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*E. J. Payne Esq.  
with best compliments of  
George Earl Church*

THE ROUTE TO  
BOLIVIA VIA THE RIVER AMAZON.

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A REPORT  
TO THE GOVERNMENTS OF  
BOLIVIA AND BRAZIL,

BY

GEORGE EARL CHURCH,

PRESIDENT OF THE NATIONAL BOLIVIAN NAVIGATION COMPANY AND CHAIRMAN OF THE  
MADEIRA AND MAMORÉ RAILWAY COMPANY, LIMITED.

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*Map of South America. Map of Bolivia and the Amazon River.*





# PHYSICAL MAP OF SOUTH AMERICA

TO ILLUSTRATE REPORT ON THE ROUTE TO BOLIVIA VIA THE RIVER AMAZON.



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## PART I.

### ORGANIZATION AND HISTORY OF THE ENTERPRISE FOR OPENING BOLIVIA VIA THE RIVER AMAZON, AND HISTORY OF THE BOLIVIAN LOAN.

INTERESTS of great magnitude require that a historical sketch should be given of the efforts which, since 1867, have been made by the National Bolivian Navigation Company and the Madeira and Mamoré Railway Company, Limited, to open a highway to Bolivia by the way of the rivers Amazon and Madeira.

In 1867, the Government of Bolivia accredited a legation to Mexico. This legation was headed by General Don Quintin Quevedo, with Don Juan Francisco Velarde as first Secretary, and Don Julio Quevedo as second Secretary, and Don Juan Muñoz as *Attaché*.

General Quevedo was instructed by his Government to proceed to New York, upon the termination of his labours in Mexico, and find some one who would be willing to undertake the opening of an Amazon route to Bolivia. The Government had already taken a necessary preliminary step by negotiating with Brazil a "Treaty of Friendship, Limits, Navigation, Commerce, and Extradition." This treaty was confirmed by the Bolivian Congress in 1868. It defined the boundary line between the two countries, without which definition no common action for the development of the territory of the two nations, could be expected.

The Bolivian Legation arrived in New York with introductions to me from the Mexican President, Señor Don Benito Juarez, and others, and invited me to undertake the enterprise in question. Upon due consideration, a preliminary arrangement was concluded.

In 1868, I proceeded, viâ England, Buenos Ayres, and overland, to the Bolivian capital, La Paz. There the definite concessions for the formation of the National Bolivian Navigation Company were granted to me, August 27th, 1868, by the Government of General

Melgarejo. I found the Government extremely alive to the importance of the enterprise, and the enthusiasm exhibited caused me to look lightly upon the fact that the problem to be solved was unique. The canal or railway, to avoid the falls of the Madeira, was to pass through a virgin forest in the heart of a vast continent, far removed from population or resources, and the right to construct it had still to be obtained from the Empire of Brazil.

The concession of 1868 being granted, efforts were immediately made, upon my return to New York, to call the attention of the commercial community to the importance of the project.

In my concessions, the Bolivian Government had agreed to obtain from Brazil the right of transit past the rapids, and other privileges, set forth in Articles 4, 8 and 9. General Quevedo, with the legation previously named, was accredited to the Court of Rio de Janeiro for the especial purpose of obtaining these privileges; but his labours, of several months' duration, not being crowned with success, the mission was abandoned. The Government ultimately applied to me, through a letter of the Minister of Foreign Affairs, dated La Paz, May 23rd, 1869, to undertake the negotiations with Brazil relative to the vital Articles 4, 8 and 9. The letter announced that the Bolivian Legation had retired unsuccessful from Rio de Janeiro, and that I should, among other steps, enlist the "good offices" of the United States Government in behalf of the desired object. This letter made it appear that there was very little hope of a speedy realization of the enterprise. The interval of time between the obtaining of the Bolivian Concession in August, 1868, and the letter above referred to, had not been entirely lost, for it gave opportunity to study the financial necessities of the problem, not only in the United States, but in Europe. Inquiry made it evident that no financial scheme would be successful unless the Bolivian Government came to the front and guaranteed the enterprise in some manner. The universal plea in the money markets of Europe was, "Why should foreigners be asked to show more faith in a country than the country is willing to show in itself? Therefore, if it wants public works, let it give a national guarantee, which shall endorse their importance and usefulness. Every government of South America has been forced to recognise this, and why should Bolivia do less?" This truth forced a resort to the loan scheme, to obtain the funds to carry out the works contemplated in the concessions made to the National Bolivian Navigation Company.

Previous to receiving the above letter from the Bolivian Government,

I had, in London, laid the entire project before the celebrated contractor, Thomas Brassey, and it was agreed between us that if I could obtain the requisite guarantees from the Government of Bolivia, he would assist in the financiering and undertake the proposed works as contractor, joining with him for the purpose the scarcely less celebrated contractor George Wythes, with whom I had been brought in contact through my deceased friend, the well-known father of public works in South America, William Wheelwright. Before accepting the invitation to negotiate the Articles 4, 8 and 9 with Brazil, I proceeded to Bolivia, deeming it necessary to first obtain modifications in the Bolivian Concessions, and, if possible, arrange a loan contract with the Bolivian Government.

The required modifications were granted on the 7th of November, 1869, and the loan contract was made on the 22nd of the same month.

At the date of making this loan contract, the rapids of the river Madeira were but imperfectly known. They had been somewhat carefully explored in 1846 by Señor Don José Augustin Palacios, a Bolivian engineer of merit, who published a small work on the subject. They had also been roughly examined in 1853 by Lieut. Gibbon, by order of the United States Government; and the results of his voyage were afterwards published by the State Department at Washington.

General Quintin Quevedo, when an exile in 1860, also passed down them and made a short report upon the facilities which existed for the purpose of canalizing them, or avoiding them by a road on the right bank of the river. None of the information available, or which was known to the Government of Bolivia or to myself, led us to suppose that there were any engineering obstacles of moment to impede the contemplated works. It was, however, thought wise to insert an article in the modified concession from the Government, permitting the building of a railway instead of cutting the originally contemplated canal, should the former be found more feasible. An article was also incorporated in the loan contract, authorising the issue of £500,000 extra capital to cover contingencies, in case the obstacles at the rapids of the Madeira were found more formidable than anticipated.

The Government named me financial agent to negotiate the loan. This appointment was entirely unsolicited and unexpected; but it was a wise measure to concentrate power as much as possible during the initiation of an enterprise which, on every side, required prompt decision, and still prompt action to seize opportune moments.

The vital question had still to be settled with Brazil; for without the concession for a railway to pass through the territory of the Empire, loan



contracts, Bolivian privileges and river navigation were all a dead letter. It became, therefore, imperative that a powerful effort should be made to call the attention of the Brazilian Government to the immense importance of the enterprise.

Both Bolivia and Brazil were poor in the possession of an immense territory ; the contemplated work promised to call the attention of the whole civilized world to the enormous capacities of this territory and the entire Amazon Valley. Bolivia once penetrated, the great States of Perú, Ecuador, Columbia and Venezuela could not other than join in the march of progress and open their vast and virgin Andean slopes to the over-populated States of Europe ; only the ocean fringe of South America had been, to a limited extent, developed by modern methods of transit ; the Pacific coast represented simply the sharp slope of an uninterrupted mountain wall from Panama to Patagonia, and neither man nor beast could travel across the snow-swept barrier, abreast of the head-waters of the Amazon in Perú and Bolivia, without scaling the passes at an elevation in no place lower, and in most of the passes as high as the loftiest peak of the Alps ; Perú, with a Babel-like ambition, was then working heavenward with its gigantic railway system, ignoring the fact that its richest and most extensive lands are on the Atlantic slope. Alone of all the South American States, the Argentine Republic appeared to appreciate the problem of opening the interior, and, with the force of its credit and energy, pushed its railways towards the heart of the continent. The opening of the Madeira river route to Bolivia, as I studied the problem, promised to give easy access to about half a million square miles of lands in Bolivia and Brazil. These were traversed by great navigable arteries, and almost innumerable smaller streams intersected the district, forming a natural canal system such as is possessed by no other State in the world. Of the three millions of people inhabiting Bolivia, at least two millions of them lived in towns and cities through which coursed the head-waters of these rivers. The Peruvian Government allowed Bolivia to make use of the miserable roadstead of Arica, paying to Bolivia 400,000 soles (about £80,000) per annum upon over £200,000 of customs dues annually collected on Bolivian imports by the Peruvian Custom House at that port. Perú and Chile, in the commercial statistics of Europe, were credited with the foreign trade of Bolivia. On the side of the Argentine Republic, Bolivia then had a traffic of about £50,000 per annum, principally in mules, paid for in silver smuggled across the frontier for the purpose. With Brazil, £20,000 per annum would represent the commercial intercourse of the

two countries, mostly carried on in canoes *via* the falls of the river Madeira.

I found millions of sheep, llamas, and alpacas, browsing upon the mountain sides, and not a cargo of wool was exported; vast herds of cattle roamed the plains, and yet an ox hide was worth scarcely more than a pound of leather in the European market; hundreds of tons of the richest coffee in the world were rotting on the bushes, and only about ten tons per annum were sent abroad as a rare delicacy; abundant crops of sugar in the river districts were considered a misfortune by the planter, because there was no market; the valleys of Cochabamba were rich in cereal wealth, unsaleable when the crop was too great for home consumption; not a valley or mountain side but gave agricultural, medicinal, and other products, such as commanded ready sale in any foreign market; sixty-five kinds of rare and beautiful cabinet woods stood untouched by man in the great virgin forests of the north and east. The mountains were weighted down with silver, copper, tin and other metals, and the people gazing upon a wealth sufficient to pay the national debts of the world, and yet unavailable for lack of means of communication. There was abundant evidence that not a river that carried its waters from Bolivia to the Amazon but washed through auriferous deposits as rich as any in California or Australia, and, for lack of power to take machinery to them, they did not produce to exceed £60,000 per annum, where they should have produced millions. The country paid for nearly the whole of its imports in silver and gold, and was consequently stripped of money as fast as it could coin it. The Government could with difficulty pay its employés; for the people could sell nothing that they produced, and consequently were untaxable. The population had increased by two millions since Bolivar, standing upon the summit of silver-lined Potosi, proclaimed the yoke of Spain broken and Alto-Perú free; and yet it had been impossible to increase the revenues of the country by a single dollar in over forty years. I found eleven constitutions, laws *ad libitum*, and no progress to direct, no prosperity to administer. The schools of the country were engaged principally in turning out doctors of law, for no field for the practice of any other profession was offered. There were concessions for roads and public improvements by the volume, and nothing but mule tracks to be found—not even a cart road to connect the cities upon the table land of Titicaca. There were large towns standing as Spain left them, almost no urban growth in the west, but a faint struggle forward of both town and rural growth in the north and east, despite all adversity of

territorial imprisonment. I found a race capable of great progress, full of national stamina, an intelligent upper class, a prolific, brave, and ambitious people, with a great future before them, if a road were only given them that they might break away from their isolated position.

Such was the picture I then drew of Bolivia, and the analysis which, in bold outline, I made in 1869, when the Government was pleased to more fully commit itself to the great project entrusted to my guidance. It would be unfriendly and untruthful to draw it in other colours—Bolivia cannot be developed by gracious compliments, which, by hiding the truth, retard her progress. Has the country advanced since then, and is the picture of 1869 true of 1877? If it is true, is there a single intelligent Bolivian that can fail to comprehend that it is so because Bolivia ostracises herself from the commercial world, and cannot, on mule-back, overtake modern civilisation?

I solicited the Government of Bolivia to accredit a new Minister to the Court of Rio de Janeiro to second my efforts. This request was granted immediately, and, to comply with it, Señor Don Ricardo Bustamante was named *chargé d'affaires*. He started for Brazil by way of Sucre and the Argentine Republic, my route was via the Pacific Ocean and the Straits of Magellan. Fortunately I did not hear from him for about a year. He never reached his mission, for personal reasons doubtless explained to his Government.

His Excellency the Minister of Foreign Affairs of Bolivia, Señor Don Mariano Donato Muñoz, had given me a cordial letter of introduction to his Excellency Baron de Cotegipe, the Secretary of State for Foreign Affairs of Brazil. Baron de Cotegipe received me at Rio de Janeiro very generously, and gave much time and patience to the discussion of the merits of the enterprise. He evinced a most earnest desire for its success. The Minister of Commerce and Public Works, his Excellency Diego Velho Cavalcanti de Albuquerque, was no less frank and kind. Instead of finding the opposition I had anticipated in Brazil, I found a breadth of commercial views and an intelligent appreciation of the importance of the problem under consideration, which entirely controverted the theories which had so often been expounded to me in the states that bordered upon Brazil. The Minister of the United States, his Excellency Henry T. Blow, who had at my request been instructed by the United States Government to lend me his "good offices," did me the honour to present me to his Majesty the Emperor Don Pedro II. His Majesty appointed an hour some days in advance. In the interval, a grand reception unexpectedly took place to celebrate the close of the Paraguayan war. The



audience was, however, not postponed, and, in the midst of the reception, his Majesty gave me nearly an hour, taking great interest in the subject which I laid before him, and rapidly seizing my explanations of its salient features. He evinced a desire to do everything in his power to increase and develop the commercial and friendly political relations of Bolivia and Brazil. Up to the present time, the same kind treatment has characterised the Emperor and the leading men of Brazil in all that relates to our project. I have detailed this statement with the hope of dispelling, if possible, the narrow views of some Bolivians who have opposed an outlet for their country viâ the river Amazon, simply because the route passes through a little strip of Brazilian territory.

During the preliminary conversations with Baron de Cotegipe, I asked that the desired concessions, mentioned in Articles 4, 8 and 9 of the Bolivian Concessions, might be granted to the National Bolivian Navigation Company by his Excellency's Government. His Excellency soon convinced me, however, that it would be an unwise measure for the Government of Brazil to deal with the work in the way contemplated; as, if questions were to arise, even of a nature purely local and appertaining to Brazil alone, they might necessitate discussions with Bolivia derogatory to the harmony which the Government of Brazil desired to maintain in all relations, commercial or political, between the two countries. His Excellency, therefore, suggested that the Imperial Government was willing to make me personally the pivot upon which the whole matter might turn; and, for that purpose, would willingly grant a concession for the building of a railway around the rapids of the Madeira river. The terms were discussed with the Minister of Public Works, and the concession was finally published by official decree of April 20th, 1870. It necessitated the organisation of a company separate from the Bolivian Navigation Company.

Following the Treaty of Limits, Commerce, and Navigation concluded between Brazil and Bolivia, on the 27th of March, 1867, the Brazilian Government dispatched two well-known German engineers, Messrs. José and Francisco Keller, to examine thoroughly and report upon the rapids of the river Madeira, and the best method of avoiding them by a feasible commercial route.

The elaborate report of these gentlemen was published in the Government *Relatorio* of 1869, and I first heard of the survey and saw the report and plans on my arrival at Rio de Janeiro, in January of 1870. The Government kindly ordered a full set of the maps and plans, the result of the expedition, to be made for me in the topographical department.

In all the negotiations with the Brazilian Government, during my three-months' stay at Rio de Janeiro, I received the most generous and influential support of his Excellency Henry T. Blow, the United States Minister Plenipotentiary, as well as that of her Britannic Majesty's Envoy Extraordinary, his Excellency George Buckley Mathew, C.B., to whose disinterested, thoughtful, and manly friendship our company and myself have been indebted on many occasions.

It is important that I should call attention to the fact that the concessions granted for the organization of the Madeira and the Mamoré Railway Company do not exhaust the Articles 4, 8, and 9 of the Bolivian Concession. The Government of Bolivia has been duly informed of this on several occasions. The extract from a letter from the Minister of Foreign Affairs of Brazil, published herein, in my correspondence with the Bolivian Commissioners, instructing the Brazilian Minister at La Paz to advise the Bolivian Government of the railway concession granted, shows how willing the Government of Brazil has been to complement the concessions made in 1870, by an amicable arrangement with Bolivia of all further *international* questions relating to the enterprise under consideration, while the following official letter in response is important in many respects :—

“Office of the Minister of Foreign Relations of Bolivia,  
“La Paz, June 18, 1870,

“Sir,—The privilege which the Government and his Majesty the Emperor of Brazil has conceded to Colonel George Earl Church, for the construction of a railway that may avoid the rapids of the rivers Madeira and Mamoré, satisfies the most vehement aspirations of the Government of Bolivia, which was anxious to give outlet to the national commerce and to the rich and varied productions of the country by the natural road that its rivers, affluents of the Amazonas, presented; obstructed at present by the obstacles of those rapids.

“You will understand, therefore, with how much interest and pleasure my Government has received the favourable news contained in your esteemed despatch of the 9th of the present month, and the inclosure therein referred to. I do myself an honour in offering to the illustrious and generous Sovereign of Brazil and to his just Government, in the name of that of my country, the sentiments of the greatest gratitude and acknowledgment for this act of liberality which must be beneficial in a high degree to the commercial and industrial interests of this Republic.

“The ties of intimate friendship which the treaty of 27th March,



1867, formed between Bolivia and Brazil, must be strengthened more and more by the indissoluble arteries of commerce which is really the thermometer which marks the degree of relationship of peoples, and which augurs for both countries a brilliant future.

"The Government of Bolivia is especially grateful for the benevolent offers of his Excellency the Minister of Foreign Affairs of the Empire, on assuring that—'what depends on international adjustments, and that which may be considered as part of the work of common utility, shall be entitled to the immediate and friendly consideration of the Imperial Government,'—expressions which demonstrate clearly the rectitude of intentions and the noble desires of him who expresses them, and which are loyally reciprocated by Bolivia and its present Government.

"I have also the honour to express to you personally thanks for the direct and efficacious part which you have taken in order that Colonel Church might obtain such a brilliant result, as well as for the patriotic interest which you show in favour of this Nation, in which you worthily represent the Empire.

"With this I present to you, etc., etc.,

"(Signed) MARIANO DONATO MUÑOZ.

"To Señor Eduardo Callado,

"Chargé d'Affaires of Brazil in Bolivia."

The failure of Bolivia to complete its engagements has been a very fruitful source of delay and trouble, entailing a money expenditure and loss to us of many thousands of pounds sterling, the only offset to which is the fact that the exclusive privilege mentioned in Article 7 of the Concessions is to "continue until twenty-five years after the Government of Bolivia notifies the company of the obtaining from Brazil of the privileges enumerated in Articles 4, 8, and 9."

The day following the publication of the Imperial Decree granting the right to construct the Madeira and Mamoré Railway, I sailed for New York, for the purpose of organizing the National Bolivian Navigation Company. In anticipation of my success in South America, one of my associates, William H. Reynolds, Esq., had conceived the excellent idea of applying to the United States Government for a National Charter or privilege for the company; although the universal custom in the United States is to organize companies under charters obtained from State Legislatures instead of the National Congress. On my arrival in New York, Mr. Reynolds and myself succeeded in getting Congress to pass the requisite "Bill," June 25, 1870. It was immediately signed

by the Executive, and became a law. It was the first time that the national protection was ever vouchsafed to a private company through a Congressional charter. The incorporators were—George E. Church, William H. Reynolds, Jerome B. Chaffee, S. L. M. Barlow, James S. Mackie, Charles A. Lambard, and George F. Wilson.

The foundations upon which we were to base our superstructure, were :—

First.—The Treaty of Friendship and Limits between Bolivia and Brazil.

Second.—The Concessions from Bolivia to the National Bolivian Navigation Company.

Third.—The Loan Contract between Bolivia and George Earl Church on behalf of the said company.

Fourth.—The Concession from Brazil for the organization of the Madeira and Mamoré Railway Company.

Fifth.—The Charter granted by the Government of the United States for the corporate organization of the National Bolivian Navigation Company.

The National Bolivian Navigation Company was organized in New York, June 30, 1870, in accordance with the United States charter. The board of directors named were the incorporators already mentioned, and, in addition, Samuel G. Arnold and Quintin Quevedo. The latter gentlemen in accordance with Article 13 of the Concession from Bolivia.

George Earl Church was elected president, and S. L. M. Barlow, vice-president. The share capital of the company was fixed at two million five hundred thousand dollars nominal. The Bolivian Concession was properly and solemnly transferred to the company for the consideration of two million of dollars. Upon the opening of the subscription books, the concessionnaire subscribed for 2,000,000 of dollars of the 2,500,000 nominal share capital. Of the remaining \$500,000, we paid \$50,000 to Julius Beer, Esq., of London, as a commission upon the Bolivian loan. In 1874 we sold \$430,000 for £12,500 cash.

This question of "Nominal Capital" occasioned some subsequent misunderstanding. It was fixed in the Bolivian Concession at one million of dollars, "to be augmented according to the demands of the enterprise." If the Loan Contract with the Bolivian Government be carefully read, it will be observed that this NOMINAL capital, no matter at what figure fixed, was rendered unmarketable and comparatively valueless; for, by the terms of the Loan Contract, all the earnings of the

National Bolivian Navigation Company were pledged to meet the service of the loan which was to be issued; and, therefore, the then prospective Bolivian Bond (now on the London market) not only contained within itself the concessions from Bolivia, but those from the Empire of Brazil—the earnings of the Madeira and Mamoré Railway also being included in its sweeping clauses. My coadjutors and myself felt that, after the Bolivian loan had been cancelled by the application of the products of the enterprise to the interest and sinking fund of the loan, we were entitled to reap the reward of our long and very arduous labours. The whole matter is in a nut-shell: the enterprise was valueless without the concessions from Brazil; before these were obtained, and the Bolivian concessions made valuable, the scheme of raising capital *directly* was changed by process of a joint loan contract, where the values pledged by the Navigation Company were held to be worth 83 per cent. of the net results of the loan to be raised. At the date I am now writing, the Bolivian bond, which represents the national credit of Bolivia and the prospective earnings of the Navigation Company, as well as those of the projected Madeira and Mamoré Railway Company, is selling for £18 cash for each £100 bond. Even had the Navigation Company's shares been offered for subscription, it was scarcely to be expected that sane capitalists were likely to subscribe to them after the Loan Contract had made them valueless except for labour, which, with more than the faith of a Columbus, reposed its hope of brilliant reward in a distant future.

Steps were taken, even in advance of negotiating the loan, to build and transport two steamers to the Bolivian rivers; each steamer was contracted to be 125 feet long, and was to be taken past the Falls of the Madeira in pieces—a most difficult task.

The Navigation Company entrusted me with full powers, and in June, 1870, I arrived in England. The news that greeted the steamer as it touched the dock at Liverpool was that, on that day, France had declared war against Prussia. This threw the financial world into consternation. It was clear that all operations of the nature entrusted to me were to be suspended. Pending the war, the time was occupied in instructing the commercial world, through the newspapers and magazines, relative to the value of our enterprise, the immense national wealth of Bolivia, and its great want of internal and external communications. An article of mine on this subject, in the November, 1870, number of the "Fortnightly Review," of London, was received with much consideration, and copied, translated and published, in other countries, creating a marked impression in favour of Bolivia.



In the meantime, I was surprised to discover that an unexpected and almost worse obstacle than the war barred the offering of a Bolivian loan for subscription in London. Bolivia was suffering, as it were, from diplomatic ostracism upon the books of the British Foreign Office, and the two countries had not had diplomatic, and scarcely consular, relations with each other since October, 1853, on account of the bad treatment of the British *chargé d'affaires*, Colonel Lloyd, by the administration of President Belzu. The difficulty had to be met and diplomatic relations restored, or the loan scheme abandoned. I immediately wrote to Señor Muñoz and requested him to accredit a *chargé d'affaires* to the Court of St. James; and asked, as a special favour, that it might be Señor Don Juan Francisco Velarde, then the chief clerk of the Bolivian Foreign Office. The response of Señor Muñoz was prompt and cordial, and Señor Velarde arrived in London soon after. He was well received by Lord Granville at an interview, at which I had the honour to be present, and Bolivia once more found its representative an honoured member of the Diplomatic Corps at the Court of St. James.

On my arrival in England, I found that Mr. Brassey was so ill that his life was despaired of. He died in December, 1870. The loss to our enterprise was a severe one; for his vast wealth and power as a contractor were assurances that our work, once in his hands, would have met with no delay. His death necessitated the repetition of much preliminary labor, for it was no easy thing to convince the financial world of the wealth and resources of Bolivia, and scarcely of her existence as a nation. There were no formally written works in any European tongue to support my solitary statements regarding the country, and the few geographical articles published were the sole corroborations of the data I laid before the public. I say it advisedly that Bolivia was far less known in Europe in 1870 than any country on the globe having a regular form of Government, and even the British Museum contained little relative to Bolivia worth consulting, which has been written since the time of the Peruvian and Buenos Ayres Viceroyalties. Previous loan operations had been undertaken in Europe for Bolivia. General Santa-Cruz had in 1849-50 made efforts to negotiate one of £1,000,000 sterling, but without success. Feeble abortive loan attempts, damaging to the national credit, had also been made in sequence to that of Santa-Cruz. The obstacles which presented themselves in 1870 appeared to be hydra-headed; for no sooner were diplomatic relations restored than I learned of a Bolivian loan fiasco of 1864, which, as an utter and ruinous blow to the credit of Bolivia, could not have been more

disastrous. This was the Avelino Aramayo scheme; and comprised loans, railways, guano deposits, and mines; a scheme which, in 1864, was planned to turn over to Messrs. Peto, Betts and others the whole of Bolivia, animal, mineral, and vegetable—financial and almost spiritual—exclusive rights of internal communications and river navigation—Bolivia inside and out—Bolivia present and future—Bolivia down to the very base of the Andes. The great networks of railways were to cost £21,000 sterling per mile, with a 7 per cent. guarantee of the Government based upon the guano deposits, which also were placed, by contract of the same date, in the same hands for the paltry sum of £1 sterling per ton of guano embarked, it being notable that the same Guano has had ready sale by auction at £3 sterling per ton on the ground. The loan contract pledged, by special hypothecation, every available revenue, customs and internal, that Bolivia possessed; and on this the very powerful “London and County Bank” offered the loan for subscription in March, 1864. The well-known resultant failure was followed by another abortive loan contract, made by Mr. Aramayo with Mr. Louis Merton, for £2,000,000, at 8 per cent. per annum, the loan to be taken firm at 70, with very onerous conditions of amortization. This Mr. Aramayo found preferable to an offer of a 7 per cent. loan firm at 64, which the “Crédit Mobilier” of London offered to negotiate for him.

I have found it requisite to mention these facts that I may place in a clear light the condition of Bolivian credit in Europe when, as special agent of the Government, I found myself face to face with the obloquy and distrust which the ill-advised and worse-conducted operations of Mr. Aramayo had created in the European market. Mr. Brassey and Mr. Wythes appeared to be the only capitalists who would look at our project, and the former having died, the latter became indisposed to take up the affair alone. Banker after banker, from the highest to the lowest, flaunted the Aramayo contracts in our faces whenever we approached them. Despairing of London, we tried Paris, Brussels, Amsterdam, but without success. Everybody asked—“What part of the loan will London take?”

The loan and navigation plan was finally laid before Messrs. Erlanger and Co., of London and Paris, who, in connection with Mr. Julius Beer, very carefully studied the entire subject. Finally, convinced of its intrinsic merits as a sound commercial enterprise, the terms were arranged upon which they would issue the loan for public subscription. Pending the discussion and arrangement of the terms,

came the news from Bolivia heralded to the public in "The Times" of London, March 16, 1871, in the following terms :—

"The La Paz Indians are committing horrible barbarities. They have captured Minister Muñoz and buried him alive. The Government is powerless to suppress the insurgents under Morales. Ex-President Melgarejo has fled."

Little matter that the account of the massacre of the Minister of Foreign Affairs was not afterwards confirmed. The financial world is an element more sensitive than a well-poised magnetic needle, and even truer to its pole. The firm of Messrs Erlanger and Co. were on the point of throwing up the whole affair, but ultimately continued it, provided I would again proceed to Bolivia and get the new Government of President Morales to confirm the loan contract which we had drawn up to conform to the original one of the 22nd of December, 1869. This I assented to. A series of contracts with Messrs. Emile Erlanger and Co. and the Public Works Construction Company were signed on the 18th of May, 1871. The first was for the issue of the loan, and signed by me in my capacity as special agent of Bolivia. The second was for the disposal of the proceeds of the loan. The third was a deed of security from the Navigation Company appointing trustees. The fourth was a contract for works between the Navigation and Railway Companies and the Public Works Construction Company for the construction of the Madeira and Mamoré Railway.

The Directors of the Public Works Company were George Wythes, Charles Buchanan Kerr, Baron Emile von Erlanger, Julius Beer, James Atkinson Longridge, and Philip Rose. These gentlemen were shareholders in the company to the extent of over seven-tenths of its entire capital. The first-named gentleman, Mr. Wythes, was the chairman.

The Company, according to public report, had been organized to occupy the place of the great contractor Mr. Brassey in the contracting world, and the fact that the scarcely less known Mr. Wythes, a partner of Mr. Brassey, was at the head of the company gave countenance to this rumour. Messrs. Erlanger and Co. stipulated, as a condition of issuing the loan, that the Public Works Construction Company should build the Railway, and we gave ready assent in view of the array of wealthy and highly respectable gentlemen who sat around its board as Directors. The fact that the contract company had £200,000 of subscribed capital appeared also a safeguard to us. It was organized March



18th, 1871. Previously to its formation, Mr. Wythes had caused two engineering reports to be made upon the Madeira and Mamoré Railway by Mr. Kierzkowski, to whom all available information was freely extended. In the contract which we afterwards signed with the Public Works Company, it was stipulated by them that they should send Leathom Earle Ross, C.E., "as their engineer, to verify the said data, and generally to report upon the said intended railway and works." It was thought best that Mr. Ross should accompany me to Sucre, and, upon confirmation of the subsidiary loan contract of May 18th, 1871, by the Bolivian Government, we might together descend the Mamoré and Madeira rivers; I also desiring to personally examine the country traversed by the rapids of the Madeira, not having had the opportunity to visit it previously. The route of Mr. Ross and myself was viâ New York, for which port we sailed two days after the signing of the above contracts. In New York, at this time, our Navigation Company purchased the light draft schooner "Silver Spray." She was to load the pieces of the steamer "Mamoré," then nearly ready for shipment, and with workmen and mechanical engineers sail for San Antonio, the lower rapid of the river Madeira. There she was to await the arrival of an expedition to be organised in Bolivia to descend the rapids in canoes, transport the freight to Bolivia, put the pieces together and set the steamer afloat upon the Mamoré river.

Pending the loan negotiations in London, we had caused an exploring craft to be constructed about forty feet long, a steam-launch exceptionally well built of the very toughest "Low Moor" iron, with a view of testing, by actual experiment, how large a craft could be taken past the 230 miles of falls and rapids of the Madeira without transporting her in pieces. We intended, in case of success, to employ the launch in exploring the rivers of Bolivia, and afterwards for towing purposes.

The Madeira and Mamoré Railway Company, Limited, was incorporated March 1st, 1871, and all forms of law relative to its organization and administration have been duly and carefully complied with.

Its Board of Directors is as follows:—C. Guy Pym, D. Parrish, Edward Haslewood, Morton C. Fisher, George Earl Church.

George Earl Church, Chairman; Morton C. Fisher, Vice-Chairman; Walter W. Wynne, Solicitor; George Hopkins, C.E., Chief Engineer; Walter D. Coggeshall, Secretary.

The share capital of the Company practically remains intact, never having been issued. It is the property of the National Bolivian Navigation Company.

On the 15th of June, Mr. Ross and myself sailed for Bolivia via Panama and Peru. We reached Sucre, the southern capital, on the 30th July, 1871. The subsidiary loan contract was at once presented to the Government. On the 11th of August it was submitted to Congress for approval. It was referred to a joint committee, consisting of the Commissioners of Finance and Industry, having as President Señor Don Avelino Aramayo (already mentioned in referring to the Peto-Betts contracts), afterwards Bolivian Finance Commissioner in London. This commission entered very thoroughly into the entire subject of the navigation enterprise and the loan contract. The concessions having been granted, and contract made under the administration of General Melgarejo, was enough almost to include the whole matter in the sweeping Congressional denunciation which took place of every act of the Melgarejo Government, then so recently overturned. Reason, however, overcame the hot, political passion of the hour. The joint commission of thirteen members made a unanimous report in favour of the enterprise, and confirmed the loan contract with Messrs. Erlanger & Co., as being in accordance with the loan contract between the Government and the Navigation Company made in December, 1869.

There was difficulty in making the contract the "order of the day" in Congress. There was a small but powerful opposition apparently determined to defeat the enterprise. It proved to be entirely from the province of La Paz, always potent in the affairs of Bolivia. This opposition was supported by the Pacific Coast interest of Chili and Perú, fearful of losing its monopoly of the forced commerce of Bolivia via the Pacific Coast and its consequent political control. There were, however, three Deputies from La Paz—Señor Dr. Don Felix Reyes Ortiz, Señor Don Pablo R. Machicado, and Señor Don Eleodoro Camacho, who, when Congressional action came, merged the province into the nation, and voted for Bolivia. On the 24th of August, 1871, Congress confirmed the contract by 44 votes against 8. One of the most marked and determined speeches in our favour was made by Señor Don Avelino Aramayo. It is notable that the Deputy from Cobija, the Pacific Coast port, uninfluenced by narrow local ideas, gave his voice and vote for general national progress.

I found his Excellency Colonel Leopold Markbreit holding the position of Minister Resident of the United States in Bolivia. He rendered the most cordial, intelligent, and active service to us. It is also just to recall the services and rare talents of Señor Dr. Don Juan



Francisco Velarde at that time. On his return from his mission as *Chargé d'Affaires* at the Court of St. James, he became our agent. From that date to the present, his full appreciation of the requirements of every difficulty, his earnest zeal and tireless activity, have often challenged the admiration of our Company.

The Executive approved and ratified the loan contract on the 28th of August, 1871. By its terms the Government had the right to draw £10,000 on the amount taken "firm" by Messrs. Erlanger & Co. £5,000 of it was drawn in my favour for the immediate requirements of the Navigation Company's agency in Bolivia, to fit out the expedition to take the steamers "Explorador" and "Mamoré" past the falls of the Madeira. This £5,000 was afterwards paid back by me to the Government on their drafts; the last of it, £3,334, was paid to the late President Señor Don Adolfo Ballivian, on March 3, 1873, on the eve of his leaving London to assume the Presidency. The approval of the account, and the receipt for the final £3,334, bear his signature, which is witnessed by the Bolivian Minister, General Campero, and by Señor Don F. Avelino Aramayo. I am particular on this point, as statements have been permitted in the Congress of 1875 that the above amounts were never repaid by me. Señor Velarde, the *Chargé d'Affaires* in England, having been recalled, upon the fall of President Melgarejo, it became necessary to accredit a new diplomatic representative to the Court of St. James. Consequently General Narciso Campero was named Minister Plenipotentiary and Envoy Extraordinary, with instructions to proceed viâ the Pacific Coast and meet me in London at the beginning of December, 1871, to render such aid as might be required in the issuing of the loan.

On the 31st of August, 1871, the completed documents were handed to me at Sucre. At mid-day of the same day, Mr. Ross, Señor Velarde, and myself, accompanied by the United States Minister, mounted our mules and started northward for Cochabamba, a city the importance of which it became desirable to study in connection with the Navigation enterprise. Cochabamba received us warmly; for there is not a single inhabitant of that city but appreciates the great destiny that awaits it once the river system of Bolivia is made available for steamboat traffic.

The 10th of September found our party *en route* for Santa Cruz de la Sierra, which town we reached on the 19th of the same month. All the towns we passed through were enthusiastic for the opening of river navigation, and Santa Cruz de la Sierra, from the small canoe trade

existing between it and the Amazon river, had been able to make comparisons in cost over the laborious and expensive commercial route of the Andes, utterly condemnatory of the latter. It will not take long to make Santa Cruz a city of fifty thousand inhabitants, once it has easy communication with the Atlantic by the rivers Grande and Mamoré.

Taking leave of our kind friends of Santa Cruz, and of Colonel Markbreit, whose company we had enjoyed from Sucre to this point, Mr. Ross, Señor Valarde, and myself, started in the evening of September 27th for the little port of Cuatro Ojos, on the Piray branch of the Mamoré river. Having taken the necessary steps at Santa Cruz, we embarked on the 30th of September at Cuatro Ojos with 52 men, 37 of whom were Indian rowers from the Beni. We reached Trinidad, the capital of the Beni department, on the 6th of October. There we completed the fit-out of the expedition for the passage of the falls of the Madeira, and its return with the steamers "Explorador" and "Mamoré." October 11th we left Trinidad for Exaltacion and San Antonio, the lower rapid of the river Madeira, with four craft and a total of 83 persons. A short stay at Exaltacion, and on we paddled. On the 31st of October, we shot the last rapid of the Madeira, and rested on the left bank. Every man of our expedition was in better health and condition than when we started from Trinidad. During our journey down stream, and at the rapids, we had but one man ill, for half a day only, and three pills made him all right by the following morning.

At San Antonio we found an American on the left bank of the river, Silas S. Totten by name. He said that he had "been there two months awaiting our arrival." He had built two thatched houses, made a clearing, and planted some vegetables. He had found the land exceedingly fertile. His maize, five weeks old, was six feet high, and he gave us good beans for dinner grown since his arrival. He had 700 large turtles which he had taken on a sand beach the day before and safely deposited in a "corral." He said that on reaching there from Bolivia with 28 Indian workmen, one man hunting and fishing kept the party well supplied with game and fish.

On the 1st of November we selected a site for the railway terminus, and, in two hours, had half an acre of land cleared of its undergrowth.

Near San Antonio was a Brazilian out-post, having a few soldiers under command of Captain Francisco R. E. Guardos. The captain joined us with some of his men, and with the party of Major Totten

from the opposite bank and our party, we perhaps numbered 150 altogether. We then went through a rude ceremony of turning the first sod of the railway.

I left Mr. Totten as agent at San Antonio, to build houses for us on both sides of the river, clear lands, and in general to represent us there preparatory to the formal commencing of the work of constructing the railway. This agency he accepted, and the men who were to take the "Explorador" to Bolivia were left under his charge to perform the labor mentioned. The same afternoon, as we were about to proceed down stream in a canoe, we caught sight of our little "Explorador" steaming up the river. We boarded her and learned that the schooner "Silver Spray" with her freight was at Serpa, at the mouth of the river Madeira; but, owing to the death of her captain and some of her officers, could not continue her voyage to San Antonio. We proceeded to Serpa in the "Explorador," reaching there on the 10th of November. There we took leave of Señor Velarde, to whom instructions were given to return to San Antonio with the "Explorador," and with the expeditionary force left there, take the steamer past the falls to Bolivia. From the "Silver Spray" the "Explorador" was fitted out with whatever was considered needful to assure the success of the arduous work entrusted to Señor Velarde. Before the "Silver Spray" could continue her voyage, it was necessary to send to New York for new officers. In anticipation of another expedition which Señor Velarde was to organize in Bolivia to return for the pieces of the "Mamoré," he was instructed to make a good road around each fall as he ascended the river.

Mr. Ross and myself reached London viâ Pará on the 14th of December, 1871. His Excellency Señor Campero had not yet arrived.

Immediately on our arrival in London, Mr. Ross prepared his report and estimated the cost of the road at £437,989. A final contract was signed with the Public Works Construction Company. As a guarantee against all contingencies, the construction company stipulated an addition of £162,011, making the total price £600,000, upon which they demanded and received an advance of £50,000. It was well understood that the length of the projected railway was uncertain, and the contract was framed to cover this, and any greater length would have been paid for as extra work.

A few days previous to the issue of the loan, the Peto-Betts contracts again cropped to the surface, and threatened once more to ruin all hope of establishing Bolivian credit in Europe. They were only held in

abeyance by my entering into an engagement to personally present them to the consideration of the Government, and endeavour to effect a settlement of them.

#### ISSUE OF THE LOAN.

The preparatory steps having been completed, the Loan was successfully issued for public subscription on the 20th January, 1872, in accordance with the following prospectus:—

#### REPUBLIC OF BOLIVIA.

SIX PER CENT. GOVERNMENT LOAN OF £1,700,000 NOMINAL CAPITAL,  
IN BONDS OF £100 AND £500.

Authorised by Act of Congress, and approved by the President of the Republic, August 28, 1871, redeemable at par, by means of an accumulative sinking fund, of 2 per cent. per annum.

Principal and interest payable in London, free from Bolivian Taxation.

Messrs. Lumb, Wanklyn and Co., 10, Angel Court, Throgmorton Street, are duly authorised to receive subscriptions for the above loan at the price of 68 per cent., payable as follows:—

5 per cent. on application.

10 „ on allotment,

10 „ on the 23rd February,

10 „ on the 22nd March.

11 „ on the 23rd May.

11 „ on the 24th June, less half-year's coupon,  
deducting income tax.

11 „ on the 23rd July.

—  
£68

Interest will date from the 1st of January, 1872. The instalments may be anticipated every Tuesday, under discount at the rate of 5 per cent. per annum. Reckoning accrued interest and rebate for prepayment, the price is reduced to  $66\frac{7}{8}$  per cent.

The bonds will be for £100 and £500 each, bearing interest at the rate of 6 per cent. per annum, represented by coupons attached, payable half-yearly on the 1st July and 1st January, at the counting house of Messrs. Lumb, Wanklyn and Co., until redeemed at par.

An accumulative sinking fund of 2 per cent. on the entire nominal amount will be applied by yearly drawings by lot on the 1st October, so as to redeem the whole loan in 25 years. The first drawing will take



place on 1st October, 1873. The bonds drawn will be payable on the 1st January next succeeding each drawing.

The bonds will be signed by the special agent appointed by the Congress of Bolivia, and the diplomatic representative of Bolivia accredited to Great Britain, General Narciso Campero, is commissioned to countersign them.

The general bond will be deposited in the Bank of England, and will include an engagement on the part of the Government that no Bolivian tax shall be levied on the bonds or their holders under any circumstances whatever.

The principal object of the loan is to subsidise the National Bolivian Navigation Company, formed under concession from Bolivia for the purpose of opening communication between the Republic and the Atlantic Ocean. Its natural outlet via the River Amazon will thereby be secured to Bolivia, a country containing upwards of 2,500,000 inhabitants, of great fertility and vast mineral wealth, but hitherto, by its geographical position, practically shut out from the world's commerce.

In view of the international importance of the operations of that Company, the Congress of the United States of America has granted to it a charter, and its Board is composed of gentlemen of the highest standing in the United States.

The new route will be established by means of steamers, and a railway about 150 miles in length around the rapids of the River Madeira, for which the Imperial Brazilian Government has granted a concession for 50 years to the Madeira and Mamoré Railway Company, of which the Navigation Company is practically the exclusive proprietor.

The Public Works Construction Company (Limited), who have had the line examined, have entered into a contract for the construction of the railway, and the same is to be completed and equipped within two years.

It is calculated that the effect of the new route will be to reduce the distance of the trade centres of Bolivia from Europe and the United States from about 180 days to about 30 days, and the cost of freight from an average of £55 per ton to about £15.

The loan is guaranteed by the general revenues of the Republic and by a first charge on the entire custom dues collected on imports into Bolivia via the Amazon River. The Government engages to make arrangements for the receipt and remittance of the custom dues to the satisfaction of the Bondholders, and not to reduce these custom dues in any manner which may impair their security. As a further security

for the loan, the National Bolivian Navigation Company has executed a Deed granting to Trustees for the Bondholders a first charge over its net revenue from every source, and containing full powers for the inspection of books and accounts, and in case of profits being withheld, for entering at once as receivers into possession of all property and assets.

The Madeira and Mamoré Railway Company has joined in a similar Deed, hypothecating its net profits to the same Trustees for the same purposes.

Mr. J. Horatio Lloyd, and Mr. J. Bradshaw Wanklyn (Lumb, Wanklyn and Co.), will act as Trustees for the Bondholders to exercise, if ever required, these powers for the protection of the Bondholders. They will retain out of the proceeds of the loan, as received, a sum equal to the contract price of the railway, and temporarily invest and apply the same from time to time in payment for the works as they proceed. They will also retain and temporarily invest the amount of one drawing of the loan and three interest coupons, so as to cover the period fixed for completion of the railway and works.

The Government reserves the right to issue hereafter an additional amount, not exceeding £300,000 nominal, in bonds similar to the present issue, with the same guarantees.

The accompanying statement of the Government Special Agent calculates the custom dues at a minimum of £263,200, and the net income from the navigation and railway at £93,000, giving a total of £356,200. The amount required for interest and sinking fund on the present loan is £136,000.

If no allotment is made the deposit will be returned in full, and in cases where a smaller allotment than the application is made, the surplus will be applied towards the first instalment.

In default of payment of the sum due on allotment or any of the subsequent instalments, the allotment and all payments made will be subject to forfeiture.

Upon payment of the deposit on allotment, scrip certificates to bearer will be issued which will be exchanged for definitive bonds as soon as ready after the issue price is paid up.

Copies of the official documents and contracts may be inspected by any intending subscribers, at the offices of Messrs. Baxter, Rose, Norton and Co., 6, Victoria Street, Westminster.

Application must be made on the accompanying form, and forwarded, together with a deposit of 5 per cent. on the sum applied for, to Messrs.

Lumb, Wanklyn and Co., No. 10, Angel Court, or Messrs. Barnett, Hoares and Co., No. 61, Lombard Street, where prospectuses and forms of application may be obtained

January 18th, 1872.

## REPUBLIC OF BOLIVIA.

MEMORANDUM FURNISHED BY THE GOVERNMENT COMMISSIONER.

*Population.*—The population of Bolivia in 1825, the date of Independence, was officially estimated at 978,926. The Government census of 1854 gave it at 1,566,126 of white and mixed races. The approximate total present population is 2,750,000. About one million of these are descendants of the Spaniards, and nearly the entire of the remainder belongs to the Inca races, beyond question the most industrious section of all the indigenous races of the Western Continent.

*Geographical Position.*—Bolivia, formerly Alto Perú, has been, since her independence, almost completely closed to foreign commerce. By extraordinary efforts she forces a mule-back trade with the Pacific Coast. Every ton of exports or imports in its transit of the Andes reaches an elevation higher than Mont Blanc. The treaty entered into between the Bolivian and the Imperial Brazilian Governments in 1868, secures to Bolivia her natural outlet, and makes available her 3,000 miles of navigable rivers penetrating her commercial centres, and all concentrating at the Rapids of the River Madeira, the principal affluent of the River Amazon, in Brazilian territory. These rapids lie between the Atlantic and 400,000 square miles of well populated country, famed for vast agricultural, pastoral and mineral wealth, and offering an unrivalled field to the emigrant.

*Present Trade.*—The internal commerce of Bolivia is approximately £15,000,000 per annum. The foreign commerce is as follows:—

<i>Imports.</i>				
From England	...	...	...	£528,000
„ France	...	...	...	264,000
„ Germany	...	...	...	224,000
„ The United States	...	...	...	72,000
„ Argentine Republic	...	...	...	64,000
„ Peru	...	...	...	80,000
„ Brazil	...	...	...	56,000
Total Imports				£1,288,000
<i>Exports.</i>				
Peruvian Bark...	...	...	...	£160,000
Copper	...	...	...	128,000
Tin	...	...	...	40,000

Silver	...	...	...	...	720,000
Gold	...	..	...	...	80,000
Cocoa	...	...	...	...	128,000
Coffee	...	...	...	...	8,000
Vicuna and Alpacca Wool	...		...	...	60,000

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£1,324,000

All this trade is done by packmules, llamas, and asses. The average cost of transport from Europe, viâ Cape Horn and the Andes, to the centres of commerce in Bolivia is £55 per ton with a loss of from five to twelve months' time. The list of exports shows that none but products of great value, and lying near the Pacific Coast, can afford this enormous cost of reaching a market.

*Prospects of Trade.*—With the improvements for the opening of direct and easy communication to which the present loan is to be applied, the freights to and from the trade centres and Europe will be reduced to about £15 in money and to about 30 days in time, and the country placed commercially as near to Europe as is the Argentine Republic. The chief products, which will then be within easy reach of the Atlantic Ocean, are:—Peruvian bark, hides, horns, tallow, india-rubber, tobacco, vanilla, sarsaparilla, saffron, balsams, rhubarb, gentian, jalap, aloes, valerian, ipecacuanha, indigo, gums, cabinet woods, sugar, coffee (the richest in the world), cocoa, alpaca, llama and sheep's wool, cotton, furs, besides an inexhaustible supply of gold, silver, copper, tin, and other ores.

In former times the mines of Bolivia gave to Spain the registered sum of over four hundred millions of pounds sterling. They promise no less remarkable results when steam machinery can be imported, this being impossible by the existing means of transport. The only piece of modern machinery Bolivia has been able to import up to this date, is a little steam engine placed last year in the Mint of Potosi.

*Statistics.*—The average imports of all the Spanish American States are very approximately £2 per head; Bolivia, by her present inaccessible route, can only import 10s. per inhabitant. The only Spanish American country to which Bolivia can be properly compared is the Argentine Republic. It is to the Amazon Valley what the latter is to La Plata Valley; her internal wealth is undoubtedly greater, whilst her population exceeds by one-third that of the Argentine Republic. With the natural outlet which the present loan will secure, it is therefore unquestionable that at no distant date the trade of Bolivia will equal that of the Argentine Republic, which is now £11 13s. per head



of population. At this rate, the commerce of Bolivia would exceed £32,000,000 per annum. The adjacent Brazilian portion of the Amazon Valley has at present a commerce of £3 10s. per head, and even at this rate Bolivia, when made accessible, would show a trade of nearly £10,000,000 sterling.

*Hypothecations for the Loan.*—A careful statement, based on the minimum trade which is certain to accrue to the new route after its opening, shows that the securities specially hypothecated for the present Loan, will exceed £356,200, of which £263,200 will be derived from custom dues and £93,000 from transport. The amount required annually for the service of the Loan is £136,000.

*Budget.*—The annual expenditure of the country has varied but little during its independence, and a revenue of about equal amount has been regularly raised. The income of 1871 is estimated at \$2,318,338 gold, against an expenditure of \$2,153,457. The internal debt, according to the report of the Finance Minister in 1870, amounted to £348,994. The only external debt is a small Loan of £200,000 in 8 per Cent. Bonds, held in Chili at above par.

*Finances.*—The Government is making every effort to add to the prosperity of the country. Important public works in the interior are being actively prosecuted and others contracted for. No less than fourteen applications have been lately sent in for the railway from Mejillones to Caracoles, whilst cart-roads are already under construction to connect the different cities with the rivers in anticipation of the opening of the Amazon route. The enormous products of the newly discovered mines of Caracoles, together with the yield of the famed mines of Potosi, are estimated to produce this year silver exceeding in value £2,000,000, and the royalties thereon will materially add to the revenues of the country. The guano deposits of Mejillones, which belong jointly to Chili and Bolivia, assume also considerable importance, the last auction sale in 1871 having been 400,000 tons. It is by these new sources of revenue that Bolivia will hereafter be enabled to carry out its intention to convert advantageously the home and external debt, and to obtain funds to aid useful home enterprise. At the present moment the political and financial condition of Bolivia are highly satisfactory, and with the opening of the Amazon route, the prospects of the country are in every respect excellent.

In conclusion, it should not be overlooked that the present Loan is raised for an important international object, the realization of which is certain to be of the greatest advantage to the commercial world.

The results of the Loan were as follows :—

(Signed) **BROOM, SON & HAYS.**

# BOLIVIAN LOAN.

## Appropriation of Proceeds.

Net proceeds for appropriation	...	...	£853,286	12	6
GOVERNMENT OF BOLIVIA :					
17 percent of £853,286, 12s. 6d.					
as under, paid to Erlanger & Co. to credit of Government account	...	...	£10,000	0	0
Invested in \$644,850	5-20				
Bonds	...	...	134,943	2	5
Invested in	...	5-20			
Bonds	...	...	115	12	0
			£145,058	14	5
TRUSTEES OF INVESTMENT FOR CONTRACT OF WORKS :—					
71 percent. of £853,286, 12s. 6d.	605,833	10	1		
Less surplus over £600,000 paid to National Bolivian Co.	5,833	10	1		
			600,000	0	0
NATIONAL BOLIVIAN NAVIGATION COMPANY :—					
12 percent. of £853,286, 12s. 6d.	102,394	8	0		
Surplus over £600,000 on Railway Trust paid to Navigation Company	...	...	5,833	10	1
			108,227	18	1
			£853,286	12	6

Examined with the Accounts furnished by Trustees, and found to be in accordance therewith.

London, 3rd June, 1875.

(Signed) BROOM, SON & HAYS.

Our Company immediately took steps to prepare for the transportation of the railway material. We contracted with the "Earle Shipbuilding Company" for the construction of a very powerful iron paddle-wheel steamer suited for freighting, tugging, and passenger purposes on the Amazon and Madeira rivers, and for ten iron, schooner-rigged barges of 250 tons each. These barges we proposed, upon the completion of the railway, to cut in pieces and place upon the Bolivian rivers. We also contracted with Humphreys & Co. for the building of a powerful iron propeller tug. These craft were all to be finished with great speed and despatched to the Amazon.

Orders were also sent to our agent in Bolivia to cause a dozen or more wooden launches to be built upon the River Mamoré, such as might serve for the transportation of men and provisions from the Bolivian waters to the site of the projected railway.

A corps of engineers and contractors' staff, some 25 in number, was organized by the Public Works Company, and sent to San Antonio under Leathom Earle Ross, C.E. We also despatched to the Madeira river a Resident Engineer, Edward D. Mathews, C.E., with a small staff.

Our Navigation Company contracted to take the contractors' plant and staff to San Antonio; and, for this purpose, chartered a steamship at Liverpool. We had already sent a river steamer to the Amazon to run between Pará and San Antonio, that we might render the contractors every assistance in our power in the successful prosecution of their contract. The entire engineering and contractors' staff reached San Antonio on the 6th of July, 1872.

It had been represented by me to the Construction Company that labour could be obtained in Bolivia for the building of the road, and Mr. Ross confirmed this upon his return from his examination of the rapids. Moreover, in Article 5 of the Bolivian Concession to our Navigation Company, the Bolivian Government agreed to furnish the labour necessary for the enterprise, the Company paying the regular rates ruling in the country.

Upon the despatch of the contractors' staff, it had been agreed that Ross should proceed to Bolivia and meet me there, I going *viâ* New York, Panama and Perú. I reached La Paz on the 26th July, 1872. At Lima, while *en route*, I met the Bolivian Minister of Finance, Señor D. Pedro Garcia, who was there negotiating a £2,000,000 loan with the agent of the "Bank of London, Mexico and South America." Of this more hereafter. Señor Garcia had orders to instruct me to transfer



to Lima the Government 17 per cent. of the loan existing in London, and place the amount to the order of the Bolivian Government. This I declined to do, as it could only be disposed of by Act of Congress, in accordance with the law confirming the issue of the loan.

At La Paz, a report of all the operations of the Company was made by me to the Government under date of August 1st, 1872. It gave a *resumé* of everything that had been done from the inception of the enterprise to date. At the same time, a balance-sheet, giving a full financial statement of the subscriptions to the loan and application of the proceeds, was handed by me personally to the Minister of Finance. I remained at La Paz four months, anxiously awaiting the arrival of Mr. Ross or some other agent of the Public Works Construction Company in Bolivia to engage labour, that my services and knowledge of the country might be made available to forward the interests of the contractors. In the meantime, Señor Velarde had succeeded in placing the little steamer "Explorador" upon the River Mamoré, with the expedition which, it will be remembered, was organized for the purpose when we descended the rivers in 1871. The work performed by Señor Velarde was a "labour of Hercules." It was no light task to ascend the 240 miles of falls and rapids of the Madeira with an iron steam-launch 40 feet long. It was dragged overland for about five miles. The strain upon the machinery, in the ascent of some of the rapids, was so great that when the little craft was launched upon the waters of the Mamoré, her engine was so racked and broken that she could not steam more than five miles an hour, although, in her trial trip on the Thames, she readily steamed ten miles per hour. She now lies housed at the Company's estate of El Cerrito, near Exaltacion, on the Mamoré. Her hull is still solid, despite the rude knocks it received among the falls of the Madeira; and, with a new engine and propeller, the "Explorador" may yet serve all the purposes for which she was built. Her passage of the falls showed that she was the largest craft that could, with any reasonable hope of success, be transported whole to the Bolivian affluents of the Amazon. The exploit was one which, in many respects, ranks with those performed by the Spaniards in their expeditions through the wilds of South America during the 16th century.

Completely tired of waiting longer than four months at La Paz for the slow movements of the Public Works Company, and hearing that some difficulty had arisen in Brazil relative to our Company carrying freight upon the Amazon and Madeira rivers under the British flag, I proceeded to Rio de Janeiro viâ the Straits of Magellan and arranged

the difficulty, also inducing the Government to instruct its officials upon the Amazon to lend every possible aid to the Public Works Company in their operations in Brazil.

On my return from Brazil to England, I found that almost nothing had been done by the Public Works Company towards the carrying out of their contract, except the making of an immense quantity of plans duly lithographed. A year from the date of their contract they had only made  $3\frac{1}{2}$  miles of survey of the line of railway. They had shipped and received pay for  $16\frac{1}{2}$  miles of materials, amounting, with freight, to £33,469.

After great delay, they sent to Bolivia Mr. Drew, C.E., who reached Cochabamba in April, 1873. This was the first appearance of a Public Works Construction Company Agent in the country, and it is notable that it was fourteen months from the date of their contract. Mr. Drew made sundry very loose contracts at Cochabamba for the supply of labour, especially one with Señor Moreno. It appears that the precaution was not taken to specify the class of men, nor yet to cause a medical examination of them. The result was that many weak, sickly, and worthless men were engaged; but, in the midst of this, and after only about 150 had been sent to the site of the railway, Mr. Drew received instructions from his Company to discontinue his work and retire from Bolivia. The contracts entered into for labour, and those with the workmen themselves, were in great part broken.

On the 5th of November, 1872, the Public Works Construction Company had from 200 to 300 workmen offered to them from Jamaica by a very responsible London firm. On the 20th of November, 1872, this firm offered the delivery of an equal number at Pará for £18 per head, all expenses included, the men to receive \$1 per day wages and £6 bounty on engagement. On the 23rd of May, 1873, this same firm made a claim of £279 on "400 labourers collected and tendered" to the Public Works Company, which were refused.

The Bolivian Government at that period appeared unfortunately to appreciate the labour problem as little as did the Public Works Construction Company; for, when applied to by Señor Moreno to assist him in the contract he had made with Mr. Drew to supply workmen, it responded in a Decree of July 4th, 1873, declaring that "all the vagrants so called of the Republic are placed at the disposal of the agent of D. Antonio Moreno or his representatives in Cochabamba." Only by a further Decree, of the same date, did the Government refuse to empty the prisons upon the Madeira and Mamoré Railway, because it was declared

to be "unconstitutional to send all the condemned prisoners, without exception, to the regions of the Mamoré." It was, no doubt, the intention of the Government to assist the work in this manner ; but vagrants and prisoners could only build a railway under a Dahomey system of utter despotism.

A general Decree of equal date, calling on the Prefects of Cochabamba, Santa Cruz and the Beni, to render efficacious aid to those who were collecting labourers for the Madeira and Mamoré Railway was, on its face, more to the point ; but events transpiring secretly in Bolivia and London brought the great work to a stand-still, and opened a legal struggle of no ordinary magnitude and importance.

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## PART II.

THE ACTION OF THE BOLIVIAN GOVERNMENT UPON THE REPUDIATION OF THE WORKS CONTRACT BY THE PUBLIC WORKS CONSTRUCTION COMPANY, LIMITED—CORRESPONDENCE WITH THE BOLIVIAN COMMISSIONERS.

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Up to February, 1873, the entire work done on our road by the Public Works Company was  $3\frac{1}{2}$  miles of grossly incorrect survey, since proven to be nearly half a mile in error. Hearing that steps were contemplated in behalf of that Company to break up the enterprise, with the hope of escaping from the responsibilities of the contract, we felt it right to have a meeting of the bondholders called. It was held July 1, 1873. At this meeting it devolved upon me to expose and comment severely upon the dilatory and unbusinesslike conduct of the Public Works Company. The bondholders named a committee to investigate the subject. This committee called a second meeting of bondholders, which was held on the 30th July. During the month that had elapsed, they had carefully examined every point relating to the Bolivian loan. Their chairman, Mr. A. W. Ray, made a speech, afterwards published as a report by the committee. After detailing all the concessions and contracts, he proceeded to make the severest strictures upon the Public Works Company and its directors, of which the following is an extract:—

“Why, I would ask, did it take the Public Works Construction Company a year and a-half to find out that this line could not be built? I say, without fear of contradiction, before you now, gentlemen—and I speak my own opinions here; I will not compel one single member of the committee to endorse what I say, but I say as an honest man—that when gentlemen of the reputation of Messrs. Erlanger and Company, and Mr. Julius Beer, and Mr. Philip Rose, and Mr. George Wythes, form a company under the shadow and pretence of the Limited Liability Act, with a capital of £200,000, and only £30,000 paid up, if not to induce, practically allowing, gentlemen to subscribe for this loan, and then when they find that they will probably make a losing game, to turn round and throw dirt upon your property and injure it, I say that they



do not behave in the sense of strictly honourable commercial men of the city of London."

In continuation, he eulogised the writer of this memoir in strong terms, and endorsed to the fullest extent the importance of our enterprise. He stated that Mr. Wythes had refused to appear before the Committee under plea of having resigned as a director of the Public Works Company. "But when Mr. Philip Rose was asked the meaning of this, he said, 'he cannot retire; this is more like a private company, and we are all partners as it were, and he cannot retire.'"

The chairman also announced to the meeting that General Campero, the Bolivian Minister, had stated before the committee the "great and statesmanlike opinion" that "*the future of my country is bound up in the opening of this line for the traffic of the country.*" Mr. Ray also showed the absurdity of the statements of the Public Works Company, that the line could not be built. In fact, no one could doubt in listening to his speech that he spoke from his *honest* convictions. The "second Report of the Committee" in the following January, was a bold contrast to the above; the views and actions of the committee, the Public Works Company, and the Bolivian Government Commissioners had in the interval become *harmonized*; but of this hereafter.

At the first bondholders' meeting the following committee were named:—A. Blackburn, J. Coxhead, W. J. Harvey, W. T. Morrison and H. E. Omerod. To these were afterwards added Thomas Cave, M.P., and C. Lewis, M.P.

One of the above committee, Mr. Morrison, was manager of the London Bank of Mexico and South America, which had in hand a contract for the issue of the new Bolivian loan for £2,000,000, previously referred to, and which had been signed in Lima, July 5th, 1872. The interests of this loan made themselves felt in the subsequent operations for our destruction. Señor D. Adolfo Ballivian had been appointed Financial Agent of Bolivia to assist the bank in the negotiation of the loan; but, in view of the depreciation of the bonds of the loan of 1872, it became of impracticable realization. May of 1873 found Señor Ballivian occupying the Presidential chair of Bolivia. Previous to his departure to assume the Presidency, we explained to him our fears about the Public Works Company, and he gave us the most cordial assurances of aid. Soon after assuming the Presidency he wrote the following letter:—

[TRANSLATION.]

"La Paz, July 31.

"My esteemed Friend,—It is with pleasure I acknowledge the receipt

of your much-appreciated favour of the 16th of June last, and I render you very many thanks for your congratulations and very complimentary expressions.

“I have noticed with satisfaction the rise which took place in the Bolivian bonds in your market, and it is gratifying to me to inform you that the Government is determined to make every effort to maintain its credit and comply most punctually with the obligations which it has contracted.

“The Government, also, being desirous, for its part, that nothing shall remain undone, has given the necessary instructions and orders to extend to the enterprise under your care all possible means to push the work forward. At the same time I cannot help expressing to you the regret I experienced on learning, by intelligence which I have received from those districts, that the works do not progress as the country has a right to expect in view of the great and onerous sacrifice it has made in order that the enterprise may be carried to success.

“In view of the deep interest I have in the matter, I beg you will advise me frequently as to the condition and progress of the works.

“With many thanks for your courteous offers, I have the pleasure of reiterating myself your sincere friend and obedient servant.

“ (Signed)

A. BALLIVIAN.

“George Earl Church, Esq.,

“19, Great Winchester Street,

“London.”

Just before writing the above letter, it appears that President Ballivian had entertained different views from those which so kindly assured us of his friendship and support; for he called an “Extraordinary Session of Congress” at La Paz, to commence the 1st of May, 1873, and last twenty-five days. At this Congress, *in secret session*, President Ballivian denounced the navigation scheme which the Decrees of his own father, the great President Ballivian, had left as an honourable inheritance to his son, and called upon Congress to assist him in breaking the solemn contracts which the Government had entered into with our Company, and upon the fulfilment of which the honour, credit, and greatness of the country depended. This Session of Congress could not have been timed better. It was almost on the moment when the Public Works Company repudiated their contract with us and threw us into Chancery. The Session took place six weeks before President Ballivian wrote to me the letter above quoted.

This attempted destruction of our enterprise is of such interest that I

deem it proper to also give the version of it published in Bolivia by Dr. Velarde, at Cochabamba, in 1874. After mentioning the obstacles which impeded the issue of the new £2,000,000 loan, he says:—

“From these difficulties and the necessity of procuring money for the Bolivian treasury, there arose for the purpose the tempting idea of cancelling the Church enterprise, and to take up the bonds of the existing loan, to give place to a vast ‘Financial combination.’ It appeared to them very easy to abandon the work of the railway and, by giving a death-blow to Bolivian credit, depress the bonds in the market to buy them at their lowest price.

“Señor Ballivian is called to the Presidency under these circumstances. Hardly was he exalted to the Presidential chair than he convoked the Assembly to successive Extraordinary Sessions, and before them, in secret session, he unfolded his financial idea. He saw a terrifying phantom in the enterprise of the east which he qualified as an illusion and national calamity. He spoke of its manager as one who had deceived the country. All this surprised the Deputies who, like everybody else, knew nothing of what was being elaborated in the dark plottings of the enemies of the future of Bolivia, of those who wish to hold this poor land chained like another Prometheus to the rocks of the Pacific, to dictate to it its commercial law. Entire faith was given to him when he spoke in his character of financial agent, and from the doubt and terror infused into his hearers came forth this law which the Executive has kept *secret* to avoid grave reproaches and to give an honest appearance to his plans:—

“‘*The National Assembly of Bolivia, Decrees:—\**

“‘Sole Article:—The Executive is authorised:

“‘1st. To take all the measures which he may deem expedient to guard by means of agents in whom he has confidence, the funds existing from the loan of £1,700,000 negotiated in London on the 18th of May, 1871, by George Earl Church, in the name of the Government of Bolivia.

“‘2nd. To examine and take information in all its details, by means of the same agency, of the condition of the navigation enterprise of the rivers of Bolivia, affluents of the Amazon, with the object of securing the amounts invested or placed in said enterprise, be it in investing them or depositing them or in any other manner that prudence may suggest, in case that the contractors do not comply faithfully with their obligations or that the navigation is not verified in the manner and time stipulated.

This law is not published in the “Anuarios” of the Government.—G. E. C.

“ ‘Let it be communicated to the Executive Power for its execution and faithful compliance.



“ ‘Hall of Sessions, La Paz,

“ ‘June 9th, 1873.

“ ‘JOSÉ MANUEL RENDON, President.

“ ‘ELEODORO VILLAZON, Secretary.

“ ‘BELISARIO BOETO, Secretary.



“ ‘Palace of the Supreme Government,

“ ‘La Paz, June 11th, 1873.

“ ‘Let it be executed.

“ ‘ADOLFO BALLIVIAN.

“ ‘The Chief Officer, Chargé of Public Works and Industry,

“ ‘MANUEL VIRREIRA.’

“ Thus was the first part of the plan carried ; there remained to force out the authorization to emit a loan of \$15,000,000, to cancel, so they said, with its product, all the existing debts. The mathematical demonstrations which were presented of the yield of this vast loan were not satisfactory. The good sense of the Deputies impeded the consummation of this real *calamity*, which has now been judged and condemned by the country. The negative of Congress gave occasion for the President to qualify the legislative Sessions as *fruitless*. Really this *contretemps* might cause the abortion of this ripened project.

“ But not on this account did the members of the Government declare themselves routed ; they believed that *a minority in quorum* had no right to make a law ; and believing that *a majority in quorum* would support them, they convoked the Assembly for another Extraordinary Session in the capital of the Republic. So certain was their conviction in this respect that, without the loss of a moment, they dispatched to London Señor Mariano Ricardo Terrazas, that he and Señor Avelino Aramayo might execute the orders of the Government as financial agents. Their powers, after prescribing to them that they were ‘ *to take possession of and secure the existing funds of the Church loan and those invested in the purchase of materials in any part of the world wheresoever found, and to deposit them in the Bank of England as a guarantee of the said loan,*’ said in addition—‘ *because later it may be opportune to order the regulation and amortization of these bonds on a convenient basis.*’ ”



President Ballivian, stung by the action of the Congress of La Paz, absolutely wrote his resignation of the Presidency on the 10th of July, 1873, but cancelled it afterwards, and convoked another Extraordinary Session of the National Assembly by a Decree which, after a preamble stating "That, in the last Legislative Assembly financial questions of primary importance remained unsolved," said that the object of the new Session was "To resolve the questions which would be submitted by the Government upon the financial situation of the country."

The session was opened this time at Sucre, the southern capital of Bolivia, on the 8th of October, 1873. We took the precaution to have present at Sucre our agent Señor Velarde, and also sent, as special agent, the ex-United States Minister, Colonel Markbreit, that the Bolivian Deputies might be thoroughly informed of the reasons of our misfortunes, the steps we were taking to repair them, and the schemes which had been devised for our overthrow.

The Government brought all its force on this occasion to ensure victory. President Ballivian (now deceased) was a man of more than ordinary talent, and his oratorical sword-arm, Señor Mariano Baptista, then Prime Minister, had few equals in forensic ability in South America. We can lay aside any doubts as to the sincerity of purpose of the Government, but, obliged as we are to quote documentary evidence, it is not in our power to explain the morality, nor comprehend the benefit which Bolivia could have derived from the wholesale wrecking scheme set forth in the following extracts from a speech delivered by Señor Baptista before the Congress in the Session of the 28th of October, 1873.

Speaking of the new loan project which had been defeated in the previous Assembly, he said :—

"But it was requisite to foresee a necessary factor in the course of our negotiation. The fact of buying our receipts on bonds purchased at the start at a reduced value, would have raised the price after the partial purchase of a certain amount. Perhaps we would have bought the half of them—two-thirds, more or less, at the first-named estimate of 40 to 50 per cent. This purchase we would have commenced to make with the funds remaining from the Church enterprise; but the same course of action, raising the value of our bonds perhaps to 70 or 80 or to par, would have made it difficult to redeem the remainder of the amount; and therefore, the necessity of complementing it, to adjust it to its object by means of an extrinsic recourse which was a portion of the projected new loan applicable in the initiative to the redemption, or in the course of it, or at a more opportune moment according to the judgment of the agents.

From this sprang also the convenience of keeping separate the \$3,000,000, calculated as a fund remaining from the Church enterprise.

"In its worst aspect, admitting all the onerous conditions stated by the opposition Press, of small issue price and excessive commission, we would have always had a product of \$6,450,000 from the loan ; added to which the \$3,500,000 of the funds of Church would still have given us a sum of \$9,950,000 more than sufficient for the national liquidation, for the completion of which \$8,994,000 were sufficient.

"Against the principle of this idea there was no more discussion in the last Extraordinary Assembly than that of degree. A Deputy insinuated in private Session that the \$3,000,000 Church should be considered incorporated in the loan."

I draw the veil over the remainder of this speech that I may save myself the pain of feeling that many an honest and patriotic Bolivian might blush to read it. Señor Baptista's financial ideas were evidently much involved ; probably owing to the London letters of the Government not being sufficiently explanatory of the operation.

At this assembly, the Government met with a more signal defeat than at that of La Paz. Its £3,000,000 loan was completely nullified by a law of November 12th, 1873, which solely authorized a loan of £1,000,000 under conditions impossible of realization, and which in its Article 4, by revoking the loan authorization of October 21st, 1871, upon which the loan contract of the London Bank of Mexico and South America was based, practically put an end to the loan scheme for which the London market was being so carefully prepared by the bank and by the new Bolivian Commissioners, Messrs. Aramayo and Terrazas.

So great was the enthusiasm of the people of Bolivia for our enterprise, at this period, that the important central city of Cochabamba convened the Municipal Council and memorialized the Supreme Government in an "Acta," which was signed by no less than 2,000 of the leading merchants and citizens of that great and powerful province. The prayer to Congress read as follows :—

"The people of Cochabamba, convened by invitation of the Municipal Council in order to investigate the present condition of the important navigation enterprise relative to the rivers of Eastern Bolivia, have resolved to address the Extraordinary Assembly and the Supreme Government soliciting :—

"1. That both these authorities should lend efficacious aid and unqualified protection, by all means in their power, to the great enterprise already mentioned until its complete realization.

"2. That the funds deposited in the Bank of England proceeding from

the loan authorized by the law of the 25th August, 1871, and ratified by the Government on the 28th of the same month and year, shall be expressly employed for the important works set forth in the Loan prospectus, dated London, the 18th of January, 1872.

"3. That the 17 per cent. falling to the share of the Government shall be retained on deposit in the same Bank, invested in United States Bonds, so as to conveniently meet the requirements of the said loan.

"4. That in the unlooked-for event of the funds for the construction of the Madeira and Mamoré Railway proving insufficient, the emission of a sum of £300,000, the balance of the 'Church' loan, be authorized for the completion of the said work.

"5. That to facilitate Colonel Church, a friend of Bolivia, in his action against the Public Works Construction Company, the Government shall be pleased to issue special orders to our Minister resident in London for his effective co-operation on behalf of this Republic.

"The people of Cochabamba urge their Representatives to dedicate themselves especially to the purposes indicated in this Memorial.

"Cochabamba, October 23rd, 1873.

"Signed by

"JOZÉ MARIA GUTIERREZ MARISCAL,

"President of the Council,

"QUINTIN QUEVEDO,

"MARTIN LANZA,

"GIL DE GUMUCIO,

"MANUEL BARDA,

"PABLO VERGARA,

"MARIANO FERNANDEZ,

"BELISARIO ANTEZANA,

"ANTONIO CAMARA,

"GUMERCINDO S. GALBARRO,

"MANUEL JOSÉ MARCO.

and more than 2,000 others."

Such spontaneous assistance, thus timely rendered to us, called forth our thanks to Cochabamba, to which the Honorable Municipality responded in the following terms:—

[TRANSLATION.]

"Office of the President of the Municipal

"Council of the District of Cochabamba,

"March 6th, 1874.

"Colonel GEORGE EARL CHURCH,

"President of the National Bolivian Navigation Company.

"SIR,

"I have brought to the knowledge of the Honourable Council of this Department, over which I have the honour of presiding, your esteemed communication of the 30th December last, in which you are



good enough to give a lengthy account of the condition of the Bolivian Navigation enterprise, the difficulties which it is necessary to overcome in order to carry it out, and your gratitude to the people of Cochabamba for the 'Acta' which, with this motive, it passed.

"In reply, I have to inform you that your communication has been read with great satisfaction by this Congress, which is enthusiastically interested in the realization of the colossal work, which, fortunately, has been entrusted to your invincible determination.

"The importance of an idea is measured by the number of difficulties which have to be overcome—provoked in the present case by the egotism and interest of the Pacific trade.

"The whole people and the Government sustain and protect this enterprise, with all their powers, as the only one which, if accomplished, will raise Bolivia to the rank of powerful nations, and introduce its abundant natural produce to the commerce of the world.

"With these views, the Municipality of this Department has this day addressed the Supreme Government, in order that it may co-operate decisively in aid of the enterprise, as you will learn by the enclosed authentic copy.

"As for the rest, Colonel, you can count on the efficacious and unflinching steadfastness of the citizens of this Republic, who, with exceeding justice, have termed you the 'friend of Bolivia;' for they perceive that the whole progress and future of the country depend on the accomplishment of the said enterprise.

"And, in order to accelerate, so far as possible, the intention of placing the principal centres of population in relation with foreign markets, I am commissioned to confer with you in order that I may send some one to study with one of your engineers the ways of communication between this city and Santa Cruz, and their respective river-ports, a study which will offer important data as to the wealth of the eastern part of Bolivia, for the benefit of all persons who have taken any part in this enterprise, and will inspire greater confidence in the holders of its bonds.

"With this motive, and offering you, in the name of the Council, a vote of gratitude and praise for your appreciated efforts, I have the high honour to subscribe myself, your most attentive and obedient servant,

"(Signed)      PABLO VERGARA."

The large eastern province of Santa Cruz de la Sierra also sent to us the following :—



“ ACTA.

“The people of Santa Cruz, in exercise of the rights conceded them by charter, have freely and spontaneously passed the following resolutions :—

“1st. To manifest their profound gratitude to the last Extraordinary Assembly for having decreed to carry on the Madeira and Mamoré Railway and the Navigation enterprise, the realization of which is the most promising hope for Bolivia.

“2nd. To solicit urgently from the Supreme Government a determined and efficacious protection for the said enterprise, so that its efforts may the sooner be crowned with success. We rely on obtaining this aid from the President of the Republic, since it is a duty which he owes to his country.

“3rd. To offer a congratulatory address to the noble people of Cochabamba for having assisted this enterprise with consummate enthusiasm, not only through the Press, but also by their Acta of the 23rd of October last.

“4th. To send a vote of confidence to Colonel George Earl Church for his energy and invincible determination to overcome all obstacles which impede the establishment of the great undertaking.

“ Santa Cruz de la Sierra,

“ 30th November, 1873

“ Dr. AQUINO RODRIGUEZ,

“ President of the Municipality.

“ Dr. AUGUSTIN LANDIVAR,

“ Vice-President of the Municipality.

“ MANUEL EUSEVIO DE VELARDE,

“ MARIANO J. VELARDE.

“ ANTONIO M. VELASCO.

“ FRANCISCO XAVIER ROJAS, Prebendary.

“ ANJEL MARIA ZAMBRANA.

“ CARLOS MELQUIADES BARBERI.

“ NICOMEDES CUELLAR.

“ MAMERTO OYOLA.

“ JOSE MANUEL JUSTIMANS.

“ ELIAS ANTELO.

“And about two hundred other signatures of the chief inhabitants of the town.”

Instead of voting the loan scheme of President Ballivian, Congress unanimously passed the following :—

"THE EXTRAORDINARY NATIONAL ASSEMBLY,

DECREES:

"Article 1. The Executive Power will cause, by all means that may be in their power, and by lending all possible moral protection, that the Navigation enterprise of the Madeira and Mamoré may conclude the construction of the Railway.

"Article 2. In case this work cannot be finished within the term stipulated in the contract which Colonel Church entered into for the purpose, the executive may be authorised to extend the said term and on the express condition that the Enterprise will give pledges, with solid and sufficient securities, in order to guarantee the completion of the work.

"Article 3. The executive, in virtue of these constitutional powers, and of those which the present law concedes, will intervene in all the operations of the enterprise, in the inversion and application of its funds. in virtue whereof are annulled all arrangements which may prohibit or be able to restrict the rights of the Supreme Government to interfere in said acts.

"Article 4. So long as the enterprise declines to give the securities of which the second article treats, the Government remains empowered to recall the moneys proceeding from the loan emitted by George Earl Church, and devote the same to the payment of the more onerous debts which the nation owes abroad.

"Article 5. Whether the construction of the Madeira be continued or proceedings be taken to recall the funds in the cases foreseen by this law, the nation is pledged to the faithful accomplishment of the obligations contracted in its name with the bondholders of the loan in question.

"Be it communicated to the Executive for execution and completion.

"Sessions Hall, Sucre,

"November 3rd, 1873.



"JENARO PALAZUELAS, President.

"BELESARIO BOETO, Secretarial Deputy.

"MACEDONIO D. MEDINA, Secretarial Deputy.

"Government House, Sucre,

"November 5th, 1873.

Be it enacted.



"ADOLFO BALLIVIAN.

"PANTALEON DALENCE,

"Minister of Finance and  
"Industry.

"This is in due form.

"JOSE M. ZALLES, Chief Clerk."

It will readily be observed that this decree was a powerful weapon in the hands of the executive power. Its articles 2nd, 3rd and 4th were so open that they might be used to defend or to destroy us, and it was unfortunate for the really friendly and honest desire of Congress that it failed to take this into consideration.

Believing that circumstances required that there should be no delay in re-contracting the railway to responsible parties, we, on the 17th of September, 1873, signed a works contract with Messrs. Dorsey and Caldwell, American contractors of undoubted skill and experience in railway building. Owing to the bad name which the Public Works Company had given to our road, we were obliged to increase the cost price to £6,000 per mile. The long delays which the various lawsuits afterwards occasioned made it impracticable to go on with the construction of the railway under the Dorsey-Caldwell contract. In the meantime General Dorsey transferred his interest in the contract to Mr. Caldwell. This gentleman in turn, probably tired of waiting, transferred the same contract to Messrs. Reed Brothers and Company, contractors, of London, August 25th, 1875. This transfer we recognised, but at the same time demanded and received as a guarantee the construction of the first ten miles before making any payment whatever to the contractors. They were to proceed with the work upon "reasonable satisfaction" that the trust fund was free for the purpose of constructing the road.

To replace Señor Ballivian, afterwards President, Messrs. Aramayo and Terrazas were named as financial agents of Bolivia in London. Upon their arrival we waited upon them and invited them to study everything in connection with the enterprise, offering them every book, paper and document in our possession which could enable them to form a sensible judgment upon the condition of our affairs, and of the true interests of Bolivia under the circumstances. They practically refused all of our offers; they did not wish to disabuse themselves of the ignorance which they afterwards showed in their correspondence, which went even to the extent of not knowing of the existence of the original loan contract entered into between their Government and ourselves in 1869.

In January, 1874, the Bolivian Commissioners, the Construction Company and the Bondholders' Committee, stirred to harmony by the wand of Midas, resolved upon another bondholders' meeting, which was held on the 14th of the same month. No one was admitted without a ticket from the chairman of the committee. Consequently our Company was not represented there.

The Chairman, Mr. Ray, made a long speech, principally devoted to abuse of Colonel Church and the toning down of the rude remarks which, at the previous meeting of bondholders, he had lavished upon the Public Works Company and its directors.

When the Decree of the Bolivian Congress of November, 1873, reached London, the following correspondence took place :—

“ National Bolivian Navigation Company,

“ 19, Great Winchester Street,

“ London, 9th January, 1874.

“ Messrs. Avelino Aramayo and M. Ricardo Terrazas,

“ Bolivian Commissioners.

“ Gentlemen,—You are aware how closely the interests of the two Companies I have the honour to represent are bound up with the credit and financial success of the Republic of Bolivia, and will not be surprised to learn that I follow with close attention the proceedings of the Committee of Bolivian Bondholders. I gather that you are disposed to concur with this Committee, to some extent ; but how far, and in what measures, I am not at present aware.

“ I beg to add that, personally, I have a warm interest in Bolivian prosperity ; and should deeply regret if any step were resolved upon in ignorance of the true state of facts, or which better information might lead you to regard as inexpedient.

“ With the utmost deference, therefore, to your good selves, I am impelled to suggest that you should, before committing yourselves definitively to any measures suggested by the Committee, satisfy yourselves that they are in a position really to give effect to any arrangement which may be negotiated. Upon enquiring, you will find that the Committee is a mere assembly of gentlemen having interests (it may be widely varying, if not mutually antagonistic) in the Bolivian Loan ; but, having no power whatever to control or direct the action of the bondholders at large, or of any single bondholder. This being so, it is quite possible that the expectations you may have formed, in your dealings with the committee, may be disappointed, and that entirely without remedy. A *fiasco* of this sort would irretrievably injure the credit of the State, as well as inflict the keenest mortification upon yourselves and all who have at heart the welfare of Bolivia.

“ I do not ask for your confidence as to the measures in contemplation, but I do urge upon you especial caution, before you involve yourselves in any proceedings or contracts jointly with the committee. I shall regard with much greater pleasure any independent course you might determine upon. You have, I know, the interest of the State, and it



alone, in view. But we cannot be assured that other interests may not actuate the committee.

“Very respectfully yours,

“GEORGE EARL CHURCH,  
“President of the National Bolivian  
Navigation Company.”

[TRANSLATION.]

“Paris, 11th January, 1874,

“Hotel de la Place du Palais Royal.

“MR. G. E. CHURCH, London.

“Dear Sir,—We have had the honour of receiving your estimable communication, apparently dated the 7th\* instant, in which you evince a decided interest in the prosperity of Bolivia.

“Thanking you for the sentiments which it contains, we have the pleasure of assuring you that, within a few days, we shall be in London, and shall be able to confer with you respecting the state of the companies under your direction. We hope that, for the occasion, you will collect all data which can aid our judgment.

“With this motive, we subscribe ourselves,

“Your obedient, faithful servants,

“(Signed) M. R. TERRAZAS.

“( „ ) AVELINO ARAMAYO.”

[TRANSLATION.]

“Special Commission of Bolivia in Europe,

“London, 10th February, 1874,

“33, Bedford Place, Bloomsbury Square.

“GEORGE EARL CHURCH, Esq.,

“Manager of the Navigation and Railway

“Enterprises of the Madeira and Mamoré.

“Sir,—We have the honour to send you a legalized copy of the law† of the 5th November, 1873, dictated by the last Extraordinary Assembly of Bolivia, with reference to the enterprises under your direction. Conformably with the text thereof and the instructions which we have received from our Government, we deem it necessary to address you the following questions :—

“1st. Will you be able to deliver, finished, in the month of April next, the works of the Mamoré and Madeira, which, according to the contract entered into by you, were to be completed within a term of two years?

\* Should be 9th.

† See Law, page 46.

"Less than three months of that term remain, and there does not exist a single advanced work. The logical conclusion of such premises is clear, but, far from drawing it, we prefer to hear your reply.

"2nd. In view of the shortness of the time which remains for the realization of said works, will you ask for a postponement of the stipulated period?

"On this hypothesis, it is necessary to advise you that the said law does not authorize us to permit the prorogation, unless you bind yourself to execute the works referred to, carrying them out strictly and without any change according to the conditions of the original contract; and, further, giving solid and sufficient guarantees for the fulfilment of its obligations.

"These requirements once fulfilled, the Agents of the Bolivian Government, who, for the present, are ourselves, will intervene, in accordance with Article III. of the same law, in all the operations of the enterprise, and in the application and inversion of the funds which have been assigned to it.

"We hope that you will condescend to give a prompt and satisfactory reply to this matter, in order not only to tranquillize the public authorities and the opinion of Bolivia, justly alarmed, but also to inspire greater confidence in the bondholders of the loan of 1872, re-assuring them of our zeal for the upholding of Bolivian credit and the faithful accomplishment of our obligations.

"We are,

"Your obedient and faithful servants,

"(Signed) M. RICARDO TERRAZAS.

"( „ ) AVELINO ARAMAYO."

"National Bolivian Navigation Company,

"19, Great Winchester Street,

"London, February 11th, 1874.

"Messieurs ARAMAYO and TERRAZAS,

"Bolivian Commissioners.

"Gentlemen,—I have the honour to acknowledge the receipt of your favour of yesterday, enclosing the Decree of November 3rd, 1873, of the Congress of Bolivia. I shall, with pleasure, prepare a detailed answer to your communication and forward it to you at an early moment.

"I am, Gentlemen,

"Very truly yours,

"(Signed) GEORGE EARL CHURCH."

"National Bolivian Navigation Company,

"19, Great Winchester Street,

"London, 16th February, 1874.

"To Messieurs the Commissioners of Bolivia,

"D. Avelino Aramayo and D. Mariano Ricardo Terrazas.

"Gentlemen,—I hasten to fulfil my promise of replying more fully to your communication relative to the Decree of the Congress of Bolivia of date November 5th, 1873.

"I received, late in December last, a copy of the Congressional Decree of the previous month; and have awaited, with some impatience, an official intimation from yourselves relative to this Decree.

"You have rightly interpreted events. The delay caused by the breach of contract by the Public Works Construction Company has rendered it wholly impossible to build the Madeira and Mamoré Railway within the two years stipulated in their contract.

"I trust that, by defining the position in which the National Bolivian Navigation Company and the Railway Company are placed, I shall not be considered deficient in respect to the Act of Congress, nor wanting in courtesy to the Government, or your good selves; but, on the contrary, shall secure harmonious and satisfactory relations for the future. I conceive that the questions raised by the Decree of the 5th November last ought to be considered in three aspects.

"First, as regards the concession to the National Bolivian Navigation Company.

"Second, in its relation to the 83 per cent. of the net proceeds of the Loan appropriated to the building of the Madeira and Mamoré Railway.

"Third, with reference to the Bondholders and the national credit.

"The Navigation Company's concession is not, I apprehend, the principal or immediate subject of the law, and it is enough to state that the duration of that concession dates only from the time when our Company is notified by the Government of its having obtained the privileges referred to in articles four, eight, and nine. Unhappily for our Company this notice has never yet been given. The Madeira and Mamoré Railway was to be constructed upon Brazilian territory, and under a Brazilian concession, and it is, therefore, not subject directly to the legislation of Bolivia. If Bolivia has ceased to regard the existence of such a railroad as a great benefit to her people, and one of international importance, and has, therefore, determined upon withdrawing all aid from the enterprise, the difficulties by which we are embarrassed



will be augmented from a most unexpected quarter. I apprehend, however, that, even if the State withdraws from the railway all further countenance, it will be neither generous nor prudent to attempt to divert to other purposes the proportion of the loan originally set aside for its construction. I will not dwell upon the legal difficulties that would attend such an attempt. It is enough to mention that the funds are in England; that with the full sanction of the Government they were placed under the control of two English gentlemen as trustees; and that there are extensive legal proceedings already in existence with regard to these funds. To this litigation I shall have to invite your careful attention.

"I ought not to omit mentioning that, by the original contract for the Loan, dated 22nd December, 1869, the 83 per cent. of the net proceeds were allotted unconditionally to the National Bolivian Navigation Company, to be applied at our discretion, to the great public works we contemplated; and I cannot bring myself to suppose that the Bolivian Government would for a moment entertain the thought of receding from an arrangement upon the faith of which we have relied, and to give effect to which so much labour and expense have been incurred by my friends and by myself.

"Permit me to endeavour to put you in possession of what I am told is the present state of the litigation:—

"The Public Works Construction Company, having rejected our offers to refer the matter to arbitration, in accordance with our contract with them, commenced a suit in Chancery, on the 9th of July, 1873, asking to be relieved from the contract to build the railroad. On the 23rd of that month they expressly repudiated that contract.

"On the 7th of August, we commenced an action at common law in the Court of Queen's Bench against the Public Works Construction Company for damages for their breach of contract, and, on the 20th of August, we commenced a Chancery suit against them and the Trustees of the fund, to have the fund set free from the claims of the Public Works Construction Company and made applicable to the service of a new contract.

"In addition to this, a Mr. Cooper, a bondholder, has filed a Bill in Chancery against the Trustees of the fund, asserting rights, on the part of the bondholders, over this fund. The Bondholders' Committee, at whose instance Mr. Cooper's proceedings have been taken, appear to consider that, unless the railroad is built by the Public Works Construction Company, and for the sum originally stipulated, the bondholders will have the right to ask the Court of Chancery to



prevent any part of the fund being applied to the work until the Court, or they themselves, be satisfied that the whole line can be completed out of the resources at the command of our Companies. Although we have every reason to believe that, should the present funds prove inadequate we shall be able to obtain any further amount that is necessary, we are not now in a position to satisfy the Court upon that subject; and we have no inclination to take the Bondholders' Committee into our confidence as to the ways and means we have in contemplation. To do so would, not improbably, frustrate our plans.

"The Trustees are thus exposed to two conflicting Chancery suits; one by us, asking to apply the funds to their original destination—the other by a bondholder, seeking to prohibit their application in that direction except under impossible conditions. I may here mention that one of the chief causes for the institution of the Bondholders' suit was my refusal to entertain the suggestion that the name of the Chairman of their Committee should be added to those of the present Trustees of the fund. I refused upon the same ground as when I felt it my duty to decline the proposal, at an earlier date, that the name of his Excellency General Campero should be, in like manner, added as a Trustee. The arrangement made by our Company with the subscribers to the Loan, and with the Contractors, was that the funds should be in the custody of two Trustees, and no more, of undoubted integrity, ability, and position. A larger number would be very likely to produce embarrassment, inconvenience, and extra expense. So long as the railway fund was dedicated to building the road, it was not consistent with our rights, under the contracts with Bolivia, to admit any one as her representative to control the mode of that application. While, with reference to the bondholders, every reason led to the rejection of the suggestion that they should add a name to the trust, through the action of a committee whose motives for interference have always been of more than a doubtful nature.

"You will see that the course we have uniformly pursued is right in itself, and one from which we cannot now depart.

"Relative to the guarantee proposed in the Government decree of November 5th, 1873:—The possibility of any contractors rapidly carrying out the railway work depends greatly upon the cordial support given to their efforts by the Governments of Bolivia and Brazil. No amount of guarantees could offset the detentions which lack of prompt co-operation on the part of either Government might occasion. In consequence, I believe that the fact of the new Contractors, Messieurs

Dorsey and Caldwell, having offered to construct the first and worst ten miles of the railway, before calling on us to draw a penny upon the railway fund, is as solid a guarantee as can be given; for it will prove that the railway project is perfectly feasible in every respect, and will demonstrate the absolute falsity of the absurd statements which have been so sedulously circulated by the enemies of the enterprise.

“As I have already stated, our law proceedings demand your most attentive consideration—any further litigation is to be dreaded in the interests of Bolivia in view of the relations of our enterprise with the Brazilian Empire. Intimations have been thrown out by Mr. Leslie, as your solicitor, to the effect that your Government contemplates legal proceedings to enforce its rights. You will not misunderstand me, or imagine that I am challenging your Government, when I say that it would be vastly better that any legal rights on the part of the nation in regard to the railroad fund were asserted now than in the future. In consequence of the conflicting suits against them, I am told that the Trustees are about to require us to make Mr. Cooper and the Chairman of the Bondholders’ Committee defendants to our suit, so as to get our rival claims decided. If you are instructed to seek the aid of the English tribunals, it would be an undoubted convenience to have the question as to any legal rights of the Government over the railroad fund discussed in the same suit and at the same time. Indeed, justice demands that, if Bolivia repents of her arrangements with us, no time should be lost in giving effect to that view; for if, according to the law prevailing here, the Government can prevent the application of the money to the purposes for which it was subscribed, it will be wisdom for our Companies to abandon futile and thankless labours.

“I look back with great satisfaction upon every step and arrangement made by me in the disposition of the large funds which the enlightened liberality of Bolivia placed virtually at my disposal; and I feel justified, by the past, in seeking a continuance of the generous confidence and support the Bolivian people have afforded me. I have suffered detraction and abuse in no small degree *because of my unflinching resolution that, so far as in me lies, the railroad funds shall go to build the railroad, and for no other purpose. My personal integrity has been impeached upon no other ground that I can see except that the funds remain here intact.* My efforts to secure the accomplishment of the task I have had before me for the last six years are impeded on the one hand by the Public Works Construction Company and on the other by the bond-

holders. The former will, by the mere fact of the realization of the railway works, be convicted of incompetence and want of energy and determination to carry out their engagements at all hazards and all expense. The latter, by the infatuated attempts of the Bondholders' Committee, seem to have an unreasonable dread that part of the money represented by the bonds will be applied to the purpose for which it was subscribed. I cannot bring myself to believe, under the circumstances, that your Government will increase the numerous difficulties of our position by any interference.

"Without dwelling too much upon the personal injustice which such an interference would inflict, I will ask whether the international engagements and future prospects of Bolivia would hold such an act legitimate? The great *desideratum* of an outlet to the Atlantic is secured by the Brazilian concession for the Madeira and Mamoré Railway, granted upon my application and representations as to the financial assistance Bolivia was prepared to render to the work. Assume for a moment that Bolivia, discouraged by the obstacles interposed, even while the pecuniary resources for the work remain intact, determines to give the *coup de grâce* to the enterprise, and succeeds in getting possession of the funds; how, in such a case, will she stand with Brazil? What prospect will there be that the Empire will, on any future occasion, listen to overtures for a similar undertaking if I am, on account of no fault of mine, deserted by the Bolivian Government in the face of the first disappointment? Would not Bolivia thus throw away all the splendid results of my happy fortune in Brazil and in England? What, too, will be the position of Bolivia should it be found necessary for her again to appeal to the money markets of Europe or the United States? Will it not be said that she is inconstant? that there can be no reliance placed in her steadfast adherence to any definite course? that however valuable and however feasible the great works may be for which she solicits financial aid, their prospects are not more tempting than was the fair promise relative to the National Bolivian Navigation Company?

"I trouble you with one more question:—Suppose Bolivia were to get possession of the railroad fund, what would she do with it? Can it be reasonably anticipated that she could, with unimpaired credit, induce the bondholders to accept a distribution of it in extinction of their claims; or, still more difficult, the application of it in the manner suggested by the decree of Congress? The national credit has been pledged over and over again to the payment in full to the public creditors, and a moment's



consideration must show that, though probably a large proportion of the bonds might be bought up secretly, and at a discount, still a substantial number would require payment in full, and render futile a financial operation of a nature generally considered discreditable to the nation that attempts it.

“No doubt my interests may lead me to view in a partial light the questions I have endeavoured to place before you ; but I venture to ask you to receive all of my representations in that spirit of justice and good feeling with which they are here presented. It is possible that your Government may now be in possession of additional facts which may result in new instructions to your honoured selves—facts not within reach when the decree of Congress was passed, and which may now essentially change the disposition of the Government towards us. Whatever the present instructions of the Commission may be, permit me to hope that they will be exercised with a care and judgment in proportion to the magnitude of the interests at stake ; and where any doubt exists as to the true course to be pursued that the subject will be referred to your Government for further consideration. Such measures, I hope, will finally secure to our Company the cordial co-operation of the Government in the enterprise to which I have devoted so much valuable time, and upon the successful accomplishment of which I believe the welfare of the Bolivian people so much depends.

“I have the honour to subscribe myself,

“Gentlemen,

“Your obedient servant,

“(Signed)      GEORGE EARL CHURCH,

“President National Bolivian Navigation  
Company.”

“National Bolivian Navigation Company,

“19, Great Winchester Street,

“London, 24th February, 1874.

“Messrs. AVELINO ARAMAYO and M. RICARDO TERRAZAS,

“Commissioners of Bolivia in London.

“Gentlemen,—It may be of interest to you to receive herewith, by book post, a copy of our Answer to the Public Works Construction Company’s Bill in Chancery, opposing the release of our funds for the construction of the Madeira and Mamoré Railway. That you may understand it more thoroughly, I also send you a copy of our new contract with Messrs. Dorsey and Caldwell. Your Government was duly furnished with a copy of this contract immediately after it was



signed in September last, and more recently with a transcript of the above-mentioned Answer.

“ I have the honour to subscribe myself,

“ Gentlemen,

“ Your obedient servant,

“ (Signed)      GEORGE EARL CHURCH,

“ President National Bolivian Navigation  
Company.”

[TRANSLATION.]

“ FINANCIAL AGENCY OF BOLIVIA.

“ London, 25th February, 1874.

“ 36, Bedford Place, Bloomsbury Square.

“ MR. GEORGE E. CHURCH.

“ Dear Sir,—Together with your estimable communication, dated the 24th instant, we have received the documents which you have been pleased to send us, referring to the suit you are carrying on with the Public Works Construction Company.

“ Thanking you for this kindness, as well as for the copy of the new contract which, you say, you have entered into with Messrs. Dorsey and Caldwell,

“ We subscribe ourselves,

“ Your obedient servants,

“ (Signed)      M. R. TERRAZAS.

“ (    „    )      A. ARAMAYO.”

[TRANSLATION.]

“ FINANCIAL AGENCY OF BOLIVIA.

“ London, 7th March, 1874.

“ GEORGE E. CHURCH, Esq., President

“ National Bolivian Navigation Company.

“ Sir,—We have the honour to answer your communication of the 16th February last. In our note of the 10th of the same, we asked you if you were able to deliver, in a finished condition, the works of the Madeira and Mamoré in the coming month of April ; which, according to the agreement entered into by you with the Government of Bolivia, should be finished at that date. Your response is as follows:—‘The delay occasioned by the revocation of the contract with the Public Works Construction Company has made absolutely impossible the con-

struction of the Madeira and Mamoré Railway in the two years stipulated in the contract.' We deplore this statement, however much it may have been foreseen; but we cannot fail to recognise that it is decisive, and that it destroys all the hopes which you had inspired, and all the promises you had made to the people and Government of our country. The moral and legal responsibility of this result falls exclusively on you. It is not the Government of Bolivia, but you, who have contracted with the Public Works Construction Company. It was incumbent upon you, for your own interests, to foresee the misfortunes to which you refer, seek for proper aid for the compliance of the obligations which you contracted, and avoid the excessive and sterile expenditure which you have made in behalf of the Bolivian Treasury.

"The Public Works Construction Company received from the product of the loan of 1872, subscribed in this city, £50,000 in advance. Such was your wish, and it was so done without the Government of Bolivia having withdrawn, upon this occasion, the unlimited confidence which it had in the loyalty and propriety of your proceedings. What has been done with this sum? Nothing which may be of use to the nation. Who is to respond for it and for all the rest which has been invested for the enterprise of the Madeira and Mamoré? The only contractor with whom Bolivia has entered into relations—and that is you. If we should have to make demands against the Construction Company for the return of the amounts received and the payment for damages caused by the non-execution of the work, it would be subsidiarily; but the action should be previously initiated against the principal offender.

"In declaring that the Madeira and Mamoré Railway will not be finished within the two years which end the coming month, you do no less than to affirm a fact unfortunately indisputable. A work of this nature, which is not yet even commenced, cannot be finished in a few days. But that which causes wonder to us is that you have not fully answered the second question of our note of the 10th February, as follows:—'Do you propose to ask for an adjournment, giving at the same time solid and sufficient guarantees for the execution of the primitive contract without any change whatever?'

"The only thing which your said communication mentions in regard to this is that no more solid guarantee can be offered than that derived from the fact that the new contractors, Messieurs Dorsey and Caldwell, agree to construct the first ten and most difficult miles of railroad without asking for a single penny of the fund destined for this work.

"We take notice that this response is evasive, and has no value what-

ever. In the meantime you are not authorized to sign new agreements the execution of which is to take place outside the term of the two years conceded to you for the opening of the road, and which is now nearly expired. Another consideration no less grave: Messieurs Dorsey and Caldwell agree to construct each mile for £6,000, which is equivalent to an increase of fifty per cent. on the price previously stipulated. The fund set aside for the Madeira and Mamoré Railway is, as you know, only £600,000; and, even though the length were not, according to your opinion, more than  $153\frac{1}{2}$  miles, the total expenditure would be much greater than that which was agreed upon—a result which we are not in a position to accept.

“You say that you judge that the concession made to the Navigation Company is not the principal or immediate object of the law of the 5th of November, 1873, because the term of the said concession commences only from the moment that the Company receives from the Bolivian Government the notification—which it has not received—of having obtained from the Government of Brazil the privileges alluded to in articles four, eight, and nine of the Contract of December, 1869.

“This paragraph of your answer opens itself to the following observations:—

“The concession contract says, in its first article:—‘Colonel George Earl Church, Engineer, of New York, agrees to organize a company in the United States for navigating by steam and other embarkations the rivers of Bolivia, tributaries of the Madeira, the principal affluent of the Amazon, with a capital of 1,000,000 dollars gold, which may be augmented according to the requirements of the enterprise.’

“We now ask if the fundamental condition imposed by this article has been fulfilled. The basis of the contract was the organization of a Company which should have its own capital to meet the requirements of the enterprise, and which should not be subject to the favours of the Government. Where is this Company to be found? Who are its members? What does its capital consist of? In bonds or in shares? What are the expenses it has made from its own funds? It is not sufficient that it be affirmed; it is necessary to show that this association is not a chimera, but that it has *commercial* existence formed according to the laws and practices of Great Britain. If you have not up to to-day demonstrated this, but have employed in all your operations no other resources than those which Bolivia has furnished, we do not understand what class of rights you can claim in favour of a



Company which has no member but its President, nor other purse than that which has been furnished to it by the blind liberality of our country. You have commenced by infringing in its essence, in its fundamental principle, the contract of the concession, and, nevertheless, you believe that you can take advantage of it. Permit us to manifest our surprise at such an hallucination.

“But, in simple condescension, we enter upon the ground where you place yourself—discussion. The notification, the default of which has become a refuge to the Navigation Company, was really unnecessary. We will state why:—The concession which you obtained from our Government bore date the 7th December, 1869. In its articles four, eight, and nine, cited by you in the communication which we have before us, it was stated that the Government of Bolivia would obtain from the Government of Brazil, in behalf of the Navigation Company—1st, the right of canalizing the rapids of the rivers; 2nd, that of free navigation, and to collect tonnage-dues on foreign craft; 3rd, to establish, at the rapid of San Antonio, a port free from imposts which might prejudice commerce; 4th, to collect on the line the amount necessary to amortize the capital and payment of interest.

“Some months afterwards, you yourself, according to the revelations of your pamphlet, published here on the 21st of January of the present year, suggested the idea of accrediting to Rio de Janeiro a Bolivian Legation which might aid you in the matter of negotiating with Brazil, or, what is the same, to obtain the privileges referred to by articles four, eight, and nine. The idea was accepted and executed. Señor Ricardo Bustamante was accredited Minister at the Imperial Court; and you left with him, carrying, from the Cabinet of La Paz, *efficacious recommendations* for your reception with the Government of Rio de Janeiro. Señor Bustamante could not arrive in time at his destination, but the recommendations had every effect, because they produced the concession of the 23rd April, 1870, conceded by the Empire to the Navigation Company. A proof of this is the note addressed to the *Chargé d’Affaires* in La Paz by the Minister of Foreign Relations of Brazil, whose literal tenor is as follows:—

‘2nd SECTION, No. 1.

‘Rio de Janeiro,

‘Office of the Minister of Foreign Affairs,

‘30th April, 1874.

“‘In response to the official communication, No. 45, which you



directed to me through the Central Section, on the 23rd December of last year, I stated to you, in my despatch No. 5 of that same section, that the Imperial Government had given the greatest attention to the matter brought by Colonel Church to this city; that is, the project of the navigation of the Madeira river. I now have the satisfaction to inform you that, by Decree of the 20th of the present month, the Imperial Government conceded to the said Colonel a privilege for the construction of a railway to avoid the rapids of the Madeira and Mamoré. Enclosed, I forward you two copies of the Official Journal of the 23rd, in which is found the Decree mentioned. *In response to a letter in which the Minister of Foreign Relations of your Republic recommended to me the Colonel alluded to, I said to him, at that date, that this negotiation is concluded, as you will communicate to him officially.*

“I recommend you, upon delivering to the Minister of Foreign Affairs a copy of the decree, to say to him that all that depends upon international arrangements, and that all that may be considered as a complement to that work of common utility, will merit the prompt and friendly consideration of the Imperial Government. I reiterate to you the assurance of my most distinguished consideration.

“(Signed)      BARON DE COTEGIPE.”

“Referring to these operations, which were crowned with most favourable results for the interest of the Company, although not for Bolivia, the Secretary General of the Republic says, in his memorial of 1871: ‘The National Bolivian Navigation Company undertook, not only to navigate the rivers of Bolivia, but also to obviate the passage of the cataracts, called *cachuelas*, which are found in the Madeira and Mamoré; but, as these falls are situated in Brazilian territory, it was necessary to obtain from the Brazilian Government the concession for the construction of a railway along the right bank of the River Madeira, the cost of which should approximate to the value of 4,000,000 hard dollars. *This concession was obtained on the 20th April of the same year, under a fifty years’ privilege.*’

“In consideration of brevity, we abstain from copying other documents which confirm the assertion that the notification which you require became unnecessary, on account of *you yourself* having obtained, through the intervention of *our Government*, the privileges alluded to in the contract of the 7th December, 1869. It is the first time that we have seen any doubt expressed in this matter, and it causes us much surprise that it comes from one who should be the last to raise it.

“ But let us suppose, for an instant, that this notification had not been made or replaced by an act of equal significance, and that the privileges which it was to confer on the Company were not in possession of the latter, what defence could you allege to justify the expenditure which you have made from funds of the Bolivian Treasury ? If the contract was really in suspense, on account of the delay of its primordial conditions, why did you advance, or consider it in full force, and give it execution only in the part which is onerous to our country, reserving to yourself the faculty to take exception against its credulity and its Treasury ? We ingenuously confess that we do not find logic in this proceeding, and that we prefer to believe that the asseverations which you make against us have not been sufficiently meditated.

“ You state that, by the original contract of 1869, 83 per cent. of the net product of the Loan was assigned, without any condition whatever, to the National Bolivian Navigation Company, to be applied, at its discretion, to the great works which it had in prospective. This is a transcendental error, but of easy correction.

“ In the original contract, the Government did not engage to give a single penny. The company which you agreed to organize, with one million hard dollars of capital at least, was to sustain all the exigencies of the contract, receiving, in exchange, certain immunities or subsidies which might assure the fruit of its labours. Thus, in view of these stipulations, your responsibility rises to a greater degree.

“ If, subsequently in May, 1871, 83 per cent. of the Loan was set aside for the Company, it was not, and could not, be unconditional, but under the condition *jure et de jure* to comply with the compacts entered into for the opening of the route of the Madeira and Mamoré, and to do it in the time and manner agreed upon. Thus, the power of discretion, or complete control of the funds, which you claim in favour of the Company, has had existence in effect, but not in right, except as an abuse due to the complete confidence which our Government reposed in your laboriousness and rectitude, with respect to the affairs of which you have been agent. To-day, this anomalous state of things cannot continue, because it is prohibited by existing laws ; and the law of the 5th November, 1873, prohibits it.

“ The reproach that the Government intends to rescind the contract signed with you is completely unfounded. On the contrary, that which it desires is to put it in practice in all its integrity. Hence, the above cited law of November, going even beyond that which equity might

demand, foresees that the enterprise which you direct may need a prorogation of time, and declares that the Executive Power may concede it. Greater efforts to offer you facilities for fulfilling your agreement it is difficult to find; much more, if the deceptions which have taken place in this unfortunate affair be taken into consideration.

"If the revocation be declared, it will be because you have made it inevitable. The Government has alone sinned by excess of liberality and good faith. It has placed at the disposition of the Navigation Company the greater part of the Loan of 1872, which you yourself negotiated, on terms which might have been more favourable. It has waited patiently for the realization of the enticing hope raised by you to place the eastern districts of Bolivia in contact with universal commerce, and has been painfully undeceived. It has made you, who were simply a contractor, Special Agent, for a time, with plenary powers, from the exercise of which nothing has resulted but an increase of the exterior debt and a diminution of credit. Not long ago the market of Europe was open to Bolivia, which once found itself in a position to receive offers for the emission of Bonds at 82 per cent., and to carry forward transactions of moment without obstacle. To-day, when it faithfully pays all its creditors and presents solid guarantees of solvency, it meets nothing but disconfidence and discredit. To what does it owe all this? To the Navigation Enterprise, which has intimidated all hearts, revealing the existence of wasteful expenditure.

"Relative to the species of invitation which you make to us to decide judicially the conflict, you may be assured that we are not far from accepting it. If, up to the present moment, we have not taken this course, it is that we have not wished to present the sad spectacle of a suit between a concessionaire, for whom all was open and favourable, and a Government that did not observe towards him the most trivial rules of prudence. Moreover, we have believed, and we now believe, that you will be convinced of the unquestionable justice of our cause, and prevent the country which has been so hospitable to you from suffering greater losses than those which have befallen it, in a project accepted with extraordinary generosity and enthusiasm.

"We are,

"Sir,

"Your obedient servants,

"(Signed)

AVELINO ARAMAYO.

"( „ )

M. R. TERRAZAS."



“NATIONAL BOLIVIAN NAVIGATION COMPANY.

“19, Great Winchester Street, E.C.,

“London, 16th March, 1874.

“Messieurs AVELINO ARAMAYO and M. RICARDO TERRAZAS,

“Commissioners of Bolivia in London.

“Gentlemen—“Your letter of the 7th instant was received by me on the 9th. I regret that the worthy Commissioners of the Government of Bolivia should have felt it necessary to unsheath the very doubtful weapon of personal abuse in their communication to me. A just appreciation of the true character and position of the questions which should have engaged their attention would have prevented this. You say, ‘It is not the Government of Bolivia, but you, who have contracted with the Public Works Construction Company.’ If the Loan contract of the 18th May, 1871, approved by the Congress of Sucre the same year, be examined, it will be found that, as a part of that contract, the bankers issuing the Loan ‘stipulated for the execution of the said railway and works by the Public Works Construction Company.’ This was as much a part of their contract as their commission. You further state, ‘It was incumbent upon you, for your own interest, to foresee the misfortunes to which you refer, seek for proper aid for the compliance of the obligations which you contracted, and avoid the excessive and sterile expenditures which you have made in behalf of the Bolivian Treasury.’ We cannot admit that our Company has made any expenditures ‘in behalf of the Bolivian Treasury.’ Expenditures have been made in behalf of the National Bolivian Navigation Company, with the funds which, by contract, belong to it and to no one else. We claim to have foreseen and to have boldly attacked the ‘misfortunes’ which now environ us, and we have sought, and still seek, for proper aid to avoid ‘excessive and sterile expenditures.’ We ‘seek proper aid’ from the Government which you have the honour to represent, and we have, on numerous occasions, sought it from you, in person of the undersigned. We have begged you to take notice of the immense value of the time which is slipping by, and the fact that *time* is the very essence of the existence of Bolivian credit and of our enterprise.

“We still ‘*seek for proper aid*’ to free your country from the commercial bondage which has rested so heavily upon it for half a century, and to overcome the combination which, as you are well aware, is made to crush us. We believe that the Bolivian people will nobly give us



this proper aid. Can the Bolivian President, General Adolfo Ballivian, do less?

“The Public Works Construction Company certainly received £50,000 advance. This our Company allowed as a clause of the contract for the construction of the Madeira and Mamoré Railway, the Public Works Construction Company refusing to take the contract without said advance, and we having faith in the honourable position then occupied by that powerful association. This sum, as you are aware, we are trying to recover, with damages for breach of contract. You say that *the only contractor* with whom Bolivia has entered into relations is the under-signed—and yet, in the clause which follows, you speak of your making subsidiary demands against the Public Works Construction Company. It is difficult for us to assimilate these ideas. You are in error in saying that the work of the Madeira and Mamoré Railway is ‘not yet even commenced.’ Very extensive operations have been carried on with reference to it, and we already have stored at San Antonio, the northern terminus, material enough to lay over sixteen miles of track, besides extensive means for proceeding with the works. You complain that our answer to your second question of February 10th ultimo, was evasive. It was not intended to be so, and if so, it has arisen from our inability to comprehend the meaning of yours of 10th of February, or of the following:—‘Do you propose to ask for a prorogation, giving at the same time solid and sufficient guarantees for the execution of the primitive contract, without any change whatever?’ We are uncertain as to the document referred to as the ‘primitive contract.’ If it alludes to our concessions from Bolivia, you certainly do not propose to vitiate them by *ex post facto* laws; and we cannot comprehend how the vague words ‘solid and sufficient guarantees,’ the meaning of which is not explained to us, are to be applied ‘without any change whatever in the primitive contract.’ We certainly cannot submit to the application of any *ex post facto* laws with reference to our contracts with Bolivia; for once admitting the right of the Government to apply such laws, none of our operations would be safe, and the entire foundations of our enterprise would be unfitted for any superstructure. Moreover, the constitution of your own country, as well as that of every civilised State in Christendom, recognises any such laws as a breach of national faith and fair dealing.

“With reference to the new contract made with Messrs. Dorsey and Caldwell, we claim that the Madeira and Mamoré Railway Company and our Company had the most perfect right to enter into it. We submit that it was not made on behalf of the Government of Bolivia, and,

therefore, we cannot see why the difference in price over the old contract should cause remarks from yourselves, ending in the statement that the total expenditure required is ‘a result which you are not in a position to accept.’

“You are pleased to allude to the first article of the concession granted to the undersigned for the organisation of the National Bolivian Navigation Company, and ask ‘if the fundamental condition imposed by this article has been fulfilled?’ You also ask other questions relative to our Company. I regret to be obliged to state that in the answers you have yourselves volunteered you might have saved yourselves much chagrin and sacrifice of dignity had you thought proper to first make application for the desired information. No such application has ever been made to our Company, but the information referred to might have been obtained long ago by either yourselves or any Government official of Bolivia. We are prepared at any moment to show you that this Company was chartered by the Congress of the United States, and is under the protection of the Government of the United States, and that the said Company was duly organised in the city of New York; that it has a share capital stock of its own, and has undertaken and made large expenditures from its own resources, aside from those realised from the Bolivian Loan operation, and that it has among its shareholders a large number of the most influential men of the United States. If you will be kind enough to examine the article which you cite from the Bolivian concession, you will observe that the right was conceded to organise the Company *in the United States*. This will enable you to correct your error in saying that ‘it is necessary to show that this association is not a chimera, but that it has commercial existence, formed according to the laws and practices of Great Britain.’

“You are pleased to state that the undersigned ‘has commenced by infringing in its essence, in its fundamental principle, the contract of the concession.’ I deplore that the worthy Commissioners should, without any proofs or even examinations of documents, make such an unfounded charge; and I have no doubt that, upon further consideration, it will be withdrawn.

“I come now to the part of your communication which treats of the Articles four, eight, and nine of our concession of 1868, from Bolivia, and the non-compliance of these by your Government. I think the Commissioners have, perhaps, failed to note the dates of events. The original concession to our Company was granted in August of 1868. To comply with the requirements relative to Brazil, the Government for a long time

retained at the Court of Rio de Janeiro, as Minister Plenipotentiary, one of its ablest and most prominent officials, General Quintin Quevedo, with two secretaries. He was completely unsuccessful in his mission. After his departure, the Government of Bolivia made numerous communications to that of Brazil relative to the Articles four, eight, and nine in question, but could obtain no satisfactory results. No less than fifteen months passed in this manner, without Bolivia having succeeded in complying with her obligations. It was then that his Excellency Mariano Donato Muñoz, Minister of State for Foreign Affairs, wrote to me from La Paz, requesting me to proceed to Rio de Janeiro, to see if by any means I could negotiate the transit of the rapids of the Madeira with the Imperial Government. I first obtained strong letters from the United States Government to its Minister at the Court of Brazil, and proceeded to La Paz. There, as you have truly stated, I suggested that Bolivia should accredit another Legation to Rio de Janeiro. Señor D. Ricardo Bustamante was named *Chargé d'Affaires*, and a simple letter of introduction, nothing more, was given to me for the Brazilian Minister for Foreign Affairs. What the powerful recommendations and credentials of Señor Bustamante may have been I know not, nor did the Brazilian Government ever know, for the *Chargé* named did not go to within a thousand miles of Rio de Janeiro, and finally returned to Bolivia without rendering me the remotest aid. I reached there and remained three months, during the worst yellow fever season which had desolated that coast for many years.

“You are well aware that the international relations of Bolivia and Brazil were, previous to the advent of the Navigation enterprise, of a very uncertain and doubtful nature; the numerous pamphlets written in Bolivia against the Empire not tending to the most harmonious relations. Far be it from me to undervalue the influence of Bolivia at the Court of Rio de Janeiro. I believe that it is great to-day; I believe it will be immense when the Madeira and Mamoré Railway is finished, but that it was very little in 1870, owing to the absolute non-existence of commercial relations between the two countries. At Rio de Janeiro I was presented to the Government by the United States Minister. I found it absolutely impossible to obtain the remotest privilege, of any nature whatever, for the National Bolivian Navigation Company; but I also found a just and enlightened desire to open communications with Bolivia *viâ* the Amazon river, and a most friendly disposition towards that country. I very much doubt if the concession for the Madeira and Mamoré Railway would be in existence to-day if the immense influence of my warm personal friends, his Excellency G. Buckley Matthew, Her



Britannic Majesty's Envoy Extraordinary at the Court of Rio de Janeiro, and that of his Excellency Henry T. Blow, the Minister of the United States at the same Court, had not been so powerfully exerted in my favour ; the latter exercising his good offices owing to direct instructions from the United States Government, and the former rendering them in the interests of British commerce. There is no doubt that, after the concession was granted, the Minister of Foreign Affairs of Brazil did perfectly right in addressing the friendly communication which he did to Bolivia, announcing the granting of a concession in which Bolivia was so deeply interested. I am glad you quote this note of his Excellency the Baron de Cotegipe, for it substantiates the truth of our complaint, that the Bolivian Government has not yet complied with its obligations. I allude to its closing paragraph :—‘ I recommend to you, upon delivering to the Minister of Foreign Affairs a copy of the Decree, you should say that all that depends upon international arrangements, and all that may be considered as a complement to that work of common utility, will merit the prompt and friendly consideration of the Imperial Government.’

“ It is precisely this clause that his Excellency the Baron de Cotegipe stated to me that he would cause to be sent to the Bolivian Government, that negotiations might be opened between the two Governments for the arrangement of all points which in Articles four, eight, and nine of our concession from Bolivia might be classed as international matters, and not found in the concession granted to me by the Imperial Government for the construction of the Madeira and Mamoré Railway.

“ The quotation which you make from the Bolivian ‘ Memorial of 1871 ’ is apt to mislead the reader in giving out the idea that the railway concession was given to the National Bolivian Navigation Company, and from this may have arisen many of the misunderstandings of the worthy Commissioners relative to our enterprise. The Railway Company is a completely separate and distinct organization from the Navigation Company.

“ We still anxiously await for the Government of Bolivia to comply with its obligations. The long residence of his Excellency, Señor Don M. Reyes Cardona, at the Court of Rio de Janeiro, since 1870, should have enabled the Government to complete the negotiations relative to the articles in question. Thus much trouble, and very great expenditures, would have been saved to us on the River Amazon ; and many of the difficulties which have since arisen would have been avoided.

“ Why did we proceed with the work before the Government fulfilled its contract ? There was nothing in our concession that prevented our going forward with the enterprise, pending the negotiations of Bolivia with



Brazil. In fact, it was to our advantage in one particular, for it was so much time gained ; and we could not, by our inactivity, accuse Bolivia of having made us a concession which she did not intend to exert herself to the utmost to fulfil without loss of time. This is the reason we have pushed forward and made expenditures, not with the funds of the ' Bolivian Treasury,' as you allege, but with the funds which we have, by the pledges of our prospective revenues, raised for the purposes of our enterprise.

"It is painful for me to observe that you appear to be in ignorance of the text of the *Loan Contract* of December 22, 1869, between the Government of Bolivia and our Company, and that you characterise as a 'transcendental error' the indisputable fact that 83 per cent. of the net proceeds of the Loan were, by solemn stipulation of its fifth article, allotted to us as our share of the Loan, to be applied to the various works we had in contemplation. It was in that contract that this Company pledged itself to give all its future revenues to the service of the Bolivian Loan, and by this act divested itself of all power to raise any capital of moment, except through the channel of the Loan. The clear financial acumen of your worthy Commission will not fail to see that a Company, with all its future pledged for the payment of the interest and principal of the existing Bolivian Loan, can scarcely enter the money market and obtain funds, with nothing but a second mortgage on its earnings as a pledge. If the present Bolivian Loan Bond, representing the future of the enterprise, combined with the national faith and credit, is to-day at 35, what would a banker or merchant give for a second mortgage upon our earnings, unbacked by the Government endorsement ? I certainly think, gentlemen, that, when you take into consideration the true conditions of the problems submitted to you for solution, you will arrive at a new and different result. If, however, you should not, we shall be most thankful to you if you can indicate to us any system of financial gymnastics which will put money into our treasury before the Bolivian Bonds, through the earnings of our Company, and the import duties of Bolivia, viâ the Amazon, make said bond as good a Government loan investment as can be found in the English market.

"Are you sure, gentlemen, that the Bolivian Government had the Loan Contract of December, 1869, before them when they passed the decree of the 5th November, 1873, which has given rise to the correspondence between us ? If they had it, and if you have it also, then must I express my profound surprise at their action, and the context and tone of your present letter to me.

"Your assurance that 'the reproach that the Government has the in-

tention to rescind the contract signed with you is completely unfounded, and that it desires to put it in practice in all its integrity,' gives us the most unqualified pleasure. The law of the 5th November, 1873, undoubtedly recognizes that our misfortunes should receive every consideration from the Executive branch of your Government, and there is no doubt that it should be applied with reference to the contracts existing between us and the Government, not between us and other companies or individuals; for, so long as we keep faith with the Government, it is difficult for us to imagine how the Government can in any way direct the internal management of our affairs.

"Your respected communication says that, if the revocation of our concessions 'be declared, it will be because you have made it inevitable.' In answer to this, we challenge you, gentlemen, to name a single article, line, or word, of our concessions from Bolivia, or contracts made between the said Republic and ourselves, which we have not even more than faithfully complied with.

"You state that the country has waited patiently for the enticing hope raised by me 'to place the eastern districts of Bolivia in contact with universal commerce.' Again, I revert to the fact that this hope was not raised by me—that the Government invited me from New York to undertake the Navigation enterprise; the proof of this I can show you at this office. Moreover, you are well aware that numerous pamphlets were written upon this subject, by eminent Bolivians, long before I had reached the age of manhood; and scarcely a Bolivian statesman, past or present, has failed to state officially, or over his signature, that the enterprise which our Company is striving so zealously to realize is one of infinite importance to the Republic, and one which must be of immense value to its promoters, as well as to the commercial world. Does the Bolivian Government, through its Commissioners, now propose to gainsay all this, and stamp a half century of official writings and documents as a deception and a snare? If so, it is the will of the President, Señor Ballivian, not that of the people of Bolivia, who, I firmly believe, give us their most earnest sympathies and support. The letter of the Commissioners indicates a settled determination to make war upon us in behalf of the former. If this hostile intention still continues, may I hope that the Commissioners will exclaim, in the language of one of their number, Señor D. Avelino Aramayo, in his pamphlet on 'Ferro-Carriles en Bolivia,' page 42:—

"After having established intimate industrial relations with the *empresarios* of a powerful nation, relations more positive and useful for us than those which we have fruitlessly endeavoured to cultivate by means

of diplomacy, we regret that we should have opened ourselves anew to the charge of breaking faith, to the charge that confidence is shaken in the public honour of our country, and finally that it is to be said that not even industrially are we worthy of friendship.'

"You revert to the fact that Bolivia made me special agent for the negotiation of the existing loan, and state that 'the loan might have been negotiated on terms more favourable.' Can it be possible that dissatisfaction can be expressed relative thereto? I have only to look again at Señor Aramayo's pamphlet to find that he himself brought here in 1864, as special agent, a loan operation for Bolivia, which represented every pledge and special hypothecation which was available to the State. This was refused by the 'Crédito Financiero,' and was afterwards disastrously offered to, and withdrawn from, the market by the London and County Bank, whose immense financial influence and power were insufficient to make the loan a success; while the very severe remarks of the *Times* of that date (March 17, 1864), show at how low a point the credit of the country stood. If at a later date (June 1, 1864) a loan contract *ad referendum* with Mr. Louis Merten was effected firm at 70, it must not be overlooked that the interest was fixed at 8 per cent. per annum, or equivalent to a *six* per cent. per annum loan firm at 52½. It should not be forgotten that the loan for which I was especial agent was negotiated at 68 with interest at 6 per cent. Deducting bankers' commission, this is equivalent to 61½ firm. It was contracted during a period characterized by Señor Aramayo as the one when 'the hand of iron raised itself, at the end of 1864, to strangle all institutions and strike out all guarantees.' It was negotiated in the midst of the Franco-German war, and last and worst, with the Peto-Betts' claims against Bolivia for repudiation of contracts for railways, &c., entered into between Messieurs Peto and Betts and Señor Aramayo, in behalf of his Government, staring me in the face whenever I entered a financial house with the hope of establishing Bolivian credit. It is but justice to say that the holders of these repudiated contracts generously *permitted* the issuing of a Bolivian loan on this market when a single line in the newspapers relative to their claims might have prevented it. Their contracts still exist; and, contrary to what you would make us believe, it is they, not the National Bolivian Navigation Company, which cast suspicion upon Bolivian faith and credit. If more were required to show how well the existing loan of 6 per cent. at 68 was placed in January, 1872, I might revert to the one negotiated less than ninety days later by his Excellency the Bolivian Minister of Finance, Señor Don Pedro Garcia. This gentleman pro-



ceeded to Lima, and contracted with the house of Messieurs Valdeavellano and Company for £100,000, at 18 *per cent. per annum*, pledging for the purpose the best security on the Pacific coast, the Arica Custom House subvention to Bolivia. Can it truly be said, in the face of all this, that to the Navigation Company is due the 'disconfidence and discredit' of Bolivia in this market?

"We greatly regret, gentlemen, that you did not rightly comprehend our suggestion to you as to intervening in the pending litigation. I may have expressed myself inadequately, and certainly I do not understand the expression of your intentions on this subject. Let me try once more to convey to you the position of things.

"In consequence of the Public Works Construction Company's repudiation of their contract, this Company has entered into a new contract with Messieurs Dorsey and Caldwell, engaging that the funds now in the Bank of England shall be applied in payment of the contract price, and has commenced a suit in Chancery to enforce this. The Public Works Construction Company, on the other hand, say they were justified in repudiating the contract, and claim to be paid out of this fund what they have expended in preparation for its execution; and they assert this right in the Court of Chancery. Again, Mr. James Cooper, as a bondholder, claims the aid of the Court of Chancery to prohibit any application whatever of the funds for any purpose except under the control of that Court; and, so far as I can understand, the idea of the Bondholders' Committee is, that unless this Company can satisfy the Court that the railway can be built from end to end, by means of these funds and of other resources of this Company, these funds ought to be divided amongst the bondholders, without consulting your Government and without discharging your nation from liability.

"Under these circumstances, it was conceivable that your Government might feel itself warranted in asserting rights on its own part. I hope you will not suppose that I am suggesting that the Government could or ought to do anything of the kind. I only urge that if it is intended to do so the present is the only proper time for doing it.

"It would be a most serious injustice to us, if after allowing us, single-handed and at our own risk, to protect the funds from the claims of the bondholders and of the Public Works Construction Company, and after seeing our new contractors, in reliance on these funds, commence work under their contract, the Bolivian Government were to commence a suit to prevent the application of the funds to the construction of our road.

"The law of last November and the communication I have had the



honour of receiving from you indicate the opinion that the Government has the right of requiring from this Company additional securities and guarantees, which I respectfully but firmly deny. If this view of the Government is still persisted in, now is the only time when, in justice to the interests of other people, an attempt should be made to give effect to it.

"You are aware that it is not competent for us to make the Bolivian Government or its representatives in England parties to our suit for the purpose of having the question judicially settled; and I can only draw your attention to the pressing necessity, that, if you are intending to apply for any judicial endorsement of your views on this question, you should do it without delay.

"If, as you state, 'the Government did not observe' towards me personally 'the most common rules of prudence,' the results have fully demonstrated the judgment of those who trusted me. I point with pride to the administration of our enterprise from the moment of its inception, and with still greater pride to the indisputable fact that I have never lost sight of the true interests of Bolivia, frequently defending the honour and credit of the country against the ill-advised action of some of its own sons.

"In conclusion, we again call upon you to study thoroughly our position, to examine the true relations of your Government towards us, to analyse well all the existing contracts. If, gentlemen, you will do us this justice, I have no doubt you will come to our aid and assist us to overthrow every obstacle which stands between our enterprise and success—between Bolivia and national prosperity.

"I have the honour to be, Gentlemen,

"Yours very respectfully,

"GEORGE EARL CHURCH,

"President."

"[TRANSLATION.]

"FINANCIAL AGENCY OF BOLIVIA.

"London, 25th April, 1874.

"33, Brunswick Gardens, Campden Hill.

"GEORGE E. CHURCH, Esq.

"Sir,—We reply to your communication of the 16th March of the present year.

"When declaring, in our note of the 7th March, that you are morally and legally responsible for the non-execution of the works of the Madeira and Mamoré, we have not forgotten that the contract you entered into with the Public Works Construction Company was brought to the know-

ledge of the Congress of Bolivia. What we maintain, and what you, to our surprise, deny, is that the Government participated in the adjustment of the said contract. It is not true that, in the contract of 18th May, 1871, entered into with the firm of Erlanger and Co., for the issue of a Loan, there could have been made not even any mention of the said Construction Company, so the documents published by yourself show, as well as those we have in our possession. The one thing evident is that yourself and the other directors of the Madeira and Mamoré Railway Company were the persons who contracted privately, at your own risk and peril, for the construction of the line. This is shown by the document dated on the same date on which the emission of the Loan was arranged, and that of the 19th of January, 1872.

"Subsequently (24th August, 1871) the Congress authorised the Executive Power *to ratify the Loan of two millions of pounds sterling, negotiated by George E. Church, in the name of Bolivia, with Messieurs Emil Erlanger and Co.* In the ratification signed on the 28th of the same month and year, the third article says: *In addition to the securities contained in the second and seventh articles of the principal contract, in conformity with the sixth article of 'Bases for the negotiation of a Loan of the 22nd December, 1869, remains accepted as a new guarantee.'* Mark this well!—the stipulation made on the 18th of May of 1871, *between the National Bolivian Navigation Company and the Company of Public Works of London, to finish and equip the work of the railway of the Rapids of the River Madeira by the early part of the year 1874.*

"Hence it is inferred that the Assembly, in foreseeing any prejudicial emergency, gave to the contract a restrictive and precise sanction, accepting it illusively as an *additional guarantee*, and leaving intact the responsibility of its consequences to those who knowingly concluded it with a purpose and for their own interest.

"That guarantee depends on two considerations:—1st. The fixing of the term for the completion of the railway (two years—until April, 1874); and, 2nd. The industrial credit of the Construction Company maintained by you, and, to a certain extent, supported by the signature of two merchants.

"The term has expired, and there does not exist a single mile of the projected railroad. The Construction Company, after receiving large advances at the expense of Bolivia, retracted from its pledge, frustrating the assurances given by you respecting their activity and the due strictness of their conduct of business matters. It must be stated that the said guarantee has proven illusory. But who ought to be responsible

for this? He who brought it forward—he who chose bad colleagues to carry out the task of opening the Madeira route. We deem that it is not necessary to name him in order to recognise him.

“Whether you assume before our Government your real role of a sole contractor, or whether you select that of official agent, the responsibility does not disappear. Mischief has occurred, and that mischief arises out of the action or omission on your part. It was unforeseen in your stipulations to transmit to the Bolivian authorities an hallucination in place of a truth. This fault has produced enormous losses in the national Treasury, has falsified the bases of our credit, or has converted a Stock Exchange operation that might have been successful into a ruinous negotiation which, in spite of our good faith, has been reflected on us as a crime.

“It seems you cannot reconcile the idea of repeating, subsidiarily, a reclamation against the Construction Company with that of reclaiming from you. Nevertheless, nothing is plainer or more in conformity with universal jurisprudence. When, in a dispute, there exist primary and secondary offenders, the action commences with the principal ones. If the results are insufficient to meet the amount of the claim, the course open is to seek for the balance by instituting a subsidiary action against all those who are linked together by identical or analogous responsibility. It is very easy to apply this old doctrine to the case in point, if it be borne in mind that the Construction Company, although it has not entered into direct relations with the Bolivian Government, has received its funds, and has covenanted to carry out a national enterprise.

“You manifest surprise at our affirmation that the construction of the railway has not been even commenced; and you say, in reply, that extensive operations have been carried on in that region, where, also, large quantities of materials for the work have been warehoused. We regret that you are less informed than ourselves. What exists there is the *Silver Spray*, a little vessel which has grounded near San Antonio, and is completely useless. On board of her, in detached sections, was the steamer *Mamoré*, equally lost in consequence of the loss of the former vessel. From the few materials accumulated by the agents of the Construction Company one can hardly tell where they are to be found, for the same persons who should have made use of them ordered their destruction. Engineer Drew did not limit himself to paralyzing every proceeding in the task with which he was entrusted, but also abandoned amidst the forests the labourers that had been engaged in Cochabamba and Santa Cruz, and refused to pay them the smallest frac-



tion of their wages. If you had kept this picture in view, it is certain that you would not have ventured the assertion alluded to above.

“ You consider the law of the 5th of November to be *ex post facto*, and refuse to accept it. We believe that, on reflecting with greater deliberation, you will change your opinion. That is not an *ex post facto* law which dictates precautionary measures against the emergencies of an expired contract. If the last Assembly of Bolivia ordered, *under certain conditions*, that the Government should protect the enterprise begun by you, it was not that such a requirement existed in the laws of strict justice, but in order not to renounce definitively the flattering hope of opening to the commerce of the world the rich valleys of the Amazon. There was patriotic sentiment and not obligation in this legislative act.

“ You volunteered a solemn engagement to finish in two years the Madeira and Mamoré Railway, and to establish steam navigation on its rivers within twenty-one months, reckoned from the date of the notification of the concessions which ought to be, and have been, authorised by Brazil. You have not complied, even remotely, with this obligation, and have allowed the concession granted you by Bolivia to run out. Can you complain of a law which has arisen out of such actions ; which has sprung forth from the grave of a contract, and has for its object the prevention of greater disasters ? Is it not yet more than enough that our legislators should have carried their consideration for the enterprise to the pitch of aiming to resuscitate it, extending to you the term which they had granted you ? It cannot be doubted that from sentiments of the most open-handed justice such leniency could not be expected.

“ The law, then, of the 5th of November is not retroactive, but simply precautionary, apart from being excessively liberal with you. That which now remains in force is not an anterior law, but a new order of things consequent on a contract being rescinded for its non-execution, and the object or end of which is, nevertheless, to endeavour to push forward by enacting more solid guarantees for a successful issue. The lack of these produces two effects :—1st. Carelessness on the part of the empresarios in the faithful and prompt fulfilment of their obligations. 2nd. The want of confidence on the part of the speculators, who are able to help the enterprise, and to give it credit on the European market. In view of these facts, the Congress has wished to avoid a second catastrophe, which would prove even more transcendental than the first. The tenor and spirit of the indicated law are nothing more than this.

“ As for the rest, it is easy to understand that your firm refusal to authorise the guarantees which our legislators exact, in order that you may be able to continue in the enjoyment of your expired concession,



possesses little more value than that of an individual resistance which is absolutely unfounded. Further, in order that this assertion may be clearer, we shall put in greater relief the reasons adduced in our previous communication.

“The first contract made with you by the Government of Bolivia bears date the 27th of August, 1868. The first article stipulates that you were to organise in the United States, the National Bolivian Navigation Company, with a capital of one million hard dollars. *At your request*, the said article was extended, declaring that the Company might be organised either in the United States or in Europe.

“So far so good. Article 13, modified *at your own instance*, says : ‘The general direction of the Company will be located in the country where it may be formed.’ Accordingly, it resides and administrates in London. It is logical to conclude that the Company, if it exists, ought to have been formed in this kingdom, subjecting itself to the laws and commercial usages peculiar to the country. Consequently it is very singular that it is affirmed that the said association was created in New York, having its actual seat there.

“However, let us suppose this to be so. It is a well known fact that, in New York, business companies are formed without any capital whatever, and without being quoted on the Stock Exchange. You affirm that the Bolivian Navigation Company possesses a capital realized by bonds ; but it will not be concealed from you that we have not the curiosity, but the right, to know the nature of that Company, whether it be stable or anonymous, limited or unlimited, how and where its bonds are distributed, in what state its funds stand, how much money it has expended in the business in hand, and what are its bearings towards the enterprise. It was not necessary to ask you, according to what you assert in your note. The information ought to come from yourself, in view of the obligation imposed by articles 1 and 13, clause 3, of the contract of December 7th, 1869.

“That information has not arrived. In the opinion of our Government the Company does not exist. It is not known by the commercial world. Then it is incontestable that you have broken the fundamental condition of the agreement of 1869. The existence of an association provided with a capital of one million *pesos* was, for Bolivia, the only safeguard on which to rely for the opening of the Amazon route. This security is now not forthcoming, and it is obligatory to seek some other, seeing that Bolivia is bound, in spite of deceptions, to carry out an enterprise which in five years has not been able to issue from its cradle.

"Can it be permissible for you to oppose a proposition so natural, so just? After having eliminated the only guarantee on which the contract rested, would the presentation of another guarantee ever be permitted? This would be equivalent to the eluding of all responsibility, and the creation of a monstrous position, in which all the burdens and risks fall on one of the contractors, the other appropriating the power of laying blame indefinitely and with impunity. Such a solution is so much the less admissible, since the last concessions granted by the same law of the 5th of November, so much resisted by you, are purely gratuitous. The original stipulation is not broken by Bolivia, despite the infringements we have pointed out, and there remains only goodwill on the part of the rulers of Bolivia to infuse life, perhaps artificial, into an enterprise which has shown itself to be impotent.

"As regards your having been able to obtain from the Government of Brazil, through your influence and that of your friends, the concession referred to in articles four, eight, and nine of the agreement of December 7th, 1869, we do not pretend to discuss a question of self-esteem. We will content ourselves with saying that the document we copied in our previous letter shows that the recommendations of our Government received attention from the Imperial Cabinet, and that, in consequence, the immunities and privileges alluded to in the aforesaid articles were accorded.

"This offered no difficulty, because the relations of both States could not have been more friendly, since the differences existing between them had disappeared by means of the treaty of the 27th of March, 1867.

"By all means, and without the least intention of undervaluing the influence you were able to exercise in the negotiation, we recognise that in the concession which you obtained from the Imperial Government on the 20th of April, 1870, are found all the faculties stipulated in the again-quoted articles four, eight, and nine, and it is, therefore, quite a new idea that you should be waiting for our Government to negotiate them anew, and communicate to you the intelligence of having accomplished the same.

"In conclusion, we deem the argument exhausted, and are in a mood to declare that the contract which has originated it is rescinded, unless you can find the means of giving to this question a satisfactory solution, and to avoid a litigation which would be very ominous for both parties. We are profoundly convinced of the justice of our cause, and see with perfect clearness the course we ought to follow to obtain reparation for the losses caused by the Madeira and Mamoré.

"We are, your obedient servants,

"(Signed) AVELINO ARAMAYO.

"( „ ) M. RICARDO TERRAZAS."

“ National Bolivian Navigation Company,  
 “ 19, Great Winchester Street, E.C.,  
 “ London, May 5th, 1874.

“ Messieurs AVELINO ARAMAYO and M. RICARDO TERRAZAS,  
 “ Bolivian Commissioners in London.

“ Gentlemen,—I beg to acknowledge the receipt of your letter of the 25th ultimo, which reached me on the 27th. Did the present position demand a complete answer to it, I should have the honour of again sending to your Honourable Commission a copy of my letter of the 16th March last. This is now, however, unnecessary, as you have been pleased to cut short all further argument by declaring the discussion finished, and announcing to us that you are disposed to rescind the contract from which it originated. In addition we learn, this morning, that your solicitor, Mr. Leslie, has, in your behalf, filed a Bill in Chancery to obtain possession of the funds of our Company now lying in the Bank of England.

“ In closing my correspondence with you, permit me again to express my deep regret at the hostile attitude you have assumed towards us from the moment you arrived in England, an attitude entirely at variance with the desires of the Bolivian people. We have made numerous efforts to induce you to listen to and to learn something of our true position. If these have failed, it is no fault of ours, and we leave to you the responsibility of your acts, which threaten to completely ruin the credit and progress of your country.

“ I have the honour to be, Gentlemen,

“ Yours very respectfully,

“ GEORGE EARL CHURCH,

“ President.”

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## PART III.

THE STRUGGLE AT LAW AND THE SEVERAL DECISIONS OF THE MASTER OF THE ROLLS IN THE COURT OF CHANCERY IN FAVOUR OF THE ENTERPRISE. SECRET CONTRACT MADE BY BOLIVIA FOR DISPOSAL OF THE TRUST-FUND. CORRESPONDENCE WITH THE BOLIVIAN MINISTER AT THE COURT OF ST. JAMES.

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In faithful compliance with our contract with the Construction Company, we offered to submit our difficulties to arbitration. Instead of accepting this offer, that Company filed a Bill in Chancery against us, dated July 9th, 1873, amended May 4th, 1874, re-amended June 30th, 1874. Its prayer was to have the Court declare its contract with us not binding and to be cancelled, and claimed for moneys expended, and that the trust fund be embargoed until settlement of their claim.

On the 7th August, 1873, we sued the Construction Company at common law for damages for breach of contract, and on the 20th August, 1873, filed a friendly Bill in Chancery against the Trustees, which we amended March, 1874, making the Construction Company and Bondholders parties to the suit, with a view to free the trust fund at the earliest moment possible, and to continue the work upon the railway in accordance with our duty to all parties concerned.

Following this came the "Bondholders' Bill," filed by Mr. James Cooper against our Companies, the Trustees, the Republic and myself, and dated January 15th, 1874, amended April 9th, 1875, and re-amended November 12th, 1875. The prayer was to restrain the Trustees from parting with the funds until the suits were heard, and to have the Court declare the said trust fund and accumulated interest to be the property of the Bondholders in case the road were pronounced impracticable.

On the 4th of May, 1874, the Republic of Bolivia filed a Bill against the Navigation and Railway Companies, George Earl Church, and the Trustees of the fund, amended it on the 27th of June, 1874, and re-amended it 23rd February, 1875. Their prayer was to have the trust fund declared to be the property of Bolivia, to dispose of according to the wishes of the Government.

The Bill of the Public Works Company was reeking with the mud they threw at the writer of this memoir, as if they relied for a successful



issue to their suit upon the blackening of the character of the man who had, without exception, treated them in the most liberal, frank and manly manner. There was no trick of the law, no chicanery, no opening for involving the affair to the utmost, of which they did not freely avail themselves, clearly showing that they placed their sole reliance of escape upon exhausting us by delay.

Had there been even the shadow of an honest desire on the part of the Bolivian Commissioners, the Construction Company, or the Bondholders' Committee to have the Courts decide upon the merits and equity of the questions in dispute, one and all of the suits might easily have been heard by the judge in the early part of 1874. So solid appeared to be the union between the three parties opposed to us, that it became a matter of doubt in our minds whether the Bolivian and the Bondholders' suits, so-called, had been filed in support of their own prayers or in behalf of the Public Works Company. At all events, it was very evident that the Commissioners and the Bondholders' Committee only saw through the Public Works Company's eyes, thought as they thought, modelled Chancery bills upon their bill, consulted the Public Works Company's solicitors, acted when they acted, waited when they waited, and echoed what they said. Such a game with blind Bolivia and the still blinder Bondholders as cats-paws could be played until the year 1900, and therefore we felt perfectly warranted in coming to a compromise with the Public Works Company, simply to save time; for Bolivia and ourselves were pledged on the bond to pay £136,000 sterling per annum, and Time was rapidly piling up his demands upon the resources of the nation. We, therefore, waiving all hope of justice, submitted to the following compromise:—

#### MADEIRA AND MAMORÉ RAILWAY.

With the object of removing the obstacles to the construction of the Madeira and Mamoré Railway and enabling Mr. Josiah Caldwell to carry out the contract entered into for building this railroad, the National Bolivian Navigation Company and the Madeira and Mamoré Railway Company have, through Colonel Church, entered into negotiations with the Public Works Construction Company, and that Company withdrawing all charges of misrepresentation against Colonel Church, and the Navigation and Railway Companies admitting from their later information that the railroad could not have been built at the price and within the time named in the contract with the Construction Company of May, 1871, and January, 1872, and that from the survey made by

the Construction Company, the length of the line appears to be longer than was originally supposed, and the three Companies being desirous of avoiding the evils of prolonged litigation, and anxious to have the railroad completed so as to carry out the obligations with the Bolivian Government and its Bondholders, and with the Brazilian Government, and the Navigation and Railway Companies being especially anxious to avoid any possible ground of hindrance to the guarantee now before the Legislature of Brazil—the parties hereto mutually agree as follows:—

1st. The Construction Company agrees, with the approval of the Navigation and Railway Companies, to transfer to Mr. Caldwell all their rights under the contracts of May, 1871, and January, 1872, and under the deed of transfer and covenant, and will make up and present for the Engineers' Certificates their claims for work done and materials supplied under the Contract, and will deliver such certificates and any unpaid certificates they now hold, as and when requested by the Railway and Navigation Companies to Mr. Caldwell, with authority to the Trustees to pay the amount to him, and they will, upon the like request, deliver to Mr. Caldwell their maps, plans, sections, survey books, reports, and place at his disposal all other information in their power relative to the work for the railroad, and transfer to him or other the nominee of those Companies, all their plant and materials in San Antonio.

2nd. The Navigation and Railway Companies release the Construction Company from all claims for breach of contract or otherwise and from any continuing liability under the contracts of May, 1871, and January, 1872.

3rd. The Construction Company and the Navigation and Railway Companies will assist each other in obtaining an immediate end to all the litigation, and each of the Companies respectively shall be entitled to receive out of the funds in the hands of the Trustees any costs the Court may please to order to be paid thereout.

4th. In consideration whereof it is hereby agreed that the Construction Company shall be paid £45,000 on account of its outlay and expenses in connection with the works as a fixed and agreed amount and in satisfaction of all their claims, in manner following, viz.:—

7½ per cent. of the amount of each payment to be made by the Trustees on Engineers' Certificates of work done, materials supplied for the construction of the Railway, as and when such payments are made, whoever may be employed in carrying out the works, and the balance, if any, out of the retentions kept back by the Trustees from the amount of such certificates.

5th. The Trustees of the fund are hereby authorised to make the said 7½ per cent. payments direct to the Construction Company, and the fund

in the hands of the Trustees is hereby charged with the payment thereof accordingly, whoever may be employed in carrying out the works.

6th. The Navigation and Railway Companies, and Mr. Josiah Caldwell, jointly and severally guarantee the payment to the Construction Company of the said sum of £45,000, at the times and in manner before mentioned.

7th. The Contract of September, 1873, between Messrs. Dorsey and Caldwell, and the Navigation and Railway Companies is not to be affected by the transfer to Mr. Caldwell of the Construction Company's rights under the contract of May, 1871, and January, 1872, and Mr. Caldwell is not, by virtue of such transfer or otherwise, to claim anything as against the Navigation and Railway Companies or the fund, except payments of the amounts of Engineers' Certificates.

8th. This Agreement to be forthwith ratified by the Boards of the respective Companies.

Dated the thirteenth day of October, 1874.

For the Madeira and Mamoré Railway Company,

GEORGE EARL CHURCH, Chairman.

For the National Bolivian Navigation Company,

GEORGE EARL CHURCH, President and Agent.

For the Public Works Construction Company (Limited),

C. F. DE KIERZKOWSKI, Secretary.

JOSIAH CALDWELL.

Witness to four signatures,

W. W. WYNNE.

The Commissioners and the Bondholders' Committee were loud in denunciation of the above arrangement, and suddenly discovered that the Public Works Company should have been punished instead of rewarded. It was evident that nothing that we could do would please them, not even a compromise with their friends.

At length the following was the result of a two days' hearing before the Right Honorable Sir GEORGE JESSEL, Master of the Rolls.

CHANCERY LANE, DECEMBER 11th, 1874.

NATIONAL BOLIVIAN NAVIGATION COMPANY

*v.*

PUBLIC WORKS CONSTRUCTION COMPANY,

THE TRUSTEES OF THE RAILWAY FUND,

AND THE

REPRESENTATIVES OF THE BOLIVIAN BONDHOLDERS.



MR. SOUTHGATE, Q.C., MR. NORTH, and MR. O. L. CLARE, appeared for the Navigation Company; MR. FRY, Q.C., and MR. SPEED, for the Construction Company; MR. ROXBURGH, Q.C., and MR. WHITEHOUSE, for the Bondholders; and MR. FISCHER, Q.C., and MR. MACNAGHTEN, for the Trustees: MR. CRACKNELL watched the case for the Republic of Bolivia.

### JUDGMENT.

THE MASTER OF THE ROLLS.—It appears to me that there is very little question at all to dispose of in this case. If it had not been a question of £600,000, but a question of £600, I do not think I should have given a formal judgment after what I have said during the argument; but the sum is so large, and the persons interested, in the shape of Bondholders and others, so numerous, that I think it better I should state, probably for the third or fourth time, the grounds upon which I now decide this case.

Now, the substance of the matter is very clear and simple indeed. The Bolivian Government, being desirous of obtaining access to the Atlantic Ocean from the Amazon River, not having apparently means of their own to make the necessary works, made an arrangement for the canalization, or *quasi* canalization, of a part of the river. Those arrangements do not seem to have answered: and, instead of that, it was proposed that the upper part of the river should be left alone, and that a railway should be made to complete the communication with the navigable water of the river. That led to a concession of the Government of Bolivia to the Company which is called The National Bolivian Navigation Company, which seems to have been incorporated by the United States of America, and has been called for shortness throughout the argument by the abbreviated name of the Navigation Company.

The contract contains a grant of various privileges to the Navigation Company: and the Company agreed to make the Railway, amongst other things. So far the matter was plain enough; but in order to neither the Bolivian Government nor the Company had any money, a proposal was made that the Bolivian Government should borrow the necessary money in this country, and advance out of the proceeds of that loan the necessary sum to the Navigation Company. That led to an arrangement which was carried out by various documents, dated the 18th May, 1871. One of the parties to the document, which is set out at page 116 of the book, is Colonel Church, who acted in two characters; he was Special Agent for the Republic of Bolivia, and acted in that



capacity only in the first document, and he was also the Agent of the Navigation Company, of which he seems to have been the chief proprietor. He acted in that capacity in some of the documents; but, for shortness, it is as well to describe his principals as being the parties to the contract instead of the Special Agent. The first contract was between the Bolivian Government on the one part, and Messrs. Erlanger and Company on the other part. That was an arrangement for raising the loan in this country. The special contract of even date was a contract between the Government Agent and Messrs. Erlanger, by which it was provided that 83 per cent. of the proceeds of the loan should be paid over direct by Messrs. Erlanger and Company to the Navigation Company, in pursuance of the arrangement for the subsidy which the Government had promised the Navigation Company.

Then there was a contract of the same date (one contract I pass over) between The Public Works Construction Company and the Navigation Company.

The Public Works Construction Company came upon the scene in this way. The Navigation Company, not being minded to construct the Railway themselves, as they were authorised to do, applied to the Public Works Construction Company to construct it, the Public Works Construction Company being a Company which does what is called contractors' business, and consequently the arrangement between the Navigation Company and the Public Works Construction Company was, having regard to the original contract between the Navigation Company and the Government, in the nature of a sub-contract, that is to say, the Navigation Company having contracted with the Government to construct the Railway, they contract now with the Public Works Construction Company to construct it for them. That was a document to which the Government was no party, by which it was arranged that the Public Works Construction Company should execute the whole of the Railway. By the 5th article of that contract it was arranged that the price should be provided for out of the loan. That was the substance of the arrangement, that is, that a sufficient sum should be set aside out of the proceeds of the loan to secure the payment of the contract price, namely, £600,000 (it being what they call a lump sum contract) to the Public Works Construction Company. Then the deed dated the 19th January, 1872, to which everybody was a party, recites all these arrangements; and then it carries them out in detail with some variations, which it is not necessary to go into: but it does not alter the relation of the parties. The arrangement then was that two Trustees

should be appointed, who should receive the £600,000 and invest it in United States Securities for the security of the Public Works Construction Company. By that deed it was very carefully stipulated that those arrangements are to remain as they were originally,—arrangements between the Navigation Company, Messrs. Erlanger and Company, who were merely agents to receive the proceeds of the loan, and the Public Works Construction Company. That is very remarkably kept up throughout. For instance, in the witnessing part at the bottom of page 132, Colonel Church being a party to the deed in a double capacity, that is, as representing both the Bolivian Government and the Navigation Company, it is witnessed that Messrs. Erlanger, with the approval of Colonel Church, on behalf of the Republic of Bolivia, covenant with the Trustees that they will cause to be retained out of the deposit a sum sufficient to meet three coupons and the sum falling due in respect of the sinking fund.

That was quite right. The Government was interested in saying that the coupons should be paid and the sinking fund secured. The next witnessing part is that Messrs. Erlanger and the Railway Company, with the consent of Colonel Church on behalf of the Navigation Company, covenant with the Trustees that they will, from time to time, apply the net proceeds of the loan so invested and deposited, and which Messrs. Erlanger oblige themselves to invest and deposit, or cause to be invested and deposited, in the manner mentioned in the 5th article of the Works contract. That is a bargain in which the Government have no direct interest. It is a sub-contract; and the trust, therefore, is a trust for the benefit of the Public Works Construction Company, as between them and the Navigation Company, and then it goes on to make provision for the payment to the Trustees and the investment by the Trustees accordingly.

The result, therefore, of all those documents is this—that if the loan was issued and succeeded, the proceeds of the loan were, so far as the matter in dispute was concerned, to be applied in this way; £600,000 was to be paid to the two Trustees; to be invested in United States Securities, and applied from time to time in payment, according to the certificate of the Engineer of the Company, to the persons who were entitled to receive it, namely, the Public Works Construction Company or their Agents. It was a security, therefore, not to the Government of Bolivia, which had nothing whatever to do with it, but a security to the Public Works Construction Company, the sub-contractors, for the due payment of the amount of the contract, and if there had been nothing

else in the Prospectus than that, when the Public Works Construction Company cancelled their contract, it appears to me that the result would have been that the money would have become again the money of the Navigation Company, which had only ordered it to be appropriated for the purpose of satisfying by payment the amount to become due from time to time to the Public Works Construction Company. That contract has been cancelled by mutual consent; I am anticipating to a certain extent; but the result is that the money would be simply the money of the Navigation Company, that is to say, part of the 83 per cent., which was ordered to be paid.

But, then, there was a Prospectus. The Prospectus to my mind makes a very considerable difference in the relation of the parties. The money was raised from the British public by a Prospectus, which I think very fairly states the substance of what was intended to be done in this way. "The principal object of the loan is to subsidize the National Bolivian Navigation Company formed under concession from Bolivia for the purpose of opening communication between the Republic and the Atlantic Ocean." So that, reading it properly and correctly, it is to subsidize, that is, to give a subsidy for the Navigation. It then states the advantages of the proposed new route, and says:—"It will be established by means of steamers and a railway about 150 miles in length around the Rapids of the River Madeira, for which the Imperial Brazilian Government has granted a concession for 50 years to the Madeira and Mamoré Railway Company, of which the Navigation Company is practically the exclusive proprietor. The Public Works Construction Company (Limited), which has had the line examined, has entered upon a contract for the construction of the Railway, and the same is to be completed and equipped within two years." That was all true, then. There are certain advantages offered in the way of the security of the Customs' Dues and so forth, besides the security of the Bolivian Government in general, and then, as a further security for the loan, there is this:—"The Bolivian Navigation Company has executed a deed granting to Trustees for the Bondholders a first charge over its net revenue from every source, and containing full powers for the inspection of books and accounts, and in case of profits being withheld, for entering at once as receivers into possession of all property and assets." That is quite true. Then there is this—"The Madeira and Mamoré Railway Company have joined in a similar deed hypothecating its net profits to the same Trustees for the same purpose." That was true. "Mr. J. Horatio Lloyd and Mr. J. Bradshaw Wanklyn will act



as Trustees for the Bondholders, to exercise, if ever required, these powers for the protection of the Bondholders." Now comes the important clause. "They will retain out of the proceeds of the loan, as received, a sum equal to the contract price of the Railway, and temporarily invest and apply the same from time to time in payment for the works as they proceed." Now it was argued in the letters, or suggested, that that was not a direct representation to the Bondholders that Messrs. Lloyd and Wanklyn would retain this money and apply it in payment for the works, but was merely a representation of the contents of the deeds. There is a clause at the end, which states that "copies of the official documents and contracts may be inspected by any intending subscribers, at the offices of Messrs. Baxter, Rose, Norton and Company, 6, Victoria Street, Westminster." It is said that if they had gone and looked at the deeds they would have found that this supposed trust was one of the trusts of the deed I have been reading, and that, as it stood, it was merely a trust to secure the Public Works Construction Company, the sub-contractor, the due payment as they proceeded with their works, and therefore did not raise any trust in which the Bondholders were interested. That was the argument which was taken in the correspondence, at all events. But I do not think that that was a fair construction. I think the words are a direct representation to the Bondholders that the Trustees will do this, that is, that they will apply the contract price, which is £600,000, from time to time in payment of the works as they proceed, not merely as they proceed under that particular sub-contract, which might be put an end to at any moment by consent, as I believe has actually happened, or by the rescinding of the contract, or by reason of any one or other of the unavoidable accidents which arise to prevent the performance of contracts, but that it was the bargain that the money should be laid out for no other purpose than the construction of these works; and I so decide. That is, no doubt, one of the points in the case.

Then, if that is so, what are the rights of Bondholders under the circumstances which have happened? The circumstances are these: It turns out that the Railway, which is represented in the Prospectus as being about 150 miles in length, is about 200 miles in length. The exact length does not appear, but it is suggested as being about 197 miles. The Public Works Construction Company say, We were deceived, we contracted for £600,000 to construct a railway of 150 miles in length; we have been deceived by a misrepresentation, and we insist that the contract is void, and that we are entitled to rescind it. The



Navigation Company deny that. However, the result was that the parties came to an arrangement by which the contract has been cancelled upon terms, and it does appear in evidence that in fact the Railway is about the length I have mentioned, and that it cannot be constructed by a responsible contractor for anything like £600,000, but that it will require a very much larger sum. The contract is in writing by which the Navigation Company propose £6,000 a mile, which will come to very nearly double the sum which was originally proposed. That, I think, must be taken to be established as a fact in the case. Then the Bondholders say, in fact, that the Railway cannot be made; first of all, you have not got the money to execute it with; and then they say that the Navigation Company have no means to supply the difference between the £600,000, the original contract price, and the sum that will be required to pay the contractors. I cannot go into that. I do not know that the Navigation Company cannot borrow the money. I have not the slightest idea whether they can or cannot; but it appears to me to be a thing with which the Bondholders have nothing to do. They are not coming here to rescind their contract. They are not coming here to say, It was represented to us that there was a railway which could be made for £600,000, and which would open up this communication giving us security, and that representation turns out to be untrue, and untrue to the knowledge of those that made it at the time, and there is no binding contract. That is not their case—they say, We will keep our bond, we will hold the Bolivian Government responsible for the payment of the principal and interest; we will keep our security upon the Customs' Dues of the Government, we will keep our security on the net proceeds of the Railway Company, we will keep our security on the net profits of the Navigation Company, but we will not let them have a chance of earning profits. They will not give up a tittle of their security, but they wish to deprive the Navigation Company and the Railway Company of the £600,000 because they will not complete the whole of the Railway. The answer is very simple: That is not the bargain; the only bargain is that, out of your loan, £600,000 shall be applied in payment of the works of the Railway as they proceed, and if you insist on keeping to the bargain we shall insist also on keeping to the bargain; and, inasmuch as the Navigation Company say we have entered into a new contract with the sub-contractors, by whom the works will be proceeded with, we insist on the Trustees paying for the works as they proceed. It appears to me that that contention is entirely right. One never knows until one sees it in print what the contention is; the Bondholders, having stated

in substance what I have mentioned, say that they insist that the Plaintiffs have no right over the United States Bonds—that is the Navigation Company—except to have the money thereby secured, applied from time to time by the Trustees for the Bondholders in payment for the construction of the Railway as the works proceed. There I agree with them. Then they say:—"That if for any reason it is proved impossible within a reasonable time to construct the Railway or otherwise to apply the trust funds in accordance with the trust, the trust funds or the residue thereof ought to be restored to the Bondholders." If that time ever arrives (it has not arrived yet), they have got a contract, and it will be time enough then to consider what is to be done with the money. At present, there is a contract to construct the entire Railway, and this money is wanted to pay for the works. The other submission in their answer is:—"We submit that no new contract should be made for the construction of the Railway without the concurrence of the Bondholders." I cannot conceive on what ground that contention is put forth. The Bondholders have nothing to do with the contract for the construction of the Railway. They are not the parties to construct it. The Navigation Company are responsible—and they have no control, and ought not to have any control over the Navigation Company. Look at the absurdity of it—no new contract without their consent! Supposing the Navigation Company would not consent, could you make them, and how are you to get the Railway constructed at all? Is the Bolivian Government to borrow the money for the construction of the Railway, or are they to go without a railway because the Bondholders and the Navigation Company do not agree as to the terms of the contract. It is quite plain that they have no such control whatever. The next is that the "contract with the Public Works Construction Company (Limited) is referred to both in the Prospectus and in the Trust Deed of the 19th January, 1872, and it is to that contract only that the Trusts of the United States Bonds retained by the Trustees refer, and the money secured by the United States Bonds ought not to be paid or applied under any contract without the consent of the Bondholders." If that contention was right, the result would be that the Bondholders would have no security at all; because, as I have already explained, that was a sub-contract. That being put an end to if the only trust was to carry out that sub-contract, it being only a security for the contracting parties, of course when the contract is annulled the security falls with it, and the money goes back to the Navigation Company as their own property. That is a singular

contention to find in the Answer of the Bondholders ; and I think it is not to be listened to.

Then the next point made on behalf of the Bondholders is this. They say, whatever else happens you ought to have the Bolivian Government here. Now, the Bolivian Government are not parties to this trust ; that is, they are not parties to the trust created by the deed ; they are parties to the trust created by the Prospectus ; and if they are to be here at all it is in that character that they are entitled to be here. But are they so entitled ? I am going to make a declaration in the words of the Prospectus. How I can injure people who are parties to the deed of trust by making a declaration in the words of the trust, I do not know. But why should they be ? They are persons who are out of the jurisdiction. It is not so alleged in the Bill I know, but the Court takes judicial notice of the fact that the Government of Bolivia is not within the jurisdiction of this Court. Therefore, you have a Government out of the jurisdiction which cannot be compelled to come here, and which therefore need not be made a party to the suit unless the Court sees that some interest of the Government is being damnified, I do not see it at all, but, *ex abundanti cautela*, I propose to put in what has been assented to, words which will save them harmless in case I damnify them ignorantly, by saying, the Decree shall be made without any prejudice to any right of theirs in case I am wrong ; because I do not know what the claim is, and I do not know that there is a claim. In fact, I may say that at present I am satisfied on the present papers there is none, and there must be some further papers and some further evidence to convince me of it. But in case they may hereafter convince me that I am taking an erroneous view, the words I have put in the Decree will save them harmless.

As regards the Bondholders, they claim this : They say your words are not distinct enough and the words of the declaration are not quite intelligible. All I can say is that they are the words of the Prospectus, and they are the words upon which they have lent their money, and if they are not intelligible now they were not intelligible then, and if they did not create a clear trust to induce them to lend their money they have nothing to complain of if they lent it on something that is misty and unintelligible. If, on the other hand, the words are plain and intelligible, as they appear to me to be, the words of the Decree will be sufficient. I see no reason whatever for altering the terms, and therefore I propose to make a declaration in the words which I have mentioned, which I will hand down to the Registrar, superadding to it that it is to be made without prejudice.



Mr. SOUTHGATE.—There is one little verbal alteration. I suggest that if the words “in course of construction” are taken out, the word “under” is rather inapplicable. It is suggested that it should run thus:—“In payment for the works of the Railway around the Rapids of the River Madeira referred to in the concession” instead of “under the concession.”

The MASTER OF THE ROLLS.—What were the words?

Mr. SOUTHGATE.—“In course of construction under the concession.”

Mr. ROXBURGH.—Those are the right words. It must be “under the concession.” They cannot construct works in any other way except under the concession.

Mr. SOUTHGATE.—We have taken out the words “in course of construction.”

Mr. ROXBURGH.—I do not see that the words “in course of construction” at all affect that—“in payment for the works of the Railway under the concession mentioned in the Prospectus.”

The MASTER OF THE ROLLS.—“In the concession” will do. I will put it this way, “Declare that the Plaintiffs are entitled to have the United States Bonds deposited at the Bank of England, in the name of the Defendants, J. H. Lloyd and A. J. Lambert, as in the Bill mentioned, and the interest accrued and accruing thereon, applied from time to time in payment for the works of the Railway around the Rapids of the river referred to in the Concession mentioned in the Prospectus issued on the 19th day of January, 1872, as in the Bill mentioned, as such works proceed, and that the Trustees, in whose names the said Bonds are deposited, are bound to apply the same accordingly.”

Mr. ROXBURGH.—This will have to be a little altered. There are two Concessions referred to in the Bill. There is the Concession of the Brazilian Government, and there is the Concession of the Bolivian Government, and they are both referred to in the Prospectus.

The MASTER OF THE ROLLS.—The Concession is by the Republic of Bolivia.

Mr. FISCHER.—It is the Brazilian Government.

Mr. ROXBURGH.—Your works are constructed under a Concession from the Bolivian Government so far as we are concerned.

Mr. SOUTHGATE.—It is under both Concessions, in fact.

The MASTER OF THE ROLLS.—It is immaterial. It is only a description of the Railway, “the works of the Railway around the Rapids of the River Madeira, referred to in the Concession mentioned in the



Prospectus, and this Decree is to be without prejudice to any claim of the Government of Bolivia."

Mr. ROXBURGH.—Then the declaration ends with the words "in the Bill mentioned."

The MASTER OF THE ROLLS.—The Trustees in whose names the Bonds are deposited are bound to apply the same accordingly. This Decree is to be without prejudice to any claims of the Republic of Bolivia. The costs of all parties, except the Public Works Construction Company, and the costs of the Trustees, as between Solicitor and Client, including charges and expenses properly incurred."

Mr. FISCHER.—"To be taxed and paid by the Trustees out of the Trust Funds in their hands."

The MASTER OF THE ROLLS.—Now as regards *Cooper v. Lloyd*, had not something better be done with that? I ordered it to stand over so as to add parties; but after what has occurred, had not some arrangement better be made?

Mr. ROXBURGH.—Will your Honor allow me to consider the matter between now and this day week?

The MASTER OF THE ROLLS.—Yes, you had better. I think it is a pity to waste any more money. As Mr. Lloyd does not wish to retire, there is nothing left of *Cooper v. Lloyd*.

Mr. FISCHER.—Appearing for the Trustees, we have no object in keeping up the litigation. They may attack us as much as they like.

Mr. ROXBURGH.—There is this much in it—Mr. Lloyd's letter gave us notice——

The MASTER OF THE ROLLS.—If you want to have a personal attack upon the Trustees, you must go on.

Mr. ROXBURGH.—This is all we want: Mr. Lloyd in his letter says this——

The MASTER OF THE ROLLS.—It looks like litigation for costs.

Mr. ROXBURGH.—He says this:—"It must however be clearly understood that I neither can nor will accept any trust for the application of the funds for the purpose of any new contract which the Navigation Company or Colonel Church may enter into."

The MASTER OF THE ROLLS.—He does not say that he will not obey the Order of the Court.

Mr. ROXBURGH.—Of course, with all that before us, we want a week to consider what we shall do.

The MASTER OF THE ROLLS.—If you please.

Mr. FRY.—Pardon me for a moment. I believe it will hardly be correct to speak of the Railway being constructed as referred to under

the Concession from the Republic of Bolivia, because they contemplated what is called the canalization.

The MASTER OF THE ROLLS.—You can put the date in of the Concession.

Mr. FRY.—The Concession under which it is done is really the Concession of the Brazilian Government.

The MASTER OF THE ROLLS.—What is the date?

Mr. SOUTHGATE.—It is the Concession mentioned in the Prospectus.

Mr. ROXBURGH.—We must put in the right Concession.

Mr. FRY.—It is merely a matter of form. There are two mentioned. If you look at pages 33 and 40 you will see the two.

Mr. ROXBURGH.—It is at page 147.

Mr. FRY.—The Prospectus states exactly the same view, because it speaks of it in this way “around the Rapids of the River Madeira, for which the Brazilian Government has granted a concession for 50 years.”

Mr. ROXBURGH.—This is under the Concession from the Republic of Bolivia.

The MASTER OF THE ROLLS.—What is the page?

Mr. FRY.—At the top of page 147 of the Book which your Honor has before you—“The new route will be established by means of steamers and a railway about 150 miles in length around the Rapids of the River Madeira, for which the Brazilian Government has granted a concession for 50 years to the Madeira and Mamoré Railway Company, of which the Navigation Company is practically the exclusive proprietor.”

The MASTER OF THE ROLLS.—You take in the words “Concession granted by the Imperial Brazilian Government.”

Mr. FRY.—If your Honor pleases.

The MASTER OF THE ROLLS.—There is an order subsisting about the transfer of the funds. I presume some one will apply now to discharge that order?

Mr. WYNNE.—I have it here, it is imperfect, it is not passed.

The MASTER OF THE ROLLS.—I consider that the Government, being represented by counsel, have notice now of what has been done. If they can stop it they must move in their own suit.

#### DECREE.

#### MASTER OF THE ROLLS

(Mr. DISRAELI, Registrar).

Friday, the 11th day of December, 1874.

“Between the National Bolivian Navigation Company and the Madeira

and Mamoré Railway Company Limited Plaintiffs The Public Works Construction Company Limited John Horatio Lloyd Alfred James Lambert James Cooper and Alfred William Ray Defendants Upon motion for a Decree on the 10th December instant and this day made unto the Right Honorable the Master of the Rolls by Counsel for the Plaintiffs and upon hearing Counsel for the Defendants and upon reading the answers of the Defendants The Public Works Construction Company Limited to the original and amended Bill the joint and several answers of the Defendants John Horatio Lloyd and Alfred James Lambert the joint and several answers of the Defendants James Cooper and Alfred William Ray the Affidavit of George Earl Church filed 6th of June 1874 and the exhibits therein referred to an Affidavit of Walter William Wynne filed 6th June 1874 and the exhibits therein referred to the deposition of George Earl Church filed 1st July 1874 an Affidavit of Alfred William Ray filed 30th September 1874 an Affidavit of Henry P \* \* \* Butler filed 30th September 1874 an Affidavit of George Earl Church filed 9th November 1874 and the exhibits therein referred to and an Affidavit of Walter William Wynne filed 9th November 1874 and the exhibits therein referred to His Honor doth declare that the Plaintiffs are entitled to have the United States Bonds in the Bill mentioned deposited in the Bank of England in the names of the Defendants John Horatio Lloyd and Alfred James Lambert and the interest accrued and accruing thereon applied from time to time in payment for the Works of the Railway around the Rapids of the River Madeira referred to in the Concession granted by the Imperial Brazilian Government mentioned in the Prospectus issued on the 19th January 1872 as in the Bill mentioned as such works proceed and that the Trustees in whose names the said Bonds are deposited are bound to apply the same accordingly. But this Decree is to be without prejudice to any claim of the Republic of Bolivia. And it is referred to the Taxing Master to tax the costs of the Plaintiffs and of the Defendants James Cooper and Alfred William Ray of this suit as between party and party and the costs of the Defendants John Horatio Lloyd and Alfred James Lambert of this suit as between Solicitor and Client including in the costs of the last-named Defendants any charges and expenses properly incurred by them as Trustees. And it is ordered that the Defendants John Horatio Lloyd and Alfred James Lambert do pay to the Plaintiffs The National Bolivian Navigation Company and the Madeira and Mamoré Railway Company Limited and the Defendants James Cooper and Alfred William Ray their costs



and retain their own costs out of monies to be received in respect of the said Bonds so deposited in their names in the Bank of England as in the said Bill mentioned."

The Bolivian Commissioners were apparently discontented and disposed to overrule the authority of the Court of Chancery; for, only seventeen days after the above judgment was rendered, they formally annulled our Bolivian Concessions and Contracts, and even pretended to revoke the decision of the Master of the Rolls. Neither the Court of Chancery, nor the English Government, nor the Navigation, nor Railway Company, appeared to be greatly disturbed by this *pronunciamiento* of Messrs. Aramayo and Terrazas, who afterwards retired from Great Britain, leaving the island unconquered. During their stay, however, they still clung to the hope of seizing the railway fund, and the restoration of the new loan scheme, which had been defeated in Congress. To prepare the market, they, over their own signatures as Financial Agents, resorted to the publication in the money article of *The Times*, of April 9th, 1874, of a statement of the financial condition of Bolivia, representing the surplus revenues of the country to be more than sufficient to meet the service of two loans like the existing one.

In June, 1874, a question arose as to the placing in the hands of the Bolivian Commissioners, the then remainder of the Government 17 per cent. of the loan. Being one of the Trustees for this amount, I felt it necessary to refuse to surrender my key without instructions from the Court, which, on the 9th of July following, ordered me to pay from the 17 per cent. an amount sufficient to meet the coupon due upon the loan.

The following correspondence between the Government solicitor and our own, is explanatory of the matter :—

" 37, Conduit Street, Regent Street,

" London, W., July 14th, 1874.

" Dear Sir,—I have written to Messrs. Cunliffe and Beaumont, asking them to take the instructions of their clients, Messrs. Lloyd and Lambert, as to what day after Thursday next will suit them to meet your client and mine, to take from the box the necessary Bonds to pay the July coupon. As soon as I get the appointment I will let you know.

" The sinking-fund of 2 per cent. on the loan will be payable in October next, and my clients propose to apply the balance of the 17 per cent. (after providing for the July coupon) to this purpose, and any small surplus that may remain they desire to retain for the purpose of their mission, as authorised under their powers. Having regard to the views entertained by the Master of the Rolls on the 9th instant, it



would appear unnecessary to obtain the sanction of your client, but, as he will still hold one of the keys of the box, I have deemed it prudent to do so, and shall be glad to know whether he assents to what is proposed.

"I shall be glad to receive your reply as early as possible, as I should like to be able to arrange for carrying out the matter when we meet to take the necessary Bonds for payment of the July coupon.

"I am, dear Sir,

"Yours truly,

"(Signed) A. LESLIE.

"W. W. Wynne, Esq."

"115, Chancery Lane, W.C.

"July 18th, 1874.

"A. Leslie, Esq.,

"Solicitor.

"Dear Sir,—Republic of Bolivia and the National Bolivian Navigation Company, and others.

"I am authorized by Colonel Church to state, in reply to your favour of the 14th instant, that it would have been unnecessary to apply to the Court on the subject of the 17 per cent. of the Bolivian Loan, had your clients' bill claiming the railroad fund been framed in a straightforward and candid manner. Had it been so framed, we might, by this time, have obtained the opinion of the Court upon that claim. Colonel Church has the opinion of many Bondholders in support of his own that he was protecting their interests as well as those of his own Companies, in declining to part with the 17 per cent. when your clients were seeking to abrogate the whole arrangement, upon faith of which the Loan was subscribed. That attempt, more than anything else, has injured Bolivian credit.

"Colonel Church will attend with Mr. Lambert at Twelve next Tuesday, (Monday will not suit), for the box at the Bank, and to take from it the Securities required to pay the July coupon.

"You must obtain an order from the Court to take from the box the funds to answer the next drawing of Bonds (which will be payable in January and October next), and he hopes that, when this application is made, the Master of the Rolls will have his attention called to the manner in which your clients have multiplied and prolonged the litigation, instead of adopting the promptest and least expensive course for submitting to judicial determination their claims to the railroad fund as well as to the 17 per cent. I am sure that, had his Honour realized the

difficulties accumulated in Colonel Church's path by the uncandid statements of the bill you have filed, and by the action of the Bondholders' Committee, his language would have been very different.

"Colonel Church cannot accede to your proposal to hand over the balance of the fund for the personal use of the Commissioners.

"Yours truly,

"(Signed) W. W. WYNNE."

Soon after the closing of the last extraordinary session of the Bolivian Congress of 1873, President Ballivian died. Señor D. Tomas Frias again came to the front as Provisional President, retaining the same Cabinet, headed by Señor Baptista. Señor Frias, had, as Finance Minister, under President Morales, given his most unqualified support to the enterprise, and I well remember listening to his speech in its favour, when the Erlanger loan contracts were under debate at the Congressional Session of 1872. It was a forensic effort, the trenchant skill and eloquence of which, my memory has frequently recalled.

Again the Bolivian Congress met in ordinary session in 1874, and the "Empresa Church" came before it as a vital national question. President Frias, in his message of August, 1874, speaking of our Navigation Company and the existing loan says:—

"We should not forget that the withdrawal of however small a portion of those funds to apply them to the administrative necessities would open us to the charge of being selfishly interested in the question actually agitated, of the question of the enterprise of the Madeira. *The Continental utility of the work is notorious—notorious the direct participation in this utility, above all on the part of Brazil and Bolivia.*

"While, therefore, the bondholders and the empresarios debate the carrying out of the work or the necessity of more ample resources, which can alone be obtained in association with Brazil, it appears advisable, and even necessary, to modify the law of the 5th of November last, striking out from it the power of investing the funds, however hypothetical it is, in an object distinct from the only one to which they are assigned by the contract, and commanding in any case that they be assured for the benefit of the bondholders."

At that date President Frias wrote to me the following letter:—

[TRANSLATION.]

"Sucre, August 21st, 1874.

"Colonel George Earl Church,

"19, Great Winchester Street,

"London, E.C.

"My dear Sir and Friend,—Since July last, I have your valued

confidential letter of the 1st May, which is now eminently pleasing and satisfactory, on account of the non-withdrawal or diversion of the funds of the loan from the object for which they were intended, as indicated in the Message which I read at the opening of Congress, on the 10th of this month. That document, although bearing date the 6th, could not then be made public. However, as there was no objection, it was sent to you by the corresponding mail *viâ* Cobija. I was prevented from writing at the time in consequence of a severe cold. Not only was I thus hindered from communicating with you before the receipt of your said letter but also by my chronic complaints, and the proximity of the occasion when the already mentioned declaration by the Government of this Republic, and other items to the same effect in the Message, would be made. I flatter myself that they will accomplish the desired effect as regards the perfect good faith of Bolivia, and elicit co-operation from the Empire for carrying out the Madeira enterprise.

"I have nothing more, at present, to add respecting this subject, but hope that the principal documents referred to have reached you.

"In the meantime, I remain,

"Your very sincere friend and obedient Servant,

"(Signed) T. FRIAS."

Six days were occupied by Congress in debates upon this subject. Señor Velarde had resigned our Bolivian Agency to accept a seat in the Congress as Deputy from Santa Cruz. Our Resident Engineer from the Rapids of the Madeira, was also present at Sucre. Every information was furnished relative to the lawsuits and the condition of the enterprise. Again Congress, by a unanimous vote, gave instructions to the Executive Power to support us; and this time in more unequivocal terms than in 1873. They passed the following law:—

#### "THE NATIONAL ASSEMBLY DECREES:—

Art. 1. "The funds retained in the Bank of England resulting from the 83 per cent. of the Loan, contracted by Colonel George Earl Church, in the name of the Republic of Bolivia, will continue to be applied exclusively to the construction of the Madeira and Mamoré Railway."

Art. 2. "The construction of the Railway indicated will be carried out, requiring the Navigation Company preferably to contribute to the payment of the additional capital which may be needed to complete the work, with funds negotiated on its own account."

Art. 3. "The Government will lend all its aid for the successful issue of the enterprise, and will recommend it efficaciously to the Imperial Government of Brazil, soliciting its co-operation."



Art. 4. "The Executive will appoint in London a Diplomatic Agent specially charged to compromise the suits pending in the Court of Chancery of England, and to re-model the contract, authorising new engagements in which will be principally embodied the guarantees that should be given by the Navigation Company, or by the new contractors for the construction of the railway, the manner in which the service of the Loan shall be administered, the responsibility of the Companies, in case of the non-realization of the work; the time for commencing and finishing the Railroad; and the manner in which the Companies will communicate with the Government during the operation of the enterprise; and, finally the hypothecation of the earnings of the Railway and of the Navigation Company for the amortisation of the Loan."

Art. 5. "In case the work of the Railway cannot be carried out for want of additional capital, or of the guarantees the new contractors should give, the executive will adhere to the law of the 5th of November, 1873."

"Let it be communicated to the Executive Power for its execution and compliance.

"(Signed) SERAPIO REYES ORTIZ, President.

"Hall of Sessions, Sucre, November 21st, 1874."

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In London, we welcomed this law as a harbinger of peace, but it could be made a weapon as potent for evil as the law of November, 1873. Well administered, with an honest purpose to carry out the desire of Congress, it would have settled all differences, and have saved Bolivia, the bondholders and ourselves.

We awaited with anxiety the arrival of the new Diplomatic Agent, mentioned in Article 4, who was to replace the Commissioners and Señor Campero, already resigned, and administer this law. Time was making sad inroads upon the credit of Bolivia, in Europe, and prompt action might yet repair all damages. This we urged upon the Government in every way in our power. At length, nine months from the date of the law, a Minister was named; and more than a year after its passage I learned that he had reached *Paris*.

When we heard that the Bolivian Minister named was Señor D. Antonio Quijarro, we felt it a matter of congratulation. In 1873 he had, as a deputy to the last extraordinary session of Congress, espoused and defended our cause in no equivocal terms. He had, more than any other deputy, studied the Navigation enterprise in detail, having before him every document relative to it. In a speech in its defence, he declared:—



“The enterprise of itself must be classified as grand. Its practicability is demonstrated by numerous explorations, and by special works due to Brazilian engineers.” Again, speaking of the plans for the continuation of the railway :—“*If these combinations should fail, if so flattering a perspective should be changed to bitter disappointment, then it would be necessary to renounce our splendid projects in the east; we should be obliged by force to resign ourselves to the closing of our country and its interdiction from the civilized world, and, bidding adieu to hope, deliver ourselves to our implacable destiny.*”

The above are memorable words, quoted from Señor Quijarro’s publication of his own speech. They were said with sincerity of conviction, by a man of intelligent grasp and ability to appreciate the merits of the problem to which he had given such close study.

Señor Quijarro went to Paris by the way of Brazil. At Rio de Janeiro, he remained a few days, ostensibly to “solicit the co-operation of the Government of Brazil” according to the decree of Congress. Our Agent at Rio de Janeiro thus described his method of fulfilling his mission :—

“Rio de Janeiro,

“November 3rd, 1875.

“Another hostile Bolivian Commissioner goes to England to induce you to abandon the funds deposited in your name. He has abused you before the Government, and tried to persuade the Minister not to give the guarantee. I have frustrated his malicious intentions, and a few days hence I shall have the pleasure of informing you that the guarantee is conceded.” And again in a second letter :—

“Take care of the new Bolivian Minister, A. Quijarro. He did all he could to induce the Government here to abandon the guarantee, but Baron Cotegipe would only give him a favourable answer.”

At the same time the Bolivian Boundary Commissioner, Señor Emeterio Villamil, wrote to the Minister of Foreign Affairs of Brazil, his Excellency Baron de Cotegipe, on the 30th December, 1875 : “Only a short time since, Señor Quijarro passed through this city *en route* to London upon a special mission—sent from Bolivia to rescind, even at the cost of a remunerating indemnity, the very arduous and onerous enterprise of Colonel Church.”

In Brazil, the Government assured Señor Quijarro of its most cordial support of the enterprise, and its willingness to assist it when the legal disputes in London had been amicably adjusted or decided, as is shown

by the statement of the Minister of Public Works of Brazil, on page 128 of this memoir.

On the arrival of Señor Quijarro at Paris, I proceeded there at once to welcome the legation, being unwilling to believe the sinister news from Brazil. It is a sad and painful task to be obliged to defend myself against the acts of officials whom I have personally known and respected for their intelligence and many good qualities, but the people of Bolivia must agree with me that the acts of President Ballivian, Baptista, Aramayo, and Terrazas, relative to our Company, have been at least of difficult explanation. Still less can any one understand the following act of that lofty and respected patriot President Frias:—

On the 11th day of December, 1875, and before Señor Quijarro had written to us his first official note relative to the law of November, 1874, the Executive Department at La Paz entered into a *secret* contract with Señor Jose Manuel Braun (acting as agent of certain parties in Lima) for the obtaining possession of our railway trust fund and its application to the debts of Bolivia on the Pacific Coast. This operation was to be effected by a payment “to Colonel Church of not to exceed £80,000.” The contract was signed by President Frias, the Minister of Foreign Affairs, and the Finance Minister. Its terms stipulated:—1st, the Government to give a statement of its debts on the Pacific Coast; 2nd, rigid instructions to the Government representative in London to carry out the terms of the contract; 3rd, to impose the greatest secrecy on all parties connected with the operation; 4th, the authority to negotiate with the Bondholders, and how to dispose of the trust-fund once in possession; 5th, reductions on interest and sinking fund of loan to be obtained from Bolivian Bondholders; 6th, a Stock Exchange operation to be undertaken to control any Bondholders’ meeting, and to buy in the bonds secretly at a low figure, all profits of this speculation to be divided between the Government and the Contractors.

An additional article, after enumerating the great benefits the above operation was to confer on the country, “completely re-establishing the national credit in Europe,” elaborated the methods of paying off certain Bolivian debts in Chili and Peru.

After a slight modification relative to the division of profits, the Government gives its official sanction to the contract, ordering a copy to be sent to Señor Quijarro, Minister Plenipotentiary in London, with instructions to assist in carrying the contract into execution.

The following correspondence afterwards took place between Señor Quijarro and ourselves:—

[TRANSLATION.]

Received 12th January, 1876.

“Special Commission of Bolivia, in Europe and

“the United States of America,

“45, Palace Gardens Terrace,

“Kensington, W.

“George Earl Church, Esq.,

“Representative of the Company called

“the National Bolivian Navigation Company.

“Sir,—I yesterday had the honour to communicate to you a copy of my commission as Financial Agent of Bolivia in this market, and I do not doubt that by its language you have learned that one of the principal objects which my Government has had in view in conferring upon me that office is to give the most faithful and rapid execution to the law of the 25th of November, 1874, dictated with the idea of causing a satisfactory solution of the questions which affect the interests which you represent.

“My predecessors in this commission, Messrs. Avelino Aramayo and Mariano Ricardo Terrazas, named under different auspices and for defined purposes, which are all comprised in complying with the law of November 5th, 1873, were not called to give execution to the before-named law of November 25th, 1874, because they lacked the powers necessary, and because, moreover, the National Assembly, for reasons of great moment, had determined that said commission should be entrusted to another functionary, furnished with higher powers.

“Messieurs Terrazas and Aramayo, whose aptitudes and merits have placed them among the most distinguished citizens of Bolivia, could not do otherwise than adapt themselves to the especial nature of their charge; as, in effect, they have done to the satisfaction of the Government; and when they received official knowledge that the law of '74 had been sanctioned, which created a distinct situation, their only duty was to procure the suspension of the litigation which they had undertaken against the “Navigation Company,” seeing that that litigation appertained to the functionary which that same law had designated. Messrs. Terrazas and Aramayo have, in effect, proposed the suspension, which was not accepted by the other part.

“The Government of the Republic, so soon as the Assembly of 1874 closed its sessions, took the necessary steps to carry into effect this legislative act, one of its first measures having been the designation of myself for the mission which it has confided to me; thus, giving an unequivocal pledge of the sincerity of its intentions, because it was known



that among the numerous majority, which in the Parliamentary debates sustained the above mentioned law of '74, I was precisely one of the deputies who showed the most ardour and zeal.

"Unfortunately the period fixed for my voyage being nearly decided upon, that rebellion broke out which, born of that irreconcilable union of Messrs. Quintin Quevedo and Casimiro Corral, involved the country in a very grave crisis, and obliged the Government to concentrate all its attention, and the resources provided by law, that public peace might be restored.

"At last, after a delay, as unlooked for as it was deplorable, I have been permitted to establish myself in this capital for the purposes above mentioned.

"The dominant idea in the law of November 25th, 1874, is that the navigation of the affluents of the river Madeira be carried out by the combined force of three elements, which should work in accord, as follows:—The action of the Executive power, which I have the honour to represent to that effect, the concurrence of the Government of Brazil, which is morally assured, and in an official manner assured; finally, that of the interests you represent.

"As the continuation of the litigation, initiated by Messrs. Terrazas and Aramayo, would be an insuperable obstacle to the collective action of the three elements mentioned, to the extent of rendering impossible even the simple initiation of any operation whatever, I believe it of primary and undeniable necessity to declare the following:—

"1st. That the mentioned litigation (upon the intrinsic justice of which the present is without prejudice) should be immediately suppressed, by means of a collective manifestation, and in a single act subscribed by both parties and presented to the proper tribunal.

"2nd. That the effect of this act of adjustment should be that of returning things to the state in which they existed on the 3rd of May 1874, that is to say, the eve of that day upon which was commenced the suit by the Financial Agents, Messrs. Aramayo and Terrazas, so that there would not remain a trace, in a legal sense, of the said suit, which would be considered as if it had never existed.

"3rd. That if from any motive whatever you might believe that it is your interest not to terminate the litigation, desiring rather its continuation to a definitive decision, in such a case I shall consider your negative as a final repulse of the law of November, 25th, 1874, for the reason that every law being a harmonious whole and indivisible, it cannot be admitted that one of its articles be resisted, and that the others be observed and complied with.



"4th. That in such an event the said law being rebuffed by you, my official position with respect to you will, *de facto*, be unrecognised, forasmuch as through that law, and for the purposes of that law, said position has been created.

"5th. That, in consequence, all official relations being cut off between you and this financial agency, there will be nothing left for me except to proceed in conformity with the instructions which are foreseen in the case of its being impossible to comply with the vote of the several times named law of November 25th, 1874.

"In consideration of the above I address to you this official communication, and I request that you will be so kind as to favour me with a categorical answer, which will be all the more esteemed if quickly done.

"I remain, your very attentive servant,

"(Signed) A. QUIJARRO."

No. 5.

"National Bolivian Navigation Company,

"19, Great Winchester Street, London, E.C.,

"12th January, 1876.

"Your Excellency,—I am in receipt of your Excellency's letter referring to the Decree of the Bolivian Congress of November 25th, 1874. We welcomed that Decree as one which, if promptly and generously administered, would be of great value to us. Since it was passed, we have, owing to the lawsuit filed against us in the name of the Republic, been subjected to immense losses and damages, and much labour and expenditure of money has been forced upon us to do all in our power to bring that ever-procrastinated suit to trial, and test the justice of its allegations and charges—not only against our Company but against myself personally. Now, almost on the very day when it is set down for trial, and fourteen months from the date of the Decree which your Excellency cites, we are invited, in a threatening manner, to conform to your Excellency's desires relative to only a single point of the Decree of November 25th, 1874, which your Excellency categorically tells us, in the same letter, can only be administered as an 'harmonious whole and indivisible.'

"We are not the plaintiffs in the suit referred to, and the power to withdraw or continue it is entirely in your Excellency's hands. For us to become a party to its withdrawal, as suggested by your Excellency, appears to me to be suicidal for the interests which I represent, and I must decline to do it.

"Whatever may be the result of the trial, your Excellency will, I

trust, be disposed to frankly reconsider in a broad and liberal spirit the relations which should wisely exist between us, that we may move forward in perfect harmony of action once the judgment of the law, to which the Republic has appealed, has, through the High Court of Chancery, removed from our pathway all cause for dispute.

"I avail myself of this opportunity to again express to your Excellency the sentiments of high esteem with which I have the honour to subscribe myself,

"Your Excellency's attentive servant,

(Signed) "GEORGE EARL CHURCH, President.

"His Excellency Señor Don Antonio Quijarro,

"Minister Plenipotentiary of Bolivia,"

etc.            etc.            etc.

[TRANSLATION.]

"London, Feb. 2nd, 1876,

"45, Palace Gardens Terrace, Kensington, W.

"George Earl Church, Esq.,

"Agent of the National Bolivian Navigation Company,

"Sir,—Desiring that the relations of this Agency with the Company which you represent may move forward, in all that may depend upon me, in conformity with the dictates of justice and with the most perfect openness in everything, I deem it proper to communicate to you, confidentially, that, by the correspondence which reached me on the 31st ultimo, the Honourable Government of Bolivia has been pleased to make known to me that my instructions have been confirmed and amplified, in a sense looking to the quickest solution of the difficulties which actually separate us from a practical result, that Señor Juan Meiggs is to co-operate through me according to special instructions; that the Government hopes, with good reason, that the Navigation Company will lend a decided and effective concurrence in execution of the dictates of the last Assembly.

"I transmit to you these views of the Honourable Government of Bolivia that, becoming familiar with their spirit, you may meditate upon the line of conduct that you should definitely follow, and which, according to my judgment, is very distinct from that which is found stated in your official letter of the 12th of January last in answer to mine of the 11th of said month.

"I remain, your attentive Servant,

(Signed) "ANTONIO QUIJARRO."

“ National Bolivian Navigation Company,  
 “ 19, Great Winchester Street,  
 “ London, E.C., 4th Feb. 1876.

“ Your Excellency,—I am in receipt of your Excellency’s letter of the 2nd inst., announcing that Señor D. Juan Meiggs will hereafter co-operate with your Excellency in matters relating to this Company. This information is very pleasing; for, in addition to the cordial good feeling which I have for your Excellency personally, the very friendly relations existing between Mr. Meiggs and myself, lead me to hope that our united efforts may be of great value to the welfare of Bolivia and to the enterprise which I represent.

“ In answer to the final paragraph of your Excellency’s letter, I can only confirm my communication to your Excellency of date the 12th inst., and add that the arrival of Mr. Meiggs will not make a particle of difference in our opinion or action relative to the suit of the Republic of Bolivia against us. Your Excellency’s predecessors in office have, for more than two years, unwarrantably, ungenerously, and malignantly assailed us, and have endeavoured to wreck not only our company, but the personal honour of its President. Your Excellency tells me that this has been ‘*done to the satisfaction of the Government.*’

“ If the Government now has the desire to deal justly by us, let no time be lost in assisting us in our unwearying efforts to urge the suit to trial at the earliest possible moment;—it is, however, entirely at the option of the Government to withdraw the suit, and thus stamp its charges before the world in their true light, as false—absolutely false—in every particular, and without exception.

“ I have the honour to be,

“ Your Excellency’s attentive servant,

(Signed) “ GEORGE EARL CHURCH,

“ President.

“ His Excellency Señor Don Antonio Quijarro,

“ Minister Plenipotentiary of Bolivia,”

etc.

etc.

etc.

No. 6.

“ National Bolivian Navigation Company,

“ 19, Great Winchester Street,

“ London, E.C., March 8th, 1876.

“ Your Excellency,—Further advices from our agent at Rio de Janeiro



fully confirm his letter which, two weeks ago, I had the honour to read to your Excellency, to the effect that the Government of Brazil had guaranteed 7 per cent. on £400,000 sterling, for the purpose of supplementing the present fund, in the hands of trustees, destined for the construction of the Madeira and Mamoré Railway. The imperial signature is already attached to the guarantee; but 'the decree will not be promulgated and become a law until the £600,000 trust fund is free.'

I beg also to call the attention of your Excellency to the following letter from our Contractors, which I copy *in extenso*.

'11, Tokenhouse Yard,

'Lothbury,

'London, E.C., March 4th, 1876.

'Colonel George Earl Church,

'Chairman of the

'Madeira and Mamoré Railway Co., Ltd.,

'19, Great Winchester Street, London.

'Dear Sir,—

'Madeira and Mamoré Railway Co., Ltd.

'In the hopes of facilitating your efforts to have the funds in the Bank of England so placed that the trustees will have the power to apply them in payment for the construction of the railway, and in order to satisfy your company, and all interested in the construction of the Madeira and Mamoré Railway, of our earnest desire to commence work under the contract, and of our faith in the success of the undertaking, we beg to inform you that, on receipt of notice from the trustees that the funds in the Bank of England are free for the purposes of the contract, we will at once proceed to ship our supplies, plant, and labourers, and will build and complete the first ten miles of the Madeira and Mamoré Railway, commencing at San Antonio, in accordance with the specifications attached to the contract of 17th September, 1873, which was assigned to us by Mr. Caldwell, 25th August, 1875, without calling upon your company for any payment on account of the same until such section is ready for the passage of trains.

'We remain,

'Yours faithfully,

(Signed) 'REED BROS. & Co.'

"In view of the above, I feel that your Excellency will be disposed to agree with me that the means are now afforded to proceed harmoniously and safely with the construction of our railway.

"The sole obstacle to the immediate commencing of the work is the suit of the Republic of Bolivia now before the Court. I therefore urge

your Excellency, in the interests of all parties concerned, to have it immediately set down for hearing, which can be done, without delay, if your Excellency so desires.

“ I have the honour to subscribe myself,

“ Your Excellency’s attentive servant,

(Signed) “ GEORGE EARL CHURCH,

“ President.

“ His Excellency Señor Don Antonio Quijarro,

“ Minister Plenipotentiary of Bolivia,”

etc.

etc.

etc.

[TRANSLATION.]

“ Financial Agency of Bolivia, in Europe,

“ London, June 27th, 1876,

“ 45, Gloucester Place, Portman Square.

“ George E. Church, Esq.,

“ Representative of the Companies called the National Bolivian Navigation Company and the Madeira and Mamoré Railway Company.

“ Sir,—During the entire period of my stay in London, I have consecrated myself to investigate, if you are in a position to carry forward the enterprises under your charge for the purpose of conforming to the first part of the law of November 25th, 1874, and I regret to state that the result obtained is very far from being satisfactory. In effect, the Companies called the National Bolivian Navigation Company and the Madeira and Mamoré Railway Company have no real existence, speaking in a business and commercial sense.

“ On the other hand, the construction of the Madeira and Mamoré Railway was repudiated by that celebrated Public Works Construction Company, and afterwards the contract signed with the much-proclaimed contractors, Dorsey & Caldwell, was abandoned for causes unknown to me. In continuation, despite reiterated intimations, you have not been able to present another contract, drawn up and signed by a house or Company of known reputation as regards the construction of railways.

“ Lately, on the 22nd instant, I requested an interview with you, always having in view to see if you could carry out your enterprises, and with real regret I was convinced that you were as unprovided with means as formerly. Beyond this, having asked you if you were in a position to agree to the guarantees required by the above-mentioned law of November 25th, 1874, you answered, categorically, that it was absolutely impossible, and that moreover you could not solicit any house or

Company to give said guarantee without being obliged to pay a very large commission, adding that neither you nor your associates could support such a charge for lack of resources.

"A manifestation of this kind, and of a definite character, naturally produced its effects. In consequence I declared to you, in an official and definite manner, in the name of the government I represent, that I retired all protection or aid on the part of Bolivia, and the navigation and railway enterprises in which you find yourself engaged, adding now the following:—that I officially confirm, by these presents, my verbal declarations, considering as null and of no value the concessions given by the Government and the Assembly of Bolivia, in use of the authority conferred upon us as Minister Plenipotentiary and Financial Agent of the Republic; that in this declaration I include not only the concessions given for the organization of the so-called National Bolivian Navigation Company, but those which have had for object the aiding and prosecution of the Madeira and Mamoré Railway Company, for the reason expressed that you have not succeeded in organizing anything but imaginary companies, and consequently you have been unable to offer the guarantees demanded by the law of November 25th; that, in consequence, I retire in the name of the Government of Bolivia, all the aid upon which you could have counted in view of those concessions.

"I remain,

"Your very attentive servant,

(Signed) "A. QUIJARRO."

"National Bolivian Navigation Company,

"19, Great Winchester Street,

"London, E.C., 26th July, 1876.

"Your Excellency,—I duly received your Excellency's favour of the 27th ultimo. It is perhaps not important that I should notice its inaccuracies except in the following point:—

"Your Excellency, alluding to our interview of the 23rd ultimo, was pleased to understand that I stated it was '*absolutely impossible*' for the National Bolivian Navigation Company to give the guarantees mentioned in the law of November 25th, 1873 and 1874. Permit me to correct your Excellency: I stated that I believed that even the Rothschilds would find it *absolutely impossible* to give such unpracticable and unrealizable guarantees as the administrators of the laws of 1873 and 1874 saw fit to demand, and that I did not believe that the Baptista circle ever had the remotest intention of administering those laws in good faith.



"In answer to your Excellency's revocation of our concessions, I beg to apply the enclosed copy of a letter of mine of January 16th, 1875, addressed to the Bolivian Secretary of State for Foreign Affairs, when, under similar circumstances, your Excellency's predecessors, Messrs. Aramayo and Terrazas, lost their balance, and usurped functions which placed the Congress of their country in a subordinate position to themselves.

"I avail myself of this opportunity to assure your Excellency of the high consideration under which I have the honour to subscribe myself,

"Your Excellency's attentive servant,

(Signed) "GEORGE EARL CHURCH,  
"President.

"His Excellency Señor Don Antonio Quijarro,

"Minister Plenipotentiary of Bolivia,"

etc.            etc.            etc.

"National Bolivian Navigation Company,

"19, Great Winchester Street,

"London, E.C., 16th January, 1875.

"Your Excellency,—I have received from the Commissioners of Bolivia a document purporting to be a decree dated 28th December, 1874, cancelling the concessions made to me by the Government of your Excellency, and transferred by me to this Company. This so-called decree declares the Madeira and Mamoré Railway fund to be the property of the Bolivian Government, even though this fund has just been declared by the Court of Chancery to be 'applicable to the works of the railway as they proceed,' and to no other purpose.

"This action of Messieurs Aramayo and Terrazas, usurping powers which alone exist in the Congress of Bolivia, has caused my company, and myself personally, great surprise and regret; for once legally determined (in accordance with the enclosed copy of the judgment of the Court of Chancery) that the funds were exclusively applicable to the railway, we had hoped that all ground for opposition would have been removed. This Company regards the so-called decree of the Commissioners as utterly unauthorised and illegal; and I deem it my duty to take this, the first opportunity, to communicate this to your Excellency, and to protest, in the most solemn manner, against it, as well as against all proceedings, whether authorised by your Excellency's Government or not, which may delay the works of the Madeira and Mamoré Railway, holding your Excellency's Government responsible for all damages.

"Innumerable Governmental Acts and writings of Bolivian statesmen prove that the realization of the enterprise, with which my name is linked, and which enabled Bolivia, for the first time, to enter the European market as a borrower, has been the national prayer of the country since its independence from Spain. The vacillations of the Government in so soon withdrawing from us its support, united with the pertinacious and malignant efforts of the Bolivian Commissioners to destroy the extensive organization which has made the enterprise realizable, cannot surely raise the reputation of the State abroad; but when these Commissioners perversely oppose the just decision rendered in our favour by one of the highest of the European Courts of Law, I submit that they degrade and misrepresent the desires of the nation which has unfortunately trusted its credit and dignity to their hands.

"I have the honour to be,

"Your Excellency's obedient servant,

(Signed) "GEORGE EARL CHURCH,

"President.

"To His Excellency

"The Minister of Foreign Affairs

"of the Republic of Bolivia."

In Señor Quijarro's letter, of February 2nd, 1876, he referred to John G. Meiggs, Esq., as having been joined with him to settle the difficulties relative to the Bolivian loan and enterprise. This widely known gentleman afterwards had his powers confirmed, and was—October 19th, 1876—named Financial Agent of Bolivia in London. He immediately made a most thorough and detailed analysis of the condition of Bolivian affairs in London, and, as a result, proposed to the Chairman of the Council of Foreign Bondholders that steps should be taken to have the Bondholders *legally* represented. This proposition was angrily opposed by the Sub-Bolivian Committee of the Council. Mr. Meiggs, finding that he could not, in justice to Bolivia, support their schemes, finally, on the 12th February, 1877, by telegraph, resigned his commission as Financial Agent.

In January, 1875, following the decision of the Courts of the previous December, the Bondholders' Committee published a "Third Report," in which they stated that they were in constant communication with the Bolivian Commissioners, and that "the Government will actively continue the steps they have already taken to prevent the proposed application of the trust funds."

Here let me remove some of the false impressions that have prevailed

in Bolivia relative to the position and powers of the Bondholders' Committee. They hold absolutely no legal authority from the Bondholders; to a certain extent they are a self-constituted body; they can make no legal or binding agreement for and in behalf of the Bondholders; any single bondholder, however small his bond, can put an injunction upon their proceeding in his behalf; they were elected at a public meeting without any show of bonds or legal assurance that the parties naming the Committee had a right to confer upon them the title they assume. The Bondholders are not a corporate body; and, therefore, a majority, either in individual numbers or in quantity of bonds, has no binding effect upon the minority. A little thought will show that such a Committee is necessarily more powerful for evil than for good. Mr. Meiggs suggested that the Bondholders should place their bonds in the hands of three trustees, each Bondholder signing an agreement to abide by any action taken by the said trustees in his behalf, and receiving a scrip certificate representing the value of his bonds so deposited. This was the proposal which met with hot opposition on the part of the Committee, who evidently prefer that the Bondholders should not be legally represented.

In the early part of May, 1876, the Chairman of the Council of Foreign Bondholders addressed to me some personal communications, which resulted in the following correspondence:—

“ Council of Foreign Bondholders,  
 “ 10, Moorgate Street,  
 “ London, E.C., 16th May, 1876.

“ Dear Colonel Church,—There will be a meeting of the Bolivian Committee to-morrow, at which I shall be unable to attend, but I have written a letter suggesting a conference, in which I have stated you will, with a friend, be willing to attend.

“ In the event of its being agreed to, and I dare say it will, would Friday at 2.30 suit you? A single word in reply will oblige,

“ Yours ever faithfully,  
 (Signed) “ F. BENNOCH.

“ To Colonel Church.”

“ National Bolivian Navigation Company,  
 “ 19, Great Winchester Street,  
 “ London, E.C., May 16th, 1876.

“ Dear Mr. Bennoch,—In answer to your note of to-day, I must repeat my statement to you and to Mr. Cave. If the Bolivian Bondholders' Committee really desire to learn something of the merits of the Madeira and Mamoré Railway project, let them get together all the adverse evidence



they can collect in manuscript, and have present all those who have so freely given their opinions, and from whom the Committee have taken "*evidence*," and I will attend the meeting.

"Of course I expect a formal invitation and an assurance that the adverse evidence will be forthcoming at the same moment, otherwise the meeting will be valueless ; as I am not disposed to combat any of the hearsay knowledge which the Committee have so freely accepted as a basis for their action during the last two years.

"I would suggest next Monday, as I am likely to be at the Rolls Court on Friday.

" Yours truly,  
(Signed) " G. E. CHURCH.

" F. Bennoch, Esq."

The Council of Foreign Bondholders then informed me that there was no desire or intention to consider the practicability of the railway. Therefore I did not attend the meeting suggested

The last Bondholders' meeting was held on the 25th of May. A conciliatory tone characterised the opening speeches ; but my statement that we still proposed to build the railway had the same effect upon the Chairman that a red rag has on a bull ; and, very naturally, was not well received by those who had been purchasing Bolivian bonds at their market value of £20 per £100 bond, with the hope of plundering the trust fund, and dividing £40 per £100 bond. This stock speculation business accounts very largely for the opinions expressed relative to our enterprise and the opposition to its realization.

The Bolivian Commissioners in the first instance, and the Diplomatic Representative of Bolivia in the second, fell into the error of formulating and signing conventions with an irresponsible body. It is only necessary to refer to the draft conventions to prove the truth of my assertion, for while every effort appears to have been made to bind the Government, as firmly as possible, the signature on the part of the Committee is *perforce, ad referendum* to their imaginary constituents.

Señor Quijarro came to a written agreement with the Committee, which was approximately on the same terms so nearly settled between the Committee and his predecessors. It is notable that in all these attempts at a settlement an enormous payment in cash has been stipulated for the services and expenses of the Committee—note the very cunningly drawn Article 4 of the convention—thus one can understand why it is such a profitable business to sympathise so deeply with the wrongs of the 'poor Bondholder,' and always be on hand when there is a Committee to be named.

The agreement between the Committee and Señor Quijarro was to the following effect :—

“ 45, Gloucester Place,  
 “ Portman Square,  
 “ London.

(1.) The Minister of Bolivia having decided to enter into financial arrangements and to act with the Bondholders for their mutual interest (without, however, hereby admitting that the Bondholders have rights superior to those they may now be entitled to by way of concession) the following bases of an arrangement have been agreed upon between the Minister as representative of Bolivia and the Chairman of the Committee of Bondholders on the part of the Bondholders.

(2.) Bolivia and the Bondholders to unite, so far as may be possible and consistent with circumstances, their efforts to obtain the liberation of the deposited funds.

(3.) The liberation completely effected and the funds or securities representing the same being in the control of the Minister, he engages to pay £32 in cash and £36 in new Bonds of the Republic, the interest and the amortization of which to be secured by the revenue of the hypothecated securities when released as stated in a letter from the Minister to the Chairman of same date as this Agreement.

(4.) A sufficient sum to be firstly taken from the said funds to cover the costs, charges and expenses which Bolivia and the Committee of Bondholders have incurred and may issue in law expenses and for charges for carrying out these arrangements or for any charges considered necessary to be paid by the Committee as authorised at the General Meeting of Bondholders, on May 24th, 1876, and the balance to be placed at the disposition of the Minister who, pledging the public faith of Bolivia and his own honour, agrees to make the following application of the money remaining after the provisions aforesaid.

(5.) He will redeem such of the mortgaged securities of the Republic (should the fund be sufficient) which may best secure the payment of the interest on the new Bonds as named in the private letter to the Chairman.

(6.) The new Bonds to carry two per cent. interest for ten years and three per cent. afterwards, and such sinking fund as by calculation may be found necessary in order to pay them off entirely in thirty years.

(7.) The interest on the new Bonds to begin eighteen months after the balance as agreed above has been placed at the disposition of the Minister, which will allow time to make the necessary arrangements.

(8.) Bolivia will have the right to purchase the new Bonds in the market, either through her Financial Agent or through a contract with a commercial house.

(9.) In the event of Church finally gaining the law suit, Bolivia and the Bondholders will take such action jointly or separate as may be necessary to ensure that the funds be honourably and strictly applied to the construction of the Madeira and Mamoré Railway, and the other objects of the Loan of 1871, so that these works and the original stipulations be carried out.

(10.) The Government of Bolivia to have the immediate right upon the signing of this Agreement, to purchase in the markets the Bonds of 1871, either through its Financial Agency or through a contract with a commercial house.

(11.) In case these arrangements should not take effect within six months, all interest that shall be received and that shall augment the present funds beyond the £700,000, shall belong to the Bondholders, and be received by them in full discharge of any coupons that may have fallen due after 1st July, 1876.

(12.) This contract is definitive by virtue of the full powers invested in the Minister of Bolivia (Sr. Quijarro). On the part of Mr. Ray, it is in accordance with the powers given by the general meeting of Bondholders on May 24th, 1876, and also by the authorization of the Committee for the said Mr. Ray to conclude arrangements on their behalf.

(13.) The above bases of arrangement to be embodied in an Agreement to be drawn up and agreed to by the Solicitors of the Government of Bolivia and the Committee of Bolivian Bondholders, to be signed at as early a date as possible.

(Signed) "A. QUIJARRO,

"Friday, 30th June, 1876.

"A. W. RAY.

"In addition to the payment (mentioned above) of £36 in new Bonds of the Republic must be added in the same form, the accrued interest on the Debt to the 1st July, 1876, amounting to a total sum of £148,860.

(Signed) "A. QUIJARRO,

"A. W. RAY."

May 4th, 1876, the government of President Frias was overturned by General Hilarion Daza, who declared himself Provisional President. One of his first acts was to recall Señor Quijarro from London. It was therefore impracticable to complete the Convention. It has now been dispatched to Bolivia in a modified form for the approval of the Bolivian Government. Let us see what, according to its very unbusiness-like terms, Bolivia would have to pay for the glorious privilege



of blotting out of existence the " Empresa Church " in case the convention were really worth more than waste paper :—

In new bonds about	...	...	...	...	£739,260
By article 1st in cash about...	...	...	...	...	524,800
,, ,, 4th an unknown quantity depending upon the modesty of the Committee, but supposed to be in cash about					
	...	...	...	...	17,000
Provision said to be for the Public Works Company					15,000
					<hr/> £1,296,060

Against this, the £700,000 in the Trust Fund is supposed to be a partial off-set.

Article 9 provided that if the suit was gained by our Company the parties should join in seeing the railway constructed, " so that the works and the original stipulations be carried out." If this article was signed with honest intentions, it should be carried out; for the suit it referred to has been gained by our Company.

When Señor Quijarro signed the above agreement, he had in his pocket the secret contract of December 11th, 1875, for the application of the trust fund in the Bank of England to the debts of Bolivia, on the Pacific Coast. In " La Reforma " of La Paz, under date February 16th, 1877, Señor Quijarro has not thought an article of ten columns too short to defend the " morality " of this proceeding. His defence is based upon the fact that he took upon himself to illegally revoke the *secret contract* a day or two before signing the convention. If it be recognised in Bolivia that all national decrees, laws and contracts, are at the mercy of the governmental agents abroad, and that these agents are the ultimate court of appeal to translate and define the Bolivian constitution and codes, then the action of hiding one contract for the division of the money while signing another with the Bondholders' Committee was *moral*.

The final effort to prevent the Government suit from being heard was made in 1876 with the hope of getting a commission sent to Bolivia, Brazil and the United States to take evidence. To effect the object, the Bolivian Government Solicitor, Mr. Leslie, did not hesitate to file his affidavit April 26th, and among other things swore that in 1871, after the Government of Bolivia confirmed the loan contract :—

" 8. The defendant George Earl Church after obtaining such modification, left the seat of the plaintiff's Government, and as I am informed and believe, proceeded to Brazil, where he met the said Mr Leatham Earle Ross, who alleges that he was during the time he remained in

Brazil for the purpose of verifying the data hereinbefore referred to, entirely dependent upon the defendant, George Earl Church, as the medium of communication, the said defendant George Earl Church acting as his interpreter he being unable to speak the (Spanish) language, and the said Mr. Ross further states that, influenced by the representations made, and information given by the said defendant, George Earl Church, and which have since turned out to be untrue, he made a report which stated that the said railway was of the length, and could be made in the time and for the price stated in the said agreement dated the said 18th day of May, 1871."

\* \* \* \* \*

" 11. \* \* \* that owing to the misrepresentations made by the defendant, George Earl Church, to the Public Works Construction Company Limited, and to the said Mr Ross, the said Company was induced to enter into the said agreement of 18th day of May, 1871, and the final contract, dated the 19th day of January, 1872, which the said Public Works Construction Company Limited, have since repudiated, whereby the plaintiff has lost the additional guarantee contemplated by the ratification of the said agreement with the said Public Works Construction Company Limited, in addition to the money paid to such company."

" 12. In order to prove the above facts it will be necessary for the plaintiff to send a commission to Brazil and to Bolivia, and also to the United States of America, for the purpose of obtaining evidence in these respects."

\* \* \* \* \*

" 13. I say this application is not made for the purpose of delay, and further say that the plaintiff is most anxious to have the question in issue speedily determined, and which can only be arrived at by admissions being made or evidence in other suits relative to the said works being used which will fairly put all the facts before the Court."

The above affidavit being shown to Mr. Ross he voluntarily swore to the following :—

IN THE HIGH COURT OF JUSTICE.

1874, B. 142.

*Chancery Division.*

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*Between* The Republic of Bolivia, Plaintiff, and

The National Bolivian Navigation Company, the Madeira and Mamoré Railway Company Limited, George Earl Church, John Horatio Lloyd and Alfred James Lambert, Defendants.

I, Leathom Earle Ross, of 82, Gower Street, in the County of Middlesex, Civil Engineer, make oath and say as follows :—

1. I have read a copy of an affidavit made by Mr. Alfred Leslie, the plaintiff's solicitor, and filed in this cause on the 26th day of April, 1876, and I am about to proceed to Barbados where I shall probably remain a few months.

2. I have never stated as alleged, and it is not the fact that during the time I remained in Brazil, as mentioned in the 8th paragraph of the said affidavit, I was entirely dependent upon the defendant, George Earl Church, as a medium of communication. The said defendant did frequently assist me by interpreting for me whenever I desired to make enquiries from Spanish speaking people. I had other opportunities of investigating the question upon which I was engaged, and I used them, and I was not biased in my conclusions by the said defendant, and I have never stated, and it is not the fact, that I was influenced by representations made, and information given to me by the said defendant, except to the extent appearing in the report I made on the 23rd December, 1871, to the Public Works Construction Company Limited, and I have never alleged that any representations made, or any information given by the said defendant to me has turned out to be untrue, and I say that I am still firmly convinced that all the statements made to me by the said defendant in regard to the work of the intended railroad were made in perfect good faith.

Sworn at 21, Finch Lane, Cornhill, in the City } L. E. Ross.  
of London this 1st day of May, 1876.

Before me FRANCIS VENN.  
A Commissioner to administer Oaths  
in the Supreme Court of Judicature.

The motion came before the Court on the 28th of June, and the *Wandering Commission* was refused by the Master of the Rolls with laughter.

After still further attempts to delay us, we forced the suit of the Bondholders and that of the Republic to a hearing with the following results :—

### BONDHOLDERS' SUIT.

IN THE HIGH COURT OF JUSTICE.

*Chancery Division.*

ROLLS COURT, CHANCERY LANE,  
22nd November, 1876.

COOPER ON BEHALF OF HIMSELF AND THE BOLIVIAN BONDHOLDERS

v.

LLOYD AND OTHERS.

[Transcript from the Shorthand Notes of Messrs. HURST & HURST.]



## JUDGMENT.

The Master of the Rolls (*without calling on the Defendants' Counsel*): "My opinion is that there is no equity in this Bill, and therefore, I am bound to dismiss it; the only question is what I shall do with the costs of it, and that I will consider in a moment.

"First of all we must consider that the suit is brought to a hearing after decree made, which is a binding decree; and I must consider whether that decree having been pleaded is a sufficient answer to all that is prayed, and can be granted. I think it is.

"The suit (I need not go into it again after my long Judgment on the previous occasion) is a suit by certain Bondholders to enforce certain trusts, the material ones being declared by a deed; and it asks, in the first instance, that the trusts may be carried into execution, and that, if the construction of the Railway according to the trusts is impracticable, the Bondholders may be declared entitled to the security. It then asks that so far as the trusts remain unexecuted, they may be carried into execution, if the construction, &c., following the same words. Then, that the securities in which the fund is invested may be divided among the Bondholders. That is No. 2. It is a mere formal distinction between No. 1 and No. 2; No. 1 being to declare or direct, and No. 2 being to carry out that direction by giving effect to it. No. 3 is to restrain them from dealing with the fund, which is quite unnecessary, because it is ordered to be brought into Court. No. 4 is equally unnecessary, and is not now asked for, and for the same reason No. 5 as to new Trustees, the only allegation is that one of the Trustees has failed. It is not alleged on the Bill, and therefore I pay no attention to it. Then 5A asks that this suit may be treated as a cross suit to some other suit. It is rather difficult to understand that, the Plaintiffs not being parties to the other suit. Then 5B asks that, for the purposes aforesaid, all necessary accounts may be taken and so on; that is merely incidental to the former relief; and then 6, that the Plaintiffs may have further and other relief; that is merely incidental. Then I come back to the very substantial question: is there anything left to administer which the Court ought now to administer?

"Now I declared before that, under the prospectus (I will put it shortly) this money is held by the Trustees to be applied from time to time to the construction of the Railway. It is not alleged in this Bill that it is impracticable to carry out that trust; it is not even alleged that the trust will not be carried out; what was alleged, and very carefully, was that a certain specific contract, which is called the new contract, is a

mere trick or device to appropriate the fund ; but by amendment, they say that that contract has expired and is abandoned ; therefore, upon their own showing, that contract is out of the way ; whether it be a good or bad contract, or a real or sham contract, it is now unnecessary to decide, because their case is that it has expired. They took very good care not to allege that a new contract cannot be entered into, because that was present to their minds throughout. The real question was whether it was impracticable to construct the Railway. It must have been present to their minds, for I see it is noticed by me more than once in the former discussion which has been quoted, and it must have been before the advisers of the Plaintiff ; they must have known it. But I see it also very clear, by the 29th paragraph of their Statement which is followed in their Prayer, that if the construction has become impracticable, then there is a trust for the Bondholders. They could not allege that it has become impracticable. Therefore, upon their own allegation, it is at present practicable, because they do not choose to allege that it is impracticable. What is the result ? There is a declaration, by a binding decree pleaded in the amended Bill, that it is to be applied in performance of the trust which is practicable. What more do you want ? It cannot be suggested that I am now to declare that if that which is now practicable should by any unforeseen circumstances become impracticable, certain consequences are to follow. It never was a part of the jurisdiction of the Old Court of Chancery, which is now transferred to the High Court, to declare a trust hypothetically. If the trust were to arise upon the happening of a future contingent event, the Court did not declare the trust till the event happened ; in fact they carried it out so strictly that if the event were certain, such, for instance, as the death of a living person, they would not, even then, in a future case declare or administer the trusts until the event happened. Consequently, as to that part of the case, I should have no jurisdiction whatever. Feeling that, Counsel at the bar made an ingenious suggestion—not according to the prayer at all—but, that I should declare that in the meantime and until the Railway was made, there was a resulting trust ; but that is not the practice of the Court. The Court—having declared or decreed the trusts and directed them to be executed, and they are practicable—does not go on to say what is to be done in the meantime, because that is part of the trust. I have declared that all the money and interest is to be applied in making the Railway. If that is practicable, what remains ? Nobody suggests that there is too much ; in fact, the Plaintiff's Bill alleges that there will be too little. Therefore, that is not even a reason for declaring it. Then I have appropriated the

whole of the money and interest to a practicable trust. What is there to declare in the meantime? The interest, which is all that accrues in the meantime, is disposed of by the decree, and goes with the capital. There is nothing for a present declaration to work upon. The fact is that the former decree exhausts all that could be presently declared, and there is nothing left; the result is that the suit is utterly useless. There is no purpose which it can now serve. The present Plaintiff, who was a party to the former decree, is bound by it; in fact, he has no quarrel with it. It seems to me that the suit should have ended there.

"Now I come to the question of costs. This suit was instituted after the other suit, but before the other suit was amended, so as to make the present Plaintiff a party, and before the other suit had raised the issue which was ultimately decided in that suit. If, when the other suit had come on for hearing, the present Plaintiff, being a Defendant in that suit, had said—'My suit, which was heard on the same day, is now useless; the purpose for which I instituted it has been accomplished by the other suit; it is no use going on with it. It was a proper suit to institute then, although it has become useless now, I ask the Court to provide for my costs of it,' probably his application would have been listened to. But he did not. He would not put an end to his suit. He insisted upon amending his Bill and going on in spite of the Decree then pronounced. Can he now say 'I am to be in the same position as if I had not harassed the Defendants with this further litigation? It is in the discretion of the Court now to provide for the costs of the abortive suit when I have parted, so to say, with the other suit and the administration of the Trust Fund, which at that time was under my control.' I think that he ought not to be allowed to say so. He deliberately elected to amend his Bill and press the suit to a hearing on supposed independent merits of his own, and he cannot now fall back upon the position which he occupied, and which might have availed him on the hearing of the other suit. That being so, I think there is no ground whatever for departing from the ordinary rule that the costs follow the event; and, therefore, I shall dismiss the Bill with costs."

#### BOLIVIAN GOVERNMENT SUIT.

IN THE HIGH COURT OF JUSTICE.

*Chancery Division.*

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ROLLS COURT, CHANCERY LANE,  
22nd November, 1876.

REPUBLIC OF BOLIVIA

*v.*

NATIONAL BOLIVIAN NAVIGATION COMPANY.

[Transcript from the Shorthand notes of Messrs. HURST and HURST.]



## JUDGMENT.

The Master of the Rolls (*without calling on the Defendants' Counsel*): "As regards the suit before me, I cannot listen to the pathetic appeal which has been made to me by Mr. Cracknall; it may be very true that there are persons entitled to this fund who may succeed in recovering it, but I can only decide upon the pleadings and evidence, and upon these pleadings I am of opinion that the plaintiffs cannot succeed. That is all I ought to decide at present.

"Now what is the frame of the suit? The frame of the suit is this: it is a suit by the Republic of Bolivia to recover from certain Trustees a large sum of money, variously stated from half a million to £700,000. It appears that the sum of money was raised under a prospectus issued by the Bolivian Government through its Agents, and that prospectus made certain statements which induced certain persons in this country to subscribe this money. On the previous occasion it was deliberately and carefully argued before me, and my Judgment was as deliberate and as careful as any other Judgment I have pronounced. It is not very likely that a fresh argument by another learned Counsel would alter my former opinion, and I feel that the learned Counsel have very properly abstained from adducing any fresh argument before me. Therefore, as far as I am concerned, I have held and I still hold that the prospectus on which the money was raised is the document which governs the destination of that money. If, therefore, it is true, which is the utmost meaning I can give the allegations in the 45th and following paragraphs of this Bill, that the Bolivian Government were deceived by its Agent, I say 'if,' because I have not heard the evidence, I have nonsuited the Plaintiffs on their own statement, if it is true that the Bolivian Government were induced by misrepresentations of its Agent to authorise this Loan, and to grant certain concessions for making the Railway, and so on. The Bolivian Government cannot take advantage of that deception, practiced on itself by its own Agent, as against the innocent Bondholders, who are the third parties, so to say, to the contract, and as to whom the contract, by whomsoever in fact made, or in consequence of representations by whomsoever in fact they were made, was, in law, the contract of the Bolivian Government itself; and, as I said before, that Government cannot seek to take away the money raised on the faith of that prospectus, which for this purpose is its own representation, on the allegation that the representations in that prospectus are false. The moment you come to state the proposition thus broadly, I think you may see that it is one which cannot by any possibility be maintained; therefore, it does appear to me that a Bill, framed as this is, to have it declared

that notwithstanding the prospectus and notwithstanding all that has occurred, the money is still the money of the Bolivian Government and ought to be paid to them, cannot be maintained. For that reason I did not desire the evidence to be entered into. What is the new equity raised by this Bill? As I said before, there does not appear to me to be any.

“Then a suggestion of this kind was made—that assuming the prospectus to bind the Company, it was now impracticable to make the Railway? That is alleged, no doubt, in some shape or other. Perhaps it is not as nicely alleged as it might be; although, I think, there is enough to set up the case in the Bill. I dare say all was alleged that possibly the draughtsman was authorised to allege, and perhaps a little more. But assume that it has become impracticable. I have dealt with that case before. Upon what theory can it release the Bolivian Government from the obligation it took upon itself by that prospectus? If the Bolivian Government obtained the money of the Bondholders on the representation that the Railway could be made and should be made, and that the money lent should be applied to the construction of the Railway, and that that Railway, when made, and the profits thereof were to form a security to the Bondholders for the money so advanced, can the untruth of those representations made by that Government through its Agents authorise the Government to seize the money and to appropriate it to its own use? for that is the case put before the Court, and gravely put before it. Even supposing the original representations were untrue, but subsequent facts have made the construction of the Railway impracticable, can it be that the Government who obtained the money on the faith of this security can keep it without any security? Again, it seems to me that it is only necessary to state the propositions to show that they carry with them their own refutation. It would be a waste of time and words to consider them further. It seems to me that there is no equity on the part of the Government; and this must have been felt very strongly by the learned counsel who put the case before the Court; for he told me something more, which no doubt does put a different complexion upon the claim made. It does not make it quite so outrageous and barefaced as it appears upon the pleadings. They told me that before the hearing some arrangement had been come to by the Bolivian Government with the Bondholders, under which the Bolivian Government would give the money, as I understand, to the Bondholders. Of course, my only answer to that is that I cannot listen to such a statement made at the bar, it not being alleged in the pleadings, and being in no way a portion of the suit

which is now before me. But, of course, that could not give the Government any better title. It could only be an excuse in morality, if I may say so, showing that the Government did not come here with the view of appropriating the money to its own use in breach of good faith, but are willing that it should go into the pockets of those to whom it really belonged. In the legal point of view, it could not make the case any better, because the Plaintiffs must recover on their own title; and if they had made this subsequent agreement with the Bondholders in June last, which they have made, that could not give the Bondholder any title if they had none before, because if the Republic itself had no title, they could give none to the Bondholders. Therefore, the Bondholders' title, if they had any, must be under some independent equity. It would be useless to allow this Bill to be amended to introduce a Plaintiff who had an equity which he could assert for himself quite independently of any title derived from the present Plaintiffs. But I think there is another reason for refusing it; and that is, first of all, I know that the Bondholders are suing for themselves, for I have just dismissed a Bill of theirs, and therefore they are quite able to take care of themselves; and, in the next place, the enormous lapse of time over which this litigation has been protracted is such as really I must say to terrify me, and for this reason that I hoped these frightful delays had ceased with the existence of the old Court of Chancery, which, no doubt, has been justly reproached at one period of its existence for the encouragement of delay and litigation to the ruin of the suitor. That did not apply to the latter years of the Court of Chancery certainly, and I hope it will not apply to this Court. I was terrified because I saw some of these dates run into 1875, and this Court came into existence at the end of that year. I find that the Bill in this case is filed on the 4th of May, 1874; amended on the 27th June, 1874; re-amended on the 6th of March, 1875, and brought to a hearing on the 22nd November, 1876! The transaction in question—whether it would or would not help the Plaintiffs—took place in June, 1876. An application to amend the Bill could have been made at my chambers at any time two days after that, and none was made. I certainly shall be the last judge to encourage such unjustifiable and unaccounted-for delay by allowing amendments to be made as a matter of course, when the case is brought on deliberately for trial without any excuse being made, or even any application supported by evidence, as a ground for the application being now made, by reason of inability to make it earlier. As I said before, the very delay would destroy the merits which I have considered, or the demerits, in favour of the Plaintiff; it would be sufficient for me to refuse the application.



“That, I think, disposes of the whole of the Bill with the exception of a very little bit of it, and that little bit of it relates to some conduct on the part of Colonel Church, which I commented on on a former occasion, as not being justified; he withheld the key of the box which contained some of these United States Bonds, to be appropriated according to the arrangement entered into by him with the Government to the payment of some coupons. I could not see and I did not see any justification for his conduct in that respect, and therefore I direct him to pay so much of the costs of the suit as, in my opinion, was occasioned by such conduct, that is, the costs of the motion which ended in an order directing him to give up the key, and also £20 in respect of the additional allegations introduced into the Bill and into the Answer. (I am told that it is sufficient; I suppose it is.) Those costs he will be directed to pay. On the other hand I shall dismiss the Bill with costs as against all the defendants, including Colonel Church; of course excepting out of his costs the costs I have ordered him to pay, setting the costs he has to pay against the costs he has to receive in the usual way. As regards the Defendants, the Trustees, I cannot give them in the present suit any order except the usual order for party and party costs. Of course, the costs of this suit, including all proper charges and expenses will be allowed in some shape or other out of the trust fund. They will retain them themselves, or if it turns out that the fund is brought into Court, they do not want any formal liberty; it is understood that they may apply to me.”

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## PART IV.

### THE POSITION OF BRAZIL AND FAVOURABLE DISPOSITION OF THE EMPIRE RELATIVE TO THE ENTERPRISE—THE WRECK.

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#### BRAZIL.

Many of the statesmen of the empire appreciate the immense advantages to be derived by Brazil, when the River Amazon becomes the channel of Bolivian commerce ; but so much attention has been paid to local southern interests that the nation has, to a certain extent, not had its attention called to the capabilities for rapid and immense national development offered by the Amazon River and its affluents. The Rio de la Plata cuts off any hope that the commerce of south-western South America can be made tributary to Brazilian territory—not so the north-west ; for this is all drained by a giant river system ; avenues which, from Bolivia, Peru, Ecuador, Colombia, and Venezuela, point, with the unerring finger of nature, to the vast main artery of the continent, as the source of commercial life.

Brazil has now about 300,000 subjects in her great valley. Even this number, small as it is, culls, without cultivation, from the prodigal hand of nature enough to give to the world over £2,000,000 sterling of trade per annum from the port of Pará. In the Bolivian valley of the Amazon, there are more than 2,000,000 people imprisoned on the west by the wall of the Andes, and on the east by the falls of the Madeira. Moreover, beyond the falls lies vast and rich Brazilian Matto-grosso, offering hundreds of miles of deep flowing rivers to steamboat and launch. Avoid the falls of the Madeira, and over two millions of people, now living outside of the world, will give a commerce which it would be folly to estimate at less than £14,000,000 per annum, or seven times that now given by the 300,000 Brazilians occupying lower, less productive and less temperate regions of the same river valley. Can anyone doubt that such a commerce, in transit, will attract the attention of the world to the vast capabilities of the basin of the Amazon ? that it will create great towns and cities along the river banks ? that it will also cause the states of Peru, Ecuador, Colombia and Venezuela to open their eyes to their immense wealth

lying dormant upon the eastern Andean slope, and inspire them to join in cordial international effort to avail themselves of the innumerable channels which there invite commerce and civilization? Brazil must recognise that here lies the track to a greatness she can attain in no other direction.

Between the 23rd of January and the 3rd of April, 1874, His Excellency Señor Baptista, *Minister of Foreign Affairs* of Bolivia, and His Excellency Señor Alencar, *Chargé d'Affaires* of Brazil, exchanged several official communications with each other relative to Brazil giving us financial assistance. In Señor Alencar's letter of February 15th, he says, after referring to the good will already shown to us by his government, that "It would not deny, if it were required, any additional reasonable aid."

These letters are printed in the Bolivian Government "Memoria" of 1874.

On page 169 of the Government, "Relatorio," of 1877, just presented to the General Legislative Assembly of Brazil, the Minister of Public Works says ;—

"The Madeira and Mamoré Railway.

"Notwithstanding the auspicious conditions which in 1874 seemed destined to inspirit this undertaking, its state is still stationary.

"The Government of Bolivia instructed its Envoy Extraordinary to London, when passing through Rio, to come to an understanding with the Imperial Government upon the concession of the guarantee of 7 per cent. interest on £400,000, a sum now for some time considered indispensable to the realisation of the undertaking.

"From the conferences which took place, the Envoy of Bolivia acquired the assurance that the Imperial Government will very willingly assent to this pretension of the Madeira and Mamoré Railway Company as soon as the railway works are in progress.

"The Representative of the Company having petitioned for an extension of the time for the conclusion of the works of the railway, it was so decided by decree 6,357 of October 18th, 1876, after consulting with the Section of Affairs of the Empire of the Council of State.

"I continue to think that this line of communication between Bolivia and the ocean best consults the reciprocal interests of that Republic, and of the Empire, and it seems to me, therefore, most proper to concede the said guarantee of interest, the more so that it is announced that the suits defended in London by the Company have been terminated.

"It was with this conviction I, by advice of November 3rd, 1875,



declared to the Ministry of Foreign Affairs that I did not consider it wise to give pecuniary assistance, as was solicited, to the road proposed to be constructed between Corumbá and Santa Cruz de la Sierra."

If, with all this, Brazil has not yet given the guarantee which we solicited in August, 1873, at the time of the Public Works repudiation, the fault rests with the Bolivian Government; for the Imperial Government would long ago have come to the financial assistance of the Madeira and Mamoré Railway, could it have seen through the shower of mud in which the Bolivian Commissioners, the Bondholders' Committee, and the Public Works Company were trying to bury the enterprise. The Legislature of 1874 passed the bill for a guarantee through its first and second readings, but held aloof from the third reading, awaiting the result of the numerous lawsuits in London. The debates on the subject, published in the official journal at Rio de Janeiro in that year, show the marked appreciation which the empire has of the importance of the great work. The bill was again warmly taken up in 1875, but once more deferred to await news from the law courts of England.

In 1872, our steamer, the "Duke of Edinburgh," was not permitted by the officials at Pará to ascend the river under the British flag. This caused a transfer of cargo to a Brazilian steamer at a loss, direct and indirect, of thousands of pounds sterling to our company; a loss which we would not have suffered had the Articles 4, 8 and 9 of the Bolivian concession been duly negotiated with the Empire. This prompted us to petition the Brazilian Government to open the Madeira river to all flags, in extension of the decree of 1867, which, when opening the Amazon, prevented the ascent of the Madeira affluent beyond Borba, 75 miles above its mouth. The government responded as follows:—

"Decree of January 25th, 1873.

"Article 1. To merchant vessels of every nation is permitted the navigation of the river Madeira, in the province of Amazonas, up to the port of Santo Antonio, on the right side of said river; with observation of all applicable thereto in the provisions of the regulation annexed to Decree 9,320 of July 31st, 1867.

"Article 2. In the said port there shall be a Mesa de Rendas of the 1st class, empowered for the import of products coming from the republic of Bolivia, and likewise for the export of national products and for transit clearances or those of goods carried under certificates.

"Article 3. To foreign vessels is also permitted the transport from said port to other river ports of the province of Amazonas and Pará,

and, *vice versa*, of goods of any kind, within the cases of Article 15 of the above cited regulation.

"Article 4. A 5th class custom house is hereby created at the town of Serpa, province of Amazonas, with the attributes conferred on the other custom houses of the Empire, and in accordance with the provisions of the regulation referred to in the preceding article. Its personnel and the pay shall be the same as those of the custom house of Penedo in the province of Alagoas.

"Article 5. Vessels, with cargoes for the Peruvian or the Bolivian frontier, when unable, owing to their great draft, to go up beyond Serpa, may there, under the supervision of the custom house fiscal authorities, transfer the goods to smaller craft.

"(Signed) VISCONDE DO RIO BRANCO."

We were again indebted to Brazil for coming to our aid when the delays forced upon us in Chancery threatened to put in the hands of our opponents the argument that our railway concession had expired.

Our petition to the government of Brazil brought forth the following prompt response:—

"Decree No. 6,357, of October 18, 1876.

"Extends the term fixed in the 2nd part of Clause 4 of those annexed to Decree No. 4,509, of April 20th, 1870.

"The Princess Imperial Regent, in the name of the Emperor: In attention to the Petition of the Madeira and Mamoré Railway Company, and after hearing the opinion of the Section for Affairs of the Empire of the Council of State, is pleased to extend to the 20th day of April, 1884, the term fixed in Clause 4th of those annexed to Decree No. 4,509 of April 20th, 1870, for the termination of all the works of the road.

"Thomas José Coelho de Almeida, of the Council of the same August Sire, Minister and Secretary of State for Affairs of Agriculture, Commerce and Public Works, so make it understood and executed. Palace of Rio de Janeiro, October 18th, 1876, 55th of Independence of the Empire.

"PRINCESS IMPERIAL REGENT.

"THOMAS JOSÉ COELHO DE ALMEIDA."

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#### THE WRECK.

At the date when the Public Works Company repudiated its contract, we were moving forward in compliance with our duty; we had under construction, and nearly finished, at Hull, a large iron light draft

steamer of enormous tugging power, also a propeller of great force and ten iron barges, schooner rigged, of 250 tons capacity each. We had at our estate of "El Cerrito," on the Mamoré river in Bolivia, the steam launch "Explorador" and twelve small wooden barges. We had built at El Cerrito several excellent houses and shops, suitable for a central establishment for the purposes of our Navigation Company.

Our schooner, the "Silver Spray," had reached San Antonio with the pieces of the river steamer "Mamoré" on board. The men of a second expedition, organized in Bolivia to descend the rapids and transport the pieces of the steamer to the Mamoré river, were, with an excess of consideration for the Public Works Company, turned over to the agent of that company, with a view to render it every assistance, even at a sacrifice to ourselves. As a result, we could not even discharge our schooner which lay for many months near the river bank, and finally sank in a sudden fall of the water, which caused her to strike upon a hidden rock. We found it impracticable to raise her and recover her cargo.

Our fleet, at Hull, was built when iron was at its highest; and, being designed for a special purpose, was unsaleable. We ultimately disposed of all the craft at a ruinous loss. They went to the river Amazon. Our steamer, the "Duke of Edinburgh," we sold at auction at Pará for almost a song. Our total loss upon these various craft was not less than £40,000.

Beyond these losses, we have had heavy expenses to maintain our various agencies, and have furnished large amounts of cash to the Madeira and Mamoré Company to support its expenses in Brazil and the maintenance of its footing at San Antonio. At this latter point, however, the Brazilian government, at our request, has kindly come to our aid, and recently taken charge of San Antonio for us, until such a time as our enemies feel disposed to let us proceed with the work. We have on hand there sufficient material to construct  $16\frac{1}{2}$  miles of railway, which has been paid for from the "trust fund." All other expenditures for the erection of buildings and for engineering and agencies, have been paid from the treasury of our company. It may give satisfaction to our opponents to know that they have succeeded in scattering ruin broadcast, have weakened our capacity to speedily realize the opening of Bolivia, have prevented our reaping prompt results from large investments of cash, have plunged Bolivia in debt to the extent of £136,000 sterling per annum during the unnecessary delays to which we have been subjected, and have sadly injured the Bolivian bondholders by depreciating their bonds from the issue price of 68 to the present price of 18.



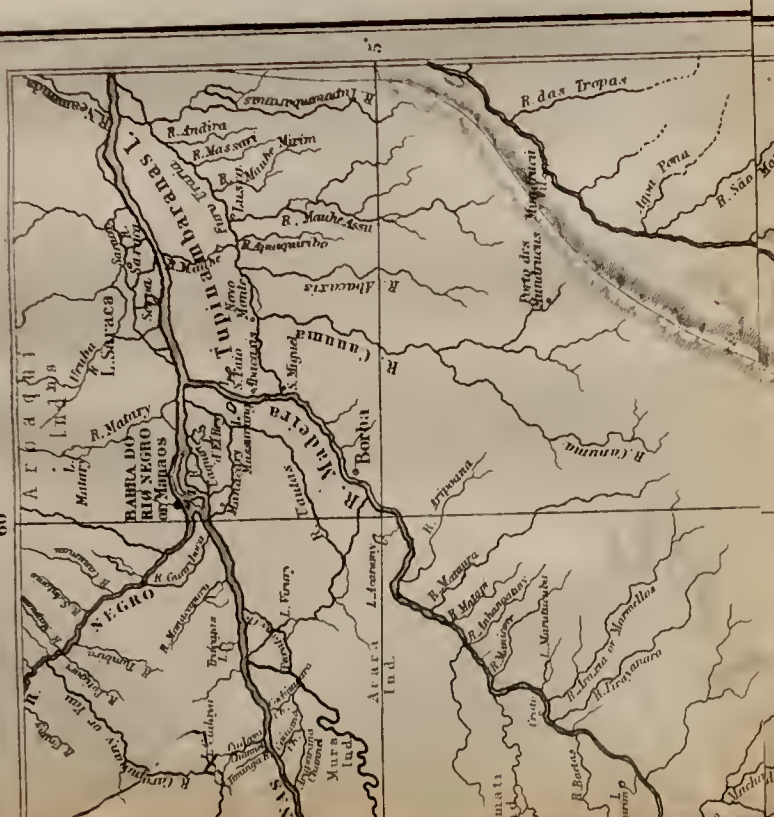
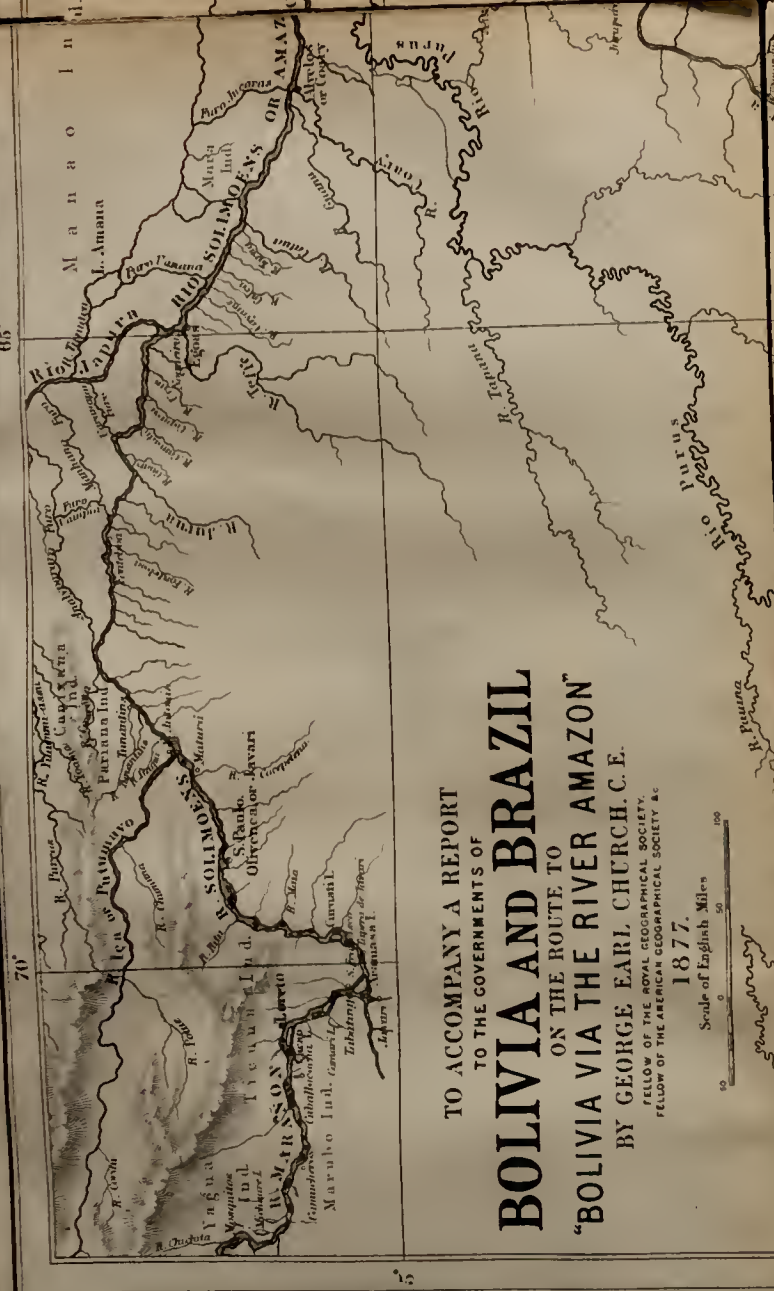
Upon obtaining the decrees of the Court in November, 1876, in the suits of the Republic and the Bondholders, confirmatory of the Decree of December, 1874, in our suit against the trustees and others, we felt warranted in giving notice to Reed, Brothers & Co., to proceed with their contract. This we did. It led to a long correspondence, in which they asked for an engagement from the trustees that they would apply the trust-fund according to the decrees of the Court; or, failing this, an advance of £50,000 and a complete remodelling of the contract. This recalled vividly to our minds our experience with the Public Works Company.

The trustees would, very naturally, not give notice to proceed with the works, nor did they think it necessary to enter into an engagement to obey the law as laid down by the Court of Chancery. Reed, Brothers and Co., placed themselves in the position of refusing to proceed with the work under the decrees of the Court, and, at the same time, refusing to abandon their contract and allow some one else to build the road. We gave them far more than the time required to commence work, and it would have been gratifying to us to see them move forward with it. At last, under advice of eminent Queen's Counsel, we declared the contract null and void, after advising them that we were acting under such counsel, and giving them another week to reconsider the position they had assumed.

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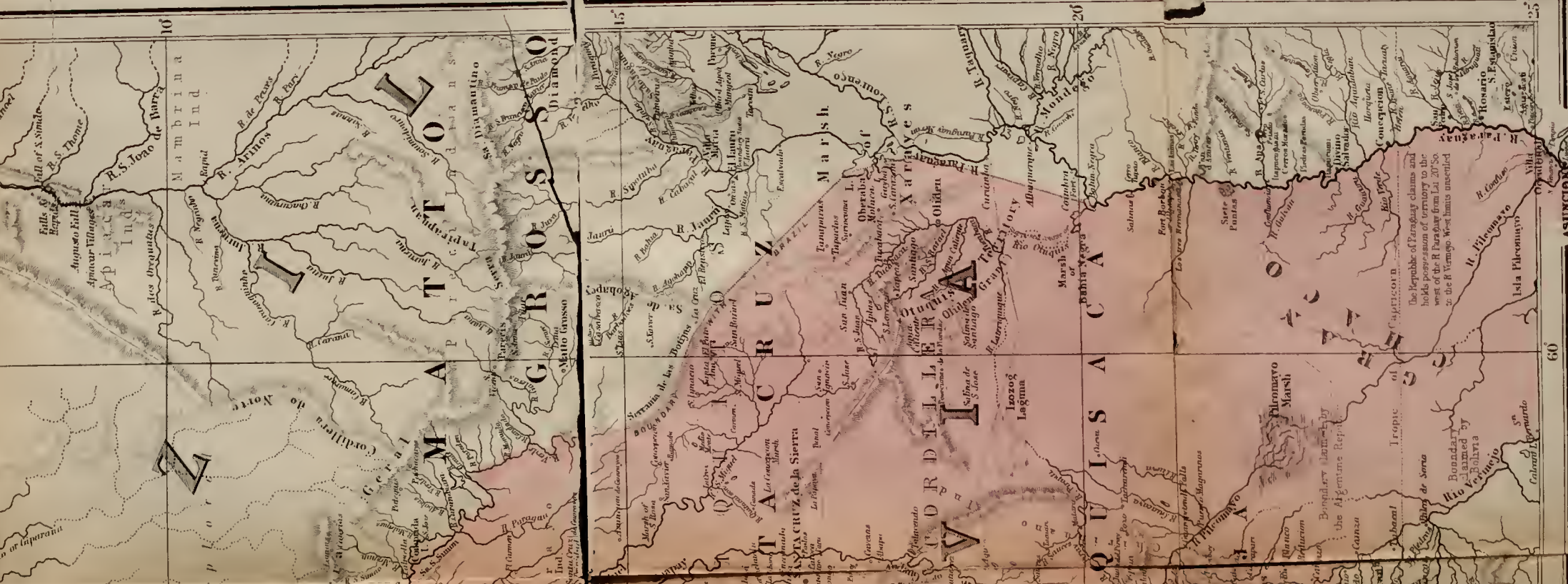






TO ACCOMPANY A REPORT  
TO THE GOVERNMENTS OF  
**BOLIVIA AND BRAZIL**  
ON THE ROUTE TO  
"BOLIVIA VIA THE RIVER AMAZON"  
BY GEORGE EARL CHURCH, C.E.  
FELLOW OF THE ROYAL GEOGRAPHICAL SOCIETY.  
FELLOW OF THE AMERICAN GEOGRAPHICAL SOCIETY, &c.  
1877

Scale of English Miles  
0 50 100



70 Longitude West of Greenwich

65

60

ASUNCION



## PART V.

### THE TRADE ROUTES OF BOLIVIA AND THEIR COMPARATIVE IMPORTANCE AND VALUE—THE RIVER PURUS IN ITS RELATION TO THE VALLEY OF THE MADEIRA.

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In view of the paucity of information relative to Bolivia, I have felt it of importance to add this chapter, the result of much study and personal observation.

The great Bolivar had scarcely assumed his Presidency in Bolivia, when on the 18th December, 1825, he proclaimed "the urgent necessity of opening communications between the principal centres of the territory of the Republic," and decreed "that straight and commodious carriage roads be opened wherever the territory permitted." A half century has proven that it requires more than the promulgation of a law to build roads, and that Bolivar's decree must remain dormant until "straight and commodious roads" for commercial connection with the outer world be opened before the country can hope for anything beyond its present mule-tracks.

No less premature was the decree of Congress of 1826, to open a cart road from Cochabamba to Mojos, as also "the opening of roads, building of bridges and canals, and all the methods to facilitate communication between the other points of the Republic."

Similar laws of December, 1832, November, 1834, June, 1845, November 1846, and the innumerable private individual projects for roads in all directions across Bolivia which have resulted in nothing, attest, at least, to the theoretical aspirations of the country, while showing what the nation will put into practice when the practical moment arrives.

On the 5th of November, 1833, the Congress of Bolivia issued a decree promulgated by the President General Santa Cruz, "conceding a reward of ten to twenty thousand dollars to the first person who in a steamer reached Bolivia from the Atlantic Ocean, by way of any of the rivers of the Republic that run from the South to North, and from five to ten thousand pesos to the first who, in a similar steam craft, navigates from the same ocean to the territory of the Republic, by the rivers which run from North to South."

Under the Presidency of General José Ballivian, a decree was issued on the 2nd of June, 1843, authorizing the Executive Power "to take

the necessary steps, and incur the requisite expense to realize the navigation of all the navigable rivers of the Republic.”

Following immediately upon the heels of this last decree came a decree of Congress dated the 10th of December, 1844, approving the famous contract made with the “COMPANHIA BELGE,” thus commented upon by the ex-Consul General of France in Bolivia, in 1855; M. Leon Favre, brother of M. Jules Favre:—“The Concessions made to the ‘Compañia Belge’ comprised vast tracks of land for purposes of colonization, and virtually gave to the Company nearly 200,000 square miles, or the entire national domain. It gave them the exclusive right of navigation in all the lakes and rivers of Bolivia for fifteen years—\$20,000 for the first vessel that arrived in Bolivia, \$100,000 subsidy for the necessities of the first expedition. It also engaged the nation to pay \$500 for each mechanic introduced, \$1000 for each master mechanic, \$2,000 for each manufacturer, engineer, mechanical engineer, constructor, chemist, farmer merchant, and book-keeper, for a period of ten years; also the right to collect tolls upon all the roads and canals opened by the Company.

“The only absolutely defined obligation of the Company was the annual introduction of fifty families during the term of ninety years—but by Article 3 it was ‘To establish as soon as possible regular communications between the Atlantic Ocean and Bolivia by means of a line of steamers by the Amazon and its tributaries.’”

By Article 15, the Government, after the arrival of the first fifty families, agreed to authorize the raising of a national loan in Europe in aid of the Company.

M. Favre, after stating that this Company was “founded in Brussels, under the auspices of King Leopold,” says “Were all these advantages, all these grand concessions insufficient to overcome the difficulties offered by the rapids and to populate the Beni, the Mamoré, the Guaporé? The ‘Compañia Belge’ died almost at its birth, and the problem has remained unsolved. But this contract known in Europe, has never been reinitiated, despite the liberality of its clauses. This should be an object of grave reflection for the future Governments of Bolivia, and an evident proof of the difficulties which oppose colonization, and which cannot be overcome except by force and perseverance.”\*

Indeed this great concession was naturally waste paper so long as no preliminary “Treaty of Friendship, Limits and Navigation,” was made with the Empire of Brazil. This, however, was not done until 1867-8—the scheme then became practicable.

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\* *Vide* the work of M. Favre on “Bolivia, Colonizacion y Agricultura—Sucre 1857,” published by the Government of Bolivia.

Under the same presidency, the Congress, on the 11th of November, 1844, voted \$200,000 for the purpose of opening the rivers of the Republic to navigation.

Again the Congress, on the 13th November, 1844, gave "ample authority to the President José Ballivian to contract for the opening of the rivers of Bolivia."

Under President Belzu, on the 6th of October, 1851, a further law, extending that of November, 1833, was decreed for the navigation of the Beni, Mamoré, and other rivers.

On the 19th of October, 1851, came the order from President Belzu—the "Invitation to form companies for the navigation of the rivers of Bolivia," in which it stated—"the Government knows that the future and the greatest good of the Republic depends upon the navigation of its rivers, and upon the earliest and quickest communication with the old world.

The "Order" throughout was most enthusiastic in its terms.

Following this came the Decree of January 27th, 1853, under the administration of General Belzu. After a lengthy preamble, inviting the attention of all nations to the "grandiose enterprise" of opening the rivers of the Republic to the commerce of the world, it continues:—"The Government has reached this conclusion, and in consequence has desired to call the attention of the entire world to the magnificent banquet of agricultural, mineral, and industrial productions, as rare as they are precious, with which those privileged regions greet the labour and civilization of man."

The decree following this preamble states:—

"1st. That the south and east of the Republic encloses vast territories of prodigious fertility traversed by navigable rivers which, flowing to the Amazon and the Plate, offer the most natural highways for the commerce, population, and civilization of these districts.

"2nd. That the navigation of these rivers is the most efficacious and certain for the development of the riches of these lands, placing them in contact with the exterior, and applying to their wants the fructifying principle of liberty, as useful to the interests of the Republic as to those of the whole of humanity."

Following this came a "Resolution" of the Government of February 1st, 1858, further calling attention to the question of navigation of the rivers of the Republic and opening them to free navigation.

Many scientific men of merit had confirmed the views of the Government by their explorations and writings upon Bolivia. Among the foremost of these stands the French naturalist, M. Alcide d'Orbigny,



who published at Paris, in 1845, for the Bolivian Government, his "Description de Bolivia,"—also his "Fragment d'un Voyage au Centre de l'Amerique Méridionale." All of these works were collated from his great "Voyage dans l'Amerique Méridionale," published under the auspices of the French Government. He thus terminates the first-mentioned work, after speaking of the falls of the Madeira :—

"Once all these obstacles are overcome, whichever side is penetrated, be it by the river Paraguay, or by the river Madeira, an immense labyrinth of navigable rivers present themselves upon that superficie, where ocean-going vessels and steamers of the greatest possible dimensions can navigate, everywhere developing commercial relations.

"1st. By the river Beni, one can seek, up to the foot of the mountains the rich productions of the provinces of Caupolicán, Muñecas, La Paz, Yungas, and Sicasica ; so that the Peruvian bark and all the other products of the Cordillera, embarked without delay, would go out by this vast river, and take a direct route to the markets of Europe, saving hundreds of leagues of transport upon mules to the ports of the great ocean and the long and perilous navigation of Cape Horn. Then La Paz, and other cities of the centre of Bolivia, would find themselves, in a certain way, less distant in their communications with France than what they actually are to communicate with the Republic of Chile.

"2nd. By the river Itenez or Guaporé one could ascend to Chiquitos, entering the rivers Verde, Serre, Blanco, Itonama, and San Miguel, for the purpose of extracting the rich fruits of this vast province, which would give fabulous returns. By navigating to-day by the river Barbados, they ascend much higher than Matto-Grosso.

"3rd. By the river Mamoré, any direction is available, the Rio Grande and the river Piray to very near Santa Cruz de la Sierra—the rivers Mamoré, Chimoré, Chaparé, Securé, Isiboro, Tijamuchi, Aperé, Yacuma, Iruyani, and their tributaries, that is to say, upon the entire slope of the eastern Cordillera from Santa Cruz de la Sierra, through the country of the Yuracarés until you have passed six degrees to the north-west—to seek the numerous commercial products of the provinces of Valle Grande of Mizque and of Cochabamba.

"In resumen, the rivers Beni, Guaporé, and Mamoré, offer in an area of some thousands of leagues great facilities for vessels of all dimensions to navigate their waters. From what has been said, it is very probable that the provinces of Mojos will in time become a celebrated market of commercial operations practised upon a vast scale and destined to utilize those products of great value which at present are thrown away and lost in this privileged land of the centre of America."

If the mind of d'Orbigny thus measured the capacity of the rivers, that of the great savant, Lieut. M. F. Maury, of the Washington Observatory, was none the less observant of their commercial importance. Maury's "River Amazon" says on this point:—"Bolivia has but one port on the Pacific, Cobija, an open bay, a miserable town at the extremity of the great desert of Atacama. The transportation by land from this port to the agricultural districts of the Republic is very heavy, and too distant and costly for Cobija ever to become a commercial emporium. The direction which Bolivia should take for the exportation of its products to the markets of the world is indicated by its navigable rivers, tributaries of the Amazon, &c." \* \* \*

"Glorious would it be for the United States and for Bolivia to realize the magnificent and gigantic plan of opening to population and civilization the most extensive and beautiful regions of the world."

Señor D. Rafael Bustillo, second to no statesman produced by Bolivia, and known throughout South America, thus prefaces his translation of Maury's work in 1854:—"Among few nations are found greater natural riches than in Bolivia, nor a soil of greater productive force, with notorious activity, intelligence, and industry on the part of its inhabitants. But these vital forces are deplorably weighted down for want of means of communication and discharge." After lamenting the impossibility of sustaining traffic across the vast deserts of the Andes, he says:—"Our last disagreement with Perú has revealed to the country the deplorable situation into which it may be plunged by lack of our own means of communication. With a single word, the Government of Perú has closed Arica against us, and with a picket of police has occupied Cobija, depriving us in this manner of all commerce and contact with the world, shutting us up within our mountains, reducing us to our own resources, *en fin* making a nonentity of us for the entire world, in the same manner as if Bolivia had disappeared from one moment to another from the surface of the globe. For ten entire months we have been in the world and lived as if we were outside of it." \* \* \* \* \*

Indicating that the rivers are the only true arteries for Bolivian commerce, he continues:—"The fertile territories traversed by our rivers, and which, in view of their extension and tropical power of production could feed a population a hundred fold of what we possess, would then become converted into great centres of population, cultivation, and industry. Everything would change in our country. The astounding revolution which would be realized would change our actual sad condition of mere consumers of European manufactures into great producers of the most noble articles of commerce."

To translate from Count Castlenau, whose extensive scientific voyages in Matto-Grosso and Bolivia give his opinion great weight:—"The river Madeira, the principal of the affluents of the Amazon, is the river the study of which offered for Brazil the greatest interest before the capital of the province of Matto-Grosso was changed to Cuyaba. It is highly probable that some day the products of the warm regions of Bolivia and of Perú situated to the east of the Cordillera will follow the course of the river, and I do not doubt that it will become the centre of an immense commerce." (Vol. III. p. 19.)

To practically show the fertility and condition of the vast districts of the upper Madeira valley, let me quote a page from my journal as I descended the great river Mamoré, in 1871:—

"We stopped for breakfast at Bella Vista (near Trinidad). Here we found Don José Leon Guarda upon his *hacienda* of sugar-cane and cattle estates. He had just purchased two new estates of the Government, one on each side of the river near by, up stream. I asked him the value of land per square league, about 5,760 acres.

"Ans.—'Twelve to twenty dollars gold—or nothing!'

"Ques.—'What did you pay for the two estates you have just purchased?'

"Ans.—'\$125 currency or \$100 gold!'

"Ques.—'What extent are they?'

"Ans.—'One or two leagues on the river front and towards the interior—(with a prodigal wave of his hand)—limitless!'

"Ques.—'What can you raise on these lands?'

"Ans.—'Everything: coffee on the high grounds, and cotton, corn, vegetables, rice, sugar, tobacco, &c., anywhere. Every year the whole district is washed clean by the floods and a rich sediment deposited, thus making it annually a virgin soil of unsurpassed fertility. Rice grows anywhere and in great abundance. It makes no difference whether it is flooded or not, and may be planted any month of the year. Cotton grows in the most extraordinary quantity when a little care is taken of it. The plant lasts any number of years. On the annual subsiding of the floods, the plant is cut about two feet above the roots. It then shoots out in little sprouts, which flower three months after, and the plant continues to produce until the rainy season commences again. The imported Brazilian and Cochabamba cotton seed appear to yield best, although the indigenous yellow and white yield well. No lands can be better than these for sugar. I produce 30 jars, of 11 *arrobas* each, of white sugar on each *almud* of land planted—8,250 pounds on  $1\frac{43}{100}$  acres. The cane is



very sweet and full of juice. It is planted in April at the close of the rainy season, and requires eight months to mature. It may be produced in vast quantities.'

"Ques.—'Is it healthy here?'

"Ans.—'We have tertian fevers, but easily cured. I have lived in Bella Vista two years, and attribute my freedom from intermittent fever to the strong coffee I drink every day. There is a great scarcity of salt here; it is worth ten cents per pound.'

"Ques.—'How long does this thatched roof last?'

"Ans.—'It keeps the water out for ten years. It is made of the grass from the fields.'

"Don José has a little sugar mill and boilers attached to his establishment. They are very rude. In the grinding of the cane, much juice must be wasted. The mill consists of three vertical rolls, worked by oxen hitched to the end of a long pole.

"A dozen cleanly-looking Indian women were around the place, and a few *peones*. The women were nearly all pregnant, thus showing that Don José's household is as productive as his lands.

"At Bella Vista we bought several heads of large cabbages, onions, sugar-cane, sugar, and rice. The latter, 20 arrobas, at 60 cents for each 25 pounds, it being up in price owing to the demand down stream. The brown sugar was 2 cents per pound. Large bags of cacao were piled up at Don José's, ready for the Cochabamba market. Cacao grows abundantly here as well as everything else. Don José made us a present of sugar-cane and several branches of large plantains. His plantain yard is near the house, as is also the kitchen garden, which is full of cabbages, tobacco, cotton plants, sugar-cane, onions. Cats, dogs, hens and chickens, run around the houses. All the faces are frank and open, and a generous air pervades the entire surroundings."

Such is the picture of an estate as I saw it on the Mamoré, the language copied verbatim from my journal written on the spot. Volumes could not say more than this conversation as to the value and importance of opening these fertile and generous lands to the suffering millions of humanity of the old world.

In my descent of the Piray and Mamoré rivers, during the driest of the dry season, I took extraordinary care to sound the river, note its width, the character of its banks, its current and its adaptability to steamboat navigation. The only part of the main river I skipped was about two leagues, lying in front of the town of Trinidad, and separated from it by a little side channel which we took to reach that town. This

two leagues I have no reason to believe offers the least obstruction to navigation.

My soundings showed, for a distance of over 500 miles, a depth ranging from 10 to 30 feet, with a current of from one to two miles per hour and very rarely reaching three miles. The river was broad, the banks accessible, the lands productive beyond description, and healthy for a new country.

There is also a district of about 20,000 square miles comparable to the lands of the river Nile, and having an annual overflow of from one to four feet of water during two or three months of the rainy season. This gives immense fertility. The facilities for cultivation are very ample.

Aside from the main stream, I found numerous branches suitable for steam navigation for distances varying from 50 to 100 miles, and above that for small craft. The main affluents of the river Madeira are four in number,—

- 1st—the Beni,
- 2nd—the Mayutata,
- 3rd—the Mamoré,\*
- 4th—the Itenez or Guaporé.

These rivers receive a total of over one hundred branches, navigable in part for steamers, and all navigable for small craft.

The river Beni, above the rapids, immediately at its mouth, is a noble stream, navigable as far at least as Reyes, and exceeds the Mamoré in volume and navigability. Aside from the Mayutata, herein especially treated of, it also presents numerous branches suitable as commercial avenues for the vast and wealthy district it drains. The great river Itenez and its very numerous affluents, flowing through lands rich in agricultural products and gold, also invite connection by steam with the commercial world.

Not less than 3,000 miles of rivers, adapted in a high degree to steamboat traffic, converge like the arms of a fan upon the head of the falls of the Madeira to make this the main affluent of the Amazon. The commanding position of the Madeira and Mamoré Railway is therefore very remarkable, and absolutely unequalled by any railway existing or projected upon the face of the globe.

It would occupy too much space to enumerate all the products which the river districts of Bolivia may be made to yield. Suffice it to say that I found no general article of South American trade, agricultural,

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\* Mamoré signifies “Mother of Humanity.”

animal or mineral, that did not exist there, and capable of production to an indefinite extent.

During my stay in Bolivia, many of the most respectable mercantile firms gave me letters containing precise data relative to Bolivian trade. They are incontrovertible mathematical proofs of the sad condition under which Bolivia struggles for existence. The picture drawn has not changed for half a century, and it is the same at the present date of 1877.

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“Sucre,

“August 18th, 1871.

“George Earl Church, Esq.

“Dear Sir,—In reply to the questions relative to the cost of carriage on goods from the Pacific coast to this city, I think it necessary to mention that during the last 15 years freights have been gradually increasing, and since the discovery of the rich silver mines in Caracoles, distant some 50 leagues from Cobija in the interior, they have become so exorbitant that commerce has become almost paralyzed, and the delay to get goods here has been from eight to twelve months after their arrival in Cobija; this has resulted from the competition of the miners of Caracoles, who, being enabled to pay higher rates than we could afford for the transport of their mining implements and comestibles, have engrossed in a great measure the means of carriage, which, at all times has been difficult, for the supply of a sufficient number of muleteers, and the 40 leagues of sandy desert, between the village of Calama and the port of Cobija, where neither water nor forage is obtainable for the mules, hence the necessity of conveying same for them. It is only three years since freights were only \$8 the cargo of 300 lbs. weight from Cobija to Calama, which rose almost immediately after the discovery of the aforesaid mines to \$10, and eight months since they have risen to \$15, at which they continue. In like proportion the rates have increased from Calama to Potosi, a distance of 140 leagues, all which is a desert more or less, but water is found at convenient distances, and on once approaching the Cordillera pasture is found, though scanty, except in the rainy season: the present freight between these two places is \$30 the mule load of 300 lbs., and when heavy goods are brought up—such as pianofortes or machinery, it becomes a serious item on the cost of these articles; for example, the freight of a pianoforte from its size (which generally exceeds 300 lbs. in weight in fact on an average may be put



down at from 375 to 400 lbs.), is never less than \$320 to \$350 from Cobija to Potosi, and if exceeding above-named weight \$450 is often paid, and an additional \$60 to \$80 from Potosi to Sucre. The same observations are applicable to pieces of iron, &c.; when one piece exceeds 300 lbs., then heavy freights are demanded. The whole traffic from Cobija to Potosi is at present conveyed on mules or donkeys, and until a cart-road is opened, of which there seems little probability at present, except from Cobija to Calama, I entertain very little hope of freights diminishing. For your guidance, I put down in continuation the freights as they at present stand for each mule load of 300 lbs. It is necessary to mention that a mule load consists generally of two bales or packages, slung one on each side of the mule, each package having an average weight of 150 lbs. A donkey load consists of two bales carried in the same manner, each package having an average weight of 75 lbs."

## LIST OF FREIGHTS.

From Cobija to Potosi	...	\$45	Return journey,	\$22 to \$24
„ Potosi to Sucre, donkey				
load	...	\$4	„	\$2
„ „ „ mule				
load	...	\$7 to \$10	„	\$4
„ Sucre to Santa Cruz de				
la Sierra	...	\$10 to \$14	„	\$15 to \$18
„ „ to Cochabamba	...	\$10 to \$14		
„ Oruro to Potosi...	...	\$12 to \$14		
„ „ to Sucre direct	...	\$15		
„ Tacna to Oruro...	...	\$25 to \$28		
„ „ to Potosi...	...	\$40 to \$45	„	\$21
„ „ to La Paz	...	\$20 to \$25		
„ La Paz to Potosi	...	\$30		

"Exclusive of above-mentioned freights, we have to pay agency, for despatch in Calama, of \$3, 6 reals for every mule load, and \$1 more in Potosi, as no goods can ever be sent direct from Cobija to Sucre, consequently three relays of mules are requisite. From the above statement, *calculating our currency dollar at 36 pence exchange*, you will notice that we pay from Cobija to Sucre, or Tacna to Sucre, from £55 to £60 sterling per ton. It is almost impossible to make a correct calculation of the percentage of freight on cost of goods in general; for it is

evident that the percentage on silk goods and other light merchandize is not nearly so great as on cotton or woollen goods, owing to the difference in value, and the same remark applies to the latter goods when woollens are more expensive than cottons, thus the expense is greater on cottons than on woollens: the former, such as calicoes, grey domestics, &c., we calculate, on a general invoice, about 25 per cent. on cost; and on the latter, such as casimeres, cloth, dress stuffs, &c., about 12 to 15 per cent. We do a considerable trade in iron, drawing our supplies from Tacna, which is invariably conveyed on the backs of llamas, and the delay is from *three* to *four* months, as these animals travel very slowly and rest on the road continually several days together, but even the freight on this article is seldom less than \$8 a quintal (100 lbs.) to Potosi from Tacna, and \$10 to Sucre. The carriage on liquors, which comes in bottles, is also a heavy item on first cost. For example, a donkey will only carry 3 doz. of beer, brandy or wines, all which pay the same proportion of freight; and that on beer, for instance, be it from Cobija to Potosi, or Tacna to Potosi, is not less than \$6 to \$7 a doz., or \$36 to \$42 the mule cargo, or \$18 to \$21 the donkey load. These are almost always brought on donkeys, being convenient packages, each weighing more or less 75 lbs. The above calculations are as freights at present stand, and for many years they have not been less than 25 per cent. under aforesaid rates, nor is there much probability of a reduction; and, should there be any, it is certain they would not be less than from 10 to 15 per cent. If I can afford you any further information, I shall always feel most happy. Hoping your enterprise may turn out successful, and wishing you a pleasant trip to Cochabamba, Santa Cruz, and the Amazons,

“Believe me, dear Sir,

“Yours very truly,

(Signed) “G. H. WILLIAMS.”\*

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The following invoices of goods, actually imported, were furnished to me by a German firm doing the largest business at Cochabamba. The weight is shown to be  $5\frac{1}{2}$  donkey loads of 150 lbs. each—say 825 lbs.:—

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\* Mr. Williams is the principal English merchant in Bolivia.

"Cochabamba, Sept. 1871.

"FROM JERMAN FRICKE,

"100 *pieces Bleach. Shirts*, 36 inch, 40 yards cts.  
 invoice amount £80 1 0 Soles 426 90

*Shipped* at Liverpool, Oct. 28th, '70,  
 per steamer, *viâ* Straits of Magellan,  
 due in Arica, Dec. 15th, '70, freight  
 from Liverpool to Arica, 80s. per ton  
 measurement, primage 10% ... 2 11 3

*Insurance* effected in England for £100  
 "all risks," 45s. % and policy ... 2 6 6

4 17 9      „      26 10

Soles 453 0

Landing charges, harbour dues, receiving,  
 carriage to railway depôt, &c.... ... Soles 6 0

Agency ... .. „ 1 0

Carriage by rail from Arica to Tacna ... „ 3 20

Tacna agents' commission, repacking,  
 weighing, marking, &c. ... .. „ 13 80

Freight to Cochabamba on donkey's back  
 at the rate of \$9 the load of 6 arrobas  
 150 lb. ... .. \$50 of 8 reals „ 40 0 „ 64 0

Soles 517 0

The Custom duty is not included.

Goods arrived at Cochabamba, April 1st, 1871."

Same goods shipped from Liverpool, per sailing vessel, round Cape Horn, same date of sailing, would be due at Arica on or about February 15th, 1871, freight by this route 55s. per ton measurement and primage 10%; insurance, "all risks," 50s. %.

"6 cases, containing each 1 iron tent bedstead,  
 invoice amount £31 0 0 Soles 165 30

*Shipped* at Liverpool, Oct. 29th, '70,  
 per steamer, *viâ* Straits of Magellan,  
 due in Arica, Dec. 15th, '70, freight  
 from Liverpool to Arica, 70s. per ton  
 measurement, and 10% ... .. 4 11 1

Carried forward ... £4 11 1 Soles 165 30



Brought forward	...	£4 11 1	Soles 165 30
Insurance effected in England on	£45		
“f. p. a.” 25s. 6 % and policy	...	0 12 8	
		<u>£5 3 9</u>	<u>27 90</u>
			Soles 193 20
Landing charges, harbour dues, receiving, carriage to railway depôt, &c.	...	\$9 0	
Agency	... ..	3 50	
Carriage by rail from Arica to Tacna	...	4 90	
Tacna agents' commission, repacking, weighing and marking	... ..	10 60	
Freight to Cochabamba, per mule, 3 loads of 12 arrobas, 300 lb. each, @ \$34, \$102, @ 8rls.	... ..	81 60	„ 109 60
		<u>          </u>	<u>          </u>
			Soles 302 80

The Custom duty is not included.

Goods arrived at Cochabamba, March 20th, '71.”

“Same goods shipped by sailing vessel, freight 45s. per ton measurement, and 10 % insurance f. p. a. 30s. 6 %.

“Freight, including charges, viâ Panama, is for goods not taking too much space, quite a trifle higher than viâ Straits of Magellan: heavy goods are never, or only in exceptional cases, sent by the route of the Isthmus.

“The before-mentioned dates of the arrival of the goods at Cochabamba are those at which the goods in question in reality reached their destination; it is, however, not the least to be relied upon any parcel reaching its destination at anything like a prefixed date, as all depends whether there are at Tacna ‘arrieros’ ready to start or not, or whether the repacking of the parcels, in order to make them fit for transport on mule’s or donkey’s back, takes more or less time or presents any difficulty. For bulky goods it takes often months to find ‘arrieros’ willing to take them, and then only at enormous rates of freight, a piano from Tacna to Cochabamba not less than Soles 240; goods of dangerous nature are not to be got up to Cochabamba at all, at least not in quantities.”

“The time for the journey from Tacna to Cochabamba required for mules with cargo is 18 to 30 days, for donkeys 24 to 40 days.”

The following is from a well-known Bolivian merchant of the same city :

[TRANSLATION.]

Cochabambá, Sept. 8, 1871.

“ Señor Don George E. Church.

“ My dear Sir,—To comply with your desire to know the cost of transporting to this city of a hundred pounds of foreign merchandize from their usual market in Valparaiso, I take as a basis of my calculation an invoice, the expenses of which I personally disbursed, and for purposes of comparison a bale of American coarse cotton cloth (‘Tocuyo’) marked ‘Freeman Mills,’ this being a principal article of consumption in this market. A bale of these goods of good quality for maritime shipment contains 800 yards or 20 pieces of 40 yards each, each piece weighing 9 lbs. and the bale weighs 200 lbs. or 2 quintals including the packing.”

“ The average price per yard in the Valparaiso market is 8 cents or for the bale \$64.00. To this must be added the following expenses :—

#### IN VALPARAISO.

Purchaser's commission and guarantee	...	...	...	4½%	2.88	
Maritime Insurance	...	...	...	...	5⁄8%	.40
Shipping cartage	...	...	...	...	...	.60
Freight by sailing vessel to Arica	...	...	...	...	...	.80
						<hr/>
Total expenses in Valparaiso	...	...	...	...		\$4.68

#### EXPENSES IN ARICA.

Landing goods	...	...	...	...	...	.60
Transportation to Custom House	...	...	...	...	...	.12½
Do. to Railway Station	...	...	...	...	...	.61½
Municipal taxes	...	...	...	...	...	.12½
Dock due 1% on value	...	...	...	...	...	.64
Agent's commission	...	...	...	...	...	.50
Railway freight	...	...	...	...	...	1.25
The storage manifests and way bills are \$6.25, but being the same upon a bale of goods as upon a cargo we will charge for these items only						
	...	...	...	...	...	.06

#### EXPENSES IN TACNA.

Cartage	...	...	...	...	...	.25
Unpacking and preparing for mule transportation	...	...	...	...	...	1.50
Average mule freight for 300 lbs. from Tacna to Cochabambá \$30, or say for 200 lbs.	...	...	...	...	...	20.00
Shipping commission 2% on \$64	...	...	...	...	...	1.28
<hr/>						
Total expenses on 200 lbs. (2 quintals)	...	...	...	...	...	\$31.07½

Or on 100lbs. ... .. \$15.53

"The time occupied from Valparaiso is on an average 50 to 60 days as follows :—

Time waited for the sailing of a vessel for Arica...	10 days
Voyage to Arica ... ..	8 "
Unloading in Arica ... ..	4 "
Detention in Arica and shipment to Tacna ... ..	2 "
Repacking and obtaining mule driver and freighters ...	15 "
Average time from Tacna to Cochabamba ... ..	18 "

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Total...57 days

"This time is frequently prolonged from four to six months for want of mules at Tacna and 'arrieros' willing to take goods to Cochabamba on account of the uncertainty of return freights."

"\$15.53cts. gold of expenses and 57 days time are moderate estimates indispensable for the transportation of *one hundred pounds* of goods from Valparaiso to this city."

"Such are, my dear Sir, the actual conditions of our commerce with the ports of the Pacific, and this is sufficient to explain to you the anxiety with which these towns and cities desire to see the grandiose enterprise over which you preside carried to rapid success. That enterprise is as vast as the valley in which it is to be realized and as glorious as the discovery of the New World."

"May the perspective of that glory strengthen your noble force and God lead you by the hand in your projected voyage are the wishes with which I take leave of you.

"Your attentive servant,

"(Signed) JIL DE GUMUCIO."

To this data was added the following from a prominent merchant of Sucre :—

"Sucre, August 12th, 1871.

"Colonel George E. Church.

"My dear Sir,—In compliance with the offer I made to you when you did me the honour to call to-day relative to your project of navigation of the river Amazon, overcoming the rapids of the Madeira by a railway with the view of placing the central cities of Bolivia in more immediate communication with Europe compared with the routes by the Pacific, I take the liberty to give you the data solicited by you in regard to goods received here direct from the European markets via Valparaiso and Cobija, and they are as follows :—



"An invoice of 60 pieces of 'Bayeta de Pellon'						
weighing 2,220 <i>kilos</i> placed on shipboard with all						
the costs, baling and embarking ...	...	...	...	...	...	\$3,085.00
Freight by sailing craft to Valparaiso	...	...	...	...	...	50.00
Insurance	...	...	...	...	...	100.00
						<hr/>
						\$3,235.00
Exchange in London on this at 40 ...	...	...	...	...	...	\$1,294.00
						<hr/>
						\$4,529.00

## AGENCY AT VALPARAISO.

Receiving and despatching commissions	...	...	...	\$32.35	
Discharging and re-embarking	...	...	...	75.00	
				<hr/>	107.35
Exchange on Valparaiso	...	...	...	...	36.49
				<hr/>	<hr/>
					\$4,672.84

## AGENCY AT COBIJA.

Freight from Valparaiso to Cobija	...	...	...	\$30.00	
Discharging, launches, cartage and agency	...	...	...	30.00	
Duties	...	...	...	...	490.00
Re-marking of 60 bales and stamping	...	...	...	45.00	
Post charges	...	...	...	6.00	
Despatch commission at Cobija	...	...	...	135.87	
„ „ Calama	...	...	...	54.00	
				<hr/>	790.87
Freight from Cobija to Sucre for 60 bales or 15					
mule loads at \$40 per load	...	...	...		600.00
				<hr/>	<hr/>
					\$6,063.71

"As is shown above, the price on the value of these goods is increased *one hundred per cent.*, and to this should be added another ten per cent. for cotton goods, occasioned by the land freight from Cobija to this city; and ten per cent. less for silk goods and valuable articles on account of the diminution of freight for the latter—thus, taking one invoice with another, the average is 100 per cent. upon the cost in Europe, with the exception of 'merceria,' crockery, glass-ware, paper, iron, &c., the expenses upon which rise to 200 and 300 per cent. upon their cost, on account of their little value and the important item of freights, which, on an average, are always as above stated, except under extraordinary circumstances, *pro or contra.*"

"From all this, if the navigation of the Amazon upon a broad basis

be established, and cart traffic opened with the principal towns and cities of Bolivia, it is unquestionable that the costly route of Cobija could not compete with the new route, not only on account of the reduction upon the immense expenses incident to the Cobija route, but the great saving of time which would be effected by the Amazon route. It is no exaggeration to say that the merchant of Sucre suffers a delay of one year from the day he gives his orders up to the day he receives his goods, in view of the difficulties which are to be overcome by the exceedingly long road viâ Cobija. I am therefore animated with the hope that should you succeed in the enterprise you have undertaken you will reap just advantages, or that the results to you will be in proportion to those which the country in general will enjoy. With these wishes for success in your grand enterprise I improve this opportunity to subscribe myself

“Your most attentive Servant,

“(Signed) MAMERTO URRIOLAGOITIA.”

The above letters show that the average cost of taking a ton of goods from Europe to the central cities of Bolivia is equivalent to the transportation of the same ton a distance of 20,000 miles by railway, at United States average rates; or six times the circumference of the globe by steamship. Is Bolivia of any value to the world under such conditions?

Favre says that in 1851 “the average freight from Europe to Cobija, the Pacific port of Bolivia, is \$21 gold, per ton, inclusive of insurance. The average from Cobija to Sucre reaches the enormous sum of \$625 gold per ton. The lowest price per mule load is \$24, which frequently reaches \$40. The average price is \$32 for 250 pounds, or \$256 for 2,000 pounds.”

At the date mentioned, 1851, the smugglers from the Pacific coast carried on that extensive and almost open trade across the extended Perú-Bolivian frontier which ultimately forced Bolivia to resort to the Customs Convention of 1864 with Perú.

The average cost of placing foreign general merchandize at the head of navigation on the river Mamoré may be estimated as follows:—

Europe or the United States to Pará ...	...	...	£2	0	0
Pará to San Antonio (1,500 miles) ...	...	...	4	0	0
Railway around the Rapids (180 miles) ...	...	...	2	10	0
The Rapids to the head waters of the Mamoré (600 miles) ...	...	...	4	0	0

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Total ... £12 10 0

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The rates named would, approximately, be the ruling ones during the early stages of the development of traffic. No doubt, a few years after the Amazon route is opened, the tariff could be very much reduced with enhanced results to the carriers of goods.

If we assume that common cart-roads will be made to connect the cities of Bolivia with the river ports, and that the rates of cartage over such roads will be fixed per mile at the high price of one shilling per gross ton of 2,240 lbs., we shall have, taking the distance as at present measured by the mule routes:—

River port to Cochabamba	...	...	...	...	150 miles	£7 10
„ to Mizque	...	...	...	...	108 „	5 8
„ to Sucre	..	...	...	...	240 „	12 0
„ to Potosi viâ Sucre	...	...	...	...	327 „	16 7
„ to Tarija viâ Sucre	...	...	...	...	504 „	25 4
„ to Tupiza viâ Potosi	...	...	...	...	489 „	24 9
„ to La Paz viâ Cochabamba	...	...	...	...	420 „	21 0
„ to Oruro viâ Cochabamba	...	...	...	...	273 „	13 13
„ to Santa Cruz viâ Rio Grande	...	...	...	...	75 „	3 15

No doubt there are opponents of progress who finding themselves in sympathy with the mule will prefer his track, and will say, that although the Madeira and Mamoré Railway be finished, Bolivia should stick to her mule tracks. If so, let us see if the following will turn the mule's tail towards the Pacific Ocean, and his head towards the civilization of the Atlantic.

From the head waters of the Mamoré we have £12. 10s. per ton, to this add present rates for mule freights, and we have per ton of 2,240 pounds:—

Between Cochabamba and any port on the North Atlantic Ocean	...	...	...	...	...	£25 0 0
Between Sucre and any port on the North Atlantic Ocean	...	...	...	...	...	30 0 0
Between Potosi (viâ Sucre) and any port on the North Atlantic Ocean	...	...	...	...	...	42 0 0
Between Santa Cruz and any port on the North Atlantic Ocean	...	...	...	...	...	18 0 0

It has been shown that the costs between the same points viâ the Pacific coast, by the same mule-back method of transportation, ranges from £60 to £80 sterling per ton. Thus even these mule-back figures show that the Atlantic route is the natural one; a fact which at least the mule will recognise with gratitude when he exchanges the barren rocks



and barley straw of the Andes for the abundant pastures and rich food of the Atlantic slope.

In a report to the municipality of Sucre, in August, 1871, the able scholar and engineer Ernesto O. Rück, a German resident at Sucre, fixed the cost of the following projected common cart-roads as herein stated :—

Potosi to Sucre...	...	...	...	...	...	...	\$165,000
La Paz to Cochabamba	...	...	...	...	...	...	80,000
Cochabamba to the river port at the head waters of the							
Mamoré	...	...	...	...	...	...	225,000
Cochabamba to Sucre	...	...	...	...	...	...	350,000
Sucre to Santa Cruz direct	...	...	...	...	...	...	480,000
Santa Cruz to the river port of Cuatro Ojos on the Piray	...						30,000
Cobija on the Pacific Coast to Potosi...	...	...	...	...	...	...	500,000

The eminent Bolivian topographical engineers Señores D. Mariano Mujia and Don Juan Ondarza, having a knowledge of the affluents of the river Mamoré, have rightly judged that the proper river port for Cochabamba is on the Chimoré. It will probably be found that the road should sweep in a bold curve to the east and north until it strikes the river Chimoré at deep water, about 50 leagues distant from Cochabamba. The exploration, on the ground, made by our Señor Velarde, demonstrated that any projected survey should be upon this line. The same river port could be easily connected with Sucre by a direct road passing through Mizque, giving from the port to Sucre only 76 leagues, according to the actual examination of the route made in 1872.

Scarcely had the navigation project taken shape when numerous citizens of Bolivia turned their attention to the connecting of the commercial centres of the country with the rivers to be navigated. Concessions were asked from the Government, small societies were formed in Cochabamba, Santa Cruz, and other places, to promote the opening of the roads, and in fact it was clear that the commercial and progressive element of Bolivia was fully alive to the vast benefits the country would reap from our enterprise. I have no hesitation in saying that five years from the termination of the Madeira and Mamoré Railway, the people of Bolivia themselves would force the construction of a railway to connect Sucre, Cochabamba and other cities with the head of navigation. From the highest navigable points on the rivers, ample evidence exists that no difficulty will be experienced in reaching nearly all the principal towns and cities by cart-roads, which would run through fertile, well-watered and productive districts, affording very cheap sustenance to man and beast. Here I may be allowed to remark that the cost of transporting goods across the

Andes is only in part due to the extreme elevation, and that, perhaps, the obstacle of primary magnitude is the almost prohibitive cost of food for the animals engaged in the traffic.

With reference to the valley of the river Beni, we should, in the early days of the enterprise, expect to open communication with the town of Los Reyes by way of the rivers Mamoré and Yacuma and the short cart-road which already connects that town with the head waters of the latter stream; when, however, trade relations become well established it might be found cheap and practicable to canalize the Yacuma, so as to connect it with the Beni, providing the meagre information I possess of the topography of the district be correct.\* It is also important to examine a route for a canal from the Mamoré to the Beni by the way of the river Yata-chico, and lake Rojo Aguado with a view of avoiding the rapids at the mouth of the river Beni. In any event, the result of penetrating Bolivia from the Amazon side will open up very rapidly some communication either by railway or canal between the railway along the rapids and the great network of navigable streams which drain the provinces of Yungas, Muñecas, Larecaja and Caupolicán, a district unsurpassed in auriferous wealth and producing the richest coffee in the world.

### ARGENTINE REPUBLIC ROUTE.

It may be valuable to estimate the cost of carrying on trade with Bolivia through the Argentine Republic.

We will first suppose that the route selected will be from Liverpool or New York to Rosario, thence by rail to Córdoba, Tucumán and Jujuy by railway, always taking it for granted that the energetic people of the Argentine Republic will ultimately extend their line of railway from Tucumán to Jujuy, a distance of 210 English miles over a country which offers facilities for cheap construction. Beyond Jujuy it is not safe to suppose that the road will be built for many years—if I may judge by the careful examination which I personally made of the topography in 1868 between Jujuy and Potosí, a distance of 420 miles of the wildest, most precipitous and roughest mountain country I ever travelled; exceeding in difficulties, barrenness and roughness, the district lying between Tacna and La Paz across the main ridge of the Andes. I have no hesitation in saying that the average cost of a railway for the entire distance, providing it is not impracticable in many sections, would be at least £20,000

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\* Haenke says:—"It would be extremely easy to unite the Beni with the Mamoré by means of the river Yacuma, which rises near Reyes, and running eastward through the flat country falls into the Mamoré, close to the town of Santa Anna. The fall of the land is so imperceptible, and so nearly on a level with the horizon, that it does not exceed twenty feet in the distance of more than sixty leagues."

per mile, while a very rough cart-road, transitable for half the year, might possibly be constructed for £3,000 per mile.

In previous writings I have indicated that it may not be so difficult to find a railway route into Bolivia by sweeping to the eastward from Jujuy along the borders of the Gran Chaco to Sucre, but the route would still lie through a very difficult country, cut deeply by mountain torrents and crossed at almost right angles by the bold spurs of the counterforts of the Andes. Such a project might find itself obliged to yield to a railway carried across the Gran Chaco from the river Paraguay.

We have supposed a railway to exist from Rosario to Jujuy. The distances would then be as follows:—

Buenos Ayres to Rosario	...	...	...	240 miles
Rosario to Jujuy by railway	...	...	...	836 „
Jujuy to Potosi by cart-road	...	...	...	420 „
„ to Sucre	...	...	...	507 „
„ to Cochabamba	...	...	...	717 „
„ to Oruro	...	...	...	615 „
„ to La Paz	...	...	...	762 „

The existing rates of freight per ton of general merchandize from Liverpool and New York to Buenos Ayres do not average less than £2. The charge for river transportation from Buenos Ayres to Rosario is £1. The present traffic rates over the railway from Rosario to Cordova are  $4\frac{8}{10}$ d. per gross ton per mile for first-class freight, or say £5 per gross ton for the entire distance of 247 miles. These prices would be exceeded from Cordova to Jujuy; but we will take them at the ruling rate of  $4\frac{8}{10}$ d. per mile through from Rosario to Jujuy. We shall then have the cost of goods by this Rio de la Plata route, from Liverpool or New York to Jujuy, per ton £19. 14s. From Jujuy to Potosi and the other principal centres of Bolivia we will suppose, as in the calculations for the Amazon route, that cart-roads will ultimately connect the various cities at a rate of one shilling per mile for each ton of goods for which see table, page 166.

So far as reaching Bolivia viâ the river Bermejo is concerned, Mr. Hopkins, the father of steam navigation on the Plata river, in a report to the Argentine Government in 1871, thus summarizes his studies on the subject; and although, to my mind, he overrates the difficulties, still in the main we agree—He says:—

“But notwithstanding the vital necessity of the navigation of this river for the north-eastern provinces of the Republic, which make it worthy of the constant efforts lately made to open it, as well as the fostering aid of the National Government, it can never serve as an im-



portant outlet for the commerce of Bolivia ; because between it and the great centre of production of Bolivia there are five hundred miles of almost intransitable mountains and valleys and in every sense inhospitable for man."

Early explorations, so called, of the Bermejo were made by Patiño in 1721, Casales in 1735, Castañares in 1741, the Governor of Tucuman in 1774, canoe voyages by the Franciscan friars, Murillo and Lapa, in 1778, an expedition by Colonel Arias in 1781, a boat voyage by Colonel Cornejo in 1790, an expedition of Magarinos and Thompson in 1844.

The only explorations of real value were those made by Captain Page, of the United States Navy, in 1854, 1859, and 1871. The first in the little launch, "Pilcomayo," 65 feet long, and drawing 23 inches of water ; the second in the "Alpha," 53 feet long, 12 feet beam, and drawing 30 inches of water. The first was in the dry season, and failed to ascend higher than 45 leagues in about six weeks time. The second expedition was in December, when the floods commenced, and in sixty days reached Esquina Grande, 720 miles above the mouth of the river ; afterwards they reached a point about 100 miles further up stream. The number of hours they actually occupied in steaming up stream was 328, a total of 820 miles, or say  $2\frac{1}{2}$  miles per hour : a speed which sufficiently indicates the rapidity of the current they encountered and the difficulties they had to overcome.

Again, in 1871, Captain Page ascended the Bermejo 900 miles in a little craft, the "Sol Argentino." The round voyage took exactly a year.

These expeditions and explorations do not appear to have demonstrated that the Bermejo can be navigated at all by steam except for three or four months of the wet season, and that, even during this period, the navigation could not be made useful for traffic of any magnitude.

The first we learn of the Rio Pilcomayo was in 1672, when Don D. Marin de Armenta y Zaráte, in command of the "Tercio Tarija," "cojio la derrota del rio Pilcomayo Abajo, atrevesó felizmente toda aquella tierra, asaltando diferentes pueblos de varias naciones hasta pasar y llegar à vista de las dos de Palalis y Guaycurús."

Regarding the Pilcomayo, I think it may be safely stated that it is not sufficiently navigable to warrant the establishing of a formal system of transportation upon its waters. The several expeditions, counting from that of the Padre Gabriel Patiño and Lucas Roderiguez, in 1721, which have made feeble efforts both to ascend and descend the river, have, without exception, demonstrated that, while it has short stretches of navigable water, these are separated from each other by falls (including the great fall of Guarapetendi), sand banks, rapids, and snags ; and, 180

leagues above its mouth, the river filters itself through a vast sandy plain and swamp, nearly a hundred miles in diameter, through which there is no principal channel. It may be stated further, that between Sucre and this vast laguna there is a difference of level of at least 8,000 feet in a distance of about 300 miles, or an average of 27 feet to the mile, a sufficient indication that the navigable parts of the stream must frequently give place to torrents and falls altogether inaccessible to steam power; for a fall of half an inch to the mile in a large river gives a current of about three miles per hour—the falls of the river Madeira between Guajera-Merim and San Antonio, a distance of 230 miles by the curves of the river, is only 272 feet, or an average of less than fourteen inches per mile. It appears, therefore, very safe to dismiss all idea of making practical use of the Pilcamayo for the interior commerce of Bolivia, and these views are fully confirmed by the French savant, Weddell, in his “Voyage dans le sud de la Bolivie.” It is evident, from the many proofs that exist, the Bermejo and Pilcomayo are impracticable for useful navigation, and that the Bolivian outlet by the way of the Plata valley must be either by the projected railway from Jujuy south, through the Argentine Republic, or else by a railroad or cart-road directly across the Gran Chaco to some point on the river Paraguay, where the banks are sufficiently high to be out of reach of the waters which flood the country far and wide during the rainy season. Such a road, I believe, might be found upon a careful exploration of the intervening savage country. Its terminus on the Paraguay would probably be in the vicinity of the Bahia Negra, or between that and Curumbá. I believe the entire problem to be well worthy the examination of the Bolivian Government.

The first crossing of the Gran Chaco was made by the Portuguese *conquistador*, Alexes Garcia, in 1526, at the head of a *flibustering* Indian expedition, which he organized on the banks of the Paraguay. He ravaged the frontier of the Empire of the Incas while yet Pizarro, Almagro, and Luque were plotting, in the bay of Panama, their piratical conquest of Perú.

After this, in 1531, Oyolas crossed the Chaco to Perú over a route which has never been well defined. Irala, up to 1548, had made three failures, and finally a successful effort to find a feasible route from the Paraguay river to the Andes. Oyolas started from a point just north of Albuquerque, but Irala, according to Azara, took a road from a point he called “Los Reyes,” which is the name of one of the *lagunas* to the west of the river Paraguay, between  $17^{\circ} 57'$  and  $17^{\circ} 50'$  south latitude; from there he went directly west through Chiquitos to Perú. Chaves,

who founded the old, and afterwards abandoned, Santa Cruz de la Sierra in 1560, took a route too far to the north to serve for the commerce of South-eastern Bolivia. Juan Ortez de Zaráte offered to found a town half way between Sucre and Asuncion in Paraguay, and Franciso de Viedma projected a cart-road to connect Asuncion with Sucre across a country offering little difficulty.

The Government of Paraguay under Spanish rule was specially charged to open a route into Perú across the Gran Chaco. Flores, one of the Commissioners, in 1756, complained to the Marquis de Valdeliros that the archives of Asuncion contained nothing upon the subject, nor even the memory of the road which, in previous times, was so often traversed to Perú by the inhabitants of Paraguay. He characterized the western bank of the river Paraguay as an "interminable gulf of land." Since then the Gran Chaco has been examined on its margins by several explorers, notably among them Weddell, and they give no reason to suppose that it is intransitable. The Paraguayans during this century, and especially during the Paraguay war against Brazil and the Plata alliance, carried on a considerable traffic with Bolivia, but I believe principally by the way of Santa Cruz de la Sierra.

The length of a cart-road from Sucre to the port on the Paraguay river would, according to Rück, be 579 miles. The average estimate made by several geographers and explorers is that the distance is 471 miles in a straight line. The construction of the road would give to the merchants of the Rio de la Plata a very valuable trade with Sucre and South-eastern Bolivia; and ultimately, they might compete with the Amazon line for a part of the trade of the country, with great resultant benefit to all concerned. The same port might serve for Santa Cruz de la Sierra, which would be from 450 to 537 miles distant according to the road selected. Vessels can ascend from Buenos Ayres to Asuncion at all seasons of the year, drawing nine feet of water, and, in light steamers of three feet draft, from Asuncion to Curumbá, 2,000 miles distant from Buenos Ayres.

From the above we may estimate the cost of traffic per ton on this river route between—

Europe or the United States to Buenos Ayres, £2.

Buenos Ayres by river to Curumbá or river port selected, £8.

These are at existing rates of freight as far as Buenos Ayres, and at a large reduction on the present rate from Buenos Ayres to Curumbá. The rate per mile of cart-road is placed at one shilling per ton, or the same as for all the routes. The distance from Buenos Ayres to Curumbá is 500 miles further than from Pará to San Antonio on the Madeira



river. The former navigation is far more difficult and uncertain in all respects than that on the Amazon from Pará to the northern terminus of the Madeira and Mamoré railway, which latter point at San Antonio light draft river steamers of 500 tons burden can reach at all seasons, and ocean steamers, drawing twenty-five feet of water, can reach for six months of the year.

At Santa Cruz de la Sierra, in 1871, I learned some valuable information relative to the present difficulties of traffic between Buenos Ayres and that Bolivian town:—On the 24th of September, 1870, the Bolivian Consul at Buenos Ayres, Señor D. Adolfo Carranza, made a shipment of goods to Santa Cruz, viâ the Parana river. His agent, Señor Bravo, thus stated his experience to me: The steamer was able to reach within only five leagues of Asuncion, or as far as Angostura, and then transhipped its freight to a smaller steamer for Curumbá. The cost of transportation as far as Asuncion was about half a dollar per *arroba* of 25 pounds, and the same prices from Asuncion to Curumbá. The distance, over a level road from Curumbá to Santa Cruz, is 570 English miles. He passed over this in the wet season. There are 120 miles of road near Santiago which are almost impassable, being flooded and filled with swamps and mudholes. The remainder of the road is better and transitable, being supplied with forage for man and beast. He thought that the 120 miles of bad road might be avoided by taking a different route. In the dry season the entire 570 miles is as wanting in water as it is overflowing in the wet season, and oxen and beasts of burden frequently die of thirst. This information was corroborated by the Consul-General of Brazil, who had also just made a journey over the same route. Mr. Bravo further informed me that the cost of transporting an *arroba* of 25 pounds from Curumbá to Santa Cruz in the dry season was \$2 gold, thus making the entire cost of \$3 gold from Buenos Ayres, or about \$270 per gross ton. Even this, with all its difficulties, is \$100 less than by the present Cape Horn route and the Peruvian port of Arica. Mr. Bravo took a small lot of Santa Cruz tanned hides with him to Buenos Ayres. They sold for \$6 gold each, but they cost him, delivered there, \$6.50. A notable fact in his voyage was that, from Asuncion to Curumbá, the little steamer frequently grounded upon the numerous sand banks of the Paraguay river, although she drew but five feet of water.

Upon ratification of the Treaty of 1867—8 between Brazil and Bolivia, a Demarcation Committee was named to define the boundary line agreed upon. Bolivia named Señor Don Emeterio Villamil, a gentleman of

undisputed scientific and extraordinary linguistic acquirements and ability. On the 20th of November, 1869, at Rio de Janeiro, he thus wrote to his Government :—

“Bahia Negra and its vicinity is regularly inundated for eight or nine months of the year, only six leagues to the south is to be found high and dry ground. From there, throughout the great extent of the *laguna* of Gaceres, the topographical demarcation is absolutely impracticable, the lands impenetrable. In my route from San Rafael to San Matias, I travelled through a part of the low and flooded districts situated to the west of the Mandioré and the Gaiba and Oberaba. Even in the very dry season of July, I passed by swimming, or in hide boats, the rivers Petas, Bugres, and Santa Rita, aside from other minor water-courses. Said rivers are the discharging arteries, or large courses of the inundations, which extend to considerable distances on both sides of the river. During the rainy season the whole of this is the continuation of the lakes to Gaiba and Oberaba. They are therefore deserts and inaccessible districts impossible of demarcation by land and valueless.”

“2nd. Descending the Paraguay and noting or informing myself of the topography, the only point somewhat elevated and prominent which I have seen is that of the Bay of Caceres, which I penetrated to a little more than a league to the north of Curumbá. It appears that that is the only suitable point for the formation of a Bolivian port.

\* \* \* \* \*

“To the south of Bahia Negra, or to the north in the Oberaba, even though points might be found suitable for a port, they would be useless on account of the enormous distance, the difficulty to open and maintain roads, and the impossibility of traversing them during the extensive inundations of more than six months of the year.

“3rd. Consequently, the only reality in all this is Corumbá. Even though from a half a league to a league from there a Bolivian port should be founded, it would be almost unfrequented, because commercial interests would attract all business to the neighbouring port already founded, and in possession of all the elements wanting at the Bolivian landing place.”

From the statement of Señor Villamil, it appears that Corumbá is the only available point along the whole west bank of the river Paraguay which Bolivia may hope to employ as a commercial focus for fluvial trade with the Rio de la Plata region. Corumbá belongs to Brazil, and from this it is evident that, whether Bolivia reaches the Atlantic by the Amazon or by the Paraguay rivers she must pass through Brazilian territory.

One of the statesmen of Bolivia, Reyes Cordona, even conceived and published the brilliant idea of seizing the money of the Madeira and Mamoré Railway Company to build a railway across the Gran Chaco to the Bolivian capital. It is evident that the peculiar talent required for such a conception was not accompanied with the ability to appreciate the engineering and legal difficulties of the problem.

*The Commercial Avenues viâ the Pacific Ocean.*

Sufficient comment has already been made upon the difficulties and cost of the present trade of Bolivia by these routes. It remains to take into consideration what opportunities for development this trade would enjoy were certain improvements to take place on the methods of transportation. We will first treat of Cobija, that port being the principal one of the Pacific coast belonging to Bolivia, and, in reality, the only ocean port it possesses that has direct communication with the interior. A prominent Bolivian, Juan Ramon Muñoz y Cabrera, in 1863 was associated with a Bolivian Company, which obtained a concession to connect Cobija with Potosi, the nearest city to that port, by a desert and mountain cart-road estimated to be 531 miles long. In his pamphlet on the subject, Cabrera says: "It is now twenty years since a cart-road from Cobija to Potosi was projected without either the Government or speculators resolving to execute the work, however much both one and the other may have recognised its importance.

\* \* \* \* \*

"From the Olleria to Potosi there are only ninety miles, which on account of the difficulties presented by the ground will have to be traversed on mule-back until it is found possible by means of elaborate studies and trials to find the means of levelling it; be it by perforating some mountains or scaling along their sides according to the dictates of science." Over this road, entirely exceptional, from its absolutely desert condition and cost of forage, to any other that can be projected in the Republic, the Company estimated that it would cost about £30 sterling per ton for transportation from the coast; a saving of about one half over the present method of mule-back freighting.

There is no doubt that the route from Cobija to Potosi traverses one of the richest mineral districts of the entire world. Despite this wealth, it must be many years before the political condition of Bolivia will offer sufficient guarantees to capital to warrant the construction of a railway over this route. A cart-road would not cheapen transportation enough to cause the working of mineral deposits of ordinary wealth at a distance



to exceed 150 miles from the coast. If the project of connecting Potosi with the Pacific coast by a cart-road were seriously entertained it should be viâ Oruro and Tacna over a much better country ; which, although a desert, rough, and without forage, is certainly a road through paradise in comparison to the one to Cobija. The distance would be 577 miles. A cart-road from Potosi to Oruro and Tacna might be found a useful and productive enterprise, while one from Potosi to Cobija would always be one of doubtful utility.

Next comes the project of connecting Tacna with La Paz. From Arica to Tacna is a railway thirty-nine miles long, holding an exclusive privilege for ninety-nine years from 1852. [Since its completion January 1st, 1857, many efforts have been made by the Tacna merchants to extend the line to La Paz. On the 11th of September, 1869, according to a report lying before me, the municipality of Tacna held a session and named a Commission to report upon the projected railway to La Paz. The Commission stated that the line would be 268 miles long and, without accurate data, they roughly estimated its cost at 16,000,000 of *soles*, or about £12,000 per mile for a narrow gauge road. They guessed at its gradients and lightly glossed over the precipices of the Tacora Pass, which would require gradients of at least five per cent. to scale it. With no fuel within reach, the working expenses were fixed at 40 per cent. of the gross income, calculating the latter at \$1,995,000 per annum. This amount was to be the resultant of a transportation of 19,400 tons of 2,000 lbs. each up freight and 7,900 down freight, 20,000 passengers and \$2,400,000 in bullion. It is very notable that, with the aid of this projected railway, the Commission expected to be able to take out of Bolivia by this route only—

6,500	tons of copper ore.
750	„ „ Peruvian bark.
50	„ „ wool.
600	„ „ different kinds of comestibles.

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7,900 total

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The up freight from Tacna to La Paz was to be \$3.20 gold per 100 pounds weight, or about £13 sterling per ton “for all general goods in bales and boxes ;” in fact, the class of goods we have been taking as a basis for our estimates on all of the routes we are comparing. This was the most glowing future that Tacna could promise Bolivia with a railway to cost over £3,000,000 sterling.

Its construction would have enabled the Tacna firm, principally interested in the scheme, to export 6,500 tons of copper ore per annum from their copper mines on the extreme western frontier of Bolivia, and the merchants of Bolivia to export the rest of the down freight, that is 1,400 tons (an ordinary steamship load) per annum of other products. On the 7th March, 1872, the Government of Bolivia guaranteed to Hainsworth & Co., on the part of the line from the Bolivian frontier to La Paz, 7 per cent. upon \$12,000,000 gold. This amount was to represent about one-half of the work upon the line. A concession had already been obtained from Perú by the same parties on the 25th of July, 1870, for the part of the road in Perú; and, afterwards the Peruvian Government was induced to subscribe \$6,000,000 gold to the share capital of the enterprise then fixed at \$18,000,000. This subscription, owing to the construction of the Arequipa and Puno Railway, and the financial embarrassments of the country, was never paid. The enterprise, in consequence, has not been carried out. It is doubtful if ever the Governments of Perú and Bolivia took into account that the greatest advantage to result from this expenditure of \$18,000,000 of capital was to accrue to the little key to the whole enterprise, the Tacna and Arica Railway, which would have given immensely increased profits to its proprietors, although the profits to the shareholders of the Tacna and La Paz extension might have been more than doubtful for a score of years. Were the projected railway to be built, the cost of freights to La Paz, at the estimate of the Tacna Commission, would be £13 per ton from Tacna. On this we have based the estimates relative to this route on page 166.

#### THE PACIFIC COAST TO LAKE TITICACA.

We now come to the existing railway from Mollendo to Puno. From Mollendo to Arequipa the road is 107 miles long, and was opened in 1870. It was extended to Puno, 232 miles further, and opened for traffic in 1875—thus making a complete line from the ocean to lake Titicaca of 339 miles, at a total cost to Perú of \$44,000,000. Its Andean terminus is 12,500 feet above the sea. A powerful locomotive can with great difficulty take a maximum load of 50 tons up the mountains, exclusive of the cars. Results appear to have shown that the running of the line is a very heavy tax upon the Peruvian treasury. Without an increase of traffic, much larger than there is any hope of at present, it is conceivable that the portion of the road from Arequipa to Puno will be kept running only so long as Perú can stand the enormous requisite, outlay and that the

railway line may yet serve for a cart road or a mule track. Careful management for the next few years might make the 107 miles from Mollendo to Arequipa barely pay expenses. One looks almost in vain for a blade of grass in the widespread tract of volcanic desolation which these roads traverse. Nothing but earthquakes grow along their line. At the Titicaca terminus the cereals will not ripen even if the barren lands would produce them. Will the rails last until the mineral districts within reach are developed, or until Perú awakens to the glory and greatness of extending this and her other trunk line through to the head waters of the Amazon to tap her inexhaustible resources upon the eastern slope of the Andes?

The existing traffic on general merchandize is very irregular, and so small is the amount of freight offered that the road bargains for it at all prices—especially for down freight—thus showing how precarious an existence the railway has. In connection with the railway, there are small steamers plying upon lake Titicaca, which are endeavouring to open up trade with La Paz. The distance from Puno to the southern end of the lake is about 100 miles. Although there is coal found near the lake, it is of such quality that, when I was there in 1872, the steamers were obliged to burn llama manure for fuel. Coal from the coast, in quantities, could be placed in Puno at a total cost of not less than \$40 per ton. The distance from the recently established lake port of Chililaya to the city of La Paz is 40 miles, which might be made an excellent cart road at small expense.

In connection with the Mollendo and Puno Railway, a work of the first importance to Bolivia is the canalization of the rio Desaguadero. This is a project originated by Señor Avelino Aramayo, and its merit is unquestionable. No accurate survey has ever been made from which the exact cost could be estimated; but I have no doubt an excellent interior line of water communication could be opened from lake Titicaca to Oruro at a cost ridiculously small in proportion to the benefits it would confer upon the whole Altiplanicie of Bolivia; while the traffic, principally mineral, would in the course of a few years become enormous. I am not personally familiar with the entire river; but, in a ride of about ten leagues along its course, I saw no obstacles which a steam dredging machine could not readily remove. The extension of the navigation southward from Oruro is of doubtful practicability; for lake Poopó has never been carefully explored, and the rough examination of it in 1863 only served to show the uncertainty of its depth and the necessity of large outlay in its improvement before



it could be made useful for commercial purposes. From lake Titicaca to Oruro by the Desaguadero, there would be 160 miles of canal, and if extended across lake Poopó 65 miles further, Bolivia would thus have, aside from lake Titicaca, 225 miles of cheap navigation in a line almost north and south in the heart of the Andes, and 12,500 feet above the sea.

I fully agree with what Señor Avelino Aramayo stated in a speech to the Bolivian Congress in August, 1871, that the canalization of the Desaguadero is only second in importance to the opening of the route to the Amazon.

From the preceding, we have the following resumé, and comparative tables of freights from Europe, or the United States to Bolivia :—

## TIME IN DAYS TO

	Cochabamba	Sucre.	Potosi.	Santa Cruz.	Oruro.	La Paz.
<i>Viâ</i> the Amazon River and } Madeira and Mamoré Rail- } way ... .. }	37	40	44	33	42	48
<i>Viâ</i> Buenos Ayres and River } Paraguay ... .. }	79	67	71	64	84	90
<i>Viâ</i> Buenos Ayres and Argentine } Railway Lines ... .. }	63	54	50	69	58	64
<i>Viâ</i> Arica and Tacna and pro- } jected Railway to La Paz ... }	56	59	60	71	51	45
<i>Viâ</i> Mollendo and Puno Rail- } way, and Lake Titicaca ... }	59	62	63	74	54	48

## DISTANCE IN MILES FROM LIVERPOOL TO

	Cochabamba.	Sucre.	Potosi.	Santa Cruz.	Oruro.	La Paz.
<i>Viâ</i> the Amazon River and } Madeira and Mamoré Rail- } way ... .. } ... }	6430	6520	6607	6355	6553	6700
<i>Viâ</i> Buenos Ayres and River } Paraguay ... .. } ... }	9020	8779	8866	8660	9143	9290
<i>Viâ</i> Buenos Ayres and Argentine } Railway Lines ... .. } ... }	7993	7783	7696	8155	7891	8068
<i>Viâ</i> Arica and Tacna and pro- } jected Railway to La Paz ... }	10590	10692	10662	10950	10467	10320
<i>Viâ</i> Mollendo and Puno Rail- } way and Lake Titicaca ... }	10890	10992	10962	11250	10767	10620



## COST IN ENGLISH POUNDS STERLING TO

	Cochabamba.	Sucre.	Potosi.	Santa Cruz.	Oruro.	La Paz.
<i>Viâ</i> the Amazon River and Madeira and Mamoré Rail- way ... .. }	£ s. 20 0	£ s. 24 10	£ s. 28 17	£ s. 16 5	£ s. 26 3	£ s. 33 10
<i>Viâ</i> Buenos Ayres and River Paraguay ... .. }	53 0	39 0	43 7	35 0	59 0	66 7
<i>Viâ</i> Buenos Ayres and Argentine Railway Lines ... .. }	55 11	45 1	40 14	63 7	50 9	57 16
<i>Viâ</i> Arica and Tacna and pro- jected Railway to La Paz ... }	33 5	38 7	36 17	51 5	27 2	19 15
<i>Viâ</i> Mollendo and Puno Rail- way and Lake Titicaca ... }	33 10	38 12	37 2	51 10	27 7	20 0

In the above resumé, the distances by sea are taken in geographical miles, but are by English lineal miles on land. The distances and time by sea are calculated from Liverpool. These would be shorter from New York, especially to the mouth of the Amazon, which is 2,900 miles from New York and 4,000 from Liverpool. The time by the supposed cart roads, to connect the various cities of Bolivia, is estimated at the rate of 25 miles per day. No detentions are taken into account by either route, and no commissions, customs dues, landing and shipping charges, and repacking. These we believe would, in the aggregate, be much less by the Amazon route, owing to the great landing facilities which would exist. The Panama line we have not taken into consideration. It would add £3 per ton to the cost *viâ* Cape Horn, owing to the excessive freight charges on the Panama Railway. Return freights to Europe or the United States, by either of the routes, will be at a considerable reduction on the outward freights. The reduction for return freight by the river Paraguay or by the Amazon will doubtless be in greater ratio than from the Pacific coast, as water will run down hill; and 2,000 miles of river navigation down stream, with a three-mile current, means an important saving of fuel.

The saving of time is a very important element in exchanges, interest, and many other items, and should by no means be lost sight of in estimating the comparative value of the Amazon line with any other that it is possible to open with Bolivia. The commercial world has demonstrated that long routes cannot, even at cheaper rates, compete with short and rapid ones. The above table shows that the Amazon route to Bolivia is not only the cheapest that can possibly be opened with by far the greater part of Bolivia, but that it is also the most direct; for the rivers Mamoré, Madeira, and Amazon are almost a straight line pointing towards the English Channel. Moreover, by this way, there is no duty payable to a foreign nation, either for Bolivian imports or exports in transit; a fact which shows how much more liberal the Empire is in its dealings with neighbouring Spanish-American States than those states are in their dealings among themselves; for, the imports into Bolivia, both by the way of the Argentine Republic and Perú, by paying a heavy transit tax, attest to the primitive condition of the international relations of those Republics.

To complete this analysis of the trade routes of Bolivia, I prepared, and in advance of publication of this memoir, communicated the following to the April, 1877, number of the Geographical Magazine of London. I accompanied it with a large manuscript map, mentioned on

page 169, which the editor found of sufficient interest to have engraved to illustrate a subject of such geographical as well as commercial interest:—

### “THE RIVER PURUS,

IN ITS COMMERCIAL AND GEOGRAPHICAL RELATIONS TO THE VALLEY  
OF THE MADEIRA.

“MUCH has been said of this river as an available avenue for Bolivian commerce. It has been frequented of late years by the rubber collectors, but no exploration, even approximately reliable, has been made of its course except by Chandless in 1864-5. The Brazilian Government had caused four rude examinations to be made previous to the voyage of Chandless, but the meagre data collected was of little value, except to prove the Purûs to be an important navigable tributary of the Amazon.

“Chandless ascended the Purûs 1,866 miles. At 1,792 miles above its mouth, it separates into two small branches. It may be said that the river is navigable in light draught steamers as far as the Curumahá, a little stream 1,648 miles from the Amazon. Its branches will probably add 800 miles more of navigable waters to the parent river. The Aquiry, which enters the Purûs 1,104 miles from the Amazon, is reported to be a river as wide but not so deep as the Purûs.

“The distinguished traveller, Richard Spruce, states that when, in 1852, the upper Amazon province was separated from that of Pará, the Assembly of the new province despatched Serafim da Silva Salgado, instructing him ‘to seek a passage to the towns of Bolivia, by the River Purûs and the savannahs of the Beni, shorter than that by the Madeira, and free from the cataracts of that river.’

“Salgado was completely unsuccessful in the object of his voyage.

“Chandless states that the Brazilian Government despatched Manoel Urbano in 1860 on an expedition similar to that of Salgado, with the hope of finding water communication between the Purûs and the Madeira above the rapids of the latter river. Urbano ascended the Aquiry a distance of about 400 miles until stopped for lack of water, and failed to discover the communication sought for.

“The Purûs is probably as crooked as any river in the world. Its length in a straight line is less than half its length measured by the curves of the river. Its bends are frequently very sharp, rendering navigation exceedingly difficult, except by very short vessels.

“Chandless\* says:—‘It remains only to make some general observations on the geography of the Upper Purûs. From the small size of both

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“\* See Chandless’s ‘Notes on the Purûs,’ *Journal of the Royal Geographical Society*, 1866.



branches at the farthest point I reached, and their rapid diminution, it is pretty clear that they cannot come from any *very great* distance; in my opinion little, if at all, to S. of  $11^{\circ}$  S. latitude—certainly not from the Cordillera.’ . . . ‘If, therefore, the river I followed be, as it has hitherto been considered, the true Purûs, then the Madre de Dios is certainly not the source of the Purûs.’

“I possess a map, kindly made especially for me by the Topographical Department of the Brazilian Government, giving much geographical data, from the rich collections of the Government, relative to the River Madeira, its affluents, and the region of the River Purûs. According to Chandless and my Brazilian map, the sources of the Aquiry branch do not reach further than  $11^{\circ} 20'$  S. latitude.

“The head waters of the Madre de Dios to the east of Cuzco, to which many travellers have penetrated, supposing them to be the sources of the Purûs, lie between  $12^{\circ} 30'$  and  $14^{\circ} 30'$  S. latitude, and water the great Carabaya slope of the Andes—probably as rich in auriferous deposits as any equal area upon the surface of the globe.\* Instead of being the sources of the Purûs, they are evidently those of the great branch of the Beni, named by Padre Revello, ‘The Madre de Dios,’ and by the Quichua Indians the Amaru-Mayu, or Serpent river, and by the Tacana Indians, who extensively populate almost its entire course, the Mayu-tata. It is stated by those who have visited it to be equal in volume to the Beni, and to be, perhaps, the main stream. This is not improbable, for Keller gives the Beni, by actual measurement, a volume at its mouth as great as that of the Mamoré and the Guaporé united.†

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“\* Tradition has it that the gold washers of this district once ‘sent a lump of gold’ to the King of Spain the size and shape of a bullock’s tongue, which was lost at sea; but in a little while they sent another piece of the size of a bull’s head, which arrived safely.’—Markham on ‘The province of Caravaya,’ *Journal of the Royal Geographical Society*, vol. xxxi.

“† Keller in speaking of the Caldeirão do Inferno, an important rapid of the River Madeira, says:—‘Among the persons who have lost their lives at this rapid, we will only cite the Peruvian Colonel of Engineers, Maldonado, who, persecuted in his country for political motives some five or six years since, embarked upon the Madre de Dios, descended by this to the Beni, and by the Beni to the Madeira, dying at the rapid of Caldeirão do Inferno. He thus furnished material proof that the Madre de Dios is an affluent of the Beni and not of the Purûs. It is to be regretted that all the papers of Maldonado were lost on this occasion, two of the rowers alone barely saved themselves. They were ignorant men, who were unable to give extended information upon the region traversed.’—*Vide Exploration of the River Madeira*, by Keller. Translated from the Brazilian Government Relatorio of 1869, by George Earl Church.

“In the *Journal of the Royal Geographical Society*, page 94, vol. v., part i., 1835, I find a paper by Sir Woodbine Parish, on the explorations of Thadeus Haenke, member of the Academy of Sciences of Prague and Vienna. After accompanying Malaspina on his great voyage, he was sent on a scientific expedition to Perú by the King of Spain. Haenke says: ‘In October, 1794, the Chuntachitos, the Machuvis

The Mayu-tata enters the Beni probably among the rapids near its mouth. Both the Beni and the Mayu-tata deserve attention, as offering perhaps the most important problems for geographical solution presented upon the western continent. Professor Orton, of Vassar College, has lately proceeded to Bolivia with a view of exploring these rivers, and it is to be hoped that this indefatigable *savant* will soon lay before the world the results of his voyage through a region where nature is riotous in the prodigality of her gifts.

"It is notable that the Jesuit Father Eder, in his *Descriptio Provincial Moritarum in Regno Peruano*, gives upon his accompanying map the Amaru-mayu river as a part of the Lower Beni.

"It is possible that the Jesuits in the last century were aware of the course of this river; for, in descending the Mamoré, I learned that the tradition existed that the Jesuits were in the habit of descending the Beni river to its mouth from the Mission of Reyes, and that they occasionally made excursions into the territory to the west and north-west of the mouth of the Beni.

"In 1866, two Franciscan friars, from the convent at La Paz, penetrated to the Mayu-tata from the Mission of Cavinass. In December of 1869, at the convent, I met one of these friars, Padre Fidel Codinach, a Spaniard, who gave me some notes from the journal of his voyage; 'In the Tacana language, Mayu is always applied to a large river, and, Mayu-tata is the 'Great Father river.' The Mayu-lipi flows into the Mayu-tata from the south. Lipi means 'small.' Between the Madidi and the Mayu-tata, and including a considerable district to the north of

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and Pacaguaras Indians who live to the west of Apolobamba, gave me accounts of a very wide and deep river running through a flat and thickly wooded country, about ten days' journey west of the Beni, where I fell in with them. They distinctly explained to me that a vast many Indians and their families were settled along its shores, that in their language it was called *Manoa*, and that it was a larger river than the Beni.'

"The *Panama Star and Herald*, of August 5th, 1873, quotes from *El Obrero de Cuzco* the following description of the voyage of young Maldonado:— 'Accompanied this time with twelve others, he set out in the midst of the rainy season of 1860. On arriving at the confluence of the Piña-Piña and the Madre de Dios, they constructed a *balsa*, or raft, capable of carrying eight of them, and let themselves go by the stream. The current soon carried them within the limits of the savage tribes, against whose arrows they had to defend themselves for six days, until they came within reach of savages more docile, from whom they bought a launch. In March they were at the confluence of the Mamoré which leads up into Bolivia. There six took the launch with their baggage, and the two others followed in a canoe. The Indians endeavoured to make them understand that they must always avoid the left margin of the river. On the 18th of March they forgot the advice of the friendly Indians and crossed over to the left side. The launch upset and Maldonado, with three others, were drowned. The remainder found their way into the territories of Brazil, the authorities of which assisted them to get back to their native place, Tarapoto, where they arrived on the 1st of June.'

the latter river, all the Indian tribes speak the Tacana language. It is almost totally different from either Quichua or Aymara, having but a few words in common with them. The Tacana tribes cannot count beyond six. South of the mouth of the Madidi, and between the Unduma and Tegeque branches of the Beni, is found the Mission of Ysiamá. Near this mission passes an Ynca road,\* which comes from the direction of Cuzco, and runs towards the bank of the Beni. The road is about 25 ft. wide, and long stretches of it, well paved, are still visible.

"The Mayu-tata is five days' journey north-west of Cabinas, the Franciscan Mission on the Madidi—a journey may be counted at 10 leagues. It is as large as the Beni, but has a more rapid current. The Indians say that to the north is another river as large as the Mayu-tata, and but a short distance from it.† They all say that the Mayu-tata flows into the Beni."

In direct translation from Padre Fidel's manuscript :

"*The Araonas* are a very extensive tribe, living along the northern shore of the Mayu-tata, but it is impossible to obtain exact data relative to them. An important fraction inhabit lands between the Beni and the Great Madre de Dios. From information extended by them there are from sixty to seventy divisions, counting from ten to twenty families each. The principal part of the tribe inhabits the other side of the Mayu-tata, and, by their own calculation, numbers more than two hundred divisions."

"*The Toromonas*.—'To the S.S.W. of the Araonas, and about five days' journey from Cabinas, are found the sociable Toromonas. According to the accounts given of them by the Araonas, with whom they associate much, they are gathered into important towns rather than into insignificant divisions. The towns are five in number, and each one numbers from two to three hundred families, apart from the suburbs of the great centres where numerous smaller settlements are found. The great mass of the tribe is found on that side of the Mayu-tata and among the head waters of the Mayu-pari, a river of smaller size.'

"*The Pacaguaras*.—'Below and to the north of the Araonas is the Pacaguara tribe. Their divisions or clans are small and less in number than the others. They extend from the Beni to the Mayu-tata, and occupy both sides of each river, which is not strange ; for, besides their wandering life, they occupy much less space from one river to the other than that occupied by the Toromonas and Araonas.'

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\* "Can this be a road built by the Yncas to preserve their conquest of Mojos by the Ynca Yupanqui ? It is very important to the history of the empire of the Yncas that more should be learned of this road, its course and extent.

† "This must be either the Aquiri or the Purús.



" *The Caviñas*.—'In the midst of these three great tribes are found the Caviñas, no less inferior in numbers. A great number of them live mixed with the Araonas. This results from a long and bloody war which, according to traditions, was for many years waged between them until they made a treaty that the destructive contest should cease, and that the warriors of the Araonas should take wives from the Caviñas, and *vice versâ*.

" 'Notwithstanding there are various divisions which, aside from the three already mentioned, live entirely separate.'

" *Habits and Customs*.—It may be said in reality that these are barbarous, but not so much so as is generally supposed. From observation, polygamy is permitted among them up to the number of two wives, but tribal divisions are numerous where the man has but one. In this particular I dare not say that they might serve as models for many of our Christian settlements; for during the whole time I lived among them, giving them attentive observation, I never saw a dishonest action nor heard unkind words. The men hold their wives in the greatest esteem, as well as their children. I have never seen among them any harsh treatment; on the contrary, even in household duties they render each other mutual assistance.\*

"There is a complete subordination to their commander and to their priest. I judge that they have their own spiritual head in accord with their religion. I do not doubt but their kindness and certain class of cultivation in their treatment of women is the effect of the non-use of intoxicating drinks; for it has been observed that the Araonas Toromonas, and Caviñas are frugal, abstemious, delicate, and even moral. With reference to the Pacaguaras, the contrary rules. They are dissolute and much given to that low passion drunkenness, so much so, that not even the women use, as in other tribes, the narrow belt.

"That which is intensely developed among them is idolatry, with great superstition; for every one of the tribal divisions, however insignificant, has its temple or place well adorned, where are found innumerable idols and gods, which consist of numerous little baskets, neatly made and filled with pebbles and little stones of various colours, and also of many sticks of well-polished ebony, carved with hieroglyphics. They worship everything, from the sun to their ancestors, distinguishing the latter by their ferocity or some similar virtue. They decorate these gods with wreaths delicately worked with feathers of various colours.

" 'Their towns are small, with exception of those mentioned. Each

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"\* What a pity to disturb these tribes with 'civilization,'

one has its captain and priest, and sometimes both these officers are united in the same person. All the divisions of each tribe are subject to two superior chiefs, one for the time of war, the other for time of peace. To these they render the same honours which they give to their gods. Those now in command are of very religious sentiments.

“ ‘ With reference to their habits, the tribes vary little one from the other, notwithstanding each has its peculiarities. The Toromonas are more hospitable, civil, and laborious. The Araonas are anthropophagi, although the young men preserve more moderation. The Caviñas are distinguished for their treachery, envy, and sagacity. The Pacaguaras are wanderers, having no fixed habitation. They are very suspicious, resolute, and revengeful.

“ ‘ With reference to the lands occupied by these tribes, they are unsurpassed in beauty, as much for their topography as for their fertility and richness. They occupy a broad space about four degrees of latitude and about eight of longitude. The position is exceedingly agreeable—now extensive groves, which are suddenly replaced by delightful pasture lands—now by brooks, rivers, and ponds filled by numerous classes of fish. The most perfect salubrity of climate exists, despite the warm temperature. The groves are delightful and filled with all that gives pleasure. The leafy and productive almond-tree,\* the aromatic gum, and the palm, ranging from the highest to the lowest, from the royal to the smallest. Hidden riches exist in these lands, grateful and filled with perfume, gum and wax abundant and varied. Here are found cabinet-woods, medicinal plants, and products rich and appreciable, and many other valuable productions, without mentioning the great mineral wealth of the district.

“ ‘ Finally, I conclude charging you that you pray to heaven, and do all within your power on earth with reference to your calling, that so many souls shall not remain forgotten and such beautiful lands remain uncultivated.’

“ This calls vividly forward the subject of Paytiti, which, during the Spanish occupation of America, inflamed the imagination of Europe, and caused the organization of many brave expeditions, which penetrated into the heart of South America in search of Paytiti, Manoa, and Omasuyos. No doubt this is the nearest approach to Paytiti that has ever been discovered ; but I am inclined to believe that the advancement in ideas and customs, described by the good Padre Fidel, is the result of causes which, however traditional, have still some foundation in fact.

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\* Probably the Brazil nut, which is called an almond in Northern Bolivia.

It will be remembered that the cruelties of the Spaniards drove large numbers of the Ynca race to the forests of the Amazon, and especially to the east of Cuzco. Some of the Spanish rebel followers of the younger Almagro probably escaped into the Carabaya district in 1542.

"When the Chunchos sacked the towns of San Gavan, Sandia, and San Juan del Oro, to the east of Cuzco, they probably carried most of the Spanish women to the forests, in the same way that the Jibaros did in their terrible uprising in South-eastern Ecuador in 1599, and their destruction of Savilla del Oro and other populous towns. Juan Alvarez Maldonado \* may have left many stragglers in his search for the 40,000 escaped Ynca Indians, east of Cuzco, beyond the Tono, where he had the three days' bloody battle with the rival expedition of Tordoya. The Spanish blood, mixed with that of the fraction of the Ynca race for nearly three centuries, may have given to the Tacana tribes we have described a claim to superiority.

"It was on the Tono† branch of the Mayu-tata that the Ynca Yupanqui formed a settlement of the Indian tribes he conquered in his great military expedition to the east of Cuzco into the Beni and Mojos districts.

"Lieutenant Gibbon of the U.S. Navy descended the mountains from Cuzco to the junction of the Tono and Piña-Piña. He found it to be 12° 32' S. latitude, and 70° 26' W. from Greenwich, and 1,377 feet above the level of the sea. The river was 70 yards wide, but not navigable at this point. The Peruvian bark gatherers told him that, a short distance below, the river wound through a level country.

"The farthest point reached by Chandless on the south branch of the Purûs was less than 40 yards average width. He does not give its elevation, but the elevation of the point where the Purûs forks, 1,792 miles up, he gives at 1,088 feet, that is, 289 feet lower than the point on the Mayu-tata reached by Gibbon.

"The Madeira river, from the fall of San Antonio to its mouth, runs

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\* "It is stated by Alvarez Maldonado (who made an expedition in these distant regions shortly after the conquest), in an old record still preserved at Cuzco, that on the subjugation of the country and dethronement of the Yncas, about 40,000 Ynca Indians emigrated from Cuzco and its neighbourhood, traversed the valleys of Paucar-tambo, and penetrated east of the Amarumayu; that they established themselves in a colony on the banks of a great lake called Paytiti, were governed by a chief called the Apu-Huayri, and were then a great people. These facts are, in all likelihood, the sources from which Sir Walter Raleigh drew his fabulous account of the golden city of Manoa, which was also said to be on a great lake.'—*Cuzco and Lima*. C. R. Markham.

† Markham, in May of 1853, descended the mountains from Cuzco to latitude 12° 41' S. and longitude 70° 30' W., 103 miles from Cuzco. He says, 'Near this point the Tono, with all its tributaries from the west, the Cosnipata from the south-west, and the Piña-Piña from the north, having drained the wide forests of Paucar-



north-east, and the Purûs runs parallel with the Madeira for this distance. A right line drawn north-west from the fall of San Antonio cuts the Purûs at a point which I estimate by Chandless's measurements to be about 300 feet above the level of the sea. San Antonio is 202 feet and the mouth of the Madeira 90 feet above the sea, according to Keller. This indicates that the Purûs from the point named runs through a valley more elevated than that of the Madeira below the falls, but with a greater incline towards the Amazon than the Madeira valley, although the numberless curves of the Purûs give it a gentler current than that of its sister stream.

"The level of the upper fall of the Madeira is, according to Keller, 474 feet above the sea. This may be roughly estimated to be the level of the mouth of the Mayu-tata. This gives a difference of level of 903 feet between the point where Gibbon visited it and its entrance into the Beni, a length of river which will probably be found to measure at least 600 miles.

"In comparing the relative elevation of the Upper Madeira Valley and the Upper Purûs, the mouth of the Mayu-tata, 474 feet high, corresponds with the mouth of the Aquiry, 364 feet high; and the Upper Purûs, from the point named, runs approximately parallel with the Mayu-tata. If these hypsometric observations are correct, they show that while the Lower Madeira is less elevated than the Lower Purûs, the falls of the Madeira make a distinct change in the relative elevation of both rivers; for the Mayu-tata branch of the Madeira runs along the north-western edge of a plateau higher than the valley of the Upper Purûs.

"We have shown that the Lower Purûs is more elevated than the Lower Madeira, and the Upper Purûs less elevated than the Upper Madeira. A profile line of the Purûs would cut the profile line of the Madeira and its Mayu-tata branch at a point among the falls of the Madeira.

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tambo, unite and form that mighty river which I saw from a distance, and which is here called the Madre de Dios or Amaru-mayu river, evidently the same as the Purûs.'

"It was very natural for Markham to suppose at that time that he was on the head-waters of the Purûs, for Chandless had not then explored the Purûs, and shown that its sources were a hundred miles to the north of where Markham then stood. Markham continues:—'If once the Madre de Dios or Purûs was thoroughly explored, the effects it would have on the industry and future prospects of Perú are incalculable. The people of the interior of that beautiful country, the Ancient Empire of the Yncas, would at length succeed in turning the granite barrier of the Andes . . . . An inland navigation would waft the varied productions of the interior of Perú—its bark, sarsaparilla, copaiba and india-rubber, its sugar, cocoa, cotton and tobacco, its alpaca, wool, silver and precious stones—by a direct and easy route to the Old World, and the dangerous journeys across the Cordilleras, and long tedious voyages around Cape Horn would be avoided.'—*Journal Royal Geographical Society*, 1854, vol. xxv. p. 158; paper by C. R. Markham, F.R.G.S."

"This question of the comparative elevation of the valley of the Madeira and that of the Purús has been long in dispute among geographers.

"There are few more delicate problems in hydraulic engineering than the ascertaining of the exact inclination of the surface of a great river, and few rivers of the world have been scientifically studied in all that relates to their tides, currents, sectional areas, and inclinations of surface and bottom. No river offers so magnificent a field as the Amazon for the study of river hydraulics.

"There have been absolutely no scientific examinations of the rivers Amazon, Madeira, and Purús; and, in the effort to determine the inclination of their surfaces, for the purposes of relative comparison, one is reduced to the measurements of the few explorers who have given us the results of the usual rough methods of ascertaining heights by the boiling point of water and the barometer. The various sectional profiles made by travellers across South America, by way of the Andes and Amazon, or *vice versâ*, show, when placed in comparison, an utter confusion of elevations—some of them sufficient to give the Amazon river a current of ten miles per hour for the first thousand miles of its course above the sea.

"Among the giant streams of the Western continent, the Paraná appears to be the only one which has been measured with practical accuracy, and this for a distance of only 200 miles from the sea. This was done by Revy, by means of the current thrown back by the tidal wave of the Atlantic.\* It gave a result of  $\frac{4.4}{100}$  of an inch per mile as the surface inclination.

"With a 14-inch levelling instrument, and staff and pegs, Revy practised a most accurate levelling operation on a 4,800 feet length of the Paraná, above all tidal influence. The result gave no perceptible difference of level between the two points, owing to the slight ripple on the calm river and its unsteady surface.

"It is doubtful if the Amazon be found to have a greater inclination than half-an-inch to the mile between Manaus and the Atlantic, a length of 1,000 miles. The elevation of Manaus above the sea is given :

By Herndon	...	...	...	...	at 1,475 feet.
By Spix and Martius	...	...	...	..	556 ..
By Orton	...	...	...	..	199 ..
By Azevedo and Pinto	...	...	...	..	92 ..

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\* Vide the "Hydraulics of Great Rivers," by J. J. Revy.

The last-named would give  $1\frac{1}{10}$  inch fall to the mile. Keller's observation of 90 feet elevation at the mouth of the Madeira would give  $1\frac{2}{10}$  inch. The observation of Chandless, 590 miles up the Purûs, and 1,700 miles from the sea, gave an elevation of 107 feet, or an average between that point and the sea of  $\frac{7.5}{10}$  of an inch per mile.

"At Tapajos, Bates observed the effect of the ocean-tide on the Amazon 530 miles from the sea. The rise of the tide at Pará 70 miles from the sea, being but 12 feet, shows clearly that all the estimates giving to the surface of the Amazon an incline of even an inch to the mile are very excessive.

"I have endeavoured, on this point of the fall per mile of the Amazon, to show that no absolute dependence can be placed upon the accuracy of the elevations given to us by the various explorers of the Madeira, the Mayu-tata, and the Purûs. My inferences relative to the important question of the comparative elevation of the valleys of these rivers are necessarily rude ones, but I am led to believe that the data upon which they are based is sufficiently correct to warrant them.

"Explorations will probably show the Mayu-tata river to have falls and rapids for many miles of its course below the point which Gibbon or Markham reached, and that it would hardly be safe to suppose that it is navigable for steamers to a point nearer than 150 miles from Cuzco in a straight line.

"Over this route, to the valley of the Mayu-tata, one naturally expects to see the Mollendo, Puno, and Cuzco Railway extended by the Government of Perú, if ever Perú hopes to make the existing railway a financial success. The connection of this railway with a navigable point on the Mayu-tata river would be of inestimable value to South-Eastern Perú. Gibbon, in speaking of this river, says: 'If it is navigable for steamboats to where we now see, it forms the natural highway to Southern Perú.' All the silver and gold of Perú are not to compare with the undeveloped commercial resources of that beautiful garden."

"The foot-hills of the Andes will probably be found to push themselves far down between the Purûs and the Mayu-tata. In my descent of the falls of the Madeira I noticed short ranges of hills in that direction, as well as some isolated ones of magnitude.

"I have treated the subject of the Purûs at some length, for the reason that, in Bolivia as well as abroad, many have jumped at the conclusion that this river would afford a better avenue of communication with Bolivia than the river Madeira. On account of the data given and much other information which might be elaborated, I believe the Purûs



to be totally unserviceable for Bolivian commerce. It would probably take at least a hundred miles of road to connect the head of navigation on the Aquiry branch of the Purûs with the Mayu-tata river. The Bent river would then be reached among the rapids near its mouth by descending the Mayu-tata, and commerce would still be cut off by rapids from the great Mamoré, Guaporé, and other streams which penetrate to the populated centres of Bolivia. An analysis of the Purûs route shows that it cannot be of use to Bolivia for many years to come, and then only to tap the extreme north-western frontier of the country.

“The proper route to reach the valleys of the Beni and Mayu-tata is to cross the Mamoré river just above the mouth of the Beni, with a railway branching from the projected Madeira and Mamoré line, and, skirting the bank of the Beni front of the mouth of the Mayu-tata, terminate the road at the upper rapid of the Lower Beni. Such a branch line would not be more than thirty to forty miles in length, and would open two river valleys, the equals of which in richness of soil, agricultural, medicinal and mineral products have no superiors upon the western continent.”

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## PART VI.

### DESCRIPTION OF THE RAPIDS OF THE MADEIRA—PRACTICABILITY OF THE PROJECTED RAILWAY.

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Between the navigable lower waters of the Madeira and its 3,000 miles of Bolivian and Brazilian affluents are 230 miles of falls and rapids in the great bend of the Madeira, lying at the north-east corner of Bolivian territory. The fourteen lower rapids are entirely in Brazil. Along the centre of the five upper ones runs the boundary line of Brazil and Bolivia. The northern boundary of Bolivia extends from the mouth of the Beni branch of the Madeira, in  $10^{\circ} 20'$  south latitude to the head waters of the river Yavaré, providing the head waters of this branch of the Upper Amazon are not south of  $10^{\circ} 20'$ . If south of this latitude, then the boundary line is on the parallel of  $10^{\circ} 20'$ . The first expedition that ascended the falls of the Madeira was Portuguese, from Pará, in 1723, under the command of Francisco Melho Palheta. The first descent of the falls was from the Brazilian town of Mato-grosso in 1742. In 1749, by command of the King of Portugal, a large expedition ascended the Amazon, Madeira, and Itenez rivers to Mato-grosso.\*

For a period of about a century, before the opening of the rivers Parana and Paraguay to all flags, the Portuguese carried on a considerable commerce with Matto-grosso by way of the rivers Amazon, Madeira, and Itenez. This commerce was so important that, for its protection, they built a regular fortification, of considerable merit as an engineering work, just above the Mamoré river on the eastern bank of the Itenez. The ferruginous sandstone (pedra canga), of which the walls of this "Fort do Principe da Leira" are built, was cut from the out-croppings of this rock among the falls of the Madeira, near the

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\* For an account of these river expeditions see "Explorations made in the Valley of the River Madeira, from 1749 to 1868," by George Earl Church.

mouth of the Mamoré. One naturally compares this Portuguese work, built in the last century under the greatest difficulties, with the genius and energy of the Public Works Construction Company, which, with steam communication between Europe and San Antonio, could not at the latter point in eighteen months time, and with £50,000 advance, build ten yards of the Madeira and Mamoré railway on a dead level.

### THE RAPIDS,

in the order of their succession, commencing from the Upper one and following down the Mamoré and Madeira, are, according to Keller's explorations, as follows :—

				Height of fall. Feet.	Length of broken water. Feet.
1	Guajará-Merim	.	.	3·94	4920·0
2	Guajará-Guassú	.	.	5·58	1476·0
	Bananeiras Fall	{	Upper part	3·93	1312·0
			Central part	19·68	1640·0
			Lower part	4·92	4920·0
4	Pao-Grande	.	.	6·56	1312·0
5	Lages	.	.	8·20	2460·0
6	Madeira	.	.	8·20	2952·0
7	Misericordia	.	.	1·97	328·0
		{	Principal fall	13·45	1312·0
			First current below	4·92	902·0
8	Riberião		Second „ „	8·86	3280·0
			Third „ „	2·95	820·0
			Fourth „ „	4·92	2952·0
9	Periquitos	.	.	2·62	984·0
10	Araras	.	.	4·59	2296·0
	Araras—Current below	.	.	1·64	820·0
	As far as river Abuna	.	.	3·60	820·0
11	Pederneira—Current below	.	.	2·95	1148·0
		{	Fall	5·58	1804·0
			First current below	4·92	2460·0
12	Paredão		Second „ „	3·93	2296·0
			Third „ „	1·64	820·0
13	Tres Irmãos	.	.	1·97	492·0
	First current below	.	.	0·98	229·6
	Second „ „	.	.	1·64	492·0
	Third „ „	.	.	2·29	656·0



				Height of fall. Feet.	Length of broken water. Feet.
14	Girão, principal fall	.	.	26·24	2296·0
	First current below	.	.	1·97	656·0
	Second „ „	.	.	1·97	656·0
15	Caldeirão do Inferno	.	.	7·22	1312·0
	First current below	.	.	6·23	3837·6
	Second „ „	.	.	2·29	820·0
	Third „ „	.	.	1·31	492·0
	Fourth „ „	.	.	1·64	988·0
	Fifth „ „	.	.	0·98	393·0
16	Morrinhos	.	.	3·60	1476·6
	First Current below	.	.	0·98	393·6
	Second „ „	.	.	1·31	328·0
	Third „ „	.	.	1·97	820·0
	Fourth „ „	.	.	0·98	196·8
	Fifth „ „ just above Teotonio	.	.	2·30	492·0
17	Fall of Teotonio	.	.	24·60	984·0
	First current below	.	.	0·98	984·0
	Second „ „ called Macacos	.	.	1·48	492·0
18	San Antonio	.	.	3·93	984·0
Total fall and length of broken water				228·41	64505·2

The total fall in the clear and navigable parts  
of the river, between the points broken by  
the rapids, is . . . 43·95

Making . 272·36

as the entire fall from Guajará-Merim, the first rapid, to the base of San Antonio, the 18th and last.

The total length of river, in the part containing the rapids, is  
1,211,127 feet; or, in miles . . . 229·38

Length of broken water along the line is :—  
64,505 feet; or, in miles . . . 12·21

Making . 217·17

miles of clear channel perfectly navigable, with an average current of about one mile per hour, and a depth of from 10 to 120 feet at low water.

A considerable commerce is carried past the rapids, up and down, in

launches and canoes. These carry from three to eight tons of freight, in addition to the crews, varying from twelve to sixteen men.

At the rapid of SAN ANTONIO, the loads are carried overland 1,476 feet, and the launches hauled up stream. Down stream, it is frequently passed without unloading.

MACACOS.—Passed readily either way with loaded launches.

TEOTONIO.—Launches going up or down are carried overland 4,920 feet, on rollers over an elevation of 49 feet.

MORRINHOS.—Craft generally passed both ways without unloading. If ever unloaded, it is at the first current, and the load is carried overland 1,476 feet, while the launch is dragged up stream.

CALDEIRAO DO INFERNO.—A very dangerous rapid. Down stream, it is generally passed rowing, with loaded launches, but going up stream they are usually unloaded and rolled overland 2,361 feet.

GIRAO.—Passed by hauling the launches up stream loaded. Some navigators prefer to unload, and drag their craft overland, on an easy road for 3,000 feet.

TRES-IRMAOS.—Easily passed, up and down, by rowing.

PAREDAO.—The unloaded craft are towed up with ropes, and the loads are carried overland 1,804 feet.

PEDERNEIRA.—Generally passed both ways without unloading. Some prefer to unload and drag the launches up with ropes.

ARARAS.—Passed both ways without unloading. Launches are towed up with ropes.

PERQUITOS.—Passed the same way as Araras.

RIBEIRAO.—Launches are here unloaded and dragged overland for 1,640 feet.

MISERICORDIA.—Offers scarcely any obstacles at low water, but is very difficult at floods. It is, at high water, passed by unloading and dragging the launches 328 feet.

MADEIRA.—Passed without unloading, and with ease.

LAGES.—Passed loaded at low water. At high water, the load is carried 6,560 feet, and the craft dragged up stream by ropes.

PAO GRANDE.—Passed by towing, with craft sometimes unloaded, and the freight carried 1,312 feet.

BANANEIRAS.—Frequently passed both ways without unloading; but the launches are sometimes unloaded, in going up, and dragged overland 1,640 feet.

GUAJARA-GUASSU.—The launches are towed up, and are seldom unloaded.

GUAJARA-MERIM.—Offers no obstacle of moment.

At the rapids where launches have nearly always to be passed overland the distances are, therefore :—

	Feet.
TEOTONIO . . . . .	4,920
CALDEIRAO DO INFERNO . . . . .	2,361
GIRAO . . . . .	3,000
RIBEIRAO . . . . .	1,640
MISERICORDIA . . . . .	328
BANANEIRAS . . . . .	1,640

Total dragging of launches	13,889
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In addition, the rapids where the launches must be unloaded and towed with ropes are :—

SAN ANTONIO . . . . .	1,476
MORRINHOS . . . . .	1,476
PAREDAO . . . . .	1,804
LAGES . . . . .	6,560
PAO GRANDE . . . . .	1,312
	12,628

Making eleven rapids with 26,517 feet, or about five miles, of broken water where the freight must be unloaded and carried overland. All the remaining rapids are simply difficult passes, where loaded craft easily shoot along the current, or are dragged up stream near the river margin.

According to the observations carefully taken by our resident Engineer at San Antonio, the lower rapid, we have the following

#### AVERAGE RAINFALL.

	1872.	1873.	1874.	
January ... ..	...	15.85	13.50	...
February ... ..	...	10.97	9.65	....
March ... ..	...	14.59	10.58	...



	1872.	1873.	1874.	
April ... ..	...	11.01	...	...
May ... ..	...	5.96	...	...
June ... ..	...	2.56	...	...
July ... ..	...	0.32	...	...
August ... ..	...	1.07	...	...
September ... ..	...	5.70	...	...
October ... ..	...	1.94	...	...
November ... ..	...	11.32	...	...
December ... ..	7.42	10.03	...	...
Total for one year ...		91.32		

So much has been said by the Public Works Construction Company about the rainfall at the rapids, in order to discredit the locality, that it is valuable to compare this fall with that of other tropical and semi-tropical countries where great public works have been successfully built :—

STATION.	Rainfall in inches.
Hong Kong ... ..	91
Jamaica, Newcastle ... ..	92
Moka and Grand Port, Mauritius ... ..	100
Calcutta ... ..	81
Cherra Poonjee, Bengal (the wettest spot in the world) .	527
Bombay ... ..	80
Ceylon (average) ... ..	100
Singapore ... ..	95
British Guiana ... ..	94
Barbadoes ... ..	67
Aspinwall, on the Isthmus of Panama ... ..	126
San Domingo ... ..	107
Rio Janeiro ... ..	59
Havana ... ..	91
Coimbra, Paraguay river ... ..	118
Stockholm, Sweden ... ..	88

The average rainfall in the tropical regions of the old world is, according to the physical geography of Hughes, 77 inches, and for the same regions of the new world 115 inches. The rainfall at the Madeira rapids, 91 inches per annum, compares very favourably with the above table, being far less than the average in tropical countries, and generally less than at the points named.

AVERAGE LOWEST AND HIGHEST TEMPERATURES AT SAN ANTONIO,  
FALLS OF THE MADEIRA.

	1872.	1873.	1874.	
January ... ..	...	$74\frac{3}{5}-83\frac{1}{4}$	$74\frac{1}{2}-82\frac{1}{5}$	...
February ... ..	...	$73\frac{1}{2}-82\frac{1}{2}$	$73\frac{5}{7}-33\frac{3}{4}$	...
March ... ..	...	$73\frac{4}{5}-82\frac{1}{3}$	74 — 83	...
April ... ..	...	$73\frac{1}{2}-83\frac{1}{4}$	...	...
May ... ..	...	$72\frac{4}{5}-83\frac{1}{2}$	...	...
June ... ..	...	$69\frac{3}{5}-85\frac{1}{4}$	...	...
July ... ..	...	$70\frac{3}{5}-87\frac{1}{4}$	...	...
August ... ..	...	$71\frac{1}{2}-88\frac{1}{10}$	...	...
September ... ..	$72\frac{4}{5}-87\frac{3}{4}$	72 — $87\frac{2}{3}$	...	...
October ... ..	$73\frac{1}{4}-85\frac{4}{5}$	$73\frac{1}{3}-88\frac{1}{5}$	...	...
November ... ..	$74\frac{1}{2}-85\frac{1}{2}$	$73\frac{1}{2}-84$	...	...
December ... ..	$75\frac{1}{3}-85\frac{1}{5}$	74 — $86\frac{1}{6}$	...	...

The highest point reached by the Fahrenheit thermometer during the year 1873 was 93°, and for only 33 days of the year did it reach 90°. This shows that, for a tropical country, the heat ranges below that of many other tropical countries where railways have been easily constructed.

The river-level gauge kept in the Lower Madeira, just at the base of the last fall, had its datum elevation fixed at 150 feet, which was low water mark. It gave the following results of

AVERAGE WATER LEVELS.

	1872.	1873.	1874.	
January ... ..	...	183·89	187·00	...
February ... ..	...	192·21	188·09	...
March ... ..	...	196·43	194·21	...
April ... ..	...	192·23	...	...

			1872.	1873.	1874.	
May ...	...	...	...	185.06	...	...
June ...	...	...	...	177.20	...	...
July ...	...	...	...	171.12	...	...
August	...	...	150.00	164.74	...	...
September	...	...	150.18	156.53	...	...
October	...	...	150.66	158.93	...	...
November	...	...	159.14	159.33	...	...
December	...	...	176.80	176.70	...	...

Remarks on the geological character of the rapids I present with that diffidence due to my lack of extended knowledge in this branch of science. My observations, however, may be of value to a certain extent. The Serra Geral of Brazil runs from south-east to north-west; and, judging from the great bends of the Madeira and Purús rivers which are concave to the east, the last outcroppings of this granitic upheaval has its north-western edge at the falls of the Madeira, where it meets the foothills of the Andes which are pushed down between the Madre de Dios and the upper Purús. These uniting with the Serra Geral at the rapids are completely lost at the Purús river and, just north of 8° south latitude, push that river in a great sweep to the north and west. The most north-western spur of the Serra Geral appears to strike the falls of the Madeira between San Antonio and Theotonio. At the former point, hills are found on both sides of the river. They close up the river more than at any other place along the whole line of the rapids. As the traveller descends the Mamoré below the mouth of the Itenez he catches sight of some of the low south-western counterforts of the Serra Geral far off to the north-east; but nothing in the shape of a hilly country is again found on the east side of the river until the rapid of Morrinhos is passed.

The upper rapids are composed of ferruginous conglomerate, the surface of which, through the action of the water and the sun, is as black as ink. It is not improbable that this blackness is increased by the waters of the Mamoré, which I judge are strongly impregnated with iron, owing to the fact that a large area of country lying between the rivers Itenez and Mamoré, near their junctions, is covered with vast quantities of hydrate of iron. The Messrs. Keller well describe the formation of the upper rapids in the following:—



"The ferruginous conglomerate which is found on the surface of the earth only covered with a bed of clay of from five to six mètres of thickness, is a conglomerate of gritstone, little pieces of dolerite cemented with oxide of iron, full of openings and cavities, which give it the appearance of a sponge or scoria.

"Its beds are generally horizontal, and are from four to five mètres thick. In the inferior beds the seams are smaller, at some points disappearing entirely, and forming then a more homogeneous mass of red gritstone, very argillaceous.

"The extension over which this formation is found is enormous. We saw it at Manãos and on the margins of the Rio Negro, and afterwards along the whole length of the Lower Madeira, perforated and in part destroyed by the rapids, subsequently in the Upper Madeira, the Guaporé and the Mamoré, extending in only this direction more than 12 deg. of latitude.

"In the Lower Madeira there is, at the place called Matucaré, a bank of ferruginous conglomerate, which traverses the whole width of the river. It gives origin to the only current of any importance in this river, in which, notwithstanding, there exists a good channel for navigation. Examining with some attention the formation of this interesting point, it is seen that the *pedra-canga* (ferruginous conglomerate) has more resistance than the underlying beds of argillaceous gritstone. The latter crumbles by the action of the water, the upper beds becoming in this way undermined. These last, from time to time, then break and fall in large pieces, which disappear at the bottom of the river. In the course of ages, rapids and currents disappear in this manner, and the inclination of the river becomes more regular. On the river margins, at three distinct points below the Matucaré, may be seen the remains of rock banks which have been destroyed in this manner."

Approaching the flank of the Serra Geral in descending the rapids, the character of the formation changes, and at the third rapid, Bana-neira, it is distinctly granitic, but with much iron disseminated. The surface of the rocks, wherever the water has been flowing over them, is blacker than ink; but, when out of reach of floods, there is scarcely a trace of this dismal coloring. The hornblende, feldspar, and quartz are well disseminated in the rock.

At Ribeirão, where formerly there was a Portuguese military post, there is a fine outcropping of granite; while granitic hills, from 200 to 300 feet high, swell up along the west side of the river. About seven miles down stream from Arraras, and abutting on the river, are two

singular bluffs, perhaps 100 feet high each, and perpendicular. They appear like isolated hills which have been sawn across by the river, and are of the stiff red clay formation common to the whole of Brazil, and especially to the Amazon valley. Pederneira rapid is entirely of coarse grained granite. On the western margin of the most western point of the great bend of the rapids I found a bluff of primitive slate thirty feet high. This slate formation catches the river at its greatest western bend, and turns it sharply to the north-north-east. At Paredão, the granitic formation which bars the river is very coarse and highly feldspathic. Large crystals of feldspar, several inches in length, are disseminated through the rock, and where the floods have worn them they are as smooth as glass. On the river Tres Irmãos, or Mutum-parana, I found the granite rock cropping out at several points, but nowhere above the bank of the river to the point we ascended, a league up. One league down stream from Girão there is an outcropping of red granite. Between Pederneira and Girão the land on the west side swells into frequent hills, and on the east side is high above flood line. At Girão the river strikes, bunt, against a hill on the west side having a red granite base, and a little hill on the east side also has a granite base. At Girão there is a group of five little detached hills, about a mile to the eastward, but nothing to be seen further to the east or north-east. One of my expedition, Montenegro, once penetrated a league to the east of these hills in search of cattle, and found that the country now and then had a gentle swell as high as his head, but, to the north and south, a plain. From a point five miles up the Yaci-parana, we could see no hills in any direction. From Morrinhos down stream, the land commences to be more elevated. We are now nearer the flank of the Serra Geral. Low hills of 80 feet to 100 feet high are visible; but in the breaks between them no high land to the east, and I therefore judge them to be isolated. At Theotonio, the formation makes a tremendous barrier across the river, giving it a fall of 25 feet. Montenegro tells me that, for half a mile to the east, it is a tree-covered plain.

In the examination of the rapids in October, 1871, made by Mr. Ross and myself, we frequently penetrated the forest from the river-bank to the eastward either by cutting long, straight pathways, or by ascending the little streams generally as far as they could be ascended by a canoe. In no single instance did we find anything but level ground, a rich loam resting upon the reddish clay formation of the Amazon valley. Mr. Ross and myself measured the cross-section of all the streams that flow into the rapids from the east. There is but one

of these streams of any importance, the Yaci-parana, which is a sluggish, shallow river requiring a bridge of 300 feet length to cross it. The next longest bridge will be at Tres Irmãos, 180 feet. Nearly all the others are under sixty feet span. Many of the little streams are simply the backing-up of the river Madeira, and in the dry season have no flow of water whatever.

There is much dispute about the length of the projected line of road. My original estimate was  $168\frac{3}{10}$  miles. This was based upon the plans of the Messrs. Keller, furnished to me from the Topographical Department of Brazil. Keller fixed the terminal points of the rapids as follows:—

	Latitude.	Longitude West of Rio de Janeiro.
San Antonio . . . . .	8° 49' 2"	21° 29' 8"
Guajará-Merim . . . . .	10° 44' 32"	22° 3' 42"
Difference . . . . .	1° 55' 30"	0° 34' 34"

Mr. Ross, giving a different location to the terminal stations, fixed the length at  $153\frac{1}{2}$  miles. When the Public Works Construction Company repudiated its contract with us, it suddenly started into life at San Antonio, and did, in two or three months, what it would have been easy to do at first—it made a survey of the route of the projected road. But it was an uncertain and zig-zag survey, principally of the river margin, and one might well judge that it was intended to serve more for law purposes than for anything else. As before mentioned, we have since found an error of nearly half a mile in it in the first three miles out of San Antonio. The plans made by this Public Works survey show that the railway will be about 180 miles long. The sections indicate that nearly the entire line, except a few miles between San Antonio and Theotônio, is practically level. Further surveys, since made, prove that even the part represented as very rough, at San Antonio, may be avoided by following the river bank on almost a complete level. In fact, so far as gradients are concerned, the Madeira and Mamoré Railway must class among the easiest lines of the Western continent.

A portion of the route is open country, but by far the longer distance lies through a forest offering every facility for obtaining the sleepers for the road-bed at a moderate cost.

All kinds of rumours have been circulated relative to health at the rapids. There is no doubt that, owing to the near approach of the hills on both sides of the river, and consequent lack of the same circulation of air found at the other rapids, San Antonio is unhealthy, and subject to



intermittent fevers; but these have been proven to be very light. The Public Works Construction Company actively circulated the report that "men died like flies" at the rapids. To this a single answer is sufficient. They sent out a contractor's staff of 25 men all told. These remained at the rapids about eighteen months. During their stay only one of them died. This would be equivalent to an annual death-rate of one in thirty-seven, being less than that of many large cities of Europe, and about that of Liverpool. There is one curious fact:—We have had applications from nearly every man we have ever had in our employ at the rapids or in Bolivia to return there, whenever we are prepared to re-employ them. With reference, however, to the general health of the rapids, we have never pretended that it varies from that of semi-tropical countries. We do, however, maintain that it must be classed as among the most healthy of them.

Since the Public Works Construction Company repudiated its contract, we have gained much information relative to our projected work. This, added to data which we previously possessed, we have laid before skilful engineers, who have confirmed our opinion that the Madeira and Mamoré Railway, even with the altered condition of the labour market, will not cost to exceed £6,000 per mile. This, to a certain extent, is confirmed by the exact knowledge which we have of the cost of similar metre gauge railways in South America. As a notable example, I have before me the tenders made to the Brazilian Government by five different contractors for the construction and material of the 389 miles of the Porto-Alegre and Uruguayana Railway, one metre gauge. The highest tender was £5,800 per mile, and the average of the five tenders was £5,500 per mile. The country traversed is far rougher than the Madeira and Mamoré route.

If, with such conditions as we have enumerated relative to topography, rainfall, temperature, accessibility to navigable waters connected with the Atlantic, health and other items, the construction of the Madeira and Mamoré Railway is not practicable to the skill of the Anglo-Saxon, as its enemies assert, then both Briton and American should hide their heads for shame at their national degeneracy. The chief engineer of the Public Works Construction Company, Mr. Longridge, who so boldly denounced the scheme at the first bondholders' meeting, declaring that there was "not money enough in the Bank of England to build the road," has, with a manliness which it is a pleasure for me to recognise, written to me the following letter:—

“3, Westminster Chambers,  
 “Victoria Street, Westminster, S.W.,  
 “26th May, 1876.

“MY DEAR SIR,

“I see from the report of the Bolivian bondholders' meeting that you do not intend to give up the Madeira and Mamoré.

“I am of opinion that if you will adopt my new system as explained in the enclosed you may carry it out with the present money and such assistance as you can get from Brazil.

“When I returned last year from the River Plate, I met some of the Brazilian Ministers, including the Prime Minister, and I had some conversation with them, and I believe they will certainly give a guarantee for the additional capital.

“I should be very glad to co-operate with you as an engineer in this, but I am done with contracting.

“Yours truly,

“(Signed) J. A. LONGRIDGE.”

This report has been written under a full sense of our obligations to all parties concerned—nothing has been hidden. Our object being a true one, we challenge honest criticism. We have, naturally, lamented the time lost in defending ourselves against those who should have been our best friends; but even this loss of time has had its advantageous side; for it has demonstrated not alone our tenacity of purpose but our desire to comply with our compacts.

Herein we have been obliged to discuss the condition of Bolivian credit at the inception of our work. This, as well as the position assumed by the Bolivian Executive department when it learned of our misfortunes, has received that calm, careful and respectful analysis due to a nation.

In juxtaposition to the picture of Bolivia in 1869 we drew that of 1872, at the date of the issue of the loan, showing what an impulse the very idea of opening a route to Europe, *viâ* the Amazon, gave to the country; for cart-roads, which, up to the latter date, had been for forty years in project, were suddenly undertaken in practice, only to be discontinued when work was stopped upon our railway. In regard to the trade routes which Bolivia may hope to make available in the future, we have tried to show their respective merits with perfect impartiality, believing, as we do, that a country twice the area of France cannot be developed from a single corner, and that the greater number of trade avenues it possesses the more each one will thrive. We have given the

data necessary to judge of the physical practicability of our railway, and, financially, there is abundant proof of our ability to crown our labours with success.

We trust that this memoir will quiet all ungenerous opposition to the realisation of a noble international enterprise which promises prodigal gains to commerce and to civilization. If, however, we are still obliged to stand on the defensive, the world will understand that it is against action full of dishonest purpose.

Very truly,

GEORGE EARL CHURCH.



## APPENDIX.

CONCESSION OF THE NATIONAL BOLIVIAN NAVIGATION COMPANY FROM BOLIVIA.—THE LOAN CONTRACT BETWEEN BOLIVIA AND THE COMPANY.—THE RAILWAY CONCESSION FROM BRAZIL.—CHARTER OF THE NATIONAL BOLIVIAN NAVIGATION COMPANY FROM THE UNITED STATES GOVERNMENT.—CONTRACT OF MARCH, 1877, BETWEEN THE BOLIVIAN GOVERNMENT AND THE BONDHOLDERS' COMMITTEE.

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CONCESSION FROM THE GOVERNMENT OF BOLIVIA, SOUTH AMERICA, TO COLONEL GEORGE E. CHURCH, WITH CHANGES AND MODIFICATIONS AS OBTAINED, DECEMBER 7, 1869.

### [TRANSLATION.]

“ARTICLE 1. Colonel George E. Church, engineer, of New York, binds himself to organize a company, in the United States or Europe, to navigate by steam, and with other vessels, the rivers of Bolivia tributary to the Madeira, the principal affluent of the Amazons, with the nominal capital of one million of dollars in gold, which may be augmented according to the demands of the enterprise.

“ARTICLE 2. This association shall be called the National Bolivian Navigation Company.

“ARTICLE 3. Within the term of twenty-one months, counted from the day on which the Company is notified that the privileges mentioned in Articles *four*, *eight*, and *nine* have been obtained from Brazil, the Company engages itself to place at the first rapid of San Antonio, on the river Madeira, two steamboats of the following proportions:—from fifty to seventy tons, drawing from twenty to thirty inches of water, with capacity to carry from twenty to twenty-five passengers. These steamers shall consist of pieces which may be transported past the rapids to a point where they may be put together.

“The Government of Bolivia agrees to furnish the number of Indians necessary for the transportation of the pieces of the steamboats, it being obligatory upon the Company to pay the work and salary of these.

“Before, or after, the term of twenty-one months, the Company shall send the engineers necessary for the examination and detailed study of the rapids, and to make the plans required for their canalization.

“ARTICLE 4. The Government of Bolivia binds itself to negotiate with the Imperial Government of Brazil the right to canalize the rapids which may be in Brazilian territory, or to remove the obstacles which form them, by means of lateral canals, or in the manner which may be easiest to free the navigation of the Madeira from impediment; it being the obligation of the Bolivian Government to transfer this same right to the Company.

“It will also negotiate the free transit for the ascent or descent from Borba on the Madeira to the Bolivian rivers for all the vessels employed or belonging to the Company, or which may come consigned or in freight to its account under any flag; as also to establish a port of

embarkation and disembarkation, free of imposts of any class to the prejudice of commerce, at the first rapid of San Antonio, and, during the period of canalization, to open by land the roads which may be necessary to avoid said rapids.

“ARTICLE 5. The Company agrees to commence the canalization of the rapids which may be in Bolivian or Brazilian territory at the latest within the six months following the arrival of the first vessel.

“The Bolivian Government will furnish the labour necessary for the work of the canalization of the rapids, the Company bearing the expenses and salary of the labourers at the regular rates of the country.

“ARTICLE 6. The Bolivian Government concedes, in favour of the Company, the following privileges or rights:—

“1. In the populated ports it gives in property to the Company one square mile of State lands; and at the points where new ports should be founded, to facilitate commerce, according to the judgment of the Company, a square of the same lands upon the river-margins, which shall have two leagues front and two of depth, the Company having the right to make that use of them which may be most to its interests.

“2. The Government of Bolivia will pay to the Company \$10,000, gold, the day the first steamer moves upon the waters of the Mamoré, as a premium offered by the Government in supreme decree of 1853.

“3. The same Government concedes to the Company the right to cut wood for burning, exportation, and other uses, in the forests which have no private owner, and to collect 8,000 head of horned cattle from the herds which the State possesses in the department of the Beni—it being the obligation to make this collection in the method which may be most advantageous to the Government and the Company.

“4. No Custom House duty can be levied on any of the national products of Bolivia which may be exported, *viâ* the Amazon, during the term of the twenty-five years of the Concession; but the Government agrees to establish Custom Houses at the most appropriate points on the rivers, to collect import duties upon all classes of foreign goods or manufactures which may enter by the same route. These duties shall be equal, but not greater than those which may be collected upon importations made into Bolivia *viâ* the Pacific ports. As a subsidy, which the Bolivian Government concedes in aid of the National Bolivian Navigation Company, it awards to it, during the term of its Concession, three-fourths part of the duties thus collected, which shall be delivered monthly to any agent appointed by the Company to receive them.

“5. The Company shall have the right to issue bonds, and to hypothecate all its property and franchises of whatever nature.

“In case of issuing bonds, the respective coupons shall be receivable at the river Custom Houses at their nominal value, in payment of the three-fourths part of the importation duties assigned to the Company.

“ARTICLE 7. The National Bolivian Navigation Company shall have the exclusive privilege to navigate the rivers of Bolivia, affluents of the Madeira. This privilege shall date from the day upon which the present contract may be approved by the Government, and shall continue until twenty-five years after the Government of Bolivia notifies the Company of the obtaining from Brazil of the privileges enumerated in Articles *four, eight, and nine*. This term expired, the Company shall have the preference in any concession which it may be the desire to

make to another company ; but if it should not wish to make use of this right, it shall enjoy for ever the free navigation of the same rivers.

“ARTICLE 8. In reimbursement of the expenses which the Company has to bear in the clearing of the rapids, the Government cedes to it the authority to collect, of the vessels which may not belong to the Company, which may make use of the canals, going to Bolivia or descending from this Republic, a toll which shall not be less than fifty cents per ton, which shall be established by common consent between the Government and the Company. The Bolivian Government binds itself to negotiate an equal right from the Government of Brazil with respect to the embarkations which may use the canals to descend or ascend to Brazilian territory.

“ARTICLE 9. The Company shall maintain all the canals in good condition, and shall direct all the operations concerning them after the twenty-five years of the privilege. For these expenses it shall have the right to collect from the embarkations mentioned in the previous article, a sum sufficient to cover these expenditures. It can also collect a sum destined to amortize the capital inverted in the canalization and for the payment of the interest, always providing that this amortization and interest may not have been realized before the expiration of the twenty-five years, with the dues established in article *eight*. The proper amounts to collect shall be fixed by common agreement between the Government and the Company.

“ARTICLE 10. The Company cannot be burdened with any direct impost upon its possessions during the term of the privilege, nor can any importation duty be demanded upon the machinery, instruments, and other objects which may be destined for the particular use of the same.

“ARTICLE 11. The Company shall have the right to cut canals and build cart or rail roads between the ports and the centres of population or of industry under an especial contract with the Government, and shall have the preference in the concessions which it may be the desire to make to any *concessionnaire* or company.

“ARTICLE 12. The Company will fix the tariff of freights and passages, subjecting itself to the following conditions : That in the first five years from the date at which the steamers may commence running, the freights shall not exceed two-thirds part of the freights actually paid by land in Bolivia for an equal distance, and the passage tariff shall be in the same proportion with respect to price and travelling expenses. For the subsequent years, the tariff shall not exceed the half of the same freights, price, and travelling expenses which are paid to-day.

“ARTICLE 13. The general direction of the Company shall be located in the country where the Company is formed. The President and Directors shall be named by the majority of the stockholders, counting their votes according to the shares they may hold.

“The Government has the right to name a director to represent Bolivian interests and shareholders. For the present, Colonel Quintin Quevedo is named as said director.

“The President of the Company shall annually forward to the Government, through the Bolivian Director, a general balance showing the condition of the enterprise.



"ARTICLE 14. The Bolivian Government shall have the right to send two employees in each round voyage of the steamers without payment of passage, and when the number may be greater, the Company shall reduce the passage by one-fourth part.

"When the Government may require to transport armed troops, it shall pay the Company an equitable price, it being understood that the Government itself shall furnish the rations or food necessary to maintain the troops during the voyage.

"ARTICLE 15. The Company will perform the mail service under an equitable contract with the Government.

"ARTICLE 16. The Government will lend to the Company all the protection it demands, considering it as a national enterprise. The authorities will furnish all the supplies it may require, at their just prices, and with the same preference as the public service.

"The paid employees of the Company shall be exempt from conscription and all forced military service.

"ARTICLE 17. The Government of Bolivia, although preferring a canal to any other method of making the transit of the rapids, in case it be found, by virtue of circumstances, and from the examination of the ground, that it is more appropriate to make the transit of the rapids by means of a railroad, will agree that this shall be done, conforming itself to the spirit of articles *four*, *eight*, and *nine* of this contract.

"ARTICLE 18. In case the Company may not be able to establish the steamers within the stipulated time, on account of obstacles of superior force (*fuerza mayor*), the term fixed shall be prorogued equitably and in conformity with the circumstances.

"The decree of approval of the original contract is dated 'Office of the Minister of Foreign Relations, La Paz de Ayacucho, August 27, 1868.' In the preamble it states:—'That the navigation of said Bolivian rivers will bring with it the increase of agriculture and of commerce, of industry, and of immigration, to the greater part of the departments of the Republic, which, alone, can progress and unroll their natural wealth by the navigation of the water courses which traverse, in every direction, the Bolivian territory. That even though the rapids of the Madeira are in Brazilian territory, the Bolivian Government, which possesses the head-waters of this river, can, by virtue of the necessity which forces it to seek an outlet to the Atlantic Ocean, by way of its great streams, and, by virtue of the good understanding happily existing with the Imperial Government of Brazil, negotiate with this the right to canalize and destroy said rapids, which it hopes to obtain of said Government as an unequivocal proof of its friendly relations. That, in use of the authority conceded to the executive power by the law of June 19, 1863, the Government, charged to promote by every means possible the development and advancement of the country, cannot fail to embrace, as it embraces with all its patriotic zeal, an enterprise which has the great object of bringing the civilizing element of the steamboat to fructify ours oil with its incessant activity and with the progressive elements which follow in its train.'

"With the rubric of the President.

"Signed by the Minister of Foreign Affairs,

"MUNOZ."

“ CONGRESSIONAL APPROVAL OF CONCESSION.

[TRANSLATION.]

“ Mariano Melgarejo, Constitutional President of the Republic of Bolivia, etc., etc., etc.

“ I make known to the nation that the Legislative Power has dictated the following law:—

“ THE CONSTITUTIONAL CONGRESS OF BOLIVIA DECREES.

“ Sole Article: The contract concluded by the Executive with Mr. George E. Church, the 27th of August, 1868, for the navigation of the rivers tributary to the Madeira, with the modifications made by administrative resolution of December 7th, 1870, is approved.

“ Let it be communicated to the Executive Power for its execution and compliance.

“ Hall of Sessions of Congress, in Oruro, September 5th, 1870.

“ Quintin Quevedo, President of the Senate.

“ José R. Taborga, President of the House of Representatives.

“ Belizario Loza, Representative Secretary.

“ Venancio Jimenes, Representative Secretary.

“ José Maria Pizarro, Secretary Senator.

“ (L.S.) Palace of the Supreme Government in Oruro, the 6th of September, 1870. Let it be executed.

“ Mariano Melgarejo.

“ Countersigned. The Minister of Government and Foreign Relations,

“ Chief of the Cabinet,

“ Mariano Donato Muñoz.

“ In consequence, I order and command all the authorities to comply with and cause compliance.

“ (Signed) Mariano Melgarejo.

“ (Countersigned) Mariano Donato Muñoz.

“ It is exact. The Chief Clerk,

“ Inocencio Castillo.

“ Legalized in the Office of the Minister of Foreign Affairs of

“ Bolivia. Oruro, September 11th, 1870.

“ The Minister of the Branch,

“ M. D. Muñoz



Seal.

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NOTE.—All the translations herein are made by me from the original documents,  
G. E. CHURCH.

## THE ORIGINAL LOAN CONTRACT.

“BASES FOR THE CONTRACTING OF A LOAN IN EUROPE, IN AID OF THE NATIONAL BOLIVIAN NAVIGATION COMPANY.”

## [TRANSLATION.]

“ARTICLE I. The Government of Bolivia agrees to loan its credit to the National Bolivian Navigation Company for the contracting of a loan in Europe, according to the terms of these bases.

“ARTICLE II. There shall be negotiated in either of the markets of Europe a Bolivian loan of one-and-a-half to two millions of pounds sterling.

“The interest upon this loan shall be not less than six, nor more than eight per centum, with an amortization fund of two per centum, accumulative.

“This loan shall be emitted in the amounts, and at the dates, which may be judged most appropriate by the National Bolivian Navigation Company.

“ARTICLE III. In addition to the general guaranty which the Republic of Bolivia gives of its revenue and possessions for the payment of the interest and the total amortization of the loan, the following pledges or securities are especially named:—

“1st. All the products of the fourth part of the duties collected by the Government upon the importations which may be made by the Amazon, and the total of the duties that may be collected after the expiration of the privilege of the Company.

“2nd. The products of the three-fourths part of the same duties belonging to the National Bolivian Navigation Company.

“3rd. The entire net gains of said Company. In event these incomes should not be faithfully paid, the bondholders shall have the power to name an agent to receive them and remit them.

“ARTICLE IV. The respective coupons of the bonds shall be receivable at the River Custom Houses six months before coming due, and when they are due, at their intrinsic value of 5 hard dollars for each pound sterling which they may represent, in payment of the import duties which may be collected at said Custom Houses.

“ARTICLE V. From the net proceeds of the loan negotiated there shall be delivered to the Government seventeen per cent., applicable to the amortization of the interior debt of Bolivia, and the general regulation of its exchequer. The amount remaining, eighty-three per cent., shall be delivered to the National Bolivian Navigation Company to apply to the purchase of steamboats for the rivers, in the construction of moles and other works necessary for the service of the ports, in the construction of roads, canals, or any other works in general that may be in accord with the terms of the contract of navigation, made between the Government and the Company, and, in addition, to foster immigration, to populate the lands conceded to the Company according to its desires, or which may be conceded in the future for that object.

“ARTICLE VI. An especial commission shall be named to see that the loan is employed for the purposes indicated in Article V. This commission shall consist of individuals named in equal numbers by Government, by the Company, and, if it is demanded, by the bondholders.



"ARTICLE VII. Whenever the Government may undertake to raise a new loan in the markets of Europe, it shall be obliged to receive of the bondholders of this one, subscriptions for the new loan, paid, one-half in cash, the other half in the bonds of the present loan, valued at the original price of subscription, and taking into consideration the interest upon each loan.

"ARTICLE VIII. If, after having invested the fund resulting from this loan, according to the terms of Article V. of these bases, it should be considered necessary by the Government and the Company to raise a new loan for the uses of the Company, said supplementary loan to the amount of five hundred thousand pounds sterling shall be negotiated under the same guarantees and conditions as the present, without the Government realising seventeen per cent.

"ARTICLE IX. The Government shall name an agent invested with plenary powers to sign in its name the bonds of the loan which may be negotiated in conformity with these bases.

"The same agent shall be empowered upon agreement with the representative of the Navigation Company to make any minor alterations that may be necessary without changing the ground-work, for the purpose of conforming better to the financial conditions of the markets of Europe at the time of emitting the bonds, and shall be empowered also to contract, in agreement with the same representative of the Company, the commissions and expenses which the requirements of the loan may demand.

"GEORGE E. CHURCH."

"Office of the Minister of Finance of Bolivia,

"La Paz of Ayacucho,

"December 22nd, 1869.

"Examined in Cabinet Council the previous bases presented by Colonel George E. Church for the contracting in Europe of a Bolivian loan of one million and a half (1,500,000) to two millions (2,000,000) of pounds sterling, applicable to the progress and development of the country, said bases are approved in all their parts, they being of right presented to the approximate Assembly for their ratification. And the same Colonel Church being the person most proper to contract and carry said loan to success, let him be named Special Agent of the Bolivian Government for the purposes indicated in Article IX. of these bases, giving to him to this effect the plenary powers ample and necessary. Let it be registered and returned.

"P. O. de S. E.

(SEAL.)

"(Rubric of the President)

"(Signed)

LASTRA.

RIBERA.

"LANZA,

"La Paz, December 23, 1869.

"Legalised in the Department of Foreign Relations of Bolivia,

"The Minister of Foreign Relations,

"(Signed)

MANUEL JOSÉ RIBERA."

[TRANSLATION.]

“MARIANO MELGAREJO, Constitutional President of the  
“ Republic of Bolivia, etc., etc.

“I make known to the nation that the Legislative Authority  
has passed the following law :—

“The Constitutional Congress of Bolivia decrees :

“Only Article : Let the decree issued by the Executive on the  
22nd of December, of 1869, be ratified, by which were approved the  
bases presented by Mr. George E. Church, President of the  
National Bolivian Navigation Company, for the raising, in Europe,  
of a loan of from one million and a half to two millions of pounds  
sterling, to be applied to the carrying out, development, and protec-  
tion of the said enterprise. Consequently, the negotiation of the  
said loan may be proceeded with, in the form and under the conditions  
laid down in the said bases, with the two following modifications :

“In Article 2nd, the minimum fixed for interest will be suppressed,  
the maximum alone remaining.

“Article 5th will be modified in the following terms : The remaining  
amount of eighty-three per cent. shall be delivered to the National  
Bolivian Navigation Company, to be invested in roads which shall  
bring the great centres of population in communication with the ports  
of the rivers navigated, the rest remaining unaltered.

“Let it be communicated to the Executive for execution and com-  
pliance.

“Hall of the Sessions of the Constitutional Congress, Oruro, this  
Tenth of September, 1870.

“(Signed) Manuel Borda, President of the Senate.

“(Signed) José Rosendo Gutierrez, President of the House of Repre-  
sentatives.

“(Signed) Bartholemew Aillon, Secretary and Senator.

“(Signed) Pablo José Puertas, Secretary and Senator.

“(Signed) Daniel Campos, Secretary and Representative.

“(Signed) Mariano Aguilar, Secretary and Representative.

“Palace of the Supreme Government in Oruro, September (L S )

“11th, 1870. Let it be executed.

“(Signed) Mariano Melgarejo.

“Countersigned, the Minister of Government and Foreign Relations,

“Chief of the Cabinet.

“(Signed) Mariano Donato Muñoz.

“Therefore, I order and command all in authority to comply there-  
with, and cause the same to be complied with.

“(Signed) Mariano Melgarejo.

“Countersigned—

“(Signed) Mariano Donato Muñoz.

“A true copy. The Chief Clerk,

“(Signed) Inocencio Castillo.

“Authenticated in the Department of Foreign Affairs (L.S.) of

“Bolivia. Oruro, September 11th, 1870.

“The Minister of the Department,

“(Signed) Mariano Donato Muñoz.”

"COMMISSION OF G. E. CHURCH, AS SPECIAL AGENT OF BOLIVIA."  
[TRANSLATION.]

"MARIANO MELGAREJO,

"Well deserving of his country, in grade heroic and eminent, Provisional President of the Republic, Captain-General of its Armies, Grand Citizen of Bolivia, Preserver of Order and of Public Peace, Grand Cross of the Imperial Order of the Crusaders of Brazil, General of Division of Chile, &c., &c.

"I MAKE KNOWN TO ALL WHO SEE THESE PRESENTS, that the Government of Bolivia desiring to give impulse to the development of the country through the establishing of steamboats on the rivers, the construction of moles, canals and roads, which may facilitate commerce, has resolved to raise, in the markets of Europe, a loan of one and a-half to two millions of pounds sterling, applicable to said objects, and to protect the National Bolivian Navigation Company, according to the terms of the bases presented in the name of said Company, by Colonel George E. Church, its Representative, and which have been approved under equal date with this.

"In consequence, and having complete confidence in the probity, talents, and patriotism of the said George E. Church, I have resolved to name him Special Agent of the Government of Bolivia, for the contracting of said loan, and to this effect I confer upon him, by means of these presents, Plenary Power and Ample Authority that, in accordance with said bases, he can carry forward, solemnize, and definitely conclude, the contracting of the said loan of one million and a-half to two millions of pounds sterling, he being also amply empowered to sign the respective documents, issue the corresponding bonds, receive the funds of the loan in the amounts that may be necessary, and to complete all the additional formalities which are customary.

"In virtue of which I have caused to be extended to him the present Letters, signed by my hand, sealed with the Coat of Arms of the Republic, and legalised by the Minister of State in the Department of Justice, Public Instruction, and Worship, in charge of that of Foreign Relations, in La Paz of Ayacucho, the Twenty-second day of December, One Thousand Eight Hundred and Sixty-nine.

"M. MELGAREJO.

"*The Minister of Foreign Relations.*

"MANUEL JOSE RIBERA."

CONTRACT FOR THE ISSUE OF THE BOLIVIAN LOAN, DATED 18TH  
MAY, 1871.

An Agreement made this eighteenth day of May one thousand eight hundred and seventy-one between Colonel George Earl Church acting on behalf of the Republic of Bolivia of the one part, and Messieurs Emile Erlanger and Company of Lothbury in the City of London Bankers of the other part. Whereas the said Colonel George Earl Church having been appointed by the President and Congress of Bolivia Special Agent with full powers to contract in



Europe a loan not exceeding two millions sterling nominal and having entered into negotiation with Messieurs Emile Erlanger and Company for the issue of the said loan has after due deliberation concluded the following terms : Now these presents witness and it is hereby mutually agreed between the Republic of Bolivia represented by the said Colonel Church its special agent as aforesaid on the one part and the said Messieurs Emile Erlanger and Company on the other part as follows :—

ARTICLE 1. The present issue of the said loan shall not be less than one million pounds sterling nominal in bonds to bearer for one hundred pounds <sup>and</sup> <sub>or</sub> five hundred pounds each bearing interest at the rate of six per cent. per annum payable half-yearly in London, the interest to begin to run from the first day of the month in which the loan is issued until redeemed at par, coupons representing the half-yearly interest of each year will be attached to each bond.

ARTICLE 2. The bonds shall be signed by the said Colonel George Earl Church as special agent of the Republic of Bolivia and countersigned by the Diplomatic Representative of Bolivia in London. A general bond shall also be executed by the said Representatives of the Republic and deposited in the Bank of England.

ARTICLE 3. The redemption of the loan shall be effected by means of a sinking fund. The Government of Bolivia shall pay in each year until the whole is redeemed a sum equal to eight per cent. on the nominal amount of the issue ; of this sum so much as may be necessary shall be applied to the payment of interest coupons, and the remainder in extinction of the capital, thus forming an accumulative sinking fund for the payment of the loan. On the first of October in the year one thousand eight hundred and seventy-two and at the same date in every year thereafter until the final extinction of the loan by payment, a drawing shall take place in London in the presence of a Public Notary, at which a number of bonds corresponding in amount with the sum of money available for redemption under the action of the said sinking fund shall be drawn, and every bond so drawn shall be paid in London at par on the day on which the next half-yearly interest coupon shall fall due, upon the delivery of such bond and all unmatured coupons attached thereto.

ARTICLE 4. For the due payment of the interest and sinking fund as aforesaid the good faith and general revenues of the Republic of Bolivia are solemnly pledged, and as special securities the Republic further hypothecates, 1. Its own one-fourth of the entire customs dues collected on imports into Bolivia via the Amazon River. 2. The other three-fourths of the said custom dues which belong to the National Bolivian Navigation Company under the concession hereinafter mentioned, and which three-fourths are by a contract of even date herewith transferred by the said Navigation Company to Messieurs Emile Erlanger and Company in trust for the security of the bondholders. 3. The entire net profits of the said Company called the National Bolivian Navigation Company, being a Company chartered by the Congress of the United States of America by an Act dated twenty-ninth June one thousand eight hundred and seventy, and having for its objects improved communication on the rivers and navigable waters of

Bolivia under a concession granted by the Bolivian Government to the said Colonel George Earl Church dated on the 8th August 1868 and amended on the 7th December 1869; the pledge of the said net profits being also effected by the terms of the said contract of even date herewith between the said Navigation Company and Messieurs Emile Erlanger and Company. The Bolivian Government further engages to make arrangements to the satisfaction of the said Messieurs Emile Erlanger and Company for the receipt and remittance of the said customs dues. And the Bolivian Government engages not to reduce the customs dues via the Amazon river in any manner which may impair the security of the bondholders.

ARTICLE 5. The Republic of Bolivia further engages that no tax of any kind shall be levied on the said bonds or on the holders thereof under any circumstances whatever, and that the entire nominal amount of the capital and interest of the said bonds shall be paid to the holders without any deductions whatever in sterling money in London at the maturity thereof respectively, and the Republic of Bolivia promises to remit all money due for interest and sinking fund to Messieurs Emile Erlanger and Company in time to be in their hands or those of their nominees at least one clear month before the date at which the payments fall due.

ARTICLE 6. Messieurs Emile Erlanger and Company promise within three months from the receipt by them in London of the ratification of this contract, as hereinafter stipulated, to make all necessary arrangements for a public subscription for the first issue of the loan in London in the usual and regular manner, and to guarantee the subscription of one-fourth part of the nominal amount of the first issue of the loan. The price of issue shall be fixed by Messieurs Emile Erlanger and Company, at the highest price considered by themselves compatible with the success of the issue, but such price shall not be lower than sixty-five per cent., payable as follows:—

- 5 per cent. on application
- 10 per cent. on allotment
- 10 per cent. one month later
- 10 per cent. two months later
- 10 per cent. four months later
- 10 per cent. five months later
- 10 per cent. six months later

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Subscribers to the loan may have liberty to pay any instalments by anticipation at the rate of 6 per cent. per annum discount.

ARTICLE 7. Messieurs Emile Erlanger and Company shall within one month after allotment notify what amount of the loan has been placed, and if any part remains to be placed Messieurs Emile Erlanger and Company shall endeavour to dispose of such remainder at not less than the issue price and conditions, but all bonds not so disposed of within one year from the date of the first allotment shall thenceforth be disposed of as the Bolivian Government and the said National Bolivian Navigation Company shall jointly direct.

ARTICLE 8. The net proceeds of the loan shall be placed by Messieurs Emile Erlanger and Company on deposit in the Bank of England to be disposed of as directed by the Government of the said Republic.

ARTICLE 9. Before making the deposit of the proceeds of the loan Messieurs Emile Erlanger and Company shall deduct in cash the commission charges and expenses of issue and a sum of ten thousand pounds to be held subject to the draft of the Government of Bolivia as hereinafter provided, and shall retain out of the said deposit a sum sufficient to meet the three coupons first falling due and the two per cent first falling due for the sinking fund, the sum thus retained to be invested in United States securities, which together with the interest accruing thereon are to be held in trust by Messieurs Emile Erlanger and Company, and applied as far as necessary to the payment of the said three coupons and two per cent. for the sinking fund, the surplus, if any, to be applied to the coupons next falling due.

ARTICLE 10. It shall be stated in the prospectus of the present issue that the Republic of Bolivia reserves the right hereafter to make a second issue of the residue of the said loan of two million pounds sterling on the same securities as are herein provided for the subscribers to the first issue, and in such event the subscribers to the second issue will rank equally with the subscribers to the first issue in their right to the said securities pledged by the 4th article of this agreement and there shall be no preference nor priority between the holders of the two issues, but both issues shall be considered as one, and as forming one loan. The Republic of Bolivia vests in Messrs. Emile Erlanger and Company for the term of two years from the date of this contract the discretion of determining whether and at what time or times it will be advisable to make such second issue or any part thereof upon the same terms and conditions as the first issue, and hereby authorizes them to offer such new issue without requiring any further power, authority, or sanction from the Government of the Republic of Bolivia than is herein contained. If the second issue is not effected within the said term of two years the authority herein granted shall cease to exist.

ARTICLE 11. The Republic of Bolivia promises that it will, previous to the issue, furnish to Messieurs Emile Erlanger and Company an official statement of the financial, political, and economical situation of Bolivia.

ARTICLE 12. Messieurs Emile Erlanger and Company may, at their option, issue the loan aforesaid in their own names, or of those of their nominees, or in the name of any association of bankers, bank, or companies that they may choose to organize for that purpose.

ARTICLE 13. This contract is not to take effect until ratified and approved by the Government of the Republic of Bolivia, and unless it shall be so ratified and approved, and such ratification shall be received in London within six months from the date of its signature in London it shall cease to exist and be considered as if never made, but if approved and ratified within the date and in manner aforesaid then this contract shall be deemed to bear date on the day of the ratification and approval, and the Government of Bolivia is hereby authorized immediately upon such ratification to draw on Messieurs Emile Erlanger and Company a bill at sight for ten thousand pounds sterling in anticipation of the pro-



ceeds of the loan, the ratification to be handed to Messieurs Emile Erlanger and Company upon or previously to the presentment of the said bill.

ARTICLE 14. In case Messieurs Emile Erlanger and Company shall not within three months from the date of the receipt by them in England of the ratification of this contract as provided by Article 13, fulfil their engagements under this contract, they shall forfeit to the Government of Bolivia the said sum of ten thousand pounds, to be paid by them as aforesaid, as liquidated damages, and thereupon this contract shall become void.

As witness the hands of the said parties hereto the day and  
and year first above written,

GEORGE EARL CHURCH,  
EMILE ERLANGER & CO.,

Witness to the signatures } By Louis d'Erlanger.  
of the said parties hereto }

GEORGE COX BOMPAS,  
4, Great Winchester Street Buildings,  
London, Solicitor.

W. W. WYNNE,  
Solicitor, 115, Chancery Lane.

#### CONTRACT FOR DISPOSAL OF PROCEEDS OF LOAN, DATED 18TH MAY, 1871.

An Agreement made this Eighteenth day of May, One thousand eight hundred and seventy-one, between Colonel George Earl Church, acting on behalf of the Republic of Bolivia of the one part and Messieurs Emile Erlanger and Company, of Lothbury, in the City of London, Bankers, of the other part.

Whereas the Republic of Bolivia has this day made by its special agent, Colonel George Earl Church, a Contract (hereinafter called the principal contract) with Messieurs Emile Erlanger & Co., for the issue of a loan not exceeding two million pounds sterling, a copy of which contract is hereto annexed : It Is Now Agreed between the parties hereto as follows—

1. The whole of the expenses occasioned by and incidental to the said loan are to be borne by Messrs. Emile Erlanger & Co., with the exception only of the charges for engraving and executing the definitive Bonds and Coupons and for the English Government Stamps thereon, which are to be borne by the Republic of Bolivia.

2. In consideration of the services and obligations assumed by Messrs. Emile Erlanger & Co., which include not only the assuming on themselves of the whole risk and expense of issuing the loan, but also the guarantee of a subscription of one-fourth part of the first issue of the loan and the advance of ten thousand pounds in cash in anticipation of the proceeds of the loan, the Republic of Bolivia agrees to allow a commission of five per cent. upon the nominal amount of the bonds actually placed, to be deducted by Messrs. Emile Erlanger & Co. before making the deposit in the Bank of England mentioned in the eighth article of the principal contract.

3. Messrs. Emile Erlanger & Co. are not to receive any compensation for acting as trustees in holding the United States securities as

provided in the ninth article of the principal contract nor for collecting the interest that may accrue thereon.

4. Messrs. Emile Erlanger & Co. are to receive a banker's commission of one per cent. on all sums paid by them to the holders of coupons, and of the bonds redeemed by the Sinking Fund ; and the Republic of Bolivia engages that whenever remittances are made in compliance with article five of the principal contract it will add thereto the said commission of one per cent. to be retained by Messrs. Emile Erlanger and Co.

5. In order to stimulate Messrs. Emile Erlanger & Co. to use their utmost endeavours towards obtaining a higher price than sixty-five per cent. for the issue of the loan as mentioned in article sixth of the principal contract, the Republic of Bolivia agrees that Messrs. Emile Erlanger and Co. shall be rewarded with one-half of any excess of price obtained over the minimum of sixty-five per cent. and shall only be bound to account for one-half of such excess, retaining the other half for themselves, but any amount taken by Messrs. Emile Erlanger and Co. in order to make up the amount guaranteed by them shall be taken by them at the price of sixty-five, whatever may be the price of issue.

6. In the event of a second issue of the residue of the loan as provided in the tenth article of the principal contract, all the terms and conditions hereinbefore contained shall be applicable to such second issue, and the duties, obligations, commissions, remunerations and rewards provided in this contract for the first issue shall take effect and be imposed and allowed upon the said second issue.

7. The Bolivian Government, exercising the rights reserved to it by the eighth article of the principal contract, hereby disposes of the net proceeds of the loan as follows, that is to say : First, there shall be deducted therefrom a sum sufficient to pay the commission of five per cent. stipulated in the above second article, and the charge for engraving and executing the definitive bonds, and the English Government stamps thereon stipulated in the above first article ; Secondly, there shall be retained for investment in United States securities as provided in article nine of the principal contract a sum sufficient for the purposes therein mentioned ; Thirdly, there shall forthwith be paid to the National Bolivian Navigation Company eighty-three per cent. of the remainder after deducting the said two sums ; and Fourthly, the residue shall be paid into the Bank of England to the credit of the Bolivian Government, after deducting therefrom the sum of ten thousand pounds to be advanced in anticipation according to the thirteenth article of the principal contract, and the said Messrs. Erlanger & Co. bind themselves to apply the said proceeds as herein stipulated.

8. The ratification and approval provided for in the thirteenth article of the principal contract shall not be deemed effective nor shall it in any way bind Messrs. Emile Erlanger & Co., unless this contract be also approved and ratified at the same time by the Government of Bolivia, the intent and understanding of the parties being that the said principal contract and this contract form together one contract, to be ratified and approved by the Government of Bolivia as one whole, or to be rejected as one whole, but not susceptible of partial ratification only.

As witness the hands of the said parties hereto the day and year first above written.

GEORGE EARL CHURCH,  
EMILE ERLANGER & Co.,  
by Louis d'Erlanger.

Witness to the signatures of the said parties hereto :

GEORGE COX BOMPAS,  
4, Great Winchester Street Buildings,  
London, Solicitor.

W. W. WYNNE,  
Solicitor, 115, Chancery Lane.

### CONGRESSIONAL APPROVAL.

[TRANSLATION.]

“ AUGUSTIN MORALES,

“ Provisional President of the Republic, &c., &c.

“ Having examined the contracts, concluded in London the 18th of May of the present year, between the Colonel of Engineers G. E. Church, as President of the National Bolivian Navigation Company and Agent of Bolivia, duly authorized (for in the present act all the authorizations which he obtained are ratified) to contract in the name of the Republic a loan destined to free and make practicable the navigation of the Bolivian affluents of the River Amazon, on the one part, and Messrs. Emile Erlanger and Company, Bankers in Lothbury, City of London, whose tenour is the following—

[Here follow the contracts.]

“ In view of the law of yesterday, authorising the Government by the present act of ratification, and the tenour of which is as follows :—

“ The National Constituent Assembly decrees—

“ ARTICLE I. Let the executive power be authorised to ratify the loan of £2,000,000 sterling, contracted by Mr. George E. Church, in the name of Bolivia, with Messrs. Emile Erlanger and Company, Bankers, Lothbury, in the City of London, 18th May, 1871.

“ ARTICLE II. The Government will take all the steps to protect the just inversion of the funds to the object to which they are destined.

“ Let it be communicated to the Executive Power for its execution and compliance.

“ House of the Sessions of the Sovereign Constituent Assembly at Sucre, the 24th day of August, 1871.

[Here a seal.]

(Signed)

“ DANIEL CALVO.

“ NATHANIEL AQUIRRE, Secretary.

“ DEMETRIO CALVIMONTE, Deputy Secretary.

“ Palace of the Supreme Government in Sucre, 25th of August, 1871.”  
(Place of the Grand Seal of State.)

“ Let it be executed.

(Signed)

“ AUGUSTIN MORALES.

“ Countersigned the Minister of Finance.

(Signed)

“ THOMAS FRIAS.

“ The affirmative dictamen of the Congress having been heard, the foregoing contracts are approved and ratified without reserve of any of their articles, and in view of the declarations conducing to the compliance of Article II. of the preceding law as follows :—

“ ARTICLE I. The deposit of 17 per cent. reserved to the Government of the net product of the loan which should be made in the Bank of



England, as is stipulated in Article VIII. of the principal contract and in paragraph 4 of Article VII. of the supplementary contract preceding, shall be subjected to the same conditions as the deposit destined to cover the first three coupons of the loan, *i.e.*, that it shall be done in public bonds of the United States, in conformity with the stipulations in Article III. of the preceding supplementary contract.

“ARTICLE II. The amount of the deposit mentioned in the preceding Article cannot be disposed of except by virtue of a special law emanating from the Congress of the Republic.

“ARTICLE III. Besides the security contained in Articles II. and VII. of the principal contract in conformity with Article VI. of the ‘Bases for the negotiation of a loan,’ of the 22nd day of December, 1869, there is thereby accepted as a new guarantee the contract entered into on the 18th May, 1871, between the National Bolivian Navigation Company, and the Public Works Construction Company of London, to finish and complete the work of the Railway of the Rapids of the River Madeira not later than the first months of the year 1874.

“ARTICLE IV. And it shall also be well understood, that all the utilities and privileges of the National Bolivian Navigation Company are pledged in the form expressed in the Notarial Act of Hypothecation, made in London on the 19th of May, 1871, between the President of the said Company, Mr. George Earl Church, and the representatives of the bondholders, Messieurs Emile Erlanger and Company, which shall be considered as inserted in the present article.

“In faith of which we command the present act of ratification of the preceding contracts to be given, signed by our hand, sealed with the seal of the Republic, and countersigned by the respective Ministers of State, in the Palace of the Government, in Sucre, the 28th day of the month of August, 1871.

(Signed) “Augustin Morales, Minister of Finance.

“Tomas Frias, Minister of Industry and Instruction.

“Mariano Reyes Cardona, Minister of State and Foreign Relations.

“Casimiro Corral, Minister of Justice and Public Worship.

“Lucas M. de la Tapia, Minister of War.

“Narciso Campero.



“Legation of the United States of America,

“Cochabamba, 6th September, 1871.

“The undersigned Minister—Resident of the United States, do hereby certify that the signatures affixed to the above documents are personally known to me, that the same are authenticated and entitled to full faith and credit.

“In testimony whereof, I have herewith set my hand and affixed the seal of this Legation at Cochabamba, Bolivia, this 6th day of September, 1871.

“(Signed) L. Markbreit.

“(Seal of the United States Legation, Bolivia.)”

## THE RAILWAY CONCESSION.

" CONCESSION GRANTED BY THE GOVERNMENT OF BRAZIL TO GEORGE E.

" CHURCH FOR THE MADEIRA AND MAMORÉ RAILWAY.

" *From the 'Official Journal of the Empire of Brazil,' of Saturday, April 23, 1870.*

[TRANSLATION.]

" Decree, Number 4509, of the 20th April, 1870,

" Concedes to Colonel GEORGE E. CHURCH, the exclusive privilege, for the term of fifty years, for the construction of a railway, which avoids the falls or rapids of the Madeira and Mamoré rivers, running from the most advantageous point in the vicinity of and below the rapid of San Antonio to the most advantageous point in the vicinity of and above the rapid of Guajara-Merim.

" Taking into account that represented to me by the engineer, Colonel George E. Church, of the United States of North America, with reference to the utility of a railway, which, avoiding the falls or rapids of the rivers Madeira and Mamoré, may free the fluvial commerce of Brazil and Bolivia, and desiring to promote as much as possible the progress and prosperity of the provinces of the Amazonas and Mato-Grosso, by facility of communications and protection of the industry of its inhabitants, I consider it well, in conformity with the law of the 26th of June, 1852, to concede to him exclusive right, for the term of fifty years, by means of a company which he shall organize, to construct, pay for, and to possess a railway, which, starting from the most advantageous point in the neighbourhood of, and below, the rapid of San Antonio, prolongs itself along the right bank of the river Madeira, as far as the most advantageous point in the neighbourhood of, and above the rapid of, Guajarâ-Merim, an extension of more or less 300 kilometres, all in conformity with the clauses which follow this, signed by Diogo Velho Cavalcanti de Albuquerque, of my council, Minister and Secretary of Affairs of Agriculture, Commerce, and Public Works, who therefore may take note of this, and cause it to be executed.

" Palace of Rio de Janeiro, the 20th of April, 1870, 49th of Independence and of the Empire.

" With the rubric of His Majesty the Emperor.

" DIOGO VELHO CAVALCANTI DE ALBUQUERQUE.

" CLAUSES WHICH ARE REFERRED TO BY THE DECREE, No. 4509,  
OF THIS DATE :—

" 1st. The Imperial Government concedes to Colonel George E. Church, engineer, authority for the purpose of organizing a company, for the construction of a railway, on the most appropriate system, on the right bank of the rivers Madeira and Mamoré.

" The enterprise shall be called the *Madeira and Mamoré Railway*.

" 2nd. The railway, having as an object the avoiding of the rapids of the rivers Madeira and Mamoré, shall be constructed by the Company on the best practicable line, and shall extend from the most advan-

tageous point in the vicinity of, and below, the rapid of San Antonio, to the point most advantageous in the neighbourhood of, and above, the rapid of Guajará-Merim.

"The road shall have the right to branch off to the point, on the Madeira, fronting the mouth of the river Beni.

"3rd. The Company shall have the exclusive privilege, for the term of fifty years, for the construction, disbursements, and enjoyment of this railway.

"4th. The incorporation of the Company shall take place within the term of one year, to count from the issue of the decree of the Concession; and it will not be considered complete unless its statutes be registered in the appropriate Tribunal of Commerce. The works shall be commenced within the term of two years, and shall be completed and in good working order in seven, counting from the same date; save in any of the hypotheses relating to cases of *superior force*, which may be alleged and proven before the Government, and, by this, decided by decree, an audience of the Council of State preceding.

"5th. A case of superior force proven in any hypothesis, the time shall be extended as the Imperial Government may deem proper.

"Any extension concluded without the Company having complied with the stipulated conditions, the concession will become void without further formality.

"6th. Six months before the works of the railway or either of its sections are to be commenced, the Company shall submit the respective plans. These shall be considered as accepted if not disapproved within three months of the delivery.

"The Company shall attend to the alterations determined upon by the Government, under penalty of having them executed at its cost.

"The plans are not only to comprehend the tracing of the line, but the works of art, stations, and the respective estimates.

"7th. Aside from the vacant lands necessary for the road-bed and its dependencies, the Government, in addition, concedes to the Company thirty-two (32) square kilometric leagues, in alternate lots, never greater than four square leagues, along the railway or in its vicinity, and, by designation, at the two extremities of the line, and in front of the mouth of the Beni. The kilometric league is that which corresponds to 6.6 kilometres.

"The staking out of the lands, thus ceded to the Company, shall be made at its cost.

"8th. There is also conceded to the Company the right to disappropriate, in accordance with the law N. 816, of July 10, 1865, the lands of private ownership, which, not being vacant, may be indispensable for the bed of the road or its dependencies.

"9th. The Government concedes to the Company, during the period of the privilege, exemption from import duties in favour of the materials destined for the construction of the road, its preservation, outlays, and other works of the enterprise, this being subject to fiscal regulations.

"10th. The Government will solicit from the competent powers, exemption from taxes and imposts of whatever nature, for the property of the Company, during the time of the privilege.



"11th. The Brazilians employed on the works of the road, and in whatsoever other service of the Company, shall, during its existence, be exempt from military duty, as also excused from service in the National Guard.

"12th. The Company shall have the right to cut and take from the State lands the wood it may require for the fuel of its steamers and construction of its works.

"13th. During the term of its privilege, the Company shall also have the right, within a zone of five leagues of the margin of the road and of its prolongation, to explore mines of all precious metals and chemical products, it being necessary, when one is discovered, to petition the Government in conformity with the laws in vigour, that the boundaries be defined to it, and the conditions of its enjoyment stipulated.

"14th. The Company shall collect the price of the transportation of merchandise and passengers in accordance with a tariff arranged by it, with the approval of the Government.

"The tariffs shall be provisional during the first ten years, and afterwards subject to revision every five years.

"15th. Thirty years after the traffic of the railway is opened, it shall be the duty of the Company to form an amortization fund for its capital, by means of an additional tax on the transportation of passengers and goods which pass over the railway and its dependencies

"The above tax shall be fixed at the proper time by the Government in agreement with the Company.

"The capital amortized, the railway and its dependencies shall revert to the State without any indemnization.

"16th. During the construction of the road, and when it may not be running regularly, the Company shall have the right, without prejudice to the present navigation, to undertake the improvements that may be necessary to facilitate the transit of vessels past the rapids, submitting previously to the knowledge of the Government any project which, for this purpose, may have to be put into execution.

"17th. The craft, not belonging to the Company, which avail themselves of these improvements, shall pay a tonnage tax which shall be fixed in a tariff which it shall be the duty of the Company to arrange in accord with the Government. The tariff shall be provisional during the first ten years.

"18th. The collecting of the tax of which the preceding article speaks, shall not cease from the fact of the navigation of the whole course of the Madeira being declared free to all flags, in conformity with the decree of September 7, 1867; but shall be regulated in a manner to favour commerce and navigation in the interest of the Company, without conflicting with existing treaties.

"For the better execution of this clause, the Imperial Government will cause to be established, on the line of the Madeira, the ports of embarkation and disembarkation that it may judge convenient, issuing the necessary regulations for this purpose.

"19th. Under guaranty of its stockholders, the Company, from its private property and from the net profits of the road, shall have the power to contract loans by means of the emission of negotiable bonds

for the greater ease of its economical operations ; it being obliged to publish semi-annually the balances of the receipts and expenses in the provinces where it pursues its operations, and to transmit them to the Government at the same time.

“20th. The Government, as judged suitable, will fiscalize the construction of the works, the management of the traffic, and the execution of the stipulations of this concession.

“21st. On this railway, in that part which may be appropriate for it, the applications of the regulations in vigour on the existing railways shall be observed, and any others that may be decreed by the Imperial Government, providing they do not conflict with the clauses of the present concession.

“22nd. If the Imperial Government deem it proper to effect the ransom of the present concession, it shall have the right to do it at any time after thirty years of the duration of the privilege.

“The price of ransom shall be regulated so that, reduced to securities of the public debt, it may produce an interest equivalent to the average of the net receipts of the railway for the three years previous, and from it shall be deducted the amortization fund required, according to clause 15th.

“23rd. The time of the privilege terminated, without the supposition of the preceding clause being verified, the Company shall continue in the possession and enjoyment of the road and its dependencies ; but ceasing, however, to collect any tax that it may receive for river traffic.

“24th. The post-office mails and their conductors, and any amount of money belonging to the general or provincial treasury, shall be carried gratuitously by the Company, with the necessary guaranties of security.

“25th. If the Government require to transport troops to any point on the line or its extremes, the Company is bound to place at its disposal the means of transportation it may possess, whether terrestrial or fluvial ; the Government paying for the service at twenty per cent. deduction from the prices of its tariffs. The same reduction shall be made with reference to the transportation of freight belonging to the General or Provincial Government, to colonists and their baggage.

“26th. Under the same conditions, the Company shall be preferred in the concessions and favours which the Imperial Government may have to concede for the navigation of the Guaporé and Mamoré, in the part which belongs to Brazil, when it shall judge proper to establish this navigation.

“27th. The Company can have its head-quarters in the country or out of it, providing that for the decision of matters relative to the enterprise it have a representative in Brazil, invested with the necessary powers to treat and resolve emergent questions directly with the Imperial Government ; it being understood, that however many arise between it and the Government, or between it and private individuals, they shall be treated and decided in Brazil.

“28th. It being possible, notwithstanding the clearness of the stipulations of this concession, to have disagreements between the Government and the Company, relative to the rights and obligations of both the

parties in the execution of the concession itself, the disputed point shall be subject to the decision of arbitrating judges.

"The arbitration shall always take place in Brazil, and shall be regulated by each one of the parties freely naming its arbiter, when they do not agree on one alone.

"If the two arbiters disagree, the Company shall name, as umpire, a counsellor of state, whose vote shall be decisive. When, by any circumstance, one of the contracting parties appeals to arbitration, it shall give notice to the other, announcing its arbiter. If within thirty days the other party does not communicate its nomination, it shall be understood that it accepts what is proposed.

"29th. It is understood that the Company shall have no right to require a guaranty of interest upon the capital employed in its works, nor loan or subvention whatsoever from the national treasury, nor any favours, aside from those which are expressed in the present clause.

"PALACE OF RIO DE JANEIRO, *April 20th*, 1870.

"(Signed) DIOGO VELHO CAVALCANTI DE ALBUQUERQUE."

## "CHARTER OF THE NATIONAL BOLIVIAN NAVIGATION "COMPANY.

"FORTY-FIRST CONGRESS OF THE UNITED STATES OF AMERICA.

"At the Second Session, begun and held at the City of Washington, on Monday, the Sixth day of December, One thousand eight hundred and sixty-nine.

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### "AN ACT TO INCORPORATE THE NATIONAL BOLIVIAN NAVIGATION COMPANY.

"*Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled*, That George E. Church, William H. Reynolds, Jerome B. Chaffee, S. L. M. Barlow, James S. Mackie, Charles A. Lambard and George F. Wilson, and such other persons as may be associated with them, and their successors, are created a body politic and corporate, by the name, style, and title of "THE NATIONAL BOLIVIAN NAVIGATION COMPANY," and by that name shall have perpetual succession, and shall be able to sue and be sued, plead and be impleaded, defend and be defended, in all courts of law and equity within the United States, and may make and have a common seal. And the said corporation shall have power to own, sell, build, purchase, mortgage, and charter steam and other vessels, and employ the same in navigation between the United States and the Ports of South America, or upon the rivers and navigable waters of Bolivia and Brazil, and may hold such real and personal property of every kind as may be necessary, or useful, in connection with the said business, and may, under authority of the Peruvian and Bolivian Governments, engage in public works connected with such transportation, or which may become necessary in order to develop the same, in, upon, or near the said rivers, and, for the purpose, may issue its bonds or other obligations, secured by a pledge of its property and franchises:



Provided, that the United States shall not be responsible for loss or damage resulting from the transportation of property to, or investment made in, any foreign country.

"SEC. 2. *And be it further enacted*, That the capital stock of the said corporation shall be one million of dollars, to be divided into shares of one hundred dollars each, and said shares of stock shall be personal property, transferable on the books of the Company only; and said capital stock may be increased, from time to time, as may be necessary for the general purposes of said Company.

"SEC. 3. *And be it further enacted*, That the said Company shall have power to make such bye-laws as it deems proper for the disposition of the property and estate of the Company, the management of its business and affairs, the term of office and duties of its officers and servants, and to carry out the general objects of the corporation, and to amend or to repeal the same at pleasure: Provided, that such bye-laws shall not conflict with any law of the United States.

"SEC. 4. *And be it further enacted*, That the stock, property, and affairs of the said corporation shall be managed by a board consisting of not more than nine or less than five directors, and they may appoint a President and such other officers, and employ such agents as they deem proper.

"SEC. 5. *And be it further enacted*, That the corporators named in this act shall be the directors for the first year from the organization of the Company, and thereafter annual elections of directors by the stockholders shall be held, at meetings to be called for that purpose, at which each share of stock present, in person or by proxy, shall be entitled to one vote, and a majority of the stock thus represented shall elect.

"SEC. 6. *And be it further enacted*, That this act shall take effect immediately.

"SEC. 7. *And be it further enacted*, That the principal office of the Company shall be located in the City of New York, and that Congress shall have power to alter, amend, or repeal this act at any time.

"J. G. BLAINE,

"Speaker of the House of Representatives.

"SCHUYLER COLFAX,

"Vice-President of the United States, and President of the Senate.

"I certify that this act did originate in the Senate.

"GEO. C. GORHAM, Secretary."

#### LATEST CONVENTION BETWEEN THE BOLIVIAN GOVERNMENT AND THE BONDHOLDERS' COMMITTEE.

[TRANSLATION.]

On page 116 we stated that a representative of the Committee of Bondholders had been sent to Bolivia to obtain the governmental approval of the Convention made between them and the Bolivian Minister, Señor Quijarro. It appears that the Government refused to approve that celebrated document. The following contract, however, reaches us just in time to incorporate into this appendix:—

In the City of La Paz of Ayacucho, at 11.30, of March 15th, 1877, before me, the citizen Patricio Barrera, Notary of the Treasury, Interior and War, and undersigned witnesses, being present in the hall of the palace of the Government, on the one part, the General President of the Republic, Hilarion Daza, the Ministers Dr. Jorje Oblitas, of the Department of the Interior and Foreign Relations, Dr. José Manuel Carpio, of Justice, Faith and Public Instruction, Dr. Manuel Ignacio Salvatierra, of Finance and Industry, and General Casto Arguedas, of War, all residents of this capital, and married; and on the other part, Mr. Ricardo Reader Harris, authorized representative of the Committee of Bondholders of the Church Loan, a native and resident of the Kingdom of England, Engineer, bachelor, all of them of age and empowered for this deed, whom, from knowledge of them, I have faith and unanimously stated—that they have concluded a contract which is set forth in the following minutes:—

The President of the Republic and the Council of Ministers of Bolivia, desiring to put an end to all the questions and charges raised, and that may be raised relative to the loan of £1,700,000 sterling, and resultant responsibility which, by law of August 25th, 1871, was authorized by the Government and compromised Bolivia in virtue of the contract and authorization conceded to Colonel George E. Church to conclude said loan in the City of London, with the object of constructing a railway and establishing navigation upon the Madeira and Mamoré, united with Mr. Ricardo Reader Harris, the authorized representative of the Committee of Bondholders of said loan, according to the certificate which commences the project of convention which he has presented, have agreed to a new contract set forth in the following articles:—

ARTICLE 1. The Republic of Bolivia cedes and transfers to the above mentioned Bondholders all the rights and action which in virtue and in consequence of the said loan it has and can have, be it to dispose of the existing funds in deposit in the Bank of England in London, be it to demand the desembargo or to continue the retention, in case of necessity, of said funds, or be it finally to employ them, and the interest upon them to the use and purpose that the Republic itself could do.

ARTICLE 2. The Committee of Bondholders of the loan accepting this cession and transfer for themselves and for said Bondholders, assume all the responsibility and obligation of costs and legal expenses occasioned by reason of said loan, be it with respect to commissions, lawsuits, interests and costs which may have taken place in relation to and in consequence of the said loan, or for any other legal course.

ARTICLE 3. Moreover the said Committee, for itself and for all the bondholders, declares Bolivia and its Government free of all pledge, obligation and responsibility for principal and interest of said loan, it being for them to undertake to come to an understanding, exclusively by themselves and independent of all participation of Bolivia, with the said contractor, George E. Church, relative to any arrangement or reclamation on his part in regard to the loan and its emergencies.

ARTICLE 4. This contract will not be in any method invalidated by any arrangement or convention which, in the meantime, may have been concluded by Don Juan G. Meiggs, as representative of Bolivia.

ARTICLE 5. The present being ratified by the Committee of Bondholders in London, it shall be authenticated in due form, and there shall be sent to the Government of Bolivia a sworn or legalized copy, and thus the business of the Church Loan and all its consequences will be definitely terminated for this Republic.

Signed in La Paz, on the 14th day of March, 1877.

H. DAZA.

JORJE OBLITAS.

JOSE M. DEL CARPIO.

CASTO ARGUEDAS.

MANUEL I. SALVATIERRA.

RICARDO R. HARRIS.

In conformity with which, and in respective ratification of the foregoing minutes, the original of which remains archived in the collection of minutes under the number 425 ; after being signed by me, the notary, by the tenor of the present, and in the form which may of right be most proper they authorize ; that they oblige themselves to the punctual and exact compliance of the five articles inserted in said minutes. In testimony of which, they so stated, they authorized and signed before the witnesses, who at their election were the citizens.

Manuel Vargas, P. y Benjamin Martinez, citizens of this place, unmarried, lawyers by profession, and of age, before whom and the gentlemen signing it was read from beginning to end, whose sealing I recognise.

H. DAZA.

JORJE OBLITAS.

JOSE M. DEL CARPIO.

CASTO ARGUEDAS.

MANUEL I. SALVATIERRA.

RICARDO R. HARRIS.

Witness, MANUEL VARGAS, P.

Do. BENJAMIN MARTINEZ.

Before me,

PATRICIO BARRERA,

Notary of the Treasury,  
Interior and War.















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