THE EXPORT ERA: COLOMBIA AND LATIN AMERICA

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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

- 1835/39-41/45
- 1841/45-83/82
- 1882/83-1905/09
- 1905/09-25/29

Graph showing annual rate of growth of real exports from 1835/39 to 1905/09, with notable peaks in the 1850s, 1880s, and 1900s.
THE MAJOR JUMP TAKES PLACE IN THE EARLY TWENTIETH CENTURY

Real exports per capita (1910-14=100)

FROM CONCENTRATION TO DIVERSIFICATION, AND BACK TO CONCENTRATION

Share of the five main products in total exports (%)
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:
  - 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.
**INCREDIBLE TRADE OPENNESS**

Export and Import Coefficients (2010 prices)

- **Imports/GDP**
- **Exports/GDP**

**SPECIALIZATION: NORTHERN AND SERVICE PATTERNS**

(Shares in exports, 2014)

- Services
- Other goods
- High-tech Manuf
- Mid-tech Manuf
- Low-tech Manuf
- Resource Manuf.
- Commodities
SPECIALIZATION: SOUTHERN PATTERN
(Shares in exports, 2014)

INTRAREGIONAL TRADE IS MORE INTENSIVE IN MANUFACTURES

Exports by destination, 2013
A SUPER-CYCLE OF COMMODITY PRICES IN 2003-13

Real non-oil commodity prices (1980=100)

WORLD TRADE: FROM BOOM TO UNCERTAINTY

World GDP and Trade Growth
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)

<table>
<thead>
<tr>
<th>Latin America’s share in world trade</th>
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<tbody>
<tr>
<td>12%</td>
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<tr>
<td>10%</td>
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<tr>
<td>8%</td>
</tr>
<tr>
<td>6%</td>
</tr>
<tr>
<td>4%</td>
</tr>
<tr>
<td>2%</td>
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<tr>
<td>0%</td>
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</tbody>
</table>

Graph showing Latin America’s share in world trade from 1880 to 2005.
SUCCESSFUL INTEGRATION INTO THE GLOBAL ECONOMY (2)

Share of Latin America in world exports (UNCTAD, goods)

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

Latin America: Moving average of decade-long growth rates
(Average growth rate in the decade that ends in the year indicated in the graph.)
SLOWER AND MORE UNSTABLE GROWTH

GDP growth: dynamics and volatility

<table>
<thead>
<tr>
<th></th>
<th>Average growth</th>
<th>Standard deviation</th>
<th>Coefficient of variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-1980</td>
<td>5.5%</td>
<td>1.7%</td>
<td>0.31</td>
</tr>
<tr>
<td>1990-2016</td>
<td>2.9%</td>
<td>2.2%</td>
<td>0.77</td>
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</table>

Simple average

<table>
<thead>
<tr>
<th></th>
<th>Average growth</th>
<th>Standard deviation</th>
<th>Coefficient of variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-1980</td>
<td>4.9%</td>
<td>1.1%</td>
<td>0.22</td>
</tr>
<tr>
<td>1990-2016</td>
<td>3.7%</td>
<td>1.9%</td>
<td>0.50</td>
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SLOWER GROWTH IN MOST ECONOMIES

GDP growth: 1990-2016 vs. 1950-1980

- Argentina
- Bolivia
- Brazil
- Chile
- Colombia
- Costa Rica
- Ecuador
- El Salvador
- Guatemala
- Honduras
- Mexico
- Nicaragua
- Panama
- Paraguay
- Peru
- Dominican R.
- Uruguay
- Venezuela
- Latin America
PER CAPITA GDP LAGS VIS-À-VIS THE WORLD AVERAGE…

Latin America’s per capita GDP as % of world average

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

Latin America's GDP per capita vs. other developing countries
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)

e( growthgap | X, lexpy1992 ) + b*lexpy1992

Residuals
Linear prediction

MDG PRY BGD
BGD LBR BLZ
BLZ MEX HUN
HUN ROM BRA
BRA MEX JAM
JAM CAN
CAN MEX
MEX BOL
BOL LCA
LCA LKA
LKA COL
COL HTI
HTI PER
PER KEN
KEN IDN
IDN BLZ
BLZ CHL
CHL DZ
DZ ASAU
ASAU OMAN
OMN TUR
TUR TTO
TTO IND
IND CHN
CHN HRV
HRV PRT
PRT MYS
MYS BRA
BRA HUN
HUN AUS
AUS ME X
ME X ESP
ESP KOR
KOR NZL
NZL SGP
SGP CAN
CAN USA
USA DNK
DNK SWE
SWE DEU
DEU IRL
IRL FIN
FIN ISL
ISL CHE
CHE

THE “PRODUCT SPACE”
(Haussman-Hidalgo-Klinger)
A NOW LONG AND PREMATURE DE-INDUSTRIALIZATION

Share of Manufactures in GDP, 1950-2015

SIGNIFICANT TECHNOLOGICAL GAP

<table>
<thead>
<tr>
<th>Indicators of technological development around 2010</th>
<th>% of high-tech industries vs. USA</th>
<th>R&amp;D as % of GDP</th>
<th>Patents USTPO per million inhabitants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td>0.31</td>
<td>0.38</td>
<td>0.8</td>
</tr>
<tr>
<td>East Asia</td>
<td>0.96</td>
<td>1.88</td>
<td>62.4</td>
</tr>
<tr>
<td>Natural Res.-intensive developed countries</td>
<td>0.59</td>
<td>1.68</td>
<td>66.9</td>
</tr>
<tr>
<td>Mature economies</td>
<td>1.12</td>
<td>2.53</td>
<td>172.2</td>
</tr>
</tbody>
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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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