

# Why Colombia does not export more

Download Other Working Papers Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Jorge García-García David C. López-Valenzuela Enrique Montes-Uribe

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc)

Publication Date: Wednesday, 21 of October 2020

The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Abstract

This paper explains how trade costs (protection and other costs) discourage manufacturing exports and why they are the main reason that Colombia's main exports are basic commodities. The paper reviews the literature on exports in Colombia, shows how the volume and composition of exports evolved since 1950, proposes a methodology to calculate the protection to the manufacturing sector, estimates the total rate of protection to manufacturing and the domestic terms of trade between protected and export activities in manufacturing, examines the role of export subsidies in promoting exports, and discusses the feasibility of subsidizing exports to offset the negative impact of protection on the incentives to export. The paper concludes that Colombia has not exported more because of the poor incentives to do so, caused by the high protection to domestic production and high costs of logistic services which are explained partially by the country inadequate infrastructure.