

**TITLE:** Geography, policy, or productivity? Regional trade in five South American countries, 1910–50

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**Abstract:** Regional trade in South America since independence has long been much smaller than would be expected if geography were the only constraint on trade. Several potential explanations exist, including low technological and demand complementarities; low productivity; and high natural and policy barriers to trade. Focusing on the latter explanations, policy makers have long advocated a South American/Southern Cone Free Trade Area—proposed as early as 1889. Would reductions in trade costs have been sufficient to raise trade significantly, or was trade low for other reasons? We study bilateral trade between 1910 and 1950, when large external shocks altered global supply and demand. These shocks help us show that intra–regional trade could have been boosted by reductions in trade costs. Trade among Argentina, Bolivia, Brazil, Chile, and Peru could have benefited from more benign trade policies or better infrastructure. Regional trade in textiles, which took off from the 1930s, supports our argument that trade improved when trade costs fell.

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