

UNITED STATES TARIFF COMMISSION



**ECONOMIC CONTROLS
AND
COMMERCIAL POLICY
IN
ARGENTINA**

One of a Series of Reports on
Economic Controls and Commercial Policy
in the American Republics



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UNITED STATES TARIFF COMMISSION

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FOREWORD

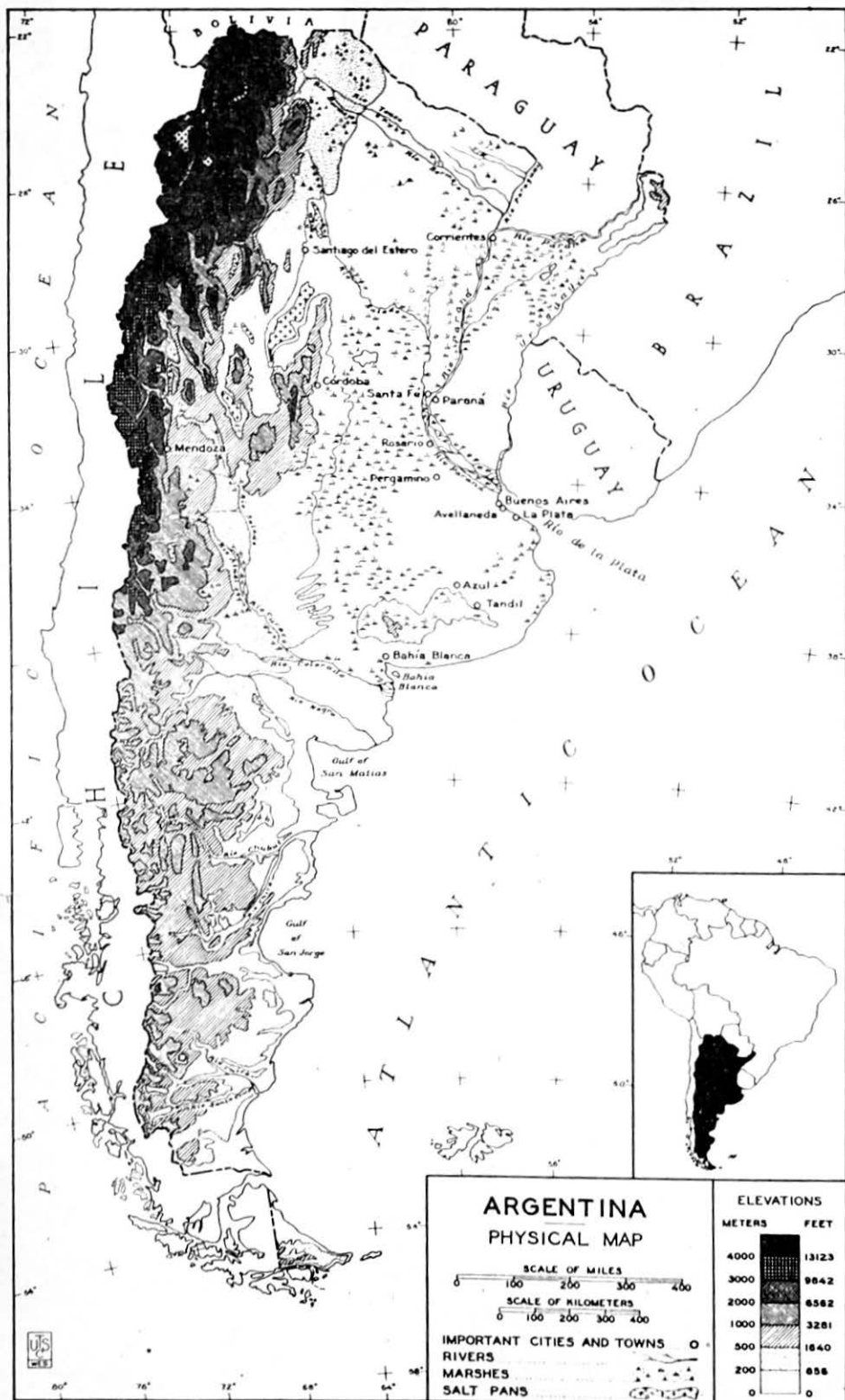
This is one of a series of reports on Economic Controls and Commercial Policies in the Latin American Republics.

Other work in preparation by the Commission relating to trade problems of the American Republics includes a series of reports under each of the following headings: Mining and Manufacturing Industries; Agricultural, Pastoral, and Forest Industries; and Recent Developments in Foreign Trade.

In the preparation of this report the Commission had the services of David Lynch, Allyn C. Loosley, and other members of its staff.

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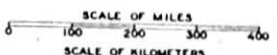
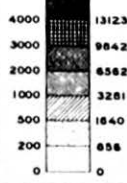
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ARGENTINA
PHYSICAL MAP

ELEVATIONS

METERS FEET



- IMPORTANT CITIES AND TOWNS
- RIVERS
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- SALT PANS

ECONOMIC CONTROLS AND COMMERCIAL POLICY IN ARGENTINA

Introduction

Argentina—a summary description.

The Argentine Republic, ^{1/} the second largest country of Latin America, occupies virtually all of the southern section of South America east of the dividing line along the Andes. Extending 2,300 miles from north to south, it has a maximum width of about 900 miles and a coast line of more than 1,600 miles. The total area, 1,080,000 square miles, is approximately equivalent to that portion of the United States lying east of the Mississippi River, plus Texas. Argentina is bordered on the north by Bolivia and Paraguay, on the east by Uruguay, Brazil, and the Atlantic Ocean, and on the west by Chile.

Except for the mountainous western area, Argentina is in large part a country of lowlands, which vary considerably in their physical characteristics. The country may be divided into four principal regions.

The central Pampa is the best known and, economically, the most important area of Argentina. This treeless plain, with its deep, rich soil, embraces the best agricultural land in South America. Here are grown most of the cereals, flaxseed, and livestock of Argentina; here, too, is concentrated three-fourths of the manufacturing of the country.

The subtropical plain of the north is chiefly a low-lying country, much of it swampy and very warm, and part of it heavily wooded. It embraces the territories of the Chaco, Formosa, and Misiones, as well as the Provinces of Salta, Tucumán, Santiago del Estero, Corrientes, and part of Santa Fé. The principal products of the region are sugar, cotton, rice, oil-bearing seeds, yerba maté, and quebracho. This section has the advantage of diversified production and possesses abundant natural resources.

The Andean region covers the extensive area of western Argentina. The principal economic activity of this area is agriculture, most of which is carried on with the aid of irrigation in the valleys and foothills east of the Andes. The large wine-producing area is centered in the Province of Mendoza.

Patagonia includes all the area from the Río Negro to the southern extremity of the continent. Rising from a narrow coastal plain, it extends westward in a series of plateaus. In most places the altitude ranges from 300 to 1,600 feet, although at points it is as much as 5,000 feet. At the extreme tip of the continent is the barren and bleak Tierra del Fuego. The region is largely semiarid, and the principal industry is sheep grazing.

^{1/} In Spanish, República Argentina. On September 23, 1943, the various departments of the Territory of Los Andes were divided among the Provinces of Jujuy, Salta, and Catamarca. For convenience, however, the former Territory of Los Andes is shown on the political map in this report, and reference is made to it, where pertinent, in the text.

Because of its great length and its different altitudes, Argentina has a varied climate. With the exception of an area of some 31,000 square miles in the Torrid Zone, Argentina lies within the South Temperate Zone, with January the warmest month and June and July the coolest. The Chaco region of the north has a mean annual temperature of 73° F.; (23° C.); in the arid region of the northwest the temperature sometimes reaches 118° F. (48° C.); and one of the coldest points in the country, west of Santa Cruz, has a mean temperature of 32° F. (0° C.). The Pampa enjoys a temperate climate, with the mean temperature ranging from 74° F. (23° C.) in January to 49° F. (10° C.) in June and July. Because of the mildness of the winters, outdoor grazing and field work are possible throughout the year; the growing season ranges from 300 days in the north to 140 days in the south. The annual average rainfall is 63 inches in the northern Chaco region and 16 inches in the southern Patagonian region; in the Pampa, where in general the rainfall is adequate for cultivation and is evenly distributed throughout the year, it is 38 inches. The west central region has an annual average rainfall of 3 to 11 inches.

According to the first census, that of 1869, the population of Argentina was 1,830,000. By the end of the century it was 4,607,000, and the census of 1914 showed a total of 7,885,000. In 1943 the population was estimated to be 13,907,000, an increase of more than 75 percent in the period 1914-42. The density of population in 1942 was 13 persons to the square mile, but throughout vast areas in Patagonia the population does not exceed 2 persons to the square mile.

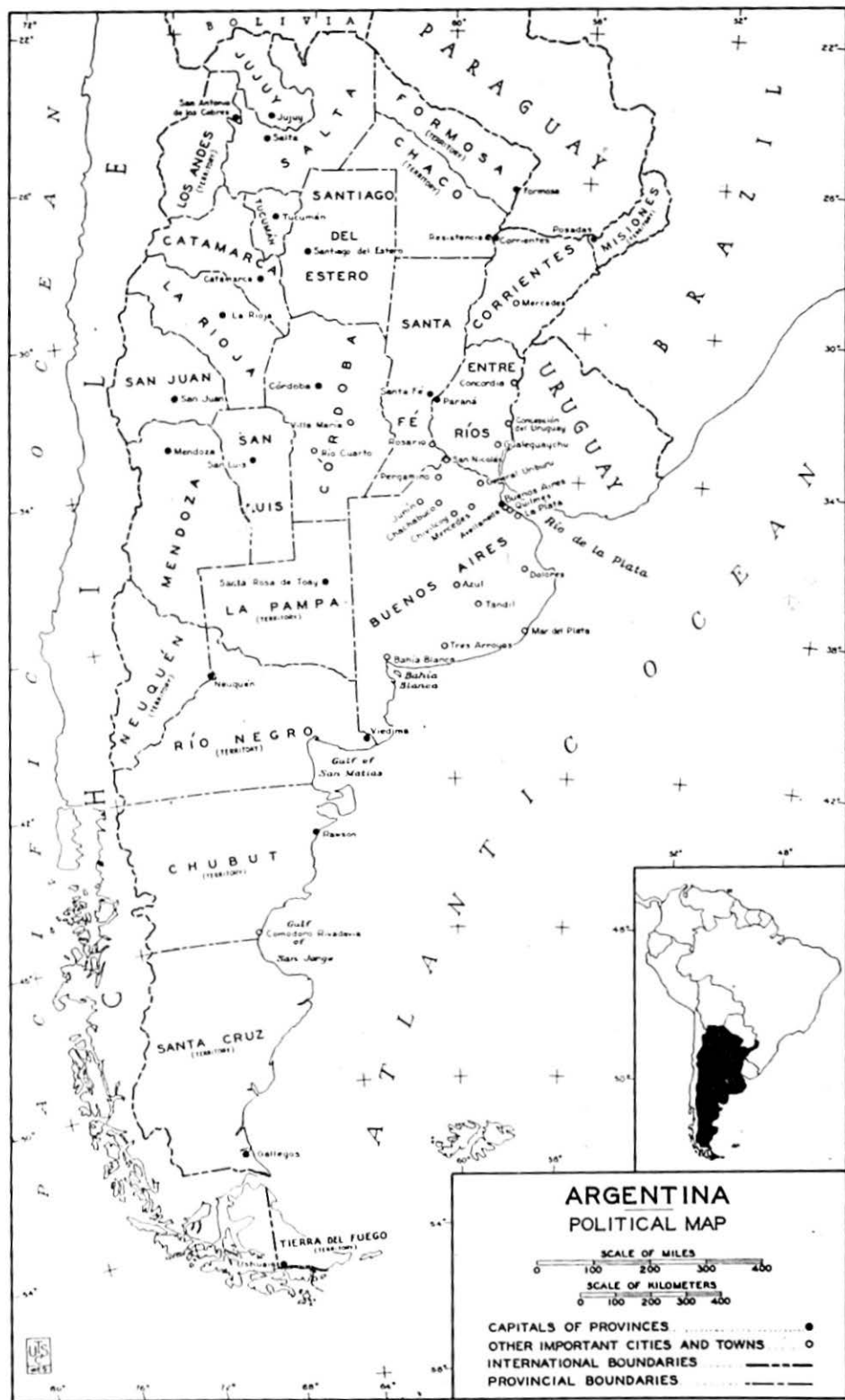
About four-fifths of the Argentine population is urban; more than a fourth of the people live in greater Buenos Aires alone. Two-thirds of the population is concentrated in the Provinces of Buenos Aires, Santa Fé, and Córdoba, and in the Federal District, yet these political subdivisions constitute only slightly more than one-fifth of the total area. The Argentine population is probably the most homogeneous of South America; about 77 percent are native-born persons of European extraction; 20 percent, Europeans by birth; and 3 percent, native Argentinesans with Indian or non-Caucasian blood.

The Argentine economy.^{1/}

Agriculture.—Despite the rapid expansion of agriculture, only about 11 percent of the Argentine area is cultivated; 41 percent is in pasture, 32 percent is forested, and 16 percent is classified as unproductive land or as mountains, lakes, and rivers. With the extension of irrigation, drainage, and transportation facilities, approximately three-fifths of the total Argentine area could be adapted to agriculture and grazing, and about one-fifth is especially suited to the growing of cereal crops and oilseeds.

Because of its topography and climate, Argentina has a diversified agricultural economy; it is less dependent on the export of a single commodity or a very few commodities than most other Latin American countries. Moreover, since the country lies principally in the Temperate Zone, its range of agricultural production is different from that of most other Latin American republics. Of all the Latin American

^{1/} This brief description of the Argentine economy relates principally to the period before the outbreak of the war.



countries, Argentina has an agricultural economy most closely resembling that of the United States. The most important crops are wheat, flaxseed, corn, oats, barley, and rye.

Wheat is the leading crop. Ordinarily Argentina accounts for about four-fifths of all wheat produced in Latin America and is the only country of Latin America in which the major part of the wheat crop is usually exported. The wheat-producing region stretches from the Province of Córdoba to the western and southern parts of the Province of Buenos Aires; and into the Territory of La Pampa; wheat-growing also is a part of the system of mixed farming in the Province of Santa Fé.

Argentina ranks first among the flaxseed-producing countries of the world, customarily accounting for about one-half of the world total; production occurs chiefly in the Paraná River Basin and Córdoba. Under ordinary conditions approximately 90 percent is exported, and the country usually accounts for four-fifths of the world trade in flaxseed. Argentina is the leading corn-growing country of Latin America, with an annual production of 200 to 400 million bushels. For many years it has also been the world's principal exporter of corn as such; in the period 1933-37 it supplied about three-fourths of the total quantity entering international trade. The production and exportation of barley and oats are also important; Argentina usually ranks as one of the world's leading exporters of these crops.

Several other crops are important in the Argentine economy. In the Province of Tucumán, sugar, usually sufficient to meet the country's needs, is cultivated and milled, and in Mendoza the vineyards supply grapes for the major portion of the wine consumed in Argentina. In recent years substantial progress has been made in the production of fruit, especially grapes, pears, and apples. Other important Argentine agricultural crops are cotton, alfalfa, and tobacco.

Pastoral industries.—Because of its many advantages in climate and in natural pasturage, Argentina early became the principal source of Latin American exports of meat. Until the third quarter of the nineteenth century, the livestock industry consisted of herds of wild cattle, hunted for tallow and hides, and at that time the economy was predominantly pastoral. In the period 1872-80, nearly 95 percent of Argentine exports were products of pastoral industries, but by 1890, because of the growth in the exports of cereals, pastoral products accounted for only 60 percent. In 1938, only 46 percent of Argentine exports consisted of products of pastoral industries. Although the ratio of pastoral products to total exports declined, there was, nevertheless, a large increase in the aggregate value of such exports. ^{1/}

The development of refrigeration after 1870 had a marked effect on the expansion of the Argentine livestock industry. The first refrigerated shipments were made about 1880; in 1900 artificial refrigeration was applied to large shipments of beef. When the markets of Europe were opened to Argentine beef, British and United States capital flowed into Argentina for investment in the meat-packing industry and led to the establishment of large packing houses (frigoríficos). By 1928, nearly 3 million cattle and calves were being processed annually.

^{1/} Since the beginning of the war the proportion of exports accounted for by pastoral products has increased.

Cattle are raised in most parts of Argentina, but chiefly in the Provinces of Buenos Aires, Santa Fé, Entre Ríos, Corrientes, and Córdoba, and in a small part of the Territory of La Pampa. In these areas the land is level and fertile, the climate is mild, and rainfall is plentiful. To a great extent the success of Argentina as a cattle producing country has resulted from improved pastures, especially from the planting of alfalfa, which yields from three to four crops a year without irrigation. In 1937 there were more than 33 million cattle in the country, compared with an estimated 13 million in 1875, and Argentina supplied about one-half of the world exports of dressed beef and more than one-half of the exports of canned beef. ^{1/}

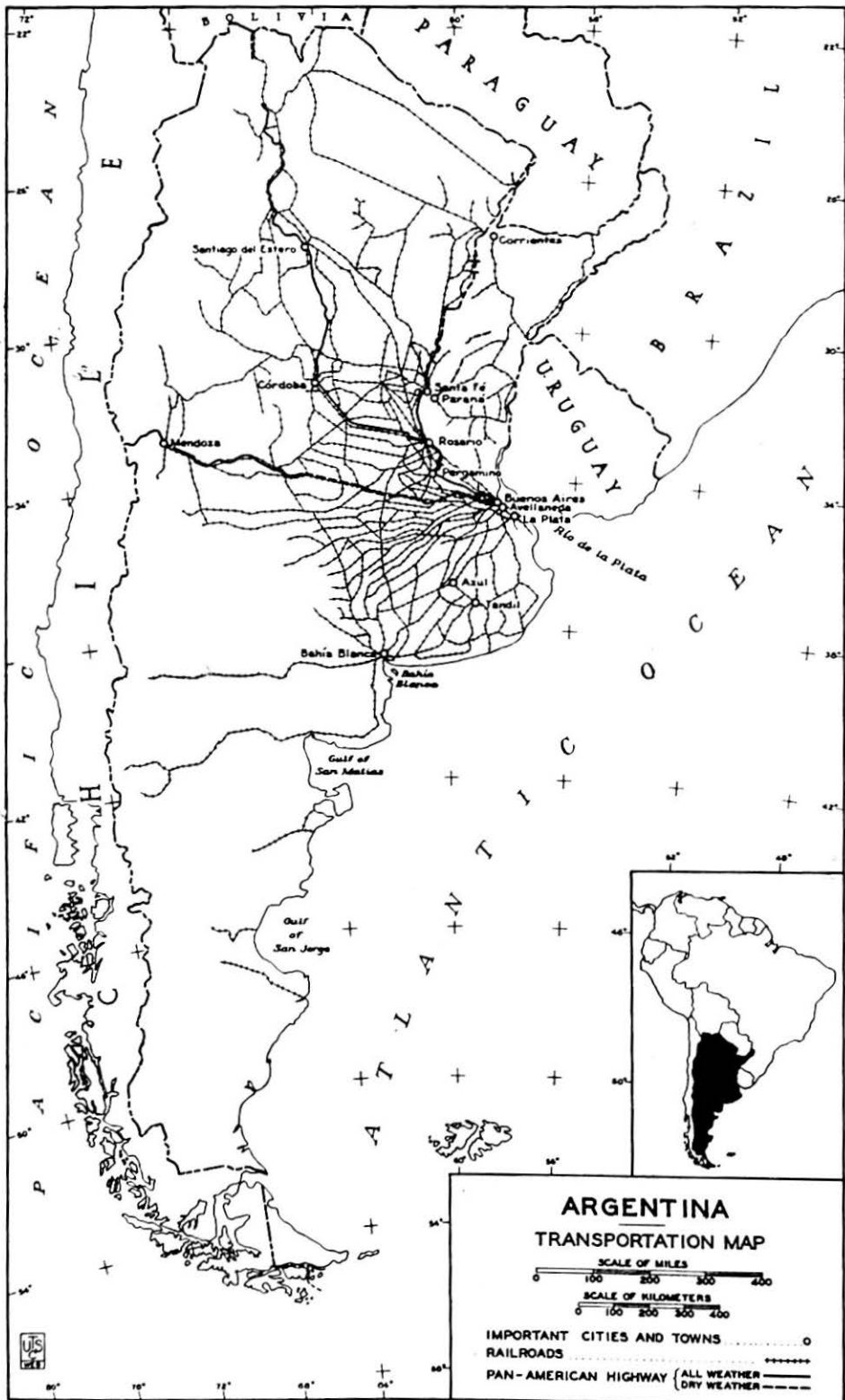
As a sheep-grazing country, Argentina is surpassed only by Australia, the Soviet Union, and the United States. The number of sheep increased during the colonial period and during most of the nineteenth century, reaching a record high of 74 million in 1895. Since that time there has been a gradual decrease, reflecting in part a shift from pastoral to agricultural activity and in part a shift from sheep raising to beef-cattle raising. In 1942 there were reported to be about 51 million sheep in the country. Sheep raising is now largely concentrated in Patagonia and in the southern half of the Pampa. In 1937, Argentina supplied about one-sixth of all the cotton and nearly one-tenth of all the wool entering international trade.

In the production of goats, Argentina ranks second in Latin America, being surpassed only by Brazil. In 1930 the number of goats was 5,657,000, but the census of 1937 indicates a reduction to 4.9 million, and in 1942 there were reported to be 2.9 million. Hog raising is becoming fairly important, but production is chiefly for the domestic market.

Manufacturing.—Argentina is one of the leading manufacturing countries of Latin America. At the end of the nineteenth century, agricultural and pastoral pursuits accounted for most of the country's output. But, in the years preceding World War I, a considerable industrial development took place, especially in the processing of foodstuffs and in the fabrication of nondurable consumer products. During that war, inability to obtain supplies of many commodities formerly imported resulted in the establishment of numerous industries, some of which continued to be important after the Armistice.

Industrial expansion and diversification in Argentina, however, have been most rapid since 1931. During the depression, manufacturing, stimulated by the contraction of export markets for agricultural and pastoral products and aided by increased import duties, the depreciation of the peso, and exchange and quota controls, expanded greatly in volume and in the variety of commodities produced. Argentina produces a wide variety of manufactured products, principally consumers goods for domestic consumption, including textiles, flour, sugar, vegetable oils, preserved and canned goods, tobacco and cigarettes, soap, shoes, tanning materials, fabricated iron and steel products, cement, tires, lubricating oils and greases, drugs and chemical products, electric-light bulbs, batteries, and radios. The assembly of

^{1/} In 1942 the number of cattle was reported to be 31.5 million.



automobiles is an important industry. Because, however, of the lack of primary fuels and metals and the limited character of the domestic market, there has been only a moderate development of heavy industries. In 1937, nearly three-fourths of the value of the total industrial output was accounted for by the Federal District and the Province of Buenos Aires.

Forestry and mining.—The forests of Argentina, covering more than 123 million acres, contain a fairly high proportion of hardwoods. Only a small portion of the forest resources is utilized. Quebracho, with its high tannin content, is the most valuable forest product, and the only one exported. About four-fifths of the world supply of this wood is in Argentina.

Except for petroleum, few minerals are produced. Lead, zinc, tin, and tungsten have been of some importance, and deposits of antimony, beryllium, copper, gold, manganese, mica, and vanadium have been exploited. The location of the deposits and the lack of transportation facilities, however, have retarded the development of the country's mineral resources. Most of the oil wells now in operation are close to the sea (Comodoro Rivadavia); other important fields are at Mendoza, Plaza Huincul, and Salta. Potentially important fields are situated in the northern part of the country. Argentina depends on imports, however, for a substantial portion of its petroleum requirements. There is virtually no production of iron or coal—materials vital to the industrial life of the nation—and Argentina has become the chief coal-importing country of South America.

Pre-war foreign trade.^{1/}

The foreign trade of Argentina is larger than that of any other country of Latin America. In 1938, exports valued at 1,400 million paper pesos (410 million dollars) accounted for about one-fourth of the value of all Latin American exports, and for nearly one-third of those from South American countries. In that year Argentina took about three-tenths of the total value of Latin American imports and nearly two-fifths of all imports into the 10 South American countries, the Argentine import trade amounting to 1,461 million paper pesos (428 million dollars). Ordinarily exports exceed imports; in 1938, however, imports exceeded exports by 18 million dollars. This shift in the balance of trade was caused by crop failures, a greater fall in prices of principal exports than in prices of imports, and a lessened demand for certain export commodities. In 1939 there was again an export balance.

The six most important groups of Argentine imports—textiles and manufactures, combustibles and lubricants, iron and manufactures, machinery, foodstuffs, and chemical products—constituted approximately three-fourths of the value of all imports in the decade 1929–38. Other imports included paper, various metals, wood products, rubber and manufactures, tobacco, and beverages. The principal sources in 1938 were the United Kingdom, the United States, and Germany, which together accounted for nearly one-half of the total.

^{1/} The effects of the war on the foreign trade of Argentina will be discussed in detail in a report on recent developments in the foreign trade of Argentina (see the foreword to this report).

The outstanding feature of the Argentine export trade is the dominant position of agricultural and pastoral products, especially cereals, flaxseed, meats, wool, and hides and skins. The present position of agricultural products (as distinguished from pastoral products), however, has not always been characteristic of the economy; until the beginning of this century, products of pastoral industry were preeminent in the export trade. Since that time, Argentina has become one of the principal world suppliers of cereals and flaxseed, although pastoral products are still important. The principal destinations of exports from Argentina in 1938 were the United Kingdom, Germany, and the United States.

General Character of Economic Controls and Commercial Policy

Since 1930 the principal feature of economic controls in Argentina has been the employment of numerous devices to place the country's foreign trade on a bilateral-balancing basis and to grant trade preferences to imports from countries with which Argentina has an export balance of trade. Except for its thoroughgoing regulation of foreign trade, other controls by the Government over the economic life of the nation have been less extensive than in many other Latin American countries. Governmental measures affecting foreign trade have been utilized for a variety of purposes, including that of obtaining revenue for the National Government, fostering domestic industry and agriculture, and the development and maintenance of export markets. Internal controls have been directed to the development of agriculture, the stabilization of certain distressed agricultural industries, the development and control of the petroleum industry, and, since the outbreak of the war, the rationing of essential commodities and the control of prices.

The Argentine customs tariff has been employed both as a major source of revenue and as a means of protecting domestic industries. During the 1930's, however, the tariff became less important as a means of restricting imports than various devices and arrangements associated with the control of foreign exchange. In this period exchange control was used not only to husband exchange balances, when necessary, but also to foster certain domestic industries, to subsidize selected export products, and to raise revenue for the National Government. One of the outstanding features of Argentine foreign trade policies in recent years has been the practice of giving preference in allocation of foreign exchange to certain classes of goods and to imports from countries in the trade with which Argentina had an excess of exports. This practice was associated with the negotiation between 1933 and 1940 of numerous clearing and payments agreements granting to each agreement country, without restriction and at the most favorable official rate, substantially all the exchange derived from Argentine exports to that country.

Since 1940 this trend toward bilateralism has to some extent been modified. Most new commercial agreements concluded by Argentina since that time have been of the most-favored-nation type; such guaranties, however, have been limited almost exclusively to tariff treatment.

Since 1933 there have been no important export duties. After the beginning of the war, in order to conserve stocks of industrial materials and prime necessities, the reexportation of a number of important commodities was prohibited. In 1941 the Trade Promotion Corporation

was organized to encourage the exportation of certain "nonregular" exports to the United States, and thereby, through exchange allocation, to facilitate imports from this country.

Before the war the most important governmental controls over domestic industry were those administered by the various agricultural control boards. These agencies have been concerned principally either with the stabilization of distressed industries or with the long-run development and regulation of certain branches of agriculture; the more important have operated in the grain, wine, yerba maté, cotton, sugar, meat, and dairy industries. The Grain Board has administered the Argentine system of guaranteed minimum prices to agriculture. The Government-owned petroleum corporation, Yacimientos Petrolíferos Fiscales (YPF), created in 1907, has gradually assumed a role of increasing importance; it is the country's principal producer of crude petroleum, operates refineries and retail sales agencies, and has been vested with extensive regulatory authority.

Economic Controls and Commercial Policy Before 1940

The tariff.

In recent decades the Argentine import tariff has been one of the highest in Latin America, as well as in the world. For many years it was the major single source of income for the National Government; between 1925 and 1940 it ordinarily accounted for 30 to 40 percent of the total revenue. Effective tariff rates in Argentina, that is, rates of duty on products which Argentina actually imports, have been relatively high; in terms of the value of dutiable goods they amounted to about 25 percent. ^{1/}

Formerly, the Argentine customs tariff was primarily a fiscal instrument, and rates of duty were adjusted to obtain the revenue desired. In recent years, however, particularly since the First World War, increasing emphasis has been placed upon protection. Few duties, however, have been prohibitive, and a main function of the customs tariff still is that of raising revenue. Protection has been granted principally to industries producing textiles, foodstuffs, tobacco, leather goods, paints and varnishes, and petroleum products. In part because of the protective program, the ratio of imports of manufactured articles to the total consumption of such goods declined from about 40 percent in 1910-13 to 30 percent in 1929-31, and to only 20 percent at the outbreak of the war in 1939. As previously mentioned, however, in recent years import duties have been less important as a means of protection than exchange control and quota allocations, which have been utilized to place the import trade under rigid Government control.

^{1/} According to a study made by the League of Nations in 1927, effective tariff rates in Argentina ranked third highest among the 20 leading commercial nations of the world; between 1913 and 1925 the equivalent ad valorem tariff rate (tariff level index) for a list of representative import products ranged from 25 to 30 percent. (League of Nations, Tariff Level Indices, Geneva, 1927.)

The basic law governing the Argentine tariff is the Tariff Act of 1905, ^{1/} as revised principally by the laws of 1911, 1923, ^{2/} 1931, ^{3/} and 1939. ^{4/} For the most part, Argentine customs duties are nominally ad valorem, but the tariff law is supplemented by a schedule of official fixed valuations for many classes of imports (Tarifa de Avalúos); these valuations bear little relation to values in the actual market. On such imports the nominally ad valorem rates are in effect specific. A number of duties, however, are expressed in the law as specific rates; these are levied principally on foodstuffs, beverages, tobacco, automobiles, and petroleum products. An important proportion of the duties designed for the protection of Argentine industry from the competition of imports are of this type.

The 1905 law provides for a duty of 25 percent ad valorem (based on c.i.f. values) on all imports not specifically enumerated in the schedule. Ad valorem rates of duty levied on official valuations range from 5 to 50 percent of such valuations. Minimum duties of 5 to 20 percent ordinarily apply to goods not produced in Argentina, and duties of 30 to 50 percent are levied on products similar to those manufactured within the country. More than 50 items, mainly consisting of essential industrial supplies, raw materials, agricultural machinery, and railway equipment, enter the country free of duty. For the period between 1915 and 1940 nearly one-third of all imports (on the basis of official tariff valuations) were accorded duty-free treatment.

The customs law of 1905 provides for "maximum" and "minimum" rates of duty and for reductions below the statutory minimum. ^{5/} The "maximum" rates are penalty duties which may be applied to imports from countries which do not extend most-favored-nation treatment to Argentine products. For the most part, however, the effective Argentine customs duties have been the minimum rates.

Since 1905 numerous changes have been made in the tariff; some have affected individual import items and others have been applicable to the entire schedule. The latter usually have provided for horizontal changes in tariff rates, or for general alterations in the basic valuations on which the ad valorem duties are computed. Most of these changes have increased the effective rates of duty; some have been designed primarily to increase customs revenue and others to afford additional protection to selected industries.

^{1/} Ley de Aduana; Law No. 4933, Dec. 20, 1905.

^{2/} Tarifa de Avalúos y Ley de Aduana; Law No. 11281, Nov. 29, 1923.

^{3/} Executive Decrees No. 127, July 21, 1941, No. 170, Sept. 15, 1931; No. 184, Oct. 5, 1931, and No. 185, Oct. 6, 1931; see also Ley No. 11586, June 24, 1932.

^{4/} Tarifa de Avalúos y Arancel de Importación, 1939; Executive Decree No. 357, Dec. 30, 1935.

^{5/} Article 76, Law 11281, Nov. 29, 1923; see the section on tariff powers of the Executive.

In 1920 customs valuations were increased by 20 percent, partly to offset the rise in prices during World War I. ^{1/} In 1923 another general increase, amounting to 60 percent, was made in the official tariff valuations. ^{2/} At the same time, specific duties were increased by one-fourth; a surtax of 2 percent (of the official valuations) was imposed on all commodities subject to ad valorem rates of 10 to 20 percent, and a surtax of 7 percent when the ad valorem rates exceeded 20 percent. For goods not enumerated in the valuations tariff, surtaxes were computed on the basis of c.i.f. values. These changes were made primarily to raise additional revenue.

Between 1923 and 1930 changes in rates of duty were relatively unimportant. After 1930, however, a number of extensive revisions were made by executive decrees. Most of these revisions provided for higher rates of duty, although in December 1930 the official valuations on certain silk textiles, handkerchiefs, and stockings were reduced by one-half in order to discourage the smuggling of these articles into the country. ^{3/} In January 1931, import duties were imposed on all fresh fruits, vegetables, and fish imported under refrigeration or otherwise preserved by artificial means. ^{4/} In February 1931 import duties were increased on a number of articles. ^{5/} At the same time, surtaxes ^{6/} were imposed on various other articles which had not previously been subject to such taxes. In June 1931, the duty on crude, fuel, and Diesel oils was reduced, although that on gas oil was increased. ^{7/} In July 1931 tariff valuations were established for nearly 1,000 items not previously enumerated in the valuation schedule. ^{8/} Thus by the middle of 1931, valuations in general exceeded those established in the basic tariff law of 1905 by approximately 60 percent.

A series of decrees in September and October 1931 altered tariff duties on nearly 1,500 items. These changes were designed to increase governmental revenue, as well as to safeguard the exchange position of the country by maintaining an export balance of trade. ^{9/} In September tariff valuations on about 300 items, as well as ad valorem rates of duty on important classes of goods, were increased. ^{10/} In some instances reductions were made on supplies or raw materials essential to the development of domestic industries.

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- ^{1/} Law No. 11022, July 6, 1920.
 - ^{2/} Law 11281, Nov. 29, 1923.
 - ^{3/} Executive Decree, Dec. 19, 1930.
 - ^{4/} Executive decree, Jan. 3, 1931.
 - ^{5/} Executive decrees, Feb. 6, 1931; Feb. 14, 1931; and Feb. 25, 1931.
 - ^{6/} Imposed in 1923; see articles 8 and 9, Law No. 11281, Nov. 29, 1923.
 - ^{7/} Executive Decrees No. 96, June 10, 1931, and No. 98, June 11, 1931.
 - ^{8/} Executive Decree No. 127, July 21, 1931.
 - ^{9/} See the section on exchange control.
 - ^{10/} Executive Decree No. 170, Sept. 15, 1931.

In October 1931 official tariff valuations were increased on nearly 400 items, including paints, lubricating oils, vegetable oils, cooking ranges, and motorcycles. ^{1/} In the same month, a supplementary revenue measure imposed an additional duty of 10 percent on the revised valuations for most dutiable imports. On articles for which there were no fixed official valuations, the additional duty was levied on the c.i.f. value; it likewise was made applicable to most imports which formerly were free of duty. ^{2/} Although this additional duty of 10 percent was described as an emergency and temporary measure, it has been continued in force.

Under the provisions of the commercial agreement between Argentina and the United Kingdom in 1933, either the rates of duty or the official valuations were reduced, or existing rates or valuations were bound against increase on about 300 items of the Argentine tariff schedule. The agreement applied to a wide range of products of special interest to the United Kingdom, including raw materials, foodstuffs, beverages, automotive products, furniture, jewelry, hardware, machinery, textiles, paints, and chemicals. The Argentine tariff concessions in this agreement were extended to the United States and are reported to have been extended to virtually all other countries.

Tariff powers of the Executive. ^{3/} For a number of years the Argentine Executive has been authorized, within prescribed limits, to alter tariff duties; his powers have included the following:

(1) By the terms of the tariff law of 1923 ^{4/} the Executive is authorized to increase duties by as much as one-half, or to levy new duties, up to a maximum of 15 percent ad valorem on duty-free goods, for imports from countries which do not grant most-favored-nation treatment to Argentine products. These duties constitute the maximum column in the tariff schedule. Such maximum (penalty) duties were applied to Peruvian crude petroleum in December 1935, apparently because Peruvian tariff concessions on imports of Chilean wheat were not extended to Argentina. ^{5/} So far as is known this is the only instance where such penalty duties have been employed.

(2) The tariff law of 1923 likewise authorized the Executive, without legislative approval, to reduce the minimum import duties, by not more than one-half, in return for equivalent concessions in commercial agreements; such reductions, however, are terminable on not more than 6 months' notice. Reductions below the statutory minimum have been made to Chile, the United Kingdom, and Brazil. The concessions to Chile were, for the

^{1/} Executive Decree No. 184, Oct. 5, 1931.

^{2/} Executive Decree No. 185, Oct. 6, 1931.

^{3/} The powers of the Executive to modify import duties were strengthened by Executive Decree, June 6, 1944; see the section on modification of import duties.

^{4/} Article 76, Law No. 11281, Nov. 29, 1923.

^{5/} Executive decree, Dec. 2, 1935. These penalty duties were withdrawn in accordance with a commercial agreement with Peru, signed February 3, 1937.

most part, only on products of interest to the two countries and have not been generalized except to countries with which Argentina has unconditional most-favored-nation agreements. Concessions to the United Kingdom have been generalized to all countries. The agreement with the United Kingdom, in which some rates were reduced more than one-half, was submitted for legislative approval before the reductions were made effective.

(3) In 1931 the Executive as authorized to impose new or higher import duties to prevent designated types of "dumping."^{1/} Such duties are subject to review by the National Congress. So far as is known, antidumping duties have not been applied.

(4) In 1939 the Executive was authorized to suspend additional duties on certain articles of prime necessity.^{2/} This authorization relates to the additional import duty of 10 percent ad valorem originally introduced in 1931. The measure granting this power constitutes part of the legal basis of the Argentine wartime price-control program.^{3/}

Export taxes.

Export duties have played a less important role in Argentina than in any other country of South America, except Venezuela.^{4/} Between 1890 and 1900, Argentine export taxes yielded between 2 million and 3 million pesos a year, or less than 5 percent of the total national revenue. The general rate of duty was 4 percent ad valorem. Effective January 1, 1906, following the adoption of the new customs tariff law, virtually all export duties were abolished. They were revived in 1918,^{5/} however, when a tax of 12 percent ad valorem was imposed on exports of agricultural products, and a tax of 15 percent on other exports; the taxes were levied on the excess of value^{6/} over certain basic valuations established in the law. These taxes were abolished in 1933.^{7/} Between 1920 and 1933 revenue from export taxes declined from about 5 percent to one-half of 1 percent of total tax collections. Since 1933 a customs statistical tax (servicio de estadística), amounting to about three-tenths of 1 percent ad valorem, has been imposed on the principal export commodities. In 1935 a tax of 1 centavo (then equal to about \$0.007, United States currency) per metric quintal (100 kilograms or about 220.5 pounds) was introduced on exports of wheat, linseed, corn, oats, barley, rye, and birdseed in order to provide revenue for the Government's program for the construction of grain elevators.^{8/}

^{1/} Executive Decree No. 1033, Aug. 8, 1931.

^{2/} Executive Decree No. 12591, Sept. 8, 1939.

^{3/} See the section on price control.

^{4/} Venezuela's dominant export commodity is petroleum, from which the Government obtains large revenue by other methods.

^{5/} Law No. 10349, Jan. 18, 1918.

^{6/} The excess value was determined monthly by a valuation commission.

^{7/} Export duties are now imposed on two items only, scrap iron and jute bagging; these taxes are levied for protective purposes, rather than to raise revenue.

^{8/} Law No. 12253. See the section on the National Grain and Elevator Commission. This tax was subsequently increased to 2 centavos per 100 kilograms (Executive Decree No. 77010, Nov. 15, 1940).

Exchange control.

During the past decade the most important instrument for the regulation of Argentine foreign trade has been the official control of foreign exchange transactions. This control, which has had varied objectives, has constituted but one phase of a national political and economic program perhaps more comprehensive and more aggressive than has been employed in any other country of Latin America. Exchange control measures have been employed to stabilize the currency, to conserve and allocate exchange balances, to provide exchange for essential Government payments abroad, to raise revenue for the National Government, to protect selected domestic industries, to subsidize certain export products, and to extend preferential treatment to imports from countries with which Argentina has an export balance of trade.

Exchange control, which was officially established in October 1931, was originally designed to protect the currency from further depreciation due to the country's increasingly unfavorable position with respect to its balance of international payments. The exchange value of the peso had declined from an average of 95 cents (U. S. currency) in 1921 to 67 cents in 1931. ^{1/} The country had suffered a serious depletion of its gold reserves and had been compelled to suspend gold payments; there was a growing shortage of exchange with which to service the external debt and to pay for essential imports. Moreover, Argentina was facing increased difficulties in marketing its export products because of the closing of foreign markets by increased tariffs, quantitative import restrictions, and similar devices.

From its inception, exchange control had important repercussions on Argentine foreign trade. An Exchange Control Commission (Comisión de Control de Cambios) was created, and it was required that the purchase and sale of all foreign exchange be made through authorized banks at rates fixed by the control authorities. ^{2/} Exchange permits were required before importers could obtain drafts with which to pay for goods purchased abroad. Priorities were established for the allocation of the available exchange, preference being given in the following order: (1) Governmental requirements (national, provincial, and municipal); (2) essential imports; (3) remittances by public utilities and immigrants; (4) travelers' expenses; (5) nonessential imports; and (6) payment for goods imported before October 13, 1931. At first, no attempt was made to regulate the distribution of the import trade among supplying countries.

^{1/} For the years covered in this section, the average dollar equivalent of the peso (official rate) was as follows: 1929, \$0.95127; 1930, \$0.83505; 1931, \$0.66735; 1932, \$0.58443; 1933, \$0.72801; 1934, \$0.33579; 1935, \$0.32659; 1936, \$0.33137; 1937, \$0.32959; 1938, \$0.32597; 1939, \$0.30850.

^{2/} Executive decree, Oct. 10, 1931; amended by executive decrees, Oct. 16 and 22, 1931.

Late in 1933 exchange control became a more positive instrument of trade control. At that time the new Exchange Control Office (Oficina de Control de Cambios) replaced the Exchange Commission. In accordance with a law effective January 1, 1934, ^{1/} importers were permitted to cover their current exchange requirements at the official rate only if exchange permits had been obtained from the Exchange Control Office before the order was placed abroad. Entry of imports for which prior exchange permits ^{2/} had been refused by the control authorities was not prohibited, but importers of such products were required to assume the risk of covering their commitments in a newly established separate "free exchange market" at rates substantially higher than those prevailing in the official market. Funds for the free market were made available by permitting the exchange from certain specified sources, such as tourist expenditures, new foreign investments, and ocean freight, to be sold at the free rate.

The new exchange-control policy was to issue exchange permits principally on a bilateral-balancing basis; permits were granted for imports from each foreign country in proportion to the aggregate exchange available as a result of that country's purchases of Argentine products. ^{3/} After 1933 this policy was incorporated in a number of special exchange agreements with other countries, under the terms of which Argentina agreed to make available to importers of goods from the other contracting country, without restriction and at the most favorable official rate, exchange equal to the value of Argentine exports to each such country. ^{4/}

Under the law of 1934, the official selling rates, i.e., the rates charged importers who had obtained permits, though lower than the free-market rates, were no longer kept at fixed levels, but were permitted to fluctuate even though subject to official supervision and regulation. Importers were required currently to submit bids for their exchange needs, as certified in their exchange permits. In contrast, the official buying rates (i.e., the rates at which exporters were required to surrender the proceeds from their sales abroad), were fixed at approximately 20 percent above those established by the Exchange Control Commission when exchange control was first introduced in 1931. Thus, stable official exchange rates were maintained so far as exporters were concerned, whereas the rates which importers were required to pay varied almost daily and averaged materially higher. The spread, or exchange margin, between the two rates was at times considerable; it yielded the Government a substantial profit which was used to establish an exchange profit fund (Fondo de Beneficos de Cambio). ^{5/} This fund was employed in part to finance the payment of subsidies to Argentine agriculturalists. ^{6/}

^{1/} Executive decree Nov. 10, 1933.

^{2/} Entitling importers to obtain foreign exchange at the official rate.

^{3/} Less the amount of exchange necessary to meet the service of the Argentine foreign debt held by that country.

^{4/} Special exchange agreements were concluded with the United Kingdom (1939), Belgium (1934), the Netherlands (1934), Switzerland (1934), Germany (1934), Spain (1934), Finland (1935), Austria (1936), Italy (1937), Czechoslovakia (1937), Hungary (1937), France (1938), Brazil (1939), and Denmark (1939). See the section on clearing and payments agreements.

^{5/} Between 1931 and 1940 profits from exchange operations amounted to nearly 1 billion pesos.

^{6/} See the section on control boards.

During the first 7 months of 1934 the rates of exchange in the free market averaged 20 percent higher than the official selling rates, but during the rest of the year the average differential declined to about 12 percent. Thereupon the Argentine Government undertook to maintain the official exchange rate at a minimum of 20 percent below the rate in the "free exchange market." In March 1935 ^{1/} the Government was authorized to levy an exchange surtax not exceeding 20 percent of the official selling rate on all imports made without prior exchange permits. Inasmuch as imports made without prior permits had to be financed at the higher rate in the free-market, such imports were already subject to a serious disadvantage. Shortly after the introduction of the exchange surtax the excess of the free-market rate over the official rate was declared to be a part of the surtax and the tax actually collected was reduced by an equivalent amount.

Important changes in Argentina's foreign-exchange policy were made in 1934 also with respect to the export trade. Exchange derived from exports to neighboring countries could be sold in the more favorable free market. Moreover, to promote the exportation of "non-regular" exports, the Exchange Control Commission early in 1934 published a list of products which were to be granted special exchange treatment; included were wild animal skins, garlic, yerba maté, tobacco, fruits, honey, stearin, wine, cotton linters, cnyx, corn, bran, mica, and cheese. Exporters of these commodities were permitted to sell the exchange thus derived in the free market, instead of being required to sell it to the Exchange Control Commission at prescribed rates. Subsequently, special exchange treatment was granted to other Argentine export products, principally wool. The exchange-control authority permitted the proceeds from these exports to be converted into Argentine currency at a rate slightly lower than the official selling rates, rather than at the official buying rates. Inasmuch as the exchange margin between the selling and buying rates amounted to about 14 percent, the advantage afforded exporters of these products was substantial.

This system of trade control was maintained substantially without modification until the end of 1938, except that, by a decree issued in January of that year, the exchange surtax on imports for which no prior exchange permit had been granted was reduced from a maximum of 20 percent to one of 10 percent. Any advantage which might have accrued to nonpermit imports from this action, however, was offset by the removal of Central Bank support of the peso in the "free market, which resulted in the depreciation of the "free peso." By the end of March 1939 the "free" market rates of exchange exceeded the official selling rates by 25 percent.

A decree issued in November 1938 extended the prior-exchange-permit system ^{2/} to all imports, irrespective of whether the exchange could be purchased at the lower official rates or had to be obtained in the "free" market. ^{3/} Thus, in effect, exchange permits became import permits. The policy regulating the issuance of such permits was substantially unchanged, the allocation to each country being dependent on the amount of exchange created by exports to that country, after deduction of "a reasonable amount" for the needs of the Govern-

^{1/} Law No. 12160, Mar. 28, 1935.

^{2/} The requirement that a permit must be obtained before the order had been placed abroad.

^{3/} Executive decree, Nov. 7, 1938.

ment. Depending on the type of goods to be imported and the country from which the goods were to be obtained, the permits specified either that the holder was entitled to buy the exchange at the favorable official rate or that he had to bid for it in the free market.

In August 1939, shortly before the outbreak of the war in Europe, the "free exchange market" was formally abolished so far as imports were concerned. A system of two official exchange rates, Rate A and Rate B, was adopted; rate A conformed to the former official rate, and rate B to the former "free" market rate.^{1/} The exchange permits subsequently issued provided for the release of foreign drafts to importers either at the official A rate, fixed at 17 pesos to the pound, or at the official B rate, fixed at 20 pesos to the pound, according to the type of goods imported. The exchange-control authorities published lists of commodities for which exchange would be released to importers at the A and B rates. After the outbreak of the war, the rates were reduced to 15 and 17 pesos to the pound (3.73 and 4.23 to the dollar), respectively, for rates A and B.

The effect of the new exchange regulations was to impose rigid quantitative restrictions—including a system of informal quota controls—on all imports. These restrictions were employed, both on a commodity and on a country basis, to discriminate against products from countries with which Argentina had a net import balance of trade.^{2/} In addition to specific quotas, embargoes on imports were established for many tariff classifications affecting principally products of such countries. The more favorable exchange rates were generally available for the purchase of commodities from countries with which Argentina had an export balance of trade.

Clearing and payments agreements.

As a result of the world depression, the decline of prices, and the widespread and increasing barriers to trade throughout the world, the value of Argentine exports by 1933 had declined to less than half that in 1928. There arose the further possibility that exports of Argentine beef might have to contend with an extension of the British system of Imperial preference. Faced thus with the danger of additional decreases in exports, and with continued difficulties with respect to its foreign exchange position, Argentina, as already noted, reorganized its exchange control and adopted the policy of according favored treatment to countries in the trade with which it had an export balance. In connection with this policy, Argentina entered into a series of bilateral agreements which made the release of exchange at official rates to each of the other contracting countries dependent as a general rule on the amounts of exchange accruing to Argentina from its sales to that country. This new policy was epitomized in the slogan "Buy from those who buy from us" (Compra a quien nos compra). As a result of these agreements a large part of the total exchange available to Argentina was reserved for imports from special markets.

The first and the most important of these agreements was the Anglo-Argentine Convention (the Roca-Runciman Treaty) concluded on May 1, 1933. This agreement provided for the liquidation of blocked

^{1/} Executive decree, Aug. 21, 1939.

^{2/} Principally the United States, but also Japan and Italy.

peso balances in the United Kingdom, and specified that, whenever exchange control was operative in Argentina, the full amount of sterling exchange derived from the sale of Argentine products in the United Kingdom would be made available at official rates for current remittances to the United Kingdom, after deduction of a reasonable sum¹ for the service of the Argentine debt. The principal British concession to Argentina was the assurance, with qualifications, ^{1/} that quotas restricting the quarterly imports of Argentine beef into the United Kingdom would not be set lower than 90 percent of the imports during the quarter of the year ended June 30, 1932. Other concessions were designed to facilitate trade between the two countries. On December 1, 1936, this treaty was renewed, with modifications, to continue in force until the end of 1939.

The Anglo-Argentine Convention (1933) served as a model for other agreements concluded by Argentina; by the end of 1939 trade-balancing agreements had been concluded with the following additional countries: Belgium (1934), the Netherlands (1934), Switzerland (1934), Germany (1934), Spain (1934), Finland (1935), Austria (1936), Italy (1937), Czechoslovakia (1937), Hungary (1937), France (1939), Brazil (1939), and Denmark (1939). For imports from countries such as the United Kingdom and Germany, with which Argentina had an export balance of trade, an abundance of exchange usually was available at the most favorable rate. The exchange derived from exports to each agreement country was not available for the payment of imports from other countries such as the United States, which did not ordinarily import from Argentina goods in as great value as they exported thereto. In 1937 more than 55 percent of all imports into Argentina were from countries with which these agreements were in force. It would be difficult to appraise the net effect of the Argentine policy of granting preferential exchange treatment to products of selected countries. Although not all of the change in the distribution of Argentina's imports can be attributed to the official exchange policy, nevertheless it would seem significant that between the period 1925-29 and 1933-38, imports from the United States declined from 25 percent to 15 percent of total imports into Argentina, whereas those from the United Kingdom increased from 20 to 23 percent. ^{2/}

Other commercial agreements.

In its commercial agreements, so far as tariff rates alone are concerned, Argentina quite generally has adhered to a most-favored-nation policy. Most of those in force at the end of 1929 were of the unconditional type; they included agreements with Bolivia (1868), Brazil (1856), Germany (1857), Japan (1898), Norway (1885), Spain (1863), and Sweden (1885). Conditional most-favored-nation agreements were in force with the United States (1853), France (1853), Italy (1894), and the United Kingdom (1825).

It has already been noted that many of the agreements negotiated by Argentina in the decade 1930-39 were bilateral clearing agreements

^{1/} The United Kingdom agreed that, whenever it became necessary to reduce the quota below this level, it would consult with Argentina and the governments of the other leading suppliers of the United Kingdom market, in order to effect an equitable distribution of the reduced quotas among the several countries.

^{2/} Virgil Salera, Exchange Control and the Argentine Market, New York, 1941.

which provided for treatment to which the most-favored-nation principle had no direct application, ^{1/} but, in addition most-favored-nation agreements, chiefly of the unconditional type, were concluded with Brazil (1933) and (1935), Chile (1933 and 1938), the Netherlands (1934), Switzerland (1934), Spain (1934), Rumania (1935), Uruguay (1935), Finland (1935), Austria (1936), Czechoslovakia (1937), and Hungary (1937). Most of these were of the unconditional most-favored-nation type. ^{2/}

Six of these agreements were negotiated at the same time and in conjunction with agreements providing for bilateral exchange control. The extensive use of exchange control in regulating Argentina trade, and the emphasis placed on bilateral exchange agreements, have greatly limited the effectiveness of these most-favored-nation guarantees. Moreover, before 1940 Argentina had concluded agreements involving tariff reductions below the statutory minimum rates with the United Kingdom, Chile, France, Brazil, Norway, and Iceland. The concessions to the United Kingdom and Chile were generalized, whereas those to other countries (limited to a few products) were not.

Argentina also entered into agreements with neighboring countries to facilitate regional trade; these included agreements with Bolivia (1937) and Paraguay (1935).

The agricultural control boards.

For more than a decade the Government of Argentina has exercised a substantial measure of control over the production and marketing of certain agricultural commodities by means of various regulatory and control boards. This intervention has had for its principal purpose the relief of the distress among producers resulting from the decline in world prices and the reduced demand for agricultural products during the depression following 1929. Funds to finance the activities of these boards have been derived, in part, from the profits of exchange control and, in part, from contributions made by the producers themselves. Although the representatives of the industries concerned have been allowed considerable latitude in the formulation of the controls which have been imposed, the boards have depended upon governmental authority for their enforcement.

The more active of the regulatory agencies have been the Grain Regulating Board, the National Meat Board, the National Grain and Elevator Commission, the Wine Regulating Board, the Yerba Maté Board, and the National Cotton Board. Most of these bodies are concerned with domestic markets, although those concerned with grain and meat have been active in the international market. The control boards have performed a variety of functions, including the control of production, the maintenance of domestic prices, the development of marketing and grading standards, the improvement of techniques, and the development of new markets.

The Grain Regulating Board.—Since 1933 the Government has intervened intermittently in the grain industry to assure minimum prices to growers. Argentina is the world's leading producer and exporter of flaxseed, the largest exporter of corn, and the second largest exporter

^{1/} See the section on clearing and payments agreements.

^{2/} Exception to the guarantee of most-favored-nation treatment was provided in the agreements with Finland and Lithuania with respect to concessions made by Argentina to neighboring countries.

of wheat. Argentine exports of flaxseed usually represent nearly 85 percent of domestic production; corn, about 80 percent; and wheat, about 55 percent. In terms of value, these products ordinarily constitute the three principal exports of the country. After 1930, the sharp decline in world prices and the reduced demand resulting from the world depression created considerable hardship among Argentine producers of these commodities.

The Grain Regulating Board (Junta Reguladora de Granos) was created in November 1933 to administer the program of Government assistance to agriculture. ^{1/} The Board was authorized to establish minimum prices for wheat, corn, and flaxseed, and, in order to make such prices effective, to purchase grain for export when domestic prices fell below the established minimums. Prices were fixed almost immediately thereafter at 5.75 pesos (the peso was then worth \$0.73, United States currency) per quintal (1 quintal = 220.5 pounds) for wheat, at 11.50 pesos for flaxseed, and at 4.40 pesos for corn. ^{2/} These prices were maintained throughout 1934, during which the Grain Board handled 75 percent of all wheat exported or about 52 percent of the 1933-34 crop. The Board played a less active role in the market for corn and flaxseed. In December 1935, partly because of the prospects of a crop shortage, the minimum prices for wheat and flaxseed were increased. ^{3/} In December 1936, after market prices for these products had risen above the established minimum prices, the latter were suspended. Similarly, that for corn was increased in March 1936, ^{4/} and suspended in January 1937.

During 1938, when world prices again were considered to be insufficient to cover costs of production, the Grain Board resumed its operations. At this time the Board was reorganized ^{5/} and the Executive was authorized either to fix minimum prices or to grant direct subsidies to producers. Thereafter, the Board no longer confined its purchases of grain to those made solely for export. ^{6/} During 1938-39 the Government purchased very little flaxseed. On the other hand, the market price of wheat remained below the guaranteed minimum (7 pesos per quintal), with the result that the Board was called upon to purchase virtually all of the 1938-39 crop. In September 1939, shortly after the outbreak of the war in Europe, and because of the resultant marked increase in the prices of grain, the minimum-price guaranties for wheat and flaxseed again were abolished.

The guaranteed price and purchase program, in effect and by intent, constituted an export subsidy to producers. Revenues for the subsidy (the difference between the purchase price paid by the Board and that received when the grain was sold on the world market), as well as

^{1/} Executive Decree No. 31864, effective Nov. 28, 1933. The Board consisted originally of 14 members appointed by the President, and included representatives of the Ministry of Agriculture, the Bank of the Nation, the Rural Society of Argentina, the Board of Trade, the National Commission of Grains, and the Grower's Cooperative.

^{2/} Prices f.o.b., port of Buenos Aires. These prices were the equivalent of about 52 cents per bushel for wheat, 97 cents per bushel for flaxseed, and 37 cents per bushel for corn. (Peso converted at annual exchange rate for 1934.)

^{3/} Prices of wheat and flaxseed were raised, respectively, to 10 pesos and 14 pesos per quintal.

^{4/} The price of corn was raised to 5 pesos per quintal.

^{5/} Executive Decree No. 17043, effective Nov. 14, 1938.

^{6/} In December 1938 the minimum price guarantee program was extended to include cattle sold for slaughter; see the section on the National Meat Board.

for the operating expenses of the Board, were derived chiefly from the profits of foreign exchange operations. ^{1/} Loans to finance the purchase program have been made by the Bank of the Nation (Banco de la Nación). The deficit from these price-fixing operations has been substantial; between 1933 and 1938 it was reported to total nearly 2.5 million pesos (about \$900,000).

The National Grain and Elevator Commission.--In 1933, in line with its policy of furthering the interest of agricultural producers, the Argentine Government initiated a program for the construction of grain elevators. This was but one of a series of steps which have been taken since 1894 to improve the marketing of grain. In part because of the world depression following 1929 and the resultant accumulation of surplus stocks, Argentina had begun to experience increasing need for more adequate storage facilities. The Grain Elevator Law, enacted in October 1933, authorized the construction of a number of elevators to function as public utilities and to render various services, including the cleaning, drying, classification, and storage of grain. ^{2/} The law created the National Grain Elevator Bureau, which was directed to prepare plans for a system of local and terminal elevators; to advise the Government regarding the location and types of elevators to be constructed; to acquire privately owned elevators by purchase or through the exercise of eminent domain; and to operate the government-owned elevators, or to lease them, preferably to agricultural and cooperative associations.

The program provided for the construction of 321 country elevators and 14 terminal elevators. The Executive was authorized to issue bonds, in an amount not exceeding 100 million pesos (about 32 million dollars), for the construction of the elevators and to pay for their operation during the initial period. By 1940 the construction of a number of terminal elevators had been undertaken. The Grain Elevator Law specified that the rates charged by the government-operated elevators should be sufficient to cover interest charges and to amortize the indebtedness incurred. Funds from the profits of exchange-control operations have also been used to finance the program.

In October 1935 the National Grain and Elevator Commission (Comisión Nacional de Granos y Elevadores), created to supersede the Bureau, was given broad powers over the production and marketing of grain and authority to administer the elevator program. ^{3/} The Commission possesses regulative powers over all private firms engaged in foreign and domestic trade, in grains, over grain exchanges, and over transportation facilities utilized in the shipment of grains.

The National Meat Board.--Products of the livestock industry, the second most important export group, are shipped principally to the United Kingdom, which ordinarily takes about four-fifths of total Argentine exports of beef. Before 1933 United Kingdom imports of meats from Argentina were maintained on an unrestricted basis; in that year, however, following the Roca-Runciman Agreement, quotas were established for meats imported from Argentina. ^{4/} In 1936 the treaty

^{1/} See the section on exchange control.

^{2/} Executive Decree No. 11742, Oct. 7, 1933.

^{3/} Executive Decree No. 12253, Oct. 5, 1935; Executive Decree No. 11742 continued to be the legal basis for the construction and operation of the proposed elevator system.

^{4/} See the section on clearing and payments agreements.

was revised, providing for British duties on imports of beef from non-Empire countries, in addition to continuing the import quota system. This policy on the part of the United Kingdom of protecting home industries and of granting preference to producers within the Empire resulted in the loss of a considerable part of what was formerly the largest market for Argentine meat products.

Meanwhile, in an effort to develop foreign markets, to ensure greater profits to cattle growers, to promote domestic consumption, and to establish more effective regulation over methods of meat processing, the Government had intervened on behalf of the industry. In October 1933 the National Meat Board (Junta Nacional de Carne) was created^{1/} with broad regulative powers over the industry, including the power to establish rules for grading and classifying livestock and meat for both foreign and domestic markets; to develop standards of quality, packaging, and transportation; to construct and operate frigorificos or other commercial and industrial establishments for the protection of growers; and to initiate programs for reducing prices in the domestic market and for increasing domestic consumption. The Board was authorized to levy a tax of 1 percent on the value of all sales of livestock. Part of the receipts from this tax have been used to defray the operating expenses of the Meat Board; the major part, however, has been allocated to special organizations created for the benefit of the cattle industry.

In October 1934 the Argentine Corporation of Meat Producers (Corporación Argentina de Productores de Carnes) was established by the Meat Board. Its creation marked the culmination of a long struggle on the part of livestock producers for more direct participation in the processing and marketing of their products, which had been mainly in the hands of a few large corporations controlled by United States and British capital. The corporation, financed largely by the sales tax on livestock, has operated as a producer-owned organization to buy and sell cattle; its objectives have been to promote the manufacture and marketing of livestock products for local consumption, to develop foreign markets, and to assure "reasonable" returns to cattle producers. The corporation was authorized to slaughter livestock for its own account, for the account of associates, or for third parties, and to purchase, construct, and rent meat-packing facilities either in Argentina or abroad. Under the arrangements of the Roca-Runciman Agreements, 15 percent of the United Kingdom imports of meat from Argentina were set aside for nonprofit organizations operated for the benefit of stock raisers; with the establishment of the Corporation, it was assigned 11 of this 15 percent.

To compensate for the import duty established by the United Kingdom, the Argentine Government in 1936 authorized subsidies for exports of beef to that country.^{2/} Funds for the payment of the subsidies were derived from the profits of the exchange-control system. These funds, up to a maximum of 15.1 million pesos (about 5 million dollars) annually, were deposited in the Central Bank and distributed by the Board to exporting companies in proportion to their exports. In August 1937, when market conditions resulted in an increase in the

^{1/} Executive Decree No. 11747, effective Oct. 7, 1933; the National Meat Board is an independent body composed of nine members appointed by the Executive.

^{2/} Executive Decree No. 96453, Dec. 19, 1936.

prices of beef, the subsidies were discontinued. From time to time other subsidies have been granted to cattle raisers selling in either the domestic or the foreign market. Funds for these subsidies usually have been derived from the profits of exchange control and have been administered by the Board.

In 1940 the Meat Corporation took over the functions of the Live-stock and Meat Markets (Mercados de Hacienda y Carne), which had been established in 1937 to construct, acquire, and operate cattle-marketing agencies, packing houses, and general storage facilities throughout the country. One of the main purposes of this agency was to promote the domestic sale of meat at low prices in order to develop the local market.

The National Yerba Maté Board.—The rapid expansion in the cultivation of yerba maté (Paraguayan tea) in Argentina and the resulting competition with imports from Brazil and Paraguay have led to serious problems in its production and marketing. Although Argentina is an important producer of maté, it is also the principal importer and consumer. A factor contributing to the expansion of the industry, particularly in the Territory of Misiones, was the comparatively high prices which prevailed before 1930. ^{1/} This resulted in increasing annual surpluses of maté, and induced producers to seek governmental aid.

In September 1935 the National Yerba Maté Board (Comisión Reguladora de la Producción y Comercio de la Yerba Maté) ^{2/} was created, with authority to limit the output and to control the marketing of yerba maté, to pay subsidies to growers from the proceeds of an internal revenue tax, and to improve marketing facilities. At the same time, in order to discourage new production, a tax of 4 pesos was imposed on each new tree planted during the 5-year period following the enactment of the law. Effective March 1, 1936, a small internal revenue tax was established on all processed maté, whether imported or ground in domestic mills, the tax being subject to change with important variations in the domestic selling price. ^{3/} The proceeds of the tax were used (1) to compensate growers for the difference between the determined cost of production ^{4/} and the selling price, (2) to defray the expenses of the Board, and (3) to provide a fund for promoting consumption in domestic and foreign markets. In order to receive compensation benefits, growers, millers, importers, and distributors have been required to register with the Maté Board.

In June 1937 the Board's activities were broadened by the creation of a Consignment Market of National Cured Yerba Maté (Mercado Consignatorio de Yerba Maté Nacional Canchada), an official selling organization which functions under the Board's supervision. The Market re-

^{1/} In 1928, and again in 1931, the Government encouraged the cultivation of maté in the Territory of Misiones by putting government-owned lands into production, with the understanding that 75 percent of them were to be confined to yerba maté.

^{2/} Executive Decree No. 12236, Oct. 4, 1935; the Board consisted of 13 members, appointed by the President, with the Minister of Agriculture acting as chairman.

^{3/} Executive Decree No. 77473, Feb. 28, 1936; the internal tax, referred to as a "movilización" tax, was fixed at 0.04 pesos per kilogram, to be paid monthly by domestic millers.

^{4/} By a decree of February 28, 1936, the cost of production was designated as 25 centavos per kilogram, delivered in Buenos Aires or Rosario.

ceives, stores, and sells maté to the mills for the account of the grower. Producers have also been permitted to obtain loans from the Central Bank, using stored maté as collateral. As the result of the demand for these facilities, the Maté Board virtually has taken over the storage, marketing, and handling of the crop from the time it leaves the growers until it is received by the mills. Inasmuch as the growers usually have preferred high prices on a reduced crop to unrestricted production, their attitude, for the most part, has been favorable to the Board's operations.

The Wine Regulating Board.—Grape culture is one of the oldest agricultural pursuits in Argentina; its products go principally to domestic markets. Because of the rapid expansion of domestic production, the industry faced serious difficulties after 1930; surplus stocks accumulated and prices for grapes and wines declined, as well as the value of land devoted to grape culture. To meet this situation the Government instituted a program to adjust production to estimated requirements. In December 1934 the Wine Regulating Board (Junta Reguladora de Vinos) was created, with authority to regulate the production of grapes, to "stabilize" the industry, and to restrict the marketing of wine to "consumption capacity." ^{1/}

The Board undertook to compensate growers for the destruction of wine-grape vines or for the substitution of table and raisin-grape vines and other crops; it also purchased surplus grapes to divert them from wine production and bought surplus stocks of wine in order to withhold them from the market. Other activities of the Board have included supervising the harvests, regulating methods of processing, analyzing and classifying wine, and installing cooperative warehouses. To discourage new production, a tax of 1,000 pesos per hectare (about \$134 per acre) was imposed on new vineyards. Revenues with which to finance the operations of the Board have been derived from a tax on each liter of wine produced. In 1937 the authority of the Board to purchase surplus stocks of grapes was withdrawn; instead, it was empowered to purchase vineyard lands and remove them from production. At the same time, the Board initiated various measures to increase domestic consumption of wine. Since then marketing quotas have been assigned to processors. As a result of these activities, output is reported to have been maintained at a lower level, and prices of both grapes and wines have increased substantially.

The National Cotton Board.—For several years the Government has been interested in expanding the output of cotton in Argentina. In April 1935 the National Cotton Board (Junta Nacional del Algodón) was created, not as an emergency measure to cope with difficulties that had beset the industry, but primarily to encourage production. The Board, composed of representatives of government agencies and cotton growers, exercises general supervision over production, processing, and marketing. It has undertaken to select the varieties of cotton most suitable to the various producing areas and to introduce the product to new regions; to promote colonization in cotton-growing districts; and to establish a uniform commercial classification for cotton fiber. Credit facilities have been provided to growers through the Banco de la Nación. Regional agronomists have been appointed to carry on experimental and educational programs. Other activities of the Board have included the improvement of marketing

^{1/} For a more detailed account of the activities of the Wine Regulating Board, see Foreign Agriculture, December 1942.

facilities and the more effective regulation of cotton ginning establishments. To encourage the use of high grade seed, certified seed has been distributed free to farmers cooperating with the program. Operations of the Board have been financed principally from profits derived from the purchase and sale of foreign exchange. After the inauguration of the program the area devoted to cotton increased steadily, amounting to 480,000 acres in 1934, 713,000 acres in 1937, and 1,035,000 acres in 1938.

Other control boards.—The Argentine Government has given special assistance to and has extended its control over other agricultural industries through several additional boards, including the Sugar Commission, the Wool Institute, and the Dairy Board.

Because of distressed conditions among both growers and manufacturers of sugar, legislation in 1928 provided for the creation of the National Sugar Commission (Comisión Nacional del Azúcar). ^{1/} This agency, established in January 1931, undertook to regulate production, to control imports, and to maintain minimum prices for the benefit of the domestic industry. Production quotas were assigned to both growers and processors, and a penalty tax was imposed on those who exceeded their allotments.

The functions of the Wool Research Institute (Instituto de Investigación de Lanas), established in 1936, have been chiefly promotional; it has, however, established standards of quality and instituted controls over marketing practices.

In 1934, because of depressed conditions in the dairy industry, measures were initiated to assure higher prices and more stable incomes to producers. The National Dairy Regulating Board (Junta Reguladora de la Industria Lechera), composed of representatives of producers, manufacturers, distributors, and exporters, was created, ^{2/} with regulatory power over the trade. In conjunction with the exchange-control authorities, the Board has determined the amount of subsidy to be granted to exporters of dairy products through adjustment of the price at which their export bills could be sold. Moreover, it has undertaken to promote domestic consumption of these products, and has initiated measures to improve their quality. The Dairy Board has been replaced by the National Dairy Industry Commission (Comisión Nacional de la Industria Lechera), but its functions remain quite unchanged.

The Government Petroleum Enterprise.

For many years the Government Petroleum Enterprise (Yacimientos Petrolíferos Fiscales) has been active in the exploration, extraction, importation, refining, and marketing of petroleum products. In addition to conducting operations on its own account, this agency, usually referred to as the YPF, exercises extensive regulatory powers over privately-owned firms in the industry. The YPF operates its own oil wells, pipe lines, refineries, tankers, storage plants, and retail outlets.

Although Argentina now ranks fourth among the countries of Latin America in the production of crude petroleum, it does not produce enough for its own requirements. Petroleum was first discovered in

^{1/} Executive Decree No. 702, May 11, 1925.

^{2/} Executive Decree No. 40140, Apr. 12, 1934.

Argentina in 1907. Soon thereafter the YPF was organized; in its earlier years it engaged chiefly in exploration activities and the production of crude oil. ^{1/} At first the petroleum industry was almost entirely in the hands of the Federal Government. In 1916, however, private companies, mostly foreign owned, entered the field.

In 1924, in order to prevent the industry from coming under foreign control, the most promising oil lands in nationally owned territories were reserved for exploration by the National Government. Similar action was taken by various provinces. From time to time since 1924 new decrees have been issued clarifying earlier measures or reserving additional lands to the Government. ^{2/} These decrees tended to limit the expansion of foreign oil companies. The private companies operating under their early concessions, however, were able to continue their activities, and by 1929 they accounted for nearly one-fourth of the total output. More recently they have reached an output comparable to that of the government enterprise.

The authority of the YPF was materially broadened in July 1936, when it was granted the power to regulate the importation, exportation, transportation, and marketing of petroleum and its products in Argentina. ^{3/} It was authorized to establish quarterly import quotas; imports were to be made only by the YPF which, after deducting the quantities deemed sufficient to meet its own requirements, apportioned the rest among private companies. In order to continue their operations, private companies were required to register, and thereby became subject to further regulation by the government enterprise. After a period of dissension, an agreement between the Government and the private companies, signed on June 28, 1937, designated the manner in which the Argentine market was to be apportioned among the various companies. The YPF share of the market was to be increased to take care of the whole future increase in consumption up to a specified amount. Increases above that amount, up to a certain maximum, were allotted to producers using domestic sources of supply. Any further increase was to be shared on a specified basis between the YPF and the domestic companies, to the extent that they were able to supply the demand. In case it became necessary to increase imports of petroleum products to meet the expansion in demand, all companies were to share in proportion to their domestic quotas. The effect of these regulations has been to restrict materially the private companies in their competition with the government enterprise.

By virtue of the "reserve" decrees the Government now controls the areas most likely to yield new supplies of oil. Since 1936 the YPF has been the sole importer of petroleum and its products. In 1939 its operations accounted for more than half of the country's output of crude oil, about one-third of the refined gasoline, one-half of the kerosene, one-fourth of the Diesel oil, and two-thirds of the fuel oil.

The quebracho pool.

Since 1934 the production and sale of quebracho extract have been controlled by a pool sponsored by the major producers in Argentina

^{1/} In accordance with Executive Decree No. 11668, December 13, 1932, the YPF was reorganized, as it is presently constituted with broad regulatory powers over the petroleum industry.

^{2/} See D. M. Phelps, "Petroleum Regulation in South America," American Economic Review, March 1939.

^{3/} Executive Decree No. 86639, July 20, 1936.

and Paraguay. This product, obtained from the heartwood of the quebracho tree, is the most important and widely used of the numerous vegetable tanning materials. Quebracho trees are native to northern Argentina and Paraguay, which together account for substantially the entire world output of quebracho.

At least four agreements among producers have been concluded since 1900 to control either the production or marketing of quebracho products. In 1907 a syndicate was formed to manage the sales of most producers in the two countries. For a time this combination was effective in raising prices for the extract; in 1909, however, the syndicate was dissolved because of dissension among its members. Prices appear to have fallen abruptly thereafter, and a number of factories were closed. With the outbreak of World War I, however, prices reached new high levels. In 1916 a new syndicate was organized by 10 companies—6 Argentine and 4 Paraguayan—which proceeded to limit output and centralize selling activities. Although this combination met with some success in raising prices, it was dissolved in 1922. In 1926 another quebracho-selling organization was created; this combination embraced producers accounting for about 90 percent of total world production of quebracho extract. The most important member, the Forestal Land, Timber, and Railways Co., was designated as the selling agent for the combination. This pool functioned quite effectively between 1926 and 1931; production quotas were established for member firms, and prices were maintained at a relatively high level. In August 1931 this combination collapsed, principally because one important producer failed to comply with the terms of the agreement. Thereafter the industry experienced a period of unrestricted competition. By the end of 1932 prices for quebracho products had dropped nearly 60 percent. Apparently the earlier high prices had fostered the development of productive capacity in excess of world requirements.

A new quebracho marketing agreement was negotiated on November 8, 1934. Producing firms, then numbering more than 20 in the two countries, were unable to reach an understanding and appealed to the Argentine Government to establish production controls. Although the Government did not accede to these requests, it did encourage the producers themselves to formulate a plan, extending its encouragement principally through the offices of the Under-Secretary of Agriculture, under whose direction a plan was perfected and an agreement reached.

All the important producers of quebracho extract, including 16 in Argentina and 4 in Paraguay, became parties to the new pool, which differed somewhat from previous pools in that it represented a combination of producers rather than of sellers. The announced purposes of the new organization included "the stabilization of prices to consumers" and "the balancing of production and consumption." The pool is officially known as the Association of Exporters of Quebracho Extract (El Centro de Exportadores de Extracto de Quebracho); its operations are supervised by a Directive Committee which assigns export quotas to each manufacturer and fixes the sale price for quebracho in Buenos Aires. This price is binding upon all members. Potential production was estimated to be more than 500,000 metric tons per year, whereas actual sales were restricted to 50 percent of that figure, or 250,000 metric tons. In order further to control prices the international market was divided into sales territories, and sales agents were designated for each territory.

Between 1934 and 1940 the quebracho pool continued to function effectively, achieving many of its objectives. Production was limited to world demand at the controlled price level. Prices remained quite stable from day to day and from month to month, although they rose over a period of years. ^{1/} No new factories were built, and almost all producers adhered to the terms of the agreement. By 1940, however, two significant developments had foreshadowed a possible disintegration of the pool: One producer had withdrawn from the arrangement in 1936 and continued thereafter to operate independently; and the combination had felt compelled to purchase large quantities of quebracho wood and to withhold them from the market. Later, this threatened disintegration of the pool was forestalled by the intervention of the Argentine and Paraguayan Governments. ^{2/}

Economic Controls and Commercial Policy since the Outbreak of the War

Although the Argentine economy has been somewhat less seriously disturbed by the war than that of most countries of South America, a number of dislocations have occurred; some of its customary export markets have been closed, and shipping shortages and export restrictions adopted by the belligerent powers have prevented or limited the importation of vital industrial materials and equipment. The general pattern of economic controls employed in Argentina before the war has been retained. The new exchange position of the country resulting from the increased prices of exports and the wartime reduction of imports, however, has made possible a more liberal application of exchange regulations. New government controls since 1939 have been designed principally to conserve and to ration the supplies of important industrial materials, and to prevent an undue increase of prices.

Modification of import duties.

In recent years the Argentine tariff structure appears to have been the most stable in South America. Since 1940 there have been few changes in the basic rates of duty; almost all these changes have accorded more favorable treatment to selected import commodities. Duty-free status (often temporary), or reductions in the rate of duty have been granted on a number of items, principally supplies for industry and basic articles of consumption. By special decrees of the Executive ^{3/} such treatment has been extended to pig iron, port supplies, twine, manila paper, calcium and lead arsenates, newsprint, cotton bags, metal containers, natural rubber and articles manufactured from rubber, cinchona bark and a number of other medicinal products, cotton textiles used in the manufacture of bags, fruit-box shooks, and various other articles.

^{1/} The New York price for solid quebracho extract (63 percent tanning) was 2½ cents in October 1934, 3-5/8 cents in November 1934; 3-1/8 cents in January 1937; 4 cents in April 1938; 4-3/8 cents in November 1939; 4½ cents in December 1939 and throughout 1940; and 4-7/8 cents throughout 1941, 1942, and the early part of 1943.

^{2/} See the section on official quebracho export quotas.

^{3/} The authority to make such modifications appears to be derived principally from law 12345, Jan. 12, 1937, and Law 12591, Sept. 8, 1939.

In 1941 the tariff laws of Argentina were consolidated in one text; ^{1/} the new schedule is essentially a reprint of the tariff of 1923, ^{2/} together with the many modifications introduced since that time. In 1941 a Commission for the Study of Tariff Evaluations (Comisión Para el Estudio de la Tarifa Avalúos) was created; ^{3/} this committee has undertaken to prepare a new schedule of tariff valuations and to modernize it by adopting the nomenclature recommended by the League of Nations. ^{4/} The committee is not expected to complete its work in 1944; it has, however, distributed, in preliminary draft, the new schedule and nomenclature which it will probably recommend for adoption.

Additional Executive control over imports.-- Since 1923 the Executive has had considerable authority to alter import duties, including particularly the power to increase them on imports from countries which do not grant most-favored-nation treatment to Argentine export products, as well as the right to apply additional duties to prevent dumping. These powers were strengthened materially in June 1944. ^{5/} The new decree, definitely protective in character, ("de fomento y defensa") authorizes the Executive to increase import duties in order to foster industrial expansion and to prevent "dumping." An advisory Commission for Industrial Development (Comisión Asesora de Fomento Industrial) was created to assist the Executive in its administration. The measure has the three-fold objective of shielding from excessive competition during the post-war period those Argentine industries created or expanded during the war; of fostering new industries; and of further stimulating the industrialization of the country.

The Executive is specifically authorized to impose additional duties of as much as 50 percent of the existing rates in order to protect Argentine manufacturing industries from foreign competition. The increased duties may be applied when the c.i.f. value of imported products, plus the existing customs duties and related charges, is lower than the domestic cost of production for these articles. Manufacturing industries eligible for such assistance are those processing Argentine raw materials for domestic consumption or those using materials of foreign origin in the production of prime necessities. When reduced rates of duty are granted, manufacturers become subject to rather comprehensive supervision by the Government, particularly with respect to operating policies and costs.

Executive authority to prevent "dumping" was apparently strengthened by the new decree; five practices, against which Executive action may be taken, were specifically defined as dumping. Additional duties, even in excess of 50 percent, above the existing rates, may be imposed on imports when thus characterized.

In addition to the powers described above, the Executive was authorized, when deemed necessary, to impose import quotas upon articles competing with those of domestic manufacture, and in cases of

^{1/} Ley de Aduana y su Reglamentación, Buenos Aires, 1941.

^{2/} Law No. 11281, Nov. 29, 1931.

^{3/} Executive Decree 99045, Aug. 22, 1941.

^{4/} This work is in effect a continuation of that undertaken by a similar commission established in 1932 (Executive Decree No. 12150, Aug. 19, 1932).

^{5/} Executive Decree, June 6, 1944.

"extreme gravity" such imports may be prohibited entirely. Should the measures already described prove inadequate to provide the desired protection, subsidies may also be granted to industries of particular importance to the national defense.

Exchange control since 1940.

Since 1939 the essential features of the Argentine practice with respect to exchange control have been determined more by the improved exchange position of the country and by wartime problems of obtaining needed imports than by any change in the formal regulations themselves. The Government now holds large reserves of gold and foreign exchange, although a substantial portion of such balances is represented by blocked sterling accounts. ^{1/} This new exchange position has resulted from changes brought about principally by the war; the value of Argentine exports, particularly meats, has increased, principally because of higher prices, whereas the value of imports has declined markedly because many commodities could not be obtained. Since 1940, therefore, Argentina has had an increasing export balance of trade. Moreover, there is reported to have been a net movement of capital into the country. These factors have resulted in ample exchange for all purposes, despite the accumulation of blocked balances in the United Kingdom, and have made possible a more liberal application of the exchange regulations.

Situation at the beginning of the war.—At the outbreak of the war the Government was exercising complete and effective control over all exchange transactions and over the importation of all merchandise. The Government purchased at a fixed rate, through the Exchange Control Office, all exchange derived from the exportation of commodities from Argentina. ^{2/} Since the outbreak of the war this rate has been 3,3582 Argentine pesos to the United States dollar (or 1 peso = \$0.2978, United States currency). The exchange thus received was resold by the Control Office to importers at a substantial profit. Several rates of exchange were available to importers, the Government determining the rate to be applied according to the country of origin and the class of goods involved. In summary, the details as to selling rates at the beginning of the war were as follows:

1. To authorized importers of preferred classes of goods (such as iron, steel, tin plate, newsprint, etc.), irrespective of the country of origin, who held official import permits and to importers of goods from the United Kingdom, exchange was available at a rate (official A) of 3.7313 pesos to the dollar (or 1 peso = \$0.268; United States currency), or at a profit to the Government of about 11 percent.

^{1/} Since the outbreak of the war in 1939, the United Kingdom has imposed increasing control over all transactions in that country involving the use of foreign exchange. In general, receipts accruing to Argentine exporters to the United Kingdom are paid into a special account in London. Payments from this account may be made only for exports from the United Kingdom to Argentina or for approved capital transactions. At the close of 1943 it is reported that about 43 million pounds sterling of blocked exchange had accumulated in the Argentine account.

^{2/} In practice, exchange was purchased by authorized private banks on a commission basis for the account of the Exchange Control Office.

2. To authorized importers of other classes of goods (second essentials such as agricultural machinery, spare parts for automobiles, etc.), irrespective of origin, who held official import permits, exchange was available at a rate (official B) of 4.2289 pesos to the dollar (or 1 peso = \$0.236, United States currency), a profit of about 39 per cent.
3. To individuals or organizations desiring to transfer capital, dividends, or interest, or to make other remittances (except to countries with which Argentina had negotiated payments agreements), exchange was available at a rate of 4.2450 pesos to the dollar (or 1 peso = \$0.234, United States currency), a profit of about 40 percent.

Import permits were required of all importers before goods could be cleared through the customs; such permits designated the rate of exchange at which cover could be purchased. Several principles governed the administration of Argentine exchange regulations at that time: In general, an endeavor was made to balance the total value of imports to the amount of exchange made available by Argentine exports after the servicing of financial foreign obligations; import quotas were employed to supplement the customs tariff in order to foster domestic manufacturing industries; and exchange preference (by means of import quotas and preferential exchange rates) was extended to countries with which Argentina had an export balance of trade. Such restrictions designedly were discriminatory with respect to imports from countries such as Canada, the United States, and Japan, with which there usually was an import balance of trade.

War changes.—Early in 1941 this system was modified; the release of foreign exchange at either of the two official exchange rates was made to depend not only on the type of commodity imported but also on the country of origin. Thus importers of like articles would not necessarily be able to obtain their exchange needs at the same rate, unless in each case the goods had been imported from the same country. Effective February 26, 1941, exchange for imports not eligible for payment at either of the official rates had to be obtained in a Government-controlled auction market where importers were required to submit bids. The supply of exchange for this market was derived from certain "nonregular" exports for which the drafts previously had been negotiable in the free market but which after February 26 had to be delivered to the Central Bank (Banco Central de la República Argentina) at a rate of 4.2182 pesos to the dollar.

Effective July 1, 1941, the exchange-control regulations were greatly simplified; ^{1/} prior-exchange permits were no longer required for (1) imports to be paid out of blocked balances of Argentine nationals in other countries controlling foreign exchange, (2) imports from neighboring countries, and (3) imports paid for with exchange obtained in the auction market. This decree abolished the Exchange Control Office and transferred its functions to other Government agencies, principally the Central Bank. ^{2/} Another development at about the same time was the establishment of the Trade Promotion Corpo-

^{1/} Executive Decree No. 93058, June 6, 1941.

^{2/} An advisory committee, the Exchange Control Committee (Comisión de Divisas) has continued to advise the Government with respect to exchange control policy.

ration to encourage foreign trade by granting special exchange treatment to certain articles of export. ^{1/}

In May 1942 the Argentine exchange-control regulations were again revised; since then imports from all countries have been admitted into Argentina without restriction. ^{2/} The improved position of the country has reduced the need of budgeting the available foreign exchange to assure its use for essential services and merchandise imports.

The Trade Promotion Corporation.

An important development in the Argentine program of bilateral trade balancing was the creation in 1941 of the Trade Promotion Corporation (Corporación para la Promoción del Intercambio). In connection with certain modifications of the exchange control system in November 1940, the Government instructed the Central Bank to encourage the formation of organizations to promote the sale of "nonregular" exports (articles previously not exported or exported only in small quantities). This was to be achieved by means of preferential exchange rates to be paid to exporters of a selected list of products, who thereupon were permitted to employ the proceeds of their drafts more or less as they saw fit. The effect, and apparently the intent, of this measure was to induce importers of certain industrial materials from countries not receiving the benefit of Argentine exchange preferences to organize and to promote the exportation of Argentine products in order to maintain their positions as importers; thus the program was designed to develop new export markets.

In April 1941 a representative group of business men interested in trade between the United States and Argentina undertook to form an organization to take advantage of this new policy. Shortly thereafter the Trade Promotion Corporation was formally organized, subject to the supervision of the Central Bank. ^{3/} It has an authorized capital of 1 million pesos, and its stockholders represent firms interested primarily in the importation of automobiles, trucks, agricultural machinery, and radios from the United States. The Corporation is described as a nonprofit organization; dividends on shares are limited to 4 percent of its capital, and all surplus earnings are to be devoted to the promotion of the export trade and the development of foreign markets.

The Corporation, which has established offices in the United States, Chile, Peru, Colombia, Venezuela, Ecuador, and Mexico, has been active in promoting the exportation of "nonregular" exports (e.g., cheese, eggs, wine, fruits, and certain packing-house products such as glands, liver concentrates, etc.). ^{4/} Exchange from the sale of such products has been purchased by the Central Bank at a rate substantially above that paid in the official market for the receipts from "regular" exports. ^{5/} Exchange derived from these shipments has been appor-

^{1/} See the section on the Trade Promotion Corporation.

^{2/} Except those required by the necessity of allocating the limited amount of shipping space available for the transportation of merchandise.

^{3/} Executive Decree No. 90235, May 9, 1941.

^{4/} A list of nonregular export products (products which either were not previously exported or were shipped abroad only in small quantities) has been prepared by the Government.

^{5/} The official buying rate for "regular" exports has been 3.3582 pesos to the United States dollar. The rate for "nonregular" exports was fixed at 4.2182 pesos to the dollar, or about 27 percent above the official rate; in April 1943 it was reduced to 3.9702 pesos.

tioned by the Corporation among its stockholders at varying rates, depending upon the type of commodity imported. The profits from such transactions, amounting to nearly 7 million pesos by January 1, 1944, have been employed by the Corporation to finance its developmental activities.

An extensive program to promote the development of Argentine resources has been initiated by the Trade Promotion Corporation. It has recommended the establishment of export standards, organized trade-promotion centers, collected statistical information, and employed technical specialists in an advisory capacity. It has also undertaken surveys and submitted recommendations for the development of numerous industries, including those producing fibers, boots and shoes, wool hats, leather, dairy products, forest products, minerals, ceramic products, and yerba maté. The foreign-exchange position of Argentina, however, has altered materially since 1941 when the Corporation was organized; reserves of exchange and gold have accumulated, and, because of the war, it has been increasingly difficult to obtain imports. Reflecting these developments, the Corporation in recent months has broadened its activities, and has placed greater emphasis on its research and promotional functions. ✓

Recent commercial agreements.

Some of the inherent weaknesses of the Argentine system of bilateral trade balancing have been revealed by the war. The country found itself unable to spend a substantial portion of the credits received for its export products, except in the country to which the exports were shipped; the balances, therefore, were not available for purchases on a multilateral basis. Shipping restrictions and the wartime closing of certain customary sources of imports, however, forced Argentina to seek new sources of supply, principally in the Western Hemisphere. This altered trade position of the country appears to have been reflected in the character of the commercial agreements negotiated since 1939, none of which have been on a bilateral exchange-balancing basis. Agreements providing for mutual most-favored-nation treatment have been negotiated with the following 11 countries, 10 of which are in the Western Hemisphere: Brazil (1940), Norway (1940), Chile (1940), Colombia (1940), Cuba (1940), Canada (1941), the United States (1941), Peru (1942), Venezuela (1942), Ecuador (1943), and Paraguay (1943).

Most of these agreements were of the unconditional most-favored-nation type, although the guaranty of such treatment did not always extend to exchange. Under the Chilean protocol, for example, both parties granted each other unconditional and unlimited most-favored-nation treatment in all matters pertaining to customs duties and other charges, manner of collection, regulatory provisions, and customs facilities. In a number of these agreements, including those with Brazil, Chile, Cuba, the United States, and Paraguay, reciprocal concessions were exchange granting reductions in the rates of duty on selected import products, or according them duty-free status. Exception to most-favored-nation treatment usually was provided in the case of concessions made by Argentina to neighboring countries.

At the same time, certain exchange preferences were granted to Japan. Among other things, the agreement with Spain provided that it would supply 30,000 tons of iron and steel to Argentina, deliver two merchant vessels and one destroyer, and charter one or more Argentine tankers, in return for specified shipments of wheat, tobacco, and other Argentine products. ^{1/} Other features of the agreement related to the amortization of the Spanish Government's indebtedness to Argentina. On April 9, 1941, Argentina and Brazil undertook to facilitate trade between the two countries and to promote, in particular, the importation of Brazilian textiles and coffee into Argentina as well as the exportation of Argentine wheat to Brazil. On November 17, 1943, a financial and economic convention was signed by Argentina and Paraguay providing for the investment of Argentine capital in Paraguay and for the establishment of a procedure for liquidating exchange balances between the two countries.

The agricultural control boards since 1939.

The wartime loss of important markets has served to accentuate the problem of agricultural surpluses in Argentina. The policy of guaranteeing minimum prices to producers of grain, initiated in 1933, has again been applied. In September and November 1940 minimum prices were fixed for corn, wheat, and flaxseed. The Grain Regulating Board, charged with administering the program, was granted exclusive control over the marketing of these products. ^{2/} At the same time the Government undertook to control production by requiring that in order to receive benefits under the program growers must reduce the acreage under cultivation. To defray the expenses of the Board a tax was levied on the processing of grain products. In December 1940 similar measures were provided for barley and a year later the program was expanded to include sunflower seed. In November 1941, because of a critical situation resulting from the accumulation of surplus stocks, the Grain Board was given a virtual monopoly over the grain trade.

Throughout 1943 the guaranteed minimum price program was maintained for most of the products mentioned in that year; however, because of the increased demand for grain as fuel ^{3/} and reduced supply resulting from crop failures, the restrictions on output were removed and various efforts were made to increase production. At this time the Grain Regulating Board was reorganized; it has since operated as the Board for the Regulation of Agricultural Production (Junta Reguladora de la Producción Agrícola), and its regulatory powers now extend to a number of agricultural products besides those named above. Grain elevators throughout the country have been declared to be public utilities subject to the control of the National Grain and Elevator Commission.

New regulatory boards have been created during the war for the tobacco and olive industries. The National Tobacco Institute was organized in December 1941 to control the production and marketing of tobacco. The National Olive Growing Corporation, established in June 1942, has been concerned principally with the expansion and development of olive-growing, but has extensive regulatory powers over the industry.

^{1/} On June 3, 1944, the agreement with Spain was extended with modifications.

^{2/} For an account of recent activities of the Grain Regulating Board, see Foreign Agriculture, May 1942.

^{3/} Because of shortages of fuel resulting from the war; see the section on rationing of scarce materials.

In 1943 the Wine Regulatory Board (created in 1934) was dissolved, inasmuch as the emergency for which it had been created was believed to have ended. The Board's functions have been transferred to the Bureau of Wine Culture (Dirección General de Viticultura), a division of the Ministry of Agriculture.

In October 1944 the Government undertook to coordinate, under its supervision and control, ^{1/} virtually the entire agricultural life of the nation. This coordination was to be achieved by requiring all producers in each branch of agriculture to organize into associations or "corporations," patterned somewhat after the "defesa" institutes in Brazil ^{2/} and similar to those employed by the corporate state in various European countries. ^{3/} These organizations, known as Argentine Corporations of Agricultural Producers (Corporaciones Argentinas de Productores Agrarios), were to be sponsored and controlled by the State. Although the decree requiring the creation of such corporations provided that they be administered exclusively by the producers, it also provided that a delegate representing the Ministry of Agriculture should sit on each board, with "ample faculties of control," and that any proposed action to which the delegate takes exception should be subject to the final decision of the Ministry of Agriculture. The extensive character of the proposed control was vigorously protested by agricultural producers, and the operation of the program was suspended, though not abrogated, in November 1944. About the same time, existing agricultural control boards became subject to supervision by the newly created Department (Secretariat) of Industry and Commerce. ^{4/}

Official quebracho export quotas.

The 1934 agreement among quebracho-extract producers to control production and sales showed further signs of disintegration in 1941. Two new Argentine factories were operating, neither of which had aligned itself with the pool or accepted its program of control. Another firm which had withdrawn from the combination continued to market its products independently. Threatened with the prospect of vigorous and unrestricted competition, attributable in part to over-expansion of productive facilities developed under the influence of previous market and price controls, and unable to persuade these concerns to participate in the combination, the members of the pool appealed to the Paraguayan and Argentine Governments for support. A joint agreement between the two governments was concluded in 1942 to supervise production ^{5/} and to control exports of quebracho extract, thus giving official support to the activities of the cartel. Export quotas were established, allocating 80 percent of the total to Argentine and 20 percent to Paraguayan producers. It appears that the

^{1/} Executive Decree No. 26546, Oct. 2, 1944.

^{2/} See U. S. Tariff Commission, Economic Controls and Commercial Policy in Brazil, 1945 /processed/.

^{3/} Italy, Germany, Austria, and Portugal.

^{4/} Executive Decree, Nov. 2, 1944. Among the agricultural control boards specifically mentioned as subject to control by the Secretariat were: The National Meat Board, the Argentine Corporation of Meat Producers, and the Board for the Regulation of Agricultural Production. The Secretariat of Commerce and Industry was created by Executive Decree No. 20262, July 28, 1944.

^{5/} This agreement became effective in Paraguay by Executive Decree No. 11639, Mar. 19, 1942, and in Argentina by Executive Decree No. 112840, Feb. 4, 1942.

Association of Exporters of Quebracho Extract (the pool) has been given an influential voice in determining the export quotas for individual producers. Thus, either voluntarily or involuntarily, all manufacturers have become, in effect, subject to the control program. A number of the small producers are reported to have been virtually eliminated from the market; others have felt themselves compelled to join the pool. Price-fixing activities of the pool have been strengthened, of course, by the export controls imposed by the two governments.

Wartime financial controls.

The Foreign Ministers of the American Republics, meeting at Rio de Janeiro in January 1942, recommended measures to block the use or transfer of funds within the Western Hemisphere by nations (or their nationals) which had committed acts of aggression against the American Continent. ^{1/} Controls of this type instituted by the Argentine Government, both before and after the attack on Pearl Harbor, have been more numerous, ^{2/} but apparently less effective, than those adopted by any other country of Latin America.

The first measures to control foreign funds were instituted in April 1940 by freezing the bank and security accounts of persons resident in the occupied countries of Europe. ^{3/} The Central Bank was vested with complete authority over all frozen accounts; it has subsequently authorized the use of these funds whenever in its judgment such use was warranted. ^{4/} In June 1940 control of foreign funds was extended to nationals of countries with which Argentina maintained compensation agreements, including Germany, Spain, France, and the United Kingdom. Operations outside the scope of such agreements were prohibited, except as authorized by the Central Bank; among the transactions thus regulated were remittances of bonds, securities, or currency to persons domiciled in these countries and changes in the

^{1/} Resolution V, Meeting of Foreign Ministers of the American Republics, Jan. 27, 1942.

^{2/} Some of the more important of these measures include Executive Decrees No. 60569, Apr. 18, 1940; No. 61707, May 6, 1940; No. 62303, May 10, 1940; No. 66230, June 26, 1940; No. 67355, July 13, 1940; No. 100316, Sept. 9, 1941; Nos. 110790-110791, Jan. 8, 1942; Nos. 122712-122714, June 15, 1942; and No. 122882, June 17, 1942.

^{3/} At that time, Denmark, Norway, Belgium, Luxemburg, and the Netherlands; extended in September 1941 to China and Japan.

^{4/} The Central Bank is reported to have permitted the use of the controlled accounts for the following purposes: (1) Payments for taxes in Argentina; (2) payments for insurance contracted in Argentina; (3) normal banking expenses and commissions; (4) current expenses relating to real estate in Argentina owned by the holders of frozen accounts; (5) payment of rights and expenses in connection with trademarks or patents registered in Argentina in the names of holders resident in the countries concerned; (6) payments to local magazines and newspapers for subscriptions, advertisements, and publications; (7) family maintenance expenses not to exceed 500 pesos per month; and (8) purchase of Argentine bonds, if deposited in the names of the holders in a controlled account.

registered domicile of such persons. The Bank was authorized to make exceptions to the above restrictions. 1/

In December 1941, following the Japanese attack on Pearl Harbor, the Central Bank ordered suspension of all transfer of funds and securities between Japan and Argentina except when specially authorized. In January 1942, the Government subjected to the control of the Central Bank the internal movement of all funds by firms or enterprises connected with the belligerent countries outside of the Western Hemisphere. 2/ Apparently to carry out the recommendations made at the Rio de Janeiro Conference (of January 1942), three decrees were issued in June 1942. These decrees provided for the supervision of all firms owned by nationals or residents of belligerent non-American countries and for control by the Central Bank of the transfer of funds by such interests. 3/ Shortly thereafter the movement of all national and foreign securities, including United States currency, was subjected to control. 4/

The effectiveness of the many Argentine financial controls, relating to the belligerent countries is difficult to appraise, but apparently they are less comprehensive than the measures recommended by the Conference of Ministers and less rigid than those employed elsewhere in Latin America. No general freezing order has been issued affecting Axis-controlled funds. Although the accounts of Japanese actually resident in Argentina are frozen, the funds and assets of other Japanese nationals are not thus controlled. In general, the control measures affect all belligerent powers alike, little discrimination being made between the Axis Powers and the United Nations. Moreover, the numerous exceptions permitted to the regulations and the relatively free issuance of licenses to residents of certain neutral countries may have facilitated transactions benefiting the aggressor powers.

Rationing of scarce materials.

The supply situation in Argentina since the outbreak of the war has been somewhat more favorable than in most countries of Latin America. In general stocks of basic necessities have been ample; among products of domestic origin rationing has been necessary for fuels only. Wartime export restrictions adopted in other countries and the lack of shipping, however, have brought about serious shortages of materials customarily imported, especially iron, steel, and other metals, petroleum, coal, chemicals, industrial machinery, rubber, and jute bagging.

1/ Withdrawals from these accounts appear to have been authorized for the following purposes: (1) Remittances through compensation accounts; (2) transfers to open accounts in the name of others resident in the same country; (3) payment of local expenses for cables, postage, taxes, and banking commissions; (4) current expenses originated by real estate situated in Argentina; (5) payments to shipping companies for expenses incurred in the country; (6) payment for insurance contracted in Argentina; (7) family maintenance expenses; (8) payments to local newspapers and magazines; and (9) acquisition of bonds and other securities, if deposited in the controlled account.

2/ Executive Decree No. 110790, Jan. 8, 1942.

3/ Executive Decree Nos. 122712-122714, June 15, 1942.

4/ Executive Decree No. 122882, June 17, 1942.

By the terms of the Anti-Profiteering Law of September 1939,^{1/} commodities such as food, clothing, household goods, construction materials, and fuels were declared to be "of public utility" and subject to regulation or expropriation. No over-all system of rationing has been organized, however; from time to time various existing or new agencies have been authorized to supervise the distribution of scarce materials. For petroleum and other fuels, automobiles, iron and steel, rubber, and a few other commodities, special rationing commissions have been established; for other material, including wire, metals, jute bags, drugs, photographic films, and typewriters, the Ministries of Agriculture and Finance or the Central Bank have been designated as the control agencies. In still other instances the rationing authority has been the Export and Industrial and Commercial Development Committee (Comité de Exportación de Estimulo Industrial y Comercial). These agencies have acquired merchants to declare their stocks of numerous commodities, have imposed rationing programs, and frequently have expropriated specific stocks of materials, including jute bags, formaldehyde, electrical supplies, quinine, rubber, and construction steel.

The industrial life of Argentina has probably been more seriously disturbed by shortages of fuel than of any other class of commodities; imports of coal in 1942 declined to about 20 percent of those in 1939. In October 1940 a National Fuel Commission (Comisión Nacional de Combustibles) was created, with wide authority over the importation and allocation of fuels.^{2/} This agency undertook an extensive program to curtail the consumption of coal and to promote the use of substitutes. Consumption of coal by railroads in 1941 is reported to have been restricted to 60 percent of that in 1940, and consumption by electric utilities to about 85 percent. Importers of coal and other fuels were required to purchase for use as fuel specified quantities of Argentine corn. In July 1942 a new rationing agency, the Office for the Distribution of Fuel (Oficina de Distribución de Combustibles), was created under the supervision of the Ministry of Agriculture.^{3/} Efforts have been continued to restrict the consumption of coal and to substitute other products; the exportation of coal, as well as that of the products of industries which are major consumers of coal, has been prohibited and the working hours of certain factories have been restricted. Use has been made of numerous substitutes, including corn, linseed, bagasse (from sugar mills), quebracho byproducts, and alcohol. About 1 million tons of corn and oilseed were consumed as fuel in 1943.

The Office for the Distribution of Fuel has been concerned principally with petroleum and its products. Argentina is dependent upon imports for an important part of its petroleum requirements. As early as October 1941 the Ministry of Marine was authorized to purchase stocks of all types of fuel, and the Ministry of Agriculture was empowered to ration such products through the IPF, the Government-owned oil company. In August 1942 the Office for the Distribution of Fuel prohibited the sale of gasoline on Saturdays, Sundays, and holidays. Soon thereafter a system of gasoline rationing was instituted,^{4/} and an Advisory Gasoline Rationing Commission was established^{5/} to

^{1/} Law No. 12591, Sept. 8, 1939.

^{2/} Executive Decree No. 101494, Oct. 16, 1941.

^{3/} Executive Decree No. 125324, July 23, 1942.

^{4/} Effective Oct. 6, 1942.

^{5/} Resolutions No. 34785, Sept. 24, 1942; No. 36832, Nov. 23, 1942; No. 36875, Nov. 24, 1942; and No. 37513, Nov. 20, 1942.

advise the Ministry of Agriculture and the Fuel Office. Since then gasoline has been rationed throughout most of the country. Motor vehicles have been classified according to the services which they render, and allotments have been made accordingly. Since March 1943 the Office for the Distribution of Fuel has operated under the supervision of the YFF. ^{1/} By a number of decrees in 1942 and 1943, the commercial use of electric power was subjected to regulation in order to conserve available stocks of fuel.

Since March 1942 the manufacture and distribution of rubber and rubber products have been subject to the control of the Commission for the Distribution of Rubber (Comisión de Distribución del Caucho) ^{2/} which functions as a branch of the Export and Industrial and Commercial Development Commission. The Rubber Commission has rationed stocks to manufacturers and has determined what products they may produce from natural, reclaimed, or synthetic rubber. It has exercised the power of expropriation of certain stocks and has conducted campaigns to reclaim used rubber. In October 1942 rationing was applied to tires. ^{3/}

On February 20, 1942, importers of automobiles agreed to cease all sales of motor vehicles until a rationing program could be placed in effect. A month later the Commission for the Control of Motor Vehicle Rationing (Comisión de Control de Racionamiento de Automotores) was created under the joint supervision of the Ministries of Agriculture and Finance. ^{4/} This agency rations the sale of new vehicles and has general control over the importation of automobiles and light trucks.

The first important measure to conserve iron and steel was taken in 1939, when their exportation was prohibited. ^{5/} In July 1942, the Iron and Steel Rationing Commission (Comisión de Racionamiento de Hierro y Acero) was established. ^{6/} It was instructed to make an inventory of iron and steel products in the country and to control their distribution and prices. It may, if necessary, expropriate existing supplies. Merchants have been required to declare their stocks and to obtain permits from the Commission before buying or selling such merchandise. In March 1943 the Commission became an agency of the Export and Industrial and Commercial Development Commission. Other metal products, principally wire, fencing, tin plate, and construction materials, have been made subject to control, either by the Ministry of Agriculture or by the Development Commission.

Acute shortages of jute bags and bagging have caused difficulties for many producers and processors of agricultural commodities. Numerous measures have been invoked to cope with this situation: to discourage exportation, a tax has been imposed; the use of jute bagging has been prohibited for a number of industrial purposes; and control over the trade has been vested in the Textile Container Division of the Ministry of Agriculture. ^{7/} The Central Bank, the Ministry of Agriculture and the Export and Industrial Development and Commercial Commission have exercised considerable control over the use

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- ^{1/} Executive Decree No. 144346, Mar. 4, 1943.
 - ^{2/} Executive Decree No. 117107, Mar. 31, 1942.
 - ^{3/} Executive Decree No. 133238, Oct. 30, 1942.
 - ^{4/} Executive Decree No. 115992, Mar. 20, 1942.
 - ^{5/} See the section on export and reexport controls.
 - ^{6/} Executive Decree No. 125132, July 20, 1942.
 - ^{7/} Executive Decree No. 117859, Apr. 15, 1942.

and distribution of various chemical, pharmaceutical, and medicinal products. Other commodities which similarly have been subject to regulation include typewriters, newsprint, alcohol, photographic films, soap, and edible oils.

An attempt was made in March 1944 to coordinate all rationing activities under the supervision of one agency, the National Rationing Council (Consejo Nacional de Racionamiento). 1/ Information as to its program is not yet available. In addition to its authority over rationing and price control activities, the Council is charged with the "development and defense" of industries of "national interest." It may propose additional customs duties or import quotas to foster new industries.

Price control.

Because of the more favorable supply situation, particularly with respect to the basic necessities of life, Argentina has had less need for price control during the war than many other countries. No overall system of price control has been put into operation, and no single agency has been delegated to supervise the measures which have been adopted. Price restrictions for rubber and tires have been administered by the Commission for the Distribution of Rubber; controls for jute and jute bagging have been instituted by the Division of Textile Containers; and the National Meat Board has fixed retail prices for meat. It would appear, however, that price-control activities are being centralized in the Bureau of Supplies (Dirección de Abastecimiento) which operates under the Ministry of Agriculture.

The Anti-Profiteering Law of September 1939 established maximum retail sales prices for foodstuffs, clothing, household goods, construction materials, and equipment for lighting, heating, and sanitation. 2/ The Executive was authorized to add other commodities to the list of those subject to control. The initial prices fixed were the average prices prevailing in each section of the country during the first half of August 1939. Thereafter prices were subject to adjustment by the Executive, whose authority extended over wholesale and retail prices, as well as over those charged by manufactures and middlemen. The National Commission for the Control of Supplies (Comisión Nacional de Abastecimiento) was created to administer this law. During the rest of 1939 the authorities appear to have been quite energetic in enforcing price ceilings. Provincial and territorial supply commissions, together with technical subcommissions for individual products were organized. Merchants were quite united, however, in their opposition to the new controls. On January 17, 1940, the Supplies Commission was dissolved, and its functions and staff were transferred to the previously mentioned Bureau of Supplies of the Ministry of Agriculture. 3/

In May 1942 a new agency, the Special Commission for the Control of Supplies (Comisión Especial de Control de Abastecimiento) was created to enforce that portion of the Anti-Profiteering Law relating to food and clothing. 4/ Reports indicate that this agency was not

1/ Executive Decree No. 6855, Mar. 18, 1944.

2/ Law No. 12591, Sept. 8, 1939.

3/ A Technical Council on Supplies was created (Executive Decree No. 118201, Apr. 21, 1942) to act in an advisory capacity to the Ministry of Agriculture; this council was abolished by Decree No. 130010, Dec. 24, 1942.

4/ Executive Decree No. 120932, May 27, 1942.

very successful in controlling prices of basic necessities. Late in 1942 and early in 1943, however, it became more active, but, apparently because of its unpopularity, the new Government replaced it in 1943 by the Bureau of Supplies of the Ministry of Agriculture. ^{1/} With an enlarged staff, this agency has undertaken a more vigorous program of control and enforcement. Numerous decrees have been issued establishing maximum retail prices, principally for food products. Further attempts at control have related to commercial and industrial supplies; maximum prices have been fixed for such commodities as cotton yarns and fabrics, photographic films, cement, iron and steel products, gypsum, lead, and fuels.

Despite the relatively favorable supply situation of Argentina, the cost of living has risen considerably since the outbreak of the war. The increase, however, probably has been less marked than in any other country of South America. The official index of the cost of living in Buenos Aires indicates an increase of about 20 percent between 1939 and January 1, 1944. The actual rise in the cost of living is probably greater than these figures would indicate; wholesale prices, for example, have increased more rapidly; the official index of wholesale prices in Buenos Aires rose by nearly 100 percent during the same period. Most of the increases were in the prices of nonagricultural commodities. A number of factors have combined to produce this upward trend in wholesale prices. It reflects the expansion of industrial and agricultural production in Argentina during the war and the increased incomes resulting therefrom. Argentine exports have increased materially whereas imports, because of wartime restrictions in other countries, have declined. The strong export trade balance of the country and the other factors which have been enumerated have contributed to an expansion of bank reserves with further inflationary effects.

Export and reexport controls.

As a result of the war, a comprehensive system of export and reexport controls has been developed. Measures have been invoked principally to husband industrial supplies and basic articles of consumption. In 1939, immediately after the outbreak of the war in Europe, the Executive was granted extensive authority to ration essential materials and to control prices. ^{2/} Among other powers, he was authorized to limit or prohibit the exportation of articles of prime necessity, including food, clothing, fuel, medical supplies, and construction materials, whenever the needs of the country required. Numerous decrees subsequently have been promulgated to carry out this program.

^{1/} Executive Decree No. 1117, July 5, 1943.

^{2/} Law No. 12591 (Anti-Profitteering Law), Sept. 8, 1939; see that section on price control.

The restrictions which have been employed generally fall into one of three classes: (1) Outright prohibition of exports of some articles; (2) controlled exportation, by means of a prior permit system, for many important commodities of domestic origin; and (3) reexport control for essential supplies of foreign origin. Much of the work of administering these controls has been delegated to the Export and Industrial and Commercial Development Commission, ^{1/} which is authorized to issue export permits and to assign export quotas. Many of the more basic Argentine articles of export have, of course, been free from control.

Even before the outbreak of the war, measures had been adopted to preserve essential supplies of domestic origin. Because of the international situation the exportation of all types of motor fuel was prohibited on September 2, 1939. An important decree shortly thereafter prohibited exports of numerous metal products, including iron, steel, copper, aluminum, antimony, zinc, chromium, nickel, bronze, and brass. ^{2/} From time to time other products have been embargoed, including, for example, potatoes, jute, tin, newsprint, oleaginous seeds, sugar, fuel, and horses.

The exportation of many other products, though not completely prohibited, has become subject to Government control. Export permits ordinarily have been required for such commodities, although some have been subject to quotas established by the Export and Industrial Development Commission. These restrictions have been directed to two distinct objectives: most of them have been imposed to assure, as far as possible, an adequate domestic supply of essential materials; others, to establish export standards for Argentine products. Since 1939, in order to preserve the domestic supply, the Government has prohibited, except by prior authorization, the exportation of numerous commodities, including beans, chickpeas, coffee, cacao, tea, flour, honey, molasses, potatoes, rice, lard, soap, textiles, cotton fiber, lead, tin plate, alcohol, hides, salt, and paper products. When the domestic situation has warranted it, some of these restrictions have been relaxed. Outright export quotas ^{3/} have been established for other commodities, including cotton yarns, metal stampings, oilseeds, bicycles, and razor blades.

Recommendations made in recent years by marketing experts have indicated that the standardization of grades and the adequate labeling of their products would prove advantageous to many Latin American industries. For many years the Government of Argentina has been active along these lines; some of the work of the agricultural control boards has been directed to these objectives. To enhance further the reputation of Argentine products in foreign markets, the Government, on October 27, 1942, delegated extensive authority to the Export and Industrial and Commercial Development Commission to develop export standards, to require prior export permits for products thus subjected to control, to hear complaints, and to impose penalties upon exporters found guilty of shipping inferior merchandise. Since that time, standards for a number of products have been established.

^{1/} Executive Decree No. 132595, Oct. 8, 1942.

^{2/} Executive Decree No. 42631, Sept. 21, 1939.

^{3/} Executive Decree No. 116000, Mar. 20, 1942.

To supplement the many restrictions on the exportation of products of domestic origin, reexport control was established for certain foreign products. Although other Latin American countries have employed similar controls primarily to prevent the reshipment of such products to Axis or Axis-controlled countries, Argentina appears to have employed them principally to protect its domestic market from "the withdrawal of merchandise, raw materials, and indispensable articles." The most important control of this character was established by a decree of August 1941 which prohibited the reexport of all articles subject to export licenses in the supplying markets. ^{1/} Moreover, articles manufactured from such imports may not be exported without prior authorization. Other import products have been subjected to reexport control when deemed essential to the domestic economy; among these have been medicinal and pharmaceutical products, jute and burlap, natural rubber, and minerals such as barium, bismuth, borates, gypsum, titanium, and vanadium.

Post-War Problems Relating to Controls and Commercial Policy

In the interwar period Argentina was the principal exporting country of Latin America and one of the leading exporting countries of the world. Ordinarily, it supplied three-fourths of the world's exports of flaxseed, corn, chilled beef, and quebracho; one-third of the raw hides; and one-fourth of the wheat (including flour). The economy of the country is, therefore, highly dependent upon its foreign trade and, hence, upon the state of international trade in general.

The importance to Argentina of foreign markets for its export products did not prevent the development, in the 1930's, of a decidedly restrictive commercial policy with respect to imports, involving not only the continuance or increase of tariffs, but also the use of import quotas, discriminatory exchange control, and bilateral clearing and payments agreements. Argentina resorted to these devices, however, in the midst of a general deterioration of international economic relations, when other countries were raising tariff duties and having recourse to other measures which restrict and channelize trade. In fact, Argentina's resort to a program of bilateral trade-balancing was largely due to the adoption of similar policies by European countries, and to the strained balance of payments position of Argentina during a large part of this period. Important too in this connection was the expansion of British imperial preference after 1932 and the development of quota and bilateral clearing systems by various European countries which were important markets for Argentine

^{1/} Executive Decree No. 97752, Aug. 25, 1941.

products. Also important was the drastic decline in prices of the principal Argentine export products, and the difficulty of maintaining exports sufficient to pay for current imports and to provide for the service of foreign debts.

Argentina's restrictive and bilateral trade-balancing practices affecting imports, however, have constituted but one phase of a national political and economic program, more aggressive, perhaps, than has been employed by any other Latin American country. As in many other nonbelligerent countries, government control over industry and trade has in some aspects been expanded during the war. Moreover, wartime conditions, together with positive governmental measures, have contributed to the further diversification of domestic industries. After the cessation of hostilities, therefore, Argentina will be faced with the necessity of making crucial decisions as to the direction of its foreign-trade policies.

Because of the importance of exports in its economy, Argentina would, of course, benefit from a general expansion of world trade on the basis of nondiscriminatory treatment and the multilateral lowering of trade barriers. Such a reversion of policy, however, could not be accomplished by the unilateral action of Argentina. If the countries which are the principal markets for its products should pursue the same restrictive and bilateral balancing policies in the post-war as in the pre-war period, and if countries competing with it in the world export trade should continue the policy of subsidizing exports, Argentina might find it expedient to pursue similar policies. Such practices, however, scarcely seem designed to promote the most efficient use of the country's resources. They tend, in fact, to nullify the distinct advantages possessed by Argentina in the production of beef, flaxseed, corn, and a number of other products. Stated more generally, they tend to eliminate the benefits of multilateral trade, whereby exporters may sell wherever they can receive the most profitable prices and importers may buy goods of the types and qualities desired wherever they can obtain the most favorable terms. Moreover, the policy of bilateralism often provokes retaliatory measures by other countries and serves further to obstruct the healthy development of international trade.

Thus it would be to Argentina's advantage to join with other nations in an effort to return to less restrictive trade practices based on the principle of equality of treatment for all nations. This would, of course, involve the nonpreferential treatment of imports from Argentina on the part of countries having import balances in their trade with that country, and would include the unfreezing by the United Kingdom of sterling balances which have been blocked during the war. On the part of Argentina, it would involve extending (not only in the matter of tariffs but also with respect to foreign exchange) equal treatment to all countries not discriminating against its trade. Argentina, in fact, agreed provisionally to extend such treatment to the United States in the 1941 trade agreement between the two countries. This pledge has not yet become effective but is to become so as soon as it is possible for Argentina to convert its sterling balances into free currencies.

General agreement among countries to eliminate exchange control and other nontariff devices for restricting foreign trade, together with general acceptance of the principle of equal treatment, would strengthen Argentina's export position. At the same time it would permit the gradual and sound development of its manufacturing and other industries.

The agricultural control boards.

As would be expected from the fact that the Argentine economy is essentially agricultural, some of the more important measures of economic control imposed during the 1930's were designed to relieve distressed conditions pertaining to the production and distribution of certain agricultural commodities. Through the agricultural control boards, significant improvements have been made in methods of production and marketing. The developmental and promotional activities of the boards have been concerned principally with the long-range commercial possibilities of agriculture. Controls designed to stabilize the industries by the more orderly marketing of products and the elimination of surpluses, though perhaps temporary in character, have also been effective.

In the future the Argentine economy will depend materially upon the ability of the country's agricultural industries to maintain their position in world markets on the basis of productive efficiency. There may be periods, however, when agricultural surpluses and abnormally low prices may justify restriction of production and of marketing.

During such periods the Government will be faced with the delicate task of assuring that such controls are administered in the long-run interest of the country, and that the marketing restrictions employed do not inflict permanent damage to the industries they are presumed to benefit. In the past, when programs of this type have been adopted in other countries, the restriction of domestic production and the control of prices have at times led to an expansion of production in competing countries or to the encouragement of submarginal producers at home, creating eventually new surpluses and new dislocations.

The quebracho pool.

The efforts of producers of quebracho extract to control production and prices of their product have encountered some of the difficulties which producers of raw materials elsewhere have experienced in attempting to "rationalize" their industries. Since 1900 several combinations among quebracho producers have disintegrated because individual firms have refused to abide by the terms of the agreements concluded. Partly as a result of the undue price protection afforded by the combinations, productive capacity has expanded in excess of demand. It is true that the availability of alternate sources of supply of quebracho itself are limited; therefore, at least for the time being, the short-run demand for quebracho extract is fairly

insensitive to price changes. This fact contributes to the effectiveness of more or less temporary agreements. Over a longer period of time, however, new areas of supply may be developed. More important still, the production of other tanning substances may be expanded, and the use of alternative tanning processes may be developed. The more effective the immediate controls are in restricting production and increasing prices, the greater is the possibility that permanent injury may be done to the broader national interest in the industry. As in the past, the attempt to maintain high prices, moreover, might lead to further expansion of productive facilities in the Argentina-Paraguay quebracho industry, and to the ultimate break-down of the cartel itself.

