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The Economics of Neutral Countries during World War II Argentine Perspectives

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Abstract

Argentina has had an extremely rich and turbulent monetary history. Its endless experiments in economic policy and its very erratic performance have frequently attracted the interest of historians. A study of the monetary and financial history of Argentina during the 20th century provides an excellent opportunity to contribute to the analysis of monetary and financial economics. This paper will discuss the development of Argentina's economy and its capital market in the first half of the 20th century with a particular focus on the World War II period and interactions with Germany's global economic strategy and actions. Argentina was one of the ten most developed economies in the world at this time. It had a sophisticated financial market and, despite its long-standing strong economic and financial relationship with the United Kingdom, remained neutral until the very last months of the war.

We discuss the relations between Argentina and the United Kingdom, the United States and Germany. The analysis will strongly focus on the multifaceted relationship between Argentina and Germany: trade relations, the role of foreign direct investment, the financial institutions, the impact of immigration, and political interactions between the two countries.

The world crisis of 1930 led to a long lasting period of political and economic instability starting with the first military coup of modern Argentina. The increasing role and influence of the Armed Forces in the political life of the country will have an important impact on the international relations of Argentina. The traditional *closeness* of the political elite with Britain will be perturbed by the contagion of the ideological divisions of the military establishment.

The influence of the German military in the training of the new professional Argentine Army since the beginning of the century will extend in the thirties to the rise of a strong pro-Axis faction in the Armed Forces leading to the coup of 1943. This trend of events will have a considerable impact on the political choices and the international relations of the country. Argentina remained neutral during most of the war years, as it did in World War I, but now with part of the military establishment as well as certain intellectual elites imbedded in a *phalangist* and *fascistoid* ideology in the frame of a political critique of liberal democracy.

The goal of a new international scenario where the economic relations with Germany could counterbalance the traditional relation of complementarity with Britain and the emerging role of world leadership of the United States was the economic counterpart of the pro German factions of the Army. It was expected that a new set of alliances could contribute to the development of the industrial sector against the traditional role of the country as an exporter of commodities in exchange for the imports of industrial goods. However, this was not the dominant view of German strategists in the search for long term suppliers of raw materials. An essential strategic misunderstanding seemed to condemn the views of the Argentine pro Axis lobbies. In any case, the decisions and actions instrumented by Argentina in relation with Germany during the war years did not materialize in fundamental results to the stated objectives.

Introduction

Argentina has had an extremely rich and turbulent monetary history. Its endless experiments in economic policy and its very erratic performance have frequently attracted the interest of historians. A study of the monetary and financial history of Argentina during the 20th century provides an excellent opportunity to contribute to the analysis of monetary and financial economics. This paper will discuss the development of Argentina's economy and its capital market in the first half of the 20th century with a particular focus on the World War II period and interactions with Germany's global economic strategy and actions. Argentina was one of the ten most developed economies in the world at this time. It had a sophisticated financial market and, despite its long-standing strong economic and financial relationship with the United Kingdom, remained neutral until the very last months of the war. The fact that Argentina remained neutral during this period of international economic history is particularly interesting.

This paper contains five sections including a conclusion. The first section discusses the economic and financial development of Argentina from the beginning of the 20th century until the late 1940s. The second section briefly discusses the relations between Argentina, the United Kingdom and the United States. The focus of the third section is the multifaceted relationship between Argentina and Germany: trade relations, the role of foreign direct investment, the financial institutions, the impact of immigration, and political interactions between the two countries. The fourth section discusses the impact of the end of World War II on Argentinean-German relations and the nationalization of German assets. The fifth section contains the conclusions.

Long-term growth and the financial system

From the early 20th century to the crisis of 1930

At the beginning of the 20th century Argentina had a well-developed financial system, and enjoyed a growing and comparatively stable economy.² However, the regime change of the 1930s and the outbreak of World War II opened a long period of “financial repression” and rising macroeconomic instability (chronic inflation, recurrent balance of payment crises, ‘stop go’ policies and successive stabilization plans). Average growth rates fell while savings and financial intermediation reached very low levels³.

The development of the Argentinean financial system goes back to the second part of the 19th century, a period characterized by unprecedented effervescence. GDP growth rates were high (around 6% per year between 1880 and 1930, if we exclude the Baring crisis of 1890⁴ and the First World War, **figure 1**) and investment opportunities were widespread. This extraordinary dynamism highlights the level of development reached by the country by 1930. Per capita GDP was higher than in the countries of Southern Europe and on a par with northern European standards.⁵ Whereas Argentina’s per capita GDP is currently a quarter of the US’s, back then it was two-thirds of the American figure. The country’s agro export model entailed a high degree of openness and there were intensive flows of capital, goods and labor. In 1914, 30% of the total population had been born in a foreign country (50% for Buenos Aires).⁶ Trade openness, measured by the ratio of exports plus imports over GDP, reached levels of over 50% prior to the First World War (**figure 2.1**), and foreign direct investment represented half of total investment. From a comparative perspective Argentina showed the highest levels of trade openness in the first decades of the 20th century (**figure 2.2**). The degree of integration into the world markets started to fall after the Great Depression of the 1930s, and this trend towards decreasing openness was greatly accelerated by the intensive protectionist policies of the 1940s and 50s (**figures 2.1 and 2.3**). The current account and the capital account of the balance of payments show a strong cyclical behavior and high degree of

² For a general view of the economic history of Argentina in its various aspects see Diaz Alejandro (1970), Mallon and Sourrouille (1975), Véganzones and Winograd (1996, 1997, 1998) and Gerchunoff and Llach (1998).

³ See Williams (1920), Ford (1935), Ferns (1966), Halperin (1969), Cortes Conde (1979), O’Connel (1984), Arnaudo (1987), Della Paolera (1988). Bordo and Schwarz (1984) in their study of monetary history point out that the big challenge would be to explore the long-term financial development of peripheral economies.

⁴ See Della Paolera (1988) and Véganzones and Winograd (1997).

⁵ For an analysis of the Baring Brothers crisis see Véganzones and Winograd (1997). At the end of 19th century, Argentina’s per capita income ranked 11th according to Mulhall (1896) and 13th according to Maddison (1995). For a study on the sources of growth in Argentina during the 20th century see Véganzones and Winograd (1998).

⁶ See Germani (1955).

⁷ It was around 10% during the 1950s and is higher than 20% today; Véganzones and Winograd (1996).

correlation. In the years of the First world War the balance of payments had a significant surplus due to the sharp reduction in imports of consumption and capital goods, whereas the early 20s will result in a phase of deficits, that will tend to decrease in the second half of this decade. The collapse of the world market of commodities and the sharp fall in prices will lead in the early thirties to a period of growing deficits. World War Two will be a period of significant surpluses and international reserves accumulation that will extend to 1946 where a new phase of deficits will follow (**figure 2.4**).

Consequently, financial development was important during this period, and foreign participation was even higher than domestic savings (not more than 10% of GDP before 1930).⁸ Foreign capital was invested in infrastructure, but state spending also relied on foreign loans. The rationale of the successive governments of the time was to use selective state intervention to contribute to the country's development (education, infrastructure, health). Public indebtedness showed strong changes through time, varying between 40% and 145% of GDP.⁹

Financial activity was essentially confined to the banking sector, and the state maintained a strong presence in this sector from the very beginning. At the end of the 19th century five main state-owned banks were in operation; of these the 'Banco Nación' would remain one of the most important in the country. However, the level of both private and foreign participation was remarkable. During the 1920s, foreign banks held 20% of total bank deposits, and the Banco Nación 45%, while the remaining 35% was divided among other public and private institutions. Argentina adopted the gold standard in 1866 and retained it with some lengthy interruptions until 1930; the convertibility of the currency was established in 1899, and the 'Caja de Conversión' issued money in exchange for gold flows.¹⁰ The gold standard ruled between 1875 and 1876, 1884 and 1890, 1899 and 1914 and finally between 1927 and 1930. It was definitively abandoned after that year. In the absence of a central bank, the Banco Nación acted as the lender of last resort.¹¹

This growth dynamics continued without major changes until the 1930s, apart from during the 1890 financial crisis that severely disturbed London stock markets. However, the way out of the economic crisis was found relatively quickly.¹² Financial development during this period was remarkable. The M_3 /GDP ratio was 50% before the First World War and went beyond

⁸ Diaz Alejandro (1970), Cortes Conde (1979), Della Paolera (1988).

⁹ The ratio of public debt to GDP rose from 60% to 145% between 1884 and 1900. Public debt interest payments went from 20% to 35% of the total state budget over the same period. The Baring crisis burst, in part, as a result of these figures.

¹⁰ This policy was part of the "Tornquist" reforms, which separated central bank responsibilities for banking control and money printing. Previously, all banks sold and bought gold for a fixed exchange rate during the gold standard years, or at market rates otherwise.

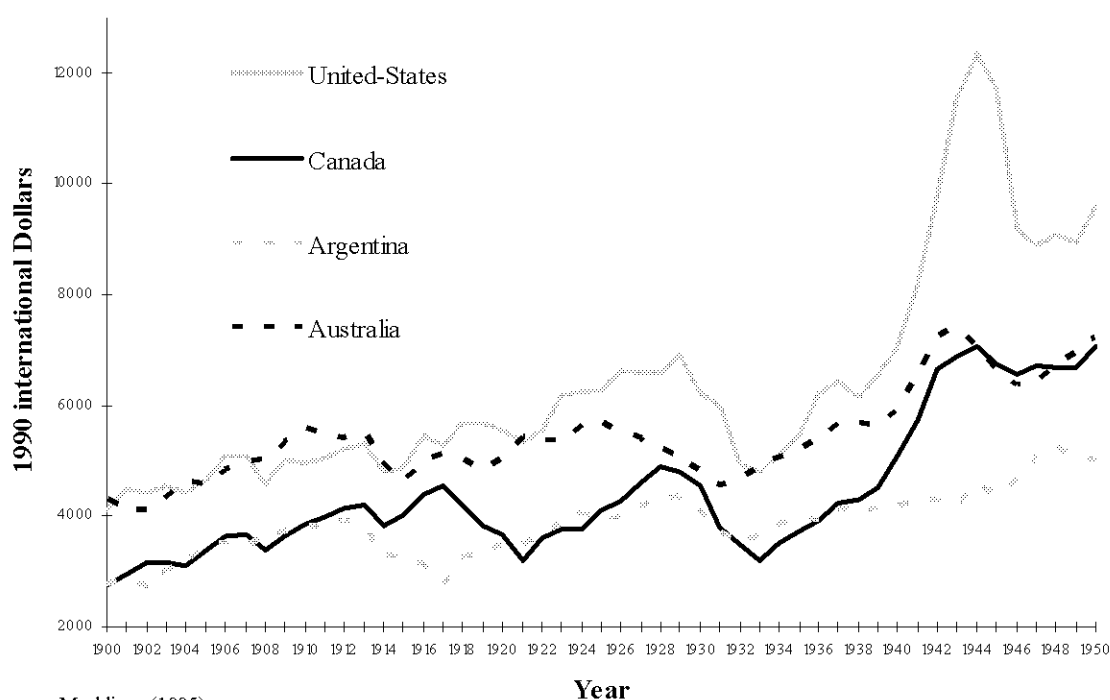
¹¹ Cortes Conde (1979), Veganzones and Winograd (1997).

¹² The economy resumed rapid growth in 1893–1894, while the 1930 crisis was followed by a lasting growth slowdown; Williams (1920), Peters (1934), Cortes Conde (1979), Della Paolera (1988), Veganzones and Winograd (1996). However, financial intermediation was not hit as hard as the M_3 /GDP ratio, which fell from 55% in 1889 to 35% in 1900.

60% during the 1920s (**figure 3.1**), whereas the United Kingdom and the United States showed levels of around 50% in 1913.¹³ As financial savings increased, the ratio M_1/GDP dropped slightly from 30% to 25% over the same period. Per capita non-monetary financial savings ($M_3 - M_1$) and per capita deposits rose fourfold and threefold respectively (**figure 3.2**). The impressive development of financial intermediation helps to explain the exceptional growth rates both of the banking sector and of the economy as a whole.

Indeed the financial sector played an important role in the mobilization of savings and in financing the development process. However, it also seems that it efficiently facilitated the allocation of savings to investment. Capital was very mobile, and the country showed a high level of integration with the international financial markets. National interest rates (and prices) were very close to world levels.¹⁴ Additionally, the increase in the number of banks (and the geographical expansion of the network) may have stimulated competition, thus contributing to a relative improvement in the efficiency of the financial system, as shown by the rise in the real value of deposits.

Figure 1.1: GDP per capita, a comparative view: United States, Canada, Argentina, Australia (1990 international dollars)



Source : Maddison (1995)

¹³ Della Paolera and Taylor (1997) and Nakamura and Zarazaga (2001).

¹⁴ Williams (1920), Homer and Sylla (1991).

Table 1: Comparative Development

	1900	1913	1950
Argentina	2.756	3.797	4.987
Latin America	1.311	1.733	3.478
Western Europe	2.899	3.482	5.513
Western Outposts	3.868	5.051	8.083
Southern Europe	1.676	1.788	2.259
United States	4.096	5.307	9.573
Great Britain	4.593	5.032	6.847
Japan	1.135	1.334	1.873
South Korea	850	948	876
Taiwan	759	794	922

Latin America: Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela.

Western Europe: Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Italy, Netherlands, Norway, Sweden, Switzerland.

Western Outposts: Australia, Canada, New Zealand and United States.

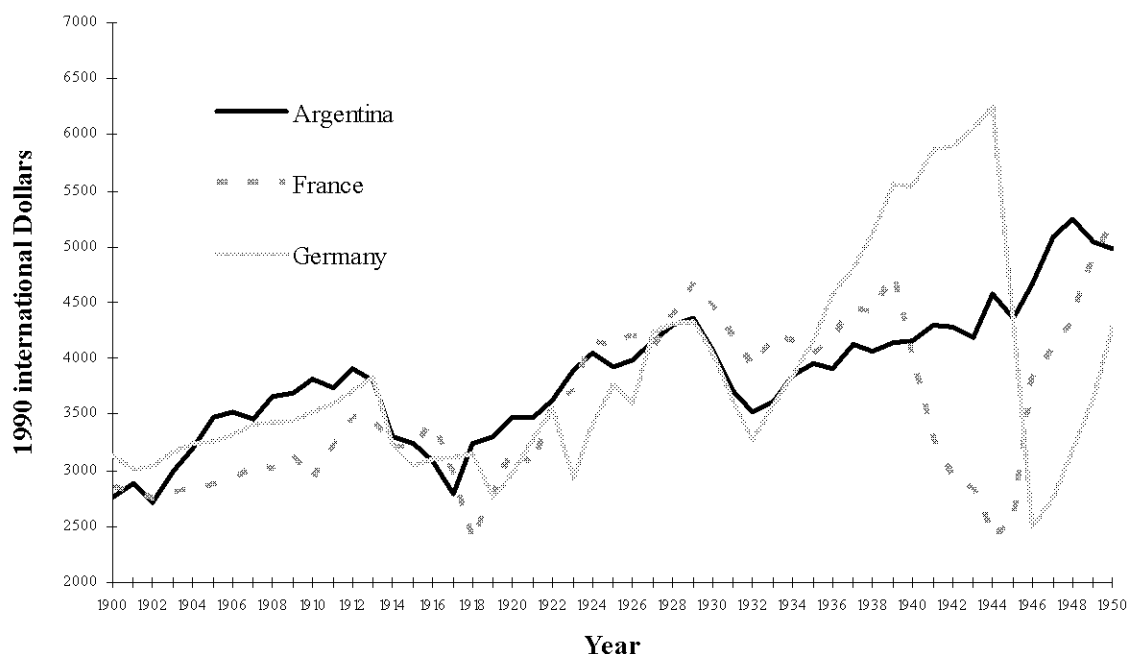
Southern Europe: Greece, Ireland, Portugal, Spain and Turkey.

Source: Maddison, Angus (1995).

The crisis of 1930 and the policy response: focused state intervention

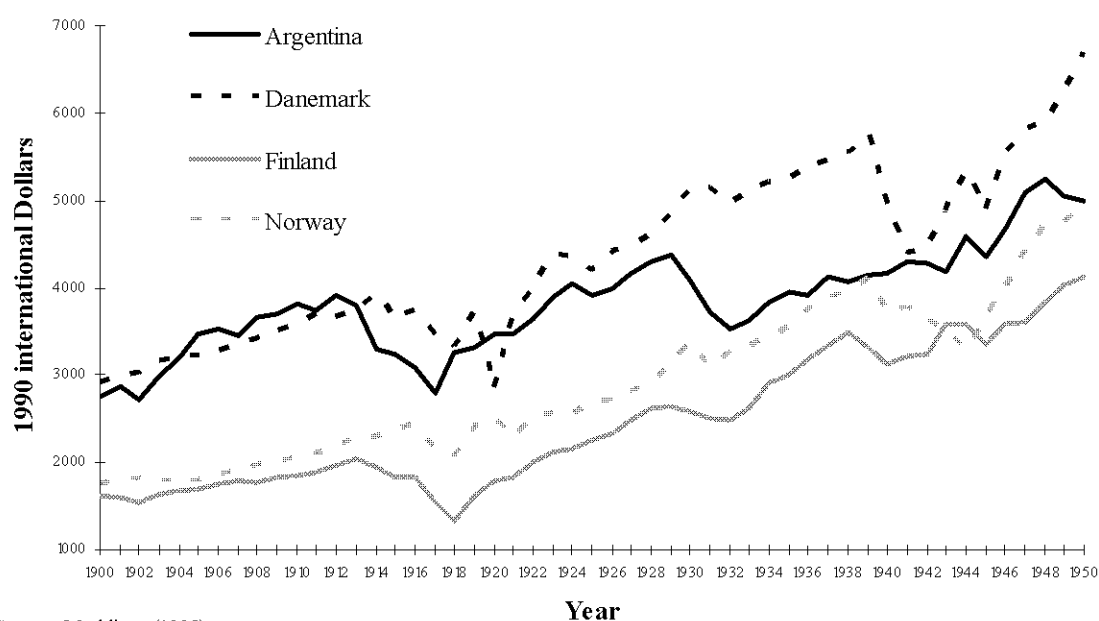
The crisis of 1930 meant a sudden stop to the growth process. It also interrupted foreign capital flows, which were crucial to financing the economy. At the same time, the collapse of the terms of trade (40%) and the level of activity (6% in 1932) led to a series of bankruptcies that could only amplify the banking system's liquidity crisis, which in turn generated a solvency crisis. Only at the beginning of the 1940s did per capita GDP recover to its pre-crisis levels (**figure 1**). As in 1889 and 1913 the crisis entailed a reverse in capital flows and a sharp reduction in the quantity of money. The convertibility of Argentina's currency was abandoned and exchange rate controls were established. The problem of the asymmetric costs of adjustment under fixed exchange rate regimes emerged once again. The gold standard's automatic adjustment mechanism works smoothly only in times of prosperity, i.e. when balance of payments flows are positive, high-powered money and credit increase and economic activity expands. In times of monetary and economic contraction the adjustment is far less harmonious and very often the collapse of the exchange (monetary) regime is the end of events.

Figure 1.2: GDP per capita, a comparative view: Argentina, France, Germany (1990 international dollars)



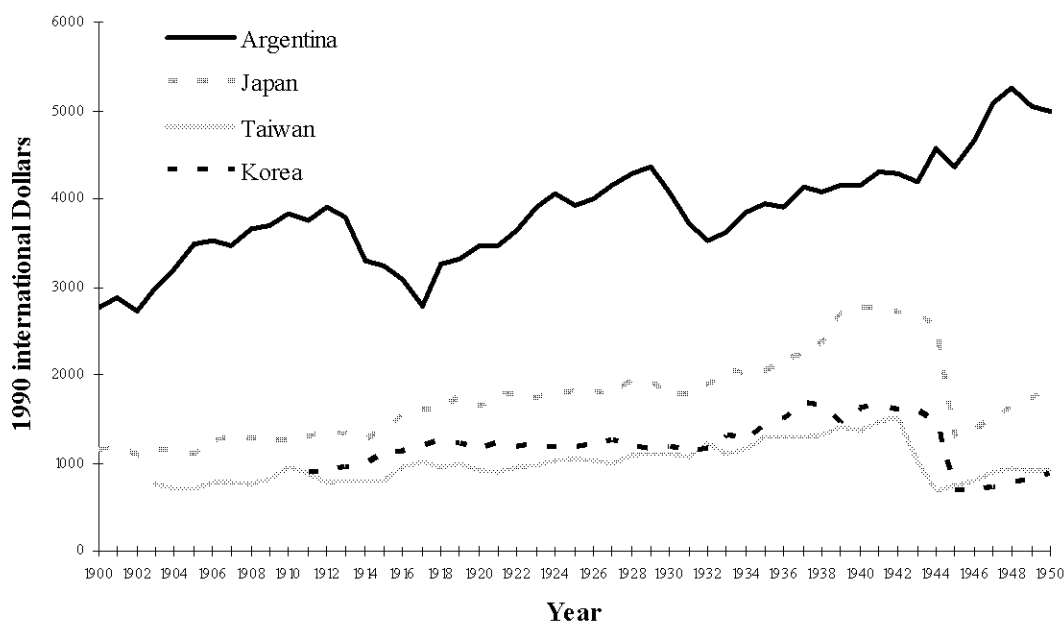
Source : Maddison (1995)

Figure 1.3: GDP per capita, a comparative view: Argentina, Denmark, Finland, Norway (1990 international dollars)



Source : Maddison (1995)

Figure 1.4: GDP per capita, a comparative view: Argentina, Japan, Taiwan, Korea (1990 international dollars)



Source : Maddison (1995)

Figure 2.1: Trade openness (% of GDP)



Figure 2.2: Trade openness 1929

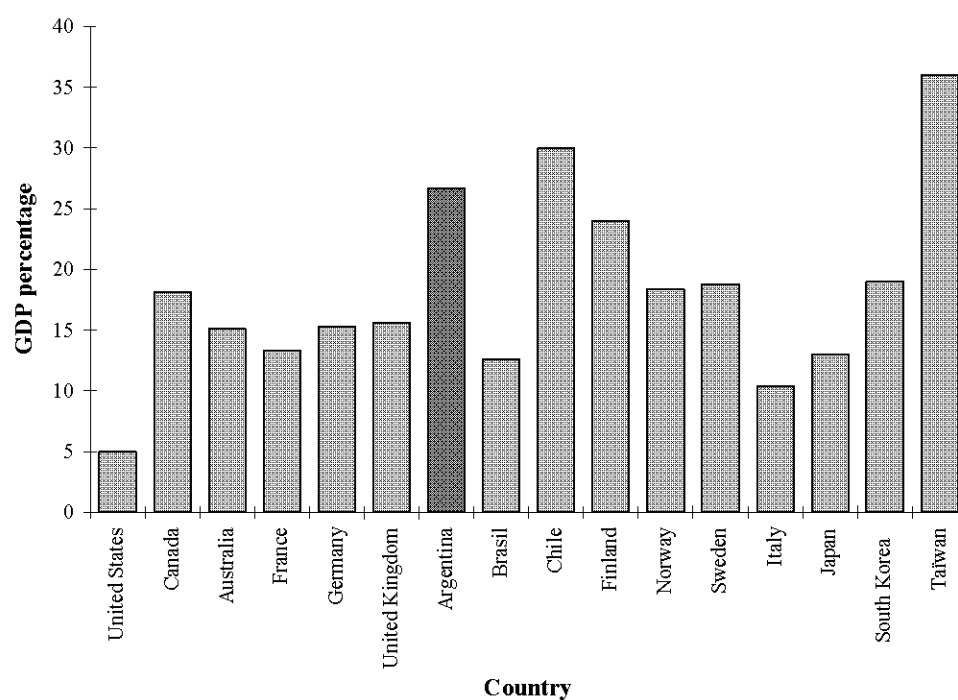


Figure 2.3: Trade openness 1950

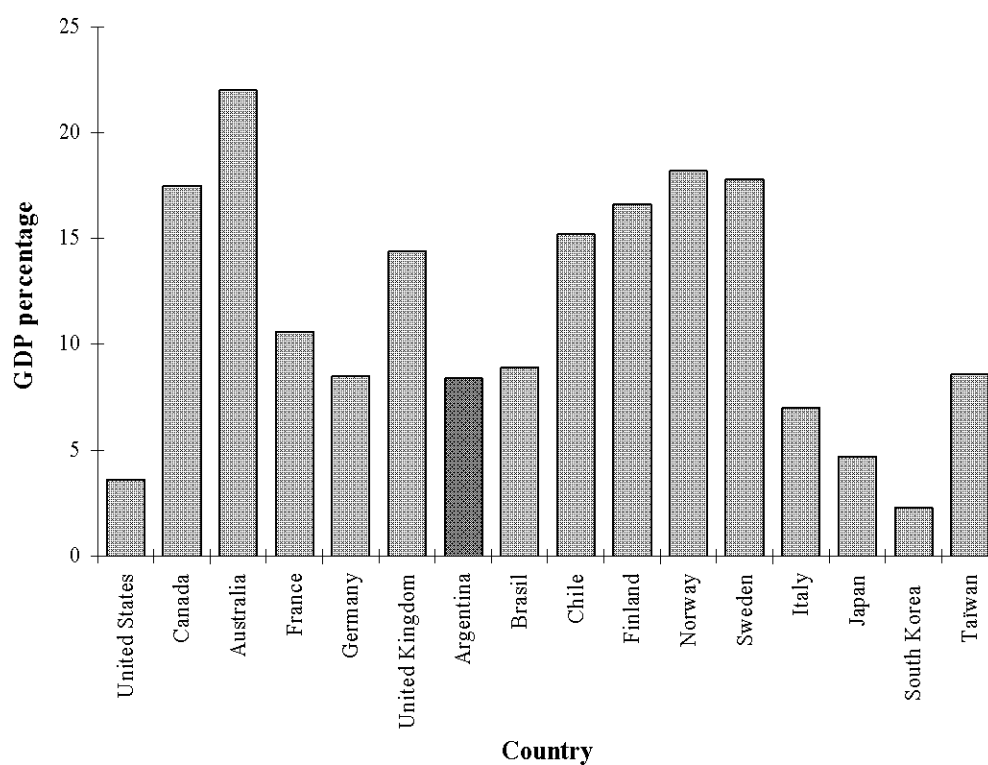


Figure 2.4: The Balance of Payments and the Current Account

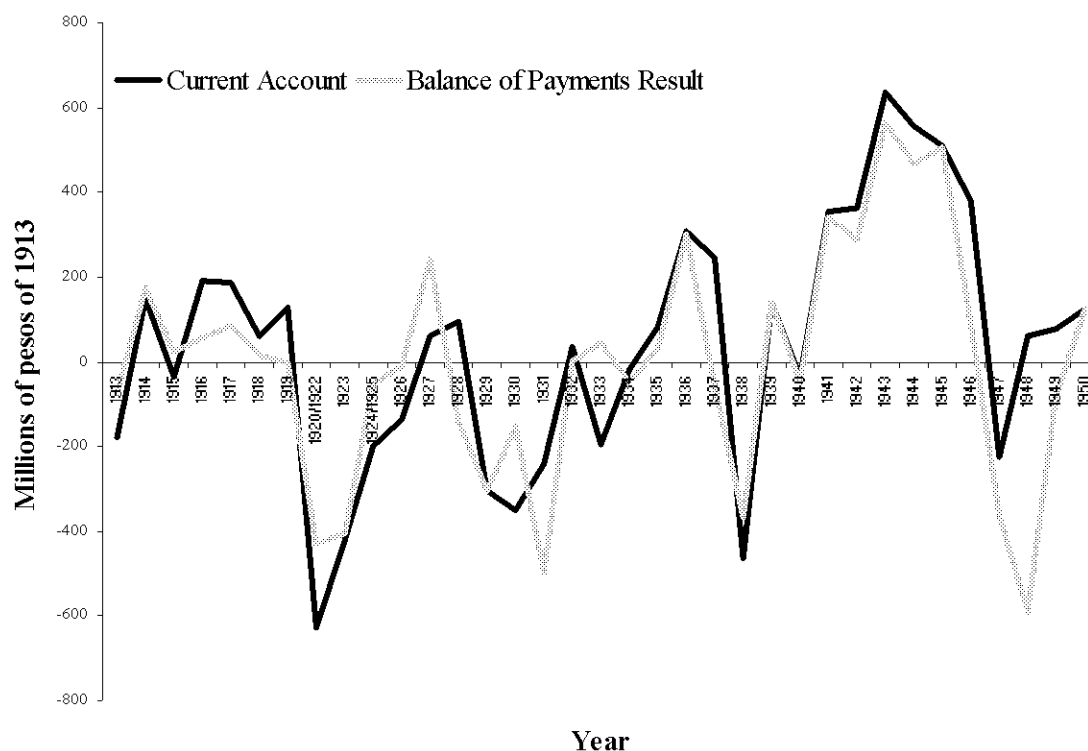
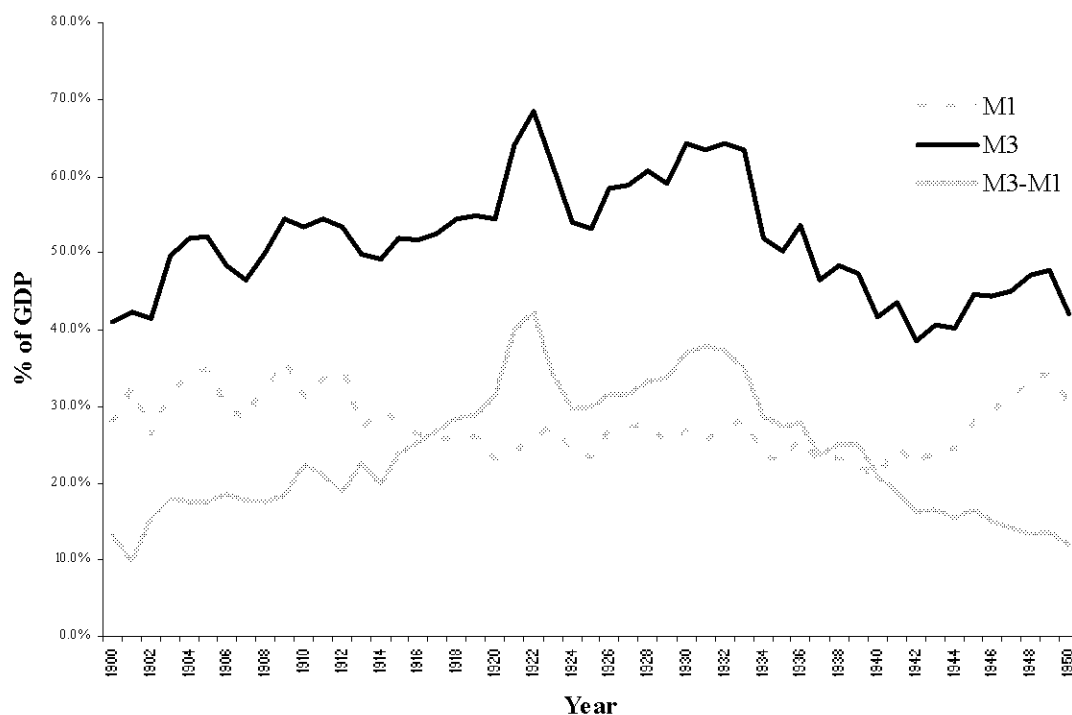
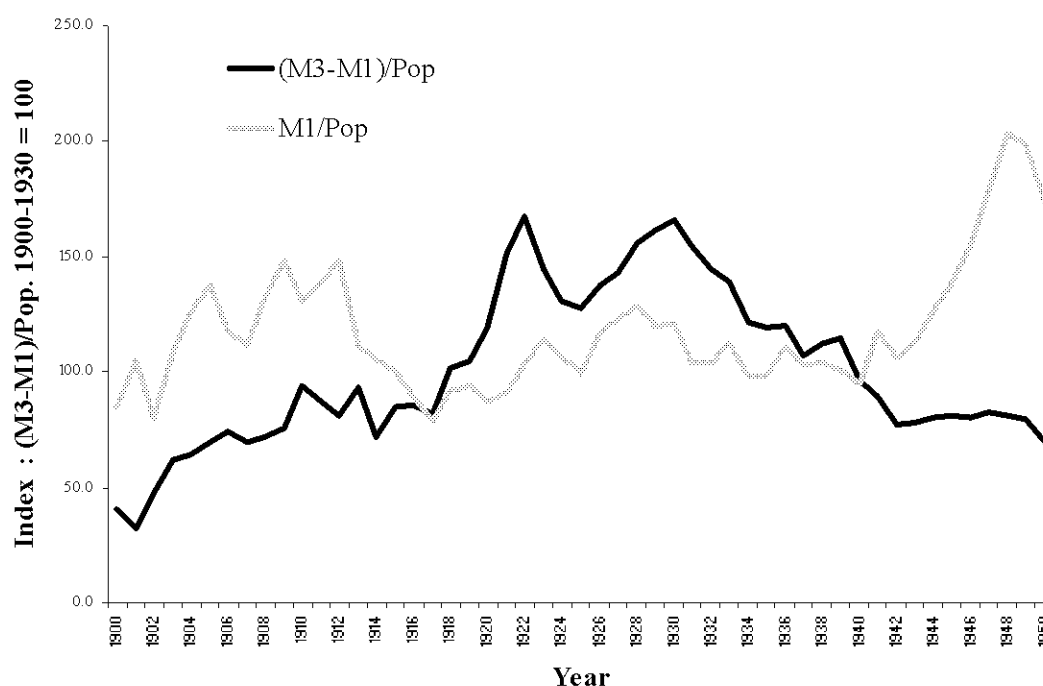


Figure 3.1: Evolution of Monetary Aggregates



Source : Elaborated using data from the Central Bank, Della Paolera and Vazquez Presedo.

Figure 3.2: Financial Development



The government was quick to confront both the debt and financial crises. Insolvent banks were closed and a public institution was created to manage and sell assets of other banks.. Public debt bonds were priced at 90% of their face value before the crises and 50% afterwards, attaining a 100% value in 1938. In 1932, public debt represented 30% of government expenditure. The central bank of Argentina was established in 1935¹⁵ with the following goals: to protect the currency, to stabilize activity levels and local prices, which had been disrupted by the fluctuations of the international markets, and to be the lender of last resort. The central bank was created as a joint public-private institution, with private bank managers forming the majority on the supervisory board.

The “Caja de Conversión” was abolished and exchange rate controls followed the reversal of capital flows. Nevertheless, these controls were never excessive in the sense that they did not lead to severe price distortions such as the ones experienced after the Second World War. Exchange rate controls led to the development of a black market for currencies, but exchange rate differentials in the free (black) market were below 20% whereas they would reach more than 400% in the end of 1940s.

The central bank was also in charge of international reserves and management of the newly established minimum requirements .¹⁶

¹⁵ This structure was inspired by the ideas of the British expert Otto Niemayer.

¹⁶ Prebisch (1985). The minimum reserve requirements were between 8% and 16% depending on the type of deposit, that is, higher than international standards: analysis of the crisis stressed the insufficiency of bank reserves and capital.

In terms of stabilizing the economy, this new regime of 'restrained' public intervention was successful and it reduced the adjustment costs of the crisis.¹⁷ Argentina did not default on its public debt, while debt rescheduling was an extended policy response to the economic crisis in the international arena. The international capital markets became open to debt restructuring schemes, and it has been argued that countries that resorted to this strategy showed relatively better economic performances in the post crisis period.¹⁸ However, despite the rapid reaction of the national administration, the sudden halt in capital inflows and the fall in the local saving rate had a negative effect on financial savings in the long term. The M_3 /GDP ratio reached its low of 40% at the beginning of the 1940s (**figure 3.1**). Financial savings as measured by the $(M_3 - M_1)$ /GDP ratio diminished by 50%, as did per capita deposits. The drop in per branch deposits marked the beginning of a long process of decline in the banking system.¹⁹

The Argentine economy started its rebound from the contraction of the great depression in 1934. Between this year and the beginning of World War Two the average GDP growth rate hovers 4 % per year, whereas in the period 1939-1945 it will show an average of 2,5% per year (Veganzones and Winograd, 1997). This economic performance was similar to that of Australia, Brazil and Britain in the war years, better than the one observed in the European countries such as Italy, France and Germany that show sharp contractions. The United States and Canada pushed by the economics of military demand experienced average GDP growth rates of 8-11% in the same period.

Most of the contribution to growth in the years of the war in Argentina came from the industrial push induced by forced *import substitution* due to the impossibility to import consumption and capital goods from the traditional suppliers of the country. It is interesting to note that export diversification took place, with manufacturing goods jumping from 2% of total exports in the pre-war years to 20%. The destination of these industrial exports was mainly the Latin American economies, but the end of the war and the progressive return of normal international trade led to a reversion of this trend of expansion of industrial exports. The disruption in trade during the war years will lead to a fall in total exports between 1939 and 1945, but the reduction of imports will be far larger resulting in significant current account and balance of payments surpluses (**figure 2.4**). After 1945 the flow of imports was restored and the balance of payments entered a period of deficits.

¹⁷ Diaz Alejandro (1970).

¹⁸ See Thorp (1984), O'Connell (1984) and de Paiva Abreu (1984). The comparative performance of Argentina and Brazil, which defaulted on its public debt, illustrates this argument. In Argentina the contraction of GDP was 4.5% over the years 1930–1932, whereas it was only 0.5% in Brazil. Brazil also recorded higher economic growth between 1932 and 1937, averaging 7.5% per year while Argentina averaged 5% for the same period. However, we should recall that Brazil's GDP per capita was 30% of Argentina's (Diaz Alejandro, 1970). In view of the dynamics of convergence one could expect lower average growth rates for Argentina than for Brazil.

¹⁹ Véganzones and Winograd (1996, 1997).

Post World War II and the 'massive state intervention policy'

More radical changes were made after the Second World War. The new economic situation is fundamental to an understanding of the reforms and policy trends of the period, which paved the way for thirty years of severe financial repression. A regime of massive public intervention was put into practice. The agro export model was not favored by the ruling political leadership and the new government advocated rapid industrialization of the country through intensive import substitution policies based on prohibitive import tariffs, generalized quotas and heavy taxes on agricultural exports. The degree of integration into international goods markets would reach very low levels of around 10% of GDP (exports + imports, **figure 2.1**), and by contrast to the pre-war years when the country was one of the most open in the world with regard to trade, after the war its openness was low relative to other economies (**figure 2.3**).

At the end of the war, Argentina's international financial position was strong, and in 1945–1946 foreign reserves reached high levels of three to four times the value of annual imports. This situation was not to last. The country faced a balance of payments crisis in 1951 and 1952²⁰, and a sharp increase in inflation starting in 1945. The rate of inflation of 1–8% in the years 1935–1944 would rise to 14–40% in the period 1945–1951.

In 1946 bank deposits were *nationalized*. Minimum reserve requirements were increased to 100% and all commercial institution's deposits were managed on behalf of the central bank in exchange for a commission.²¹ Additionally, a policy of massive credit expansion and negative real interest rates (falling to –30% by the end of the 1940s) was initiated.²² Consequently, credit rationing was the norm: privileged sectors included import substitution industries, housing, and transfers to the government. The government budget deficit was below 4% until the 1940s (2% on average), but it reached 15% in 1948 and averaged 7% during the 1950s. The contrast with the previous banking stand of "natural" credit allocation to the agricultural sector is clear. Even if the desire to maintain monetary stability and to smooth activity fluctuations had not disappeared, the central bank was perceived as, and turned into, a fundamental policy instrument in the development of the country, thus strongly reinforcing its institutional role.²³ But this change of focus for the central bank jeopardized the conduct of standard monetary policy objectives.

Although GDP growth rates showed a marked increase in the second half of the 1940s – reaching over 10% per year – the ratio M_3/GDP did not regain its past levels (**figure 3.1**); quite the contrary in fact: it dropped to 30% at the beginning of the 1940s and hardly exceeded 15% at the end of the 1950s. The deep reduction in financial savings went hand in hand with a substitution of non-monetary for monetary financial assets. This trend, encouraged by the severe 'financial repression,' was also driven by the strongly redistributive policies imposed by the administration of General Perón. These led to an increase in the

²⁰ Diaz Alejandro (1970), Mallon and Sourrouille (1975), Di Tella (1983), Miotti (1991).

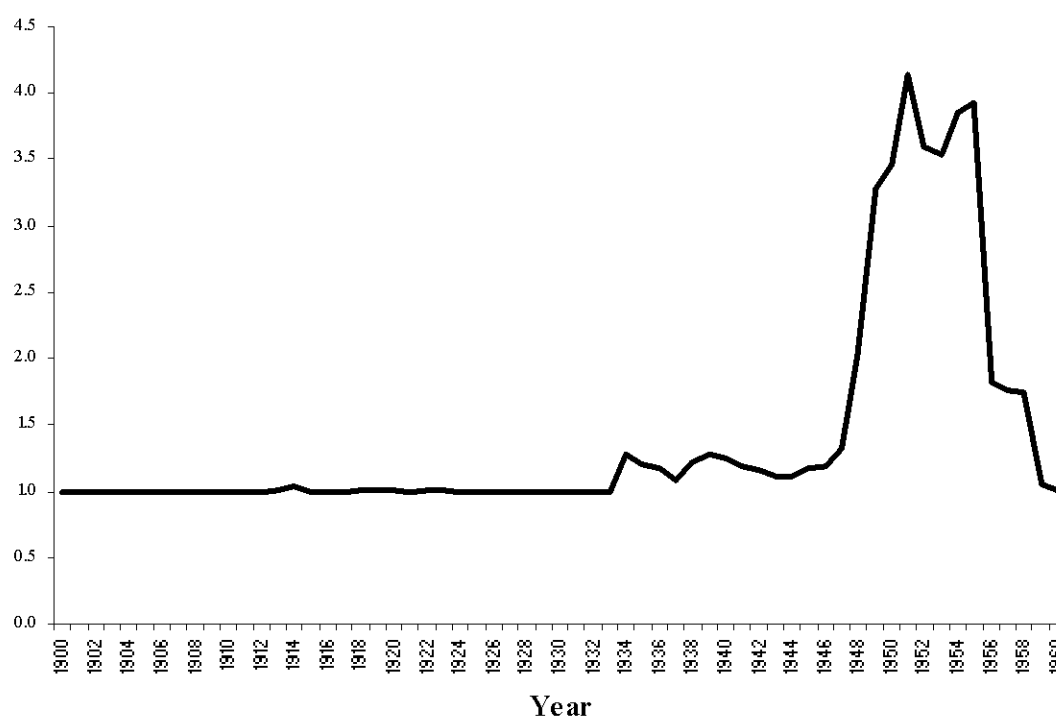
²¹ Arnaudo (1987).

²² Financial repression (of varying degrees of intensity) and interest rate distortions would prevail until the late 1970s.

²³ Employment became a primary concern and union representatives sat on the Central Bank board, while the number of private bank representatives ostensibly diminished.

income participation of social groups with lower savings rates. The ratio $(M_3 - M_1)/GDP$ went down from 40% before the crisis of 1930 to under 10% in 1950s (**figure 3.2**). This monetary substitution, biased against non-monetary financial assets, stopped as soon as high and chronic inflation began to have a significant negative impact on holdings of monetary financial assets. Finally, the per capita ratio $(M_3 - M_1)$ reached its lowest point at the end of 1950s, when it fell to a half of the 1900 level and an eighth of the 1920 level. Per branch deposits and per capita deposits were down to a quarter of 1920 values (**figure 3.3**). Over-expansive monetary policy led to severe distortions in the exchange markets, with differentials in the black market reaching 400% in the late 1940s (official exchange rate (free – black) / exchange rate ratio; **figure 4**).

Figure 4: Exchange rate (free - black) / Exchange rate for exports



To conclude, even if exogenous forces (i.e. the crisis of 1930 and the Second World War, which generated a reversal of capital flows and a slowdown in economic activity) had triggered a reduction in financial savings, by the fact that it did not attain its past levels after the Second World War was an endogenous matter. Financial repression, political uncertainty and macroeconomic instability with persistent high inflation (which was to become a chronic feature, leading in the 1980s to hyperinflation) discouraged financial savings and had a negative impact on the banking sector's efficiency. While the restrained state intervention of the 1930s was proficient in terms of shock-management, the massive intervention of the 1940s led to excessive distortions in relative prices and the allocation of resources.

General Perón, elected in 1946 (and reelected in 1952), was deposed by a coup d'état in 1955. A first step to the liberalization of the financial system was taken in 1957. The "nationalization" of deposits was abolished, minimum reserve requirements were

considerably reduced and credit policy was decentralized.²⁴ The central bank's main goals did not differ much from those of previous years, but the new administration stressed savings allocation and investment growth. This was linked to the desire to re-integrate into the international capital markets. In 1958 Argentina became a member of IMF, having frequently rejected this option previously. The implicit ideas of the reforms were centered on the reduction of 'financial repression'.²⁵

Argentina, the United Kingdom and the United States: Trade, Investment and Finance

Trade

Trade relations between Argentina and the United Kingdom started in colonial times. Liberalization of agricultural trade in England, particularly the elimination of the *Corn Laws* in the mid-19th century, strongly contributed to the specialization of the United Kingdom, but also to the international integration of Argentina as a competitive producer and exporter of agricultural goods. Complementary in the trade relations between the two countries thus emerged. Argentina exported to the United Kingdom wheat, corn, linen, wool, leather and frozen meat, while importing railway materials, iron, steel and other manufactured goods required for the country's rapid development. This balance of interests was also evident in the financial sector, where Argentina needed foreign savings while the United Kingdom was a net exporter of capital: London operated as the main financial center during the first wave of globalization under the gold standard rules of the second half of the 19th century.

The beef trade played an important role in the history of trade relations between the two countries, and the United States competed with Argentina in the British market, as well as with UK firms in the Argentinean meat-processing sector for exports. Until the end of the 19th century, the United States was the main supplier of beef to the United Kingdom, but in the early 20th century Argentina became the primary exporter. Numerous meatpacking firms started operating in Argentina and the trend of business development was reinforced during World War I, when profits in the beef exporting sector rose significantly.²⁶

In the 1920s a new international trade relationship took shape between Argentina, the United Kingdom and the United States. Argentina continued to buy coal and railroad equipment from the United Kingdom, but the British lagged behind the United States in the most dynamic sectors, such as cars, trucks and new capital goods. A triangle of trade thus emerged, with Argentina increasing imports of manufactured goods from the United States, but unable to

²⁴ The unions' representation on the Central Bank board was also eliminated.

²⁵ The degree of distortion in exchange rate markets diminished markedly. See figure 4.

²⁶ Between 1914 and 1921 the stock of cattle in Argentina increased by almost 50%. In the latter year the UK government eliminated quotas and controls in the meat market and started liquidating its stocks. Argentina's beef-related industry was confronted by a serious crisis (Rock 1985).

diversify its exports, which were concentrated in the British market. The protectionist policies of the United States in the agricultural sector prevented the development of exports from Argentina, where this country could have a competitive advantage.²⁷ On the whole the 1920s was a period of export growth and gradual diversification for the Argentinean economy, with the manufacturing sector developing rapidly from its previous low base.

The Great Depression of 1929 started a long period of disintermediation in the international capital markets, where protectionism and bilateral (preferential) agreements became the new rules of the game for international trade. The policy response to the crisis of the 1930s by the United States and Britain was strongly tainted by protectionism and preferential trade agreements. This reaction of both governments was more the result of urgency than of well-reasoned choice and debate. By contrast with previous rules of free trade and multilateral relations in times of peace, bilateralism and trade restrictions would thus govern trade between Argentina and its major partners. In 1932 the United Kingdom moved from a multilateral free trade regime to *Imperial Preference* where Britain negotiated preferential market access in the economies of the empire in exchange for a policy of *most favored country* for exports coming from the empire.²⁸

Trade, financial and investment relations between the United Kingdom and Argentina were very important, and a drastic disengagement of Britain from the Argentinean markets entailed sizeable costs. The loss of the British market was a massive adverse shock for the Argentinean economy and its government reacted to the UK policy of Imperial Preference with a swift economic and political offensive. In 1933 the Roca-Runciman agreement between Argentina and Britain was signed; this softened the trade restrictions brought by Imperial Preference. It was agreed that imports of Argentinean beef would not be reduced from the levels reached in 1932, and meatpacking firms under Argentinean property control would supply 15% of total beef exports from Argentina.²⁹ In exchange Argentina agreed to reduce import tariffs to 1930 levels on more than 300 goods exported by the United Kingdom, as well as committing to maintain untrammelled access for goods that remained free of import taxes, such as coal. Argentina also agreed to follow *fair rules* for British firms established in the country.³⁰ The Roca-Runciman bilateral agreement between Argentina and the United Kingdom was set to last for three years. In 1936 it was extended by the Eden-Malbran agreement, the British administration obtaining the option to apply custom duties to beef exports from Argentina, in exchange for the British railroads concession of reduced freight rates for agricultural export goods.³¹ The Roca-Runciman treaty and its extensions were the subject of intense political debate at the time and have been a source of controversy for historians in the following decades. It has been argued that Argentina made excessive

²⁷ Fodor and O'Connell (1973).

²⁸ Britain accepted demands by Australia and South Africa to impose severe quotas and restrictions on imports of beef from Argentina. The agreement set a plan for monthly reductions of 5% per month in the first 12 months (Phelps, 1938).

²⁹ These measures came in response to a high voltage economic issue that turned into a national political debate when a buying cartel of foreign meat-packers tried to reduce the market prices received by local ranchers.

³⁰ The Argentine government also undertook to allow favorable conditions for the remittances of the British railways in case of devaluations (Rock, 1985).

³¹ The Argentine administration conceded better terms for the remittances of these firms (O'Connell, 1984).

concessions to the British (Rock, 1985), whereas it is also argued that the position of the country was weak in the face of *Imperial Preference* and competitors such as Australia and Canada (Diaz Alejandro, 1970), and thus that the outcome of the negotiations was rather favorable given the lack of alternative trade options.³²

In the 1930s, which were years of severe disruption for international markets plagued by protectionist policies worldwide, Argentina also went further down the route of bilateralism with 60% of its trade falling under this new regime. But, despite repeated initiatives by the authorities to develop a bilateral trade agreement with the United States, the latter refused to open its market to Argentina's agricultural exports; high import duties and unfavorable exchange conditions were thus placed on US exports. In response to the Great Depression and the sharp decrease in agricultural prices, the United States enacted the protectionist Hawley-Smoot Act in 1930 reinforcing trade barriers against Argentinean exports. In subsequent years, the US administration regularly resorted to health and safety reasons to reinforce import barriers against Argentinean goods.³³

Figure 5.1: Trade with the United Kingdom



Source: Llorens de Azar (1980)

³² See also Fodor and O'Connell (1985) and Alhadeff (1985, 1986).

³³ The severe output contraction in the US along with its protectionist policies led to a reduction of more than 50% in the exports of Argentina (figure 5.2).

During World War II the United Kingdom could not export to Argentina, and the United States was considered an alternative option for trade, in particular for the supply of the manufactured goods that the country required. In 1941 a trade agreement between Argentina and the United States was finally signed, the first such treaty in hundred years. But the results of this agreement did not bring a real breakthrough in trade relations between the two countries. Agricultural exports from Argentina continued to be excluded from the American market.

The collapse of the export flows from the UK to Argentina while imports increase, will result in the accumulation of credits in favour of the latter. The result of this trade imbalance shows in the "blocked sterling assets" that will reach over 80 million pounds by the end of 1944.³⁴ Britain refused the exchange of the sterling balances into dollars or the reduction of existing foreign debt, neither a swap for British infrastructure assets such as the railroads. After the war the UK authorities were willing to foster their exports and wanted to constrain the use of the *sterling balances* for Argentine imports from Britain. In 1946 General Peron wins the Presidential elections on a nationalistic rhetoric that will be fostered by the direct intervention in the electoral campaign by the anti-Peron stand of the US Ambassador in Buenos Aires Spruille Braden. In the first years of the new Administration, the government will nationalise infrastructure firms³⁵ such as railroads, drawing partly on the sterling balances³⁶.

³⁴ Fodor (1986).

³⁵ We should recall that direct intervention of the state in the infrastructure and natural monopolies sectors was in the *air du temps* of the postwar welfare state model of the time, in particular in the European political environment and extending to the prevalent views for economic development.

³⁶ Fodor and O'Connell (1973) and Diaz Alejandro (1970).

Figure 5.2: Trade with the United States



Source: Llorens de Azar (1980)

3.2. Investment: British and American firms.

British firms played an important role in Argentina since the mid 19th century. Investment in infrastructure, such as railroads, were a component of the model of rapid development of Argentina and its close integration to world markets reaching its height in the *Belle Epoque* preceding the Great War of 1914. By then Argentina was the major recipient of foreign investment of Latin America – one third of total foreign investment in the region- and a competing destination of British FDI with Australia and Canada (table 5), accounting for 10% of UK investment abroad.³⁷ Total foreign investment in the country was estimated at 3150 millions of current dollars for 1913³⁸ from public bonds, railroads, ports, meatpacking firms and banks. Britain represented 80% of total foreign investment in 1900, its share dropping to 65% in the wake of the First World War in favour of the rapid increase of French and German investments, as well as US in the 1920s. In the first decade of the 20th century, American investments in Argentina represented 1% of the total stock of foreign capital (table 3), whereas 80% of the exports of the country were directed to the UK. World War I led to a halt in the flows of foreign direct investments (FDI), but a new phase in the development of foreign presence in the country will take place in the 1920s, with a rising conflict of influence between British and American capitals.

³⁷ For a comparative analysis of the development of Argentina, Australia and Canada see Duncan and Fogarty (1984), and Platt and Di Tella (1985).

³⁸ CEPAL (1958).

In the early 1920s the massive expansion of the heavy infrastructure firms is coming to an end as the agricultural frontier is reaching its limits for rapid growth³⁹, with such investments as railroads having developed a mature network. The 1920s will not show a significant growth of foreign investment, most of the moderate increase coming from the US firms, with levels of investment (stock) jumping from 40 million dollars in 1913 to 600 million dollars in 1930 (table 3)⁴⁰. In the 1930s and throughout World War II until 1945 Argentina showed the same pattern concerning FDI of other major recipient countries. The Great Depression and later the Second World War led to an important decrease of foreign investment and a relative increase in the share of US capital (table 3). High import tariffs in Argentina, as well as exchange controls had a negative impact on American exports and pushed a number of US firms to substitute for local production.

In the immediate post war period of 1946 to 1948 under the Presidency of General Peron a sharp reduction, of more than 50%, in the stock of foreign capital will take place with a fall from 2650 million dollars to 1250 million dollars (table 2). This important change in the levels of foreign investment were the result of the state buy out of utilities (nationalization) with the high level of gold reserves accumulated during the war years, the favourable balance of payments position in the early post war years⁴¹, as well as the use of the *sterling balances*.⁴² The government transferred to state control important firms in the railway sector, telecom, city transport, distribution of electricity and gas. The case of the railroad firms appears paradigmatic. In 1946 the government had bought a French company for 46 million dollars, whereas in 1948 the British owned railways were nationalized. The latter firm was bought for 150 million pounds, one third out of the sterling balances and the rest with Argentine exports to Britain in 1948. An US controlled telecom company was also bought for 100 million dollars.

³⁹ In the controversies on the Argentine puzzle of development decay Di Tella and Zymelman (1973) find the first sources of *economic delay* in the 1920s. This vision of the sources of Argentine growth divergence will be disputed notably by Diaz Alejandro (1970).

⁴⁰ The same trend of can be observed for the flow of British investment to Canada (Cepal, 1958).

⁴¹ The external position of Argentina allowed the government to give commercial credits to European and Latin American countries for amounts over 200 million dollars from 1946 to 1948.

⁴² See Skupch (1972).

Investment and capital

Table 2: Foreign private investments in Argentina (millions of dollars)

Year	Great Britain	United States	Others	Total
1900	912	???	???	1120
1909	1423	19	733	2175
1913	1860	39	1237	3136
1917	1882	82	1269	3233
1920	1761	72	1206	3039
1923	1906	193	989	3088
1927	2002	487	984	3473
1931	2026	654	981	3661
1934	1813	743	929	3485
1940	1679	629	856	3164
1945	1414	565	672	2651
1949	243	323	689	1255

Source: CEPAL, 1958

Table 3: Structure of foreign investments

% of total	1909	1953
Public bonds	30.7	0.5
Railroads	35.6	
Public services	7.6	26.3
Farm firms	6.7	3.2
Oil		2.7
activities	1.3	31.7
Commerce	8.9	14.6
Banks	1.7	6.4
Financial firms		8.8
Real estate companies	6.6	1.8
Others	0.9	4.3
Total	100	100

Source: CEPAL (1958)

Table 4: Firms nationalized in 1946–1948, excluding railroads (millions of dollars)

Telephones	110.6
Transports	50
Gas	37.5
Ports	19.1
Municipal services	8.8
Electricity	14.6
Total	240.6

Source: CEPAL, 1958

Table 5: British overseas investment, 1907–1913

Area	Amount (£ million)	Share of total (%)
New World Empire	319	28%
Canada and Newfoundland	254	23%
Australasia	65	6%
United States	164	15%
Latin America	268	24%
Argentina	118	10%
Brazil	88	8%
Mexico	34	3%
Chile	28	2%
Other Empire	163	14%
China and Japan	50	4%
Europe	49	4%
Russia	46	4%
Miscellaneous foreign	68	6%
Total	1127	100%

Source: Taylor and Williamson (1994)

Argentina and Germany: Trade, investment, finance and politics

This section summarizes the fundamental features of economic relations between Argentina and Germany. We will look at the development of bilateral trade, the role of German investment and German firms in Argentina, as well as the presence of German institutions in the financial system. Finally we will briefly discuss German immigration and the political relations between the two countries.

Trade

Trade between Argentina and Germany was very important at the beginning of the 20th century: German goods accounted for 17% of total Argentinean imports. Nevertheless, the First World War disrupted bilateral trade, which fell to insignificant levels during the conflict. The German defeat and the Treaty of Versailles (with the reparations and territorial controls imposed by the Allies) worsened the situation. Between 1915 and 1919 trade between Argentina and Germany hardly existed; but during the 1920s it recovered to pre-war levels, turning Germany into the third biggest supplier of imports and the second most significant destination for exports.

The world economic and financial crisis that started in October 1929 in the United States deeply affected both Argentina and Germany. Bilateral trade displayed a sharp decline but Argentinean exports were hit particularly hard. From a peak in 1927, exports dropped 82% by 1932. The sharp fall in the price of primary goods in world markets and the substantial contraction of output in Germany, which led to a reduction in wages and rising unemployment, contributed to a significant reduction in demand for Argentinean exports. Imports from Germany, mainly consumer and capital goods, fell rapidly due to the recession in Argentina, coupled with the deterioration in the terms of trade for the country and the disruption of international capital markets. This decline in trade hit two sectors in particular: frozen meat and crops. In 1927 Germany bought more than a quarter of total meat exports, but this fell to only 2% in 1932.⁴³ Good harvests in Germany and an exportable surplus contributed to a sharp contraction of sales from Argentina.

In 1934, conditions began to change in both countries with the economic recovery in Germany contributing to a rise in Argentinean exports. With international capital markets severely disrupted and with many countries imposing protectionist policies in response to the constraints on the availability of foreign currency, the German government launched the "New Plan" aimed at reinforcing financial and economic autonomy.⁴⁴ Germany and Argentina signed a trade and payments agreement on 28 September 1934. Germany's main goal was to diversify its sources of raw materials and the agreement mentioned the objective of stockpiling goods from 1937 onwards, in the light of the increasing likelihood of war. This trade agreement between Argentina and Germany did not, however, produce a rapid recovery in bilateral trade. Between 1934 and 1936 both exports and imports diminished slightly. They began to increase in 1937 but never reached the levels observed in previous decades (figure 6.1). It has been argued that German industrial goods were not competitive when compared to

⁴³ Musacchio (1992).

⁴⁴ The Argentine consul in Hamburg, Bartolome Daneri, sent an exhaustive report in April on the new trends of German foreign trade and their importance for Argentina, where he detailed the results of many meetings with businessmen and statesmen. The new commercial guidelines were strongly tainted by the bilateralism in vogue and the "buy to our buyers" principle. Daneri argued that "given that Germany has serious problems with Anglo Saxon countries, they soon realized that they have to point towards Iberoamerica, and, in particular, to our country. Our continent begins again to enjoy a privileged position in propaganda and in German commercial expansive trends". Karl Ritter, in charge of the Trade Policy of the German Foreign Relations Ministry, said "Out of Africa and the Commonwealth, let's go to South America, the Balkans and the Middle East" (Rapoport and Musacchio, 1999).

American, British or Belgian goods, thus reducing the incentives for counter trade operations. Secondly, the sluggish timing of delivery by German companies exacerbated this lack of competitiveness. Thirdly, the intensification of the arms race and excess demand in the domestic market also hindered any increase in German exports, leading to a crowding out of potential exports.⁴⁵ Finally, under the above circumstances, trade competition from Brazil may also have played an important role in the weak results of the Argentinean-German trade agreement. Brazil, with a significant German-origin population, seemed to be more receptive to German goods thus obtaining better deals for its own exports. Brazil supplied Germany with substitutes for Argentinean produce, such as cotton, wool, leather, wood, and, if sporadically, meat. No matter this rivalry, Argentinean exports of crops and linen were not affected.

By the end of 1936 Argentinean negotiators were disappointed. Nevertheless, in December the agreement was extended for another year, though bilateral trade did not show a significant increase. However, we should mention that a set of contracts between the Argentinean government and German construction firms stimulated German exports of iron and steel at the expense of imports from the United States. In 1938 Germany was the main supplier of these goods, whereas 31.5% of Argentina's imports of machinery came from the United States, 28.6% from Germany and 16.3% from the United Kingdom. Despite the Argentinean and German governments' negative perception of the results of the 1934 agreement, it was extended once again in 1937 for two additional years.

In the absence of a flourishing trade between the two countries during the first half of 1930s, and the perception of failure of the 1934 agreement, we should recall the particular developments in the export market for meat. This was of particular importance in view of the difficulties arising with Britain, in the major market for exports, due to *Imperial Preference*. Frozen meat exports, a main component of trade in the 1920s, had stopped after the crisis of 1929. The world market for meat exports was suffering a significant contraction and Argentina tried, unsuccessfully, to launch an export drive into the German market. In 1936 the German authorities started to react to Argentina's attempts to open the German meat market, leveraging better trade and business deals with the aim of improving their position in Argentina relative to that of the United Kingdom and the United States. Additionally, adverse climatic conditions in Germany led to a significant reduction in livestock, forcing the country to resort to imports.

In 1937 exports of frozen meat show a sharp increase, turning Germany into the main buyer, with a share of 50% of the market.⁴⁶ In fact, Berlin's strategy of responding to the Argentinean export drive, allowed Germany to gain access to sectors previously dominated by

⁴⁵ Rapoport and Mussachio (1999).

⁴⁶ Germany also bought frozen meat from Brazil and Uruguay.

the British, such as railway equipment and locomotives.⁴⁷ Additionally, German participation in Argentina's public sector purchases increased threefold.⁴⁸

If the trade agreement of 1934 did not fulfill the expectations of the governments of Argentina and Germany, it still helped to reverse the deterioration in economic relationships between the two countries after the crisis of the 1930s. But from the facts observed, we cannot conclude that Argentina played a central role in Germany's global strategy. Even if Latin America was relevant to the Reich's strategy, it appears to have been a secondary strategic objective. It may be argued that the importance of Latin America in the German strategy should be considered in view of a long term objective, once the Reich had consolidated its control of Europe as a mean to push in regions of strong US influence. In the shorter run increasing the German influence in the region contributed to the economic warfare in view of countering the strategic use of production capacity of neutral countries in Latin America.

The role of the German fleet in Argentinean trade supports this view of the relationship between the two countries. Great Britain ranked first in overseas traffic, but German ships followed in terms of transported volumes. Between 1928 and 1939 there were no important changes in the relative weights of the two fleets, but the United Kingdom lost part of its tonnage while Germany exceeded its 1928 levels, reflecting the growing importance of Germany's presence (table 6).

In the first half of 1939, Germany was Argentina's third largest trade partner, but this situation was strongly affected by the outbreak of World War II in September, and bilateral exchange fell sharply until it was insignificant (figure 6.1 and table 7). On the other hand, part of the rapid growth in trade in previous years was due to the fact that Germany had been accumulating stocks of imports in preparation for the possibility of war. German firms in Argentina had been increasing imports of German supplies in anticipation of disruptions to the supply of such goods once the conflict had started. Hitler's arms race constrained the surplus available for export markets, and the German government lacked the foreign currency liquidity required to finance a deficit in its external accounts.⁴⁹ Bilateral trade between Argentina and Germany reached its limit: the former could not increase its exports and the strong trend towards import substitution in Argentina shifted demand towards goods where

⁴⁷ By the beginning of 1938 Argentina and Germany engaged in negotiations to increase countertrade beyond the terms of the treaty of 1934. The aim was to trade German railroad equipment in exchange for food and raw materials from Argentina. The beginning of World War II in September 1939 led to a sharp contraction in bilateral trade, jeopardizing the fulfillment of the latter countertrade agreement, which was finally cancelled by the end of 1939.

⁴⁸ The Bureau of Navigation and Ports bought motorboats from a German shipyard between 1937 and 1938. Purchases of aeronautic material were also registered.

⁴⁹ The beginning of the war found Europe divided into areas of German and the Soviet influence. But Hitler's decision to expand into the Eastern territories of Europe was already a fundamental part of the Reich's vision. Moving towards the Caucasus, via the Balkans' minerals and Ukraine's crops, to obtain food and raw materials by force from its neighbors could partly explain the progressive reduction of overseas suppliers. The Allies' blockade would have reinforced this trend.

the United States had a competitive advantage.⁵⁰ Last, but not least, trade felt the strong negative effect of the successful British maritime blockade, and the Allies' blacklists sought to boycott German firms in Argentina as well as in other Latin American countries.⁵¹

But can we find any robust evidence of triangular trade among Argentina, Germany and other countries? While trade between Germany and Argentina reached extremely low levels, other neutral countries, such as Switzerland, Sweden and Spain, maintained or increased their role as a destination for Argentina's exports. At the same time, these countries had intense trade relations with Germany. The suspicion arises that, despite the strong contraction, Argentina's trade went on by means of arrangements with other neutral nations.⁵² Sweden appears as the most likely candidate to play the role of intermediary in German-Argentinean trade. On the one hand, exchange between Germany and Sweden had risen significantly as they became close commercial partners. In fact, the Scandinavian Peninsula offered an excellent means of avoiding the Allies' blockade. Furthermore, the increase of Argentinean exports to Sweden was concentrated on goods that Germany had imported from Argentina in the interwar period. From a detailed analysis of Swedish exports and imports, it seems rather unlikely that triangular transactions actually did take place. The main products exported from Argentina to Sweden do not match Swedish sales to Germany; in fact it is not surprising to find sectors in which Sweden was a net importer both from Argentina and Germany. Similar results are found in the case of Switzerland. No matter how strong the financial relations during the war, it cannot be argued that the latter country played an important role as an intermediary in trade between Argentina and Germany.⁵³

But we should also consider unregistered transactions. Trade between Argentina and Germany during World War II may have gone on through 'non traditional' channels, that is, smuggling. This route for commercial relations between the two countries is suggested by the results of the 'Eizenstat Report', prepared by the United States Undersecretary of State Stuart E. Eizenstat in June 1998 on the behavior of a number of countries during the war. The report

⁵⁰ See Cisneros and Escudé (1998,1999 and 2000).

⁵¹ We observe a sharp reduction in Argentine exports (according to the Foreign Trade Yearbook, sales to Germany become insignificant except in 1941 and 1943). The fall in imports shows a lag, thus Argentina's bilateral trade balance with Germany was negative between 1939 and 1943.

⁵² Rapoport and Musacchio (1999) point out that several reports of the Argentine Embassy in Berlin asserted that Germany "has kept on trading with some neighbour countries and especially with the Balkans, Italy, Spain and Scandinavia". It is stated that "From the countries foretold, Germany received food, leather, wood and minerals in exchange for machinery, chemical and pharmaceutical products," not unknown to the trade with Argentina.

⁵³ Rapoport and Musacchio (1999).

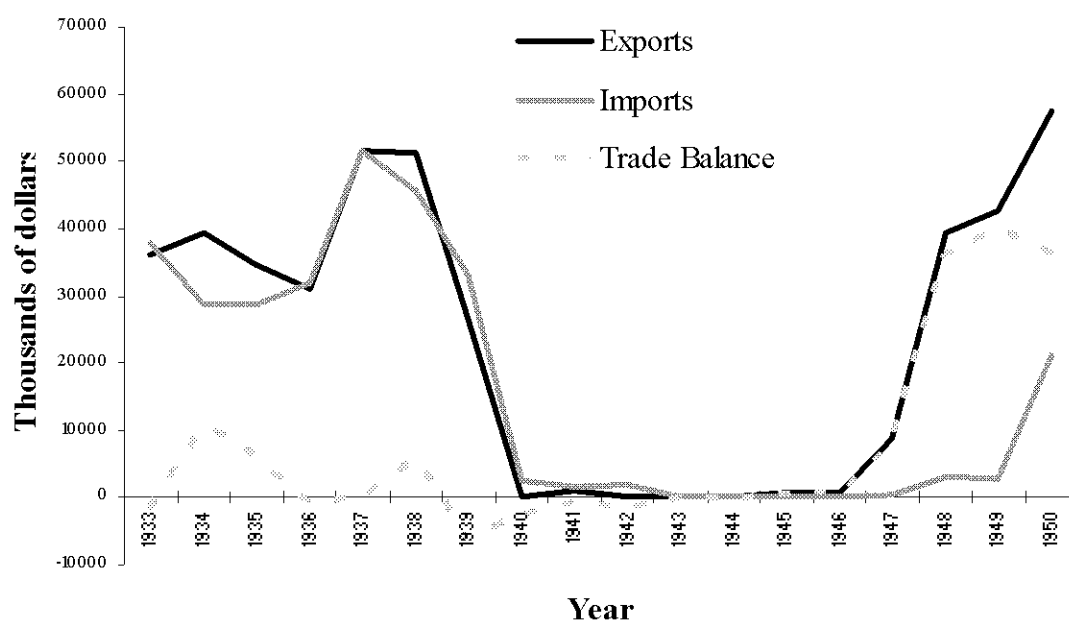
argues that Argentina secretly sent small quantities of certain materials that Germany needed for the war, but it states that they were not decisive for Germany.⁵⁴

It is worth stressing other difficulties in determining the exact volume of trade between the two countries. Firstly, a portion of Argentinean exports which had Germany as their final destination arrived in Amsterdam and were registered as Dutch imports. This consideration does not change our general observations on the sharp reduction in bilateral trade. In particular, Argentina's exports to Holland followed the same trend as sales to Germany: from USD 7,180 million in 1939, to USD 25 million in 1942, and USD 0 in 1943.⁵⁵

⁵⁴ The Eizenstat Report (pp 4 & 5) states, "Unlike the European neutrals, Argentina did not have a particular, major resource or specific commodity that Germany needed to sustain its war machine. Rather, small amounts of a variety of scarce materials reached Germany clandestinely from Argentina during the War, pointing to "A confidential study by the Foreign Economic Administration (FEA) in October 1943 showed that materials being smuggled from Argentina to the Axis included platinum, palladium, drugs and other chemicals, iron, steel, and steel wire, as well as US currency". A post war official British study of the Allied economic blockade during World War II concluded that insulin, liver extract, industrial diamonds, incandescent wire, and skins and hides were also brought to Europe in Spanish and Portuguese ships via Argentina and other South American countries and then forwarded to Germany. Most of these smuggled material were produced at the time by German firms in Argentina. The Report states that "in an overall assessment of smuggling activity written in December 1944, the Foreign Economic Administration concluded that German smuggling activity from South American had diminished by the winter of 1943–1944, and had virtually ceased by the end of 1944. The decline was reflected in the sharp drop in black market price in Buenos Aires for materials such as platinum and industrial diamonds. The FEA attributed the virtual cessation of smuggling to a variety of reasons, including the rupture of relations between Argentina and Germany in January 1944 and more effective contraband control measures. It also acknowledged, however, the possibility that Germany had smuggled an ample supply of these materials during 1943 or had discovered better alternatives sources."

⁵⁵ We should also note the importance of shipments "by order", which were very common in trade between Argentina and other countries. This practice, common in war times, involves sending the shipment to a particular port of entry, while the final destination is frequently determined during the trip in accordance with the particular conditions on the European markets. In fact, the final decision was generally made after the transactions were cleared by customs, the basis for the statistics in the Argentina Foreign Trade Yearbooks. By 1939 Argentine official statistics record that exports "by order" represented 23.8% of total exports to Germany (40.7% in 1937). Even when we ignore the percentages during the war, by 1940 around a quarter of exports to Germany followed this practice. See Cisneros and Escudé (1998, 1999 and 2000).

Figure 6.1: Exports, imports and trade balance with Germany



Source: Based on Llorens de Azar (1980)

Figure 6.2: Exports to Germany (tons)

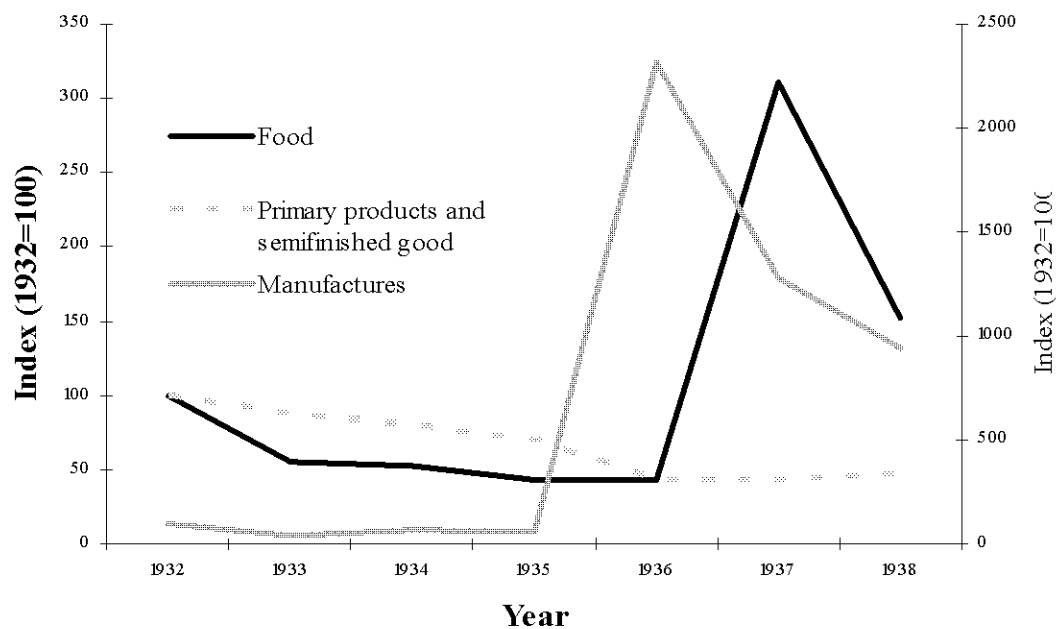


Table 6: Foreign ships in Argentina

Origin	1928		1932		1938	
	No. of ships	Tons	No. of ships	Tons	No. of ships	Tons
Germany	241	1093900	115	640453	255	1120444
England	1410	5110235	1175	4430012	674	3067262
USA	152	662536	134	561509	125	573799
Italy	199	967515	178	842654	90	685007
Greece	292	746449	278	768193	172	480417
Holland	163	526972	130	423400	140	459875
France	135	605379	98	530814	96	428186

Source: Sommi (1945)

Table 7: Exports (in millions of current dollars)

Year	Germany	Spain	Sweden	Switzerland
1933	36190	3760	7520	470
1934	39425	3800	4275	475
1935	34569	5010	4509	501
1936	31146	3759	5907	537
1937	51544	1516	9854	758
1938	51246	2190	7446	876
1939	26562	8854	9786	5592
1940	0	15815	5787	5472
1941	900	18819	4191	5120
1942	0	14603	21878	11694
1943	27	18091	17569	4824
1944	0	18457	18512	12518
1945	725	29019	25192	15887
1946	671	40021	43259	37221
1947	8725	92525	46380	57272
1948	39236	112270	12461	61087
1949	42775	50079	25738	14093
1950	57395	10766	42391	25512

Source: Llorens de Azar (1980)

Table 8: Exports per country (percentage of total exports)

Country	1915-19	1920-24	1925-29	1930-34	1935-39	1940-44	1945-49
UK	31.3	25.3	28.1	37.3	33	36.2	26.2
USA	20.7	10.6	13	6.7	11.7	25.7	12.4
France	11.6	6.8	8.1	7.1	4.7	1	5.7
Germany	0.2	7.2	7.1	8.3	7.2	na	1.5
Belgium	1.6	6.1	5.8	9.8	8.3	0.4	5.1
Holand	3.1	4.1	5.4	10.6	8.6	0.6	3.8
Italy	5	3.6	4.8	4.5	3.7	0.6	5.6
Brazil	4	3.3	3.7	3.8	5.6	6.8	6.1
Spain	2	1.2	1.7	1.1	0.8	3.3	5.3
Sweden	1	0.9	1	1.4	1.4	2.6	2.5
Danemark	0.9	0.8	0.8	1.2	1.4	0.1	na
Norway	1	0.5	0.6	1	1.2	0.1	na
Ca da	na	0.1	0.2	0.5	1.6	0.3	na
Peru	0.1	0.1	0.1	0.2	0.7	1.4	1.4
Japan	0.2	0.1	0.1	0.3	1.1	0.7	0.2
Chili	na	na	na	0.6	0.7	2.9	2.2
SouthAfrika	na	na	na	0.1	0.2	3.4	na
Uruguay	na	na	na	0.8	0.6	1.7	1.2
Bolivia	na	na	na	0.3	0.5	1.7	0.8
Paraguay	na	na	na	0.6	0.7	1.1	0.9
Others	17.3	29.3	18.2	3.8	7.3	9.4	28.3

Source: Llorens de Azar (1980)

Table 9: Imports per country (percentage of total imports)

Country	1915-19	1920-24	1925-29	1930-34	1935-39	1940-44	1945-49
UK	25.2	23.5	19.5	22.1	22	10.8	12
USA	32.7	25	24.6	10.6	9.6	27.1	31.6
France	5.4	6.1	6.8	5.7	4.7	0.7	4
Germany	0.3	10.7	11.4	10.6	9.7	0.4	0.1
Belgium		3.9	4.8	4.2	6.9	0.9	4.1
Holand	0.5	1.1	1.4	1.3	2.2	0.2	0.9
Italy	6.1	6.5	8.7	9.4	4.6	0.5	8.3
Brazil	7.7	5.6	4.4	5.5	4.7	15.1	10.1
Spain	7	3.9	2.5	3	1.3	1.2	1.2
Sweden	0.7	0.6	0.7	1	1.5	5	3.4
Danemark	0.1	0.2	0.2	0.3	0.3	na	na
Norway	0.3	0.3	0.4	0.5	0.8	0.2	na
Ca da	0.3	0.6	0.8	1.2	1.3	2.4	na
Peru	0.5	0.8	2.1	1.7	2.2	1.7	0.6
Japan	2.1	1.1	0.6	1.5	3.5	1.3	na
Chili	na	na	na	0.6	0.6	2.7	1.3
SouthAfrika	na	na	na	na	na	0.7	na
Uruguay	na	na	na	0.7	0.4	0.6	0.6
Bolivia	na	na	na	0.1	0.1	0.4	0.2
Paraguay	na	na	na	0.8	0.2	0.7	0.8
Others	11.1	10.1	11.1	18.3	22.2	24.9	18.1

Source: Llorens de Azar (1980)

German capital and German firms

The development of German investment in Argentina was influenced by the particular stages of economic and political history in which both countries found themselves. The agricultural export-based model of Argentinean economic growth that started in the last quarter of the 19th century required massive investment of foreign capital. The United Kingdom fulfilled these needs. Meanwhile the US and German protection-based industrial take-off lagged behind, but also limited access to these markets for British goods. Gradually, US and German industrial sectors converged in terms of productivity and innovation, presenting a competitive threat to British firms. The United Kingdom responded to these developments by increasing exports of capital to the protected markets of its imperial territories and other developing areas where economic or political conditions gave Great Britain a comparative advantage. Argentina offered exceptional conditions. New technologies made it possible to develop complementary structures – i.e. Argentina providing meat and crops and importing British industrial products that will gradually lose their competitive advantage in international markets. These features of international trade relations, together with the broad investment opportunities in infrastructure for transportation and livestock-related activities (e.g. meat cold-storage plants) offered by Argentina, were the foundation of a close and long lasting relationship reinforced by strong political ties. In the meantime, Germany began a rapid process of industrial development that would eventually transformed the country into one of the significant global economic and military powers in the world. The lateness of this

development process constrained foreign investment by German firms in the last quarter of the 19th century, thus preventing the participation of German capital in the early stages of the Argentinean economic take-off.

When German companies began their international expansion phase, the investment opportunities offered by Argentina had already shrunk considerably. The sectors that led the structural transformations, such as railways and ports, either had already been taken up by British capital or were subject to the growing rivalry between UK and US capital (e.g. cold storage plants). However, these were not the sectors in which Germany could show its technological and economic comparative advantage. Other activities of considerable potential played a dynamic role in the German investment-drive into Argentina: electricity, construction, telephones, textiles, chemicals, pharmaceuticals, metals and machinery. By the end of the 19th century, large German firms had launched their investments in Argentina. In 1887 the Compañía Telefónica y Telefónica del Plata started operations. The Argentinean brewery Quilmes opened two years later while the Compañía Alemana Transatlántica de Electricidad was founded in 1898, originally as a branch of AEG. German firms sought first to ease access to the local markets for German goods, thus acting as trading companies. Later, many of these firms engaged in productive activities, importing intermediate goods and raw materials.

Investment flows were interrupted by the First World War, when many firms sold their branches and left the Argentinean market. A few years after the war, a new phase of expansion started, with examples such as Siemens-Schuckert (1921), Hugo Stinnes (1924), Eldorado (1924), Krupp (1925), AEG (1925) and the telecom firm Compañía Internacional de Teléfonos (1926). By the end of the 1920s, German firms had recovered the market share they had enjoyed in the past. Despite the lack of statistics, available information shows that under the Nazis, German investments slowed down. From 1933 to 1939 only a few new firms started operations in Argentina, and capital accrual was based on the reinvestment of local profits, after transfers to the headquarters in Germany. Another indication of the low dynamism of German investment is the weak performance of German exports to Argentina, as capital goods for foreign firms were mostly bought from the country of origin.⁵⁶

Another perspective on the decline of German investment maybe related to more strategic issues. The German objective of extreme autarky left little room for direct investment overseas, beyond the growing constraints imposed by the war. Furthermore, the Reich's fundamental view on economic relations with countries such as Argentina at that time was one of *hard specialization*, meaning that Argentina should focus on agricultural goods in exchange for industrial goods from Germany. On the other hand, Argentina was entering a phase of intense import substitution that exacerbated the potential conflict of long-term interests between the two countries.

It is worth highlighting that the strategy of closely integrating Argentina into world markets based on the agro-export model, which had been in place since the last quarter of the 19th century, showed signs of exhaustion following the economic crisis of 1929, the collapse of international capital markets and the rise of protectionism. The agricultural sector, the engine of growth in previous decades, was losing steam as a dynamic source of development as were related businesses such as railways. On the other hand, the sectors strongly focused on the

⁵⁶ Rapoport and Musacchio (1999).

domestic market were faring better and showing greater dynamism. These included automobiles, construction and chemistry. We observe that German investments were present in both sectors of the economy, the ones focused on world markets and the others directed to the domestic market. German firms were thus confronting different macroeconomic environments depending on the particular market where they were operating. Certain firms were active in markets showing higher growth rates: construction and metallurgy, driven by the government program of public infrastructure (renewal of roads and housing). Other German companies were operating in markets highly dependent on foreign trade (exports of primary goods and imports of consumer goods), and thus were negatively affected by the international conditions prevailing in the 1930s.⁵⁷

A rigorous evaluation of German investments in Argentina must be subjected to additional considerations. What do we count as foreign capital? Statistical registration according to the "citizenship" of capital is not straightforward, so explicit criteria have to be outlined. In a country with massive immigration flows, such as Argentina during the first part of the 20th century, foreign individuals partially or completely own partial local firms without maintaining direct connections with their countries of origin. In these cases, capital should not be considered as foreign even if it may have an impact on international economic relations. On the other hand, foreign subsidiaries may develop locally partnerships with capital from different sources, making it very difficult to unequivocally identify a country of origin.⁵⁸ Finally, foreign investments often develop ventures and partnerships using domestic capital in order to benefit from commercial networking, market knowledge, political influence, etc.

Another purely statistical difficulty arises when accounting for data on capital stock and investments. The older the investments, the more incomplete and uncertain the records appear. Existing estimates are rare and vary greatly in the recorded amount, but are useful for establishing potential ranges for the stock of German capital in Argentina. Sommi (1945) estimates that by 1938 German firms owned 1,800 million paper pesos (around 540 million current dollars). At the other end of the estimates, the Comisión Investigadora de Actividades Antiargentinas del Congreso de la Nación Argentina -(CIAA) – Investigating Commission of Anti-Argentine Activities of the National Congress created in 1941⁵⁹ arrives at only 35.5 million (8.9 million dollars), which is close to figures from the US Office of Strategic Services (predecessor of the CIA). The report prepared by the German company IG Farben

⁵⁷ Germany's vision and foreign policy at that time played a key role. As already mentioned, Germany aimed to forge a traditional relationship 'primarily good for manufactured goods' and consequently Great Britain was the natural rival, not the US, which was self-sufficient in the agricultural sectors where Argentina was a world player. Nonetheless, Britain was not going to give ground when it enjoyed a much stronger position with the local ruling class, making German capital expansion very difficult.

⁵⁸ A leading case is the Compañía Argentina de Electricidad (CADE), owned by SOFINA Consortium and funded by capital from different sources.

⁵⁹ Investigating Commission for Anti-Argentine Activities of the National Congress of Argentina created in June 1941 and headed by the MP Raul Damonte Taborda. This parliamentary Commission was favored by the opposition to the government of Castillo, accused by the press and its opponents of facilitating the activities of the Axis and the influence of the latter on the Armed Forces and other public institutions. See Potash (1969) and Newton (1995).

estimates 325 million dollars by 1934. Phelps (1938)⁶⁰ claims that by 1934 German investments came to 315 million gold pesos, or 650 million paper pesos (180 million dollars).⁶¹ It is likely that the true figure lies somewhere between all these estimates.

The discrepancies among different authors extend to the relative importance of German firms in Argentina compared to other countries. While for Sommi they ranked third, after Great Britain and the United States, the report of the Comisión Investigadora de Actividades Antiargentinas puts German investments in seventh place. For both Phelps and IG Farben, they came after Great Britain, United States and France, whilst for Rapoport and Musacchio (1999) Germany was also third, but far below the British, closer to the American and competing with the French.

German firms in Argentina were market leaders in sectors of the economy with a high level of concentration: metallurgy, chemicals, and others (economies of scale) as well as telecommunications and electricity (natural monopolies). These companies were usually world leaders in their particular activities, enjoying dominant positions and entry barriers only contestable by firms of comparable size. If German capital was not particularly high, compared to British, it exerted a significant influence in certain sectors of the economy.⁶²

The outbreak of war had an adverse effect on German firms. They faced multiple problems. One of the most obvious, affecting mainly those operating in foreign trade, was the difficulty of developing their standard activities. On the one hand, firms trading directly with Germany were hit by the interruption of bilateral exchanges. On the other hand, those operating in other markets were threatened by the Allies' boycotts blacklists. The disruption of commercial and financial relations also jeopardized business practices between the headquarters and the Latin American branches.⁶³ The war also disrupted the investment programs of many companies, generally leading to delays in their execution. But an unexpected side effect was the

⁶⁰ See Rapoport and Musacchio (1999).

⁶¹ Rapoport (1988) argues that they added up to 275 million dollars by 1923, and were reduced by 8 million by 1931.

⁶² German firms had a practice of close cooperation among managers, who very often worked for many companies. A good example is that of Siemens-Schuckert. Directly or indirectly, the consortium carried out activities in the electricity sector, trading, construction and finance. Moreover, its board members sat on the boards of 39 other firms active in manufacturing, communications, cattle breeding, housing and insurance. We also observe many cases of vertical integration, such as Krupp, which arranged the building of a foundry and acquired several mines in Salta. Other examples included the Lahusen Group, which controlled sheep-breeding 'estancias' and textile companies. The connection between companies or groups was not only based on stock control but also on commercial and financial ties. It was also common practice for multinationals to buy capital goods from their countries of origin. Local iron and steel producers and importers were strongly connected with the German construction and road machinery producers present in the Argentine market.

⁶³ The German Transatlantic Bank report of 1939 claimed "the present war has completely changed the development of the operations in South America, as the main branch has been isolated from the overseas branches".

increased capitalization of many firms that found it impossible to transfer profits abroad (to their headquarters). In certain cases this led to *forced* reinvestment.⁶⁴

With war underway, the operations of German firms were also affected by American pressure on Argentina to abandon neutrality, which eventually led to a relatively strict economic embargo.⁶⁵ Argentina finally broke off diplomatic relations with Nazi Germany on January 26, 1944. The immediate interruption of all trade and financial relations further complicated the operations of the German firms.⁶⁶ This culminated in the intervention and then liquidation of German assets in accordance with the Decree 10.935/45, which created the “Junta de Vigilancia y Disposición Final de la Propiedad Enemiga”, a public institution established to manage German property.

Table 10: German capital in Argentina (millions)

Source	Year	Pesos MN	Dollars
Sommi (1945)	1938	1.800	540
C.I.A.A.	1938	39.5	8.9
IG Farben (1934)	1934		325
Rapoport (1988)	1931		267
V. Phelps	1934	650	180

Source: Rapoport y Musacchio (1999)

⁶⁴ This was the case with investments in the electricity sector: the Compañía Argentina de Electricidad (CADE), mainly under control of Berlin banks, was the most important German overseas investment and the second largest foreign investment in Argentina after the British railways.

⁶⁵ In the course of the conflict, government controls over German firms were progressively enhanced. They were forced to complete a sworn financial statement detailing their property; the right to transfer funds abroad was strictly limited; advertisements in newspapers of German origin or with pro-Nazi ideas had to be stopped and government managers were placed in several companies. The aim of these measures was to undermine the potential support of the German companies for pro-Nazi activities.

⁶⁶ Telephone and telex communications were stopped.

Figure 7: Foreign Capital in Argentina (1926)

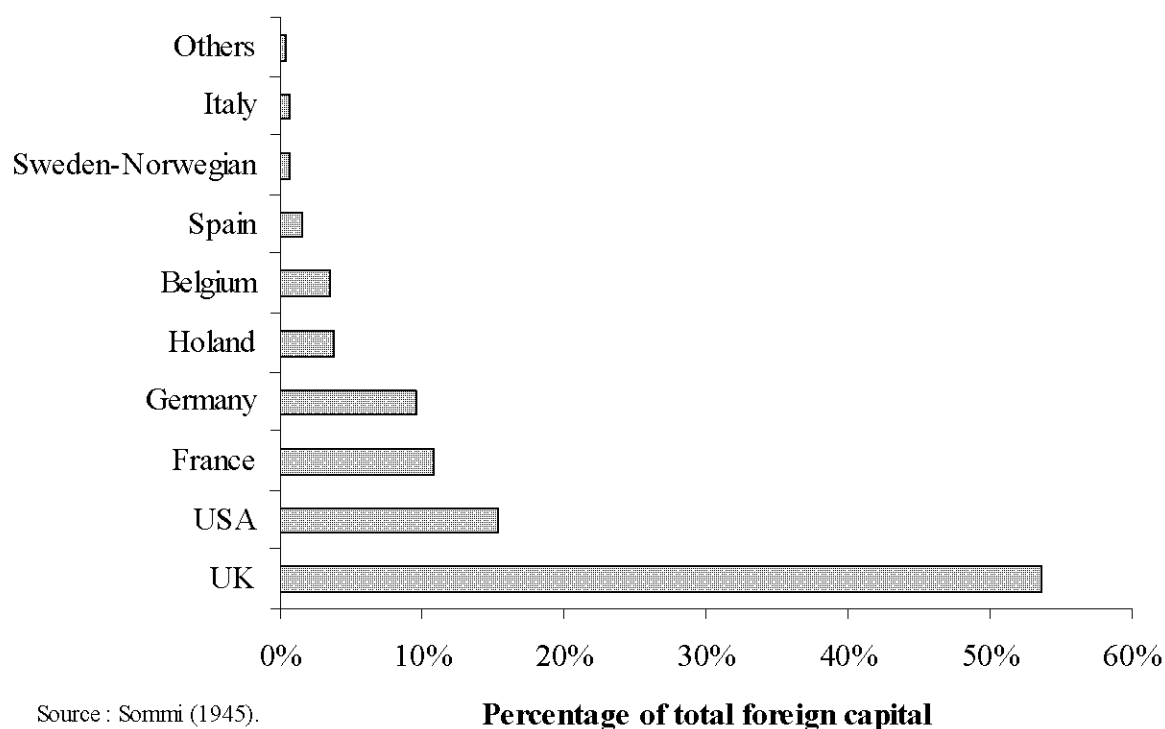
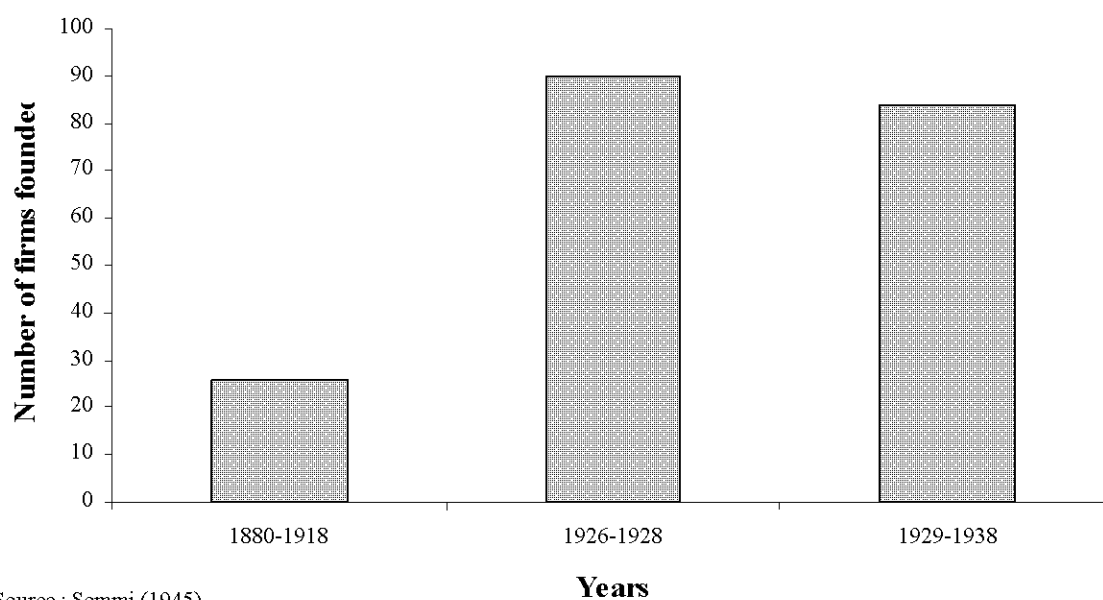


Figure 8: Growth of firms under German control



German institutions and the financial system

Germany participated in Argentina's financial system through its commercial banks and insurance companies. Two big German banks operated in the country: the Banco Alemán Transatlántico (created in 1893) and the Banco Germánico de la América del Sud (founded in 1906), which were established during the first period of Germany's economic drive into Latin America. Their business strategy was focused on relations with the big German industrial and financial groups established in Argentina. In fact, German banks played a key role in the growth, development and expansion of their fellow national firms. As time went by, strong links between the two sectors were sealed, and bank managers could also be found on the boards of the main industrial groups.⁶⁷

The two banks owned enough assets to encourage the economic expansion of firms in Latin America. Together, these banks' assets were higher than those of the two main American banks operating in the country: the First National Bank of Boston and the National City Bank of New York. In September 1940, the Banco Aleman Transatlantico had 155 million 'pesos moneda nacional' in liquid capital, with deposits of German immigrants, small and medium businessmen and as well as big firms. How was this capital used? A big proportion went to finance German firms, but loans were also made to the government: the banks bought bonds issued by the Argentinean national administration, the province of Buenos Aires, the city of Buenos Aires and other public institutions. Additionally, they were involved with the Banco Hispano-Americano de Madrid, which had also made public loans to the Argentinean government.⁶⁸

Insurance companies, in the view of the allies and according to a report by the US Board of Economic Warfare (1943), were considered potentially dangerous and a source of information for the enemy. The report states that insurance and reinsurance operations lead to the manipulation of data valuable to German interests.⁶⁹ German insurance and reinsurance companies were particularly active in Latin America, and through their connections they were in a position to obtain information of interest to Nazi Germany.⁷⁰ Furthermore, we should highlight that German companies were world leaders⁷¹ in the reinsurance business.⁷²

⁶⁷ See Rapoport and Musacchio (1999).

⁶⁸ Sommi (1945) states that hundreds of businesses had commercial relations with these German financial institutions.

⁶⁹ Fire insurance companies require complete details as to the location, physical lay-out, capacity, valuation, equipment, protection, and other matters concerning industrial facilities that they insure. Marine companies require information on, among other things, the movement of ships, sailing dates, destinations, and nature and volume of cargo. It is a common practice in the insurance field to reinsure abroad and for the reinsurance companies to cede business to each other. NARA, RG 226 Box 337, April 1943, p. 1.

⁷⁰ The importance of reinsurance as a potential and actual source of information to the enemy has been explained in an official French document as follows: "Germany does not need to take recourse to a mysterious organization of spies in order to be informed of our plans and to learn their resources and their production; she has only to consult the bordereaux and bulletins which the insurance and reinsurance companies pile up in their offices through their brokers. More precisely than the reports of the Agency Schimmelpfeng (German credit information bureau), these bordereaux and bulletins state the output of our

Officers and directors of "El Fénix Sudamericano Compañía de Reaseguros", controlled by Munich Reinsurance Company, were known to be officers or directors of at least six Argentinean insurance companies. Officers and directors of "La Internacional Compañía de Seguros" were at the same time officers and directors of seven other companies. The directors and officers of "La Protectora Compañía de Seguros" were parts of the management of six other companies. Eliminating duplications, the management of these companies served in similar capacities in twelve other companies. These twelve companies, in turn, were linked through their directorates and management with a number of other companies.

Finally, German or German-controlled interests were active in promoting Argentinean insurance by offering technical advice and the services of their scientific organizations. In scientific and quasi-scientific insurance organizations in Argentina, many of the supporting companies or personalities were directly or indirectly associated with German interests.⁷³

factories, their machinery, the turnover, the rural production, what our vessels transport, and where to they transport. It is easy to guess what advantage our enemy, with its own methodical spirit, can draw from those materials." Ibid.

⁷¹ Of the world's 43 reinsurance companies with premium income of more than \$ 2 million each, 11 companies were German with a total of 45% of premium receipts of the 43 companies; 5 were Swiss with 22% of receipts; 11 were American with 14% of receipts; and 3 were British with 4% of total premium receipts. Ibid, p. 2.

⁷² The dominant position of German insurance companies in the world's reinsurance trade was due to several factors. The reinsurance business requires arrangements with foreign companies as a regular business practice. The scope of the insurance business in Germany was less developed than in the United States or Great Britain. German reinsurance concerns found it desirable, for the sake of safety, to engage in international reinsurance on a large scale. In the first three decades of the 20th century German insurance companies developed a reinsurance mechanism which in its variety, adaptability, and attractiveness, particularly for young insurance companies and for those operating in young countries, such as in Latin America, met little competition.

German reinsurance offices had unique information and structures at their disposal, as well as card index systems covering risks throughout the world. It was a well-known practice for direct insurance companies to seek, in Berlin or Munich, information on the insurability of certain risks, even those situated in the inquiring company's own country. These reinsurance companies furthered their operations by promoting insurance and reinsurance, by issuing publications, assembling statistics, organizing insurance congresses, sending delegates to conventions, advising foreign insurance officials. Ibid., 2-3.

⁷³ The organizing committee of the Latin American Insurance Conference was included board members of Agrícola. Similarly, the Argentina Insurance Society was run by managers of Germano Argentina. The membership of the Argentine Association of Insurance Companies included many German or German-controlled companies. Ibid.

Political and military relations

Relations between Germany and Argentina started in the 1860s. Germany was a participant of the Argentine market for armament, when the country bought cannons due to the border tensions with Chile⁷⁴. In the 1890s Argentina turned to German military equipment, and this trend was deepened in the first years of the 20th century to face the military build up of Brazil. Argentina was also prone to adopt German reputed military methods.

Military academies were founded in Argentina between 1880 and 1886 with the technical advice of German and other European officers. Thus the two countries developed close military relations focused in the trade of armaments and the adoption of modern training methods. From the point of view of the Argentine government, the military co-operation with Germany would help develop an up to date army. The military relations were intense for the training and equipment of the Army whereas the Navy resorted to the assistance of Britain that enjoyed a greater prestige than Germany. This distribution of influence in the Argentine Armed Forces, with a strong predominance of the Army, will extend throughout the century explaining not only the political bias during international conflicts but also with an important impact in the face of internal conflicts⁷⁵.

In 1899 German officers were invited to assist the launching of the Academy of War that opened in 1900. The first director and ten professors were German officers that held Argentine honorary degrees of lieutenant colonel teaching the fundamental courses to hundreds of Argentine officers. Between 1906 and 1914, before World War One, more than 150 officers spent training periods in Germany. Many of them were in turn appointed professors of the military academies as well as heads of prestigious regiments in the 1920s (Potash, 1969). Future General José E Uriburu, head of the coup d'état of 1930 that deposed constitutional President Hipolito Yrigoyen, was certainly one of the most respected officers trained in Germany⁷⁶. In the 1920s six German officers composed the German military advisory team⁷⁷. But the strong presence of the German advisors also led to resistance from certain fractions of the Armed forces.

During the first decades of the 20th century the military relations between the two countries were reinforced. Argentina launched a large scale armament programme, in face of the perceived threat from Brazil. Krupp (producer of cannons) and other German arm manufacturers and shipyards showed a definite interest in participating of this initiative. With the outburst of World War One in 1914 Argentina was immersed in the centre of the

⁷⁴ In 1894 the potential conflict with Chile led the government of Argentina to ask for a German credit for military equipment (Schiff, 1972).

⁷⁵ See Potash (1969) and Rouquié (1978).

⁷⁶ General Uriburu was highly respected by the German community in Argentina for his strong defense of neutrality during the first world war. The highest ranked officer in the 1920s, he refused the efforts of the french government to develop an intense military cooperation with Argentina in the postwar period and retained the German General Wilhem Faupel as his adviser between 1921 and 1926 (Potash, 1969).

⁷⁷ The strong presence of German military advisors also led to resistance from certain officers. In 1931 the number was reduced to three and the German Embassy considered that increasing the number could have a negative impact in the elations between the two countries (Potash, 1969).

commercial and economic war. Great Britain, a dominant force in the seas, sought to protect its commercial ties and block the development of German influence, that was successfully entering the market for crops as a growing importer of Argentine goods.

After the US declaration of war to Germany in April 1917, the Americans tried to counteract German spying activities in Argentina. The Office of Naval Intelligence (ONI) organized a secret network of agents in the shores of Argentina and Uruguay to investigate German activities⁷⁸. Despite the embargoes implemented by Great Britain, France and the US against German firms during the war, the strong commercial and financial ties survived and obstructed the American competition both in terms of business and war espionage. We should recall that by the time there were 40.000 German and 4.000 American residents in Argentina, and German investments in the country were by then bigger than that of the US. In the 1920s⁷⁹ and 30s the Argentine army and navy made purchases from German manufacturers. In Buenos Aires, the German Staudt & Co., with the participation of Krupp and Siemens-Schuckert, founded the Compañía Argentina de Comercio (Coaricó), with the aim of promoting the armament trade.

After 50 years of regular political successions under a constitutional regime⁸⁰, the military coup of September 1930 that deposed elected President Hipolito Yrigoyen started a long period of political involvement of the Armed Forces. Two military leaders will have an important impact in the coming years, General Uriburu a *nationalist* Germanophile and *conservative-liberal* General Justo with closer views to the Allies. The former, head of the coup d'état of 1930 became President, and was succeeded by the second in 1932. The progressive growth of the Germanophile fractions of the Army with different degrees of influence by the anti-liberal totalitarian ideologies of fascist, nazi or phalangist views gaining popular ground in Europe were increasing their role in the Armed Forces (Potash, 1969). The arrival in Buenos Aires of the German Ambassador Edmund Von Thermann by the end of 1933 will strongly reinforce German activism in Argentina through his intensive efforts to develop close relations with military officers. The rapid defeat of France and the German occupation impressed many Argentine officers signalling the apparent superiority of the Nazi

⁷⁸ In August, the American New York Journal of Commerce reported the existence of a German spying group with contacts in Argentina whose main aim was to wreck commerce with the allies. On its turn, the Office of Naval Intelligence became wary about two organisations which may be trying to block the American commercial expansion. Americans identified the boards of directors of both the Banco Alemán Transatlántico and the Banco Germánico as part of an information ring.

⁷⁹ Under the second Radical Party administration headed by elected President Marcelo T. Alvear, General Agustin P. Justo was appointed Minister of War. He obtained an important budget allocation voted by the National Congress to equip and modernize the Armed Forces.

⁸⁰ In 1890, 1893 and 1905 military attempts to disrupt the constitutional order -aimed at extending political rights in certain cases- with civilian participation failed. In 1912 the Saenz Pena Law was voted instituting universal and secret vote in the elections, leading to the access of power of the Radical Party and the first Presidency of Yrigoyen in 1916. Political fraud and political instability were not absent of the political life, but institutions functioned rather well in the view of the political practices of the time. Furthermore, this assertion becomes even more true in the face of the Argentine political culture and practice post 1930 (Rouquié, 1978 and Cataruzza, 2001).

war machine, thus weakening the position of the pro-Allied fractions of the Army. The tensions between these two parties were chronic and led to permanent instability in the local political life. The tradition of neutrality in European wars followed by the Argentine establishment persisted, with the favourable perception of the benefits of this strategy adopted by the Radical Party during World War I. The defence of neutrality went beyond the *clivage* between nationalist Germanophiles and pro-allies, despite the sympathies of the latter for the liberal democracies attacked by the Nazi regime.

President Justo was succeeded by his Minister of Finance Roberto Ortiz⁸¹, elected in 1937 in a fraudulent contest. The latter followed the neutralist tradition in international affairs but had clear sympathies for the allies shown in the days of the Nazi attack of France. Ortiz engaged its political efforts in the return to free and transparent elections, but health problems led him in July 1940 to delegate power in favour of his Vice-President Ramon Castillo, less committed to the political project of Ortiz. The process of full normalisation of the political life and open elections was stopped, and the administration was again in the road of electoral fraud for the elections of 1943. A coup d'état in 1943 with a strong representation of pro-Axis officers⁸², stopped the fraudulent elections that were to take place, but also blocked any progression towards full constitutional rule and free elections, the objective of major democratic political forces⁸³. Two Generals were the highest ranking officials in the coup of 1943, Gen. Arturo Rawson and Gen. Pedro Ramirez, the former becoming the President the 4th of June. But the decision of Rawson to break relations with the countries of the Axis and the simultaneous designation of pro German Ministers led to severe tensions between the GOU officials inspiring the new Administration. In the midst of confusion Rawson was forced to resign the 6th of June and Gen. Ramirez, former Minister of War of Castillo, became President. The cabinet was once again split between pro Allies and pro German or neutralist members, leading to strong instability in the course of international relations, but the influence of the officials of the GOU, in particular Juan Peron, increased. The latter was appointed Secretary of Labour⁸⁴ and started to develop his long lasting relations with the unions.

The role played by Argentine officers in the pro-Axis coup d'Etat in Bolivia of December 1943 that deposed President Peñaranda led to a strong reaction of the US government and the serious concern of neighbouring countries that feared the intervention in their internal affairs. The aborted mission of Argentine emissaries to obtain German military equipment in November only reinforced the pressures and the instability of the Administration of President Ramirez that responded to the crisis breaking diplomatic relations with Germany and Japan in January 1944. The tensions between pro-Allies and pro-Axis officers were heightened once again and president Ramirez was deposed in February. General Edelmiro Farrell, the incumbent Vice-President became the new President and Peron a close friend and ally of Farrell will be appointed Minister of War. In July Peron became Vice-President retaining the

⁸¹ Ortiz was a civilian, the son of a basque immigrant, a former member of the Radical Party and MP as well as Minister of Public Works under President Alvear (1922-1928).

⁸² After the coup a group of high ranking nationalist officers part of the GOU had an increasing control of the new administration. Colonel Peron was one of the leaders of this military group (Potash, 1969).

⁸³ All the military (Justo) and civilian (Alvear and Ortiz) key political figures of the 1930s died between 1941 and 1942, contributing to a political vacuum.

⁸⁴ Potash (1969).

positions of Minister of War as well as Secretary of Labour. Constitutional elections will be held in February 1946 and General Juan Peron will be elected President. Only in March 1945, a few months before the end of the war, Argentina will declare the state of war with the countries of the Axis.

Under President Castillo (1940-1943) Argentina continued the policy of neutrality, but agreed on the terms set by the Havana Conference of 1940 that stated that an attack on countries of the Western Hemisphere constituted an aggression on all American nations⁸⁵. In January 1942 Argentina accepted the terms of the Inter American Rio Conference leading to sever economic relations with the countries of the Axis. But the Argentine government continued its previous policies of intense official and unofficial relations with Germany⁸⁶. The demand for new military equipment of the Argentine Armed Forces was reinforced by the alignment with the Allies by the governments of Brazil and Uruguay. In exchange for decisive political support and compliance with the Inter American treaties the US engaged in a programme of sustained military assistance in favour of these countries⁸⁷.

After the outburst of World War Two, Argentina expected to obtain military equipment from the United States. This strategy of military procurement persisted after Pearl Harbour and the American declaration of war to Germany, despite the continued position of neutrality of Argentina. The Argentine government believed that it could obtain armament for the national forces through a bilateral agreement with the US. However, negotiations failed in July 1942 and other supplying source had to be figured out. The alternative strategy and response was the acquisition of German military equipment imported in Argentine ships anchoring in neutral ports, such as those of Spain and Sweden. Nonetheless, these transactions could not be carried out due to the logistic complexities in times of war as well as the supply restrictions of Nazi Germany due to the adverse turn of its war effort in Europe⁸⁸.

Later during Peron presidencies German arm experts were hired by Fabricaciones Militares, the state firm under armed Forces control, aimed at cooperating in the development of missile technology and the aeronautic projects. Nazi officers were military advisors, government employees and pilot trainers

⁸⁵ Argentina argued that these terms did not collide with neutrality as any response or actions in the face of an attack were the resort of each country's views.

⁸⁶ In 1942 Juan Goyeneche, an Argentine nationalist of a hispanic phalangist blend believer in the *alliance of the Cross and the Sword*, travelled throughout war thorn Europe as an envoy of the Argentine authorities. Goyeneche, in close relation with the Argentine Minister of Foreign Affairs Ruiz Guiñazu, visited Spain, Germany, Italy, Vichy France and the Vatican and had extensive meetings with a number of influential officials such as Vatican Secretary Cardinal Maglione, the President of the Government of Vichy Pierre Laval, German Foreign Minister Joachim von Ribbentrop, Heinrich Himmler and the chief of the SD (the international intelligence of the SS) Schellenberg (NARA, RG 59).

⁸⁷ For the case of Uruguay see Nahum et al (1993), and for Brazil see Skidmore (1969) and Stepan (1975).

⁸⁸ See Potash (1969) and Goñi (2002).

The end of the war and the US influence: breaking off with the Axis.

American actions to counteract the German influence in Argentina started during the First World War. Even if the war allowed for a marked rise of the US commercial and financial presence in Argentine markets, the Americans continued to fear an economic resurgence of German influence after the war. This concern was based both on the strong German military influence and on the long run business relations established before the war. In fact, these elements were in the grounds of the German influence after 1919 and proved that American fears were not unfounded.

In the 1920s new German firms arrived in Argentina, investment flows were resumed and commercial relations gained new impulse. However, the presence of German capital never reached levels ranking close to the British investments in Argentina, less so if we consider the property of the Allies all together. Furthermore, as previously mentioned the Second World War led to a total disruption of trade relations between Argentina and Germany. In fact, the level of German economic presence in Argentina cannot explain by itself the nazi influence in the local life and society, in particular the impact of its ideological visions and the penetration of the military institutions, as well as cultural elites close to certain "nationalistic" traditions⁸⁹. The American government was worried by the Nazi threat in Argentina, while it was far from being an obsession either for the UK or for the Argentine administrations. However, in 1937 with the growing perception that the Nazi regime could become an effective threat, some individuals in the US administration believed the Nazis could subvert the Argentine ruling class to turn the country into a client state of the Third Reich (Newton, 1995). In view of the latter the US authorities engaged an open confrontation with the Argentine government. Influential political and economic circles of Argentina still believed that the country should be a counterweight in the south to the United States in the north⁹⁰.

What began as a competition for markets and broad economic influences in the 1920s and 30s became later a political and strategic issue⁹¹.

Nazi Germany strongly favored Argentina's neutrality. German-Argentine affinities arose from many sources, including historic military ties, an extensive network of German-owned businesses and banks in Argentina, and over a quarter of a million people of German descent⁹². Nazi activities continued throughout the wartime period, even after Argentina severed relations with Germany in early 1944. Even if of limited impact on the course of the war (Eizenstad Report, 1998), Nazi activities in Argentina included smuggling of products useful to the war effort, such as platinum, industrial diamonds, and liver extract; subsidizing pro-Axis newspapers; cloaking of Nazi assets by German-owned firms; gathering commercial and military information about the Allies; and supporting pro-Axis Argentine military

⁸⁹ See Halperin Donghi (2003).

⁹⁰ This position could be shared by anglophiles and germanophiles with the nationalistic ideological circles.

⁹¹ See Cisneros and Escudé (1998, 1999 and 2000).

⁹² The estimate of German speaking population was 100000 in 1914 (Diaz Alejandro (1970), Vazquez Presedo (1976) and Newton (1992).

officers. Between 1942 and 1944 Buenos Aires became the regional centre of German espionage due to the progressive alignment of the American republics with the US.⁹³

After the US entered WW2, the position of neutrality of Argentina was in direct conflict with the American global strategy. Secretary of State Cordell Hull believed that Argentine policies left the region in a vulnerable geopolitical situation⁹⁴ unless Nazi influence in the country could be contained and reversed⁹⁵. During the War, all the American Republics except Argentina followed, with varying degrees of involvement, the United States strategy towards Germany and the Axis. The American nations engaged in diplomatic, economic, and, in some cases, military co-ordination with the US. The collective actions included economic warfare cooperation with the United States to block supplies from the region to the Axis countries, as well as strict regulations and controls for financial operations between the latter and the Americas. These countries complied with the U.S. "Proclaimed List" preventing transactions with companies trading with the Axis, and committed to monitor and control clandestine trade in strategic commodities such as industrial diamonds and platinum. The American nations were also committed to identify German intelligence networks and prevent propaganda operations. Despite persistent US initiatives, Argentina did not stand by the US strategy of strict containment and until 1944 pursued its policy of neutrality.

In January 1942 the Rio de Janeiro Meeting set the strategy for the breaking of relations with the countries of the Axis. Argentina opposed the decisions taken in this Meeting, maintained its policy of neutrality, thus confronting now directly with the US position and entering a period of growing regional isolation. The Rio de Janeiro agreement contained three basic dimensions: guaranteeing the supply of strategic raw materials, strengthening the Latin American economies in view of their contribution to the war effort and the removal of the Axis' interests from the Americas. The limited cooperation of the Argentine government initiated an economic and political distrust of the US administrations from 1942 to 1949⁹⁶.

⁹³ We should note that the Brazilian population of German descent, mainly concentrated in the south of the country, was by far greater than that of Argentina.

⁹⁴ See Cordell Hull (1948). American officials such as the economic attaché in Buenos Aires between 1942 and 1944 Mervyn Bohn considered excessive the position of Cordell Hull on Argentina (Newton, 1992).

⁹⁵ Several elements helped foster the fears of the Nazi menace in Argentina. In particular, on April 10, 1938, ten thousand Nazi Germany supporters filled the Luna Park (a stadium for sport activities) with swastikas, flags and banners in what could have been seen as an official meeting of the nazionalsocialist party in Berlin. The organizations that were present included the Hitlerian Youth, the Front Veterans, the disciplined vernacular SA and the fascist argentine Nationalist Youth Alliance. In fact ten thousand people meant an impressive demonstration when we remember that the Argentine landesgruppe (the argentine nazis) gathered 2110 members at the height, the fourth Nazionalsocialist party outside Germany after those of Brazil, Holland and Austria. (Muchnik, 1999).

⁹⁶ Escudé (1988) and Newton (1992). The American Embassy in Buenos Aires informed regularly of the continuous difficulties to enforce the US strategy of containment and control of German firms. The generalized perception in the US Administration was one of total lack of cooperation of the Argentina authorities. A US memorandum of March 1943 proposes to enforce additional restrictions between the two

Negotiations and the continuous pressure of the US government in the midst of institutional instability and military administrations in Argentina (often with non negligible germanophile influence) eventually led to the break off in relations with Germany and the countries of the Axis on January 24, 1944.

Liquidation of Axis property, deportations and nazi migration to Argentina

The declaration of war to the Axis by Argentina implied the enforcement of the measures agreed in the Conferences of Rio de Janeiro (January 1942) and Chapultepec (February-March 1945). The recommendations included the supervision and control of financial and commercial activities that may result harmful to the well-being and security of the American nations. Later these policies urged each country to follow their own constitutional procedures to eliminate from the agricultural, industrial and financial sectors any influence coming from nations, governments or individuals that may act against the independence, the economic and political security of the Republics of the American continent. For this purpose, the suggested steps included blockades, intervention, occupation and compulsory transfer or total liquidation of business, properties and rights of natural persons and legal entities linked to the mentioned activities. Following the break off of relations with the Axis Argentina issued a series of decrees to put in practice these measures⁹⁷.

About 300 to 400 firms of different sizes were potential candidates for the application of these measures. The same day of the war declaration to Germany and Japan a presidential decree withdrew legal status from German and Japanese firms operating in Argentina, their possessions being seized and held under custody and control of a management council established in 1944 within the State Secretary for the Industry and Trade. Later on, all property belonging to the employees of those companies was frozen while that of the German and Japanese governments was confiscated. In May 1945 the Junta de Vigilancia y Disposición Final de la Propiedad Enemiga replaced the management council and in August everything was put under control of the Ministry of Foreign Affairs. Six insurance companies and the two German banks were easily liquidated, but for the rest the task was complex and cumbersome. By the beginning of 1946 two out of 76 Axis companies had been liquidated; 229 companies continued under investigation and the state controlled the accounts and property of 802 individuals.

With this course of action the government regained some confidence from the allies and consequently, relations were normalized both with the US and other thirteen American countries. However important the progressive restoration of diplomatic relations may have been, the economic situation had been damaged by the coercing measures adopted by the US between 1942 and 1949, which included import restrictions, transport prohibitions, blockade of the gold deposits in American banks, purchase orders cancellations, fuel embargo and prohibition to pass any development project (Regalsky et al., 1999). The improvement of the international environment led to the normalization of the relations with the defeated powers. On August 28, 1951 the US invited Argentina to the San Francisco Conference set to establish a peace treaty with Japan. Finally, on August 30 1951, the Congress of Argentina passed the law 14.049, ending the state of war between Argentina and Germany.

countries without stopping the flow of critical materials to the United States and to supply Argentina only with the necessary to produce essential goods for the war effort (Blum, 1967).

⁹⁷ Regalsky et al (1999).

But the US government regularly complained on the slowness of the investigations, which allowed firms to be profitably mismanaged before liquidation⁹⁸. Nevertheless, Rappoport and Musacchio (1999) highlight that confiscations reached considerable amounts and however important the magnitude of German capitals had been during the decade of 1930, their capability to influence the government of Argentina and to serve as pivot of the Nazi policy in Latin America were reduced to a minimum by the end of the Second War⁹⁹.

The Argentine government reluctance to accomplish in full the American demands was similar both in the case of deportations and the enemies properties. By June 1946, 38 individuals had been expelled and the number of candidates for deportation had diminished from 900 to 227¹⁰⁰. In May 1947, Hans Harnish and Wolf Franczok, two of the most important agents in Argentina, were expelled with other 6 Latin-Americans¹⁰¹.

⁹⁸ Additionally ambiguities and contradictions have been found in the treatment of the foreign property, and a lack of homogeneity criteria could be seen (Regalsky et al. 1999). Thus, some individuals and firms extensively known by their connections to the nazionalsocialist ideology or by their shares in business with German firms were hardly investigated.

⁹⁹ The Business attaché of the American Embassy in Buenos Aires claimed that "Some members of the embassy believe that the Nazis are really behind the scene of the actual regime. There is also the general thought that this group is closely related to the Nazis. Now there are many active Nazis in Argentina. So far none of them have been deported, but we expect to expel some of them in the near future. The main Nazi companies, though under control of the state, have not been liquidated yet. The government still maintains relations with the firms in the *proclaimed list* and, in general, what have been said is far away from what have been done. However, I am afraid that despite these slips, we should recognize that many decisions do not match with what would be a government controlled by the Nazis. Argentina is in war; almost all German propaganda have been stopped; the Embassy has been closed and we have gained access to the archives; the German espionage circles have been dismantled; we have access to the German banks; some German agents are to be expelled and others will follow; the Axis schools have been closed; a high proportion of the Nazi members of the government have been removed (there are important exceptions, indeed...). If we compare the present situation with the description of Argentina during 1941 and 1942 we will be convinced of the progress done towards the elimination of the Nazi activities" in Rappoport and Musacchio (1999).

¹⁰⁰ The American ambassador pointed out to Perón that any sign indicating that the Argentine government was abandoning its philo-German policy would produce a very positive effect in the American opinion (Newton, 1995).

¹⁰¹ In 1946 the Courts decided that the president was entitled, thanks to the Law of Residence, to deport undesirable foreigners, but the Supreme Court claimed that the defendants had the right to know the reason of the accusation. Between May and August 1946 many suspects of espionage were released under habeas corpus until on November 15 the presidential Decree 18.480/946 re-ordered their arrest and deportation. US pressures diminished for several months until a final solution was reached between President Perón and the US Administration with additional deportations. Out of 80 members of a Nazi espionage net affected by court processes or deportation decrees 7 individuals were condemned (all of them minor agents). Other 10 were

When France was liberated in 1944, many German and French collaborationist crossed borders to Spain, where an important German community resided. Nevertheless, the situation in Spain changed in May 2, 1944 when Franco put an end to the connection with the Axis and signed a series of agreements with London and Washington. The refugees had to move to other countries. By the end of the war many were guided to South America; however, this possibility was closed during the first postwar years¹⁰². Another escaping route was through Italy. The dominant position of Italy among the Mediterranean sea lines to America (and in particular to the Southern Atlantic and the De La Plata River) explain the flow of migrants from Italy. The Italian route was reinforced by the Argentine fleets founded by the descendants of Genoese emigrants. Furthermore, the Italian government may have found beneficial the emigration of individuals connected to the Nazi regime, thus contributing to solve the emerging refugee problem. Consequently, the Argentine window could be functional to many parts. The Italian route permitted the flee not only of German but also of Hungarian, Croatian, Ukrainian, Romanian, Polish and other collaborationists either of the Nazi regime or of the satellite governments¹⁰³.

In 1946 the Argentine government launched a programme to recruit Europeans of interest for the industrialization drive of the Administration. In December of that year prebyter José Silva was named as head of newly created Argentine Immigration Office in Europe, with the main office in Rome. The main operations were carried out in Italy, where an agreement was signed on February 21, 1947, which established the recruiting conditions¹⁰⁴. Thousands of immigrants arrived in Argentina through this initiative, but few of them were high skilled

expelled or left the country without sentence. A total of 63 were dismissed between 1947 and 1948 (Newton (1995) and Goni (2002)).

¹⁰² The Argentine help to the Nazis' flee had begun in 1944. In August the US reported that the Argentine Consulate in Lisbon was issuing passports to the fugitives with their real names. A report of October 1945 showed that the Argentine general consul in Barcelona, Miguel A. Molina, was selling passports to German agents. The presidency secretary in the late 1940s, José Figuerola, ex-collaborator of the dictator José Antonio Primo de Rivera in Spain who had adopted the Argentine citizenship, helped the emigres from Spain. See Newton (1995), Gurevich (1998) and Goni (2002).

¹⁰³ See Devoto (1999). Ante Pavelic, head of the pronazi government of Croacia during the war arrived in Argentina in 1948 (Newton (1985) and Goni (2002)).

¹⁰⁴ The Government informed both Great Britain and the US about of its programme to recruit European scientists and experts. The immigration permits were issued by the Dirección de Migraciones in Buenos Aires, the passports by the Red Cross, and the Dodero fleet organised the travel. See Newton (1985), Gurevich (1998), and Goni (2002).

workers or scientists; the overwhelming majority being intellectuals and businessmen bearing a collaborationist past¹⁰⁵.

Conclusion

In this paper we have presented a brief overview of the fundamental features of the financial development of Argentina in the first half of the 20th century. We discussed in more detail the economic developments of the country during the years of the World War Two, the relations with the Allies and with the countries of the Axis highlighting the impact of the lasting neutrality of Argentina during the conflict.

In the second half of the nineteenth century Argentina was one of the outposts of rapid development along with Australia, Canada and the United States. It shared with these countries the benefits of the *economics of temperate climate*, massive immigration flows from Europe, in its case with a strong predominance of population from Southern Europe. As in the cases of the two latter members of the British Commonwealth, Argentina was strongly integrated in the world trade and financial markets of the time in close connection with the British powerhouse of economic development in the capitalist system of the period.

Argentina showed a remarkable dynamism in the 50 years going from 1880 to the crisis of 1930 and the collapse of the rules of the game of the first long wave of international globalisation. GDP growth reached average levels of 6 % per year, with per capita income higher than the average of Western Europe, two thirds of that of the US and Australia, and equivalent of Canada, France and Germany. The most dynamic sectors of the economy were based on the strong comparative advantage of the agricultural sector strongly integrated to the world markets. The country had a very high degree of international openness with intensive flows of capital, goods and labour. In 1913 British investment in Argentina accounted for 25% of total UK capital stock abroad, ranking close to Canada with equivalent levels of investment. In the 1920s British investment represented 50% of total foreign investment, the US 15%, whereas Germany and France accounted for 10% each. If German capital in Argentina was not high, compared to British investments, it had an important presence in certain sectors of the economy. German firms were market leaders in highly concentrated sectors such as metallurgy, chemicals as well as in telecommunications and electricity.

¹⁰⁵The frontier between Germany and Denmark was also an immigration route in the late 1940s. Carlos Fuldner, a German-Argentine (former official of the SS) member of the Argentine Presidency Information Division operated a network to support and rescue Nazi refugees, under the head of the Information Division the German-Argentine Rodolfo Freude, the son of the pronazi businessman based in Buenos Aires Ludwig Freude (Newton (1985) and Goni (2002)).

Trade openness, as measured by the ratio of imports plus exports to GDP was close to 50% in the period up to 1930. The Great Depression started a long period of decreasing integration to world markets deepened by intensive protectionism in the 1940s and 50s. Trade relations showed the central role of the United Kingdom as the main market for exports with over 25% of total exports, with the US as the second major destination with 10-20%, France and Germany following with levels lower than 10%. On the import side, we observe a progressive decay of the role of Britain with its share of total imports falling from over 25% in the beginning of the century to 10% in the forties, whereas the US is the supplier of 30% of Argentine imports in the 1940s, showing the relative trends of *rise and fall* of the two nations, successive leaders of the world economy. Germany will increase its share as a main supplier of Argentina in the interwar period reaching levels of over 10% of total imports.

In 1914 30% of the inhabitants of Argentina were born in a foreign country, these numbers reaching 50% in the city of Buenos Aires, the political and economic centre of the nation. The cosmopolitan character was an important feature with a considerable cultural development and levels of illiteracy that compared favourably with the most developed societies of its time. The degree of urbanisation progressed at a rapid pace jumping from less than 30% in 1870 to more than 60% in the 1940s¹⁰⁶.

Argentina was part of the gold standard game in most of the period until 1930, when the country abandoned this monetary regime and entered a fiat money regime with the creation of the Central Bank in 1935. The degree of financial development was very important with a high level of financial intermediation and the M3 to GDP ratio reaching 60%, higher than that of Great Britain and the US. The crisis of 1930 will initiate a period of growing financial disintermediation that will be deepened in the post World War Two years, with the M3 to GDP ratio falling to 35%.

The crisis of 1930 led to long lasting period of political and economic instability starting with the first military coup of modern Argentina. Many more will follow. The increasing role and influence of the Armed Forces in the political life of the country will have an important impact on the international relations of Argentina. The traditional *closeness* of the political elite with Britain will be perturbed by the contagion of the ideological divisions of the military establishment. The strong influence of the German military in the training of the new professional Argentine Army since the beginning of the century will have a considerable impact on the political choices and the international relations of the country. A great number of highly ranked officers followed training residence periods in Germany, the most prominent General Uriburu the head of the military coup of 1930 and President, until deposed by General Justo in 1931. The latter, *the other* leader of the military, represented the pro-Allied fractions of the Armed Forces that will lose relative strength in the face of the *nationalists*. The political and economic developments of Argentina in the 1930s and forties should be understood in the midst of the ideological environment of the time. The perception of crisis

¹⁰⁶ Recchini de Lattes (1973).

and critique of the liberal democratic model, the impact of the generalised world economic depression and the rise of authoritarian ideas; fascism, nazism, phalangists and the emergence of stalinism. The intellectual minorities that fed the nationalist camp in Argentina were a blend of different ideological traditions with a strong representation of phalangists, the alliance of *the sword and the cross*, with a Hispanic nostalgia of the pre-liberal social order. We also find in the thirties an important political representation of democratic neutralists from the Radical Party as well as the Socialists, following the tradition expressed by Argentina in World War One.

In the global German strategy of the late 1930s and the early forties, Argentina seemed to have played a role as an option for a *neutral* bridge into the Americas, once the European phase of the Nazi campaign had been completed. The time never arrived given the military stalemate for the German offensive and then the turnaround of the war in favour of the Allies. In any case, the economic view of the German strategists of the bilateral relations was one of Argentina as a supplier of agricultural goods and a market for German industrial production. The German vision of the economic trade relations was not very different from the existing relationship with Britain. A misunderstanding was probably patent in the view of Argentine industrialists, that believed in an alternative mode of international economic relations if a German-Argentine common strategy could be developed. On the other hand, part of the Argentine military establishment expected to obtain supplies of modern equipment from Germany as a mean to counter the political differences and a certain rivalry with the US. This objective never materialised.

If as shown, the German presence in Argentina was very important with a sizeable immigrant community and a significant influence in the economic life of the country it remained behind Britain and the US in terms of trade and investment. But the *political investment* of Nazi Germany was intensified steadily Buenos Aires becoming the most important spy community in America from where was orchestrated the pro-Axis military coup in Bolivia with a crucial support of the Argentine *nationalist* military. The military coup of 1943 in Argentina and the growing influence of the nationalist fraction of the Army, led to the rise of Peron as a new military leader. The latter, elected President in 1946, will eventually become an historic political leader of the country with an ever more pragmatic practice that will redesign the Argentine political scenario for decades to come.

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