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The great depression in Argentina, Brazil and Uruguay: revisiting vulnerabilities and policies

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IV. Argentina, Brazil and Uruguay in perspective

Before addressing the experience of these countries during the Great Depression, we find useful to give a general picture of the worldwide significance of the three countries during the late twenties in terms of economy, population, trade and investments, among other basic indicators. However, in the second and third section we choose not to remain confined to the times of the Great Depression. The reader probably has a general knowledge of these countries today, and a perception of their relative vulnerabilities and international standing. However, eighty years ago the situation was different and the reader might not be completely aware of how different these countries were then. The general description of the Financial Crisis of 2008 and its comparison with the Great Depression at the end of the previous chapter helps us to better understand how different was the impact of the last major crisis in the world and to infer why the contraction was so severe during the thirties. Further, recalling our methodological explanations in Section iii of our Introduction, we incorporate in the analysis the Herfindahl-Hirschmann index (HHI) to test the trade vulnerability of ABU in terms of their patterns of market and commodity dependence, then and now.

i. Argentina, Brazil and Uruguay in the world of the thirties

Table 5 is illustrative of some key indicators that depict the relative standing of the region of analysis. Brazil, with 8.5 million square kilometres and 32.2 million inhabitants by that time, and Argentina with 2.8 million square kilometres and 11.3 million inhabitants¹⁸⁷, were both major players in the Latin American context. In absolute terms, Argentina with around one-third of the Brazilian population had a GDP roughly 30% higher. In the middle, although Uruguay was fifteen times and forty-five times smaller than Argentina and Brazil, respectively, it was ranked high in terms of wealth with a per capita GDP similar to Argentina. But in spite of its natural resources and extensive territory, Brazil was clearly lagging in terms of per capita GDP, which was almost four times below the level of Argentina and Uruguay and around half the average of eight relevant Latin American economies for which data are available from Maddison (2010). The outstanding conclusion from this table is that even though the three countries accounted for around 55% of the population and the GDP of the eight most important economies in Latin America, the ABU share of the regional foreign trade was relatively more

¹⁸⁷ The figures for area were taken from the League of Nations (1929, p. 20) and the figures of population from Maddison (2010).

important. Indeed, the three countries explained around 64% of regional exports and around 69% of imports. Noticeably, the Argentine and Uruguayan share in world trade significantly exceeded their share in world population and GDP, a measure that illustrates the importance of foreign trade for those economies. Nevertheless, ABU represented no more than 2.5% of the world population and 3.1% of the global GDP and were far away from the major world economic centres. In other words, they remained in the semi-periphery of the global markets, and in general they did not retain economic or military power to influence global real politics.

Table 5 ABU: Basic indicators for 1928

	Population		GDP		Per capita GDP (1990 Geary-Khamis dollars)	Exports		Imports	
	Thousands inhabitants	World share	Million 1990 Geary-Khamis dollars	World share		Exports in current dollars	World share	Imports in current dollars	World share
Argentina	11,282	0.6%	48,414	1.6%	4,291	1,017	3.1%	807	2.3%
Brazil	32,234	1.8%	37,333	1.2%	1,158	474	1.4%	441	1.3%
Uruguay	1,646	0.1%	6,429	0.2%	3,906	103	0.3%	97	0.3%
Total ABU	45,162	2.5%	92,176	3.1%	2,041	1,594	4.9%	1,345	3.9%
Total 8 Latin American countries	82,072	4.6%	167,344	5.6%	2,039	2,491	7.6%	1,952	5.6%
Total World	1,789,523		2,988,975		n/a	32,728		34,652	

Sources: population, GDP and per capita GDP calculated from Maddison (2010). Import and Export data calculated from League of Nations Yearbook 1929.

Notes: a) countries included in Latin American region are: Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela. b) Total world average does not include West Asian countries except Turkey and African countries. c) Figures of Maddison and League of Nations are not comparable due to the different currency used for the measures.

The aforementioned characteristics find their explanation in the regional privileged geographical position that allowed for a strong production of foodstuffs and the interconnectedness with the main markets in the Northern Hemisphere. With the key ports of Buenos Aires, Montevideo and Santos linking the region to the main markets in Europe and the US, ABU profited from their favourable natural endowment, their extensive natural pastures and favourable climatic conditions that assured important comparative advantages. Also the influx of European immigration contributed to the expansion of the population in major cities, and provided labour for those expanding economies. The Argentine example can be highlighted among the three. With high standards of culture thanks to its mostly European descendant population, Argentina shared the leadership worldwide in many regards with countries such as Australia, Canada and the US. Meanwhile, Uruguay was known for its advanced welfare State that enacted advanced policies in education, health assistance, housing construction and social security. By contrast, their gigantic neighbour, Brazil, was referred to by historians as a relatively underdeveloped and mostly semi-agrarian country. Nevertheless, one of the country's major achievements was its ability to consolidate its extensive borders, under the wise and consistent guidance of the Brazilian diplomatic service, also known as the '*Itamaraty*' diplomacy.

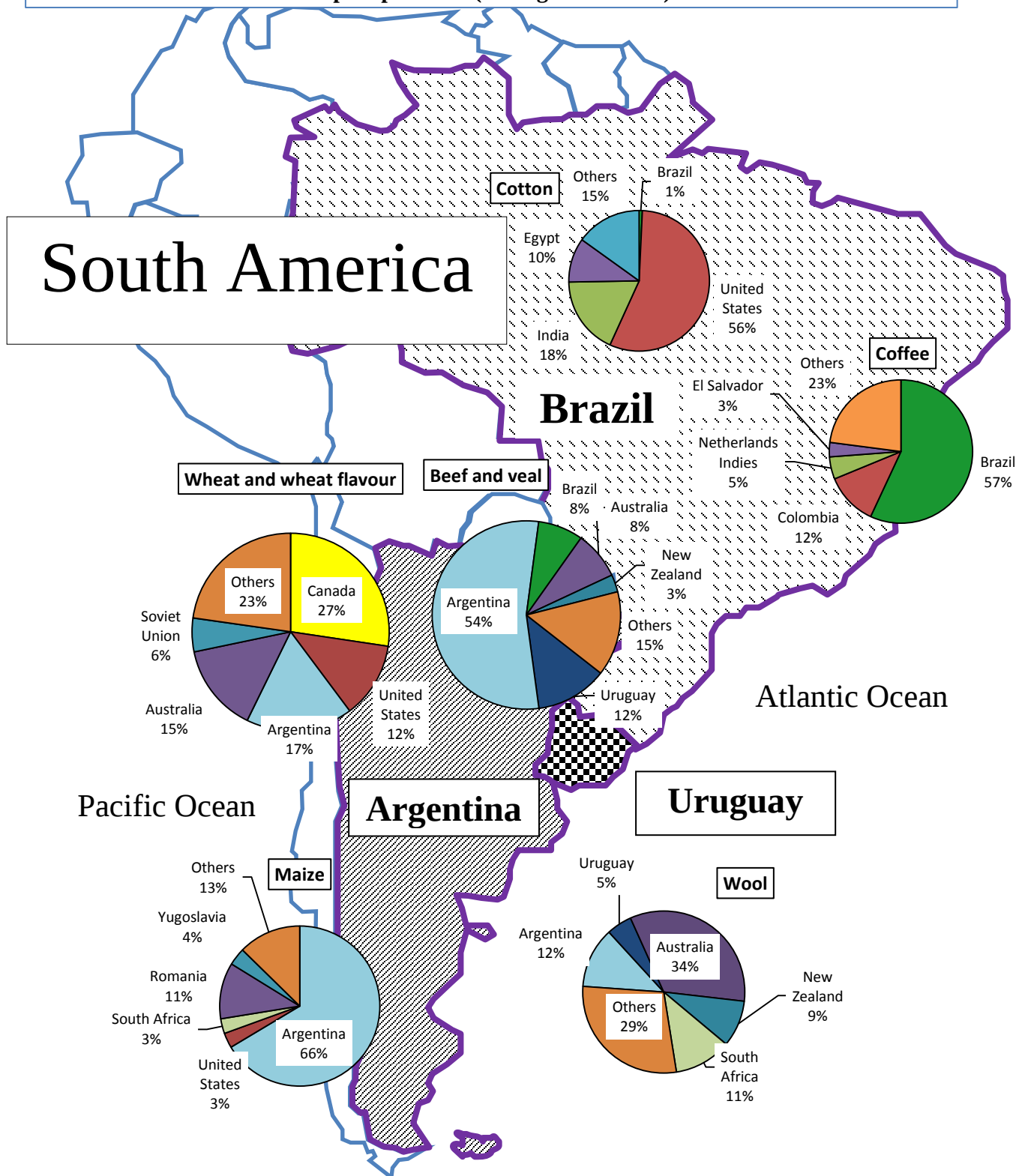
For these countries the regional economic expansion at the beginning of the twentieth century was founded on the performance of a very limited basket of export products. Taking figures

from Taylor & Taylor (1943) for the period 1929-1933, we calculate for illustrative purposes in Figure 5 the relative position of ABU for those commodities in which they enjoyed a significant share. Ranking tenth among the major trading nations, Argentina was a key supplier of primary products, such as grains (linseed -60%¹⁸⁸-, wheat -17%- and maize -66%-) for which reason it was known as the 'barn of the world' and beef and veal (54%). In a similar way, and in spite of its relatively small territory and population, Uruguay was also a major player in the beef (12%) and wool (5%) markets. Meanwhile Brazil retained a considerable oligopolistic leverage in the international coffee market (57%), and also accounted for a significant share of the beef market (8%). During the period, Brazil also increased its share in the world cotton market at the expense of coffee from an average of 1% in 1929-1933 to 7% during 1934-1938. Interestingly, Argentina had a share of 66% of the world maize exports, while ABU together explained 74% of the world beef and veal exports. To sum up, the region retained strong and not always profited-from oligopolistic leverage on the coffee (Brazil), beef and veal (ABU) and grains (Argentina) markets.

But the worldwide significance of key export staples also entailed several structural vulnerabilities. Argentina and Uruguay depended for more than 50% of their exports on livestock and grain products, while Brazil mostly depended on just one product, coffee. This structure resulted in several channels of vulnerability. Firstly, ABU were in the difficult position of being strongly vulnerable to the price swings of a few basic export products, which conditioned the ability to keep suitable levels of imports, the stability of the balance of payments, the continuity of the external debt payment and the remittances from foreign companies. Secondly, the occurrence of natural disasters, such as appearance of locusts in grain plantations, droughts, and diseases (e.g. the foot-and-mouth disease), that hit the exports from time to time also added instability to the economies. Moreover, both phenomena -price variability and natural setbacks- used to coincide over time, reinforcing the negative effects. Finally, they were also vulnerable to the trade policies of their main counterparts, who used their leverage to protect their markets, and to ensure the payments of debt and remittances from foreign companies. Not surprisingly, with the Ottawa Agreements in 1932, the British managed to obtain from Argentina and Uruguay important concessions with regard to British exports and investments, including preferential treatment for the British companies, in exchange for simple promises not to cut beef imports. And although the case of Brazil is similar regarding the British imports of oranges, it is important to point out that the Brazilian authorities enjoyed a greater autonomy as compared with its southern neighbours, because its main trading partner, the US, did not resort to its strong commercial leverage to force deep changes on the Brazilian policy making. Nevertheless, although probably the British and the US trade policies were the most influential for ABU, protectionist measures were also taken by France, Germany, Italy and many other countries, so that policy-induced trade contraction hit ABU from several sources worldwide.

¹⁸⁸ This figure was taken from the Royal Institute of International Affairs (1932, p. 118).

Figure 5 Geographical location and market significance of ABU for some key agricultural export products (average 1929-1933)



Source: calculated from Taylor & Taylor (1943). Notes: original figures in annual average. Size of charts does not reflect magnitudes involved.

The three countries also depended heavily on foreign investment and ranked high among net foreign capital recipients. This assertion is confirmed in Table 6, which shows that in 1930 among a group of 26 relevant countries and territories, Argentina, Brazil and Uruguay ranked fifth, seventh and twenty-fifth, respectively. Furthermore, if taken altogether they ranked third, just after Germany and Canada when gross investments are taken into account, and first if a net definition is considered. Those investments mainly originated in the UK and the US, and were concentrated on railways, public utility companies, activities related to export trade, and government bonds. ABU were also important debtors, as the abundant influx of foreign capital during the twenties and the need to finance infrastructure projects led national and local governments to contract loans, either in London or increasingly in New York. This explains the active role of foreign diplomacy in the region, trying to prevent juncture policies from curtailing remittances and operations of their firms, as well as to ensure the timely payment of the foreign debt.

Table 6 Foreign capital employed in certain countries, 1930

Nr.	Country	Foreign capital employed (£ -millions)	
		Gross	Net
1	Germany	1,350	925
2	Canada	1,330	955
3	Australia	817	753
4	China	660	580
5	Argentina	640	635
6	India	575	565
7	Brazil	520	520
8	Dutch East Indies	320	320
9	Cuba	295	295
10	South Africa	260	260
11	Japan	260	50
12	Chile	250	250
13	Poland	234	205

Nr.	Country	Foreign capital employed (£ -millions)	
		Gross	Net
14	Roumania	200	200
15	New Zealand	197	189
16	Hungary	143	143
17	Norway	126	94
18	Austria	120	80
19	Peru	115	115
20	Greece	115	115
21	Denmark	94	53
22	Czechoslovakia	88	46
23	Colombia	85	85
24	Venezuela	80	80
25	Uruguay	60	60
26	Yugoslavia	60	60

Source: compiled from Royal Institute of International Affairs (1937, p. 223).

The outlined sources of vulnerability started to play their role for the three countries even before the collapse of the New York Stock Exchange in October 1929 with the sudden drain of capital since 1928. Then, the falling prices of key products exported by the region, along with the increasingly protectionist measures taken by the key importing markets and the occurrence of natural setbacks, prompted payments imbalances and eventually led to the imposition of exchange controls and moratoria on the foreign debt (except the case of Argentina). The collapse of foreign trade also diminished public revenues, which depended heavily on customs taxes, and forced strong orthodox fiscal adjustments. And saving each country's particularities, the external shock added to the internal difficulties regarding the production of key commodities and the underlying national political rivalries that eventually translated into internal political instability. The economic downturn exacerbated the mood of the local landowner oligarchies which felt menaced by the advances of the urban society and middle classes, and invariably struggled to retain power. This feature certainly was a contributing factor in the coups of

Uriburu in Argentina and Terra in Uruguay that placed governments favourable to the interests of those classes in power. By contrast, in Brazil the revolution that initiated the Vargas era consolidated the power of the federal government over the state oligarchies.

During the thirties these three export-led economies not only used more active fiscal and monetary policies than other regional partners, but also started a path of long-term intervention in their economies, and trade protectionist measures, that later would be known as the aforementioned import substitution industrialization. In Brazil the industries of cement, iron and steel developed under the umbrella of extensive official support. In Uruguay, the limited internal market of 1.6 million inhabitants suggests that the development of industry, finances and services (e.g. tourism) could only be viable if linked one way or the other to its bigger neighbouring markets, and especially to the culturally and geographically closer Argentina. However, this small economy became increasingly closed and the government strongly interventionist; as it took control of the port, created the national meat-packing plant and assumed fuel production and distribution, among other entrepreneurial initiatives, many of them still present nowadays. In the case of Argentina, in spite of the expansion of the domestic market, the country lacked a formal plan for industrialization and the clash of national and foreign interests often resulted in contradictory policies that ensured a sort of ‘protectionism in reverse’. An example of this is the failure to create a national meat-packing plant because of the pressure fundamentally exerted by the British on the Argentine government. But in spite of those contradictions, its textile, food processing, chemicals and metal industries showed an important expansion during the thirties.

In relation to international relations, by 1929 Argentina had the reputation of an important player in the inter-American context. It acted as counterweight to the US in the Americas and dreamed of increasing its influence in neighbouring countries. However, those Argentine ambitions clashed with its major natural rival, Brazil, so that the hypothesis of conflict was always present in the military strategic analysis of both countries. Beyond the Hemisphere, in spite of their mutual respect, Anglo-Argentine relations were complex and interdependent. In a more global perspective, ABU were invited to and attended the World Monetary and Economic Conference of London in 1933 and other major multilateral gatherings, but their stance was mostly secondary to the great powers, as Raúl Prebisch sadly recalled from his experience as an Argentine Delegate to the Conference¹⁸⁹. However, it was a time when the ideas of the German and Italian totalitarian regimes gained some influence, not only in the minds of the ruling elites, but also by means of increasingly administrated bilateral trade and involvement in development projects. The introduction of exchange control not only allowed local authorities to use it as a bargaining chip with the foreign diplomats seeking a more favourable distribution of hard currency, but also allowed for a close control of the foreign trade in line with the international scenario.

¹⁸⁹ Prebisch was disappointed saying, “(...) only the superpowers discussed. We were invited to all sessions but I soon realized that I had nothing to do in these matters. I submitted a proposal for an International Wheat Agreement, the first time that this issue was raised at the international level, but of course it was not accepted. At that time the entire developing world was a colonial world (...)” (González & Pollock, 1991, p. 464).

ii. Same players, different numbers

One of the most obvious differences between ABU eight decades after the Great Depression and ABU now is the current higher degree of interconnectedness. During the last three decades, ABU shared the Latin American debt crisis of the eighties. They experienced the '*tequila*' effect imported from Mexico in 1994-1995, which showed their intense dependence on capital flows. Then, the devaluation of the Brazilian currency in 1999, the real, initiated the '*caipirinha*' effect that fuelled a deteriorating trend in Argentina and Uruguay. Hit by these imported and other internal factors, in December 2001 Argentina was responsible for the largest default in history of about 100 billion dollars. On January of 2002 it had to suspend the Currency Board that worked during the nineties and in March it suffered a severe banking panic. The resulting economic chaos added to political and social distress, including five presidents in two weeks, cash and food shortages, deadly riots and dire poverty, among other things. The '*tango*' effect of the Argentine financial crisis sent the Uruguayan economy into collapse, with several bank failures, although it did not default on its foreign debt thanks to a last minute rescue from the United States' Treasury¹⁹⁰. Even today, for both countries there is still a lasting memory of economic disaster. After that near depression experience, in general terms all the three economies flourished with steady growth, decreasing unemployment, capital inflows and accumulating foreign reserves, all leveraged by historic high prices of the key export commodities. In this scenario the Financial Crisis of 2008 found them in the best possible position in the last eight decades. However, the case of Argentina is worth mentioning because the expansionary policies implemented since before 2008 have caused overheating of its economy and increasing inflation, among other macroeconomic problems that would eventually worsen over time¹⁹¹.

However, the most important development, that signals a higher degree of 'shared' vulnerabilities and interconnectedness, is the creation of the Common Market of the South (Mercosur) in 1991 that also includes Paraguay and Venezuela as full members. This integration mechanism allows for an increased level of intraregional trade and higher degree of interdependence among ABU¹⁹². Indeed, during the thirties, the intra-regional trade and capital flows were smaller in comparison to the present. Each of the three economies depended more on trade with the core countries, than among themselves. The figures presented in Table 7 illustrate a priori how astonishingly different is the case of Brazil in terms of population and especially in terms of GDP. In 1928 Argentina, with around one-third of the Brazilian population, had a GDP one-third higher. Eighty years later, the relative figures reversed. While Brazil multiplied its own population six times, Argentina multiplied by 3.5 and Uruguay only doubled it. However, the South American giant clearly advanced in economic terms in relation to its neighbours, since its GDP multiplied 32 times!, while that of Argentina increased 8.6 times and that of Uruguay

¹⁹⁰ For more detailed information see Paolillo (2004).

¹⁹¹ See BBC News Special Reports G20: Economic Summit snapshot http://news.bbc.co.uk/2/hi/in_depth/business/2009/g20/7897719.stm, retrieved November 2009.

¹⁹² See http://www.mercosur.int/t_generic.jsp?contentid=3862&site=1&channel=secretaria&seccion=2, page visited in October 2012.

only by 4.9. Not only did Brazil more than quadruple the Argentinean population and represent more than fifty times Uruguay's population, but it also became in 2011 the world's sixth largest economy by nominal GDP, relegating the UK to seventh place¹⁹³. The Uruguayan economy and population followed, in general terms, the growth patterns of Argentina, although the latter increased its population a little more and even further its GDP, while Brazil simply decoupled. It is worth noting, however, that in spite of its evident progress, some of the poorest regions in the Mercosur are still located in the Brazilian North East and that Argentina and Uruguay still retain the leadership in per capita terms and income distribution. In per capita GDP terms, Argentina and Uruguay have always been ahead due to their moderate population growth, although the gap has been narrowing. While in 1928 the Brazilian per capita GDP was only one-fourth the Argentine equivalent, in 2007 that ratio climbed to 60%.

Table 7 ABU: Basic information, then and now

Years	Population (thousands inhabitants)	Total GDP (ppp)	Per capita GDP
Argentina			
1928	11,282	48,414	4,291
2007	40,049	416,776	10,407
How many times?	3.5	8.6	2.4
Brazil			
1928	32,234	37,333	1,158
2007	193,919	1,201,514	6,196
How many times?	6.0	32.2	5.4
Uruguay			
1928	1,646	6,429	3,906
2007	3,461	31,596	9,129
How many times?	2.1	4.9	2.3

Source: calculated from "Historical Statistics of the World Economy: 1-2008 AD" from Maddison (2010). Notes: total GDP in million 1990 Geary-Khamis dollars and per capita GDP in 1990 Geary-Khamis dollars.

At this point, we endeavour to compare both crises, and for that purpose we needed a set of data comparable over time for the periods 1928-1934 and 2007-2010. The selection of this last period is justified because after 2010 it is possible to argue that at least for the three countries the crisis ended or entered into a new stage signalled by the sovereign debt crisis that by 2010 was still dragging down growth worldwide. Although Angus Maddison's estimates based in 1990 Geary-Khamis US dollars clearly include structural shortcomings already analysed in our Introduction, they represent a second best that suited our needs to facilitate the comparison. The original data were available for our period of analysis starting in 1928 and up to 2008 for each

¹⁹³ See <http://www.guardian.co.uk/business/2011/dec/26/brazil-overtakes-uk-economy>, retrieved February 2012.

of the countries of analysis. Thus, as mentioned in the “Introduction” of this thesis, the figures for 2009-2010 were calculated by applying to the 2008 Maddison’s estimates the growth rates calculated from the estimates of the Conference Board Total Economy Database –TED- (2011), which use similar, but not equal methodology to Maddison’s for the period 1950 to date.

In Table 8 we present the evolution of the GDP index for ABU during 2007-2010. These index numbers suggest that the only year in which there was a downturn in economic activity in ABU was 2009. This statement is more valid for Argentina (-2.9%) and Uruguay (-3.3%), than for Brazil, which was mostly stagnant during that year (-0.2%). As a matter of fact, except for 2009, each country grew more than 5% in the previous and following years. Thus, it is possible to conclude that the recession for those countries was short lived and relatively mild. In order to contrast the aforementioned data with the equivalent for the Great Depression, we add in Table 9 the index numbers of the GDP from 1928 to 1934. The figures in both tables suggest that the Great Depression was deeper and more far-reaching for the three countries. If we consider a conventional definition of ‘depression’ as the contraction of GDP for at least three consecutive years or a contraction over 10%¹⁹⁴, only Argentina and Uruguay, and mostly the latter, were in depression. While the three countries contracted only in 2009, during the Great Depression the GDP fall lasted three years for Argentina (1930-1932) and Uruguay (1931-1933), and two years for Brazil (1930-1931). Only the case of Uruguay surpasses in two of those three years an annual contraction of more than 10%. Thus, according to these figures, while Brazil had a strong recession and Argentina reached a depression, Uruguay was the hardest hit because by 1934 it was still far away from reaching the pre-crisis level, while Argentina was able to do so and Brazil clearly did it since 1933. As a matter of fact, if the whole period 1928-1934 is analysed, it is possible to say that on average only Uruguay had a contraction of its annual average GDP growth (-5.8%), while Brazil actually grew the most (+3.3%) and Argentina was in the middle (+1.3%). Saving the setback of 2009, it is possible to state that ABU enjoyed the most prosperous decade in recent history, a feature deeply different in comparison with the twenties and early thirties.

Table 8 ABU: GDP index during the Financial Crisis of 2008 (2007=100)

	Argentina		Brazil		Uruguay	
	Index	Var %	Index	Var %	Index	Var %
2008	107	6.8	105	5.1	109	8.9
2009	104	-2.9	105	-0.2	105	-3.3
2010	112	8.2	113	7.5	114	8.5

Source: until 2008 calculated from “Historical Statistics of the World Economy: 1-2008 AD” from Maddison (2010), total GDP in millions of 1990 dollars (converted at Geary-Khamis PPPs). During 2009-2010, data estimated by using growth rates from The Conference Board Total Economy Database™, September 2011, <http://www.conference-board.org/data/economydatabase/>, page visited in September 2012.

¹⁹⁴ See for example Marseille (2009, p. 53).

Table 9 ABU: GDP index during the Great Depression (1928=100)

	Argentina		Brazil		Uruguay	
	Index	Var %	Index	Var %	Index	Var %
1928	100	6.2	100	11.5	100	5.3
1929	105	4.6	100	0.2	101	0.8
1930	100	-4.1	94	-6	115	13.7
1931	93	-6.9	92	-2.2	95	-17.3
1932	90	-3.3	95	3.5	88	-7.2
1933	94	4.7	103	7.8	77	-12.5
1934	102	7.9	111	8.4	92	19.1
Average 1928-1934		1.3		3.3		-5.8

Source: calculated from "Historical Statistics of the World Economy: 1-2008 AD" from Maddison (2010), total GDP in millions of 1990 dollars (converted at Geary-Khamis PPPs).

This behaviour is consistent with the evolution of the foreign trade. Table 10 and Table 11 describe the evolution of total exports now and then. If we compare both scenarios, we observe that the foreign trade of these countries really collapsed during 1929-1932, while during the recent experience, it just contracted during 2009. By 1929, Argentina and Uruguay had contractions of more than 10% and to a lesser extent Brazilian exports contracted too. That is a scenario completely different to 2008, when those three countries enjoyed the bonanza in commodity prices and their exports increased more than 20%. The exports of Argentina and Brazil fell more than 20% in 2009, while Uruguay managed to fall less strongly. By 2010, most of the losses of the previous year were erased, and even in the case of Uruguay exports clearly surpassed the 2008 level. By contrast, during 1930-1932, the exports of ABU contracted in the range 60%-70%, so that the concern and despair for their governments resulted in the adoption of severe heterodox policies. Thus, in comparative terms, the effects of the Great Depression on ABU's foreign trade were stronger and more far-reaching than the current crisis. However, as mentioned, in both circumstances the terms of trade deteriorated and the 'commodity lottery' played its role. In the next section we address the changes in the market patterns and commodity dependence of the three countries.

Table 10 ABU: Index of total exports (2007=100)

	2008		2009		2010	
	Index	Var %	Index	Var %	Index	Var %
Argentina	125	25.1	99	-20.5	122	22.4
Brazil	124	23.5	95	-22.7	126	32.4
Uruguay	132	31.8	119	-9.5	149	25.2

Source: calculated from Foreign Trade Database BADECEL-ECLAC (various years). Note: original figures in 2000 US dollars.

Table 11 ABU: Index of total exports (1928=100)

	1929		1930		1931		1932		1933		1934	
	Index	Var %	Index	Var %	Index	Var %	Index	Var %	Index	Var %	Index	Var %
Argentina	89	-10.82	50	-43.44	42	-16.57	33	-22.66	35	8.76	47	34.17
Brazil	97	-2.66	67	-30.67	51	-24.64	38	-26.07	47	25.14	61	28.91
Uruguay	89	-11.50	85	-4.52	36	-57.71	27	-24.94	39	43.70	28	-27.15

Source: calculated from Statistical Yearbook of the League of Nations (various years).

Another important point of comparison between both crises is the likelihood of default on the foreign debt. As we mentioned in previous chapters, the debt crisis of the thirties evolved in three stages. The first one, by 1931, was dominated by Latin American defaults. Interest and amortization payments were at least partially suspended by every South American country, with the exception of Argentina. As we address in detail in the next chapters, while Brazil suspended most of its fund payments on all foreign loans in 1930, as well as the payment of interests on its debt, Uruguay suspended the amortization of the foreign debt in 1932. Argentina was the only country that managed to pay its foreign debt¹⁹⁵. Certainly, liberal foreign borrowing in the twenties had increased the debtor countries' vulnerability to external shocks. The magnitude and speed of the contraction of exports explains the defaults of Brazil and Uruguay. By contrast, during the period 2008-2010 ABU ratios have been over 200% suggesting a high level of central government indebtedness. However, export receipts improved soon enough and the high level of international reserves provided a cushion effect.

As Eichengreen & Portes (1990) point out, although central government debt-to-export ratios are not representative of the level of total debt, they are the only debt indicators available for a wide range of countries during the thirties. Thus, in Table 12 we use those figures to compare the thirties with the information provided by CEPALSTAT for the period 2008-2010. In doing this we are aware that, as Schuker (1988, p. 65) argues, the ratios could be undervalued because the State and local government debts were substantial and are not included in those figures. As we can observe in Table 12 for the cases of Brazil and Uruguay in 1929 and 1931 the central governments were more exposed, as the debt-to-export ratios were over 100% and consistently increased for the three chosen years, as exports shrank and governments implemented more expansionary policies. Nevertheless, all figures are higher for 2008-2010, suggesting a higher vulnerability in 2008-2010 than during the thirties. However, it is possible to speculate that the

¹⁹⁵ A big difference with the Great Depression is the case of Argentina. During the thirties, this country gave priority to its reputation in capital markets. Recent history, on the contrary, is signalled by the massive default of 2001 that essentially excluded this country from the international capital markets and has made it highly vulnerable to the swings of the trade flows, and especially to its main staple, soya. Nowadays Argentina has reached a high country-risk of more than 1,000 basis points according to EMBI (Emerging Markets Bond Index) from J.P. Morgan. Meanwhile, the former defaulters, Brazil and Uruguay, are placed around 200 basis points. Bymes (2011) stresses that when Néstor Kirchner became President in May 2003, he implemented economic policies that infuriated Washington and Wall Street, including two contentious debt renegotiations. Argentina is still involved in legal battles with debt 'holdouts' claiming 16 billion dollars in payment. When Cristina Fernández assumed the presidency in December 2007, she inherited from her husband's administration that difficult stance with foreign creditors.

better diversification of the economies nowadays prevented more difficulties in the payment of the foreign debt, at least for the cases of Brazil and Uruguay.

Table 12 ABU: Comparison of central government debt-to-exports ratios

Year	Argentina	Brazil	Uruguay		Year	Argentina	Brazil	Uruguay
1929	49	153	147		2008	208	164	215
1931	73	163	185		2009	264	365	291
1933	113	215	212		2010	241	310	231

Source: figures from Eichengreen & Portes (1990, p. 75) for the thirties and for 2008-2010 calculated from CEPALSTAT.

iii. Testing the patterns of trade dependence

In the next chapters we show in detail that the contraction in terms of magnitude in ABU during the thirties is linked to the structure of foreign trade and the evolution of the international commodity prices. The evidence presented in each of the country chapters is compelling in showing the patterns of dependence in terms of products and markets. Nowadays, the structures of foreign trade are more diversified because there are new trading partners in Asia and also intra-regional trade has increased, reducing the significance of markets that used to be decisive eighty years ago.

Regarding the twenty year existence of Mercosur, it is relevant for this thesis to highlight the role of the common market (Mercosur) for its role in the trade transmission channel of foreign shocks, in a regional context of higher interconnectedness. In this regard, we calculated the index of regional trade concentration (CI), as follows:

$$CI = \frac{\sum_{i=1}^3 x_{ir}}{\sum_{i=1}^3 x_{iw}}$$

where i is each of our study cases (ABU), r are the exports of each of these countries to the other two partners and w is the world¹⁹⁶. This index shows the percentage of regional trade in total exports and has been widely used by researchers. In Table 13 we present the results for 1928 and 1935 using data from the League of Nations (1942), and for 1990 (before Mercosur), 2000 (before the regional economic crisis of 2001), and in 2010 (the end of our period of analysis). One conclusion is that these countries have always traded among themselves, and even by 1990, the regional trade was slightly lower than in the thirties. During the nineties regional trade boomed and by 2000 the Mercosur regional trade achieved a peak, but after the Argentine collapse of 2001 it receded. However, the concentration in 2010 was substantially greater than the pre-Mercosur value (1990) and the thirties (both 1928 and 1935). Thus, these data suggest that Mercosur contributed to a renewed role for regional trade that constituted a strong difference from the thirties.

¹⁹⁶ See for example Álvarez (2011, p.27).

Since 2000 the Member States of Mercosur agreed to restrain themselves from engaging in autonomous negotiations, so that any negotiation with extra-regional countries would not be pursued by individual countries, and therefore the only possible way to gain preferential access conditions to important extra-regional trading partners would be by a joint effort of the Mercosur partners. Since then, the main problem in the external agenda of the common market has been the lack of progress on the negotiations with major players, such as China, the US and the EU. This is not necessarily the fault of Mercosur. That agenda of trade negotiations has been conditioned by the fact that the Mercosur countries have a comparative advantage in goods intensive in natural resources which have access problems to the international markets, particularly in larger industrialized economies. As Vaillant (2007) recalls the reason is that the comparative advantages of Mercosur coincide with the core protectionist trade policies of the developed countries. This explains why the Mercosur has been more successful in South- South negotiations. Currently the most important preferential trade agreements have been signed with Latin American countries such as Bolivia, Chile, Cuba, Colombia, Ecuador, Mexico and Peru. Other agreements have been concluded with Egypt, India, Israel, the South African Customs Union (SACU) and Palestine. But the prospects of increased access to key worldwide markets have been delayed over time. The only trade agreement under negotiation of significant impact due to the trade flows involved is with the European Union. However, those negotiations started in 1995 and they have been progressing slowly. Indeed, since then they have been suspended and resumed intermittently. This explains the relative increasing importance of intra-regional trade during the nineties and two thousands, more than extra-regional one. It also explains why in a way there is a reduced vulnerability on the shocks imported from core countries, but at the same time it makes each country individually vulnerable to its neighbours in an asymmetric way. For example, whatever economic setback happens in Uruguay, it is unlikely to have any influence on the Brazilian economy. However, the opposite can be quite disruptive. By contrast, during the thirties, there was not such a strong regional trade, and there was a more striking dependence on key European and North American markets, so that the full extent of the crisis in the North was transmitted without the benefit of a significant intra-regional trade to work as a cushion or at least to delay its negative effects.

Table 13 ABU: Index of regional trade concentration

	Years				
	1928	1935	1990	2000	2010
CI	8.0	9.6	7.1	18.7	13.7

Source: calculated from figures for 1928 and 1935 from League of Nations (1942) in US gold dollars, and for 1990, 2000 and 2010 from BADECEL-ECLAC in US current dollars.

But diminished vulnerability does not mean that the trade channel lost its importance as a source of instability. We have already identified the strong dependence of Argentina on meat and grains, Brazil on coffee, and Uruguay on meat and wool and the negative effects caused by the collapse of prices of those products after 1929. The recession of 2009 is also consistent with the fall of the international commodity prices. Foreign trade is still concentrated in a limited number

of commodities and continues to be a fundamental source of prosperity and instability. Indeed, Table 14 shows the evolution of twelve selected main products exported by ABU that explain the previously mentioned export contraction of 2009. After booming prices in 2008, the price contraction is evident in 2009 with most commodities falling in the range 10-40%, but in average terms the prices of the entire sample increased during 2007-2010. One exception was beef, which remained relatively stable during 2007-2009 but then in 2010 its price increased around 30%. In addition, in relation to soya, the falling prices of 2009 could not outbalance the good performance of 2008. Overall these two key products for the ABU agricultural sector gave support to those economies, in spite of the setback of 2009. And for Brazil, prices of iron ore and sugar did not follow the global downturn. Moreover, Mother Nature was contributing to keeping agricultural prices high as climate change and droughts in key regions of the planet (e.g. North America) negatively affected global supplies, in spite of growing signs of a renewed recession.

Table 14 Evolution of commodity prices during 2007-2010 (2007=100)

	Index numbers			% changes			
	2008	2009	2010	2008	2009	2010	Average
Wheat	127.7	87.5	87.6	27.7	-31.5	0.1	-1.2
Maize	136.7	101.4	113.9	36.7	-25.8	12.4	7.8
Rice	210.7	177.3	156.6	110.7	-15.8	-11.7	27.7
Soya	142.9	119.3	121.3	42.9	-16.5	1.7	9.4
Soya oil	141.8	98.4	115.6	41.8	-30.6	17.5	9.6
Beef	102.6	101.3	129.2	2.6	-1.2	27.5	9.6
Sugar	114.6	149.2	169.1	14.6	30.2	13.3	19.4
Coffee	116.0	101.8	128.1	16.0	-12.2	25.8	9.9
Wool	92.7	79.9	107.2	-7.3	-13.8	34.1	4.4
Hides	88.9	62.2	99.7	-11.1	-30.0	60.4	6.4
Petroleum	136.4	86.9	111.1	36.4	-36.3	27.9	9.3
Iron ore	168.1	218.4	400.5	68.1	29.9	83.4	60.5

Source: calculated from International Monetary Fund, World Economic Outlook Database April 2012.

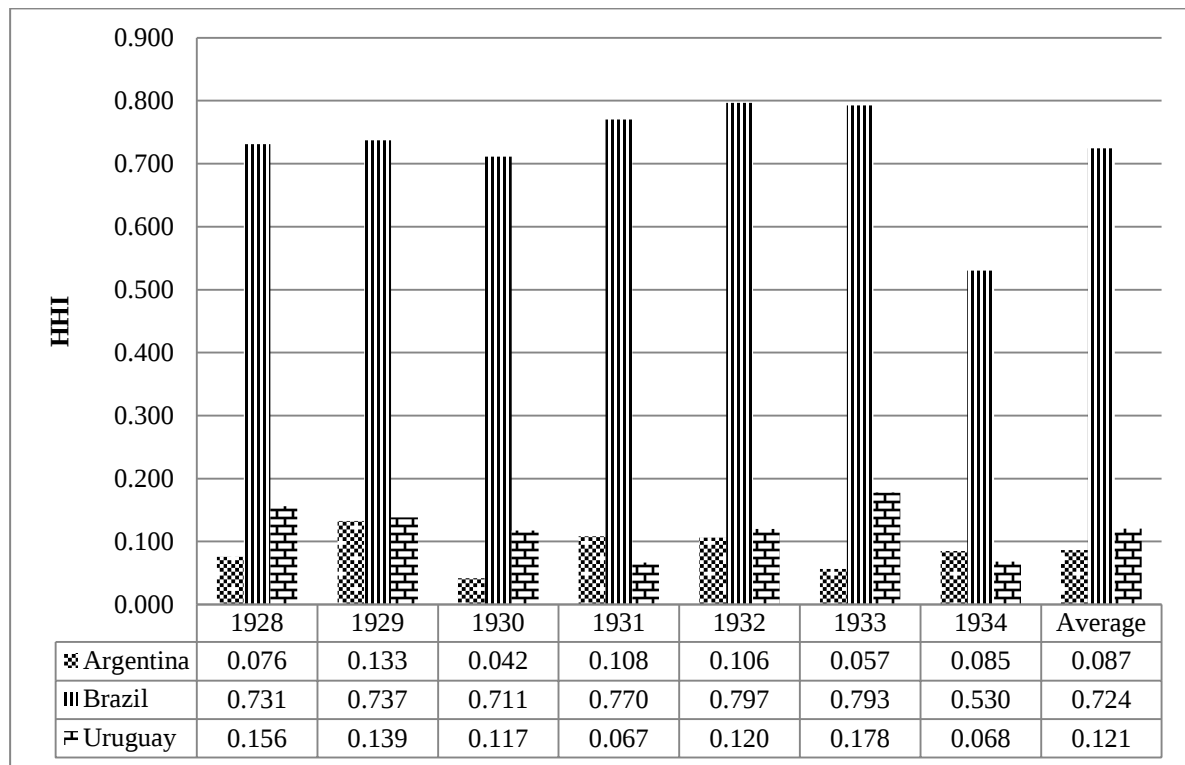
In order to evaluate further how much stronger the trade vulnerability was eighty years ago, we incorporate in the analysis the experience of the present and apply the Herfindahl-Hirschmann index (HHI) to test the trade vulnerability of ABU in terms of their patterns of market and commodity dependence. We chose this index because, from our point of view, the application of

a complex methodology would clash with the shortcomings of the available data that would not stand up, for example, to an econometric analysis. Further, it is an index widely used, for example in UNCTAD (2011), due to its explanatory power of the degree of trade concentration. As this index is normalized to obtain values from 0 to 1, a country with a number closer to 1 bears the maximum concentration, and intuitively is more vulnerable because of its dependence on few countries as destination of its produce, or a limited basket of export products.

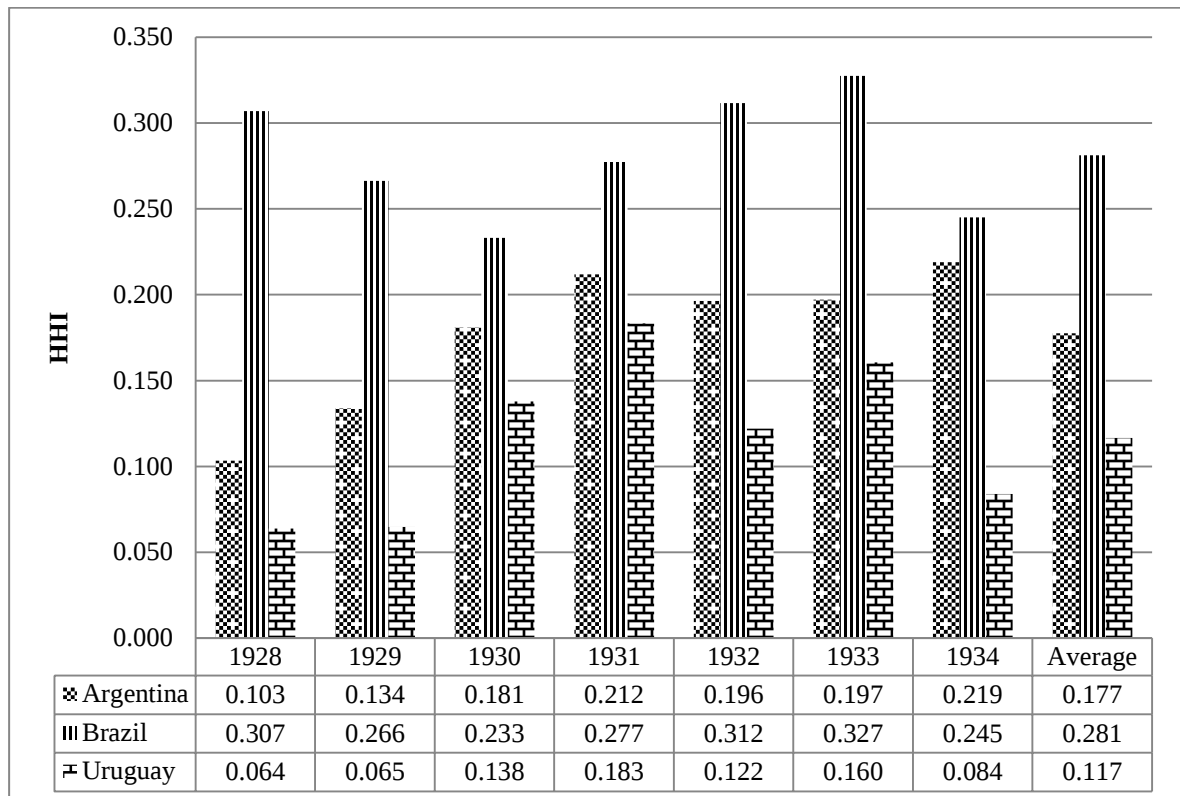
In working on this task, for 1928-1934 we used the data provided in the League of Nations' memorandums on trade and balances of payments entitled "International Trade of Statistics". However, we had to take into account the simplicity of the statistical data at the end of the twenties. Most of the national statistics then were not harmonized internationally, and at best relied on the early attempts of the international community to harmonize international trade statistics by means of a very basic common nomenclature. Thus, we find it advisable to apply the Common Nomenclature attached to the Convention regarding the creation of an international commercial statistic, signed on December 31st 1913 in Brussels. It consisted of 186 headings simply described as commodities which could contain mixtures of single commodities, and hardly took into account component material, and concepts such as end use, or similar criteria. Those headings were divided into five categories, namely: live animals; food and beverages; materials, raw or simply prepared; manufactured articles; and raw gold and silver and gold and silver coins¹⁹⁷. It is worth mentioning that we had to aggregate some of the products presented in the League of Nations' tables to comply with the headings of the aforementioned nomenclature, namely: frozen and chilled beef, mutton, meat pieces and jerked beef which are grouped under heading 8 (chilled meats- *viandes fraîches*); canned mutton and extract and preserved meat under the heading 10 (prepared or conserved meats - *viandes préparées ou conservées*); Brazil nuts and other fruits and nuts under the heading 35 (fruits); and ox-hides and sheep skins under the heading 50 (raw, salted, tanned crust hides and raw fur - *peaux brutes, salées, tannées en croûte et pelleteries brutes*). Furthermore, in a similar discretionary way to UNCTAD, we applied the criteria of excluding from the calculation of the index those trading partners or products that on average during the period of analysis and for each of the three countries represented less than 3% of the respective total. During the Great Depression, 1928-1934, after applying those two criteria, the result rendered a number of headings and trading partners per country in the range of 4-9 each that were incorporated into the calculation of the index numbers¹⁹⁸. The results are presented in Figure 6 and Figure 7 and corresponding tables.

¹⁹⁷ See Allen & Edward Elly, 1953.

¹⁹⁸ For the case of Argentina, products included in the calculation with its corresponding 1913 Common Nomenclature heading were wheat (20), maize (24), chilled meats (8), grains –linseed- (61), wool (92); and raw, salted, tanned crust hides and raw fur (50), and countries included were the United Kingdom, Germany, Netherlands, Belgium, Italy, the United States, France and Brazil. For Brazil, products included were coffee (36); raw, salted, tanned crust hides and raw fur (50); raw cocoa (37); and cotton (94), and countries included were: the United States, Germany, France, Netherlands, Argentina, Italy, the United Kingdom and Uruguay. For Uruguay, the products included were wool (92); chilled meats (8); raw, salted, tanned crust hides and raw fur (50); prepared or conserved meats (10); and grains –linseed- (61) and the countries included were the United Kingdom, Germany, France, Argentina, the United States, Italy, Belgium and Brazil.

Figure 6 ABU: Herfindahl-Hirschmann index by products (1928-1934 and average)

Source: calculated from "International Trade Statistics", League of Nations (various years).

Figure 7 ABU: Herfindahl-Hirschmann index by trading partners (1928-1934 and average)

Source: calculated from "International Trade Statistics", League of Nations (various years).

Those results suggest that during 1928-1934 the Brazilian economy was by far the most export product-concentrated among the three, an outcome not surprising given the strong dependence of this economy on the exports of coffee. However, it is important to highlight that for this country the index falls significantly in 1934 due to the introduction of cotton as another major export commodity. Regarding the other two countries, we know that they are very similar in terms of the basket of products offered (mostly meats, wool, hides and grains), but Uruguay tends to show a slightly higher concentration, which can be explained by the fact that the Argentine economy produced a wider range of grains as export commodities. In relation to the country concentration, again the Brazilian economy was more concentrated, although the difference is not as striking as in the case of product concentration. But this statistical evidence in the Brazilian case may not translate necessarily into a stronger source of vulnerability, because the main destination of its coffee, the US, did not use its leverage as much as it could to turn Brazilian policies around. By contrast, the other two neighbours were highly dependent on the British market and, as we analysed in the relevant chapters of this research, the British exerted a particular pressure during commercial negotiations, a situation well reflected on the diplomatic reports obtained in our field research in London. Meanwhile, the Argentine concentration was higher than was the case for Uruguay, because the former was more dependent on the British market. To sum up, these figures show that the Brazilian economy was the most vulnerable of the three during the period of analysis both in terms of products and countries. And with regard to the other two, Argentina was more vulnerable to changes in key market destinations, while Uruguay was more affected by the shocks to its main export products available for exportation. Of course, these numbers do not take into account the politics, market size and the historical context of each of these countries.

Now, in order to see how the concentration level in terms of products and trading partners has changed in ABU after eighty years, we present in Table 15 and Table 16 the calculations of the HHI for products and for countries during 2007-2010, and contrast them with the previous figures. Although the nomenclatures applied then and now are different, the level of aggregation (2 digits) of the selected chapters from the Standard International Trade Classification (SITC Revision 1) chosen for the period 2007-2010 is similar to the 1913 Nomenclature in terms of the products included per heading and we applied the same criteria of exclusion of products or trading partners (<3%), so that it is possible to draw general conclusions. The HHI shows that Brazil and to a lesser extent Argentina present a less concentrated trade both in terms of export products and destinations. In the case of Uruguay, although it underwent a process of some diversification in the last ten years, during 2007-2010 the concentration of products was similar compared to the thirties, but the concentration of countries seems to be higher, and in both cases also higher than Argentina and Brazil. In relation to the higher concentration of Uruguayan exports by country, this outcome can be explained by the fact that even though during the thirties its trade was highly concentrated on the UK, in the present that country has been replaced by a strong dependence on regional trade, namely Argentina and Brazil, in the framework of the Mercosur. Overall, the evidence points out that ABU during 2007-2010 have been less vulnerable to external shocks from key commercial partners than during the Great Depression. That is because of a lesser concentration level either in terms of export products or

destination markets, and this outcome is stronger in the case of Brazil, somehow less significant for Argentina as it has always been relatively more diversified, and in the case of Uruguay this argument is only valid if the shocks imported from the neighbouring countries are not taken into account. The Uruguayan exposure to the region was clearly demonstrated with the aftershocks of the Argentine collapse of 2001.

Table 15 ABU: Herfindahl-Hirschmann index by products (2007-2010 and averages)

	2007	2008	2009	2010	Average 2007-2010	Average 1928-1934
Argentina	0.032	0.033	0.062	0.046	0.043	0.087
Brazil	0.036	0.039	0.024	0.060	0.040	0.724
Uruguay	0.116	0.155	0.141	0.122	0.133	0.121

Source: calculated from Foreign Trade Database BADECEL-ECLAC (various years).

Table 16 ABU: Herfindahl-Hirschmann index by trading partners (2007-2010 and averages)

	2007	2008	2009	2010	Average 2007-2010	Average 1928-1934
Argentina	0.122	0.116	0.153	0.178	0.142	0.177
Brazil	0.104	0.077	0.080	0.089	0.088	0.281
Uruguay	0.113	0.118	0.193	0.180	0.151	0.117

Source: calculated from Foreign Trade Database BADECEL-ECLAC (various years).

One way to see the differences is to compare the structure of the foreign trade then and now for each country. In Table 17, Table 18 and Table 19, we present the average share of the main export products of ABU for the period 2007-2010 and 1928-1934, as well as the corresponding HHI. As mentioned, for the recent downturn we chose to work with the SITC (Revision 1), and similarly to previous calculations, we included only those chapters that individually represent 3% or more of total exports. It becomes evident from the tables that, saving the differences, the three countries are still strong producers of foodstuffs and primary commodities, although the export concentration is weaker than during the thirties.

However, ABU have undergone profound changes in structure of their export basket compared to eight decades ago. Notably, during 1928-1934 the main export products of the region were agricultural, but now energy and mining products are also present, and for a large economy such as Brazil, there is a strong component of industrialized products. Indeed, the change of Brazil is the most striking because of its high degree of diversification now as compared with its absolute dependence on coffee exports during 1928-1934. While during that period only four agricultural headings of the 1913 Nomenclature (prominently coffee) accounted for an average share of 80.1%, during 2007-2010 ten chapters of the SITC Nomenclature accounted for 67.5% of the total, and half of those chapters were industrial. And if those chapters were translated into the 1913 Nomenclature they would have been included in the fourth category of manufactured products.

Table 17 Argentina: Main export products (average percentage share then and now)

Heading (1913 Nomenclature)	Average 1928-1934	Chapter SITC Rev.1	Average 2007-2010
20 Wheat	19.9	08 Feedstuffs for animals excl. unmilled cereals	12.6
24 Maize	20.9	73 Transport equipment	11.0
61 Grains (linseed)	13.2	04 Cereals and cereal preparations	9.0
08 Meats (chilled and frozen)	9.9	33 Petroleum and petroleum products	8.9
92 Wool	6.5	42 Fixed vegetable oils and fats	8.4
50 Raw, salted, tanned crust hides and raw fur	5.1	22 Oil seeds, oil nuts and oil kernels	6.2
Subtotal (≥3%)	75.5	05 Fruit and vegetables	4.2
HHI	0.087	01 Meat and meat preparations	3.3
		Subtotal (≥3%)	63.7
		HHI	0.043

Table 18 Brazil: Main export products (average percentage share then and now)

Heading (1913 Nomenclature)	Average 1928-1934	Chapter SITC Rev.1	Average 2007-2010
36 Coffee	68.5	33 Petroleum and petroleum products	10.7
50 Raw, salted, tanned crust hides and raw fur	4.6	28 Metalliferous ores and metal scrap	10.6
37 Raw cocoa	3.5	73 Transport equipment	9.8
94 Cotton	3.4	01 Meat and meat preparations	7.1
Subtotal (≥3%)	80.1	71 Machinery, other than electric	6.2
HHI	0.724	22 Oil seeds, oil nuts and oil kernels	5.7
		67 Iron and steel	5.7
		06 Sugar, sugar preparations and honey	4.6
		51 Chemical elements and components	3.8
		72 Electrical machinery and appliances	3.5
		Subtotal (≥3%)	67.5
		HHI	0.040

Table 19 Uruguay: Main export products (average percentage share then and now)

Heading (1913 Nomenclature)	Average 1928-1934	Chapter SITC Rev.1	Average 2007-2010
92 Wool	31.2	01 Meat and meat preparations	20.7
08 Meats (chilled and frozen)	19.3	04 Cereals and cereal preparations	13.6
50 Raw, salted, tanned crust hides and raw fur	12.3	22 Oil seeds, oil nuts and oil kernels	7.4
09 Prepared or conserved meats	10.1	02 Dairy products and eggs	7.3
61 Grains (linseed)	6.0	61 Leather, lthr. manufs., nes & dressed fur skins	4.5
Subtotal (≥3%)	79.0	24 Wood, lumber and cork	3.8
HHI	0.121	03 Fish and fish preparations	3.4
		26 Textile fibres, not manufactured, and waste	3.4
		89 Miscellaneous manufactured articles	3.1
		Subtotal (≥3%)	67.1
		HHI	0.133

Sources for tables 66-68: the period 1928-1934 calculated from "International Trade Statistics", League of Nations, after applying Brussels 1913 Nomenclature; and 2007-2010 calculated from Foreign Trade Database BADECEL – ECLAC after applying SITC Rev. 1 Nomenclature.

It is relevant to note that in the past in this country the coffee represented 68.5% of its exports and in 2007-2010 it is not even included among its main ten export products shown in the table! And the most important export chapters, petroleum products and metalliferous ores, metal scrap and transport equipment average around 10% each. Also Argentina and Uruguay show a higher number of headings than in the past, averaging 63% and 67% of total exports, respectively, although most of the chapters are still agricultural. Something similar to coffee could be said for Argentina and Uruguayan meat. Argentina exported during the thirties fundamentally grains, meats, wool and hides; but now feedstuffs for animals (soya and its by-products) are in the first place, while meat products are relegated to the eight position, after petroleum, some industrial products and cereals. For the case of Uruguay, meat products are still first in the ranking of export products. However, this country has received major foreign investments, and since 2008 produces pulp of wood that is not present in the statistics because it is exported through free zones¹⁹⁹ and also soya has been increasing its share. From this data, it is possible to conclude that ABU show a more diversified basket of export products, and consequently they are nowadays less vulnerable to shocks to specific products. This explains why the transmission of the global crisis through the trade channel was less severe this time or inversely why the Great Depression hit so hard.

In a similar way, in Table 20, Table 21 and Table 22 we present the structure of trade by main trading partners, taking into account the same criteria of including only those countries that represent 3% or more of total exports for each of our case studies. The most interesting issue is the current relative position of the main partners during the thirties. While the UK had a share of 35.4% in Argentina and 28.8% in Uruguay, importing practically all the chilled beef from both countries, during 2007-2010 neither for Argentina nor Uruguay was the UK included among the main destinations for their produce. However, this is not the case for the US, which historically ranked among the main trading partners with a share between 6% and 8% for Argentina and Uruguay. And in the case of Brazil, while during the thirties coffee was by far its most significant export produce, and most of it was sent to the US, nowadays this country is still the first export destination, but its share fell from 43.3% during 1928-1934 to 12.5% in 2007-2010. In any case, the US remains among the main trading partners of ABU.

Another key change is the emergence of new markets in Asia. Notoriously, China is the second most important trading partner for both Argentina and Brazil and the fifth for Uruguay. This is not a minor detail, since an important difference between the Financial Crisis of 2008 and the Great Depression is precisely the role of China and other emerging markets as a powerhouse that was capable of offsetting the contracting forces transmitted from the US to the rest of the world after 2008.

¹⁹⁹ In this research we are considering the traditional concept of 'exportation', which means the exportation of goods by one country from inside its borders to abroad. For more detailed information about changes in the concept of 'exportation' see de Haedo (2012).

Table 20 Argentina: Main trading partners by average share then and now

Trading partner	Average 1928-1934
United Kingdom	35.4
Netherlands	10.6
Belgium	9.9
Germany	9.4
United States	7.2
France	7.0
Italy	5.3
Brazil	3.7
Share ($\geq 3\%$)	88.5
HHI	0.177

Trading partner	Average 2007-2010
Brazil	20.2
China	8.5
Chile	7.3
United States	6.6
Netherlands	3.9
Spain	3.6
Share ($\geq 3\%$)	50.1
HHI	0.142

Table 21 Brazil: Main trading partners by average share then and now

Trading partner	Average 1928-1934
United States	43.3
Germany	9.8
France	9.1
Netherlands	4.9
Argentina	5.9
Italy	4.0
United Kingdom	7.4
Uruguay	3.5
Share ($\geq 3\%$)	87.9
HHI	0.281

Trading partner	Average 2007-2010
United States	12.5
China	11.1
Argentina	9.0
Netherlands	5.4
Germany	4.3
Japan	3.1
Share ($\geq 3\%$)	45.5
HHI	0.088

Table 22 Uruguay: Main trading by average share partners then and now

Trading partner	Average 1928-1934
United Kingdom	28.8
Germany	14.6
France	11.0
Argentina	11.0
United States	8.2
Italy	7.8
Belgium	6.1
Brazil	3.0
Share ($\geq 3\%$)	90.4
HHI	0.117

Trading partner	Average 2007-2010
Brazil	18.6
Argentina	8.3
United States	5.2
Russia	4.3
China	4.1
Germany	3.7
Venezuela	3.3
Spain	3.2
Mexico	3.0
Share ($\geq 3\%$)	53.6
HHI	0.151

Source for tables 69-71: for the period 1928-1934 calculated from "International Trade Statistics", League of Nations; and for 2007-2010 calculated from Foreign Trade Database BADECEL-ECLAC. Note: for Uruguay 2007-2010 Free Zones has an average share of 11.3% but this has not been included for the HHI calculations.

Also the significance of the regional trade is different. For Argentina, the bilateral trade with Brazil climbed from 3.7% of total exports during the thirties to 20.2% during 2007-2010. And for Uruguay the smallest of the three, exports to Brazil and Argentina together climbed from 14% to almost 27%, although the relation reversed, because Argentina reduced its share from

11% to 8.3%, while Brazil became the single most important trading partner after increasing its share from 3% to 18.6%. By contrast Argentina and Uruguay represented during 2007-2010 only 9% and 0.8% of the Brazilian exports, respectively. That means that eighty years later Argentina and especially Uruguay increased their dependence on Brazil, but in an asymmetric form. In this regard, it is worth mentioning that the commercial trend of Brazil during this decade has been to export its commodities to developed countries (e.g. the US, China and Europe) and to export manufactures to Latin America, especially to the Mercosur countries.

iv. Conclusion

In this chapter we have seen the relative position of ABU, in perspective, and considered the changes that that position suffered over eighty years.

Brazil and Argentina were both major players in the Latin American context, but Brazil was lagging in terms of per capita GDP. Uruguay was small, but was as rich as Argentina. However, all of them were in the semi-periphery of the global markets, and in general they did not have the economic or military power to influence global politics. In spite of that, they were key suppliers of primary products, such as grains, beef, wool and coffee. They were also strongly vulnerable to the swings in prices of those commodities. Countries such as the UK and the US had strong leverage on those economies, not only because of the trade flows, but also because of the investments and control of the lending conditions. The smallest country, Uruguay, had similar patterns of dependence as Argentina and was deeply affected by the exchanges with the UK.

The figures presented suggest that the Great Depression was deeper and more far-reaching for the three countries than the Financial Crisis of 2008. In both events, Uruguay was the hardest hit in terms of the absolute contraction. In 1934 Uruguay was still far away from reaching the pre-crisis level, while Argentina was able to do so and Brazil clearly did since 1933. In Part Three of our Thesis, we will compare each one of the main macroeconomic aggregates of the three countries in order to obtain richer conclusions, with an emphasis on the relative situation of Uruguay as a small country among its bigger neighbours.

Those were patterns of dependence more clearly present during the thirties than nowadays, as other players, such as China and other Asian countries have increased their presence. The baskets of products exported are also more diversified, especially in the case of Brazil. This is well evidenced in the results of the Herfindahl-Hirschmann index (HHI), that show that during 1928-1934 the Brazilian economy was by far the most export product-concentrated among the three because of the significance of coffee exports. If we compare in Table 18 the structure of Brazilian foreign trade of 1928-1934 with 2008-2010, we see that the predominance of coffee was replaced by a highly diversified export basket that includes petroleum, metals, iron, steel, transport equipment, chemical products, etc. Thus, its export basket is by far the most diversified of the three. Further, ABU intra-trade is also more relevant, as the index of regional concentration reveals. Moreover, the role of Brazil is also quite different, because it multiplied its own population and economic weight.

All in all, the comparison with the present allows us to verify from a different analytic perspective that these countries were more vulnerable to trade shocks when the Great Depression arrived. During 1928-1934 ABU were more vulnerable to the transmission of a crisis through the trade channel, than during 2007-2010. This outcome comes from a higher concentration in terms of export goods, a result more striking for the case of Brazil. We also corroborate that during the thirties there was a stronger concentration of export markets. As a consequence, ABU were more vulnerable to shocks from specific countries (e.g. the US and the UK). Other markets that are relevant nowadays to smooth the shocks through trade and investment flows were simply marginal in the past (e.g. trade within the region and with Asian countries, mainly China).

In the next Part Two, chapters V, VI and VII we turn to the analysis of the general situation of each of the three countries during the twenties, in order to situate the reader in the national historic context. It is the prelude to our detailed comparative analysis of the Great Depression itself that we address in Part Three.

