

**Intraregional trade in South America, 1912-50:
The cases of Argentina, Bolivia, Brazil, Chile and Peru.**

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The aim of this paper is to analyze if the general context of world trade disruption, protectionist policies and industrial growth, which featured Latin American Economic History from 1912 to 1950, permitted to increase intraregional trade between South American countries. The paper proves that intraregional trade during the years of world wars and the Great Depression achieved some of the highest levels verified throughout the entire 20th century, but tended to lost ground after these episodes. It also proves that –with the exception of some Brazilian exports- most of intraregional trade presented the same features than global trade: a high concentration on few products of very low value-added. The paper suggests that beyond the rhetoric of regional integration and the signature of different trade agreements, these features persisted from the 1950s to the late 1980s. This finding certainly asks for an explanation in a time when intraregional trade is again at the forefront of the economic strategy of several South American countries.

Keywords: regional integration, international trade, Latin America, trade agreements, the World Wars, the Great Depression

JEL Codes: N46, N76, F15.

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Introduction: why to focus on intraregional trade in South America from 1912 to 1950?

During colonial times, Latin America participated in the “global economy” exchanging silver, gold or plantation crops for manufactures and capital goods –in the form of slaves (O’Rourke and Williamson 1999). At the aftermath of the Independence, whereas the traditional economic zones suffered long-lasting crises, the coastal zones of the Southern Cone took advantage of their geographic position and inserted dynamically into global trade through the exchange –particularly- of wheat or leather for cheap textiles made in Britain (Cárdenas, Ocampo, and Thorp 2000b; Findlay and O’Rourke 2008; Llorca-Jaña 2013). Since the mid-19th century and once political instability was overcome, the spread of industrialization, the transport’s revolution and a *temporal* improvement in trade terms, permitted the expansion of exports in most Latin American countries throughout the First Globalization (Ocampo and Parra-Lancourt 2010; Williamson 2008; Prados De La Escosura 2009).

Whereas the timing and the economic impact of this process was heterogeneous across the region (Bulmer-Thomas 2003; Prados De La Escosura 2009), all Latin American experiences shared some points in common. First of all, Latin American exports were highly concentrated on few products and few markets. For instance, the two first products exported from Bolivia, Brazil and Chile in 1913 accounted for at least 75% of their total exports (Bulmer-Thomas 2003, 58); these products were sent almost exclusively to Europe or the United States. Secondly, even in those cases such as Argentina or Peru where product concentration was less severe, a highly share of exports were compound by food or raw materials of low value added (Badia-Miró, Carreras-Marín, and Rayes 2012). Finally, given this concentration and the higher volatility of primary product’s prices (Blattman, Hwang, and Williamson 2007), Latin American exports were extremely sensitive to the evolution of global markets (Bértola and Williamson 2006).

During the IWW and the twenties Latin America continued the trade growth path of the First Globalization although its rate of growth was smaller. Exports increased during the war, but imports, mostly from European countries, gradually decreased. It was the disruption of world trade generated by the Great Depression which drove a considerable decrease on Latin American exports and, consequently, on economic growth (Bértola and Ocampo 2010).² Because of that, in Latin American Economic History the First Globalization is usually extended until the thirties break.

In this paper, we hypothesize that the import collapse of IWW may represent an opportunity for those economic sectors which had to compete with products that came from Europe and United States. Indeed, during the First Globalization, the most developed countries of Latin America

² Moreover, the decrease of the most important source of Government revenue –trade taxes- and the financial instability which followed the collapse of the gold standard, affected the balance of payments and the fiscal stability of Latin American Governments (Bulmer-Thomas 2003; Cortes Conde 2009).

performed an export-led industrialization (Haber 2006) which may be reinforced through an industrial protectionism at the eve of the 20th century (Coatsworth and Williamson 2004).³ Hence, at least for those countries where semi-manufactured and manufactured production was increasing, the Great War and world trade disruption may imply a rise in “natural protection” against the competence from the most industrialized economies.

After the war and the commodity crisis of the early 1920s, there was a tendency to recover the bases that drove the First Globalization in the region. In this context, Latin American countries tended to catch up its previous levels of raw materials exports and to recover its manufacture’s imports from the core economies. The Great Depression, however, stopped this process and started a new one in which protectionist policies increased alongside the implementation of several ISI (Imports Substitution Industrialization) policies (Bértola and Ocampo 2010, chap. 4; Williamson 2011). Therefore, beyond the aggregate negative effects of the crisis, as it has been several times stated (Cárdenas, Ocampo, and Thorp 2000a), this external shock represented a clear landmark for industrial growth and industrial protectionism in Latin America. Both processes were again reinforced because of world trade disruptions during the Second World War.

The aim of this paper is to analyze if this general context of trade disruption, protectionist policies and industrial growth, permitted to increase intraregional trade among South American countries. Indeed, previous research on the industrialization process of other world regions such as East Asia or Central America (Cohen 2006), have highlighted that, beyond the existence of general schemes of protection, intraregional trade has allowed to break several bottle-necks which restricted industrial production at a national scale. Therefore, given geographical proximity, the existence of some degree of economic complementarity and the signature of different trade agreements since the late 1930s (Albert 1988), this paper searches to prove if this was also the case in South America from 1912 to 1950, a period that, at least for the best of our knowledge, has not been previously analyzed from the point of view of trade regionalism.⁴

The paper focuses on the experiences of Argentina, Bolivia, Brazil, Chile and Peru, limiting the extension of the study to the South Cone⁵. The justification of the sample is two-fold: it includes

³ In the case of Mexico, for instance, this was reflected in a new tariff structure in which capital goods were less taxed than intermediate goods which in turn were less taxed than finished goods.

⁴ One exception is a report of ECLA in 1957. In relation to the plausibility and potentials of intraregional trade, the Economic Commission for Latin American and the Caribbean (ECLAC) mentioned: “The studies made by ECLAC have plainly shown on more than one occasion that the expansion of Latin America’s exports to the main consumer centers is a very favorable factor in the acceleration of economic development. On the other hand, since population is increasing more rapidly than the capacity to import, Latin America is compelled to maintain the policy of replacing imports by domestically-produced goods wherever possible. The promotion of inter-Latin-American trade, in addition to being compatible with measures for increasing exports and trade with other areas, might also assist the growth of both new and existing production, and improve the outcome and scope of the substitution policy” (ECLAC 1957, 9).

⁵ We have not included Uruguay and Paraguay, due to not enough trade data accuracy.

some of the most industrialized countries of Latin America as well as some of the most active participants in intraregional trade during the period of analysis.⁶ For this country sample we have two main goals: to measure the evolution of intraregional trade among them and to analyze its composition by products. The latter objective faces the question of whether intraregional trade had a different nature than trade with outside the region, which implicitly means a higher participation of manufactures. The main finding of the paper stresses that intraregional trade from 1912 to 1950 was increasing dramatically but it relied mostly on food and raw materials, with the exemption of very specific trade flows. As a consequence, the paper shows that intraregional trade during the years of world wars and the Great Depression achieved some of the highest levels verified throughout the entire 20th century, but tended to lost ground after these external shocks. The paper also proves that –with the exception of some Brazilian exports- most of intraregional trade presented the same features than global trade: a high concentration on few products of very low value-added.

These main findings suggest that, in contrast with other experiences, intraregional trade did not directly support industrialization in South America during the first half of the 20th century. That resembles similar results from other studies which remark that, beyond the rhetoric of regional integration and the signature of different trade agreements, this feature persisted from the 1950s to the late 1980s⁷. In a time when intraregional trade is again at the forefront of the economic strategy of most South American countries⁸, this finding certainly asks for an explanation which is beyond the scope of the present document.

The paper is organized as follows. Next section presents the data set, its sources, methodology and the results of our calculations for intraregional trade from 1912 to 1950. As far as we know, this is the first time that this data set has been showed, which is the main contribution of the study. In order to broad the perspective, second section links our results with the already available evidence for the period 1950-2006 using an international trade data set⁹. The following section measures the evolution of intraregional trade through bilateral trade intensity indexes. This analysis reinforces the ideas highlighted in the precedent section and it adds more information about the geographical pattern by country pairs. Later on, the paper analyses the composition of intraregional trade for some benchmarks. Last section summarizes the main conclusions.

Intraregional trade 1912-50: data and methodology

⁶ With the exception of Uruguay and Venezuela, our sample includes the main intraregional exporters - Venezuela and Peru- the main intraregional importers -Uruguay and Bolivia- and those countries which were critical for intraregional trade both as suppliers and purchasers -Argentina, Brazil and Chile (ECLAC 1957, 2). It must be noted that Uruguay has not been included in our sample because of the statistical uncertainty derived from the critical importance of transit trade in Montevideo.

⁷ (Bulmer-Thomas 2003; Devlin and Estevadeordal 2001).

⁸ (Devlin and French-Davis 1999; Devlin and Estevadeordal 2001; ECLAC 2011).

⁹ (Barbieri, Keshk, and Pollins 2009; Barbieri and Keshk 2012).

In the case of the less developed economies, foreign trade statistics before 1950 may be inaccurate, difficult to compare and available only with limited temporal coverage. In order to overcome these problems and to assure the use of homogenous data, Latin American Official Trade Statistics have frequently been reconstructed using foreign official sources from the main world exporters i.e. United States, United Kingdom and Germany.¹⁰ Since we are interested in intraregional trade, which are not covered by the main exporters' statistics, we discarded this methodology and bilateral trade data come from the original Official Foreign Trade Statistics of our sample countries, available at the University of Barcelona archive. Their reasonably reliability has been proved previously in (Carreras-Marín and Badia-Miró 2008).

Although we assume that Latin American statistics have reasonable levels of statistical accuracy, not all countries have the same level of reliability.¹¹ In this work we have prioritized Chilean official statistics since they report exports and imports in f.o.b prices and, as a consequence, we can use both sides of trade as useful information for this study. Thus, all bilateral flows in which Chile is considered have been reconstructed using Chilean information. In the rest of trade flows, we have used the source of the exporter (at f.o.b. prices). The exceptions to this guideline have been Peruvian exports to Bolivia -in which Bolivian sources were the only available information- and Brazilian exports since official statistics presented data in aggregate but not in bilateral terms for our country sample.

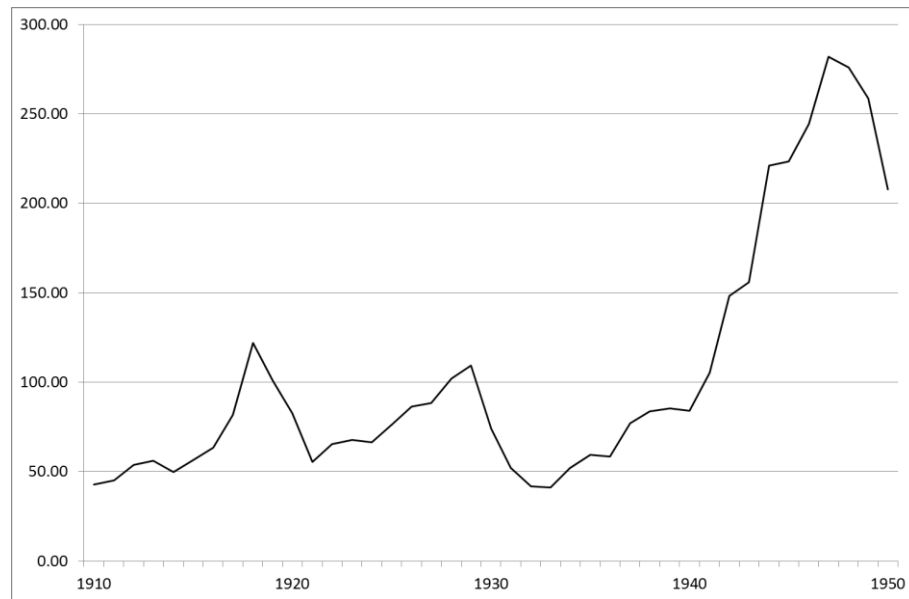
One of the main contributions of this paper lies on the quantification of intraregional trade among Argentina, Bolivia, Brazil, Chile, and Peru from 1912 to 1950. Original data was on local current currencies and it have been exclusively used to found the relative importance of each bilateral exchange over total trade –either imports or exports- in each single year. Thereafter, intraregional trade has been recalculated applying these shares to series of total trade in US current dollars available in (Barbieri, Keshk, and Pollins 2009; Barbieri and Keshk 2012).¹² Figure 1 shows the results of these initial proceedings in current prices.

Figure 1 - Intraregional trade 1912-50 (million US\$, current prices)

¹⁰ This has been done because of data scarcity but also because of data reliability. For instance, (Federico and Tena 1991; Tena 1991; Tena 1992) found a positive correlation between economic development and statistical reliability.

¹¹ For the sake of simplicity, these sources are not discussed in the present paper. Anyway, the accuracy of the statistics used in the present paper has been measured and discussed in a previous work which has been presented at CLADHE-II (Mexico, 2010). These exercises are available upon author's request. For a recent discussion in the case of Argentina see (Tena-Junguito and Willebald 2013).

¹² For Argentina we have considered: 1910-43: *Anuario del Comercio Exterior de la República Argentina, 1943* and retrospectively for the years 1910-1943. 1944-50: *Anuario estadístico de la República Argentina. Tomo II. Comercio. 1949-50*. For Bolivia: (Palenque 1933, 92–102) and *Memoria del Banco Central de Bolivia* (1951: 94-103). For Brasil: (IBGE 1990; IBGE 2013; Mitchell 2007). For Chile we have considered the statistical abstracts for each year. And lastly, for Peru, we have considered (Portocarrero, Beltrán, and Romero 1992).

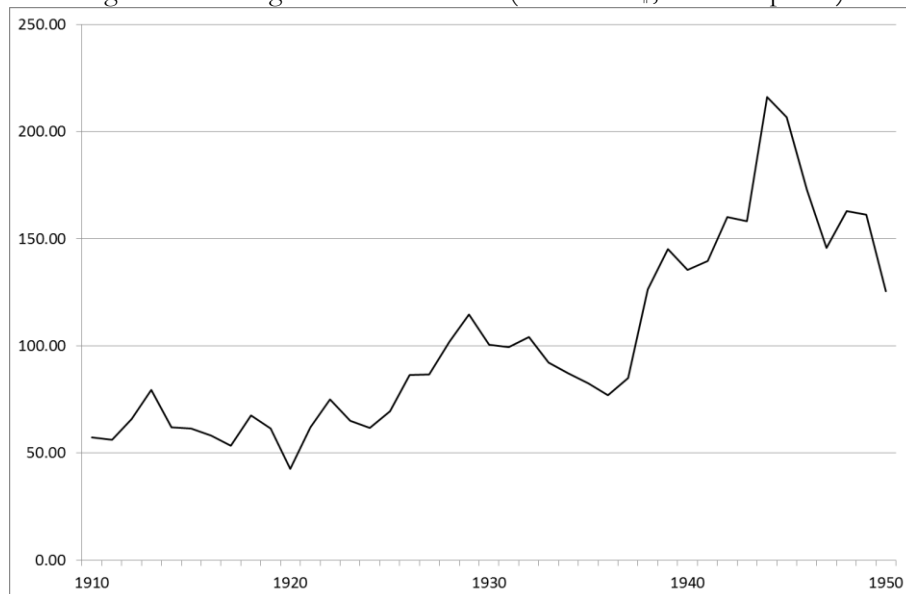


Source: Latin American Official Trade Statistics

Trends depicted in Figure 1 may be reflecting not only the evolution of intraregional trade but the sharp increase of prices during world wars as well as the fall of them during the Great Depression. In order to overcome this limitation, data has been converted in constant prices using the “Agricultural food commodities sub-index”, provided by (Grilli and Yang 1988; Pfaffenzeller, Newbold, and Rayner 2007).¹³ Figure 2 shows these new results at constant prices. As expected, the price deflator moderates the huge fluctuations of the previous data. The overall picture shows an increasing tendency of intraregional trade during the period. It starts with a slight increase before World War First (WWI), during the last years of the First Globalization. But regional trade was stagnated during WWI once we take into consideration the price increase of the war. It increased again during the 1920s. It fell down during the Great Depression. During the years of the Second World War, it increased again but it tended to be reduced once the international conflict finished. As it is so common in Latin American Economic History, intraregional trade was highly fluctuating due to the external shocks. According to our data it was during the twenties and the forties when intraregional increased, meanwhile WWI and the Great Depression had a negative effect on it.

¹³ Given the fact that a huge share of intraregional trade was compound by agricultural products, we have assumed that the “agricultural food commodities sub-index price index” fairly reflects the evolution intraregional trade prices. Even so, we have checked the reliability of our estimations deflating our original series through other alternatives: the US producer index provided by (MOXLAD 2011), the Grilli and Yang commodity price index provided by (Grilli and Yang 1988; Pfaffenzeller, Newbold, and Rayner 2007) and the raw materials price index provided by (Hanes 2006). Whereas these contrasts suggest some differences in terms of levels, the long-term trend is the same in each case.

Figure 2- Intraregional trade 1912-50 (million US\$, constant prices)



Source: Latin American Official Trade Statistics

Beyond these fluctuations, it stands out that intraregional imports and exports had a slight upward trend. This fact was already highlighted by ECLAC in 1957:

“Reciprocal trade between the Republics of Latin America, representing in itself about one-tenth of the region’s total world trade, has since pre-war days been showing a tendency to increase somewhat more rapidly than the latter. During the period of chaos into which the Second World War flung the classic trade relations between Latin America and the larger markets, inter-Latin-American trade revealed a remarkable capacity for expansion. The return of peace caused it to fall to lower levels, -although these were somewhat higher than before the war- but it seems clear that the progress made as a consequence of the conflict corresponded to intrinsic possibilities which, if realized in connexion with a suitable trade and payments structure, would lead to a permanent advance.” (ECLAC 1957, 9).

ECLAC encouraged the signature of trade agreements in order to consolidate this increase on intraregional trade. Indeed, it explicitly stated that:

“Any complementation of national economies which may be considered to be necessary, regardless of its scope, can be achieved only through trade policy measures or, in other words, by agreements which in the final issue are nothing more than commitments to allow or to promote the movement of certain goods and services under predetermined conditions.” (ECLAC 1957, 4).

These claims have to be understood in a new framework of trade policies since the thirties. Before the Great Depression, the main objective of Latin American trade policy was to protect its exports of primary goods and to assure the same treatment than similar products of different origin in global markets. Latin American countries signed bilateral trade agreements which explicitly included non-discriminatory treatment through the most-favored-nation clause. The most-favored-nation clause,

however, imposed a multilateral character to the agreements which opened free competition to imports. After the thirties crisis, Latin American governments started to use other foreign trade instruments such as multiple exchange rates or import quotas. Several bilateral trade agreements, which gave preferential treatment to other Latin American countries, were also signed among them. Given these antecedents, ECLAC supported the signature of special trade agreements among Latin American countries throughout the second half of the 20th century. But, as it is showed in the next section, these agreements, from the fifties onwards, did not promote an increase of intraregional trade.

Intraregional trade in the long run, 1912-2006

Once we have stated the increasing tendency of intraregional trade during the period 1912-50, we reconsider it in a broader context. We have linked our results with more recent data in order to have a long term view on the topic. Data for the period 1951-2006 come from (Barbieri, Keshk, and Pollins 2009; Barbieri and Keshk 2012). To compare the whole intraregional trade data, avoiding the problems of using different price deflators, we look at intraregional trade as percentages over total trade in Figure 3. At this point two different lines emerge, one showing the relative importance of intraregional trade over the sum of total exports for the five countries, and the other corresponding to the same over total imports. It can be seen here how the general trend of intraregional trade is more close to the export side, than to the import pattern, where it is found a different performance.

As imports from outside the region decreased during IWW, intraregional trade as shares over total trade increased. It has to be taken into consideration that the Southern Cone of America was a region with more imports from UK than USA in the first part of this period¹⁴, and as a consequence European shocks had more impact on their external trade. The recovering of British trade and other European partners during the twenties explains why intraregional trade loosed relative importance. The fall down of the thirties can also not been seen in figure 3 because the drop was even higher in trade with outside the region, compensating the decrease on intraregional trade. On the other side, the huge increase of WWII remains both in the absolute values as in relative terms to total trade.

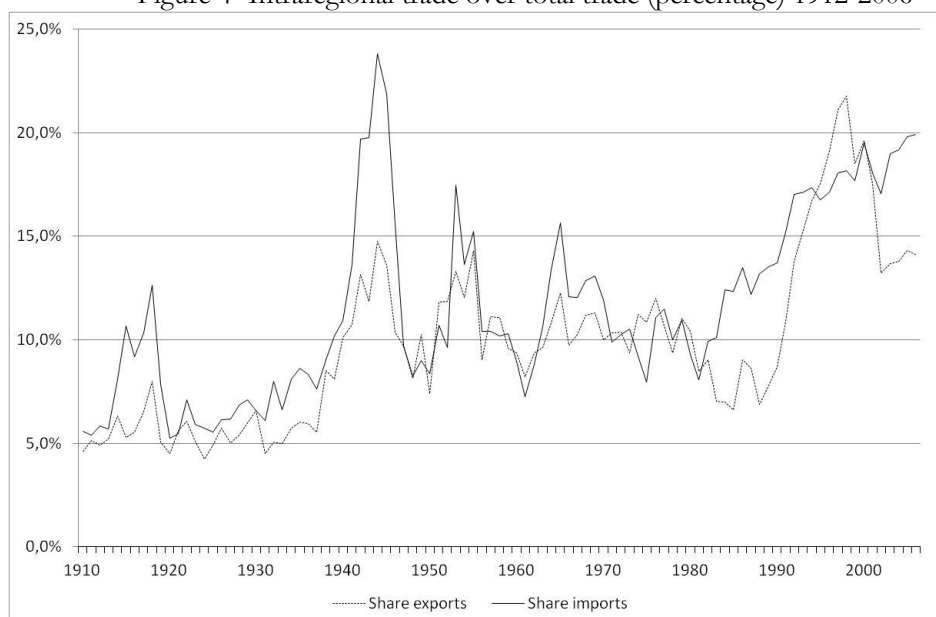
¹⁴ (Badia-Miró and Carreras-Marín 2012) have shown the impact of WWI on the geographical importation of Latin America, restating the traditional view of US replacement over UK as a consequence of the war. They show how the replacement took place well before the conflict in some countries of Central America and much later on in the case of the Southern Cone.

Figure 3- Intraregional trade over total trade (percentage) 1912-50



Source: Latin American Official Trade Statistics

Figure 4- Intraregional trade over total trade (percentage) 1912-2006



Sources: Latin American Official Trade Statistics for the period 1912-1950, for the period 1951-2006 data come from (Barbieri, Keshk, and Pollins 2009; Barbieri and Keshk 2012).

Figure 4 shows the history of intraregional trade until 2006, in relative terms over total trade. In the long run, intraregional trade can be divided into three main parts: 1912-50, 1950-90, and 1990-2006. In our first period, intraregional trade shows a clear increasing tendency following two big external shocks: the world wars. Intraregional trade during those years was of higher importance for imports, than for exports. That fits well with the collapse of imports from developed countries both during the wars and the 30s. During the wars, exports from Latin America had in fact increased as a response

to the increasing demand for raw materials in European countries. During the thirties the trade collapse was overwhelming, but trade has not decreased so much within Latin American countries. The relative positive evolution of intraregional trade during the general fall dawn of the Great Depression is also quite relevant. Finally, it was during WWII when this trade increased again. Relatively to total trade, it was in the forties when intraregional trade achieved its maximum records in the long run.

It seems that 1912-50 was as an extraordinary period to observe intraregional trade in the Southern Cone, due to the external trade disruptions. The exceptional collapse of imports coming from developed countries provoked a “natural import substitution” phenomenon quite before the Cepalian ISI policies.¹⁵ According to our data, intraregional trade was performing quite well in the middle of the turbulences. Afterwards, ECLAC’s promotion of intraregional trade was not performed, according to the evolution of regional trade in the following decades. From the 50s until the 80s the trend for intraregional trade, both for exports and imports, was one of stagnation or even a decrease. Only from the 90s onwards, it has again followed an increasing path.

Surprisingly, our data shows that recent figures do not exceed those of the Second World War regarding to imports, and they are only slightly above them regarding to exports. It seems that Latin American integration was first encouraged in 1912-50, due to the imports’ shortages from both USA and Europe. Recent literature on Latin American regionalism faces the so-called “New Regionalism” from the nineties with the “Old Regionalism” of the sixties¹⁶. Our point here consists on relating the 90s “New Regionalism” with the even older one, prior to the fifties. If “Old Regionalism” has also been named “Post-War Old Regionalism”, we can name ours “Pre-War Old Regionalism”, referring to the period before 1945. According to our findings, the decades of the “Post-War Old Regionalism”, far from being the starting point of intraregional trade integration, appear to be a stagnation period or even a decreasing one. The only exception to this general picture in Latin America was Central America, a region increasing its regional trade during those years. But for the Southern Cone, the “New Regionalism” seems to be more closely connected with the “Pre-War Old Regionalism” (1912-50) than with the “Post-War Old Regionalism” (1950-1990)¹⁷.

The main goal of “Post-War Old Regionalism” was to promote stated-led import substitution industrialization (ISI), in which intraregional trade was more devoted to produce trade diversion effects. Regardless of the successes or failures of such policies, one of its weaknesses has been the

¹⁵ The concept of Import Substitution Industrialization (ISI) was proposed by (Bulmer-Thomas 2003).

¹⁶ (Devlin and Estevadeordal 2001).

¹⁷ According to (Devlin and Estevadeordal 2001): “(...) the “old” regionalism was used as a means of extending the domestic import substitution industrialization (ISI) model to the regional level rather than enhancing trade among partners as such. The exception is the CACM (...) perhaps because some of the features of its 1960 intraregional liberalization scheme approximated the commitment structure of the New Regionalism.” Pag. 16.

small size of domestic markets. The primacy of national protection underlies the mechanisms of regional integration, highly complicated by complex arrangements for special and differential treatment for the lesser developed members. Things went even worst for intraregional integration due to the negative effect of authoritarian regimes, inefficient bureaucratic interventions, perceptions of asymmetric gains among partners, and economic and political instability¹⁸

If we compare the two growing periods 1912-50 and that from the 90s, the main difference arises regarding to the import side. Meanwhile prior to the end of WWII imports from outside the region have been experiencing dramatic falls, in the nineties they have been constantly growing. If we only focus on the export side, pre-Second World War levels were exceeded sooner. It seems that the nature underlying intraregional trade growth at the beginning, compare to the end of the period, was rather different.

“New Regionalism” from the nineties onwards is closely related to the economic shift of Latin American policies since mid-eighties of twentieth century. Its main goals were the opening to world markets and the promotion of private sector over state intervention. Following these objectives, it was supposed to produce more trade creation than trade diversion effects¹⁹. Liberalization, in the sense of a huge reduction in tariffs, has produced an external trade imbalance, due to imports from outside the region growing faster than exports. Meanwhile intraregional trade shows more balanced figures, exports being more equal to imports among Latin American countries. Moreover, the nature of intraregional trade shows a more diversified product mix, including a greater participation of differentiated high-value manufactures. The role of intraregional trade in the period of “New Regionalism” seems to be crucial for expanding specialization and scale economies through intraindustrial trade²⁰. We wonder if it was the same during the “Pre-War Old Regionalism”, as regional integration was also following an increasing tendency during 1912-50. We face this question in the last section through an approach to the composition of intraregional trade for some benchmark years.

The Geography of Intraregional trade in the long run (1912-90)

¹⁸ (Devlin and Estevadeordal 2001, 6:3,4).

¹⁹ (Devlin and French-Davis 1999) have analyzed the New Regionalism of Latin America stating what follows: “To sum up, intra-regional trade, because of its characteristics, associated with location and the diverse channels which facilitate such trade, complement the Latin American countries’ linkages with the global economy and provide a dynamic context of technological apprenticeship, leading to greater international competitiveness and a more diversified, balanced pattern of specialisation.”

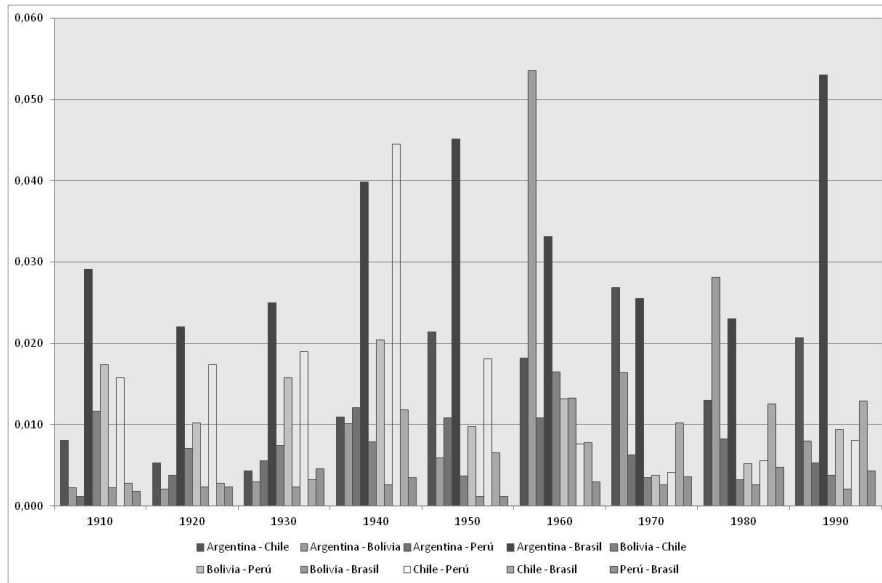
²⁰ (Devlin and Estevadeordal 2001, 6:8).

Calculations of bilateral trade intensity rates can be also used to analyze long-term intraregional commerce as an alternative measure for the one developed before. It allows us to introduce an additional dimension to the previous analysis in which geographical trade distribution is included. This kind of indexes are also useful to analyze the long run dynamics of regional trade, as they implicitly control for factors such as relative income, distance, or language among others. In this sense, bilateral trade indexes are an alternative to the traditional Gravity model²¹. Different formulas are suitable for these calculations. In the present paper, the following expression was used:

$$T_{i,j,\tau}^F = \ln \left(\frac{1}{T} \sum_t \frac{1 + f_{i,j,t}}{F_{i,t} + F_{j,t}} \right)$$

where bilateral trade intensity between country i and country j is calculated as a ten-year average ($T = 10$ years), f is the trade flow among the countries (exports plus imports in USA dollars) and F represents the total trade for each country. (Calderón, Chong, and Stein 2007) have used this index for the period 1960-90, and we replicate their work to the previous period in order to compare our results. The general tendencies seem to be the same as in our previous analysis, although we can identify more diverse country pair cases (Figure 5).

Figure 5. Trade intensity rates: a comparison of 1910-50/ 1960-90 (ten-year averages)



Sources: Latin American Official Trade Statistics for 1910-50. (Calderón, Chong, and Stein 2007)
for the period 1960-90.

²¹ (Devlin and Estevadeordal 2001, 6:17).

Country heterogeneity is one of the constant features in Latin American economic history. Figure 5 shows how it is also the case for intraregional trade. It is worth to emphasize the main bilateral trade flows in each time period. In the long run the core of intraregional trade in the South Cone of Latin America has always been trade between Argentina and Brazil. Preferential trade agreements have been underlying this bilateral close connection. During Second World War, they signed a regional economic cooperation plan (the *Pinedo Plan*). Although it was not fully implemented, it did lead to a significant reduction in bilateral custom duty prices. It reveals the importance of preferential trade agreements between these two countries long before the regional trade integration efforts of the 1960s, with the creation of MERCOSUR. However, trade between Argentina and Brazil was higher even before the *Pinedo Plan*.

In 1913, Argentinean exportation to Brazil was 5% of total exports of Argentina; in 1914, it was 7%; in 1919, 4%; in 1931, 3%; in 1938, 9% and in 1940, 7%. Percentages were higher over Brazilian total exports. In 1913, Argentina meant for Brazil 5%; in 1918 it was 15%; in 1930, 7%; in 1944, 17%; in 1945, 15% and in 1950, 3%. On the other side, importation from Brazil meant for Argentina 3% in 1913; 9% in 1918; 3.5% in 1930; 36% in 1944 and 10% in 1950. Moreover importation from Argentina meant for Brazil 8% in 1913; 13% in 1918; 20% in 1932 and 5% in 1945.

Trade between Peru and Chile was a bigger surprise, particularly as intensity trade ratios decreased considerably in the post-1950s period. Trade between Argentina and Brazil has been one of the main features of regional integration since the nineties. In contrast, the high Peruvian-Chilean trade of the first period was specific to that time, being composed mainly by Peruvian sugar exports to its neighbor country. Peru meant less than 1% of Chilean exports in 1912; 5% in 1919; 1.6% in 1934 and 2% in 1946.

Chilean exports were highly oriented to markets outside the region. At the beginning it was mainly the British market, but at the end of the period US managed to overcome the first country²². In 1913, 39% of Chilean exports went to UK meanwhile 21% went to US. In 1918, UK lowered its share to 24% and US increased it to 64%. British market recovered its importance in the twenties in a more balanced way, with 36% in 1927 in front of 32% of the US. Second World War clearly shifted the balance in favor of US. In 1945 UK meant 2% and US 55%. Chile was more important over Peruvian exportation. It meant 5% in 1912; 10% in 1915; 8% in 1931; 27% in 1942; 19% in 1945 and 36% in 1949. Regarding to percentages for the import side, Peru meant 2% over total importation of Chile in 1913; 12% in 1915; 4.5% in 1920; 10% in 1932; 16% in 1942; 13% in 1945 and 18.5% in 1949. On

²² (Badia-Miró and Carreras-Marín 2012) study in more detail the impact of First World War over the market shares of UK and US in Latin America. Their main finding stresses that US had already overcome UK in some countries of Central America from the 1890s, meanwhile the Southern Cone remained under the British dominium even after the war.

the other way round, Chile represented 4% of Peruvian imports in 1913; 14% in 1918; 4% in 1933 and in 1945. The importance of Chile into the Peruvian importation was quite concentrated in WWI.

Bolivian-Peruvian bilateral trade was also of some importance in the first period; meanwhile it has decreased a lot after WWII. Exportation from Bolivia to Peru was quite minor over Bolivian total export, less than 1% in general (the maximum record was 1.5% in 1914). During the whole period, similar to the Chilean case, Bolivian exports were heavily concentrated on markets outside the region. In 1913, 81% of them went to UK. During the wars, the British share has been gradually been replaced by US. For example in 1919, 49% of Bolivian exports went to UK and 41% went to US. In 1928, UK recovered to 83% and US remained at 6%. In 1934, UK was even higher with a 94% and US had 4%. In 1945, UK decreased to 34% and US went up to 62%. Clearly regional trade had no role on Bolivian exports, which were highly devoted to outside markets.

For Peruvian exportation, Bolivia played a more important role. It meant 3% of total Peruvian exports in 1912; 2% in 1919; 4% in 1939 and 7% in 1945. Even in this case, the figures are far from the ones between Brazil and Argentina or Chile and Peru. On the import side, Peruvian importation from Bolivia was minimal (its maximum was 2% in 1914, but it was less than 1% in most of the years). It was higher the other way round. Peru meant 4.5% over Bolivian imports in 1912; 14% in 1918; 4% in 1933 and in 1945.

Bilateral trade intensity ratios allow us to analyze the long-term development of intraregional trade with more geographical detail. Anyway, the two calculations point to the same direction in its general picture: an increasing path from 1912 until 1950, followed by a decrease until 1980s, and an increasing tendency thereafter. As we have seen in the previous section, our data add a new early phase to the long term history of Latin American intraregional trade. This new “older stage” seems to be more linked with the recent “New Regionalism” than with the “Post-War Old Regionalism”, at least in its increasing performance.

Related to the geographical composition of the first period, it is remarkable that it was driven by trade between Argentina and Brazil, as it has also happened from the nineties. But regarding to the rest of country pairs, we do not find so many similarities between both periods. As it has been pointed out before, one of the main features of intraregional trade today is its higher content of manufactures and semi-manufactured goods. In next section we approach this question through an analysis of the product composition of the most relevant country pair cases for some benchmarks around WWII.

Product composition of intraregional trade until the 50s:

was intraregional trade more diversified than trade with developed countries?

Measuring intraregional trade among Argentina, Bolivia, Brazil, Chile and Peru has shown its increasing tendency through 1912-50 and at the same time its relevance regarding to its long run history until the nineties. But it diminishes its importance when we compare our figures with what was going on in other world regions. Table 1 shows the share of intraregional trade for a sample of European, Latin American, Asian and African countries. European figures are the highest even not including UK trade. In a second level, Asian trade integration was also achieving important shares; meanwhile Latin American figures were quite below. Both European and Asian trade integration has been mainly driven by intraindustrial trade relationships. As Latin American figures are quite below these regions, we wonder if it is perhaps due to a different nature of its regional trade integration by products.

Table 1: Regional trade integration 1928-1952 (Percentages of intraregional trade over total trade)

Regions	Exports 1928	Exports 1938	Exports 1952	Imports 1928	Imports 1938	Imports 1938
Continental Europe ¹	47%	46.2%	48.3%	40.2%	39.9%	42.1%
Latin America ²	9.6%	14.4%	19.5%	12.3%	16.8%	20.4%
Asia ³	23,7%	24.3%	31.5%	30.9%	30.8%	25.2%
Africa ⁴	13.6%	8.9%	12.3%	6.7%	6.0%	9.7%

1. Austria, Belgium, Denmark, France, Western Germany, Netherlands, Norway, Sweden, Switzerland, Greece, Italy, Portugal, Spain, Turkey, Finland, Yugoslavia, Iceland and Ireland
2. Argentina, Mexico, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Jamaica, Netherlands Antilles, Trinidad and Tobago, Bolivia, Brazil, Chili, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela, British Guiana.
3. Burma, Ceylon, Hong-Kong, India, Indo-China, Indonesia, Malaya and Singapore, Pakistan, Philippines, Thailand, South Korea, China, Taiwan
4. Union of South Africa, Southwest Africa, Algeria, Angola, Belgian Congo, Uganda, Morocco, Tanganika, French West Africa, Ghana, French Cameroons, Kenya, Madagascar, Mozambique, Nigeria, French Equatorial Africa, Northern Rhodesia, Southern Rhodesia, Tunisia, Mauritius, Sierra Leone.

Source: (Thorbecke 1960).

The net balance of intraregional trade is not clear according to the international trade literature. Regional integration producing trade diversion effects is supposed to be harmful for international trade meanwhile that with trade creation effects is potentially a growth economic driver. The latter seems to fit better for the experiences from the nineties in Latin America and for the European and Asian cases in our period, meanwhile the first case seems to be that of the ISI years²³. One of the potential growth effects of regional integration, particularly suited to Latin America, is related to the promotion of product differentiated trade²⁴. We try to approach this question through an analysis of the product composition of bilateral intraregional trade in the forties.

²³ (Devlin and Estevadeordal 2001).

²⁴ (Devlin and French-Davis 1999) analyse the nature of trade integration in LA from the nineties emphasizing that *in face of economies of scale, what otherwise would be a costly trade diversion can eventually become a cost-reducing and welfare-enhancing effect*. Pg. 275.

High concentration on few low-value goods has been one of the main features for Latin American trade. According to the literature, the term of concentration/diversification in the region refers not only to the absolute number of products included into the exportation, but also to the inclusion of some manufactures into it, in contrast with the export of a very few raw materials to the developed countries. As a consequence, the topic of industrialization in the region emerges as a key issue. (Bulmer-Thomas 2003) stated that in the Second World War, these countries, together with Colombia and Mexico, had a modern industrial base that could lead to an import substitution process for manufactured goods. It has also been suggested that Peru had a relatively mature industrial base, and as a consequence higher diversified trade.

The begging of industrialization before the ISI in South America is still an open debate.²⁵ (Bértola and Ocampo 2010; Palma 1979; Williamson 2011). But for our hypothesis, we only need some industrial capacity to exist in these countries or at least in some of them, regardless of it was or not a first stage of industrialization. For our purposes we can rely on (Bulmer-Thomas 2003) data (see table 1). We can observe in Table 2, that Argentina had the higher share of industry over GDP. Brazil and Chile were not far from the Argentinean figures. Peru was quite below, although there was a potential industry also in this country.

Table 2- Share of industrial GDP in South America, c. 1930

Country	Year	Share of GDP
Argentina	1928	19.5
Brazil	1928	12.5
Chile	1929	12.6
Peru	1933	7.7

Source: (Bulmer-Thomas 2003, 180–188).

(Bulmer-Thomas 2003) does not include data for Bolivia, which industry can be considered almost non-existent during this period. Bolivia is the only case in which exports of manufactures to its neighbors are not plausible, and its role on intraregional trade is expected to be only as an importer. At the same time, Bolivia is an interesting case. We can suppose that for this country it should be better to import manufactures from Peru or Chile, instead of from USA or Europe, considering that potentially lower productivity could be overcome by lower transport costs, at least during the exceptional period of the wars and the Great Depression. We analyze the composition of intraregional trade, looking for a higher role of manufactures.

Before WWII, Bolivia was the least diversified exporter over total trade, as tin exports made up 70% of its total exports. Argentinean and Brazilian exports were more diversified. Argentina sold wool, wheat, meat, linen seeds and leather. Brazil exported agricultural products (sugar, cacao, coffee,

²⁵ (Bértola and Ocampo 2010; Williamson 2011) for the whole region. (Palma 1979; Muñoz Gomá 1968) for Chile. (Rocchi 2005) for Argentina and (Thorp and Londoño 1988) for Peru.

cotton and rubber) and mineral products (iron). Peru had the most diversified export sector, selling different mining and agricultural products (cotton, sugar, wool, copper, rubber, lead, oil and derivatives, zinc and silver).

Chilean total exports were highly concentrated on mining, mainly of copper and nitrates. But Chilean intraregional exports show a diversification trend (see Table 3). However, this diversification was not a new trade pattern in which industrial products had more weight, as it is shown in the trade composition for 1944. The main exports were: gold coins, iron and copper to Argentina; copper, saltpeter and malt to Brazil; rice, malt and explosives to Bolivia; rice, saltpeter and malt to Peru. Therefore, as in the case of total exports, Chilean intraregional exports were mainly composed of primary products from mining and agriculture. In this context, the absence of any manufactured product questions the possibility of a new trade pattern, although product diversification, as the number of products being exported, was definitely greater in the case of intraregional trade.

Table 3. Concentration of Chilean intraregional exports, with the first three products as a percentage of total flow

Destination	1915	1925	1935	1944	1949
Argentina	64.55	41.96	32.88	34.96	36.68
Brazil	92.62*	97.56	64.75	41.65	55.49
Peru	60.21	65.63	23.39	54.22	59.97
Bolivia	46.12	73.71	54.48	55.27	69.29

* Only two products: walnut and raisins

Sources: Chilean Official Trade Statistics

Chilean intraregional imports remained at more or less the same concentration level throughout the period (see Table 4). However, there were some changes in its product composition. In 1944, imports from Argentina were mainly cows, sunflowers seeds and one manufacture: wool cloths. The most important imports from Peru were sugar, oil and raw cotton. In the case of Bolivia, imports were minimal and mainly traditional minerals (tin and silver). However, imports from Brazil were more complex and included cotton cloth. The inclusion of sugar, oil, raw cotton, cotton and wool cloth could be indicative of a new trade pattern that was more dependent on manufactures. Finally, the Chilean imports of cotton and wool cloth are an indicator of the growth of Argentinean and Brazilian textile industry.

Table 4. The concentration of Chilean intraregional imports, with the first three products as a percentage of total flow

Origin	1915	1925	1935	1944	1949
Argentina	63.65	52.32	47.46	41.32	74.08
Brazil	99.27	97.09	98.39	65.45	76.26
Peru	79.61	87.13	78.71	76.10	73.98
Bolivia	67.91	62.13	68.60	65.86	79.69

Sources: Chilean Official Trade Statistics

The study of Peruvian and Chilean bilateral trade is critical, given their regional relevance in the period. We analyze the product composition for these two countries in more depth in Table 5. This analysis confirms Chilean specialization in mining and agricultural products. It also reveals the continuing importance of sugar exports from Peru to Chile. However, it also shows a new key input for industries and modernization: oil.

Table 5. Chilean and Peruvian bilateral trade composition, 1915 and 1944

Exports from	1915	1944
Chile to Peru	Saltpeter (42.37%) Barley (9.47%) Raisins (8.37%) Olives (4.33%) Horses (3.81%) Quillay (2.64%) Sheep (2.18%)	Rice (24.25%) Saltpeter (16.25%) Barley (13.71%) Crockery (5.20%) Raulí wood (4.96%) Pine wood (2.96%) Linghe wood (2.44%) Apples (2.20%) Oak wood (2.07%)
Peru to Chile	Sugar (50.37%) Raw oil (16.88%) Cows (12.37%) Rice (4.60%) Cotton seeds (3.23%) White sugar (3.12%)	Sugar (44.86%) Raw oil (16.40%) Cotton (14.84%) Benzene (10.7%) Diesel (3.27%) Fuel oil (2.61%)

Sources: Chilean Official Trade Statistics

Although its small scale in trade, the relevance of intraregional imports for Bolivia is also an interesting case study (see table 6). Bolivian imports from Brazil were the most diversified, but only made up a very small percentage of total trade with Bolivia (3.5% in 1917; 1% in 1927; 0.7% in 1931; 9% in 1945; 2% in 1950). During WWII, Brazil exported some manufactures (wool cloth, rubber tires and sugar) to Bolivia. In contrast, the relative importance of Peruvian imports was considerable (13.5% of total Bolivian imports in 1917; 5% in 1927; 12% in 1931; 19% in 1945; 11% in 1950), but their concentration level was constantly high. This reflects the importance of sugar imports from Peru. However, it also shows the decline of Bolivia's own sugar industry, which started in 1900 and lasted until the 1960s.

Table 5. The concentration of Bolivian intraregional imports, with the first three products as a percentage of total flow

Imports from	1917	1927	1931	1945	1950
Argentina	60.61	38.07	35.99	32.25	47.38
Brazil	19.87	28.67	n.d.	38.53	24.75
Peru	76.52*	67.63	71.37	69.18	77.22*

*Only one product: sugar

Sources: Bolivian Trade Official Statistics

The Bolivian sugar industry's decline was part of a broader process of long-term agricultural stagnation. This process can be verified by looking at Bolivian imports from Argentina. These represented: 6% of Bolivian trade in 1917; 8% in 1927; 11% in 1931; 25% in 1945 and 18% in 1950. They were composed almost exclusively of agricultural products (cows, sheep, wool and wheat) or foodstuffs (wheat flour). In this context, the relevance of Bolivian intraregional trade does not show a new trade pattern. In fact, it is probably a better indicator of the Bolivian economy's limitations. Specifically, it indicates some kind of Dutch Disease in terms of agricultural production, i.e. the use of tin profits to buy foodstuffs in foreign markets.

Argentinean-Brazilian bilateral flow was the biggest intraregional flow, with a very interesting composition. Brazilian exports to Argentina were more diversified; both from the point of view of the number of products included as from the higher participation of more manufactures (see Table 7).

Table 7. Exports composition from Brazil to Argentina, 1942-50 (%)

	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950
Food	38.74	20.73	25.83	22.98	21.19	28.63	27.42	31.01	31.00	52.55
Cloth and its manufactures	20.96	46.81	30.91	42.43	38.70	23.52	28.88	15.61	9.57	22.06
Wood and its manufactures	13.37	22.26	27.07	24.31	21.47	33.09	33.81	36.52	41.25	20.18
Tobacco and its manufactures	9.08	1.59	2.49	1.97	2.88	4.75	3.03	4.11	5.07	2.09
Rubber and its manufactures	8.26	0.94	1.93	1.26	2.18	2.76	0.55	0.43	0.13	0.01
Iron and its manufactures	4.44	1.75	6.42	2.64	7.32	1.69	2.18	8.68	9.07	0.88
Miscellaneous	1.65	1.43	1.20	1.19	1.65	1.91	1.25	1.09	1.01	0.30
Chemicals and pharmaceuticals	1.24	1.99	1.68	1.61	1.83	1.49	1.12	1.01	0.84	0.54
Oil	1.10	0.68	1.17	0.22	0.00	0.00	0.00	0.00	0.00	0.00
Stones and pottery	0.60	0.95	0.77	0.60	0.54	0.94	0.39	0.20	0.47	0.19
Metals, without iron	0.30	0.32	0.13	0.35	1.05	0.10	0.23	0.59	0.71	0.55
Machinery and vehicles	0.22	0.34	0.37	0.29	0.89	0.83	1.05	0.70	0.89	0.63
Paper and cardboard	0.04	0.19	0.03	0.16	0.30	0.27	0.08	0.03	0.00	0.00
Drinks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00

Sources: Argentinean Official Trade Statistics

If we look at Argentinean exports to Brazil, we can also identify some manufactured exports (see Table 8). However, in contrast with the Brazilian case, they were not maintained throughout the decade. Hence, in general terms, agricultural exports were still by far the most important export of Argentina.

Table 7. Composition of exports from Argentina to Brazil, 1942-50 (%)

	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950
Agriculture	84.45	78.83	70.14	70.27	79.38	57.34	89.80	93.17	93.77	83.65
Manufactures	12.88	15.52	12.77	10.47	10.03	31.18	5.97	3.27	2.60	11.39
Livestock	2.04	4.89	10.84	16.67	8.59	8.17	3.25	3.01	3.35	4.54
Mining	0.47	0.47	3.47	1.91	0.72	0.70	0.12	0.12	0.06	0.16
Forest	0.14	0.11	1.34	0.25	0.88	1.31	0.46	0.12	0.04	0.07
Hunting and fishing	0.03	0.18	1.45	0.43	0.41	1.30	0.40	0.31	0.18	0.17

Sources: Argentinean Official Trade Statistics

The previous analysis shows that although intraregional trade achieved higher diversification levels, regarding to the number of products being exported, than trade with developed countries, its nature was not so different, with the only exception of Brazil. Food was one of the main commodities into intraregional trade in the 50s, and it was close linked to the domestic markets. Anyway according to (ECLAC 1957) growth tendencies were changing in favor of manufactures:

“the principal motive of inter-Latin-American trade relations is to satisfy food requirements, since the movement of goods for this purpose –especially wheat, coffee, fresh fruit, sugar, cattle and meat, oil and fats- represents rather more than half the total value of intra-regional trade. Although this share is high, a comparison with earlier figures clearly indicates that it is tending to decrease, since in pre-war days it accounted for about 60 per cent of the aggregate.” (ECLAC 1957, 3).

In 1945, according to ECLACs data, 43% of Brazilian exports sent to Argentina were manufactured products. While bilateral intraregional trade subsequently decreased, a large proportion of it remained composed by manufactured products (26.7% in 1965; 41.7% in 1970 and 45.2% in 1975). Raw materials were also part of intraregional trade in the 50s, although its tendency was increasing. Before WWII they represented hardly one-tenth of intra-Latin-American trade, meanwhile in the 50s they amounted to almost a fifth. But its performance was due to three main goods: cotton, timber and copper, and their amounts were clearly smaller than that imported of other parts of the world. Similar to the importance of the traffic on raw materials, it was trade in liquid fuels. Its value in the 50s almost equaled to that of wheat, accounting for about one-fifth of intra-Latin-American trade. Again regional imports of petroleum products were a mere 37% of total imports, and they presented additional problems regarding to the quality of crude oil (ECLAC 1957).

According to the exhaustive analysis of ECLAC for the whole Latin American region, we can state that intraregional trade was of a different nature than trade with developed countries. It was also more diversified, in terms of the number of products being exported, but food was the main item being traded among them. No significant amounts of manufactured goods have been traded, with the only exception of some Brazilian textiles. It seems that import substitution in this period was more focused on the internal market than on a regional perspective, as it happened in the “Post-war Old Regionalism”. In spite of it more research has to be done in that direction to be able to explain the role of this factor to intraregional trade evolution.

Conclusions

(CEPAL 2010) points out that low intraregional trade in Latin America has been one of the main obstacles to the development of the region, as it could increase the added value of South American exports. In contrast with that, nowadays Latin American exports to Asian markets are once again mainly composed by primary goods, similar to what happened during the first globalization with Europe and USA. Our paper makes one important contribution to this issue through the quantification of intraregional trade among Argentina, Brazil, Bolivia, Chile and Peru in an early period (1912-50). Adding our data to a larger trade data set we can give a long term view on the topic of regionalism in Latin America, 1912-2006. These new early data allow us to include a previous stage of “Pre-War Old Regionalism”, as an important precedent to understand the “Old Post-War Regionalism” and the recent “New Regionalism”. The growing path of our data seems to fit better with the increasing tendency from the nineties, meanwhile its nature looks more like the failure experiences of import substitution after WWII.

Although intraregional trade has been persistently low in the whole period, we have identified three distinct trends: a first growth from IWW to IIWW, a decreasing period until the 1980s and another increasing tendency from the 80s onwards. The main novelty of this finding relies on the first period, which seems to have been as an extraordinary opportunity to import substitution, once the USA and Europe were collapsed. On the other hand, regional trade increase had also implied an improvement on diversification, both geographically as by products, related to trade with outside the region.

This apparent opportunity to change the region's trade composition and diversify the growth model seems to be only a mirage that is broken by a detailed analysis of the nature of such intraregional trade. The only exception is the Brazilian textile industry. For all the other countries, tradable products were strongly dependent on natural resources, being mainly food. The limited capacity of South American countries to increase the weight of manufacturing in its export structure seems to have continued over time. A regional growth strategy has not been followed, and the potential of an extraordinary period of “natural protection” had remained only in the domestic scale.

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