warfare the time they judged most convenient to exploit them. The landowners in these areas, not knowing the value of what lay beneath the ground, sold their land for much less than its true worth.22

One of these companies was the Bahia Iron Ore Company, the subject of a long legal and ideological dispute stretching from the 1930s to the 1950s.

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1.4 Itabira Iron Ore Co.’s contract

The history of the Itabira Iron Ore Co. began even before Brazil’s mineral potential was divulged abroad. By the time the recently established IGMB revealed the existence of enormous iron deposits in Itabira during the congress in Stockholm, English engineers Murly Gott, Dawson, and Robert Normanton, all resident in Brazil, had already obtained the option to purchase extensive tracts of land in the region. They knew what lay beneath the ground. Before effecting this purchase, they consulted the directors of the Vitória-Minas Railroad Company (CEFVM) – established six years before by Brazilian businessmen to transport agricultural goods from the Doce River Valley – about the possibility of iron ore being carried by the railroad. After receiving a positive response, the Englishmen founded the Brazilian Hematite Syndicate.

In 1909, the Brazilian Hematite Syndicate acquired 42,000 shares in the Vitória-Minas Railroad Company and made a request to the federal government to change the original route of the railroad to permit access to the reserves of Itabira. Not only was this request accepted, but the Vitória-Minas obtained a virtual monopoly over operations in the region. In exchange, however, Brazilian Hematite was obliged to build a steel mill with minimum production capacity of 1,000 metric tons per month.23

In 1910, Brazilian Hematite effectively acquired the main mineral deposits of Itabira. Extending for 76.8 million square meters and holding more than 1 billion metric tons of ore, they constituted one of the biggest iron reserves in the country.24

In this same year, Brazilian Hematite raised its stake in the Vitória-Minas to 73.3% and made an agreement with the Port of Vitória Company to export iron ore. Finally, in 1911, it founded the Itabira Iron Ore Company which received authorization from the Brazilian government to operate in the country by means of Decree 8,787 of June 14 of that year.

The company was headquartered in London and was obliged to maintain a representative in Brazil, subject to Brazilian laws and jurisdiction. The company’s core objective, according to Decree 8,787, was to “acquire, explore, develop, work and exploit certain mineral properties known as Conceição, Santa Ana and Cauê, situated in the municipality of Itabira, in the state of Minas Gerais.”

One of the Itabira Iron Ore Co.’s key targets was to export 3 million metric tons of iron ore per year. To do this, the company would have to improve the Vitória-Minas operating conditions, including electrifying the track. However, the company did not manage to raise the sums needed – 53 million réis, or around 3.5 million pounds – due to the lack of a customary guarantee from the federal government to pay the interest on the investment, and the obligation to build the steel mill, a venture that the company was not interested in.26

The First World War closed off the European financial markets, making fundraising even harder. In addition to its financial problems, the Itabira Iron Ore Co. also faced nationalist opposition, which had targeted the company almost since the start of its activities. In these early years, notable opponents of the company included Arthur Bernardes, a leading politician in Minas Gerais, and Clodomiro de Oliveira, Professor of Mineralogy at the Ouro Preto Mining School.27 Until then, the public had not actively supported the movements trying to repeal the privileges given to the English company. However, the Itabira Iron Ore Co.’s situation started to become more complex when Arthur Bernardes was elected the president of Minas Gerais in 1918.

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Between the mine and the sea

Between Belo Horizonte Central Station and Pedro Nolasco Station in Greater Vitória lie 664 kilometers of railroad track, on which run the only daily train service between two Brazilian state capitals. Along it – using the indispensable branch line from Nova Era to Itabira, taking the total trip to 905 kilometers – around 70 locomotives travel every day, many of them pulling more than 150 cars. The majority of the train cars carry iron ore from the mines of Itabira and the whole of the Iron Quadrangle region to the Port of Tubarão. In all, the railroad carries over 100 million metric tons of iron a year. The EFVM’s trains also transport non-iron goods (making up around 40% of total freight), including agricultural products, container, timber, steel, tools and granite, as well as people – many people.

Every year, around 1.5 million people travel on the railroad. They include tourists, business people, students, teachers and other ordinary folk. It’s the largest passenger train service in Brazil. The trains have restaurant cars and facilities for people with disabilities. There are both economy and executive classes – the latter with air conditioning and reclining seats. The journey from Belo Horizonte to Greater Vitória goes past 30 stations and takes 13 hours. And while passengers pass the time looking out of the window – seeing the old houses, the bridges, the tunnels, the children who come to wave, the elderly people in their canvas chairs, the winding Doce River, and the railroad’s cuttings and embankments, marking the landscape – it can seem they have gone back at least 100 years in time.

The Vitória-Minas Railroad was established in 1904 and its use has long been at the center of discussions about mining in Brazil. Since the first concession contracts made with the Itabira Iron Ore Co., the use of the railroad has served as a fundamental negotiating tool. Around its construction, stories arose of adventure, dreams and achievements. The train was – and continues to be – essential to integrating the whole Doce River Valley region and everything produced there. Without the railroad, there would be no transportation or exports. You could say there’s no Vale – at least the Vale we know today – without the EFVM. The people who work on the trains – from locomotive engineers to the catering staff who offer coffee, biscuits and candy to passengers – know that they are moving the company’s soul, continually renewing a dream that began with the pioneers of Brazilian mining. For this reason, on the railroad station platforms, when a train approaches, it’s not uncommon to hear someone exclaim proudly: “There goes Vale’s train!”
Arthur Bernardes was 45 years old, a qualified lawyer and a charismatic politician. He always began his speeches with a reference to his home town (Viçosa), his family and the worthy people of Minas Gerais. Before joining the state government, he had twice been elected a federal deputy, both times as a member of a nationalist party as leader of the state government of Minas Gerais, he was supported by Clodomiro de Oliveira, whom he appointed to run the Secretariat of Agriculture, Industry, Trade and Public Works. Together, they formulated the rules for mining iron in Minas Gerais.

In 1919, Bernardes enacted Law 750, which raised the tax on iron ore exports to 3,000 réis per metric ton for companies that were exclusively export-focused. In compensation, the law set the tax at 300 réis per metric ton, for 20 years, for exporting companies that would build a steel mill in the state and process at least 5% of the amount of ore exported. The terms of Law 750 evidently did not please the Itabira Iron Ore Co., especially as it had previously managed to obtain from the federal government, through Decree 12,094 of June 7, 1916, an end to its obligation to build a steel mill. Also in 1919, the Itabira Iron Ore Co. changed hands: it was bought by American businessman Percival Farquhar, the company’s former representative in Brazil. Farquhar had arrived in Brazil 15 years before, and had specialized in businesses involving foreign companies and the public sector.

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Our History

Percival Farquhar

Born with a silver spoon in his mouth, Percival Farquhar (York, Pennsylvania, 1864 – New York, 1953) lived an extraordinary life, as if written by an imaginative screenwriter.

Born into an American family of Quakers (Protestants who aim to live reserved lives of moral and religious purity), Farquhar was a member of the industrial aristocracy at a time when access to finance was fundamental to establishing and developing companies that in just a few years would grow into empires. The young entrepreneur graduated as an engineer, left traditions behind and founded a capitalist empire that spanned the world.

Farquhar built railroads in Guatemala, Cuba and Russia, where he negotiated contracts directly with Lenin. In Brazil, among various enterprises he founded Rio de Janeiro Tramways, Light and Power (the forerunner to today’s electricity distributor Light S/A). He was involved in the unsuccessful project to construct the Madera-Mamoré Railroad in what is now the state of Rondônia, he built the beautiful Grand Hotel La Plage (the first to have telephones in guests’ rooms in 1921) in Guarujá, São Paulo, he leased the Snowshoe Railway Company and, not least, he bought the Itabira Iron Ore Company, which was taken over by the newly established Companhia Vale do Rio Doce in 1942.

With the comings and goings of the Brazilian Mining Code, he made enemies with major public figures, such as President Arthur Bernardes, and lifelong friends and partners, such as businessman Assis Chateaubriand, who in 1924 financed the establishment of O Jornal. Farquhar also founded the Itabira Spatials Steel Company (Companhia Aços Especiais Itabira, or Acesita), in 1946.


A meeting at Cauê Peak in 1935 with the president of Itabira Iron Ore Co., Percival Farquhar (fourth from the left), standing next to the administrator Thomas Charlton, and German geologist Dr. Grosse (in a light jacket).
Within the federal government, the mood had also started to worsen for the Itabira Iron Ore Co., following Epitácio Pessoa's departure from the presidency. His successor was none other than Arthur Bernardes, who upon taking office on March 1922, sought to offer a nationalist alternative to the foreign company's plans. To this end, he set up a commission formed of parliamentarians, technicians and industrialists, which in 1923 presented its first draft of a national steel industry plan. This work was led by his right-hand man and former Secretary, Clodomiro de Oliveira. The commission's work provided the basis for Decree 4,801, passed on January 9, 1924. Confirming the nationalist orientation of Bernardes' government, the decree provided for the granting of loans by the federal government exclusively to Brazilian companies established with the purpose of building mills. This orientation became even more accentuated in the constitutional reform led by Bernardes in 1926, which prohibited the transfer to foreigners of mines and mineral deposits required for the safety and defense of the country.

In Minas Gerais, the policy adopted by Arthur Bernardes concerning mining and, above all, the Itabira Iron Ore Co., was followed to the letter by his successor to the state presidency, Raul Soares (1922-1924), and his successor, Fernando de Melo Viana (1924-1926). The impasse created for the signing of the state contract with the Itabira Iron Ore Co. would only be overcome during the administration of Antônio Carlos Ribeiro de Andrade (1926-1930). On December 7, 1927, the second contract was finally signed, by which the Itabira Iron Ore Co. would only be able to start to export iron ore when it had begun operating a steel mill.38

36 - See Diniz, Clélio Campolina, op. cit., p. 46.
38 - See Chiarizia, Martha M. de Azevedo, op. cit., p. 66.

1.5 The nationalist backlash

The monopolistic power gained by Itabira by signing the contract inflamed nationalist opposition. After it was signed, the contract was duly submitted to the Federal Audit Court, which refused to register it, alleging violation of legislative norms. Epitácio Pessoa pressured the Court and the contract ended up being registered reluctantly. However, Pessoa's intervention made it necessary to return the contract to the National Congress for approval, where it was examined by various commissions, without a definitive conclusion being reached as to its validity.34

Farquhar's plans affected many interests. The owners of small metallurgical plants in Minas Gerais feared that the Itabira Iron Ore Co.'s planned exclusivity would suffocate their operations. Foreign companies, which had bought vast swathes of land on which to mine iron ore, were also apprehensive about the transportation exclusivity achieved by Farquhar. The coal companies of Rio Grande do Sul and Santa Catarina did not welcome competition from foreign coal, which would arrive in Brazil in Itabira's ships. The project was also opposed by all the German, English, French and American suppliers of machines and tools, which feared competition from the output of the steel mill to be built by Itabira.35

Minas Gerais, as it was the state with the biggest mineral deposits, became the center of resistance against Farquhar and the politicians allied with him. Arthur Bernardes, under pressure because, by signing the second contract, he would have to ratify the contract already signed by the Itabira Iron Ore Co. and the federal government, enacted Law 793 on September 21, 1920. This law reaffirmed the terms of Law 750 and made it a condition for exporting iron ore that the Itabira Iron Ore Co. would have to build a plant in the state capable of producing at least 250,000 metric tons of steel products per year. The decree also extended the period of tax benefits for steel producers from 20 to 30 years.36

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In an attempt to make it feasible to approve the company’s projects and placate the violent attacks on the monopolistic aspects of its contract, the president of the state of Minas Gerais, Antônio Carlos, made approval of Itabira’s plans conditional upon the removal of its monopoly on the use of the Vitória-Minas Railroad, granted by the contract of 1920. Accordingly, on November 10, 1928, Itabira signed a waiver by which it relinquished its right to exclusively transport its own ore on the railroad, and agreed to also carry ore belonging to third parties, as well as passengers and agricultural goods from the region through which the tracks passed.

The signing of the waiver paved the way for the enactment, two days later, of Federal Decree 5,568, which attested to the legalization of the contract by the National Congress, and State Decree 8,045 of December 8, 1928, by which the government of Minas Gerais authorized Itabira to begin its activities.49

In September 1930, Itabira once more obtained a dispensation from its obligation to build the steel mill, taking advantage of the discontent and political power of small manufacturers of pig iron, which feared the possibility of the company building it.40

With due legal authority to develop its plans in Brazil, Itabira sought funding from European and American banks. However, the global economic crisis of 1929 and the subsequent downturn in financial markets, together with political and institutional transformations brought by the Revolution of 1930, opened up a new stage in the Itabira Iron Ore Co.’s struggle to implement its projects.

40 - Idem, ib., p. 68.