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

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XII. Trade policies and diplomacy from the semi-periphery

In the preceding chapters we have seen the inevitability of the transmission of the Great Depression from the core countries to our semi-peripheral case countries. We have seen that they enacted several reactive and defensive policies, including the departure from the gold standard, the suspension of the payment of the foreign debt (only Brazil and Uruguay) and the imposition of exchange controls. However, most of the recovery coincided with the recovery elsewhere, and in general it was difficult for these countries to change the patterns of interdependence they held with the main core countries, especially the UK and the US.

In this chapter, we analyse the trade policies implemented by ABU, as well as the trade negotiations and representations made by each country, which gives a good idea of those patterns of interdependence. It marks the end of our analysis of the elements that constitute our definition of vulnerability, as presented in our introductory chapter and illustrated in Figure 1.

i. Foreign trade policies and dependence

Protectionism in ABU was linked to events elsewhere in the world-system. In this regard, Picture 4 is a caricature from the famous Argentine comic magazine “*Caras y Caretas*” that represents the exaggerated way in which the US and the UK demanded goods and capital, that was ultimately detrimental to the rest of the world. This picture also illustrates that their behaviour had resulted in overproduction that depressed international prices and a serious fall in world exports in a context of ‘tariff war’. Thus, according to the meaning of this caricature, these countries, in an attempt to accumulate wealth, caused the rapid deterioration of the world economy, including primary exporting countries, with the subsequent increase of unemployment and cost of living.

Although what this caricature expresses could be exaggerated, it was not far from reality. During the Great Depression, the supply did not find demand and the global demand fell sharply. The reactions of the industrialized nations to the crisis were: to use their buying power to defend their markets, to ensure the repayments of debts and to protect their investments and

industries with the increase of tariffs and the imposition of quantitative restrictions (quotas)⁶⁵⁴. In relation to the protectionist tools, tariffs rarely insulated domestic markets as successfully as quantitative restrictions did. This explains why during the thirties the domestic prices of wheat in some European countries were three to four times the price in Canada or Argentina. In addition, discriminatory measures were also used to favour trade with certain countries, as tariffs were supplemented by import quotas and licenses to favour particular sources of imports⁶⁵⁵.

Picture 4 The fight for the wealth among powers



Source: *Caras y Caretas*, 05/09/1931.

One relevant example for its consequences on ABU was the trade policy of the UK. During the thirties the British concentrated on its Empire, strengthening its relations with its colonies and dominions, the so-called ‘sterling zone’, granting trade preferences and establishing limits to the US presence there. The main expression of the strengthening of the commercial ties of this country with its Empire was the signature in September 1932 of the Ottawa Agreements⁶⁵⁶ by which the UK granted various preferences in favour of Argentine and Uruguayan competitors such as Australia, Canada and New Zealand. In addition to this, it imposed a general tariff⁶⁵⁷ and quota restrictions on foodstuffs imports. And these measures added to the fact that although the UK did not impose exchange control, the inconvertibility of the pound sterling and its

⁶⁵⁴ As Taylor (1965) argues, evaluating the protectionism in the UK, the whole process was a dramatic reversal of the secular trend by which the UK had become predominantly industrial, whilst drawing foodstuffs from the rest of the world. The reversal was perverse at the time of the Great Depression and perhaps the main victim of that perversity was Argentina (Díaz Alejandro, 1970, p. 94)

⁶⁵⁵ See Eichengreen & Irwin (1995, p. 2).

⁶⁵⁶ For more detailed information see “Ottawa Conference” in C.P. 298, 1932 and “Ottawa Agreements Bill” in C.P. 297.A, 1932.

⁶⁵⁷ By the Emergency Abnormal Duties Importations Act of November 1931 the UK abandoned the old tariff regime and since February 1932 with the Import Duties Act started to apply a general tariff (Kitson & Solomou, 1990, p. 3).

depreciation in September 1931 caused an important dislocation in world trade. Furthermore, as Richardson (1969, p. 13) argues, in a context of global financial restrictions and in an attempt at safeguarding its income from loans or investments, the UK imposed an embargo on many sorts of overseas lending.

The meat sector was extremely sensitive for Argentina and Uruguay, perhaps not so much for its intrinsic economic importance⁶⁵⁸ as for the cobweb of interests linked to the meat trade: producers, meat-packing plants and shipping companies that had the ability to put strong pressure on the governments. In particular, the meat industry was hit very hard by protectionist policies elsewhere. Indeed, as Bidwell (1939, p. 785) recalls, in 1930, yielding to pressure from American livestock interests since 1926-1927 and against the advice of the Secretary of Agriculture, the US Congress made country-wide embargoes mandatory. As a result, orders were issued prohibiting imports of live cattle and meat from several countries, including Uruguay and Argentina, using the foot-and-mouth disease as an excuse.

The Imperial Preference added to the negative panorama. Among other measures adopted, from a separate note of the memorandum about “emergency restrictions in imports of meat, bacon and hams”⁶⁵⁹ it is possible to conclude that the UK decided to cut down meat imports from South America during the second part of November and December 1932. In particular, it sought to reduce chilled beef imports by 10% (to be increased if necessary up to 20%) and to cut down frozen mutton and lamb imports by 20% as compared with their ordinary programme for that period, that is to say, taking as base the figures of the already low 1932 purchases. And even worse, the Ottawa Agreements provided for an agreed reduction at the outset of 10% in the foreign supplies of mutton, lamb and frozen beef and this reduction would gradually increase to 35% in the second quarter of 1934.

For Uruguay the agreements meant a reduction of 11 thousand tonnes of beef as compared to the period 1930-1931 (-27.3%). Furthermore, the quotas for frozen meat were scheduled to be reduced up to 35% until June 1934⁶⁶⁰. As a consequence, the Uruguayan and the Argentine main export market, the UK, was at risk at a time when for Uruguay it was very difficult to diversify the beef exports towards other markets. And although this country was determined to reduce tariffs on products from its main destination markets, the fact is that Uruguay was importing from the UK almost the same, whilst this big importer of meat was importing 50% of the volumes that it used to buy before the Ottawa Agreements⁶⁶¹.

⁶⁵⁸ According to figures calculated from the League of Nations, in particular, by 1928 the meat trade in Argentina represented around 12% of the total trade in current dollars, and in this category chilled beef represented around 6.5% and frozen beef only 2%. However, by 1930-1931 this situation changed. Meat trade represented around 20% of total trade (as first export product in 1930 and second in 1931) and chilled beef trade doubled its figure in comparison with 1928 reaching half of the total share of the meat trade. For the case of Uruguay, meat trade (including its by-products) represented an average of 33% of the total trade in 1928-1934, while the chilled beef and the frozen beef trade had a share of around 7.5% of trade each one.

⁶⁵⁹ According to the Board of Trade these voluntary restrictions were quite separate from the restrictions provided for in the Ottawa Agreements, in view of the serious situation in the livestock industry, which had deteriorated even further since Ottawa (“Argentine-UK Tariff Negotiations” in BT 11/165).

⁶⁶⁰ See Acevedo Álvarez (1934, pp. 145-148).

⁶⁶¹ See Barrios Pintos (1978, p. 238).

In addition, regarding the grain trade, some measures were especially detrimental to Argentina. For example, according to the same memorandum, a duty of 2 shilling⁶⁶² per quarter on all foreign wheat was imposed, but this was subject to the proviso that the duty would be suspended if adequate supplies were not forthcoming at the world price from Empire producers. Furthermore, the duty on butter which was fixed at 10% ad valorem under the Import Duties Act had, under the Ottawa Agreements, become 15 shillings per hundredweight, which was roughly equivalent to 15% ad valorem. Finally, under the Agreement with India a duty of 10% ad valorem was imposed on foreign linseed⁶⁶³. The Board of Trade defended the British position arguing that a large proportion of Argentine staples such as maize, raw wool, hides and frozen and chilled meat were still duty-free in the UK. However, after analysing the ‘emergency restrictions’ taken by this country, that argument was not convincing for the Argentine government, especially in the case of meat exports.

Other core countries applied measures that affected the region. Germany, another key customer of ABU, imposed exchange control in July 1931 in order to face an important banking crisis, and started to put into practice ‘clearing agreements’ as well as a barter system together with the creation of the ASKI marks as an exchange currency. In the Latin American sphere these mechanisms were particularly implemented with a group of four Latin American countries: Argentina, Brazil, Chile and Uruguay. Such arrangements had marked consequences for regional trade, and a good deal of Latin American trade was canalized bilaterally not by choice, but by the actions of European trading partners, a situation that was detrimental to rival markets. Another important European trading partner, France, did not impose exchange control and joined the group of the last countries which suspended the gold standard in 1936. However, it increased tariffs and imposed quota restrictions on agricultural products.

With regard to the US, the Tariff Act of 1930, otherwise well-known as Smoot-Hawley tariff⁶⁶⁴, increased nearly 900 American import duties and prompted the economic isolationism of the era. In fact, the Smoot-Hawley tariff is probably the most commented upon change of policy after the crash of 1929, and it could be argued that it was the equivalent for the trade system of the 1929 crash in the financial system. Since the imposition of the Fordney-McCumber tariff in 1922 the US was evidently increasing tariffs on goods coming from ABU in comparison with the 1913 Law, a situation that was aggravated with the imposition of the Smoot-Hawley tariff. For example, according to data from Cortés Conde (2009, p. 346) with the 1922 Law imports of linseed oil were taxed with a duty of 40 cents per bushel while in 1913 this duty was 20 cents and even worse with the 1930 Law this duty increased to 65 cents per bushel! On the other

⁶⁶² 20 shillings = 1 pound sterling and 12 pence = 1 shilling.

⁶⁶³ See “Effect of Ottawa Agreements on Argentine imports into the United Kingdom” signed by the Board of Trade and “Emergency Restrictions in Imports of Meat, Bacon and Hams” signed by the Foreign Office in Memorandum prepared for the use of the Prince of Wales (...) in “Argentine-UK Tariff Negotiations”, dated January 1933, BT 11/165.

⁶⁶⁴ This Act is called after the names of its sponsors. Willis Hawley was a congressman from Oregon, and Reed Smoot, a senator from Utah (“Protectionism: The battle of Smoot-Hawley” in *The Economist*, 2008).

hand, some goods that were duty-free within the framework of the 1913 Law such as meat⁶⁶⁵, corn and fowl, had in 1922 tariffs of 20% over the value, 15 cents per bushel and 6 cents per pound respectively; and in 1930 these tariffs continued increasing to more than 20% (6 cents per pound), 25 cents per bushel and 10 cents per pound. In addition, if one takes into account the information provided by Berglund (1930, p. 472), whilst in 1913 cattle and milk were duty-free goods, in 1922 they were taxed and in 1930 cattle under 700 pounds reached a tariff of 2.50 cents per pound and cattle over 700 pounds 3 cents per pound, and on milk there was imposed a tariff of 6.5 cents per gallon. Furthermore, the US imposed duties of 10% on hides and skins, with this country being the largest importer of this important Argentine and Uruguayan product. Then, to worsen the international scenario, in March 1933, during Roosevelt's administration, the US imposed exchange control and in April of that year declared the inconvertibility of the dollar, with the subsequent devaluation of its currency, meaning another serious collapse for world trade by a time when most countries were fighting against the crisis.

A good example of the consequences of the global protectionist wave is shown in the significant contraction of the volume of world grain exports that was accelerated by the measures by which governments of the importing and exporting countries attempted to avoid pressure on domestic prices. In order to give more detail, we analyse the case of wheat, a product with a high share in Argentine exports. In Germany, Italy and France, the three most important wheat-importing countries of continental Europe, wheat tariffs were increasing since 1929⁶⁶⁶. In Table 77, one can see that in Germany wheat tariffs in 1929 increased practically 30% in relation to 1928 and skyrocketed 400% in 1931! In Italy these percentages were 86.5% and 170%, respectively, and in France 43% and 129%. These numbers illustrate the protectionist ruthlessness of those years. Furthermore, these three countries imposed quantitative regulation on the demand of millers, who were forced to grind a certain percentage of domestic wheat thanks to cheap loans and subsidies, complemented by state purchases on the grain markets. In France, the tariff was refunded on export wheat after the abundant crop of 1929. Like Germany in 1929, France exported a large volume of wheat in 1930 and 1931. But while Germany and Italy restricted their imports or kept them at low levels, France bought more foreign and colonial wheat than ever. Then in 1933 important restrictions were introduced in these three countries when crops in all of them reached record levels, due in part to favourable weather conditions. Also highly detrimental to Argentina was the tariff of 6.1 cents per bushel (at the old mint par) introduced by the UK on foreign wheat, while it continued to allow duty-free imports from the Empire⁶⁶⁷. Moreover, in 1931 Belgium and the Netherlands imposed important restrictions, affecting ABU trade. Belgium enacted a licensing system for imports and transit trade. The following year this country introduced a quota on imports, ordered the millers to use domestic wheat and paid

⁶⁶⁵ It is important to recall that although the US increased tariffs on meat by 1930, in 1926-1927 fresh, chilled or frozen meat from any regions where foot-and-mouth disease was found to exist was prohibited from entering the US, resulting in the practical elimination of such imports from ABU.

⁶⁶⁶ See also Davis (1934).

⁶⁶⁷ Beginning in 1932, the subsidies granted to wheat farmers in the UK were significant. Payments, under the modality of a tax on flour, were guaranteed in full on sales of domestic wheat up to a maximum of 50.4 million bushels (later increased to 67.2 million) (Taylor & Taylor, 1943, pp. 114-115).

subsidies for the expansion of wheat acreage. The Netherlands introduced fixed prices and compulsory milling quotas in 1931, and two years later monopolized grain imports and exacted monopoly fees. Even Denmark began to impose grain tariffs although they were low⁶⁶⁸.

Table 77 Wheat tariffs (cents per bushel)

| Year | Germany | Italy | France |
|------|---------|-------|--------|
| 1928 | 32.4 | 39.4 | 37.3 |
| 1929 | 42.1 | 73.5 | 53.3 |
| 1931 | 162.1 | 106.3 | 85.3 |

Source: Taylor & Taylor (1943, p. 112).

On the other hand, the situation of the great wheat-exporting countries, like Argentina, was critical not only because of the aforementioned measures taken by importing countries, but also due to competition from Eastern Europe. The USSR, under the first 5-year plan⁶⁶⁹ increased imports of production goods such as machines needed for the planned industrialization of the country and for the mechanization of agriculture, for which it had to pay with the help of greatly increased exports of agricultural products. The USSR apparently wanted to regain the place on the world grain market which it had before the war of 1914-18. During 1930-1931 the USSR exported almost 94 million bushels of wheat, a larger quantity than Australia shipped during the middle of the twenties. With regard to the US and Canada, the Canadian dollar had not depreciated so much as the pound sterling before 1933, when the US dollar was devalued, making exports difficult. In addition to this situation, both governments, in an attempt at avoiding more depressed prices, withheld wheat from the market⁶⁷⁰. By contrast, Argentina and

⁶⁶⁸ See Taylor & Taylor (1943, pp. 112-115).

⁶⁶⁹ The first 5-year plan included the period from October 1, 1929, to December 31, 1933 (Taylor & Taylor, 1943, p. 115).

⁶⁷⁰ In 1928, there was the first big attempt by the Canadian wheat pool to control the price of wheat. Until then, these organisations had as their chief objective the balancing of the supply and demand of wheat in the market over each crop year, thus avoiding the fall in price when individual farmers sold their wheat as soon as it was harvested. In that year, however, faced with a very large crop, the central selling agency of the pool took the decision of withholding from the market a part of it in order to prevent prices falling sharply, and to carry this as stocks until there was a short crop -it was the same valorisation idea as the Brazilian coffee scheme, and essentially the same technique was used- (Rowe, 1965, pp. 126-127). Then, at the beginning of the critical crop year 1929-30, the Canadian pool again had heavy stocks, on which it had reached \$1.00 a bushel for the producers. As prices collapsed, the governments of the wheat provinces guaranteed the bank loans made to the pool, and held the elevators as security. In 1930, the government retained the central agency of the pool as the organ for its intervention on the wheat market. After that, between 1931 and 1932, it granted a production bounty as an aid to the wheat farmers. During the following three years large quantities of wheat were withheld from the market. The carry-over increased; by the middle of 1933, stocks amounted to 237 million bushels and two years later they were still 225 million (Taylor & Taylor, 1943, pp. 117-118). On the other hand, in the US, because of the fall in wheat prices in 1930, the Federal Farm Board through the Grain Stabilisation Corporation bought almost 330 million bushels of wheat between February 1930 and the summer of 1931, at an average cost of 81.97 cents per bushel. As a result, for some months Chicago wheat prices were kept well above world prices, with the inevitable consequence that exports virtually ceased. The government transferred part of its stocks to the American Red Cross and sold part of them to foreign governments (Germany, China, Brazil), but ceased buying when the 1931 crop reached nearly 942 million bushels. As a consequence the price to producers, still 51.9 cents on June 15, 1931, dropped irregularly to a low of 31.6 cents on December 15, 1932. In the meantime, exports showed only a small temporary improvement and stocks continued to pile up (Ibid.). Thus, in 1933 the Roosevelt administration came in, and introduced a

Australia, deeply in debt, had to do their utmost to export wheat, whereas the two North American countries could finance the accumulation of huge stocks. Australia, as well as Argentina, abandoned the gold standard in 1929. It devalued its pound at the beginning of 1931 and later held it at a rate 20% lower than the pound sterling after the latter depreciated. Among the main measures implemented by the Australian government was that wheat farmers received loans, production subsidies and relief payments financed in part from a tax on flour⁶⁷¹.

And regarding the main Brazilian export staple, Table 78 illustrates the level of tariffs affecting coffee for several key importing markets. It is possible to verify that the US policy was more benign in relation to Brazil, since it granted free access to Brazilian coffee, while at the same time it hit Argentine and Uruguayan meat and wool interests. As a matter of fact, most European countries levied high tariffs on coffee, especially Italy and Germany.

Table 78 Statement showing the duties leviable on Brazilian coffee in foreign countries

| Country | Duty description | Duty |
|-----------------------|---|----------------|
| United Kingdom | Customs import duty | 14/- per cwt. |
| United States | No duty | No duty |
| France | Customs import duty, 231.20 frs. per 100 kilos or | 19/- per cwt. |
| | plus internal revenue duty, 180 frs. per 100 kilos or | 14/9 per cwt. |
| | plus special tax, 10 frs. per 100 kilos or | 10d per cwt. |
| Italy | Customs import duty, 477 lire per 100 kilos or | 52/5 per cwt. |
| | plus consumption duty 1123 lire per 100 kilos or | 122/6 per cwt. |
| Germany | Customs import duty, 160 Rm. per 100 kilos or | 81/- per cwt. |

Source: FO 371-15060, no exact date, probably of June 1931, p. 192. For the US, the information was taken from the Smoot-Hawley Act 1930.

ii. More tariffs and discrimination against ABU

Given these facts imposed by the world-system, the trade policy of ABU by the thirties was based on two fundamental pillars: the increase of tariffs and the bilateralism. These countries had three powerful weapons in commercial matters: the differential exchange rates via the exchange control, devaluation and the creation and/or increase of tariffs. All of them are indicators that their governments had put into practice policies of the 'beggar thy neighbour' type. But the justification for these measures at that difficult period in history is that these countries were dependent on the purchases of staples from the rest of the world and for that reason the slogan that the governments started to prompt was: 'buy from those who buy from

scheme of direct acreage control, combined with a subsidy to the farmers financed by a tax on flour. Direct acreage restriction was the right way to control wheat production, for low prices had very little effect in discouraging production in the prevailing conditions either in US or other exporting countries. But this policy was almost too successful. Due to drought, the 1934 crop was so small that the remaining government stocks which had not already been given to the Red Cross for the unemployed, or sold cheap in Asia, were all required for home consumption. For the first time in history the US became a net importer of wheat, though the amount was inconsiderable (Rowe, 1965, p. 131).

⁶⁷¹ See Taylor & Taylor (1943, pp. 116-117).

us!’ As a matter of fact, competitive devaluations and discretionary management of the foreign trade were policies shared in one way or another by ABU.

In Argentina, the collapse of free convertibility during the thirties put this country in a difficult position concerning surpluses with Western Europe and deficits with North America. Thus, following the aforementioned slogan ‘buy from those who buy from us’, Argentine trade policy attempted to divert imports from the US towards Western Europe, especially the UK⁶⁷². Indeed, during this period Argentina had as first priority to strengthen ties with that country. By that time, Argentina demonstrated great diplomatic activity in the economic field. The result was the increase of the bilateralism under the modality preferred by those European countries. An example of this is that by 1938 about 60% of Argentine imports were performed under barter or clearing agreements (compensation agreements)⁶⁷³, as mentioned earlier, a system much implemented by Germany and its allies.

Indeed, faced with the onset of the Great Depression and the threat of Imperial Preference, President Yrigoyen abandoned in 1929 the moderate protectionism which had characterized his first term and based his trade policy on proposals from the *Sociedad Rural Argentina* -SRA-⁶⁷⁴. And after the coup of 1930 and given this unfavourable international panorama, the first response during Uriburu’s government was to increase tariffs, which from then on became more important as trade regulators than as instruments of taxation. As Table 79 shows, during the period 1928-1930 under the presidency of Yrigoyen, the total import duties as a percentage of the ‘real value’ of merchandise imports was decreasing, a situation that was reversed by the early thirties. During 1930-1933 this percentage was increasing, reaching an average of 24% for the whole period. This percentage suggests that duties in Argentina were internationally high, as they were on average bigger than in the US (18%) and Canada (15.5%) for the same period⁶⁷⁵.

By April 1931, certain formerly duty-free articles such as fuel oil, printed books, machinery and spare parts, certain heavy chemicals, special industrial sewing machines, eggs, dried beans, dried pulses and pleasure boats were to carry tariffs ranging from 5 to 25%⁶⁷⁶. Furthermore, in September 1931 a ‘temporary’ surtax of 10% ad valorem⁶⁷⁷ on practically all classes of dutiable

⁶⁷² According to Díaz Alejandro (2000, p. 23), Argentine controls were practically forced upon it by the UK pressure for bilateral clearings, but in order to comply Argentina had to discriminate against US exports. Therefore, such ‘buy from those who buy from us’ policies generated hostility in the US against Argentina, and some North Americans viewed her controls as a sign of Nazi rather than British influence.

⁶⁷³ Díaz Alejandro (1970, p. 99) based on Kelly (1965).

⁶⁷⁴ See Solberg (1973, p. 283).

⁶⁷⁵ These data were taken from Díaz Alejandro (1970, p. 285).

⁶⁷⁶ See Alhadeff (1986, pp. 107-108).

⁶⁷⁷ The values of goods used in the trade returns and in the assessment of ad valorem duties were those fixed in the Valuation Tariff of 1906, adding the aforementioned increase of 60% made in 1923 (this was the position in 1930; during 1931 the valuations of a large number of goods were increased by varying percentages and hundreds of new valuations were established). These values were not generally reliable and the Argentine Statistical Department in order to reach a rough true value of their imports calculated what they called ‘*valores reales*’ (real values), as distinct from ‘tariff values’. Although the ‘real values’ and ‘tariff values’ for total imports were approximately the same, there were wide differences in detail and those differences were studied by the Board of Trade in order to have more elements of discussion in the trade negotiations. “Economic and

goods was imposed⁶⁷⁸. Even the British argued that by 1931 the Argentine government had increased substantially the duties levied on British goods⁶⁷⁹. This policy was not different from those applied by neighbouring countries. Brazil, for example, applied tariff increases (e.g. cotton yarns, jute, hemp, paper goods). Uruguay did so for goods competitive with the national industry and imposed new duties on automobiles (which later were doubled), alcohol, cigarettes, spirits, fuels and bananas, among others.

Table 79 Argentina: Data on the level of import duties

| Year | Total import duties as a percentage of the 'real value' of merchandise imports | Ratio of 'tariff value' of imports to their 'real value' | Total import duties as percentage of the 'tariff value' of merchandise imports |
|------|--|--|--|
| 1928 | 17.4 | 1.014 | 17.1 |
| 1929 | 17.3 | 1.023 | 16.9 |
| 1930 | 16.7 | 1.020 | 16.4 |
| 1931 | 21.7 | 1.028 | 21.1 |
| 1932 | 28.6 | 1.040 | 27.5 |
| 1933 | 28.7 | 1.083 | 26.5 |
| 1934 | 22.4 | 0.923 | 24.2 |

Source: Díaz Alejandro (1967, p. 79) based on data on receipts from import duties, 'real' and 'tariff' values of merchandise imports from *Dirección General de Estadística de la Nación, Anuario del Comercio Exterior de la República Argentina*, various issues for the period of analysis.

However, according to Chalmers (1953, p. 110) Argentina, similarly to other Latin American countries, removed in 1932 the duties on a list of foodstuffs, machinery and other products which had been made dutiable the year before. About the latter it is possible to imagine that Argentina revised the duties imposed before in order not to hamper the development of its national industry which later would constitute the full expansion of the import substitution industrialization model. But, according to various researchers, this revision was not enough to avoid difficulties in the industrialization level. In consistency with the increase of tariffs and according to figures from Díaz Alejandro (1967, p. 82), the real value of duty-free imports during 1930-1934 as a percentage of the real value of all imports was on average 26.5%, whilst during 1925-1929 it was 29.8%, which means a reduction of 3.3 percentage points in comparison with that period. On the other hand, during 1930-1934 the percentage of total import duties in relation to the real value of imports subject to duties increased from 23% between 1925 and 1929 to 32%.

Trade Relations. Record of conversations between the Argentine Ambassador and Mr. Craigie (Foreign Office) and also with the President of the Board of Trade" in "Argentina-UK", BT 11/79 (1932).

⁶⁷⁸ This information was taken from "Argentina-Tariff Discussions" in "Economic and Trade Relations. Record of conversations between the Argentine Ambassador and Mr. Craigie (Foreign Office) and also with the President of the Board of Trade" ("Argentina-UK", BT 11/79, 1932).

⁶⁷⁹ This information was taken from an Aide-memoire in "Economic and Trade Relations. Record of conversations between the Argentine Ambassador and Mr. Craigie (Foreign Office) and also with the President of the Board of Trade" ("Argentina-UK", BT 11/79, 1932).

In this regard, it is worth mentioning that the Argentine tariffs were much more encompassing than those of the US. Many raw materials and manufacturing inputs which were duty-free in already industrialized countries were dutiable in Argentina. Some authors attribute this to the revenue-raising character of the Argentine tariff. Others have suggested ‘protectionism in reverse’ or, in modern parlance, ‘negative effective protection’, meaning raw materials attracting duty at a higher rate than finished products⁶⁸⁰. In relation to this issue, in the academic field, as well as in the view of livestock farmers and exporters, it is considered that the Argentine ‘protectionist in reverse’ tariff legislation⁶⁸¹ hampered imports of raw materials in favour of the import of manufactured goods, avoiding the full development of the import substitution industrialization.

In the internal political game, the supporters of tariffs were:

- i) the national and foreign producers of rural and manufactured goods, who gained from higher duties and acted sometimes as a pressure group (e.g. *Unión Industrial Argentina* -UIA-, Argentine Industrial Union);
- ii) a few nationalistic and pro-industry citizens; and,
- iii) the Treasury officials concerned with increasing public revenues (Díaz Alejandro, 1970, pp. 306-307).

Some of the arguments used by these supporters of the tariffs were, i) the need to diversify the Argentine productive structure by means of strengthening the industry because export structure based on products of rural origin made the country especially vulnerable⁶⁸²; and, ii) the argument that greater protection should have been given to the manufacturing sector before 1930 to compensate the decline in the growth-promoting contribution of the rural export products.

Pushed by these pressure groups and taking advantage of those politically appealing arguments, Argentine protectionism also started to discriminate among countries. The official slogan ‘buy from those who buy from us’ which had been advocated after the embargo imposed by the US on Argentine meat exports in 1926, renewed its role in the Argentine discourse. In this context, on November 29, 1929, as a result of the criticized commercial mission of Lord D’Abernon from the UK⁶⁸³ and in an attempt to grant preferences to the UK, Yrigoyen issued a silk rebate decree, ordering a 50% tariff reduction on yarns and cloths containing artificial silk imported from the UK. However, Argentina was bound by an adherence to the unconditional most-favoured-nation clause in many of its already signed treaties with many countries. France was the first of those countries to protest that decree on the grounds that it violated existing treaties. Taking into account these facts, Yrigoyen refused to promulgate the aforementioned decree, placing a precedent that would make it difficult to grant further concessions.

⁶⁸⁰ See Alhadeff (1986, p. 87).

⁶⁸¹ As mentioned, the law applied in the thirties was the 1906 Law.

⁶⁸² For more detailed information see Bunge (1984, pp. 193-220).

⁶⁸³ The *Unión Industrial Argentina* (UIA, Argentine Industrial Union) launched a vigorous campaign to fight against the President’s policy (Solberg, 1973, pp. 283-284).

In addition, by that time, certain exemptions were applied which had as a consequence complaints by important trading partners of Argentina, including the US. One good example is the Argentine exception on South American white pine lumber, apparently in favour of Brazil, against North American pine. According to the Chargé d' Affairs of the United States in Argentina, Mr. White, Article 2 of the Argentine decree of October 6, which exempted from increase of duties rough sawn South American white pine lumber in planks and boards from the increased duties applied to other kinds of lumber, constituted a discrimination against American lumber not justified by the provisions of the treaty of amity and commerce between Argentina and the United States of 1853. Furthermore, he added that the provisional government had issued a decree dated December 9 supplemented by a customs decree of December 11 according a 50% rebate to birch ply wood of Finnish origin on the ground that Finland gave exemptions from duties to Argentine bran and derivatives. The Consul had reported that this agreement was considered to be principally directed against the USSR. Other countries, however, were much affected, such as, for instance, Germany. Article 4 of the German treaty of 1857 appeared to be identical, as regards the unconditional most-favoured-nation clause for imports, to Article 4 of the US treaty of 1853, so that Germany was entitled to invoke that clause. In fact, the Germans seemed disposed to see in this apparent disregard of the unconditional most-favoured-nation clause a reflex of the condition created for Argentina by the prospect of the application of a quota in the UK for imported wheat⁶⁸⁴.

In this regard, the Argentine government reacted indicating that the South American white pine wood included in Section 1216 of the *Tarifa de Avalúos* (Tariff Valuations) had been distinguished from other kinds of pine which had been entered under Section 1217 to 1220 inclusive, by reason of differences in quality, type, price, etc., and this for many years without any objection. That pine was known under the name of Brazilian pine, or Parana pine. The exemption provided by the decree was based, precisely, on said differences. South American white pine was not similar to any North American pine, or those included in the other customs classifications, it being similar only to Siberian pine. As a result Article 4 of the Treaty of Commerce of 1853 was not applicable in that case⁶⁸⁵. In this respect, Mr. James Grafton Rogers for the Secretary of State responded to the Chargé in Argentina that he was authorized to discuss orally with the appropriate authorities the apparent weakness of the arguments based on the Argentine *Tarifa de Avalúos*⁶⁸⁶. Thus, the North Americans were not convinced of the Argentine arguments and the North American Ambassador in Argentina Mr. Robert Woods Bliss stated that as a result of tariff barriers against its products on the part of other countries, and particularly under the stimulus of fear that the UK, Argentina's best market for meat and cereals, would restrict its purchases, the policy of the government appeared to be, in theory at

⁶⁸⁴ See note N° 1463 (635.113 Lumber/5) signed by the Chargé d' Affairs of the United States in Argentina Mr. White to the Secretary of State, in FRUS (United States Department of State, 1948, pp. 381-382).

⁶⁸⁵ See United States Department of State, FRUS (1948, p. 386).

⁶⁸⁶ See note N° 569 (635.113 Lumber/13) signed by James Grafton Rogers for the Secretary of State of the United States to the Chargé in Argentina Mr. White, in FRUS (United States Department of State, 1948, p. 387).

least, to substitute bargaining or reciprocity clauses in its treaties, for those of the most-favoured-nation⁶⁸⁷.

In any case, between 1933 and 1934 Argentina signed various bilateral agreements with the UK, Belgium, the Netherlands, Germany, Switzerland and Spain, and in the following years with another fourteen European and South American countries.

In Brazil, the perception of the foreigners living in the country was that people's mood of the time was 'anti everything foreign'⁶⁸⁸. That mood facilitated the adoption of protectionist measures. Although the new provisional government in office from October 1930 indicated that its commercial fiscal policy would be directed towards the general objective of encouraging agriculture and checking the present tendency towards excessive industrialization⁶⁸⁹, the fact is that it enacted new measures of increasing tariff protection. On January 1931, a budget decree increased Brazilian customs tariffs, in particular to practically prohibiting levels of duties on cotton yarns, while there were also increases on jute and hemp. British and French representatives protested against certain increases, while Portuguese, Spanish and Italian importers were also seriously affected. However, duties on pottery (a British interest) were not increased, while decreased duties were provided for raw cotton and corded cotton threads⁶⁹⁰. However, these changes in tariffs were not uncommon, as Argentina and Uruguay also introduced tariff revisions in 1931-1932.

Although Brazil did not resort significantly to quotas and similar import restrictions⁶⁹¹, the tariff was really a tool used to incentivize industrial activity. On September 7th 1931 a Decree modified the tariff system providing for two columns with abatements of 20% and 35%, called the general and the minimum tariff, respectively, and a punitive column of double the general tariff⁶⁹². Chalmers (1953, p. 111) attributes to the proposed introduction of a double tariff the

⁶⁸⁷ See note N° 1630 (635.113 Lumber/20) signed by the Ambassador of the United States in Argentina Mr. Robert Woods Bliss to the Secretary of State, in FRUS (United States Department of State, 1948, p. 389).

⁶⁸⁸ See extract of a letter from J & G. Meakin, Ltd, Hanley, England dated January 22nd 1931, in FO 371-15060, p. 174

⁶⁸⁹ See note dated December 9th 1930 signed by J. Garnett Lomax, Commercial Secretary to the British Embassy, in FO 371-15065, p. 47.

⁶⁹⁰ See telegram from Mr. Seeds dated January 7th 1931, in FO 371-15060, p. 147.

⁶⁹¹ See Chalmers (1953, p. 110).

⁶⁹² See translation of Decree 20380 of September 8th 1931, in FO 371-15061, p. 46:

"(...) Article 2- For greater facility in calculation in the Customs Houses, for greater stabilisation in international commercial transactions and for better security in the provision of revenue and until the new Tariff should be in force, including the general revision to which article 1 of this decree refers, article 2 of law No.4,984 of the 31st of December, 1925 should be revoked in order that the Customs duties fixed in the present Tariff shall be calculated in gold milréis at the exchange of 27d. to the milréis and paid with an abatement of 20% or 35%.

Section 1- The Tariff with an abatement of 20% shall constitute the General Brazilian Tariff and shall be in force in the absence of any special arrangement resolved by the Government.

Section 2- The Tariff with an abatement of 35% shall constitute the Minimum Tariff and shall be applied to the products of countries that guarantee, by means of commercial agreement, an effective minimum tariff to Brazilian products.

Article 3 The Government reserves the right to increase, by decree and as may be decided, to the extent of double, the rates of the General Tariff for the products of countries which deliberately, by increasing the differential rates or by any other method, seek to obstruct the entrance of Brazilian products into their markets (...)"

conclusion of over thirty commercial agreements of the most-favoured-nation type and of limited duration by 1932. The first of them was signed with the UK, with other examples being Sweden, the Netherlands and other European countries⁶⁹³. However, the column probably referred to the embargo placed by the Argentine Republic on Brazilian *maté* and especially to France⁶⁹⁴. The origin of the impasse with the French was the frozen credits in Brazil that damaged bilateral relations, aggravated after the French decree of May 8th 1931 that doubled the duties on meat and cocoa. The Brazilian government reacted with a decree imposing a special rate of 120 milréis per kilogramme on serum and vaccine and an increase of 25% in consumption tax on wines and foreign beverages. However, in September of the same year both governments committed to revoking those measures after an exchange of notes was effected proroguing *modus vivendi* between both countries, pending negotiation of a definite agreement⁶⁹⁵. Later, in November 1933 the impasse was renewed after new Brazilian retaliatory tariff measures were enacted, being promptly followed by the French decree imposing prohibitive duties on Brazilian products⁶⁹⁶. Nevertheless, discriminatory policies were common at the time, and the Brazilian threat to punish certain countries was in line with the discriminatory allocation of foreign exchange practiced by Argentina and Uruguay or the tariff exemptions granted by Argentina to some countries (UK, Brazil, etc.) on some products.

The Brazilian protectionism included from 1931 the reduction of export duties on some products⁶⁹⁷. The tariffs applied to capital goods required for the production of cement, canned foods, glass, tires and other rubber products, cellulose and alcohol were eliminated or strongly reduced during the tariff revisions of 1932 and 1934. On the other hand, tariffs on several other similar national products were increased to keep them at competitive levels. For example, one exporting American firm complained that its paper exporting products were almost eliminated by a tariff of 300% *ad valorem* established in 1932. A similar case is found in the industry of fabric from cotton and wool. This level of tariffs was not uncommon. In the revision of 1934, further to increases or readjustments of the old duties, a reduction in tariffs on several foreign products not considered as directly competitive or regarded as necessary to the economic life of the country was applied, while selective protection was awarded to developing national industries, through customs facilities for raw materials or equipment needed from abroad⁶⁹⁸.

⁶⁹³ See partial translation of the text of the exchange of identic notes between Brazil and the UK, providing for and arrangement facilitating and regulating commercial relations, signed September 11th 1931, in FO 371-15061, p. 47: "(...) (a) Goods, the produce or manufacture of Brazil imported into the United Kingdom (whether for consumption, re-export or transit) will receive treatment not less favourable than that granted to goods, the produce or manufacture of any other foreign countries; (b) Goods, the produce or manufacture of the United Kingdom imported into Brazil (whether for consumption, re-export or transit) will receive treatment not less favourable than that granted to goods, the produce or manufacture of any other foreign countries; (c) Similar treatment will be accorded in Brazil to goods, the produce or manufacture of any British colony, protectorate or territory in respect of which His Majesty exercises a mandate in which Brazilian goods receive treatment not less favourable than that accorded to goods of most favoured foreign countries".

⁶⁹⁴ See note signed by Stanley G. Irwing, from the Commercial Secretariat of the British Embassy to the Department of Overseas Trade, dated June 27th 1931, in FO 371-15061, p. 32.

⁶⁹⁵ See telegram Nr. 089 from the British Embassy dated September 10th 1931, in FO 371-15061, p. 15.

⁶⁹⁶ See memorandum from the British Consulate in Santos, dated November 3rd 1933, in BT 11/157.

⁶⁹⁷ See Chalmers (1953, p. 87).

⁶⁹⁸ See *Ibid.*, p. 129

This policy was reinforced by a decree stipulating that whatever the exception or reduction of tariffs on the imported products, in no case could they be applied to products for which there was similar national production that could be provided in enough quantity for the national consumption⁶⁹⁹. The tariff also included a drawback clause, which meant a total or partial exemption of the taxes on raw materials incorporated in products for export⁷⁰⁰.

Regarding the benefits specifically provided by tariffs and other trade measures to certain sectors, there was a harmonious relationship with the textile producers. They obtained several concessions from the federal government, including an embargo on the importation of new machines needed for the production of textiles, in order to prevent the increasing overproduction in the sector⁷⁰¹. The development of the textile industry entailed a strong lobbying on behalf of the industrialists in the biggest cities, and government intervention, as Stein (1979) clearly analyses. For 25 years the textile industry had expanded, but as early as 1926 there were the first signs of uneasiness. The contraction of the coffee prices reduced the income of the rural workers, who used to buy the rough fabrics produced by the Brazilian industry. At the same time the British products surged because they were more competitive in price and quality. As a consequence of the falling coffee economy, industrialists and capitalists in general invested in urban industrial activities, thus expanding dangerously the installed capacity of the textile industry. The overproduction threatened the profitability and survival of many textile companies as prices were reduced.

Given the economic downturn of the coffee economy, the political power of the rural oligarchy was reduced in favour of the industrialists. The increased political leverage of industrialists led to two key measures. In 1928, the tariff on cotton fabrics was increased over the already high levels, to avert the damage caused by the alleged British dumping. The industrialists perceived that the collapse of the demand due to the depression of the coffee economy, the impossibility of export due to the competence of the British fabrics and the redirection of investment from the countryside to the cities explained the strong overproduction that was eliminating the smallest companies and undermining the soundness of the biggest ones. The solution was a decree signed in March, 1931 by President Vargas, restricting the import of machines for industries whose production was considered excessive by the government, and in May the textile industry was declared officially in a state of overproduction, a condition that lasted until 1937. The consequence was the birth of a national loom industry that supported the textile industry, which eventually managed to grow in spite of the depression and the capital goods restrictions. This move of the Brazilian government was quite contrary to the measures enacted in Argentina and Uruguay, which tended to increase the industrial production of fabrics. For example, Uruguay enacted tariff reductions on raw cotton and corded cotton threads and on equipment needed for industrial production. However, as Fishlow (1972) points out, the experience of the depression encouraged a model of growth in the consumer goods industries based on the exploitation of vast amounts of inexpensive labour and encouraged a mind-set of short-run planning and

⁶⁹⁹ See Hilton (1977, p. 100).

⁷⁰⁰ See *Ibid.*, p. 110

⁷⁰¹ See *Ibid.*, p. 101.

technological and managerial obsolescence. Over the long-run, this strategy of capital-scarce industrialization perpetuated the use of antiquated technology and low-wage labour-intensive methods of production.

Other industries were also protected. For example, in 1931 Brazil required the purchase or the mixing of domestic alcohol in given proportions to the amount of foreign gasoline imported. For the purpose of supporting this activity, the *Instituto do Açúcar e do Alcool* was created, which in fact was a turning point in state intervention in Brazilian history⁷⁰². Tobacco exporters benefited from special privileges when they exchanged their foreign proceeds into milréis. The big increase in manufactures from concrete was fostered by the suppression of the tariff on the industrial equipment imports. Entrepreneurs interested in the meat sector benefited from a reduction of 30% in import tariffs for machinery, instruments and vehicles needed for the establishment of those activities. In 1934, the government conceded further tariff reductions on the imports of the equipment needed for the production of rubber products, alcohol, cellulose and other light industry products. While the government in the case of key imports kept the already high tariffs over several import products. Other measures tended to encourage the use of domestic commodities. One example of this was the high tariff on the oil used for the production of soap, since the government believed that there were other domestic substitutes that were suitable for that purpose⁷⁰³.

The work of the provisional government focused on the equilibrium in the exchange of goods, in an attitude of defending the country against other countries that hampered the expansion of its foreign trade. Probably a good picture of the general guidelines of the Brazilian trade policies is outlined by an official statement of the Brazilian delegation to the Monetary and Economic Conference of 1933. The delegation stated that Brazil did not apply restrictive measures affecting international commerce other than those which were imposed by circumstances beyond its control, and did not resort to prohibitions, limitations, import quotas or measures of tariff reprisals of any kind whatsoever. Brazil was also opposed to any interpretation that it was trying to evade the most-favoured-nation clause, and for this reason it was opposed to any system quotas for imports in any shape or form and refused various proposals for international clearing agreements. In order to contribute to the outcome of the Conference, Brazil pledged its adhesion to the tariff truce and its willingness to examine any proposals for the reduction of customs tariffs by means of the conclusion of bilateral agreements of reciprocity, provided that such agreements did not exclude the most-favoured-nation clause and provided, further, that account was taken of the essential needs of the treasury as well as of the minimum of protection indispensable to the agriculture and industries of the country. In accordance with this policy Brazil had signed by 1933 twenty-five commercial agreements in the space of less than two years⁷⁰⁴.

⁷⁰² See Abreu (2008, p. 299).

⁷⁰³ See Hilton (1977, pp. 49-52).

⁷⁰⁴ See Conf. M.E./9 in BT 11/157, not dated, 1933.

Brazil also embarked on negotiations of trade compensating agreements under the guidance of the Foreign Minister Afranio de Mello Franco. The basic political guideline was that the domestic market needed to exercise its purchasing power abroad according to an assessment of the access conditions of the national production into each country abroad⁷⁰⁵. Internally there was an underlying debate that crossed institutions, government agencies and social classes, which was the contradiction between the free trade model of commerce with the US or the protected commerce with Germany. As a consequence of this contradiction, Brazil opted for the free trade with North America, but without renouncing completely to compensated trade with Germany⁷⁰⁶. That is why according to an assessment of British diplomacy, the Brazilian needed to favour the Germans in regard to coal, in the face of a threat of reprisals by the Germans in relation to coffee⁷⁰⁷. The government resorted to barter agreements with the two main trade partners, Germany and United States, although there were no formal agreements signed⁷⁰⁸. One example of those barter agreements was the exchange of coffee (about 1,225,000 bags) for wheat (25,000,000 bushels) with the United States. Accordingly, the Brazilian government prohibited the importation of flour for eighteen months, in connection with the large-scale barter with the US⁷⁰⁹. And in 1936 Brazil formally signed with Germany an agreement of compensated trade⁷¹⁰. This policy of barter agreements and managed trade particularly explains the increased share of Germany in Brazilian imports and exports. Germany became an important partner especially after 1934, when shipments of cotton multiplied several times. Cotton added to coffee, and contributed the bulk of the Brazilian exports as a token for German imports⁷¹¹.

Brazil used this ambivalence between both central powers at the time to win time and concessions. That was also facilitated because the US was willing to sacrifice some short-term gains, as the priority was a long-term goal of preventing Brazil from negotiating alliances with other powers or implementing more nationalistic policies. Especially under the government of President F. D. Roosevelt, there was a change to the 'Good Neighbour' policy, which meant the rejection of coercive politics, the adoption of diplomatic negotiations and promotion of initiatives regarding military and economic cooperation, as a strategy designed to diminish the European influence in Latin America and to foster American influence in the Hemisphere⁷¹². Accordingly, the US disregarded after 1934 the pressures from bankers, industrialists and other lobbies to restrict trade and payments. Thus, unlike the case of Great Britain's use of its trade policy to obtain privileged treatment by Argentina, Brazil was almost free of foreign constraints⁷¹³. That US policy also allowed Brazil to maintain a higher level of foreign reserves

⁷⁰⁵ See de Barros (1938, p. 8).

⁷⁰⁶ See Moura (1982, p. 581).

⁷⁰⁷ See record of discussion with the Commercial Secretary at Rio de Janeiro Mr. Lomax as to the possibility of commercial negotiations with Brazil held at the Board of Trade on August 15th 1933, in BT 11/157, 1933.

⁷⁰⁸ See Abreu (2008, p. 288).

⁷⁰⁹ See Chalmers (1953, p. 87).

⁷¹⁰ See Moura (1982, pp. 581-582).

⁷¹¹ See Hilton (1977, p. 87).

⁷¹² See Moura (1982, p. 579).

⁷¹³ Hilton (1977, pp. 94-95) gives a good account of the U.S. Department of State's self-restraint regarding the claims by the North American exporters who complained about Brazilian protectionism.

and consequently more liberty for its policies⁷¹⁴. However, the trend for a closer bilateral relationship between Brazil and the US was more evident with the tariff reductions on the bilateral trade signed at the bilateral trade agreement signed in 1935⁷¹⁵.

With the Great Depression the Uruguayan economy hastened its path to a closed economy, especially after the imposition of the exchange control in 1931. Some authors such as Arocena Olivera (2002) so-called this period '*el encierro*' ('the enclosure'), a stage characterized by the rise of the import substitution industrialization model, which in Uruguay relied on the strengthening of the internal market, the imposition of a system of multiple exchange rates and protectionist barriers to foreign competition. This model meant for the first time in Uruguayan history that the weak industrial sector had a better performance than the agricultural sector with a superior GDP share.

The protection for national industry, along with the distributive policies, was one of the key responses to the crisis. The CNA was authorized in August 1931 to ban imports of merchandise similar to Uruguayan production or that were considered as luxurious goods -e.g. jewels-⁷¹⁶. Furthermore, the CNA could overcharge up to 100% all customs duties, provided that there was a reduction of less than 30% on the global value of imports. Nevertheless, these prerogatives were not actually applied since the authorities were fearful of retaliation from foreign countries. Instead, the government required that tariffs were to be paid 75% in pesos and 25% in gold or its equivalent in foreign currency, although several commodities demanded by the industry and essential goods consumed by the lower classes were waived from this regime⁷¹⁷. In 1931 tariff exemptions were implemented for the import of machinery, spare parts, raw materials and industrial inputs⁷¹⁸. And in order to protect the national industry, the budgetary law of August 6th 1931 allowed the CNA to raise the tariffs applied to products competitive with the local production from 31% to 48%⁷¹⁹. Moreover, import tariffs on automobiles, alcohol, fuels and bananas were imposed, and later the tariff on automobiles was doubled⁷²⁰ to the discontent of the North Americans⁷²¹.

In 1932 'quotas' were enacted in order to restrict the foreign imports, although they were enforced two years later. The so-called consular fees were increased to 2% ad valorem on all tariffs and an export bounty on wheat was established, while another bounty to grape growers

⁷¹⁴ See Abreu & Svirsky (1985, p. 548).

⁷¹⁵ See Moura (1982, pp. 581-582).

⁷¹⁶ See Jacob (1981, p. 79).

⁷¹⁷ See Acevedo Álvarez (1934, pp. 106-111).

⁷¹⁸ See Bertino et al. (2001a, p. 13).

⁷¹⁹ See Acevedo Álvarez (1934, p. 111).

⁷²⁰ See Nahum (2008, p. 142).

⁷²¹ In 1932 a draft law provided a tariff preference of a 10% discount granted over the general tariff to countries with a favourable trade balance to Uruguay and conditional on the provision of most-favoured-nation treatment to Uruguayan products or on special benefits granted to them. Another 15% discount was granted if the goods imported originated in a country whose purchases favoured Uruguayan industry. However, this text never became law due to the Terra coup in 1933. See Acevedo Álvarez (1934, pp. 159-160).

was proposed⁷²². In addition, and as a way to take into account the changes in the relative value of the peso against main currencies because of the international juncture (e.g. the departure of the British pound from the gold standard in 1931) it was decided to increase by 25% the official customs import values in 1932, and by 40% for store, haberdasheries, upholsteries and electricity goods in 1933. There was also a reduction of 10% for coal (favouring the British) and 62% for fuels⁷²³.

In 1933, like in Argentina, a locust plague hit the countryside, affecting particularly the production of wheat and potatoes. Although those products had a low share in Uruguayan exports, their reduced availability forced unexpected imports to cover the internal demand, so nature contributed to a deterioration of the foreign trade balance. Furthermore, the government decided to skip the tariff collection on those imports in order to alleviate the hardships of the population, and as a consequence the additional purchases also did not contribute to balancing the national budget⁷²⁴.

Since 1931 Uruguay was planning to negotiate tariff treaties with various overseas countries with the main purpose of securing favourable tariff treatment for its exports. In this regard, the interpellation of the Minister of Foreign Affairs Mr. Blanco of September 5th 1932 is very illustrative. The Minister concluded that the policy of the government was as follows:

- i) preferential tariffs for countries with which Uruguay had a favourable trade balance;
- ii) special agreements with various countries;
- iii) agreements on the basis of certain selected articles with the UK and other countries with which Uruguay had a favourable trade balance (which should tend to level the balance of payments and provide exchange);
- iv) parliamentary approval of various commercial treaties containing a most-favoured-nation clause and various agreements in relation to special articles;
- v) reorganization of the methods of production and preparation of meat, taking into account the special requirements of European markets; and,
- vi) increased attention to the recommendations of the London Public Health Committee in the preparation of meat for export, and an endeavour to open fresh markets in Europe, America and the East⁷²⁵.

Although during 1933-1935 trade agreements were signed with Spain, Turkey and Egypt, the most important ones were with Germany and the UK. In particular, the *terrlista* regime tried to open new markets by resorting to ‘barter’ agreements promoted by countries like Germany and Italy. That initiative resulted in the trade agreement with Germany in November 1933. The US was also approached, even with uncommon suggestions. An example of this is that according to

⁷²² See Chalmers (1953, pp. 65, 109-110).

⁷²³ See Acevedo Álvarez (1934, pp. 174-175).

⁷²⁴ See Poder Ejecutivo (1934, p. 8).

⁷²⁵ See minutes of the session of Chamber of Representatives of the National Parliament of September 5th 1932, reported in the official Gazette of September 27-28 1932, enclosure in Mr. R.C. Michell’s Nr. 133, October 1st 1932 in “Uruguay-UK. Ottawa Agreements on Uruguay trade, Uruguayan Treaty Negotiations with the UK” in FO A.5984/1864/46, BT 11/114.

the memorandum by the Secretary of State, Cordell Hull, from a meeting with the Uruguayan Minister of Foreign Affairs, Mr. Arteaga, in 1934, the latter suggested that Uruguay produced better cognac than France and that Uruguay could import a substantial amount of cotton goods from the US in exchange for cognac⁷²⁶.

International bargaining also included the allocation of exchange, since the Uruguayan government was thus being forced into canalization of its foreign trade on the basis of buying from the countries which 'bought from Uruguay'. In 1934, published press reports from London informed that American interests in Uruguay were being jeopardized by foreign exchange negotiations between Uruguay and the UK⁷²⁷. The British were insisting, with the threat of compulsory action, that Uruguay allocated the greater part of its sterling exchange in the settlement exclusively of all British long-term obligations, British-Uruguayan trade necessities, and payment of dividends due on British investments in Uruguay. Those reports added that this proposed treaty would prevent or seriously prejudice payment of American and other foreign obligations of Uruguay. In fact, the US government was observing that the panorama could turn into something similar to Argentina after the Roca-Runciman Treaty. In the Argentine case, the principle was accepted that the sterling exchange obtained from Argentine exports to the UK were to be allocated to remittances from Argentina to the UK. Consequently, as less exchange was available for the payment of service on Argentina's public external debts, national, provincial and municipal payable to countries other than the UK, American interests were especially hurt⁷²⁸.

Furthermore, the Uruguayan Minister for Foreign Affairs at the time, Juan Arteaga, was familiar with the Roca-Runciman Treaty and considered it fair. Moreover, he assumed that Uruguay was acting along similar lines. He stated that it was possible to assign 10% of sterling exchange for the requirements of countries other than the UK. This allotment, in addition to the exchange acquired through the sale of Uruguayan exports to countries other than the UK, would suffice for distribution of exchange to American and other interests in a manner which would not be discriminatory against them as compared to the amounts paid to the UK. But soon enough this argument changed and the Minister indicated that foreign exchange was becoming increasingly scarce in Uruguay as exports tended to decline, and that this scarcity was met by pressure from European countries⁷²⁹.

Since 1932, diplomats from the UK, France, Italy, Belgium and other countries pushed for a distribution of hard currency in values according to the volume of trade with those nations. Acevedo Álvarez (1934, pp. 152-160) argued that the government had to manage a delicate balance. On the one hand, it was reasonable to believe that those countries that generated the bulk of the hard currency for the country deserved to be able to export their products to Uruguay with the allocation of those amounts, and furthermore the country could not risk exposing itself

⁷²⁶ See United States Department of State, FRUS (1952, p. 644).

⁷²⁷ See telegram from Cordell Hull to Leon Dominian, the Chargé in Uruguay, in United States Department of State, FRUS (1952, p. 650).

⁷²⁸ See United States Department of State, FRUS (1952, pp. 650-657).

⁷²⁹ See *Ibid.*

to retaliation from those countries to which the Uruguayan exporters were especially vulnerable. On the other hand, the value of the peso had to be defended, and the protectionist trends of the Uruguayan counterparts had to be prevented or softened.

In order to be more descriptive of the real situation, the solution was the allocation by decree of specific values to the UK (19 million pesos), France (4.3 million pesos), Italy (3.7 million pesos), Germany (5 million pesos), Belgium (2.3 million pesos) and the US (7 million pesos), to cover the bilateral foreign debt and trade. According to the Board of Trade, the quota for the financial year ending June 1933 was based upon the value of the purchases of Uruguayan goods by each foreign country for the preceding year ending June 1932. If Uruguayan exports to the country concerned fell below that figure, the quota would be decreased pro rata. If the purchases of Uruguayan goods by any country for the year ending June 1933 exceeded the value of the purchases for the preceding basic year, then the surplus would be allotted as to 100% to the needs of that country⁷³⁰.

And the method which the BROU proposed to adopt for the establishment of individual national quotas was that a statistical account should be opened for each country conducting commercial transactions with Uruguay, which would be credited with:

- i) the amount of exchange derived from Uruguayan exports to the country concerned;
- ii) the amount represented by orders of payment in foreign currency received by institutions or persons of Uruguayan nationality or established in Uruguay from the inheritance of the foreign country concerned;
- iii) the sums represented by transfers, credits, remittances etc., representing a credit in foreign currency to Uruguayan firms or institutions.

And debited with:

- i) the amount represented by credits, transfers, remittances, drafts, etc., effected by foreign or Uruguayan firms or persons located in Uruguay;
- ii) the amount corresponding to purchases made from the foreign country concerned;
- iii) the amortization and interest services on the relevant Uruguayan foreign debts;
- iv) the amount represented by dividends, debentures, etc., of the capital of the relevant foreign companies, institutions, or persons in Uruguay⁷³¹.

In short, the foreign exchange quota allocation was conditional on keeping the value of the Uruguayan exports of chilled and frozen beef to those countries during 1931-1932. If not, those values would be adjusted accordingly upwards or downwards⁷³².

Taking the case of the UK as an example, the allocation of the 19 million pesos was framed on the following principle: debt service payable to the UK to be met in full; requirements of British public utility companies to be met in full; requirements of British commerce to be met so far as

⁷³⁰ See internal memorandum regarding the history of the Uruguayan exchange quota negotiations as related by Shell- Mex, not dated, 1933, in "Uruguay Exchange Restrictions", BT 11/151.

⁷³¹ See internal memorandum not dated regarding the history of the Uruguayan exchange quota negotiations as related by Shell- Mex, 1933, in "Uruguay Exchange Restrictions", BT 11/151.

⁷³² See Acevedo Álvarez (1934, pp. 152-160).

there was exchange left over after the above two categories had been dealt with⁷³³. However, this scheme created several problems because of the conflictive interests involved and the lack of exchange for commercial activities. The British complained and eventually claimed a 100% allotment of British pounds to British interests. In this regard, the Anglo-Uruguayan Trade Commission, constituted to advise on commercial questions between the two countries, pointed out that, for the basic year ending June 1932, Uruguay's exports to the UK were valued at 25 million pesos, and asked why the UK was only allotted 19 million pesos exchange. The answer was that, when framing the scheme of allocation by countries, the Uruguayan government contemplated the reservation of a certain sum from the total to which each country was strictly entitled in view of its purchases from Uruguay, to go to form a reserve to meet the service of the foreign debt, the financial requirements of the public utility companies and the purchase of raw materials of prime necessity⁷³⁴. The difference was also for the purpose of providing for the service of the special issue of gold bonds (designed to absorb accumulations of pesos which it was not possible to remit) and of making payment of goods necessarily purchased from countries buying little from Uruguay⁷³⁵. Another problem was the fight among British vested interests, especially of the petroleum company Shell-Mex's access to the 19 million pesos quota, to which the Chamber of Commerce objected on the ground that the petroleum imported by Shell-Mex was not a British product. To counter this argument, Shell-Mex Uruguay pointed out that it was a British company and that their imports were carried in British ships and financed almost entirely by British capital, from production, to delivery, to customer. They added that, for example, the raw materials employed in the manufacture of British textiles were produced outside the UK by non-British capital. While their own raw material was obtained with the help of British capital⁷³⁶.

iii. Between the British and the Americans

Argentina, Brazil and Uruguay shared a strong dependence on the US and the UK. This assessment can be confirmed by the figures already mentioned in Chapter IX and reproduced in Table 80. From this table the stronger dependence of trade flows of Argentina and Uruguay on the UK is quite obvious, as well as the relatively much stronger dependence of Brazil on the US. This also adds to our discussion in Chapter IV about the importance of British and American investments, especially in the River Plate.

We have seen in general how the decisions taken in core countries affected ABU, but the subject of meat is a good example of the complex interrelation between ABU and core countries, not only because of the significance of the product itself, but also because of the abundance of documents obtained in our field trip to London that allows us to obtain a complete picture of the

⁷³³ See note not signed not dated, 1933, in "Uruguay Exchange Restrictions", BT 11/151.

⁷³⁴ See internal memorandum not dated regarding the history of the Uruguayan exchange quota negotiations as related by Shell- Mex, 1933, in "Uruguay Exchange Restrictions", BT 11/151.

⁷³⁵ See minute of meeting of the Subcommittee on Exchange Restrictions in South America held at the Board of Trade on May 23rd 1933 in "Uruguay Exchange Restrictions", BT 11/151.

⁷³⁶ See internal memorandum not dated regarding the history of the Uruguayan exchange quota negotiations as related by Shell- Mex, 1933, in "Uruguay Exchange Restrictions", BT 11/151.

negotiations involved. At the Ottawa Conference of 1932 the British faced strong demands from its dominions to import foodstuffs from them instead of imports from ABU. However, we agree with Rock (1991, p. 21) that it was unlikely that the UK would put into effect the Empire's proposals since the Imperial suppliers appeared incapable of increasing production and exports fast enough to meet British demand. Furthermore, especially the imposition of restrictions on Argentine meat exports to the UK meant a growing risk of retaliation against British exports to this country and against British investments. Turning to our conceptual framework, Argentina and the UK had a strong complex interdependence, that on the Argentinean side included clear vulnerabilities, and in the UK side clear sensitivities. By contrast, given its size, Uruguay was not in any way a big concern to British interests. And also Brazil was low in British priorities.

Table 80 ABU: Share of exports to the US and the UK in 1928

| | Argentina | Brazil | Uruguay |
|-----------------------------------|------------------|---------------|----------------|
| Share of exports to the US | 8.3 | 45.4 | 10.4 |
| Share of exports to the UK | 28.7 | 3.4 | 22.6 |

Source: Calculated from Table 39, Table 42 and Table 43.

The Argentine government was very concerned about the way in which the Ottawa import restrictions would be managed. Imperial preferences had a damaging effect on key exports of Argentine meat, as well as wheat, butter and linseed exports. This situation forced Argentina to undertake negotiations with the UK. For that reason the Argentine Ambassador Mr. Malbrán was instructed to visit the President of the Board of Trade in January 1933. The Ambassador explained that the Argentine government was particularly disturbed by the news that the UK government was going to leave the administration of the import restrictions and the allocation of shipments to the private meat interests. The Argentine government had taken action intended to bring the producers more closely into association with the export trade. Thus, Argentina feared that two meat-packing plants which had entered the export trade (one being the Municipal Works at Buenos Aires which they proposed to nationalise and the other a meat-packing plant which was believed to receive financial support from the government) would not be fairly treated by the established houses⁷³⁷. Malbrán even used as a strategy of negotiation the argument that before Ottawa his government would have been prepared to denounce their treaties with other foreign countries in order to give preferential advantages to the UK, but since Ottawa his government was not prepared to do so⁷³⁸. And the British explained to the Ambassador that those arrangements were only temporary and that they intended to call a

⁷³⁷ See "Anglo-Argentine Negotiations", pp. 1-2, signed by the Board of Trade in Memorandum prepared for the use of the Prince of Wales explaining the present position and the desiderata in connection with the forthcoming visit of the Argentine mission to the UK, and the pending tariff negotiations in "Argentine-UK Tariff Negotiations", dated January 1933, BT 11/165.

⁷³⁸ See "Note on interdepartmental meeting held at the Board of Trade", dated 22nd December 1932 in "Interdepartmental meetings" in "Argentine-UK Tariff Negotiations", BT 11/166.

general Meat Conference in the course of the year 1933 at which the whole position would be reviewed in consultation with all the parties concerned⁷³⁹.

But this explanation did not satisfy Argentina. Certainly, the British were looking to strengthen their bargaining power, seeking to compel Argentina to buy more British and fewer American goods. The British wanted to curb the advance of American interests, especially the presence of its meat-packing plants that threatened to capture a higher market share (e.g. Armour, Swift and Morris). In essence, it sought to correct the trading pattern that had arisen during the twenties when Argentina exported large volume of goods to the UK while continually increasing its imports from the US, leaving the UK with a growing trade deficit. In addition, during the early years of the depression, the British had also been irritated by the restraints on remittances by British companies in Argentina that arose from the exchange control and the depreciation of the peso. In relation to this, the British argued that there seemed to be a tendency in Argentina to overlook the exceptional advantages which the UK market had for so long offered and still offered to Argentine products, and the Argentine government did not at the moment seem to offer those reciprocal advantages which UK interests appeared to deserve. And therefore the British conveyed to Mr. Malbrán these arguments and the Argentine government put under special consideration the UK interests when it came to the allocation of sterling exchange⁷⁴⁰.

By far the main bilateral negotiation of Argentina during the Great Depression was that relating the Roca-Runciman Treaty⁷⁴¹. It was signed on May 1st 1933 by the Argentinean Vice-President Julio A. Roca and the President of the British Board of Trade Walter Runciman, and was followed in late September by a treaty protocol and an agreement on tariffs⁷⁴². It was a complex and ‘Omnibus’ agreement that remains to this date very controversial. For that reason, it is worth analysing in depth. The Roca-Runciman Treaty was scheduled to be in force for three years, but it was renewed and extended in 1936 through the Malbrán-Eden Treaty. The treaty was negotiated in London by a commercial mission headed by, as mentioned, Julio Roca in return for the visit paid to Argentina by the Prince of Wales in 1931, which had the objective of ensuring the Argentine meat quota in the British market. Argentina had an especial interest in obtaining a ‘national quota’, and not a global quota⁷⁴³ which would be shared with Brazil and Uruguay⁷⁴⁴. By securing this national quota, Argentina not only would avoid losing a key export

⁷³⁹ See *Ibid.*

⁷⁴⁰ See “Anglo-Argentine Negotiations”, pp. 5-6, signed by the Board of Trade in Memorandum prepared for the use of the Prince of Wales (...) in “Argentine-UK Tariff Negotiations”, dated January 1933, BT 11/165.

⁷⁴¹ It is important to note that the Roca-Runciman Treaty was an indication of the Argentine-British trade agreement of November 1929, derived from a commercial mission headed by D’ Abernon, when threats of Imperial preferences already were used to obtain fundamentally unilateral Argentine concessions to the UK (Salera, 1941, pp. 64-68). The treaty was enacted in Argentina by Law 11693 published in the *Boletín Oficial* in May 8th 1933.

⁷⁴² It is important to recall that the former agreement of this kind with the UK dated in 1825.

⁷⁴³ According to a memorandum from the River Plate House dated 5th November 1932 in “Interdepartmental meetings” in “Argentine-UK Tariff Negotiations”, BT 11/166, as a result of Ottawa, a quota system had been adopted under which the ‘South American’ trade was given a ‘global’ quota.

⁷⁴⁴ See “Note on interdepartmental meeting held at the Board of Trade”, dated 22nd December 1932 in “Interdepartmental meetings” in “Argentine-UK Tariff Negotiations”, BT 11/166.

market, but also would renew the government's credibility among the diverse sectors associated with agricultural activities⁷⁴⁵.

Picture 5 The signature of the Roca-Runciman Treaty



Source: *El Bicentenario* (1933, p. 493). Argentine Vice President Julio Roca (jr.) signs the treaty in the presence of British trade envoy Sir Walter Runciman (seated at right).

According to Article 1 of the treaty, the UK would not impose any restrictions on Argentine chilled beef imports that caused a reduction in quantities to less than what was imported in the quarter of the year ending on June 30th 1932 unless the UK, after consulting the Argentine government, needed to impose such restrictions in order to ensure the domestic remunerative price levels. In particular, in the second clause of this article the UK agreed not to cut back imports of chilled beef from Argentina by more than 10% of the volume imported in the year ending on June 30th 1932 - already agreed in the Ottawa Conference -, unless at the same time imports of chilled beef or frozen beef from the dominions were reduced to an equal percentage: a reduction of chilled beef below 90% of the imported quantity in the same base year⁷⁴⁶. Furthermore, the UK agreed not to impose restrictions on the imports of frozen beef and frozen mutton more than those specified in the Schedule H negotiated with Australia⁷⁴⁷, as well as not to impose or increase duties on Argentine bacon, hams, extract of quebracho and grains such as wheat, linseed and maize. And the UK committed to not impose quotas⁷⁴⁸ on imports from Argentina of wheat, maize, linseed, bran, wool in the grease, grease, tallow and extract of

⁷⁴⁵ See Romero (2002, p. 70).

⁷⁴⁶ See also Drummond (1975, p. 310).

⁷⁴⁷ See the complete text of the Schedule H in "Ottawa Conference" in C.P. 298 (1932, pp. 35-36) or Prebisch, (1991, pp. 121-122).

⁷⁴⁸ In this regard, according to a "Note of meeting of the Third Sub-Committee held at the Board of Trade (...) February 16th, 1933" in "Proceedings of Third Sub-committee", "Argentina-UK Trade Negotiations" in BT 11/173, the Argentine delegation preferred increases of taxes rather than further quantitative restrictions on animal products.

quebracho. However, since the UK did not import a large volume of these products, the treaty related principally to beef.

However, Argentina did not achieve much in terms of one of its main objectives in this negotiation: to increase the share of local producers in the control of exports to negotiate better terms with the meat-packing plants. On this issue, according to clause 3 of the protocol the treaty limited to 15% the share that could be handled by Argentine-owned meat-packing plants, among whom, the British feared, might be established a cooperative without profit motives. Thus, the UK imposed its conditions according to the terms negotiated in Ottawa and it only agreed not to cut imports of Argentine meat, fundamentally chilled beef⁷⁴⁹ below certain levels of 1932 which were already low. And even worse, when the UK limited the share of Argentine companies in the meat trade, once more the UK was testing Argentine sovereignty and was making evident the economic dependence of Argentina. In this regard, Scalabrini Ortiz (1965, p. 168) affirms that thanks to this treaty the meat trade was confirmed as being under the absolute control of the UK. As a matter of fact, this legally binding instrument matched the reality of a market in which 85% of the meat exported to the UK was distributed at the discretion of the Board of Trade. And the North American threat was ruined because if they did not comply with the British policy, the UK could simply cut out the right of export for the North American meat-packing plants.

The British also obtained important concessions on merchandise exports and investments. Regarding exports, the British products regained the more favourable conditions that they had enjoyed before the depression. In the first place, Argentina agreed to grant to the UK a preferential tariff treatment reducing duties on almost 350 British imports to the level of 1930, before the Uriburu government's tariff increases. Moreover, it committed to refrain from imposing duties on goods such as coal⁷⁵⁰ that had not been affected by the tariff increases⁷⁵¹ and not to impose on whisky produced in the UK higher internal taxes than those imposed on national and non-national spirits⁷⁵². In the second place, according to Article 2 of the treaty, Argentina ensured that the exchange control would secure remittances in pounds sterling to the UK derived from the trade with this country, after deducting a reasonable annual sum to pay the public foreign debt (national, provincial and municipal). In addition, any remittances that remained 'blocked' in Argentina would be treated as interest-bearing loans (the already well-known Roca-Runciman Loan) after paying in cash an amount fixed between the governments of Argentina and the UK from the equivalent in pounds sterling of the departed 12 million pesos⁷⁵³. In this regard, the British ensured that no other foreign country would obtain better treatment than the UK⁷⁵⁴. As a consequence of this preferential treatment granted to the UK, the manufacturing opportunities from Japan, Germany and the US were blocked. For example,

⁷⁴⁹ It is important to recall that by 1929 the 99% of Argentine chilled beef had as its destination the UK.

⁷⁵⁰ See clause 6 of the protocol in *Boletín Oficial de la República Argentina* (1933).

⁷⁵¹ See Rock (1991, p. 22).

⁷⁵² See *Diario Hoy* (February 13th 2005, p. 4).

⁷⁵³ See also Kindleberger (2002, p. 288).

⁷⁵⁴ See "Note on interdepartmental meeting held at the Board of Trade", dated 21st April 1933 in "Interdepartmental meetings" in "Argentine-UK Tariff Negotiations", BT 11/166.

Japan could not settle its imports or obtain exchange by buying Argentine goods, and as a consequence the slogan ‘buy from those who buy from us’ did not work with that country⁷⁵⁵. Furthermore, importers of goods from the US not only had to face the tariffs created in 1930, but also had to buy expensive foreign exchange on the parallel market.

Another significant concession to the UK was the fact that the treaty specified in clause 1 of the protocol a ‘benevolent treatment’ for British companies that consisted of granting them favourable terms to acquire imports under the exchange control regulations⁷⁵⁶. This ‘benevolent treatment’ had as its main objective the rescuing of British firms from difficulties, such as the railways and urban transport companies. The railways were squeezed by high fixed costs, the general contraction of activities and the growing competition from automotive transport⁷⁵⁷. In this regard, according to figures from Prebisch (1991, p. 219), during the period 1928-1933 the railways’ gross revenues were decreasing to the point that in 1933 they were 31.8% lower than in 1928 and 5.1% lower than the previous year. Something similar occurred with the Anglo tram company – also owner of the first underground line in the city- which became a victim of the taxi buses, faster and more efficient than the trolleys. In order to put into effect the agreement the *Corporación de Transporte de la Ciudad de Buenos Aires* (CTCBA - Transportation Corporation of the City of Buenos Aires -) was created by Law 12311 of 1936. This was a mixed-capital entity between the Argentine State and companies related to transport activities (representing tramway and underground interests) with the exception of the railways, specially the British ones. The creation of this company generated public indignation and did not achieve the objective of making taxi bus drivers members so that they could not be in competition. But, following the line of reasoning of Romero (2002, p. 71), in both cases the railways and urban transport companies had ceased to be profitable and had not made the necessary investments to maintain their market share. Thus, this ‘preferential treatment’ increased some monopoly privileges and delayed these companies’ inevitable demise. This is why their boards started to consider the selling of the companies to the State as the most appealing exit strategy.

Without doubt, the Roca-Runciman Treaty deepened the dependence on London and meant a great victory for the British. In exchange for only maintaining the Argentine presence mainly in the British meat market, the UK was guaranteed the remittances from their old investments, as well as protection against future devaluation of the peso, preferential treatment to British goods exported to Argentina and control of a significant part of the disputed domestic market! Indeed, since the British also gained preferential access to scarce foreign exchange, they won what amounted to dominance in trade with Argentina, now protected by treaty, which they had enjoyed before 1914. Furthermore, as previously mentioned, this treaty struck US interests hard because importers of American goods not only had to face increased tariffs but also the

⁷⁵⁵ See Scalabrini Ortiz (1965, p. 168).

⁷⁵⁶ See also Rock (1991, p. 22).

⁷⁵⁷ The latter was boosted by the systematic construction of roads that begun in 1928 (modern transport infrastructure) and vigorously maintained by Justo. Lorries took the most lucrative part of the freight business and at the same time encouraged the import of motor vehicles, parts and tires, all of North American origin (Romero, 2002, pp. 70-71).

exchange control's restrictions⁷⁵⁸. In this regard, following the line of reasoning of Díaz Alejandro (1970, p. 98), the signature of this treaty caused in general very harsh internal criticism of the concessions that Argentina granted to the UK because they were considered excessive and unnecessary for achieving Argentine export objectives. Furthermore, many people in Argentina blamed this result on the influence of cattle-owning interests and their prejudices against industry. In addition, an intense debate began about the activities of large British meat-packing plants which were beneficiaries of the treaty. In this respect, Lisandro de la Torre, a Progressive Democrat Senator, took over the investigation and tried to expose the irregularities surrounding the meat trade⁷⁵⁹.

However, Raúl Prebisch argued that this treaty was a need more than a benefit for Argentina. The agreement was the only thing that could be done to protect Argentine exports from the disaster of the Great Depression. It was not a dynamic agreement, but a defensive one in the framework of a global economic contraction. Always, according to Prebisch, the Argentine government had to give to those who were buying Argentine products a certain favourable position in the Argentine market to facilitate sales to them⁷⁶⁰. However, his arguments do not justify why these concessions were not granted to other countries that also bought considerable quantities of Argentine products.

There were also strong political consequences of this treaty due to the terrible scandals around British companies making exorbitant profits by taking advantage of oligopolist and oligopsonist power. These sorts of accusations, sometimes as a result of the exacerbated nationalism, reached a dramatic point on July 23rd, 1935, when the Senator from Santa Fe Enzo Bordabehere (*demoprogresista*) was murdered on the premises of the *Senado de la Nación* (Senate) during a tense debate over the scandal of the meat trade. The shot was aimed at Lisandro de la Torre, who had denounced the irregularities a year earlier ("*1930/39 La década infame*", Cronista.com, 2010). Then, in January of 1937, because of the slow progress of the inquiry commission about the meat industry (a debate that ended abruptly and without resolution), Senator De la Torre resigned his seat and two years later he committed suicide. These dramatic events illustrate how the signature of the Roca-Runciman Treaty worsened the already deteriorating political situation of the country⁷⁶¹. Incredibly, in 1936 the treaty was renewed and extended, in a move to protect British investments under pressure from competing companies. This extension and the creation of the transportation company CTCBA illustrate the influence of the British interests on the country.

⁷⁵⁸ See Rock (1991, p. 23).

⁷⁵⁹ For example, in 1934 a British meat-packing plant attempted to smuggle out of the country (under the brand corned beef) records of its Argentine activities which had been subpoenaed by the Senate under law upheld by the Argentine Supreme Court (Díaz Alejandro, 1970, p. 61).

⁷⁶⁰ See also González & Pollock (1991, p. 470).

⁷⁶¹ The political environment continued in chaos, unrest and violence predominated, and the elections were always marked by irregularities. In 1936, during the elections for national deputies, the UCR obtained a parliamentary majority in the *Cámara Baja* (deputies) after succeeding in Buenos Aires, Córdoba and Mendoza. However, in Buenos Aires, the fraud which the Conservatives described as 'patriotic fraud', gave victory to the candidate of the conservative formula, Manuel Fresco. This action was described by several authors as the 'most fraudulent in history' ("*1930/39 La década infame*", Cronista.com, 2010).

The Ottawa Agreements did have an impact on Brazilian exports, too. Before Ottawa, coffee was the only Brazilian export of importance that the British taxed, so that no duty was levied on meat, raw cotton, fruit, hides and skins and manganese ore⁷⁶². Coffee ranked high as an offensive interest for the Brazilian negotiators, because of its importance for the economy and the high tariffs applied by major importing partners.

In the case of the UK, a mission headed by Lord D'Abernon indicated on September 1929 the British readiness to reduce or abandon the duty on coffee in exchange for concessions on the construction in British yards of ships to the value of £3million, the removal of the bunkering duty and the ratification of the Rio de Janeiro Improvement Company's contract of British capital, but the British failed to meet their commitment due to the opposition of the Treasury⁷⁶³. Coffee was also the most important bargaining chip in the negotiations with foreign powers, because it was the most likely product to barter with in order to save hard currency and reduce the coffee stocks. And they managed successfully to barter coffee for US wheat. There was also a proposal for an exchange of Brazilian coffee for British and German coal and eleven Italian aeroplanes⁷⁶⁴. Regarding this, Otto Niemeyer judged that for practical purposes Brazil could only barter with coffee, which was consumed mainly by the United States and, to a minor extent, by Europe, particularly Germany. Barter arrangements therefore meant concentration of Brazilian trade with those countries to the detriment of the UK, and consequently it was of very little use to British importers. He noted that the Brazilian-American barter arrangement merely meant buying from America and not from Argentina and that most of the coffee delivery could not be sold in America for a period of 18 months, meaning that those exports were an addition to current exports and not a part of them⁷⁶⁵. Regarding Germany, Niemeyer suggested that British diplomacy should do whatever possible to discourage the Brazilian government from entering into a proposed German-Brazilian arrangement in regard to coal and coffee⁷⁶⁶.

⁷⁶² See translation of an article from the November number of the Brazilian business review *O Economiste*, attached to a Note dated December 9th 1930, signed by J. Garnett Lomax, Commercial Secretary to the British Embassy, in FO 371-15065, pp. 48-50.

⁷⁶³ See note signed by Mr. P. Broad, no date, 1931, in FO 371-15060, p. 186.

⁷⁶⁴ See *The Financial Times*, reported on October 8th 1930 that "according to the *Börsen-Courier*, an agreement in principle has been reached for an exchange of 500,000 ton of Ruhr coal for Brazilian coffee. The negotiations have been carried on between the Ruhr Coal Syndicate on the one hand and the Brazilian Government on the other, the coffee importers of Hamburg acting as intermediaries. It will be recalled that an exchange of 25,000,000 bushels of American wheat for 1,295,000 bags of Brazilian coffee was arranged a few days ago. The *Börsen-Courier* says it seems grotesque that in a world in which the mechanics of money and credit have been developed to a point of efficiency, should find itself forced back to the most primitive system of trade-barter", in FO 371-15065, p. 71. According to a Telegram dated October 12th 1931 regarding coal, the British Embassy informed that it "(...) has been approached by coffee exporters and British coal firms with regard to this proposal. It would be on the same lines as the recent agreement between the US and Brazil for the exchange of wheat and coffee. Press reports negotiations are proceeding with Ruhr syndicate. In order to meet this type of competition, competitive proposal for exchange of coal for meat or coffee should be initiated", in FO 371-15065, p. 67. Italian airplanes are mentioned in a telegram dated October 12th 1931, in FO 371-15065, p. 69.

⁷⁶⁵ See note signed by Otto Niemeyer dated October 29th 1931, in FO 371-15065, p. 109.

⁷⁶⁶ See note sent to Mr Picton Bagge and Sir Leith Ross, dated October 27th 1931, in FO 371-15065, p. 89.

Coffee interests were also defended by Brazilian diplomacy in multilateral forums. For example, the Brazilian delegation to the Monetary and Economic Conference of 1933 put forward a proposal to apply to coffee the procedure followed for the other important products. According to the Brazilian delegate, the country was suffering the fourth crisis of coffee. He explained that coffee was a very important product for Brazil, so much from the commercial point of view, because of the great number of people for which it provided important labour and because of the capital which was invested. Any plan of control must necessarily comprise: 1) the stabilization of production; 2) export control; and, 3) the regulation of prices. The problem of coffee was more a matter of consumption and distribution than of production, and Brazil was willing to agree on tariff reductions on imported food products in exchange for similar reductions in coffee imports abroad. The British delegation was among the most reluctant in face of the Brazilian proposals⁷⁶⁷.

Although representations were made regarding coffee, bananas and meat, after Ottawa Brazilian concerns were raised strongly with regard to oranges, a fact that can be deduced from the representations of the Brazilian Embassy in London and the diplomatic correspondence of the British Embassy in Rio. Indeed, oranges were the second most important British import from Brazil⁷⁶⁸, and the Ottawa Agreements provided, under the terms of the agreement between the UK and the Union of South Africa, that the duty on Brazilian oranges would be increased to 3/6d. per cwt⁷⁶⁹ from April to November⁷⁷⁰. The Commercial Secretary to the Embassy warned about the agitation felt by Brazilian fruit exporters with respect to the orange trade to the UK. The exporters held that oranges were no longer able to be sold at a profit on the British market, because the proceeds of sale went in one way or another also entirely into the British market and because the duties imposed as a result of the Ottawa Agreements were an unfair and onerous burden⁷⁷¹. The Embassy of Brazil also pointed out that the duties constituted a direct discrimination in favour of Spanish oranges, in view of the fact that the season for the latter does not correspond with the period April to November, whereas the season for Brazilian imports of oranges does⁷⁷². The Brazilian press was even more direct. For example, the *Correio da Manhã* published that “it is really regrettable that the taxes created by the Ottawa Conference to protect the fictitious agricultural industries of British colonies, which cannot compete with the Argentine and Brazilian crops, have been devised to satisfy half a dozen strong concerns, owners of refrigerating plants in Australia, jute industrialists in India, fruit syndicates in South

⁷⁶⁷ See *Société des Nations, 1933, Journal de la Conférence Monétaire et Économique*, dated 7/17/1933.

⁷⁶⁸ See record of discussion with Mr. Lomax (Commercial Secretary at Rio de Janeiro) as to the possibility of commercial negotiations with Brazil, held at the Board of Trade on August 15th 1933, in BT 11/157.

⁷⁶⁹ Cwt. is the abbreviation of ‘hundredweight’, a measure equivalent to 100 pounds in the US and 112 pounds in the UK.

⁷⁷⁰ See note from the Foreign Office to the Secretary of the Board of Trade signed by Mr. Kelly on August 29th 1932, in BT 11/140.

⁷⁷¹ See note from the British Embassy to His Majesty’s Principal Secretary of State for Foreign Affairs, signature illegible, dated August 21st, in BT 11/140.

⁷⁷² See note from the Foreign Office to the Secretary of the Board of Trade signed by Mr. Kelly on August 29th 1932, in BT 11/140.

Africa, etc.”. The newspaper’s article concluded that it was necessary to call for a boycott on all British products, and particularly those coming from British colonies⁷⁷³.

Although the concern was expressed at the highest level by the Brazilian Minister for Foreign Affairs⁷⁷⁴, most of the Brazilian complaints on other products were dismissed on similar grounds to oranges. In general, the UK considered that the field available for concessions was small since the larger part of its imports from Brazil, apart from raw cotton, consisted of meat and other foodstuffs, the duties on which were fixed by the Ottawa Agreements⁷⁷⁵. Furthermore, the majority of British exports to Brazil were subjected to duties incomparable with anything imposed in Great Britain⁷⁷⁶. Consequently, the only suitable concession that could be found was in respect to Brazil nuts which were subject to a 10% duty under the Import Duties Act, but that concession was almost meaningless⁷⁷⁷. The British also disregarded the Brazilian allegations that the duty on oranges constituted a discrimination in favour of the Spanish oranges and a violation of the most-favoured-nation principle under the terms of the Anglo-Brazilian commercial agreement of the September 11th 1931⁷⁷⁸, because seasonal duties were common in the tariffs of a number of countries, including France, Belgium, Austria, Czechoslovakia, Germany, Poland and Uruguay⁷⁷⁹. And that stance prevailed even though the British were also aware that 90% of all Brazilian oranges exported were carried in British boats; that 30% of the wrappers were imported from England already printed; that about 50% of the wire and nails used in making the packing cases were supplied by British owned factories; that the oranges and many packing-houses were insured with British companies and that 90% of the telegrams regarding orange exportation were sent through British telegraph companies⁷⁸⁰.

In the case of meat, Brazil urged that some concession in regard to the allocation of meat quotas should at least be accorded on the lines of those embodied in the Anglo-Argentine Trade Agreement, in order to assist Brazil in the establishment of a meat-packing plant (*frigorífico*) independent of the Meat Conference companies. In order to achieve this objective, the Brazilian government was anxious to secure a market by obtaining an undertaking that a percentage of import licences would be reserved for the output of the national factory. Among other arguments, Brazilians held that their chilled meat, although excellent, was considerably cheaper in price than meat from other countries and popular with the working classes; imports were not

⁷⁷³ See article on the *Correio da Manhã*, August 10th 1933, signed by Felisberto C. Camargo: “Difficulties in exporting oranges to the United Kingdom”, in BT 11/140.

⁷⁷⁴ For example, according to a note from the British Embassy to His Majesty’s Principal Secretary of State for Foreign Affairs, signature illegible, dated August 21st 1932, in BT 11/140: “the objection to the Ottawa agreements is strongly felt and on the 7th August last the Minister for Foreign Affairs tackled me on the subject at a small private dinner party (...)”.

⁷⁷⁵ See memo not signed, year 1932, in BT 11/140.

⁷⁷⁶ See note from the British Embassy to His Majesty’s Principal Secretary of State for Foreign Affairs, signature illegible, dated August 21st 1932, in BT 11/140.

⁷⁷⁷ See memo not signed, year 1932, in BT 11/140.

⁷⁷⁸ See note signed by Mr. T.G Jenkins regarding the view of the Brazilian Ambassador to London, dated September 3rd 1932, in BT 11/140.

⁷⁷⁹ See note Nr. A2607/855/6 from the Foreign Office to the Ambassador in London, Raul Regis de Oliveira, dated 21st April 1933, in BT 11/140.

⁷⁸⁰ See draft report prepared by the British Chamber of Commerce, which was not published in the Chamber’s Journal due to the opposition of the shipping firms.

detrimental to the British cattle breeder because they took place during the slack time for British meat (February to July); quantities were comparatively small considering the demands of the British market; the capital employed in the meat industry in Brazil was largely British; and the transport of meat was made exclusively by ships flying the British flag⁷⁸¹. But the British were reluctant because that concession could only be made at the expense of quotas allotted to private firms already established in the business, which included the UK interests. Furthermore, the British calculated that if a bargain were to be concluded, say, on the basis of meat against coal, it might be difficult to meet criticism on behalf of, for example, the cotton textile industry which had suffered a more severe loss of trade in Brazil than even the coal industry⁷⁸². In spite of its efforts to create an independent meat-packing plant, Brazil failed to follow the example of its smallest neighbour Uruguay.

The assessment of foreign analysts tended to conclude that industry was heavily protected in Brazil. For example Lord D'Abernon, whose mission was widely known, affirmed that the Brazilian industries had been established under the protection of one of the highest tariff walls in the world, and their development was a force which constantly operated to increase its severity⁷⁸³. Brazilians were also aware of this fact, and used to attribute the market access difficulties to other causes. For example, on the occasion of the signature of the commercial treaty with Sweden, the Brazilian Foreign Minister stated that "it is unfortunate that at the present time our markets do not offer the same possibilities of placing the excellent industrial products of Sweden, since the principal articles of export to Brazil, which are cement, printing paper, wood pulp for paper and electrical apparatus, meet with fierce competition here"⁷⁸⁴.

Authors such as Abreu (1990, p. 77) consider that the US was the only country in a position to use its leverage on Brazilian foreign trade in order to force changes in its policies, but it chose not to do so. It could block the access of Brazilian coffee to the North American market, but under the guidance of a Department of State prone to a multilateral approach, never went beyond the threat. However, this was certainly not the view of British diplomacy, which did give credit to the power of persuasion of the Americans. For example, the British Ambassador to Brazil from 1930 to 1935, Sir W. Seeds, reported regarding the Brazilian exchange control that the US Ambassador presented a protest against the Brazilian scheme for dealing with federal state and municipal loans on the grounds that the US share would be disproportionately less than the British. He believed that the Brazilians were at the mercy of the US for dollars with which to obtain sterling, so that they could not react to serious pressure from Washington as the

⁷⁸¹ Accompanying memorandum from the Brazilian Embassy titled "The suggested new duties on fruits and meat and their bearing on the Anglo-Brazilian trade", attached to the record of Conversation between Mr Craigie and the Brazilian Ambassador and Commercial Attaché on June 30th 1932, in BT 11/157.

⁷⁸² See opinion of Mr Shackle from the Board of Trade, in record of discussion with Mr. Lomax (Commercial Secretary at Rio de Janeiro) as to the possibility of commercial negotiations with Brazil, held at the Board of Trade on August 15th 1933, in BT 11/157.

⁷⁸³ See translation of an article from the November number of the Brazilian business review "*O Economiste*", attached to a Note dated December 9th 1930, signed by J. Garnett Lomax, Commercial Secretary to the British Embassy, in FO 371-15065, pp. 48-50.

⁷⁸⁴ See speech read by Minister of Foreign Affairs Dr. Afranio de Mello Franco on the occasion of the signature of the commercial treaty with Sweden on October 27th 1931, in FO 371-15061, p. 263.

Brazilians did with other countries, such as the French⁷⁸⁵. In another example, a British public servant recalled that when President Roosevelt issued his invitation to Brazilian delegates to visit the US, the consequences were unfortunate, as the hosts, having got a weak Brazilian delegation to Washington, proceeded to bully them into signing a special agreement in regard to the American frozen credits. They were confronted with such threats as a tax on coffee and seizure of the proceeds of Brazilian imports into the US, and so alarming were the telegrams they addressed to their government that the latter capitulated and signed the agreement⁷⁸⁶.

As already explained and in a similar way to Argentina, Uruguay was hurt by the Ottawa Agreements that favoured trade among members of the Commonwealth since 1932. To prevent this from happening, Uruguayan diplomacy attempted with very little success to negotiate better treatment for the country. The Uruguayan delegates to London explained in their representations that immediately before the Ottawa Conference, there had been a struggle between the supplying countries to consolidate their position in the UK market. During that time the Uruguayan government had no control over its exports and was unable to defend its interests. Uruguay was therefore in the least favourable position to take advantage of the UK quota policy. The basic year adopted in calculating the Uruguayan quota was very unfavourable, as it was for the case for Argentine meat exports. Taking frozen mutton as an example, Uruguay had exported more than 190,000 cwt. in 1930, but only 160,000 cwt. in 1932⁷⁸⁷. The government did not hide its annoyance. President Terra informed Butler Wright, Minister in Uruguay of the US Embassy in 1934, that he considered the results of the Ottawa Agreements during the Imperial Economic Conference very 'unfortunate' for Uruguay. Furthermore, Terra believed that the American packing interests in Uruguay were feeling the effects of the agreement and would soon feel them more severely. The President then observed that if that reaction on the exports of the country's principal commodity continued, Uruguay would be ruined in five years⁷⁸⁸.

Eventually, Uruguay achieved the objective of concluding a trade agreement with the UK, known as the Cosio-Hoare Agreement of 1935 that in a way mimics the Roca-Runciman agreement. The Anglo-Uruguayan agreement was negotiated at a disadvantage after the Ottawa Agreements, so that most of the conditions of that treaty were imposed by the UK. The idea of engaging in negotiations over this important agreement was communicated as early as 1932. A relevant argument for the Uruguayans was the significant deficit against Uruguay in the balance of payments -as differentiated from the balance of trade- due to the reduction of British purchases in Uruguay by almost 40% and the remittances by British interests⁷⁸⁹. Accordingly, there were debts which remained unpaid due to the fact that the UK purchases of Uruguayan

⁷⁸⁵ See report signed in Rio de Janeiro, dated November 15th 1933, in BT 11/157.

⁷⁸⁶ See note of July 18th 1933, from the British Embassy, signature not legible, in BT 11/157.

⁷⁸⁷ See U 3rd Minutes of a meeting held at the Board of Trade on Monday June 4th 1934 in "Uruguay-UK. Commercial Negotiations", BT 11/294.

⁷⁸⁸ See United States Department of State, FRUS (1952, p. 642).

⁷⁸⁹ See note signed by Ambassador Cosio to the Parliamentary Secretary to the Board of Trade, Mr. E.L. Burgin, dated March 29th 1935 in "Uruguay-UK. Commercial Negotiations", BT 11/294.

goods failed to produce the required amount of sterling holdings⁷⁹⁰. The basis proposed by the Uruguayan government for the conclusion of a commercial agreement with the UK included the offer of a definite scale of preferences to the British goods imported into Uruguay and the invitation to the UK government to put forward a specific list of British goods on which such preferences should be confirmed. But the British required further that the Uruguayan government would be prepared to give an assurance that they would affect the allotment of exchange in Uruguay in an equitable manner satisfactory to the British trade with Uruguay and to British capital invested in the country.

Eventually, the offer included tariff reductions in favour of all goods proceeding from the UK: 10% on goods at that time charged with customs duties up to 20%; 12.5% on goods charged over 20% and not exceeding 40%; and, 15% reduction on those charged over 40% (with an exception made for alcoholic beverages)⁷⁹¹. And in return the Uruguayan government requested that the allotment of meat imports from Uruguay into the UK was upon a quinquennial basis determined on the five years prior to 1st January 1931, and furthermore that the quota so arranged was assigned to the direct control of the Uruguayan government⁷⁹².

The Uruguayan delegates tried to persuade their British counterparts of the benefits of the national meat-packing plant by reassuring that Uruguay would benefit British over American interests. The proposal was considered appealing since the Americans largely controlled the International Meat Combine and had secured a stranglehold over Uruguayan producers by, for example, restricting the output of the one Uruguayan government-owned meat-packing plant to 1,200 tons. In particular, the Uruguayan authorities defended the fact that the allotment of the distribution of the quota could be placed in their hands, so that they could gradually eliminate the American concerns. This measure would consequently promote the emancipation of the country from its financial and economic dependence on the US, which, Uruguayan delegates held, sold to Uruguay in the proportion of five to one of its purchases⁷⁹³. They also added that even though Uruguay could get the work done more cheaply by German firms, the works relating to the construction of the national meat-packing plant were at that time being obtained from British firms⁷⁹⁴. Besides, that plant built at the Port of Montevideo would not compete with the only British meat-packing plant (Vestey) that operated in a particular zone exporting through the Port of Fray Bentos in the River Uruguay, because that was outside the scope of the

⁷⁹⁰ See memorandum presented by the Uruguayan delegation at a Meeting held in the Board of Trade on August 1st 1934 in "Uruguay-UK. Commercial Negotiations", BT 11/294.

⁷⁹¹ See note dated October 22nd 1932, signed by H.F.C., sent to the C.R.T department in "Uruguay-UK. Ottawa Agreements on Uruguay trade, Uruguayan Treaty Negotiations with the UK" in FO A.5984/1864/46, BT 11/114.

⁷⁹² See note signed by Mr. D.V. Kelly from the Foreign Office dated December 1st 1932 to Pedro Cosio in "Uruguay-UK. Ottawa Agreements on Uruguay trade, Uruguayan Treaty Negotiations with the UK" in FO A.5984/1864/46, BT 11/114.

⁷⁹³ See note dated October 21st 1932 signed by Mr. Kelly to the Secretary of the Board of Trade in "Uruguay-UK. Ottawa Agreements on Uruguay trade, Uruguayan Treaty Negotiations with the UK" in FO A.5984/1864/46, BT 11/114.

⁷⁹⁴ See note dated December 14th 1932, signed by Sir Henry Fountain regarding at meeting with the Uruguayan Minister and the First Secretary to the Embassy, in "Uruguay-UK. Ottawa Agreements on Uruguay trade, Uruguayan Treaty Negotiations with the UK" in FO A.5984/1864/46, BT 11/114.

Uruguayan government's plans. They further assured the British that any development of their national meat-packing plant would be at the expense of the American owned plants and not all of those the British owned in the country⁷⁹⁵.

But the British evaluated internally, as with the case of Argentina that the Uruguayan government had not appreciated the position and its proposals were useless as a basis of discussion⁷⁹⁶. Although some of the British officials argued in classified documents dated in 1932 that the negotiations with Uruguay should proceed *pari passu* with the Argentine negotiations⁷⁹⁷, in others it was clearly stated that negotiations with Uruguay were secondary, and founded this assessment in the fact that exports from the UK to Argentina in 1929 reached 29 million pounds and to Uruguay only represented 3.75 million pounds. As it was impossible to conclude tariff arrangements with all foreign countries at once, the British desired certainly to start with countries which for one reason or another were of chief importance, e.g. Argentina, and consequently the minor South American countries had to wait⁷⁹⁸. Ultimately, for the UK the most that Uruguay could get would be a guarantee of continuation of the 'fair' treatment that it was receiving⁷⁹⁹.

However, the Board of Trade did not lose the chance to take advantage of the Uruguayan hurry to secure the British market. Although British officials considered that it was undesirable to encourage the Uruguayans to believe that the UK could come to any early commercial arrangements, as there seemed to be some chance of Uruguay offering the UK concessions, therefore it would not be convenient to discourage their authorities from considering the matter in advance. And so, the British Ambassador to Montevideo was instructed to say that although it would be some little time before actual negotiations regarding the future commercial relations between the two countries, he would be glad to learn that the question was under examination from the Uruguayan side and that there was reason to hope that the Uruguayan government would ultimately be prepared to offer the UK substantial advantages in the shape of reduced duties on British goods in return for what the UK would be able to offer them in the shape of a market for its produce⁸⁰⁰.

During the negotiations in 1934 there were also considerations of the Uruguayan market share. The British delegates pointed out then that there were three meat-exporting countries (*viz.*, Uruguay, Brazil and Chile) with which, at that time, the UK had no trade agreements and whose meat exports could therefore be subjected to further restrictions. It was true that the UK had

⁷⁹⁵ See private memorandum dated October 22nd 1932, from the Uruguayan Embassy to London sent to Mr. Craigie at the Foreign Office, in "Uruguay-UK. Ottawa Agreements on Uruguay trade, Uruguayan Treaty Negotiations with the UK" in FO A.5984/1864/46, BT 11/114.

⁷⁹⁶ See memorandum not signed, not dated, 1932, in "Uruguay-UK. Ottawa Agreements on Uruguay trade, Uruguayan Treaty Negotiations with the UK" in FO A.5984/1864/46, BT 11/114.

⁷⁹⁷ See memorandum not signed, not dated 1932 in "Uruguay-UK. Ottawa Agreements on Uruguay trade, Uruguayan Treaty Negotiations with the UK" in FO A.5984/1864/46, BT 11/114, 1932

⁷⁹⁸ See internal memorandum of the Board of Trade dated May 27th 1932 in "Uruguay-UK. Commercial Negotiations", BT 11/294.

⁷⁹⁹ See minutes of meeting of the Subcommittee on Exchange Restrictions in South America held at the Board of Trade on May 23rd 1933 in "Uruguay Exchange Restrictions", BT 11/151.

⁸⁰⁰ See internal memorandum of the Board of Trade dated May 27th 1932 in "Uruguay-UK. Commercial Negotiations", BT 11/294.

given assurances to Uruguay that during these negotiations the conditions governing the importation of Uruguayan meat would not be modified to Uruguay's disadvantage; such assurances were inspired by the hope that the negotiations would result in the accord of counter-concessions by Uruguay in the domain especially of exchange control and tariffs. The UK regarded an agreement which secured for Uruguay its percentage of the permitted total of meat imports, based on the 'Ottawa year', as a very substantial concession to Uruguay. Very careful consideration was given to the Uruguayan desiderata, but the UK saw no possibility of meeting the Uruguayan government's request for an increase in the percentage of meats of all kinds imported from Uruguay. As regarded the second Uruguayan request, that a larger percentage share of Uruguay's meat should be allocated to the national meat-packing plant, the problem was one of some difficulty. Nevertheless, if the Uruguayan government attached great importance to the matter, it would explore the possibility of a modest addition to the 22.5% of that time⁸⁰¹.

Eventually, the Uruguayan diplomats realized that the UK government would be unable to increase Uruguay's meat quotas and that the only course possible was for Uruguay to remain content with the 'status-quo' in the matter of its meat exports to the UK, which the British were at that time prepared to grant in exchange for the fulfilment by Uruguay of certain conditions⁸⁰².

iv. Global, hemispheric and regional trade negotiations

Regarding the neighbourhood, the conflicting past weighed heavily in the prospects for a more cooperative approach among ABU. Indeed, it was difficult to believe that during the thirties Brazil and Argentina could manage deep integration projects. It is important to take into account that both countries inherited the competence of the Portuguese and the Spanish Empires. Even the creation of Uruguay as a buffer state between both giants, not only was influenced by the British strategy for preventing Argentina, Brazil or both from controlling the access to the River Plate and major rivers inside the South American Sub-Continent, but also to prevent wars between the two countries. Whatever the intensions of diplomats at the time, the bilateral relationship between the countries was at least difficult and tarnished by distrust. For the Brazilian military, the Argentine path to an arms race constituted a threat to national security.

The episode of the war between Bolivia and Paraguay from 1932 to 1935 (*Guerra del Chaco*) and the alleged support of Argentina to the Paraguayans was in the eyes of Brazilian policymakers an attempt by Argentina to secure favourable access to the rich Bolivian natural resources, mainly petroleum, and to consolidate its hegemony in the continent. The fact that Argentina at the time was the richest country in the continent, the perception that Brazil was surrounded by hostile former Spanish colonies and the fear that the great powers, including the US, Germany and Japan wanted to exploit the extensive Brazilian natural resources, fuelled a defensive sentiment of vulnerability among the Brazilian authorities and the conviction that the

⁸⁰¹ See 22nd minutes of a Meeting held at the Board of Trade on Wednesday, August 1st 1934 in "Uruguay-UK. Commercial Negotiations", BT 11/294.

⁸⁰² See note signed by Ambassador Cosio to the Parliamentary Secretary to the Board of Trade, Dr. E.L. Burgin, dated March 29th 1935 in "Uruguay-UK. Commercial Negotiations", BT 11/294.

army should be updated, for which the economy should grow in a more independent way. For these reasons, Brazil had to concentrate on reducing its foreign dependence as a way to protect the country from foreign interference and to foster its capability to take its rightful place on the South American stage. The selected strategy for that endeavour involved the industrialization of the country and the expansion of foreign trade, with the support of a renewed state interventionism. In a way, the industrialization became a matter of national security, and the iron and steel industry was in Vargas' view the main symbol of a fully independent Brazil⁸⁰³. Thus, the regional context did not contribute to a deeper integration of Brazil with its neighbours and on the contrary deepened nationalistic policies.

At a regional level, ABU participated in the Tripartite Economic Conference in Montevideo in 1931⁸⁰⁴ that resulted in some modest advances but opened the door to an increase in reciprocal trade negotiations between these countries. The main decisions taken at the Conference were that each member country should create a system of control of national meat production and trade with a view to developing a common policy for the three countries. Furthermore, an agreement for a concerted study on the control of the livestock and meat trade of the three countries was also reported⁸⁰⁵. They also tried to coordinate a common attitude to the export disposal of their meat products, as well as the possibility of negotiating trade-barter agreements, possibly of an exclusive character⁸⁰⁶. Although the Conference laid great emphasis on the urgent need to put these resolutions into effect, a few months later the proposals for coordinated action foundered as the delegations could not reach concrete agreement. They could only agree to develop techniques for controlling the meat trade independently with the aim of subsequent harmonization of the economic interests of these countries. In this regard, it is important to point out that Uruguay had established a national meat-packing plant, but failed to achieve full state supervision of the Uruguayan meat trade, while Brazil produced no convincing administrative machinery at all. The impression from the meetings at this Conference is that the real enthusiasts for tripartite control were the Argentineans who hoped to market their meat in the other two countries and to curb Brazilian and Uruguayan progress in the British market. However, with hopes of a common policy rapidly fading, Argentina decided on unilateral action to combat the worsening crisis of the stock-raising economy⁸⁰⁷.

The British diplomacy evaluated this conference as irrelevant, since the delegates had their first and apparently their only meeting on 4th November. They adopted two resolutions. The first one established that representations should exert pressure on the British government for the assignment to each country of its own particular quota for the importation of meat and that each should arrange for its distribution. Secondly, a special organization for the study and report on

⁸⁰³ See for example Hilton (1977, pp. 35-46).

⁸⁰⁴ See Ministerio de Relaciones Exteriores de Uruguay (1947, p. LXXXIV). As a background to this conference was the proposal of the Foreign Minister of Chile, Mr. Planet, which involved a Conference of Latin American States to look into joint economic action and to make progress in consideration of a customs union. The Conference practically had no results (Chalmers, 1953, p. 87).

⁸⁰⁵ See Gravil (1970, p. 162).

⁸⁰⁶ See Chalmers (1953, p. 112).

⁸⁰⁷ See Gravil (1970, p. 162).

the production and commerce of meat should be created, having Montevideo as its centre. However, from the point of view of the British this conference only served as further publicity for the Uruguayan Minister of Foreign Affairs Mr. Blanco, the author of it, and after all the interests concerned were not altogether mutual, those of Uruguay being minute when compared to the Argentine ones⁸⁰⁸. Thus, the conference only produced modest results, an indication of the general failure of regional cooperation, in line with the worldwide context of a lack of cooperation.

As Chalmers (1953, p. 88) reports, by that time ABU were planning the negotiation of tariff treaties with various overseas countries for the main purpose of securing or ensuring favourable tariff treatment for their export staples in those markets. And, in that context, by the end of 1931 these countries started conversations in order to achieve bilateral agreements for the facilitation of trade with each other. The sponsors were confident of the results because of the limited scope of the proposed agreements, and the common interests shared by these three neighbouring countries⁸⁰⁹. However, in spite of the diplomatic efforts of ABU, there was not much progress in bilateral negotiations between them until 1933 due partly to political difficulties and trade discrepancies. For example, Brazil which according to Madrid (1999) was the second largest importer of Argentine wheat and the main exporter of yerba mate and rice to that country⁸¹⁰, in August 1931 signed a barter agreement to exchange coffee for wheat with the US. This agreement between the Grain Stabilisation Corporation of Chicago and the Brazilian government was encouraged by, on the one hand, the restrictions that the Argentine government imposed on Brazilian yerba mate and rice exports⁸¹¹ and on the other hand, the need to relieve the Brazilian exchange rate market for an extended time⁸¹².

In October 1933 a trade agreement between Brazil and Uruguay was signed, which was ratified in 1935. It provided for an interchange of goods in border trade and experimented with reciprocal duty-free imports of certain commodities from each other, the list of which would be reviewed periodically. The agreement included free access for cattle (bovine, ovine and swine), birds, legumes, forage, vegetables, eggs, maize, butter, cheeses and cream, among others; and duty free quotas of 10,000 tons of wheat or wheat flour; 4,000 tons of potatoes; 8,000 tons of processed pine wood; and, 200,000 heads of bovine cattle for slaughter house or wintering, when crossing the border in both directions. Later, in 1935, other products were granted free tariff access to Uruguay, such as Brazilian fruits (except oranges and tangerines that received

⁸⁰⁸ See note Nr. 153 signed by R.C. Michell to Mr. John Simon dated November 7th 1932 in "Uruguay-UK. Ottawa Agreements on Uruguay trade, Uruguayan Treaty Negotiations with the UK" in FO A.5984/1864/46, BT 11/114.

⁸⁰⁹ See Chalmers (1953, p.112).

⁸¹⁰ By 1930, 98% of the rice that Argentina consumed had as its provenance Brazil (Madrid, 1999, p. 12).

⁸¹¹ Since August 1930, the Argentine government did not recognize the yerba mate as an essential article anymore and it abolished the preference of 30% previously granted to Brazil. After that, in December 1931 Argentina prohibited the import of yerba mate and moreover placed it in a regime of quotas. Even more, in the same year Argentina imposed duties on Brazilian rice, 0.02 pesos per kilo for rice with skin and 0.04 pesos per kilo for rice without skin. All were measures taken in order to protect the local industry (Ibid., pp. 7, 11-13).

⁸¹² See Ibid., p. 12.

50% of the tariff) and peanuts⁸¹³. After this agreement between Brazil and Uruguay, Argentina and Brazil also signed a trade agreement in the framework of the official visit of President Justo to Rio de Janeiro, which was also ratified in 1935⁸¹⁴. It established a considerable measure of free trade, as it applied reciprocal duty-free imports of certain commodities from each other, as in the case of the Brazil-Uruguay negotiation. Then, a similar trade agreement was signed between Argentina and Uruguay in 1935, which contemplated reductions or waivers of duties by each country on selected export product⁸¹⁵.

In particular, according to Rapoport (2003, p. 225) in this period the most outstanding characteristic of Argentine foreign policy in regional matters was the series of negotiations and bilateral agreements with Brazil and Chile⁸¹⁶, that suggest a better understanding with neighbouring countries, with a strong history of rivalries⁸¹⁷.

⁸¹³ See Ministerio de Relaciones Exteriores de Uruguay (1947, p. 65).

⁸¹⁴ Actually, there were several agreements. In October 1933 the foreign ministers of both countries signed various agreements: Trade and Navigation Agreement, Agreement for the Prevention and Repression of the Smuggling and Agreement of Extradition, among others. "Agustín P. Justo visita Brasil y es recibido por el presidente Getúlio Vargas" (1933, p. 494) in *El Bicentenario*.

⁸¹⁵ See Chalmers (1953, pp. 87-88, 119-120). The relations of Argentina and Uruguay during this period were not free of conflict. In 1932 in Argentina a coup against the government of General Uriburu failed, some of whose leaders took refuge in Uruguayan territory, where they continued with their activities. For this reason, the Argentine Ambassador José María Cantilo presented to the Uruguayan Foreign Ministry Juan Carlos Blanco a warning about the advisability of policing the coast to prevent the activity of the emigrants. In particular, on July 7th, 1932, Cantilo warned President Gabriel Terra of Uruguay that when the eastern war cruiser "Uruguay" sailed to participate in the celebration of Argentina's independence, an Argentine ex-army chief General Toranzo had come aboard-who was a fugitive trying to overthrow the national government, and was received warmly by the Uruguayan officials. Thus, in response to these warnings on July 13th Cantilo received a communication from the Uruguayan Foreign Minister, which stated that the attitude of the Argentine authorities to inspect the cruiser "Uruguay", visiting Buenos Aires to greet the Nation of Argentina, was an affront to national dignity and this military unit bore the Uruguayan flag. Consequently, the Uruguayan government decided to cut diplomatic relations with Argentina and withdraw its Ambassador from Buenos Aires. And in the same day, the Argentine government issued a decree calling for the sudden rupture of diplomatic relations. The attitude of the Uruguayan government, said the Argentine government, added to repeated violations of the duties arising out of the treaty of Montevideo International Criminal Law by allowing the seditious activities of Argentine political refugees fleeing to Uruguay. For these reasons, the Argentine government decreed: a) dismissing as unfounded the reasons invoked by the Uruguayan government to cut diplomatic relations with Argentina; b) cutting diplomatic relations with the Uruguayan government and surrendering their passports to its ambassador in Buenos Aires, and c) requesting the British government to take charge temporarily of Argentine interests in Uruguay. However, when Uruguay received clarification from the Argentine government about what happened to the warship eastern "Uruguay", in September of that year the Uruguayan authorities decided to restore diplomatic relations with Buenos Aires and proposed this to Argentina. The Argentine government accepted the Uruguayan proposal and both governments declared diplomatic relations restored and reinstated in their posts the ambassadors of both countries (Ruiz Moreno, 2000).

⁸¹⁶ In this regard, according to the *Boletín Oficial* printed in Buenos Aires dated November 9th 1933 from Direction of Customs and Ports in "Notes on application of the concession to foreign countries", in the application of the most-favoured-nation clause, it declared that the rebates and exemptions from payment of duty accorded to certain Chilean products should be extended to include products of a like nature of British, Italian and French origin (BT 11/225, 1933). Even, according to BT 11/215 (1933) the British maintained that the purchase of Chilean coal for use in Argentina violated the spirit of the commercial agreement which Vice-President Roca had recently reached with UK.

⁸¹⁷ Beyond economic relations, Argentina had a strong presence in promoting the peace and the high profile of its diplomacy under the leadership of the Minister of Foreign Affairs, Carlos Saavedra Lamas. When General Justo became President of Argentina in 1932, he appointed Saavedra Lamas as Minister of Foreign Affairs. In

On a hemispheric level, the Conference of the Latin American States, convened in 1931, failed to coordinate joint economic actions, such as the creation of a customs union. However, the relations with the US started to improve. Argentina, for example, signed an agreement with the US, marking a turnaround in the previously cold relationship with that country⁸¹⁸. In 1933 there was an invitation from the US to certain countries of Latin America (Argentina, Brazil, Colombia and Cuba) to enter into exploratory discussions to study if a basis could be developed for reciprocal tariff agreements, which marked another new trail in trade policy on the American Continent⁸¹⁹. This new encompassing policy is not a surprise since Franklin D. Roosevelt assumed the presidency with the aim of inaugurating a new era in American foreign relations with regard to Latin America, known as the 'Good Neighbour' policy.

The VII Inter-American Conference in Montevideo at the end of 1933 is remembered for the participation of the US President Franklin D. Roosevelt and the Secretary of State Cordell Hull, who promoted the newly declared 'Good Neighbour' policy, in opposition to the recent history of US armed intervention in inter-American affairs⁸²⁰. At the Conference, the US representative, Secretary of State Cordell Hull, presented a resolution that proposed the reduction of customs barriers by negotiating reciprocal bilateral treaties, the principle of equal treatment and the inclusion in the treaties of the most-favoured-nation clause, and Argentina pledged to support that economic resolution⁸²¹.

Argentina, Brazil and Uruguay also participated in the failed international efforts to contain the worldwide protectionist waves. An example of this is their role in the multilateral efforts for international cooperation during the World Monetary and Economic Conference in London in June 1933.

Argentina was in the charge of the 'Sub-commission of Coordination of the Production and Sales', so that it held an important role in a turbulent world. The Argentine position at the

this post for six years, Saavedra Lamas brought international prestige to Argentina. He played an important role in every South American diplomatic issue of the middle thirties, induced Argentina to re-join the League of Nations, and represented Argentina at virtually every international meeting of consequence during this period. His work in ending the Chaco War between Paraguay and Bolivia (1932-1935) had not only local significance but general international importance as well. When he took over the foreign office, he immediately engaged in a series of moves to lay the diplomatic groundwork for a negotiated settlement of this dispute. In 1932 he initiated at Washington the Declaration of August 3rd which put the American states on record as refusing to recognize any territorial change in the Hemisphere brought about by force. Next, he drew up a Treaty of Non-Aggression and Conciliation which was signed by six South American countries in October, 1933, and by all of the American countries at the Seventh Pan-American Conference at Montevideo two months later. Meanwhile, in 1934, Saavedra Lamas presented the South American Anti-War Pact to the League of Nations where it was well received and signed by eleven countries. Acclaimed for all of these efforts, he was elected President of the Assembly of the League of Nations in 1936. In that year he was awarded the Nobel Peace Prize and he also received the Grand Cross of the Legion of Honour of France and analogous honours from ten other countries ("Carlos Saavedra Lamas-Biography" in Nobelprize.org).

⁸¹⁸ See Rapoport (2003, p. 225).

⁸¹⁹ See Chalmers (1953, p. 120). In order to obtain more detailed information from preliminary discussions respecting a trade agreement between US and Argentina, see United States Department of State, FRUS, (1951).

⁸²⁰ The convention was signed by 19 states. The acceptance of three of the signatories was subject to minor reservations. Those states were Brazil, Peru and the US.

⁸²¹ See Rapoport (2003, p. 227).

Conference can be traced through the statements of its members, who acted under the heading of great personalities such as the adviser Raúl Prebisch. According to Le Breton's⁸²² statement from *Société des Nations*⁸²³(1933), Argentina defended the stabilization of tariffs, expressed openness to make future reductions on them and reiterated the need to avoid political preferences and regional discrimination. Furthermore, Argentina considered that the imposition of quotas, prohibitions or embargos only generated artificial production, confusion and disorganization for international trade. Regarding the problem of agricultural overproduction, it was shared among nations. Argentina argued that due to the demands in wartime, it increased its production, but the European countries did the same based on their growing nationalism, so that all these countries were responsible for the general overproduction. In addition to this, Teodoro Becu⁸²⁴ stated that it was not an equitable situation that some countries claimed for regularization of production and exports if those importing countries were not prepared to considerably reduce or to suspend restrictions that contributed to the strangulation of international trade. On the other hand, the former Minister of Finance Ernesto Hueyo⁸²⁵ described two important world trends that the Argentine government could perceive: the excess of economic nationalism as the chief origin of the economic restrictions, prompting an excess of production, and the growing formation of monopolies. Furthermore, a key element was the fact that Argentina did not agree with coordination measures only based on developing industries independent of the international production. In addition, he argued that the exchange control in place in Argentina was a consequence of the slump in the value of its exports and was aimed at avoiding speculation. He concluded that it was not fair to say that the decrease of imports in Argentina was due to those controls. Finally, the Ambassador of the Argentine Republic to the UK, Manuel Malbrán, requested cooperation from creditor countries in facilitating the exports from debtor countries in order to be able to face their obligations with those countries. Thus, after this exposition of arguments by Argentina's representatives in the Conference, in our opinion it is possible to conclude that the excess of nationalism reflected in the defence of the interests of each participant, which made impossible the cooperation and coordination of measures among them, was the main cause of the failure of this Conference.

Moreover Uruguayan delegates attended the Conference of London, with the chief negotiator being the Ambassador to the UK Pedro Cosío, later Minister of Finance under the Terra regime. At that opportunity the Ambassador pointed out that the solution for the global monetary and economic problems required a greater degree of collective responsibility and a more liberal world. He stated that the country, until then, had served its foreign debts and had tried to ease

⁸²² Tomas A. Le Breton was the head of the Argentine delegation, former Minister of Agriculture, Ambassador of the Argentine Republic in France (*Société des Nations*, 1933, p. 8).

⁸²³ Argentina joined the League of Nations in January 1920 once the Treaty of Versailles was ratified during Yrigoyen's first term. But, due to the refusal of the victorious nations of the war to accept Argentina's position that all sovereign states were part of this organization without modification of discriminatory nature (universalist position on the principle that 'victory does not give rights'), Argentina left the organization in December of the same year.

⁸²⁴ Teodoro Becu was member of the Honorary Commission for the National Sales Tax and Legal Adviser of the Banco de la Provincia de Buenos Aires (*Société des Nations*, 1933, p. 8).

⁸²⁵ Ernesto Hueyo was the former Minister of Finance and member of the Faculty of Economic Sciences (*Ibid.*).

the difficulties of exchange that impeded trade and the settlement of corporate bonds. But the currency had lost 60% of its gold value and the burden of external debt had increased by 100%, just in the middle of an economic juncture that forced the government to reduce domestic spending. Thus, Cosío asked: “how long will Uruguay continue to sacrifice?” and responded to himself that that was impossible to say⁸²⁶. The fact is that Uruguay was not really a player in those negotiations, and anyway there was a lack of willingness among the big powers to find a coordinated response to the global crash.

The other international Conference worth mentioning is the one that ended with the adoption of the International Wheat Agreement concluded in August 1933. Although this agreement resulted in another failure for international cooperation, as Rowe (1965, p. 152) argues, it was historically important because it was the first commodity control scheme in which importing as well as exporting countries⁸²⁷ were associated, including the US. The wheat-importing countries had all been attempting to counteract the great fall in wheat prices by maintaining their domestic prices and with that purpose they essentially insulated their wheat industries from the rest of the world. The traditionally protectionist countries -France, Germany and Italy- were especially successful in expanding their domestic production in order to decrease their need for imported wheat. From the exporters' point of view, it seemed that the lower the price they accepted for their wheat, despite the costly efforts of some of them, especially the US, to keep the price at a reasonable level, the greater were the efforts of their customers to avoid buying; or at least to see that prices did not fall, and so bring about the increased demand which the exporters so desired. The International Wheat Agreement was signed by exporting and importing countries. In principle, this was a triumph for international commercial negotiation at that period, given the failure of the Economic Conference. The exporters agreed to accept a schedule of export quotas beginning with the season then opening, and to reduce their acreage for the 1934-1935 crop by 15%. And the importing countries undertook not to increase their wheat acreages further, and to reduce their tariffs when the world price had risen to a certain level. However, in the winter of 1933-1934 Argentina, which showed no disposition to enter into any substantial undertakings⁸²⁸, harvested an extraordinary crop, and during 1934 deliberately exceeded its export quota. In the summer of 1934 the US and Canadian crops were very small, stocks would clearly be reduced, and prices began to rise. The result was that the agreement was tacitly ignored by all parties⁸²⁹.

⁸²⁶ See the *Journal de la Conférence Monétaire et Économique* (Société des Nations, June 23th 1933, pp. 14-15).

⁸²⁷ Parties to the Agreement were Argentina, Australia, Austria, Belgium, Bulgaria, Canada, Czechoslovakia, France, Germany, Greece, Hungary, Italy, Poland, Rumania, Spain, Sweden, Switzerland the US, the USSR, the UK and Yugoslavia. Several of these signed with reservations (Taylor & Taylor, 1943, p. 118).

⁸²⁸ See “International Wheat Agreement. Memorandum by the President of the Board of Trade” in C.P. 154, 1934, p. 2.

⁸²⁹ See Rowe (1965, pp. 151-152).

v. Conclusion

As we addressed in Chapter II, there are structural constraints or structural barriers in the world that slow the economic growth of developing countries and are at the root of their underdevelopment. As the Latin American structuralism predicates, the industrialized countries organize world trade according to their national interests, while the rest of the world, including Latin America, constitutes a heterogeneous group exporting its foodstuffs and raw materials to the 'centre'. Originally, the development in the periphery depended on the export of those sorts of goods. Later, industry started to grow, but its primary export specialization conditioned development. A country begins by producing simple consumer goods and only gradually progresses to the production of more technologically complex products, e.g. consumer durables, intermediate goods and eventually certain capital goods. In order to bring about these changes, however, it is imperative to change the structure of peripheral countries by means of a process of industrialization that can spread technical progress. As we have seen in previous chapters, ABU acted more by the pressure of the circumstances than by planned policies as a set of protectionist measures. These policies were nevertheless in line with events elsewhere. The world closed within borders and ABU had to follow that path. The result was an incipient process of import substitution industrialization that deepened during the thirties and was later rationalized in the Latin American structuralism.

The Great Depression was also a time of changing hegemony. The power of the UK was being surpassed by the US, and as a matter of fact the transition period was a sort of power vacuum aggravated by the global downturn. The US was still placing itself as a benevolent leader and did not exert to a full extent its power. However, the UK and the US struggled to control the availability of money to lend, for what purpose and under which conditions. They sought to control credit, and to exert structural financial power, using Susan Strange's expression. The power vacuum that was left by the Great Depression and the transition of hegemony shocked the structure of the international political economy that was built by the UK and that had conditioned the way in which other actors' political institutions, economic enterprises and states had to operate.

In this changing framework, Immanuel Wallerstein attributes to a particular group of semi-peripheral states a special role in the capitalist world-economy, especially at a time of world economic downturn. Up to some extent ABU attempted with different degrees of success to make use of this increased freedom at the expense of core countries. For example, they discriminated in the allocation of foreign currency to pay commercial debts and loans among countries, and enacted more protectionist tariffs and non-tariff barriers. However, these measures did not change the basics of the interdependence patterns that linked them to the world-system.

In this chapter we have seen that in a context of global crisis, the foreign trade and production levels were seriously affected by the decisions of the developed countries that traded with ABU. For the past eighty years Argentina and Uruguay had prospered largely on account of their close European connection. The case of Brazil is similar, although the links with the US were stronger. With the outbreak of the crisis, Argentina and Uruguay had an informal dependence

with their most important customer, the UK, with whom they essentially traded meats, wool and grains⁸³⁰. ABU were also a prominent market for British coal, manufactured goods and capital exports. As a result of this asymmetric interdependence, the UK had a dominant position in trade negotiations with Argentina and Uruguay vis-à-vis other core powers. The US was their main supplier before the depression, mainly for manufactured goods such as vehicles and their parts. However, it was clear that the competitive nature of US agricultural production was a stumbling block in trade negotiations with Argentina and Uruguay. For that reason, as mentioned before, both countries presented persistent deficits with the US and surpluses with the UK.

Neither Argentina, nor Brazil, nor Uruguay could avoid the most negative effects of the trade policies of key commercial partners. The representations made by ABU show clearly the different capabilities of these countries to obtain concessions based on mutual interconnectedness. The case of Argentina is clear. Even though Argentina implemented defensive policies, it could not prevent the UK from favouring its dominions by means of the Imperial tariffs. Argentina was vulnerable to UK trade policies, especially in the politically sensitive meat sector. However, the UK was also sensitive to the need to keep secured its investments in the River Plate, so that it also was ready to negotiate a settlement, knowing that it would do so from a position of relative strength. The result of the negotiation was, of course, more favourable to British interests. Argentina could not escape from the nature of its commercial links to a world system that still assigned a strong leverage to British diplomacy.

In the case of Uruguay, even though the kind of trade and investment flows with regard to the UK were similar to Argentina, it was a minor power ranked lower in priorities of British foreign policy as became clear from the documents that we managed to review from the National Archives in London. The various representations made in London and in Montevideo eventually ended with the Cosío-Hoare commercial treaty with the UK in 1935, but this was later and followed a similar logic to the Roca-Runciman Treaty of 1933. Beyond the trade negotiations, Uruguay tried to enact laws to allow for trade and capital restricting measures of different sorts against core countries with protectionist aims, but not surprisingly those were mostly not applied due to the fear of stronger retaliation.

The case of Brazil is different because it was more vulnerable to the US than any other country, but the latter lacked the political willingness of British diplomacy to impose solutions. Only a few semi-peripheral countries are able to translate that condition in the world-system hierarchy into a real shift in economic position at any given moment in history. The history of the twentieth century shows that Brazil has been a semi-peripheral country during the twentieth century and up to the present. However, the special context of global downturn and power vacuum during the Great Depression allowed Brazil to make a better use of that position in the world-system. Since the thirties it achieved a degree of industrialization and international standing remarkably different as compared with the former semi-agrarian and deeply underdeveloped position. It did it also by using an extremely protective policy. The comparison

⁸³⁰ See also Fodor et al. (1973, p. 11).

with its neighbours gives credit to this allegation, as tariffs could reach a maximum of 300% in Brazil, while in Uruguay they reached 48% and in Argentina certain key products were in the range of 5%-35%, with some exceptions⁸³¹. This outcome, of course, would have not been possible if its internal market had not been so big and of such high growth, as compared with Argentina, and of course Uruguay.

In any case, although this thesis does not address long-term trends, the evidence suggests that the patterns of dependence mutated. However, the foundations of those patterns did not dramatically change. The world-system kept running, and in the long-run only produced a change of hierarchy which was positive for Brazil, and negative for Argentina. The commercial patterns of ABU show that the original dependence on primary exports to the core countries did not change significantly during our period of analysis, although the composition among staples in the export basket changed in some cases. Argentina, Brazil and Uruguay also kept asking for new loans from the same international financiers during this period.

In general the governments directed their efforts to protecting as much as possible the main agricultural activities from the depression, thus helping the main pressure groups behind those activities. In general also, the new regimes inaugurated in ABU during the thirties tended to protect those interests, although they also increasingly tried to protect the urban industrialization that introduced new or reconverted former agricultural pressure groups within states. The trade and sectoral policies were functional to these objectives. ABU failed to coordinate more cooperative regional positions, although they achieved some bilateral treaties that facilitated trade.

The conclusion of this chapter is that taking into account the strong links of Argentina and Uruguay with the UK and the relative autonomy of Brazil, the latter was less vulnerable to the changes of policies of the main commercial partners. Nevertheless, the world-system still prevailed and limited the options of the governments.

⁸³¹ E.g. soft felt hats, woollen with an *ad valorem* tariff of 144.4% in 1927 (Díaz Alejandro, 1967, p. 88).