

HUMANITIES INSTITUTE

LATIN AMERICAN TRADE

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Overview Latin American economic systems have been, since the earliest times, formed on a foundation of trade, which tended to shape everything around it, ranging from military (which provided security for trade routes) to forms of government (often focused on facilitating trade). Like other regions of the world, Latin American trade developed in response to their unique historical and political circumstances. The economies of pre-Columbian Mesoamerica and South America are stunning in their complexity and relationship to technologies. Later, the arrival of the Europeans resulted in the development of a trade-based mercantile economy that used gold (mined in Latin America) as the foundation for their wealth. Later revolutions were motivated by competing elites who desired control over the economy, and then uprisings by the marginalized groups, which resulted in new and often unexpected trade alliances. New directions in trade and commerce in the 20th century were deeply influenced by global politics, such as the Cold War.

ANCIENT PERIOD

Preclassical

Olmec: La Venta (1200 – 400 B.C.E.): The Olmecs achieved their legendary warrior status and the ability to create large artifacts because they controlled an extensive trading network. They manufactured goods such as cloth and leather, and they sold the products of their agriculture and fishing activities. They were highly effective at using their military to protect and expand trade routes and markets.

Maya (1500 BCE – 250 CE): The Maya had an agriculture and manufacturing-based economy, with a surplus which they were able to trade with groups as far away as the Mississippi River Valley.

Moche (400 – 100 BCE): The Moche's economy was based on agriculture and also the production of fine potteries and textiles. They used trade relations to obtain the raw materials (dyes, pigments, etc.) that they needed, and they sold their textiles and ceramics to neighboring villages.

Classical

Maya (250 CE – 900 CE): As their manufacturing improved, the Maya city-states expanded their commerce with each other, and also with other cultures. They had an economy based on trading and agriculture, as well as entertainment / sports, with ball courts and extensive ceremonies (some religious, some relating to weddings and coronations).

POSTCLASSICAL PERIOD

Aztec: The Aztecs developed an innovative trade culture that relied on the military for protection. In certain ways, it anticipated the drug cartel culture of the 20th century. Territories and transit routes were viciously controlled by a well-equipped, well-fed, and well-trained army of warriors who were noted for their brutality (and the enthusiasm with which they sacrificed their kidnapped foes). The Aztecs had innovative agricultural technologies (chinampas), and also a unique method of warehousing, which allowed them to have extensive trade networks and also to hold onto the goods for propitious conditions.

Inca: The economic activity Incan federation of states included agriculture, exporting public works, consulting, above all trade, but peaceful, through win-win (not cartel-type). The Inca were very adept at creating what resembled today's franchises. The leaders of the Inca did not persuade through force, but through the idea of mutual gain. Because their network was trade relation-based, their "language" for communicating consisted of quipus, which are intricate sets of knotted string, essentially the language of accounting, cyphers, and calculations.

EARLY MODERN (COLONIAL)

Mercantilism: The dominant economic model during the Spanish conquest of Latin America was mercantilism, which is a trade-based system of exchange. The use of gold and silver as the backing for the currency system was extremely inflationary as increasing amounts of gold were brought to Spain. At the same time, the development of the Audiencias and Viceroyalties engendered a great deal of demand for European manufactured goods. As a result, the economy quickly became one with trade as its principle foundation.

Plantation Products Trade: The market for raw materials for manufacturing in Europe stimulated the market for raw materials (sugar, coffee, indigo, cotton). As a result, vast mono-economies were developed with plantations specializing in one, perhaps two crops. Operational efficiencies were high, but eventually productivity dropped off because the practice was very hard on the soil.

Slave Trade: One reason why the slave trade persisted, particularly in Brazil, was that not only was the labor needed for the plantations (sugar, indigo, and coffee were dominant), the slave trade itself conquered the problem of empty ships in their return from Europe after selling the plantation products. The infamous “Middle Passage” from Africa to the Americas often resulted in high profits for the ship owners and joint stock companies because the slaves were acquired cheaply and sold at a high price in Brazil (or the West Indies).

Black Market and Informal Trading Networks: Pirates, Buccaneers, Corsairs: Ships bearing gold coins, silver, and other treasures were irresistible targets for bands of individuals as well as for countries feeling the pinch of tight budgets after engaging in wars and indulging profligate monarchs. As a result, trade-based crime networks abounded, both unofficial (pirates) and officially sanctioned (buccaneers). The crime networks also gave rise to smuggling, contraband trading, and arms dealing (during various uprisings and wars).

19TH CENTURY

Free Markets: One of the primary appeals of independence to the elite in Latin America was that they could have a free market. They would no longer have to trade exclusively with Spain, nor would they have to pay “la quinta”, or the automatic 20% tax. The elite saw that they could potentially make significant profits if they could freely trade their products, set prices based on supply and demand, and avoid the obligatory tribute, or tax system.

Protectionism / Military Dictatorship: After a few years of independence some new republics, such as Paraguay, fell under the thrall of a powerful military dictatorship, with a charismatic narcissist dictator holding forth. In many of the military dictatorships, contact with the outside world was considered suspect and destabilizing. So, free trade was discouraged, and the country’s economy isolated itself behind a wall of tariffs and import restrictions. The result on the economy was ultimately negative, since companies could not generate enough surplus to reinvest and grow.

Communism and Socialism / Utopian Settlements: Latin America was also the location of new experiments in socialism and communal ownership. While many of the settlements were founded by religious groups, such as the Mennonites, others created settlements that were focused on trade within small, exclusive groups, and there was suspicion of outsiders. Most were unsustainable because they were undercapitalized, did not have enough technology to grapple with the realities of the climate, and were crippled by bad leadership.

20TH CENTURY

Free Trade with Capitalism / Democracies: The revolutions that took place in many of the countries in the early 20th century were often economically motivated by the desire to expand networks and have access to markets, and to control production and trade. For example, the Mexican Revolution resulted in land reform, and more access to the economy and upward mobility. In addition to having a democratic form of government, Mexico and other countries developed support for small-holder farms and small entrepreneurial businesses.

Protectionism / military dictatorships: Many Latin American countries with military dictatorships controlled the economy through a wall of tariffs. The Latin American dictatorships such as Chile under Pinochet, Paraguay under Stroessner, and Argentina under Peron, invented an economic system that centered on giant infrastructure projects that would modernize the country. The large infrastructure projects, such as the huge hydroelectric dam at Itaipú, generated electricity for the nation and to export. It also gave exclusive concessions to trade in state-owned or state-regulated commodities. Unfortunately, this economic system also included payoffs and sweetheart deals to family

and political cronies. It also tended to foster an underground informal economy that included trade in contraband as well as drug cartels.

State-Run, Centrally Planned Command Economies / Communist Dictatorships: In the countries that embraced Communist dictators, such as Cuba, Nicaragua, and the late 20th century Venezuela, a new type of centrally-run command economy was developed. Modeled after the Soviet paradigm, the South American command economies were also focused on the violent overthrow of governments, and how best to use economic factors as a weapon against the Western economies. They traded exclusively with each other, and sought to shore up the economies of countries such as Peru that were seen as able to set up guerrilla training camps. Trade consisted of selling arms, as well as exporting drugs to finance the training camps.

Cartels: Some economists assert that the underground economy of the cartels, which control human and drug trafficking, among other things, is in fact larger than the “formal” economy. The countries for which this statistic could hold true could be countries like Mexico, where the drug and human trafficking activities are interlaced with the formal government. The result is invariably tremendous economic insecurity, violence, and a lack of investment by the state in schools, medical services, and more.

Discussion/Questions

1. The Olmecs and other Mesoamerican economies were more complex than they might appear, and their success had much to do with their militarism. Open trade routes and the health of manufacturing required a well-equipped and prepared security force. Describe the dependence of the Olmecs on their war-like stance.
2. The Incas “franchised” their brand through an extensive confederation of city states, tribes, and outlying groups. Trade networks were held together by common beliefs, but more than that, by their “quipus”, the knotted string accounting, messaging, and inventorying system that allowed the groups to communicate by means of the language of math and calculations. Describe the potential strengths and weaknesses of an economy based primarily on relationships and accounting.
3. In the 19th century, the leaders of countries like Paraguay believed that isolating their populace from the outside world would strengthen it and make it less likely to be corrupted by outside influences. Import restrictions stimulated the production of import substitutions, such as the hand-tatted “spiderweb lace” (called “ñandutí” in native Guarani) and other artisan items. However, there were several disadvantages to isolationism. Please describe a few of them.
4. In certain parts of Colombia during the height of the cartels, the underground “informal” economy was much larger than the formal economy. What this meant in functional terms was that while there was some circulation of the money used in trafficking (money spent in food, fiestas, rent, clothing, transportation, etc.), the flows were not official, and it was impossible to properly apply an income tax or to assure that the business contributed to the general good. Explain why it is problematic for a country to have informal trade networks (cartels, etc.) and discuss how they can have a devastating impact on legitimate trade.

Readings

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