

THE EXPORT ERA: COLOMBIA AND LATIN AMERICA

**Presentation at the IEA
Mexico, June 20, 2017**

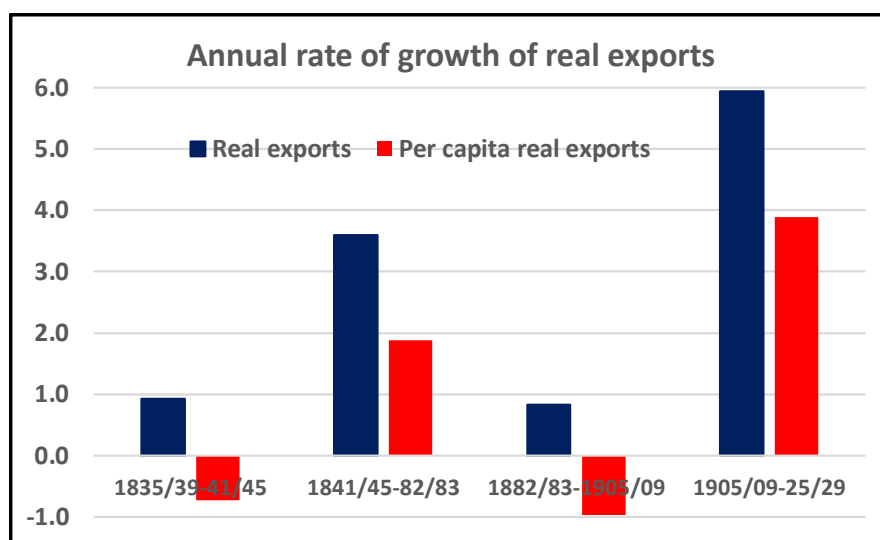
**José Antonio Ocampo
Co-Director, Banco de la República de Colombia**

COLOMBIA DURING THE FIRST EXPORT ERA

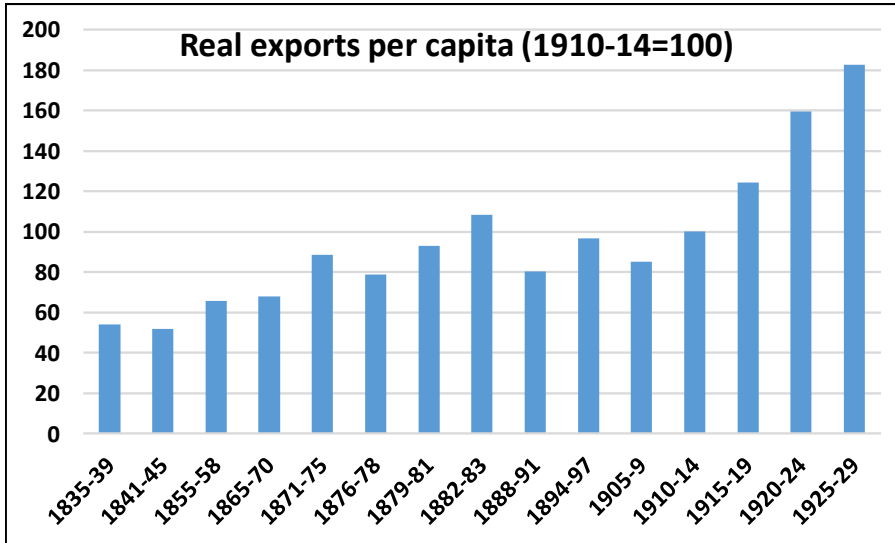
MAJOR FEATURES (1)

- ❖ Overall, weak export growth in the nineteenth century followed by a spectacular coffee boom in the 1910s/20s.
- ❖ During the nineteenth century, short boom from the early 1850s to early-1880s. This and other expansions, essentially of a regional character.
- ❖ From dominance of gold up to 1850, to a diversified structure in the second half of the nineteenth century, to dominance of coffee in the early twentieth century.
- ❖ The nineteenth century benefited from improving terms of trade. Not so the early twentieth century boom.

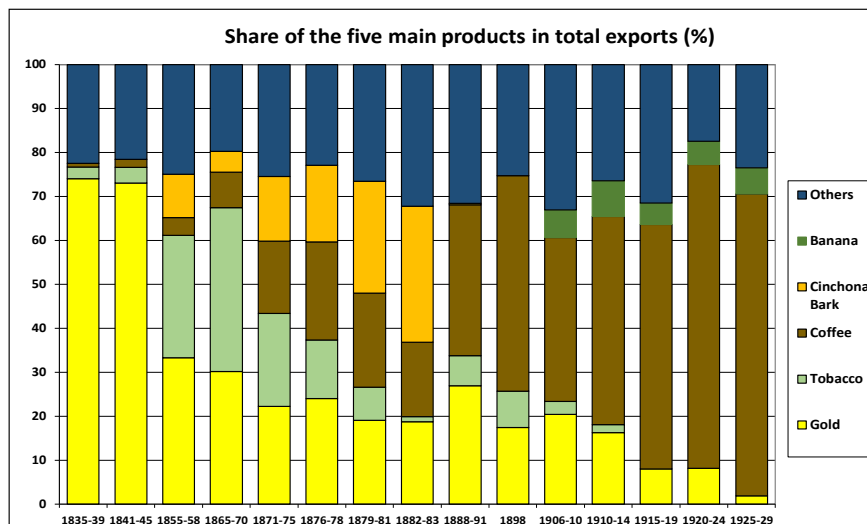
FOUR MAJOR PHASES OF EXPORT GROWTH



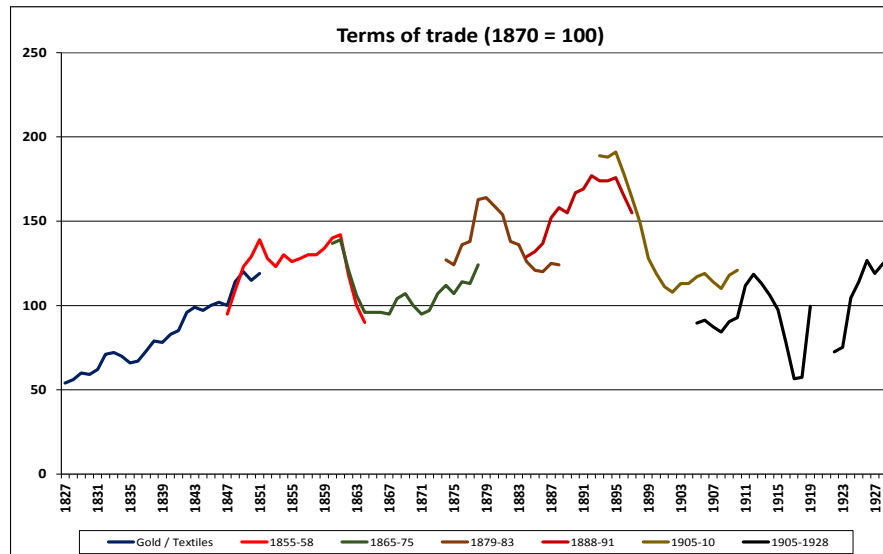
THE MAJOR JUMP TAKES PLACE IN THE EARLY TWENTIETH CENTURY



FROM CONCENTRATION TO DIVERSIFICATION, AND BACK TO CONCENTRATION



IMPROVEMENT IN THE TERMS OF TRADE DURING THE NINETEENTH CENTURY, NOT DURING THE COFFEE BOOM



MAJOR FEATURES (2)

- ❖ A major linkage of export expansion was the development of modern transportation, which was critical in a geographically fragmented country.
- ❖ Again, the major jump took place during the coffee boom.
- ❖ Modern manufacturing starts in the late nineteenth century. It is enhanced by protectionism in the early twentieth century and the expansion of the domestic demand...
- ❖ ... but the major jump took place during the Great Depression in the 1930s, making Colombia one of the success stories during that decade.

THE RECENT EXPORT AGE IN HISTORICAL PERSPECTIVE

THE FIRST EXPORT ERA IN THE LIGHT OF ANALYTICAL DEBATES

- ❖ Against the dependency school, industrialization based on the domestic markets was not a realistic option in the nineteenth/early twentieth centuries.
- ❖ But, also, against orthodox interpretations of the export era, the roots of interventionist policies were seeded during that era in several countries (including protectionism) ...
- ❖ ... and the turn toward inward-looking development was forced by the collapse of the world economy, rather than by a “choice” of interventionist policies.

MAJOR FEATURES OF THE SECOND EXPORT ERA (1)

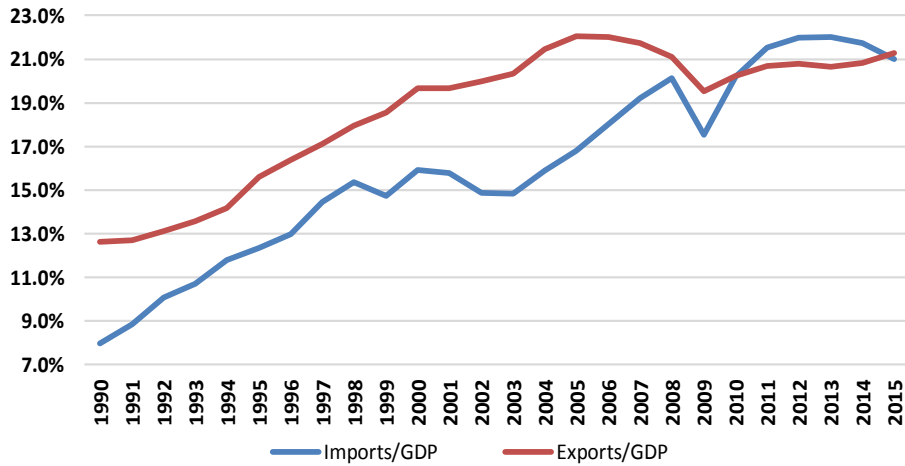
- ❖ In contrast with the first export age, it takes place on economies that were already diversified.
- ❖ Dismantling of production sector (industrial and agricultural) policies, and reduced domestic linkages.
- ❖ Essential elements:
 - ✓ Trade liberalization (again, in contrast with the first export age).
 - ✓ Membership in WTO (non-existent at the time).
 - ✓ Openness to foreign direct investment (common feature).

MAJOR FEATURES OF THE SECOND EXPORT ERA (2)

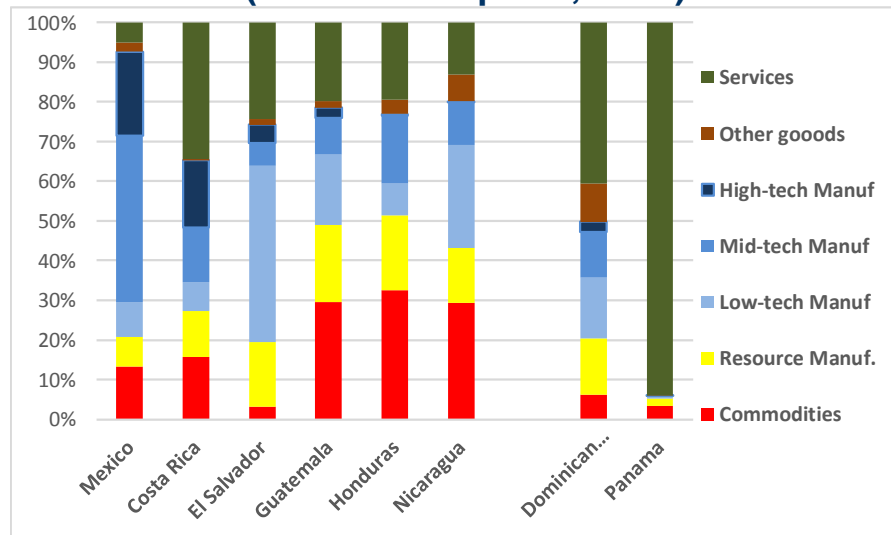
- ❖ Two non-standard ingredients:
 - ✓ Regional integration: revival of old processes (Central American and Andean), creation of Mercosur 1991.
 - ✓ Free trade agreements, starting with NAFTA in 1993.
- ❖ Different patterns of specialization:
 - ✓ Northern: increased share of manufactures with a strong import contents + services.
 - ✓ Southern: commodity dependence (as in the first export age) but with manufacturing-intensive intraregional trade.
 - ✓ Service economies (Panama, Dom Rep., Cuba).
- ❖ Dependence on a commodity super-cycle and booming world trade, which have come to an end.

INCREASED TRADE OPENENESS

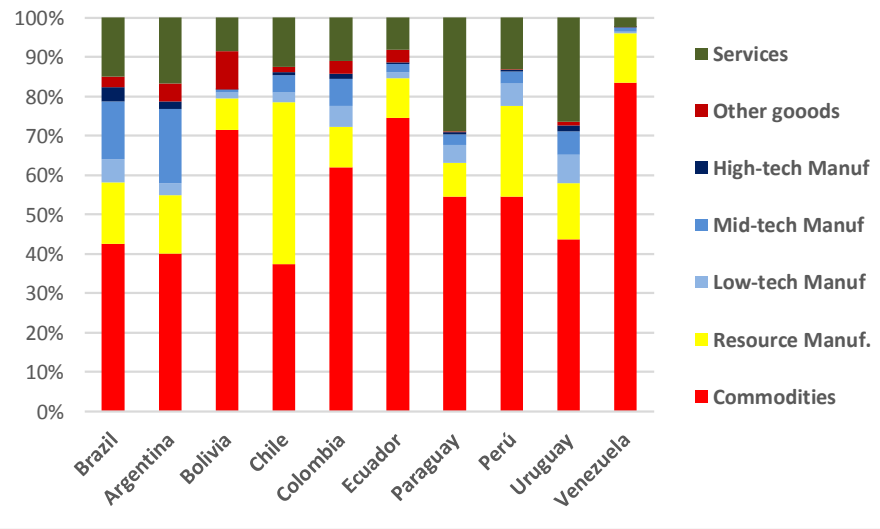
Export and Import Coefficients (2010 prices)



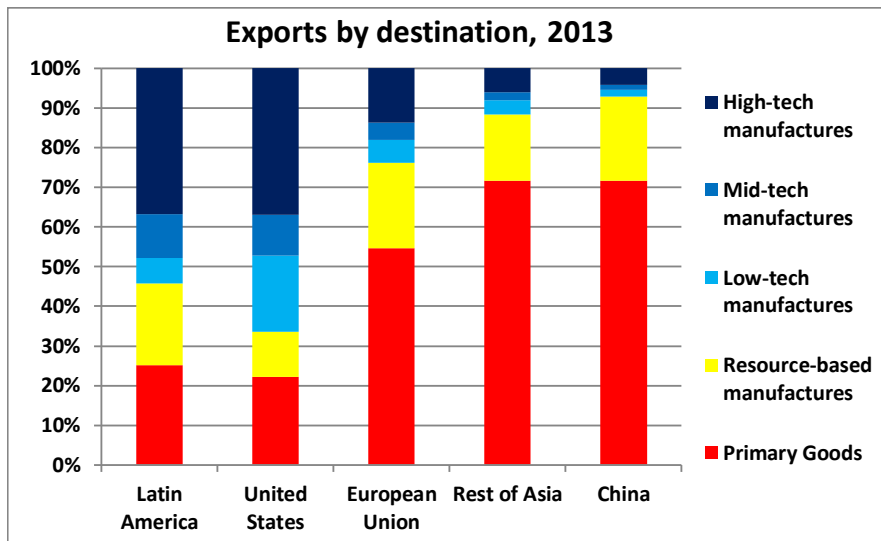
SPECIALIZATION: NORTHERN AND SERVICE PATTERNS (Shares in exports, 2014)



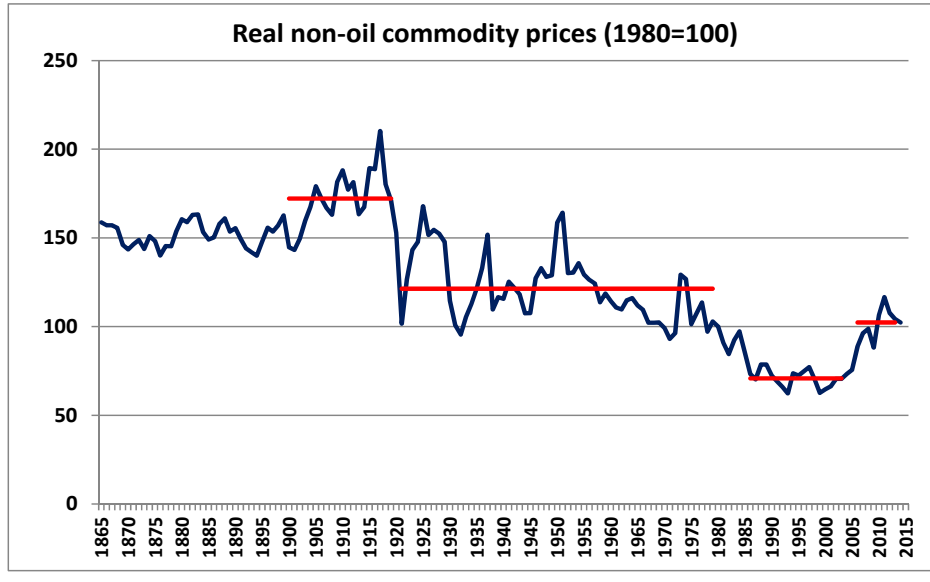
SPECIALIZATION: SOUTHERN PATTERN (Shares in exports, 2014)



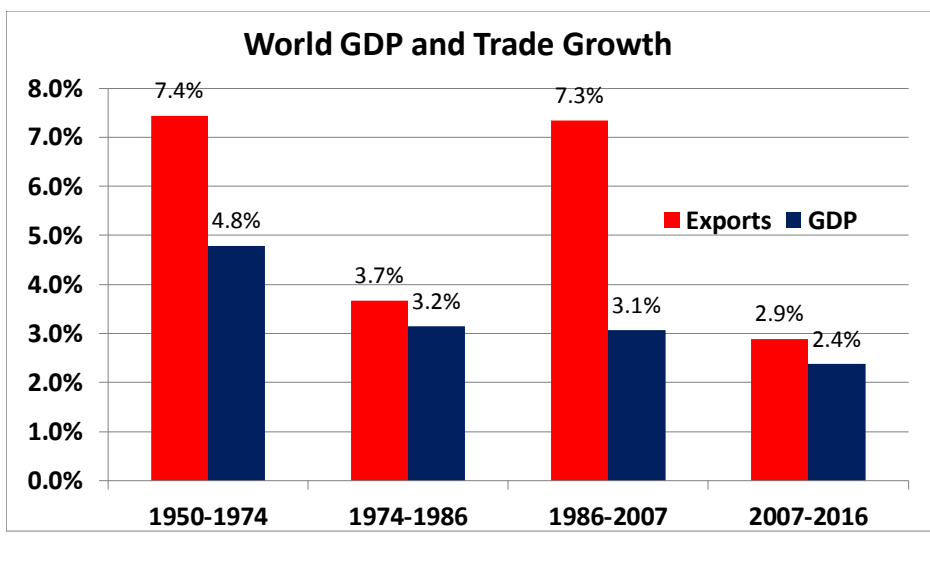
INTRAREGIONAL TRADE IS MORE INTENSIVE IN MANUFACTURES



A SUPER-CYCLE OF COMMODITY PRICES IN 2003-13



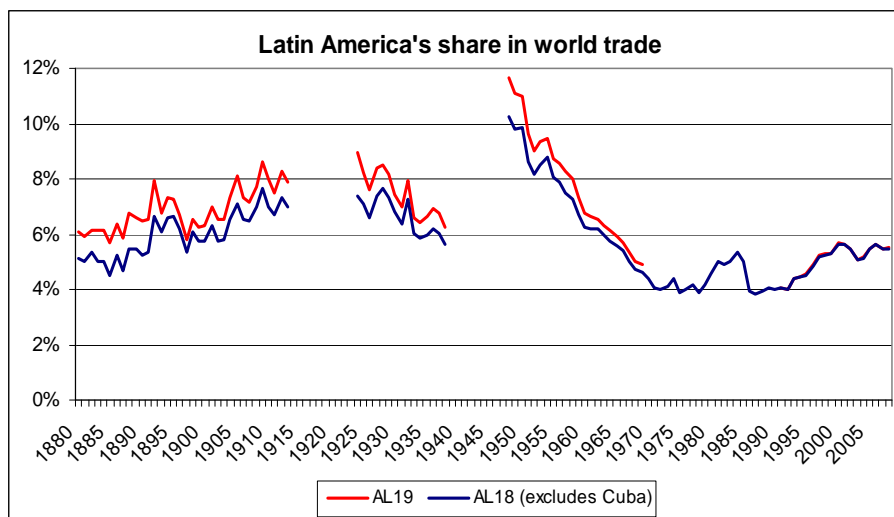
WORLD TRADE: FROM BOOM TO UNCERTAINTY



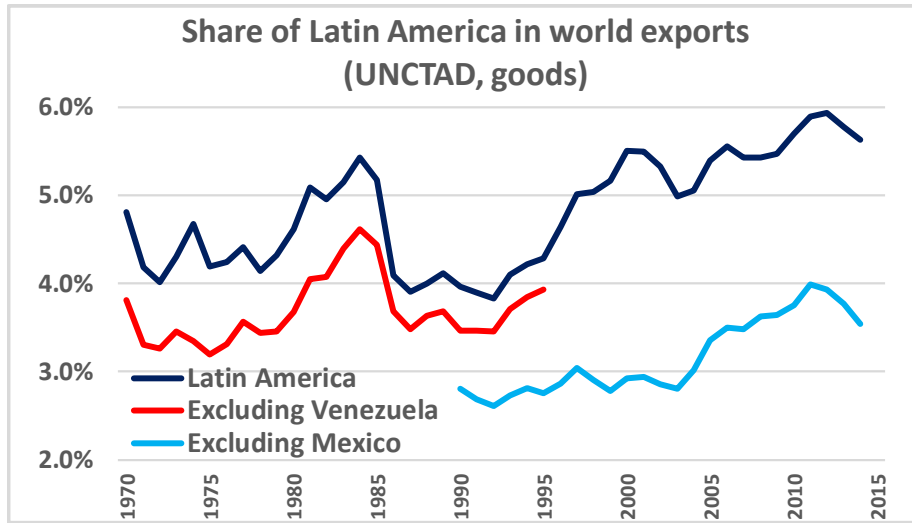
MAJOR OUTCOMES

- ❖ The greatest paradox: increasing integration into the global economy, but growth has been generally disappointing.
- ❖ Stronger business cycles than during the industrialization era.
- ❖ A few success stories (Chile in 1990s, Peru and Panama in 2000s, Costa Rica and Dominican R. since 1990).
- ❖ Loss of share in the global economy, and growing lag with Asia.

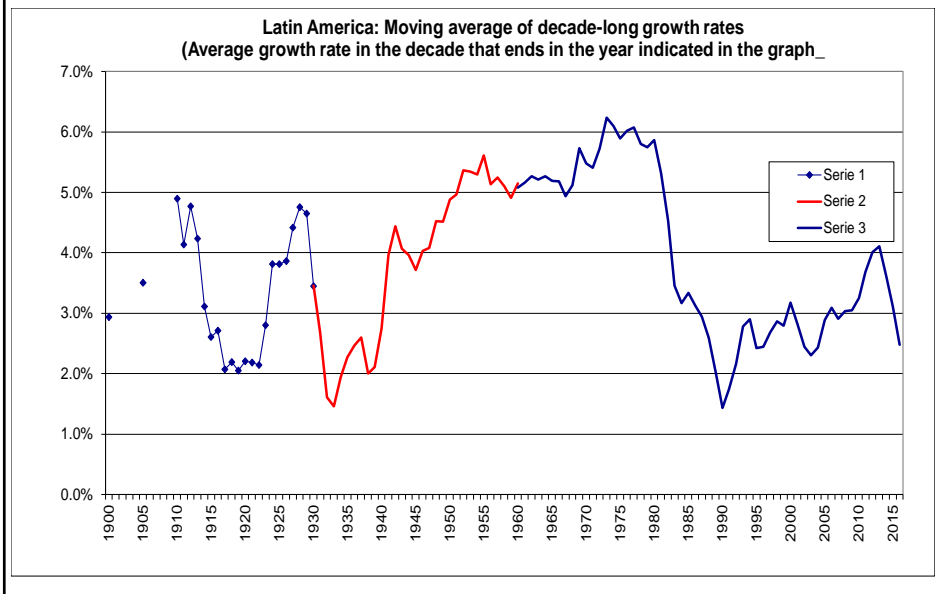
SUCCESSFUL INTEGRATION INTO THE GLOBAL ECONOMY (1)



SUCCESSFUL INTEGRATION INTO THE GLOBAL ECONOMY (2)



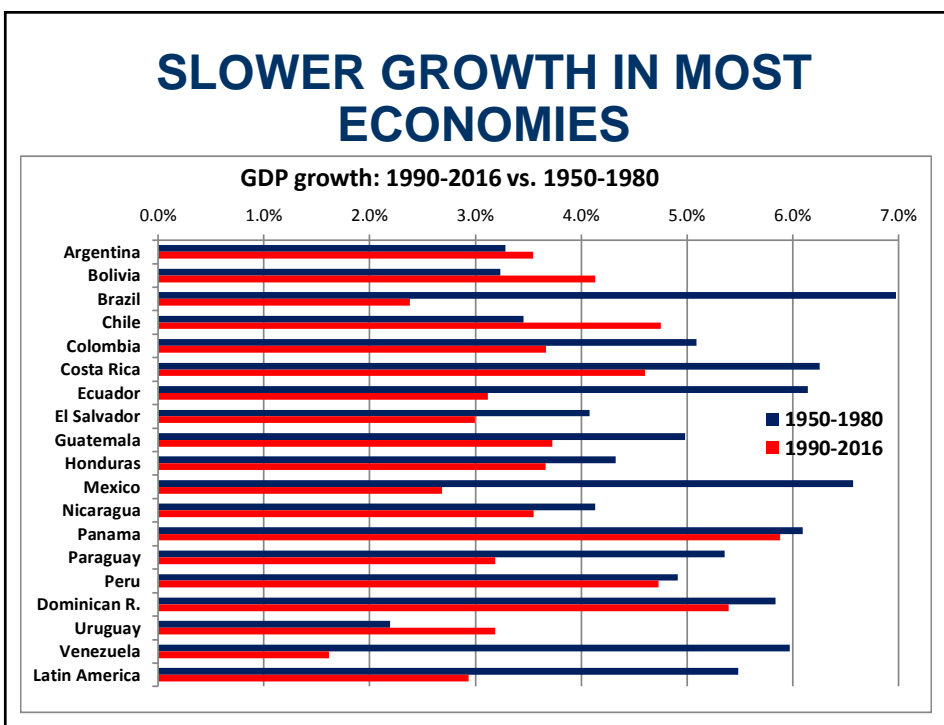
GROWTH RECOVERS... ...BUT IT IS DISAPPOINTING



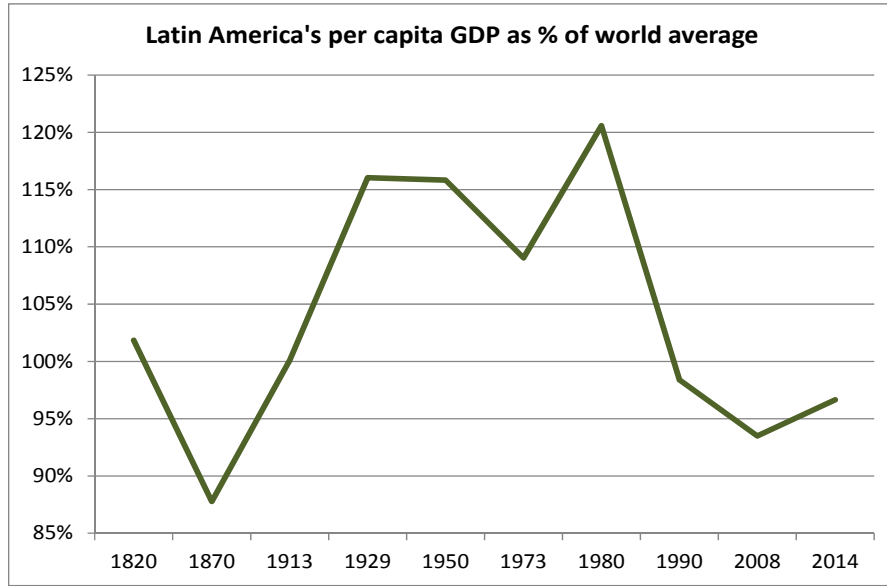
SLOWER AND MORE UNSTABLE GOWTH

GDP growth: dynamics and volatility			
	Average growth	Standard deviation	Coefficient of variation
1950-1980	5.5%	1.7%	0.31
1990-2016	2.9%	2.2%	0.77
Simple average			
1950-1980	4.9%	1.1%	0.22
1990-2016	3.7%	1.9%	0.50

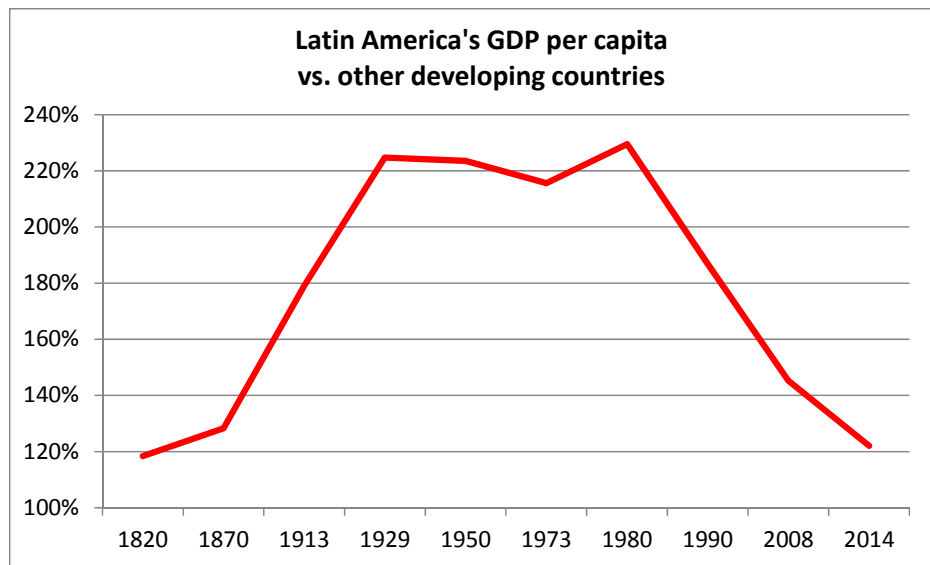
SLOWER GROWTH IN MOST ECONOMIES



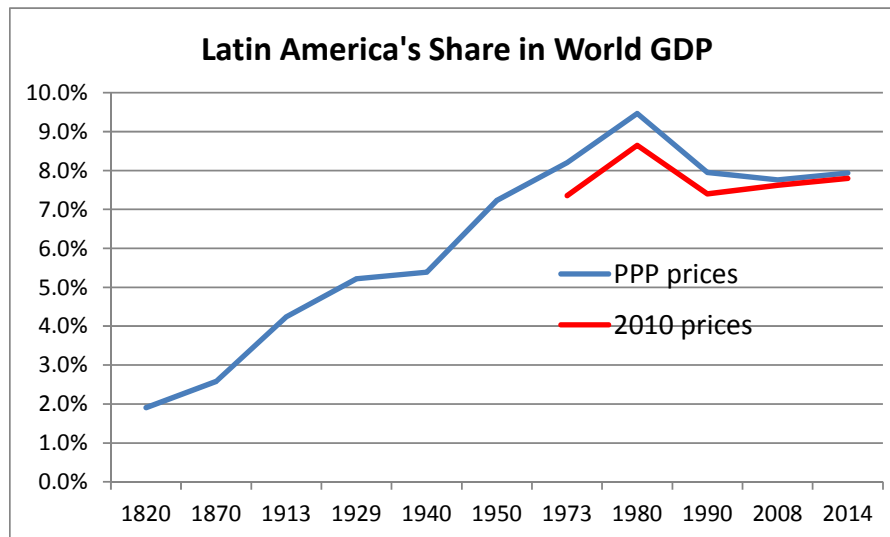
PER CAPITA GDP LAGS VIS-À-VIS THE WORLD AVERAGE...



... AND PARTICULARLY VIS-À-VIS OTHER DEVELOPING REGIONS (ASIA)



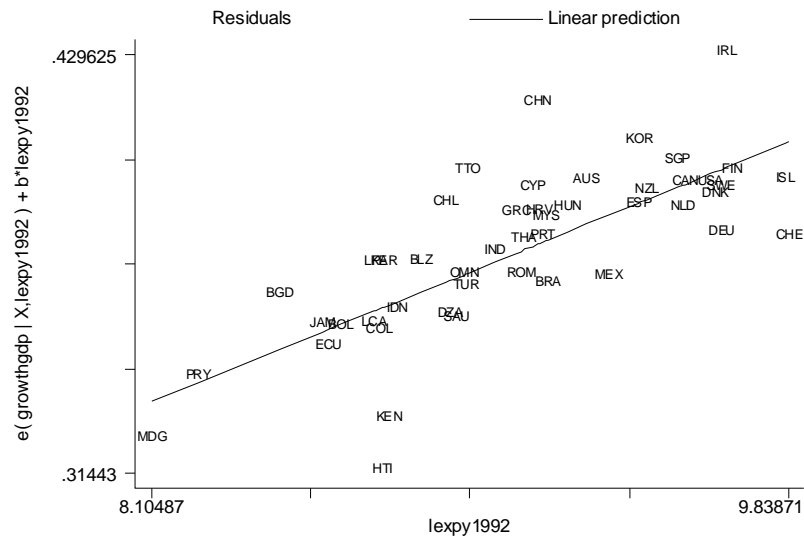
LOSS OF WEIGHT IN THE WORLD ECONOMY



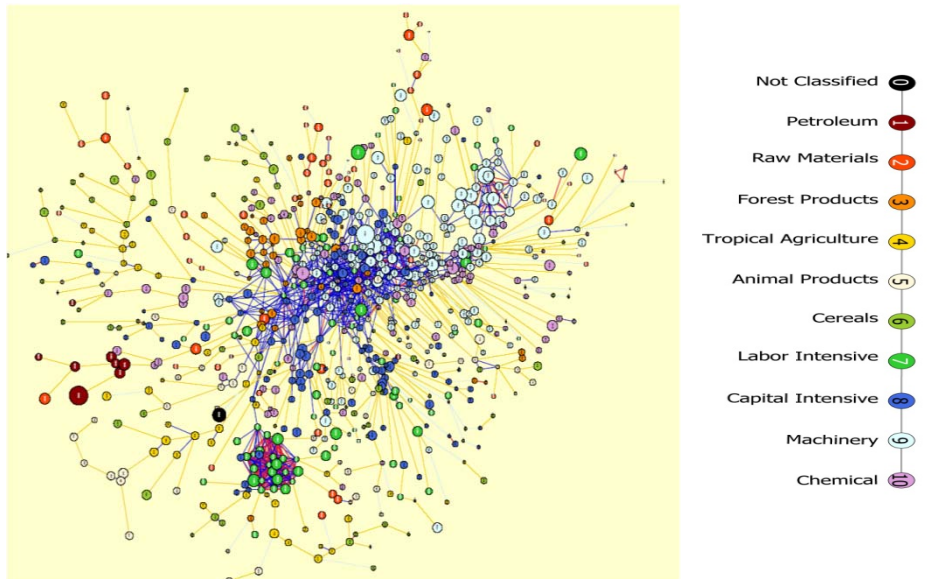
WHAT ARE THE PROBLEMS?

- ❖ Different production branches offer different opportunities to generate and transfer technological knowledge ⇒ Manufacturing and some services are particularly good at doing so.
- ❖ So, the strong and premature de-industrialization has been a major problem...
- ❖ ... and, even, more, the accumulated technological gaps.
- ❖ Latin America already lost the train in manufacturing of ICT products + it is not a low-wage region for low-cost manufacturing.
- ❖ Complementarities but, even more, competition with Asia.

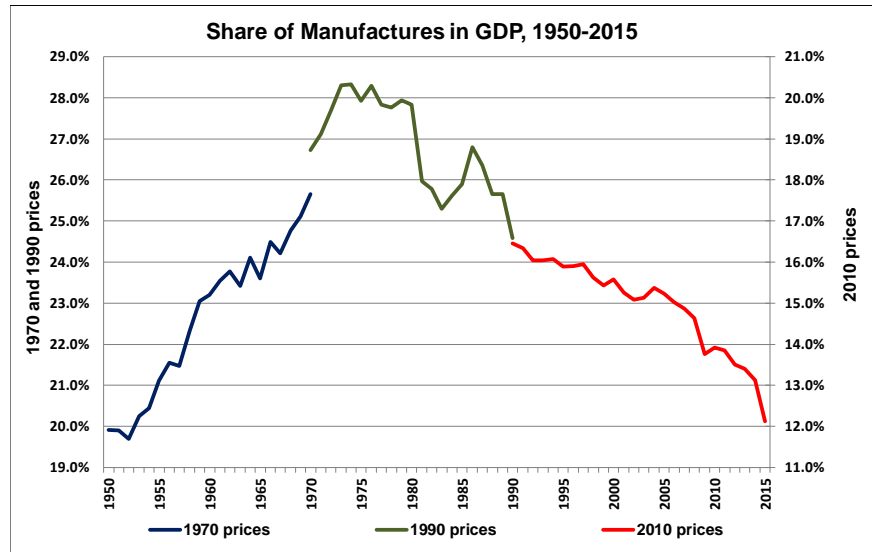
SPECIALIZATION PATTERN MATTERS (Hausmann-Hwang-Rodrik)



THE “PRODUCT SPACE” (Hausman-Hidalgo-Klinger)



A NOW LONG AND PREMATURE DE-INDUSTRIALIZATION



SIGNIFICANT TECHNOLOGICAL GAP

Indicators of technological development around 2010			
	% of high-tech industries vs. USA	R&D as % of GDP	Patents USPTO per million inhabitants
Latin America	0.31	0.38	0.8
East Asia	0.96	1.88	62.4
Natural Res.-intensive developed countries	0.59	1.68	66.9
Mature economies	1.12	2.53	172.2

Source: ECLAC

WHAT CAN BE DONE?

- ❖ Given the weakness of world trade, the space for orthodox export-led policies may be over.
- ❖ A pure inward-looking strategy would work for very few countries (Brazil, perhaps partly Argentina and Colombia). Improved social conditions support domestic market expansion.
- ❖ Regional integration (an “expanded domestic market”) would work, but politics does not help
- ❖ A complement would be a more aggressive export diversification strategy:
 - ✓ Ambitious production and technological policies
 - ✓ Reorientation towards Asia (China), but this also requires export diversification.

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