

Regional trade integration of Latin America in the Pacific mirror, 1870-1920

La integración comercial de América Latina en el espejo del Pacífico, 1870-1920

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ANALYTICAL SUMMARY

The commercial integration of countries in the Asia-Pacific region and Latin America into international markets during the First Globalization (1870-1920) has been widely discussed. The dependence on the British market and the growing shift towards the United States in the case of Latin America, and intra-Asian trade and the expansion of Japan as a new regional power in the case of the Asia-Pacific region, have been central issues in the analysis of international trade in late 19th century. However, the study of failed integration among Latin American countries has received less attention, in contrast to numerous studies that focus on underlining the crucial role of regional integration in Asian economic growth.

We consider the role played by market potential in explaining the different trajectories of trade integration in Latin America and the Asia-Pacific region. To do that, we delve into the historical dimension of these issues with a comparative approach. Drawing on official trade statistics, we consider bilateral export and import figures for Japan and its main trade partners, and then we compare them with bilateral trade figures of Chile and Perú and their Latin American partners. This regional approach makes possible to visualize the complex dynamics that characterized trade flows during the First Globalization as well as their different geographical composition.

Our main results show that the integration of peripheral economies into the international economy during the First Globalization began with a strong expansion of trade with European countries in both sides of the Pacific Ocean. However, the evolution of regional integration in the Asia-Pacific area and Latin America, despite being similar at the beginning, followed very uneven trajectories from the late 19th century. In the Asian region, regional integration intensified significantly in parallel with the emergence of Japan as a new industrial power. On the contrary, the integration of Latin American countries into the world economy took place without a process of regional integration. In fact, Peru and Chile experienced disintegration, very much related with the Pacific War, as exports of traditional manufactures to neighbouring markets disappeared.

In this article, we emphasise the importance of differences between the market potential of the two regions and thus complement factors introduced by other authors. We argue that Japan, given its much larger market potential and lower transport costs relative to its neighbours, was able to take advantage of nearby markets to consolidate its manufacturing development process, as the Western colonial powers were being relegated. This factor was an important complement to the progressive strengthening of domestic demand. At the same time, the need to cover the growing demand for raw materials linked to the industrialisation process significantly increased the weight of regional imports. Lower market potential and higher transport costs within Latin America seem to have been the other side of the story.