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# Prospects of Colombian agricultural export expansion and import substitution of a strategy for development: The case of the United States

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PROSPECTS OF COLOMBIAN AGRICULTURAL EXPORT EXPANSION  
AND IMPORT SUBSTITUTION AS A STRATEGY FOR DEVELOPMENT.  
THE CASE OF THE UNITED STATES

by

Jaime Antonio Bernhardt

A Thesis Submitted to the  
Graduate Faculty in Partial Fulfillment of  
The Requirements for the Degree of  
MASTER OF SCIENCE

Major Subject: Agricultural Economics

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Signatures have been redacted for privacy

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Iowa State University  
Ames, Iowa

1970

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DEDICATION

To three women I really love

My wife,

My daughter,

My mother.

## I. INTRODUCTION

The general goal of development is the improvement of the living conditions of the human population. Raising the living conditions includes the nonmaterial considerations of health, education, leisure and communications; and also the material consideration of increasing income above the level of subsistence. New funds gained through the raising of income will permit the widening of employment, choices and occupations; and improvements in health, education and several other benefits. The problem is then predominantly an economic one, and requires a choice among the means of raising the incomes by setting up a strategy for development.

The review and analysis of successes and failures of the past efforts toward development of Colombia can help as guidelines to reinforce, adapt or change the present strategies. Under such a premise, it is the objective of this work to review the points of view of several writers both favoring and opposing trade as a means or strategy for economic growth of the less developed countries. Colombia's trends in exports and imports with the rest of the world in recent years will be inspected. The trends in trade with the United States will be reviewed in particular, because the United States has traditionally been the most important trading partner for Colombia, and still demands half of all Colombian exports. The barriers to expansion of



Colombian exports, and especially the protectionism of the United States, will be surveyed, since export expansion is attached to them. In conclusion we hope to determine the general emphasis that Colombia can and should place upon international trade as a strategy for development.

## II. TRADE-GROWTH LINKAGE AND THE CHANGING SITUATIONS FOR AGRICULTURAL EXPORTS

### A. Theories

The abstraction of the main features of different economic situations permits one to construct theories. These theories can then create perspectives, increase understanding and assist in planning appropriate actions for specific cases. Some theories fit particular situations and contradict others.

The old classical theory of trade and development suggested that poor countries ought to benefit as well as rich ones from trade. In the theory two branches can be distinguished:

#### 1. The direct effects of comparative cost advantage

Given two trading countries, two commodities, two factors fixed in quantity, factor mobility within but not between the countries, assuming full employment of labor and resources, and assuming perfect competition; it has been demonstrated that both countries will be better off or that at least one country will be better off and the other will be no worse off, if each country specializes in producing and exporting the commodity which it can produce best using a high proportion of the factor in relative abundance. Kindleberger states,

"The law of comparative advantage establishes a presumption that an incremental balanced unit of resources should be invested in the export industry rather than in the import competing industry, to stick to two commodities. The country is more efficient in the production of the export good. Even where demand is strongly biased in favor of the import good, the presumption holds. More of the import good is acquired by producing the export item and exchanging it for the desired ones" (1, p. 295).

## 2. The indirect effects of comparative cost advantage

The indirect effects consider a higher order of analysis. They treat dynamically the extension of the markets, the subsequent division of labor, the stimulation of innovations, improvements in the process of production, the overcoming of technical indivisibilities, and hypothesize an income multiplier effect through the expansion of foreign sales which tend to promote growth of the economy. With large scale production and growing foreign markets it becomes profitable to adopt advanced technologies. If investment takes place and output expands because of foreign demand trade may induce development. Trade then becomes a progressive dynamic force and as Myint states, "enables the trading country to enjoy increasing returns and economic development" (2, p. 319).

## 3. The controversy

It is now doubted that agricultural specialization in some of the Latin American countries can lead to economic

progress, as theory suggests, because their experience does not seem to bear out the rule. Many economists still base their strategy for economic development of the less developed countries on specialization and comparative advantage. Other economists suggest that the assumptions in the theory do not hold in all countries. If the assumptions do not consider particular nonconforming economic circumstances, then application of the theory will be wrong for these specific instances and will give rise to a request for new economic thought. Four main points are made to demonstrate the inapplicability of the classical theory to the less developed countries.

a. The theory kind of analysis      The traditional trade theory offers a static equilibrium analysis irrelevant to the dynamic problems of development.

"The theory of international trade more than any other branch of economic theory has been dominated by the assumption of stable equilibrium, implying the belief that normally a change will call forth as reaction secondary changes with opposite direction. Only on this assumption--and, in addition, a number of other assumptions--does trade represent an element in the economic process which operates to bring about greater economic inequality between regions and countries" (3, p. 155).

The theory does not consider cumulative economic processes due to circular causation, under which, trade creates increased inequalities and gives only weak redistribution effects. The failure to deal with the differences of development and underdevelopment and to deal with inter-

national inequalities makes the equilibrium assumption an unrealistic one because the problem is solved by classifying factors as economic and noneconomic, and because only the economic factors are considered. Other factors are kept outside the analysis by assuming the noneconomic ones as given and static.

The assumptions of full employment of labor and resources and especially of factor mobility within a country are two conditions which did not exist for several less developed countries, and which still do not hold for Colombia.

b. Secular deterioration of the terms of trade It is argued that there has been a transfer of income from the poor to the richer countries. This argument maintains that in the long-run there is a tendency in the less developed countries terms of trade (ratio of average export prices to import prices or prices of primary commodities divided by prices of manufactured goods) to deteriorate, and that the countries specializing in the production of primary products are condemned to ever-declining terms of trade as opposed to what happens to the terms of trade of the countries specializing in the production of finished goods.

"It is a matter of historical fact that ever since the seventies the trend of prices has been heavily against sellers of food and raw materials and in favor of the sellers of manufactured articles. The statistics are open to doubt and to objection in detail, but the general story which they tell is unmistakable" (4, p. 477).

c. Unfavorable effects of international factor movements

It has been considered that the inflow of foreign capital was oriented toward developing natural resources related to exports; neglecting production for the domestic sector. This capital as a consequence did not penetrate the native economy. Such a situation promoted economic dualism with a bias toward production for exports, which caused the export sector to become an island of development while the domestic sector continued to be a low-productivity sector.

Singer points out,

"...the fact that the opening up of underdeveloped countries for trade has led to or been made possible by foreign investment in those countries does not seem a generally valid proof that this combination has been of particular benefit to those countries" (4, p. 475).

He also argues that the differences of productivity between the export and domestic sectors of the less developed countries is showing that the beneficial effects of trade do not benefit a large part of the indigenous economy.

It is also contended that export development absorbs the entrepreneurial initiative, the domestic investment and the attraction of external capital, leading to the neglect of other possible means of development.

d. International operation of the demonstration effect

It has been considered that the import propensity to consume was raised, thus absorbing and limiting capital accumulation in the less developed countries. The increasing

consumption of imported commodities does little to operate as an incentive to produce more domestic products for generation of foreign exchange.

#### 4. A special position

An understanding of the direct and indirect effects is featured by Hyla Myint (2), who points out that the dispute on the unfavorable economic development of the countries exporting food and raw materials and importing manufactured goods gives basis to doubt the theory. To this doubt, the orthodox economists responded by reiterating that comparative advantage is applicable to any country and finally the controversy developed into the question of whether or not the theoretical model of comparative-cost advantage is applicable to the less developed countries. By identifying the classical theory with the comparative cost theory other elements of international trade have been neglected.

Instead Myint approaches the problem by considering the "vent for surplus" (the production over the domestic markets demand) and the "productivity theory" (the widening of the markets with division of labour and greater productivity as a consequence of the surplus), and notes that specialization makes the difference between the "productivity theory" and the comparative-cost theory since the former is a dynamic force of general development while the latter is a movement along a static production possibility curve. Myint argues

that it was the sense of the "productivity theory" which encouraged trade in the less developed countries and that it explains why monopolistic privileges were conceded as well as "the taxing of indigenous people to force them to take up wage labour or grow cash crops" (2, p. 319), and that at the same time it also explains why the classical theory is associated with colonialism. He does not tell how well oriented that dynamic force was but it is clear that the rates of export production that were expanded by extension of cultivation, not by reallocation, cannot really be explained in terms of the comparative-cost theory which is based on the assumption of given resources and given technologies.

#### 5. The verdict

From the previous considerations it seems that people were wrong in the identification of the specific conditions under which the theory applies and that the theory was wrongly and incompletely applied to the trade of the Latin American less developed countries.

#### B. Models

On the other hand, the classical foreign trade models can be adapted to a given set of circumstances and focus on growth. They are able to predict adjustments in the size of income, production and trade by analyzing the changes



in comparative cost advantages growing out of differences in tastes, etc. In theory, the improvement in the productivity of resources in one specializing country would benefit other nations through trade unless the nation increasing its productivity changed its consumption pattern away from imports, but this was regarded as unusual.

Looking back, the focus has been on the rapid improvement in technology and increasing productivity in manufacturing whereas diminishing returns and slow technological progress have existed for agriculture. Theoretically this should have called for a worsening economic position for countries specializing in manufactures, but this did not happen. Engel's law seemed to apply and in the manufacturing countries there was a shift from food towards durable goods and services, at the same time that agriculture in the rich manufacturing countries raised its productivity. Finally it appeared that industrialization was biased against the use of raw materials as less use of them per unit of output accompanied industries experiencing increased efficiency. Growth is then logically slow for agriculturally specialized less developed countries.

Studies in

"...international consequences of various possible combinations of growth forces were worked out quite carefully. The story still contained a basic undercurrent of optimism; while it was possible that growth forces might be immiserizing-- actually making certain areas absolutely worse off--

this was not regarded as the typical or normal case. For a broad range of growth forces--through improved technology, capital accumulation, improvements in the quality of productive inputs, and improvements in economic organization--it was expected that potential levels of living for all the nations that comprise a broad international trading network would be enhanced" (5, p. 51).

However it is argued against the neoclassical models that biases reduce the benefits going to poor countries to very small proportions. Several features that would make the models more relevant and more realistic are not considered, such as slow growth in demand for agricultural products, barriers and inertia towards development of demand for products in which the less developed countries have a large potential comparative advantage, barriers in the exploitation of external economies, institutional arrangements and policies of the developed countries which diminish the gains that less developed countries could obtain from world economic growth and finally biases of technology in favor of the highly developed areas.

### C. Trade Unpopularity

In spite of the consideration that trade is more important when incomes are low and when the foreign sector constitutes a major part of the economic activity, trade is not considered a popular engine of growth.

"Over the past century and a half the growth of international trade has continued to open up new opportunities of specialization and development for all the countries engaging in it" (6, p. 210).

It is unpopular among the critics because of dependence on external forces that limit the freedom of domestic policies and because foreign demand influences only a limited sector of the economy, creating monocultures. It is unpopular because the export sector rarely is the vehicle of innovations in other sectors of the economy.

On the other hand and based on the past trends for exports trade is charged with:

### 1. Instability

The violent fluctuations in prices and volumes of exports of Latin American countries creates a serious problem for acquisition of foreign exchange, and inhibits their ability to import. The prices for primary products vary much more sharply from year to year than do the prices of most of the manufactures. Such instability is attributed to the short-run inflexibility of output and the demand, in relation to the price change, for the primary commodities. It is argued that output lags behind the market due to the long periods of production necessary for agricultural products and that consequently the output elasticities for agriculture are lower than those for factory produced goods.

### 2. The inelastic markets

The inelasticity of the markets is tied, many times, to the fact that the importing country is not giving up the

production of the imported good.

### 3. Slow demand expansion

Then, it is felt that those conditions of the 19th century when the European markets were expanding with respect to food and raw materials are far away distant from today's situation when a dynamic expansion of trade between developed and underdeveloped countries seems hard to obtain. The less developed countries face a very slow expansion in demand for their agricultural products because of the following reasons:

a. Low elasticities of demand for their products      The exports of primary products cause an income-elasticity demand disparity in the world markets; i.e., with income rising the demand for industrial goods tends to grow faster than the demand for the primary commodities. It is also noted that "the income elasticity for food, is a weighted average of the income elasticities for middlemen's services and farm products" (7, p. 11), and that the income elasticities for services are higher than income elasticities for product services. However, exports of less developed countries forbids them to enjoy such differences. "In general, when a rich country grows richer, the demand for food increases relatively little" (7, p. 11).

b. Raw materials substitution      Technical advances of the developed countries permit less raw materials per

unit of output and in many cases substitution by synthetics.

c. Agricultural protection Protection given in the industrial countries to the agricultural sector, or at least to some areas of that sector. The interest in self sufficiency, in the correction of the balance of payments, the stabilization of internal incomes and at the same time the creation of export subsidies have a tremendous impact upon the market position and the incomes of the producers of similar export commodities in competing regions.

d. Domestic competition Competition by efficient producers of food in those countries that could be importers of their products.

e. New technologies Economies in the use of raw materials, e.g., through reprocessing systems and economies in the use of certain classes of food, e.g., instant coffee rather than coffee beans.

Thus the opportunities for the primary producing countries to produce for trade have been wiped out. Overseas previously trade enabled them to bring into use their great unexploited natural resources and freed them from the limitations of their domestic markets.

#### 4. The technological process

For many countries technological process lead to higher incomes rather than lower prices. Industrial and monopolistics elements in the product and factor markets of the

manufacturing countries allowed them to retain technological progress in the form of rising incomes, while the lower prices remained the method of the less developed countries. For the latter productivity was distributed in price reductions. Strictly on internal basis any line was acceptable, but in trade there is a fundamental distinction, especially for those countries which are export oriented.

"As productivity increases with industrialization, wages will rise, thus causing a comparative increase in the prices of primary products. In this way, as its income rises, primary production will gradually obtain that share of the benefits of technical progress which it would have enjoyed had prices declined" (8, p. 15).

#### 5. The less developed countries feelings

It is felt, that such unfavorable positions for the less developed countries, since there is not a pace of prices with productivity, only allows industrialization as a means by which the Latin American countries can obtain substantial advantages in technical progress. The less developed countries consequently desire manufacturing industry to increase technical knowledge, urban education, inventiveness, etc., instead of trade on such basis.

#### D. Trade Repayment to Developed Countries

Besides raising the incomes of the countries producing manufactures, to an extent exceeding the increases in productivity which constitutes an absolute burden for the

consumer of the less developed countries, it is also considered that the capital exporting countries receive several times repayment in the following five forms.

1. Manufactures export expansion

Through investment abroad and the opening of the less developed countries to trade, they enjoyed the possibility of building up the exports of manufactures which simultaneously enabled them to transfer their population from low productivity occupations to high productivity occupations.

2. Internal economies

The expansion of manufactures carries with it the enjoyment of internal economies to the manufacturing countries.

3. Dynamic impulses

The establishment of industries offers all the dynamic impulses that industry represents for a society.

4. Needs satisfaction

The fruits of technical progress achieved in the production of primary commodities were also available to the developed countries as consumers of these primary commodities.

## 5. Rising incomes

Contribution to the rising incomes of the producer of manufactures through the consumption of these manufactured articles by the foreign consumers.

"The industrialized countries have had the best of both worlds, both as consumers of primary commodities and as producers of manufactured articles, whereas the underdeveloped countries had the worst of both worlds, as consumers of manufactures and as producers of raw materials" (4, p. 479).

### E. Trade and Development

#### 1. Causes of economic progress

The causes of economic progress of nations or in other words the causes of development were thought by Marshall to be found in the study of international trade. Such assertion was justified by the flourishing of the markets of the old world for the products of the new world.

Also according to Mill and Malthus trade was the open door to avoid stagnation in the advanced countries.

"But it can hardly be said that international trade has been a major cause of economic growth for the developing countries of the mid-twentieth century" (9, p. 267).

In an integral sense trade was not expected alone to induce development in the poor countries, because any sector is part of a system represented by the country's economy and in spite of what a sector does, the relation with the other sectors is what is going to produce the final outcome for the economy as a whole.



"For although the initial expansion of the export sector is favorable potentially for development, the actual scale and rapidity with which this stimulus is transmitted to other sectors will depend not only on the rate of export growth, but also on the character of the country's export base, and on the degree of domestic market imperfections, interpreted in a wise sense" (10, p. 177).

## 2. The linkage failure

It is argued that trade does not link to development among several sectors because of the following reasons.

a. Resource allocation      The allocation of resources is not made for many periods but rather for the single period looking at the achievement of the gains from trade in the single period, and that other patterns of resource allocation might lead over time to a greater outward shift in the production frontier.

b. Foreign exchange shortage      The benefits of international division of labor that are theoretically sound and the assumption that technical progress tend to be alike for the whole community came to be false as proved by the facts. The percentage of imports of the manufacturing countries in relation to the national income are at a very low level and consequently there are foreign exchange shortages for internal programs of development. The relation of trade to economic development of imports that require exports has been jeopardized.

c. Fluctuations      The narrowness and fluctuations

of the markets prevent farmers from specializing in crops which yield highest average return because they do not wish or cannot afford the risk of depending on exports which are subject to severe instability.

d. Investments      The multiplier effects of trade did not link with development because the investments returned home and the cumulative addition to income, employment, technical knowledge and growth did not occur.

e. Balanced-imbanced growth      Trade is related to balanced or imbalanced growth. Balanced growth suggests sets of harmonies of economic growth, but under this type it is difficult to expect side benefits, flows of resources and technologies, because of the instability of trade. Imbalanced growth suggests selecting types of development with high direct pay-offs which stimulate other indirect pay-offs, but under this type it is difficult to expect that the export industry, as suggested by the classical doctrine, is a good area to emphasize.

### 3. The lagging countries

The question of the lagging of the less developed countries many times receives answers by considering that the penetrative power of trade has been limited by domestic handicaps rather than by the nature of international trade itself and that along with trade a country should attempt to make the economic structure more flexible, i.e., removing

restraints in land tenure, eliminating market imperfections, diversifying production and widening capital markets. However assuming there are obstacles (handicaps) which are being removed, exports may not enjoy rising world demand and may not be a sufficient basis for development. Consequently they would be weak transmitters of development.

#### 4. The compatibility problem

It is then questionable whether trade has a propulsive role in the development of a country or on the contrary is incompatible with the requirements for accelerated development. Under historical context trade has operated as a mechanism of international inequality, widening the gap between the rich and the poor countries.

The consequence is the argument that supports the need to sacrifice the gains of specialization in order to obtain higher rates of development by import replacement and deliberate specialization to broaden the internal markets. From this point of view the industrialization if wisely carried out will be the doorgate for considerable increase in national income and for distributing productive employment to the population presently engaged in activities of low productivity. International trade then becomes of secondary significance when compared to internal growth and development.

### III. COLOMBIAN WORLD EXPORTS AND IMPORTS

#### A. Exports

##### 1. Exports growth

Colombian FOB total world exports at current dollars for the period 1954-1966 do not show a consistent growth but rather show three periods of variation (see Figure 1). First, between 1954 and 1961 total exports fell to the level of 427.1 millions in 1961. Second, between 1961 and 1964 total exports recovered rapidly to a peak of 528.1 millions which was, however, still only 84 percent of the total of 1954. Third, between 1964 and 1966 total exports fell again to 508.6 millions.

##### 2. Agriculture share

During this time, the share of agriculture in total exports has been decreasing from 86.8 percent in 1954 to 72.5 percent in 1966, and nonagricultural exports have been taking their place.

##### 3. Dependence on agricultural exports

The country continued to depend mainly on the agricultural exports to obtain foreign exchange and coffee was the principal product for exportation.

#### 4. Main agricultural export products

Coffee, bananas, cotton, tobacco and sugar represent about 97 percent of total agricultural exports (see Table 2). In 1966 these five products were practically equal to total agricultural exports.

#### 5. Remarks on agricultural exports

Total agricultural exports have tried to recover several times, but increases are offset by decreases, leaving only small gains. Consequently, it seems there is no basis to expect substantial increases in the dollar payment for agricultural exports. The price situation for agricultural exports or division of current dollars by exported volume also presents a general negative trend and heavy fluctuations (see Figure 3). The expansion of exports when measured in volumes gives an optimistic view that disappears when we realize that increases in the volume generally do not correspond, not even to proportionate increases in the revenue.

### B. Agricultural Production for Exports

#### 1. Production increase

Coffee, bananas, cotton, tobacco and sugar production generally have increased since 1954, and some of these products have had substantial increments of more than 50 percent.

## 2. Main exports share of production

Comparing the total production of coffee with the quantities that are going into foreign markets, we find that the share of coffee exports in the production have fluctuated decreasingly until 1962, keeping the same percentage until 1964, and decreasing again, implying that internal markets must be increasing, or stocks are being accumulated. The export of bananas tends to keep pace with the production and consequently the quantities remaining for the internal markets present only small fluctuations. The share of sugar exports in the total national production also has been decreasing, and more sugar is going into domestic consumption. Tobacco is a product that tends to keep a constant share of exports in respect to its production. Cotton exports have been declining sharply, and consequently represented a very small proportion of total production in 1966. At the same time, while greater volumes of sugar, bananas and tobacco were sold for the export markets, smaller volumes of cotton were exported, and the volumes of coffee exported fluctuated, presumably in the last years because of the International Coffee Agreement objectives (see Figures 4, 6, 9).

### C. Productivity for Exports

The increases in the total output of Colombian agricultural products cannot be attributable only to more land

brought under cultivation. Coffee, bananas, cotton, tobacco and sugar have increased in the total number of hectares, but productivity has increased as well. Increments in the yield per acre of more than 20 percent are easily found between 1954 and 1968 for any of these products (see Figures 5, 7, 8, 10, 11).

#### D. Exports Review

A review of the highlights of Colombian agricultural exports gives the following picture:

The period 1954-1961 generally was characterized by a decrease in the revenue of total agricultural exports. In particular, coffee revenue fell, volume increased and prices deteriorated. Sugar revenue also fell, volume decreased, but prices improved. Tobacco revenue increased, volume was relatively constant, and consequently prices improved. Finally, bananas revenue fell, volume was relatively constant and prices deteriorated. Consequently the period was unfavorable at times in prices, at times in volume and at times in revenue, with the exception of tobacco. An equitable growth of exports did not occur at all.

The period 1961-1964 generally was characterized by an increase in the revenue of total agricultural exports. However in this period, coffee, bananas, and tobacco were favorable, but sugar and cotton experienced deteriorating prices.

The period 1964-1966 presented again a general decrease in the revenue of total agricultural exports. Prices were deteriorating for all five main products, and increases in the revenue of bananas and sugar were only possible by increasing the volumes.

Overall, agricultural exports did not show a smooth trend of increase that harmonizes prices and volumes with total revenue.

## E. Imports

### 1. Imports growth

The capacity to import is quite dependent on the revenue from exports. Colombian CIF total world imports at current dollars for the period 1954-1966 generally tend to follow the pattern of exports (see Figure 12).

Three main periods, and a tremendous end-of-the-period increase in imports, can be observed: First, between 1954 and 1958 total imports fell to the level of 399.9 millions in 1958. Second, between 1958 and 1964 imports recovered rapidly to 586.3 millions. Third, between 1964 and 1965 imports fell again to 453.5 millions. In 1966 imports strongly exceeded exports and reached their highest peak of 674.3 millions.

### 2. Imports constitution

The main body of Colombian imports is constituted by nonagricultural exports, but agricultural imports capture



around 13 percent of total imports. Cacao, fruits, cereals and oils constitute more than 50 percent of the agricultural imports, and their importance is remarked by the level of 75 percent that these products represented in 1966 in the total of agricultural imports (see Table 7).

### 3. Agricultural imports and domestic production

The general agricultural imports of Colombia clearly show a tendency to increase, in spite of the fact that the national production also has been increasing. Certain quality requirements could explain the necessity of such imports, but in general it can be assured that those are products susceptible to substitution by domestic production.

### 4. Agricultural import prices

Price deterioration also exists for Colombian agricultural imports (see Figure 14).

#### F. Production and Productivity for Imports

Production and productivity have linked together quite well to permit substitution of several agricultural imports, such as rice and sugar, or at least to reduce them to small figures. Although this situation cannot be generalized to other important products such as wheat and cacao, the general context demonstrates that the output is overcoming past difficulties (see Tables 4, 5).

## G. Export-Import World Balance

### 1. Kinds of balance

Two kinds of balance are distinguished if we compare agricultural exports-imports on one hand, and total exports-imports on the other.

For the former, exports have always exceeded imports. This situation, however, was accompanied by decreases higher in exports than in imports.

For the latter, changes in the leading of exports over imports and vice versa occurred several times during the period (see Figure 15).

### 2. Cumulative balance result

The cumulative result of the balance of exports-imports with the rest of the world is negative, and although there have been several surplus periods, their addition only represents 31 percent of the total accumulation of deficits. It is noticeable that if the value of agricultural imports is subtracted, the balance comes very close to equilibrium.

Table 1. Colombian world exports in U.S. million dollars<sup>a</sup>

Year	Food and feed	Other agr. products	Forest products	Total agr. exports	Total nonagr. exports	Total exports	Agr. % of total
1954	564.3	3.4	0.6	568.3	86.2	654.5	86.8
1955	507.0	3.4	0.7	511.1	72.8	583.9	87.5
1956	447.6	4.5	1.3	453.4	83.8	537.2	84.4
1957	415.2	4.4	0.9	421.2	89.9	511.1	82.4
1958	370.5	3.0	1.3	374.8	85.9	460.7	81.4
1959	376.8	2.1	1.4	380.3	92.7	473.0	80.4
1960	345.9	15.3	2.1	363.3	101.3	464.6	78.2
1961	327.5	15.2	2.2	344.9	82.2	427.1	80.6
1962	353.0	22.6	2.2	377.8	85.6	463.4	81.5
1963	325.4	17.3	2.8	345.5	101.2	446.7	77.3
1964	412.9	16.9	3.8	433.6	114.5	548.1	79.1
1965	384.0	17.1	3.2	404.3	134.8	539.1	74.9
1966	353.9	11.0	2.9	367.8	140.8	508.6	72.5

<sup>a</sup>Source (11).

Table 2. Colombian world agricultural exports by products in U.S. million dollars<sup>a</sup>

Year	Coffee	Ba- nanas	Cot- ton	To- bacco	Sug- ar	Rice	Rub- ber	Feed- ing stuff	Other agr. products	Total
1954	550.2	13.4	-	1.6	-	0.5	-	-	2.6	568.3
1955	487.4	17.0	-	1.7	2.4	-	-	-	2.6	511.1
1956	413.1	28.2	-	2.4	5.0	0.1	-	0.9	3.7	453.4
1957	388.8	26.3	-	1.5	0.3	-	-	-	4.3	421.2
1958	354.5	15.5	-	1.0	0.2	-	-	-	3.8	374.8
1959	361.3	13.9	-	1.4	-	-	-	0.3	3.4	380.3
1960	322.2	13.7	10.4	2.4	-	-	-	-	10.0	363.3
1961	308.8	14.2	10.1	4.0	5.2	-	-	0.1	3.3	344.9
1962	325.4	11.2	15.6	5.7	8.4	0.6	.06	0.2	10.8	377.8
1963	303.1	14.0	9.4	7.2	6.4	0.4	.05	1.2	4.4	345.5
1964	394.4	12.4	6.3	9.4	5.7	-	.01	0.9	7.3	433.6
1965	344.0	19.0	8.0	7.2	7.8	-	.04	2.5	15.4	404.3
1966	328.3	22.5	2.2	5.2	9.4	-	.14	-	.1	367.8

<sup>a</sup>Source (11).

Table 3. Colombian world agricultural exports by products in thousand of metric tons (1,000 kgms)<sup>a</sup>

Year	Coffee	Bananas	Cotton	Tobacco	Sugar	Rice	Corn	Rubber	Potatoes
1955	352.0	209.6	-	4.5	29.9	-	0.1	-	1.1
1956	304.2	215.9	0.1	5.2	67.1	-	-	-	0.6
1957	289.4	184.9	-	5.7	2.7	-	-	-	0.3
1958	326.4	174.1	-	4.5	2.0	-	-	-	0.1
1959	384.8	203.3	-	4.9	-	-	-	-	0.4
1960	356.3	190.7	25.5	6.3	0.0	-	-	-	-
1961	339.1	205.6	17.1	8.6	46.4	-	-	-	0.5
1962	393.7	147.1	26.4	9.9	64.8	4.2	-	0.2	2.2
1963	367.9	202.6	17.1	11.2	52.5	3.1	-	0.2	3.5
1964	384.7	171.6	11.7	16.3	60.7	0.2	-	0.1	-
1965	338.1	253.5	16.6	10.9	101.6	0.1	2.3	0.1	-
1966	333.8	341.9	4.5	13.1	113.9	-	-	0.4	-

<sup>a</sup>Source (11).

Table 4. Colombian agricultural production in thousand of metric tons (1,000 kgms)<sup>a</sup>

Year	Coffee	Bananas	Cotton	Tobacco	Sugar	Wheat
1954	403.1	465.7	27.8	25.3	240.7	146.0
1955	377.1	495.6	24.6	28.7	253.3	147.0
1956	335.0	517.9	22.5	36.6	261.3	140.0
1957	365.1	502.1	20.5	38.1	233.9	110.0
1958	468.5	509.1	25.8	38.3	263.6	140.0
1959	462.0	553.3	66.0	38.6	276.8	145.0
1960	480.0	557.1	66.9	24.8	328.8	142.0
1961	450.0	571.6	76.5	27.8	362.6	142.1
1962	482.1	519.1	82.3	38.2	401.8	162.0
1963	450.0	580.6	72.6	41.7	368.1	90.0
1964	468.0	559.6	66.0	41.3	427.6	85.0
1965	492.0	652.6	65.5	40.1	485.1	110.0
1966	456.0	721.3	88.0	44.2	537.3	125.0
1967	477.0	764.2	101.0	42.5	596.5	80.0
1968	456.0	770.0	122.0	42.0	665.0	125.0

<sup>a</sup>Source (12).

Rice	Barley	Corn	Beans	Fruits	Vegetables	Cacao
294.8	65.0	750.0	50.0	422.0	129.5	11.3
320.2	52.0	736.0	68.6	418.4	128.4	10.9
342.5	70.0	748.0	50.0	437.8	134.3	11.3
350.2	60.0	717.5	71.5	441.8	135.5	12.0
380.4	75.0	822.7	60.0	440.4	135.5	11.7
422.1	101.0	857.5	60.0	451.0	138.4	12.0
450.0	106.0	865.6	39.8	463.6	142.3	13.5
473.6	99.3	751.5	44.1	470.0	144.3	14.3
585.0	108.0	753.9	47.6	488.4	149.9	15.0
550.0	117.5	781.5	43.9	502.0	154.1	15.7
600.0	113.6	986.0	42.0	516.0	152.4	16.4
672.0	90.0	870.7	40.0	530.7	162.9	17.1
680.0	95.0	850.0	35.0	545.8	167.5	17.8
661.5	95.2	850.0	38.0	562.3	173.2	17.0
783.9	74.8	845.0	40.0			18.0

Table 5. Colombian agricultural productivity. Yield per acre (kgms per hectare)<sup>a</sup>

Year	Coffee	Bananas	Cotton	Tobacco	Sugar
1954	462	10,349	339	1,333	4,671
1955	462	10,774	249	1,657	4,764
1956	462	10,509	329	1,763	4,922
1957	462	10,683	327	1,730	4,409
1958	563	10,182	336	1,677	4,650
1959	538	11,527	502	1,749	5,061
1960	538	11,142	445	1,781	5,231
1961	541	11,208	510	2,060	5,779
1962	585	10,594	487	2,015	6,174
1963	556	10,368	514	1,903	5,669
1964	576	9,648	440	1,904	5,969
1965	606	11,252	443	1,579	6,026
1966	562	12,436	537	1,639	5,864
1967	588	13,176	579	1,848	6,658
1968	559	13,276	598	1,909	6,658

<sup>a</sup>Source (12).



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Wheat	Rice	Barley	Corn	Beans	Cacao
749	1,685	1,226	1,103	385	343
808	1,703	1,209	886	553	327
824	1,803	1,400	903	379	336
618	1,843	1,250	1,150	542	375
875	1,933	1,734	1,188	484	366
873	2,051	1,669	1,190	600	375
888	1,980	1,883	1,186	461	422
888	1,997	2,065	1,066	539	433
1,080	2,093	2,204	1,082	547	441
796	2,165	2,027	1,135	584	449
850	1,983	1,959	1,255	553	443
917	1,793	1,953	1,002	526	457
1,136	1,943	1,727	1,005	547	468
1,176	2,276	1,561	1,076	551	459
1,344	2,951	1,600	1,097	571	459

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Table 6. Colombian world imports in U.S. million dollars<sup>a</sup>

Year	Food and feed	Other agr. products	Forest products	Total agr. imports	Total nonagr. imports	Total imports	Agr. % of total
1954	58.2	16.0	3.2	77.4	572.8	650.2	11.9
1955	64.5	18.8	4.7	88.0	583.3	671.3	13.1
1956	50.7	27.6	4.4	82.7	574.5	657.2	12.6
1957	54.4	25.8	5.1	85.3	397.3	482.6	17.7
1958	44.1	23.0	4.2	71.3	328.6	399.9	17.8
1959	44.6	16.9	4.8	66.3	351.4	417.7	15.9
1960	40.2	20.6	5.2	66.0	455.5	521.5	12.7
1961	45.9	18.5	6.5	70.9	473.3	544.2	13.0
1962	54.3	14.5	0.4	69.2	471.2	540.4	12.8
1963	22.6	15.0	0.5	38.1	467.9	506.0	7.5
1964	42.4	16.5	0.9	59.8	526.5	586.3	10.1
1965	35.2	16.6	0.4	52.2	401.3	453.5	11.5
1966	65.3	21.9	0.6	87.8	586.5	674.3	13.0

<sup>a</sup>Source (11).

Table 7. Colombian world agricultural imports by products in U.S. million dollars<sup>a</sup>

Year	Cereals	Cacao	Oils	Fruits	Sugar	Feeding stuff	Fish	Other agr. imports	Total
1954	11.7	9.6	15.5	4.2	0.5	0.7	1.4	33.8	77.4
1955	13.7	9.0	18.1	3.2	0.5	1.2	0.8	41.5	88.0
1956	17.1	6.3	19.0	2.7	0.7	1.1	0.4	35.4	82.7
1957	19.5	8.2	17.6	2.1	3.3	0.3	-	34.3	85.3
1958	15.4	5.9	14.6	1.8	4.8	0.1	-	28.7	71.3
1959	18.2	6.0	12.9	2.6	0.9	-	-	25.7	66.3
1960	15.3	2.5	15.6	1.8	0.8	0.1	-	29.9	66.0
1961	24.3	4.2	9.7	4.0	0.2	0.1	-	28.4	70.9
1962	14.8	5.4	16.2	1.2	0.2	0.2	-	31.2	69.2
1963	9.4	3.8	9.8	0.9	0.3	0.3	-	13.6	38.1
1964	18.3	6.8	16.2	3.1	0.3	0.6	-	14.5	59.8
1965	14.3	7.3	11.6	1.5	0.1	1.0	-	16.4	52.2
1966	26.6	10.6	26.2	2.1	0.2	1.3	0.1	20.8	87.8

<sup>a</sup>Source (11).

Table 8. Colombian world agricultural imports by products in thousand of metric tons (1,000 kgms)<sup>a</sup>

Year	Wheat (1)	Rice (2)	Cereals (1)+(2)	Corn	Barley	Cacao	Sugar	Cot- ton	Rub- ber	Copra
1955	52.6	2.2	54.8	-	-	10.5	2.0	2.4	8.4	68.6
1956	90.2	0.1	90.3	-	-	9.7	2.3	12.4	6.7	80.5
1957	104.2	10.2	114.4	-	-	11.0	24.7	14.7	4.9	64.2
1958	86.2	-	86.2	0.1	4.8	6.0	43.8	10.9	6.2	59.6
1959	96.1	0.2	96.3	-	4.0	7.0	6.8	6.2	3.9	28.3
1960	86.2	0.2	86.4	-	-	3.6	6.6	0.7	7.2	35.3
1961	126.5	39.1	165.6	29.9	-	8.4	-	0.3	5.0	29.9
1962	135.2	2.7	137.9	-	-	9.2	-	0.5	7.0	27.3
1963	93.0	-	93.0	-	-	5.8	-	1.7	7.6	13.6
1964	158.1	0.2	158.3	20.5	-	10.2	-	3.0	6.1	16.3
1965	173.5	0.6	174.1	-	-	13.8	-	8.9	7.3	5.4
1966	250.2	0.4	250.6	-	-	15.6	-	6.5	11.9	10.9

<sup>a</sup>Source (11).

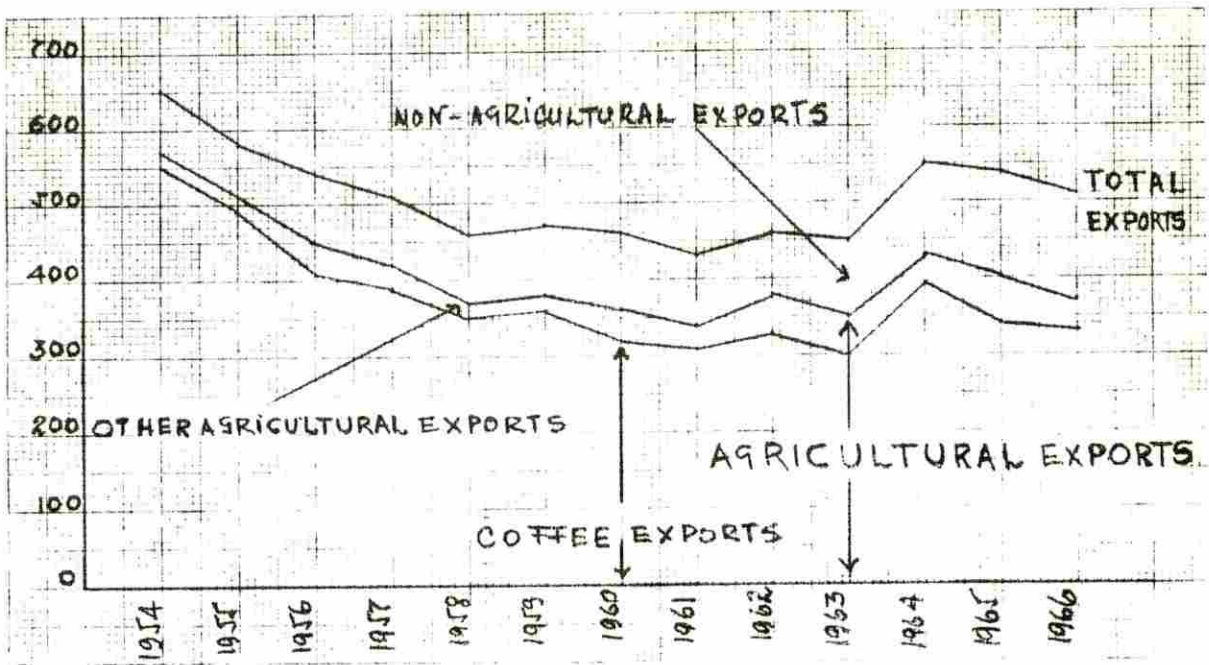


Figure 1. Colombian world exports in million dollars.  
Source: Tables 1, 2

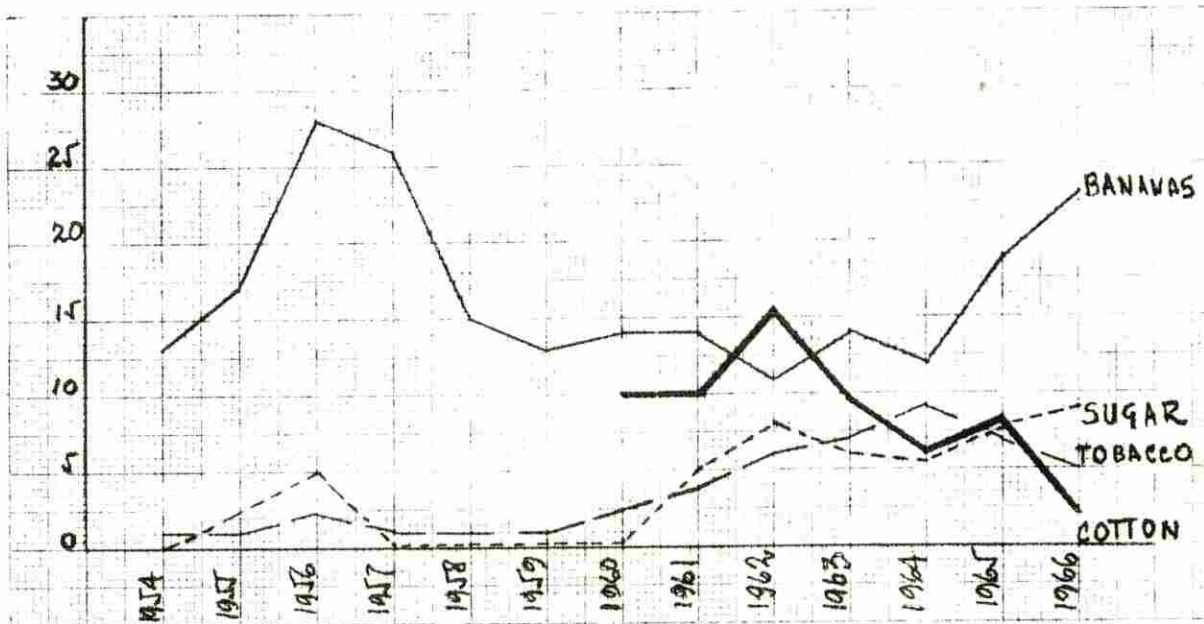


Figure 2. Colombian agricultural exports composition in million dollars. Source: Table 2

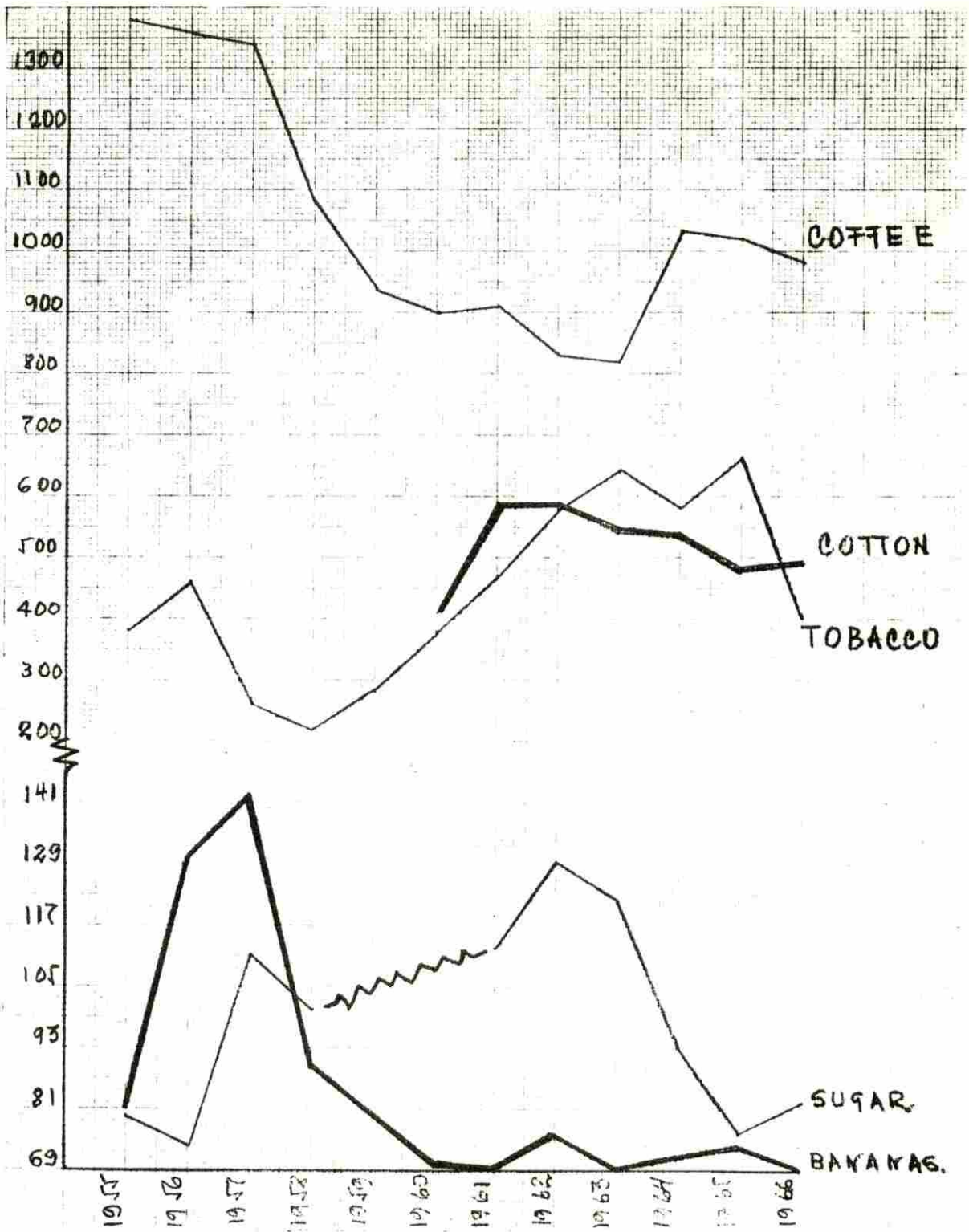


Figure 3. Colombian world exports price per ton in dollars.  
Source: Tables 2, 3

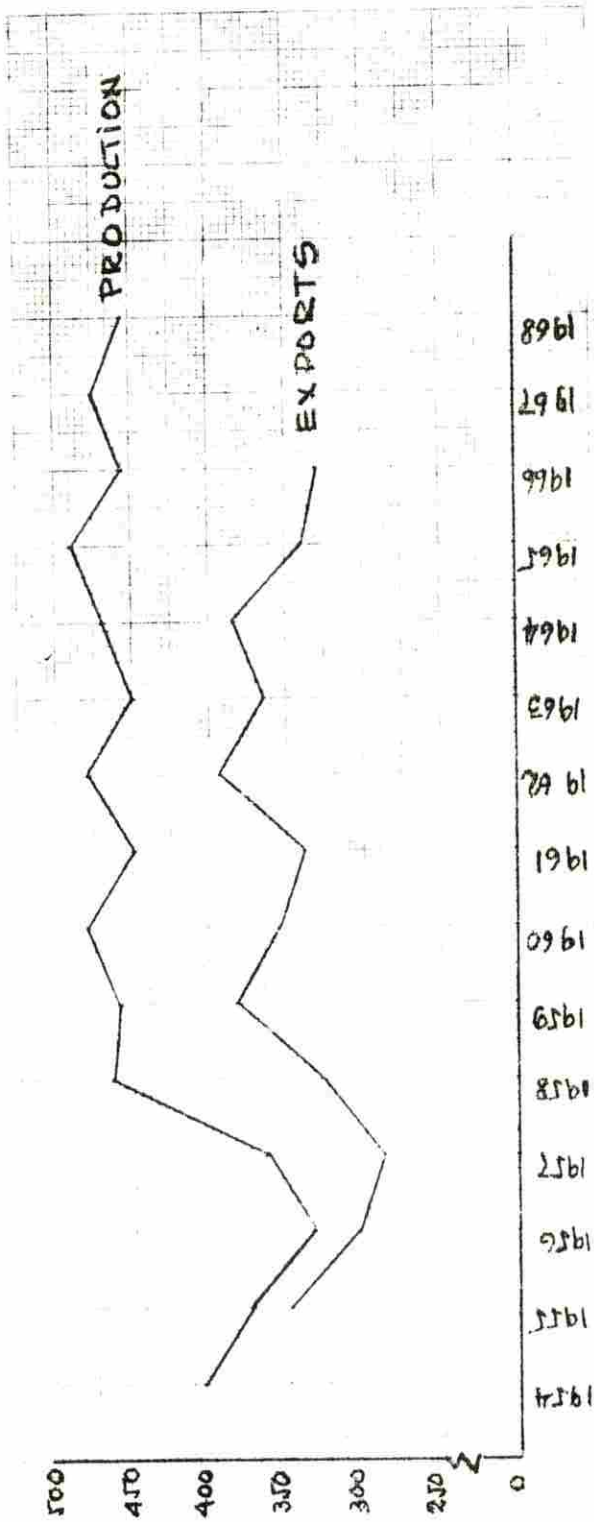


Figure 4. Colombian coffee production and exports in thousand tons. Source: Tables 3, 4

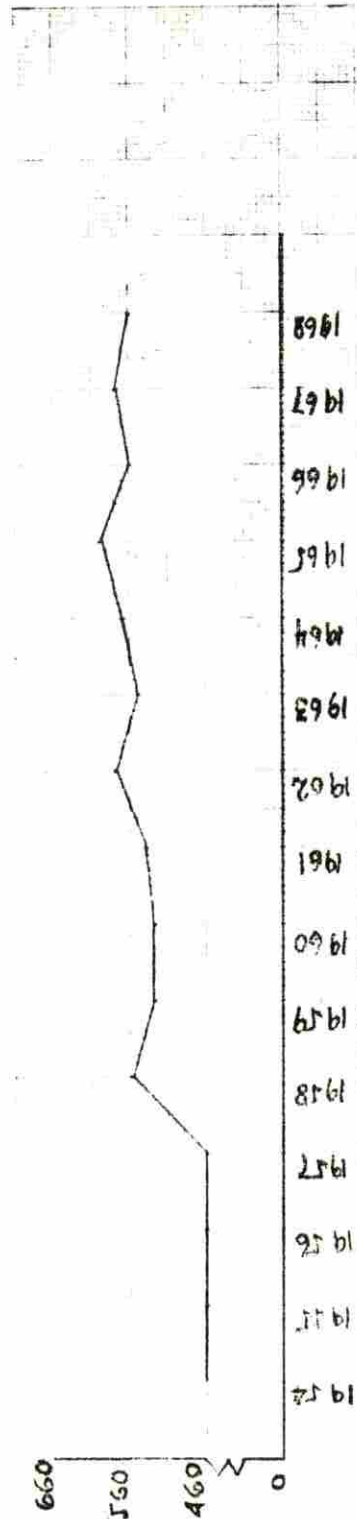


Figure 5. Colombian coffee productivity (kgms per hectare). Source: Table 5

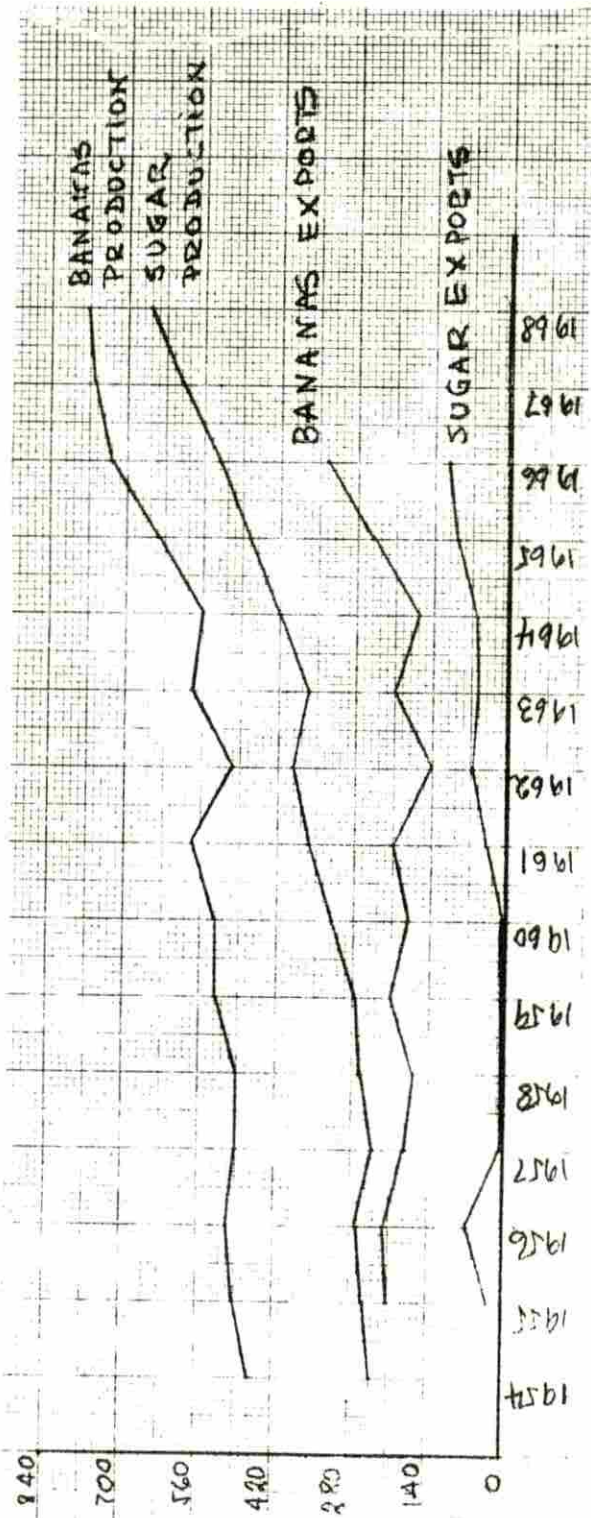


Figure 6. Colombian bananas and sugar production and exports in thousand tons. Source: Tables 3, 4

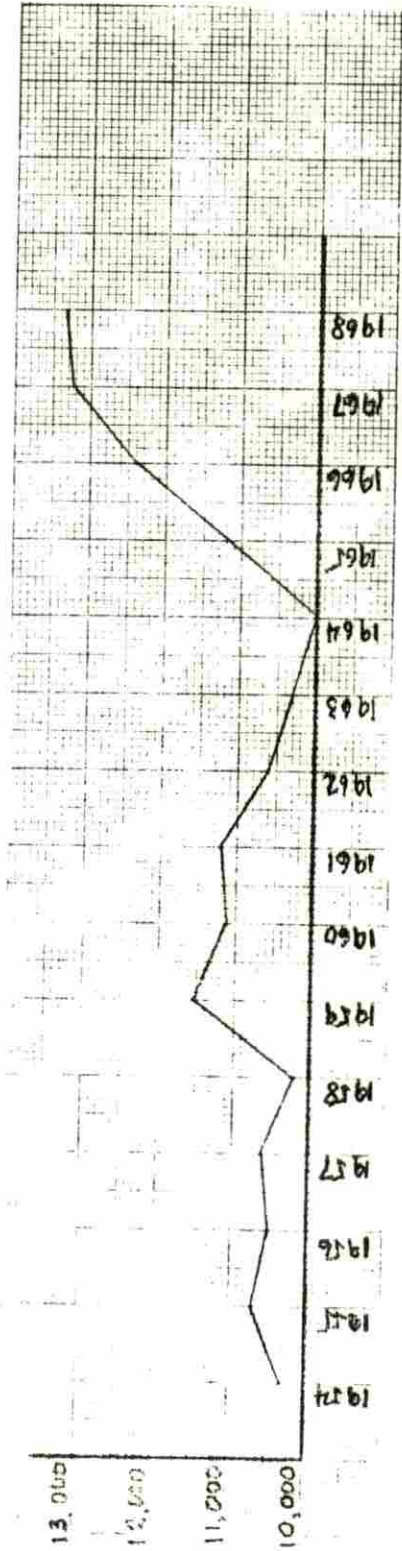


Figure 7. Colombian bananas productivity (kgms per hectare). Source: Table 5



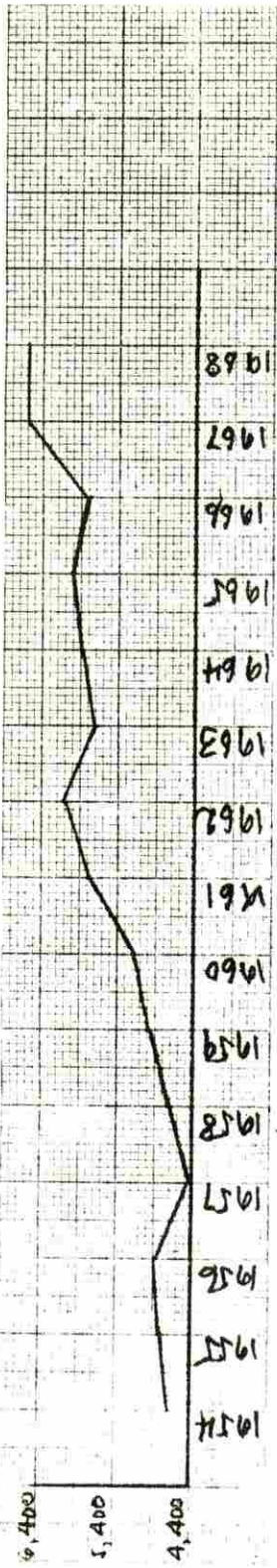


Figure 8. Colombian sugar productivity (kgms per hectare). Source: Table 5

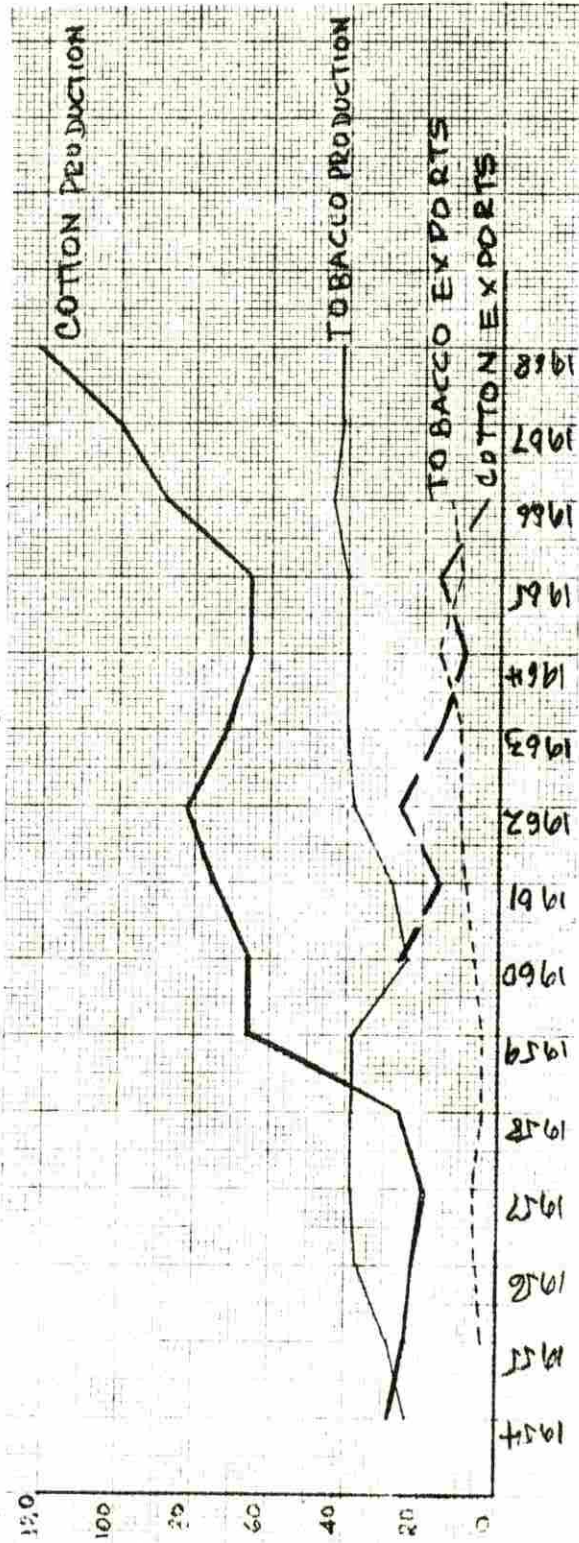


Table 9. Colombian cotton and tobacco production and exports in thousand tons. Source: Tables 3, 4

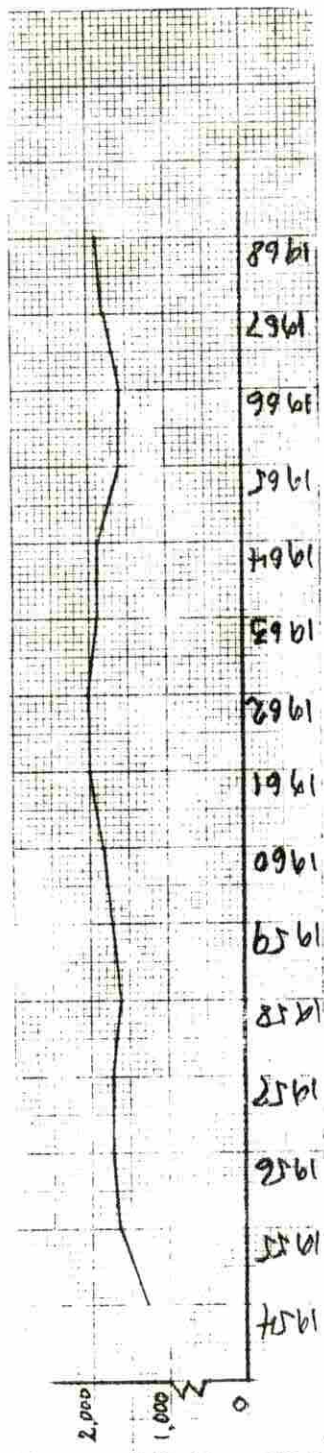


Figure 10. Colombian cotton productivity (kgms per hectare). Source: Table 5

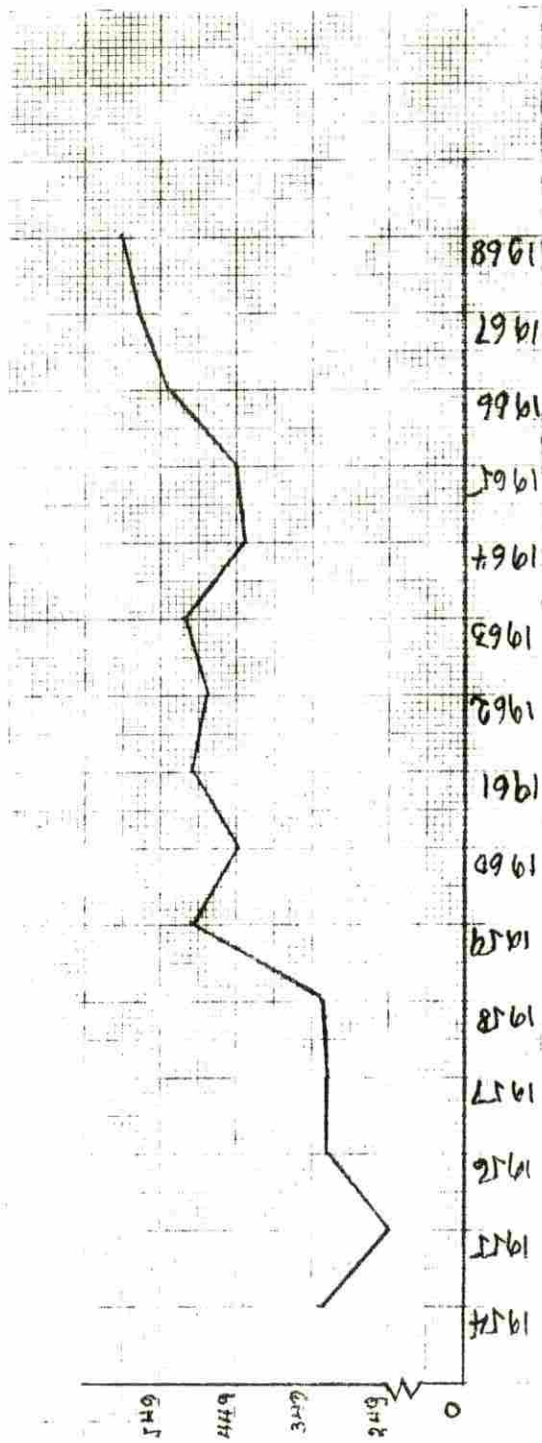


Figure 11. Colombian tobacco productivity (kgms per hectare). Source: Table 5

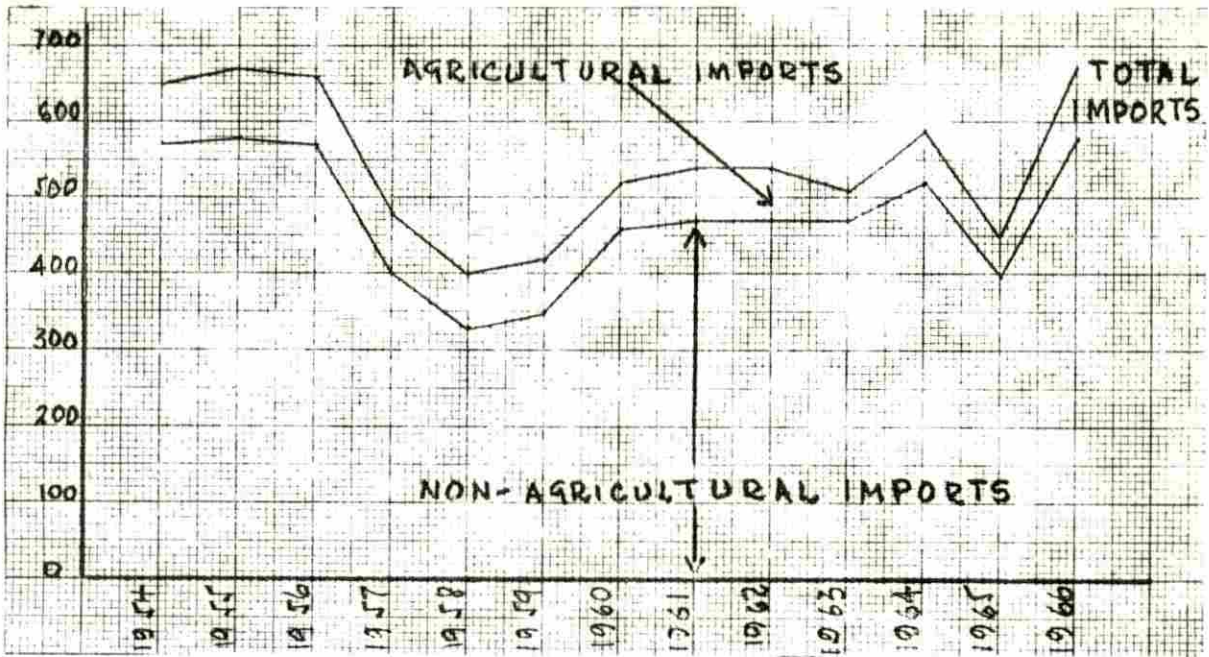


Figure 12. Colombian world imports in million dollars.  
Source: Table 6

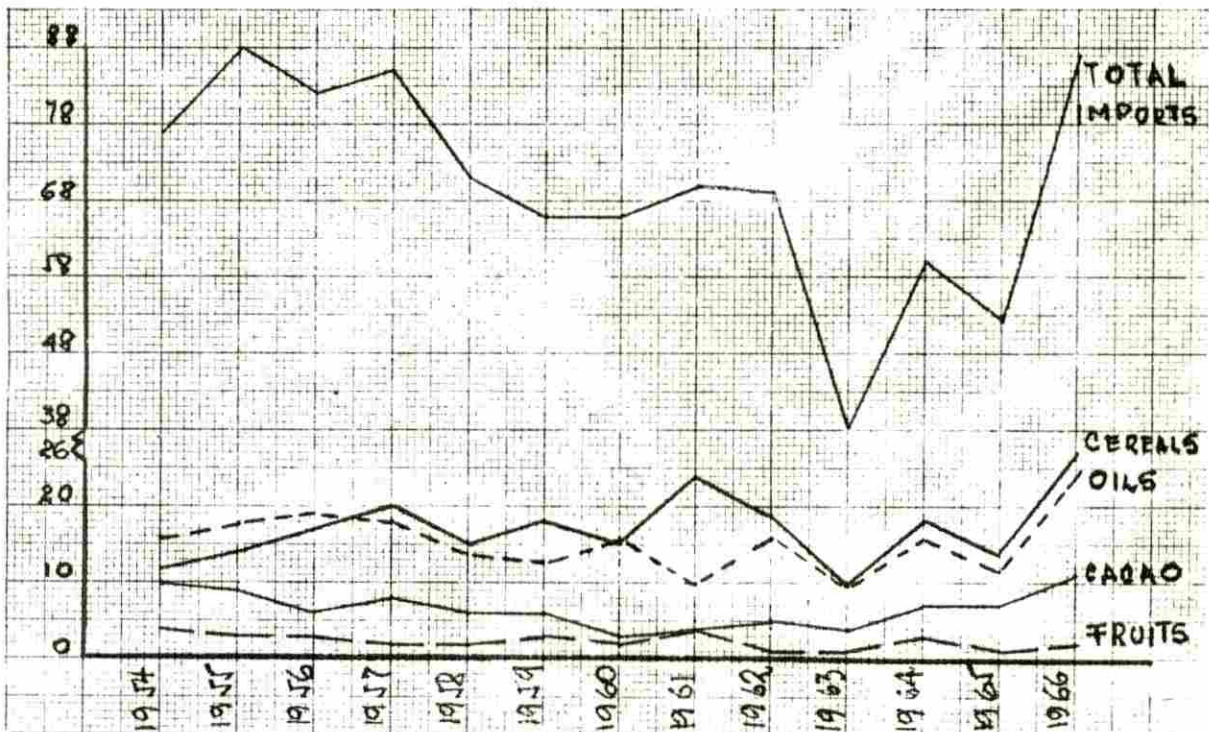


Table 13. Colombian world agricultural imports composition in million dollars. Source: Tables 6, 7

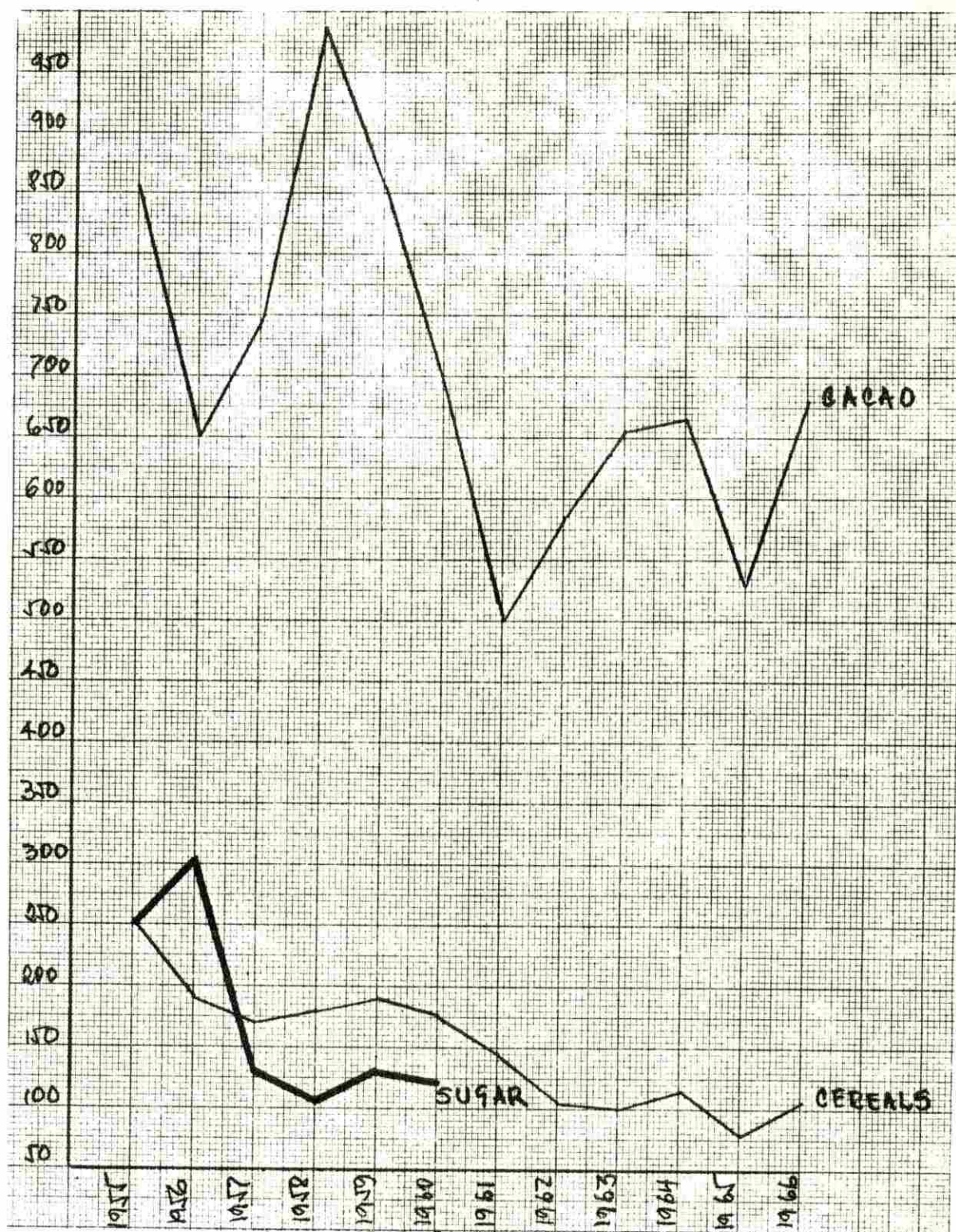


Figure 14. Colombian world agricultural imports price per ton in dollars. Source: Tables 7, 8

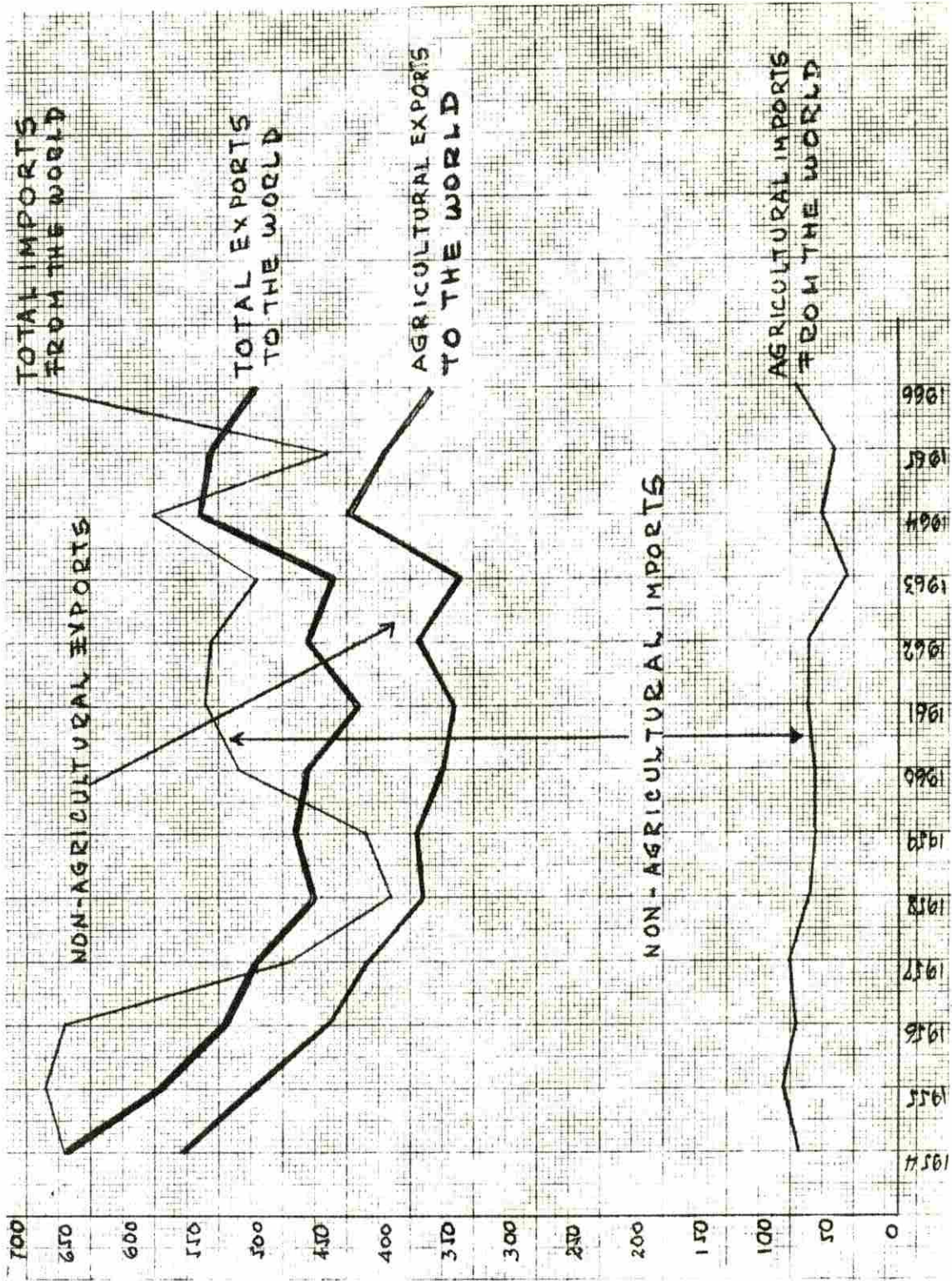


Figure 15. Colombia-world balance in million dollars. Source: Tables 1, 6

#### IV. COLOMBIAN IMPORTS AND EXPORTS TO THE UNITED STATES

##### A. Exports

###### 1. Exports growth

The value in current dollars of Colombian total exports to the United States has been declining. Between 1954 and 1968, exports experienced a reduction of 53 percent (see Figure 16).

In the total of Colombian exports, the value that corresponds to the complementary or generally noncompetitive products declined, while the supplementary or generally competitive products increased (see Table 9).

###### 2. The U.S. share

At the beginning of the period, 77 percent of Colombian exports were sold to the United States, but after continuous reductions, only 47 percent were going to the American markets by the end of 1968.

###### 3. Exports composition

The breakdown of total exports in agricultural and non-agricultural products shows that agricultural exports to the United States were declining very sharply, and that non-agricultural exports, mainly precious stones and metals, textiles, logs and lumber, were increasing (see Figures 17, 18). This breakdown also permits one to realize that Colombian penetration of other markets than the United States

has happened in the agricultural exports, as well as in the nonagricultural.

### B. Competition

At the same time that the United States agricultural imports from the world do not have a tendency to decline, the 11.18 percent of those imports that corresponded to Colombian products in 1954 has been reduced to less than 4 percent in 1968 (see Figure 19).

### C. Main Agricultural Exports

Coffee, bananas, sugar and tobacco, which are the main agricultural products Colombia exports to the United States, can be traced by their revenue, share in the U.S. world imports, volumes and prices.

#### 1. Coffee

The revenue for exports decreased 67 percent between 1954 and 1968. This tremendous fall represented 309 million of dollars. Even though the United States world coffee payments also have been decreasing, the Colombian share moved negatively from 28.5 percent to 14.8 percent. The volume of Colombian exports also decreased substantially from 24.6 percent to 12.5 percent. To this unfavorable position for Colombian coffee exports to the United States, average prices contributed with a deterioration from 1,366 dollars per ton in 1956 to 874 in 1968. However, it is

noticeable that average prices for Colombian coffee exports to the United States are above the world average price, and that the reduction in coffee exports to the U.S. was reallocated to other countries (see Figures 20, 21).

## 2. Bananas

This market, which only existed for a few years, continuously decreased from 4.7 millions until it disappeared in 1962. A small recovery in 1967 was quickly wiped out. A share of 6.9 percent in the United States imports from the world was lost. At the same time, the U.S. has been increasing its purchases of bananas with a tendency to increase in price average. This tendency to price increase also existed for Colombia when the country represented around 3.2 percent of the U.S. total imports of this complementary product. This unfavorable situation in the American markets was offset by diversification to other import markets (see Figures 22, 23).

## 3. Sugar

After the negative trends of the 1950's, sugar exports to the United States have been increasing their revenue since 1961. The 5 million exports of 1961 were duplicated in 1968. The U.S. has been constantly raising sugar imports, and the Colombian exports of this supplementary product only represented a share of .02 percent. The volume of Colombian



exports also increased, but this encouraging situation has several times been spoiled by deteriorating prices. It is also noticeable that much of the export goes to the American markets, and that the average price for Colombia was below that of the average world price (see Figures 24, 25).

#### 4. Tobacco

The steady growth of exports of tobacco to the United States was interrupted in 1964. It was followed by a constant decrease in the revenue, and only by the end of the period was this supplementary product recovering again. The share of the American market is a small one. Less than 1 percent corresponds to U.S. imports from Colombia. Since 1964, the volume exported decreased, but the average prices for Colombia have been favorable even though world average prices deteriorated. Unfortunately the diversification to other markets that accompanied the expansion of exports to the United States narrowed at the same time that the U.S. markets decreased (see Figures 26, 27).

#### D. Exports Review

A review of the highlights of Colombian agricultural exports to the United States, in general, gives the following picture: a complete negative scope for coffee in revenue, prices and share of the markets; a complete positive scope

for sugar in revenue, prices and share of the markets; a negative scope for bananas in revenue and share of the markets, but increasing prices when this market existed; a negative scope for tobacco in revenue and share of the markets in spite of increasing prices.

The way in which the United States has been increasing its volume of total imports permits one to realize that there is still a growing demand for tobacco, sugar and bananas. Such a situation does not exist for coffee, whose highest volume in the U.S. imports, that occurred in 1962, has not been reached again.

#### E. Increases-Decreases in the Rates of Exports

##### 1. Rate definition

The increment between two years divided by that of the first year gives us the increase-decrease rate. For positive increments, increasing rates will have positive slopes, decreasing rates will have negative slopes, and constant rates will have zero slopes. For negative increments, increasing rates will have negative slopes, decreasing rates will have positive slopes, and constant rates will have zero slopes. If there are no increments, or transactions did not take place a discontinuity will appear.

## 2. Rate of application

This calculation can be applied to the volume, price and revenue of exports.

a. Coffee      The combination of the rates of volume, prices and revenue in the coffee exports to the United States presents a favorable situation only between the years 1963 and 1964, with decreasing volumes at increasing rate, increasing prices at increasing rate, and increasing revenue at increasing rate (see Figure 28).

b. Sugar      For sugar exports to the United States, only between 1955 and 1956 and lately between 1966 and 1967 are favorable positions found (see Figure 28).

c. Bananas      For bananas, the only tendency to a favorable situation is between 1958 and 1959, with increasing revenue at increasing rate and increasing volume at increasing rate, which required decreasing prices at increasing rate (see Figure 29).

d. Tobacco      For tobacco exports to the United States, the period between 1960 and 1961 was the most favorable. The relative constant rate of increase in prices between 1964 and 1968 has been offset by negative rates in volume and revenue (see Figure 29).

## 3. Remarks

A harmonized market for exports to the United States consequently was not evident.

## F. Imports

1. Imports growth

Colombian total imports from the world and the United States have decreased several times as a consequence of the fall in Colombian exports.

2. Markets diversification

The general tendency to increase in Colombian imports since 1958 favored more diversified markets than those offered by the U.S., and the share of the FOB American exports to Colombia (or Colombian FOB imports from the U.S.) was reduced by 22 percent between 1954 and 1968 (see Figure 30).

3. Imports composition

The breakdown of total imports in agricultural and non-agricultural products shows that the agricultural imports tendency to decline was being replaced by increase tendencies by the end of the period in all markets, including the U.S. (see Figure 31).

Nonagricultural imports have been recovering since 1958, and in 1966 they reached their highest value. This pattern was followed by nonagricultural imports from the U.S. (see Figure 32).

## G. Export-Import Balance with the United States

### 1. Kinds of balance

Two kinds of balance are distinguished if we compare agricultural exports-imports to the U.S. in one instance and total exports-imports to the U.S. in the other.

For the former, exports always exceeded imports. This situation, however, was accompanied by higher decreases in exports than in imports.

For the latter, total exports generally have been decreasing, while total imports have been recovering since 1958.

### 2. Tendency to equilibrium

Although total imports were measured U.S. FOB exports and did not include cost, insurance and freight, the surplus that would tend to disappear if such values were charged to the imports was greater at the beginning of the period (see Figure 33). In general, however, total imports and exports tend to balance if we assume that  $X - 15\%X = \text{FOB value}$ , where X stands for the CIF value and 15 percent represents cost, insurance and freight.

Table 9. Colombian exports to the United States in U.S. million dollars<sup>a</sup>

Year	Agricultural	Complementary	Supplementary	Nonagricultural	Total
1954	467.1	466.8	.256	39.2	506.4
1955	442.8	442.4	.380	31.0	473.8
1956	375.6	375.1	.478	33.4	409.1
1957	350.3	350.3	.281	32.8	383.1
1958	292.6	292.2	.377	39.1	331.8
1959	293.7	293.5	.267	46.0	339.7
1960	245.1	244.9	.224	54.3	299.4
1961	232.5	226.8	5.735	41.8	274.4
1962	233.9	226.4	7.489	40.3	274.2
1963	206.8	197.5	9.268	40.9	247.7
1964	224.3	214.6	9.652	54.6	278.9
1965	208.3	199.6	8.678	67.0	275.4
1966	174.5	163.8	10.721	71.1	245.6
1967	179.6	163.4	16.261	62.7	242.4
1968	167.6	152.8	14.768	71.0	238.6

<sup>a</sup>Source (13).

Table 10. United States agricultural imports from the world in U.S. million dollars<sup>a</sup>

Year	Complementary	Supplementary	Total
1954	2,482	1,694	4,176
1955	2,272	1,509	3,781
1956	2,503	1,583	4,086
1957	2,269	1,531	3,800
1958	2,105	1,824	3,929
1959	1,975	2,029	4,004
1960	2,031	1,979	4,010
1961	1,831	1,814	3,645
1962	1,713	2,049	3,762
1963	1,699	2,208	3,907
1964	1,871	2,225	4,096
1965	1,859	2,127	3,986
1966	1,982	2,472	4,454
1967	1,786	2,667	4,453
1968	1,811	2,845	4,656

<sup>a</sup>Source (14).

Table 11. United States agricultural imports from the world by products in U.S. million dollars<sup>a</sup>

Year	Coffee	Bananas	Sugar	Tobacco	Hides & skins	Molasses	Cotton
1954	1,619	68	438	82	57	32	25
1955	1,268	64	376	85	51	33	36
1956	1,451	69	441	86	63	40	19
1957	1,397	69	441	92	51	27	59
1958	1,282	69	492	91	47	38	26
1959	1,099	73	505	112	72	36	19
1960	1,044	81	507	115	79	33	23
1961	1,010	76	441	116	58	31	30
1962	941	78	468	109	69	28	24
1963	937	76	548	95	56	36	24
1964	1,118	93	539	103	66	41	21
1965	1,072	159	443	126	70	27	18
1966	1,170	168	454	126	81	22	18
1967	976	182	572	126	67	44	27
1968	1,029	176	611	142	65	42	14

<sup>a</sup>Source (14).



Table 12. Colombian agricultural exports to the United States by products in U.S. million dollars<sup>a</sup>

Year	Coffee	Bananas	Sugar	Tobacco	Hides & skins	Molasses
1954	462	4.7	-	-	-	-
1955	440	2.4	.1	-	.2	-
1956	373	2.5	.2	-	.2	-
1957	349	.9	-	-	.1	-
1958	291	1.0	.2	-	-	-
1959	292	1.3	-	-	-	-
1960	244	.3	-	.1	-	-
1961	227	.1	5.0	.6	-	-
1962	226	-	5.7	1.5	-	-
1963	197	-	6.4	2.3	-	-
1964	215	-	5.7	3.4	.1	-
1965	200	-	5.3	2.7	-	-
1966	164	-	7.5	2.3	-	.5
1967	163	.1	11.4	1.7	-	1.8
1968	153	-	10.2	1.9	-	1.0

<sup>a</sup>Source (13).

Table 13. United States agricultural imports from the world by products in thousand metric tons (1,000 kgms)<sup>a</sup>

Year	Coffee	Bananas	Cotton	Tobacco	Sugar
1955	1,316	1,320	32	50	3,802
1956	1,275	1,388	21	54	3,762
1957	1,253	1,379	36	56	3,755
1958	1,211	1,387	31	62	4,296
1959	1,396	1,460	30	68	4,121
1960	1,325	1,612	29	71	4,256
1961	1,348	1,513	37	74	3,831
1962	1,474	1,566	31	73	4,191
1963	1,434	1,582	28	76	4,061
1964	1,219	1,585	25	76	3,536
1965	1,281	1,585	22	82	3,495
1966	1,326	1,687	8	81	3,846
1967	1,279	1,700	37	89	4,250
1968	1,393	1,717	33	100	4,358

<sup>a</sup>Source (13).

Table 14. Colombian agricultural exports to the United States by products in thousand metric tons (1,000 kgms)<sup>a</sup>

Year	Coffee	Bananas	Sugar	Tobacco
1955	325	43	1.3	-
1956	273	49	2.0	-
1957	249	20	-	-
1958	254	20	1.3	-
1959	294	31	-	-
1960	254	9	-	.1
1961	245	2	43.0	.6
1962	260	-	48.0	1.8
1963	237	-	52.0	2.5
1964	209	-	59.0	3.6
1965	199	-	58.0	2.6
1966	163	-	93.0	2.1
1967	183	1.3	104.0	1.7
1968	175	-	83.0	1.7

<sup>a</sup>Source (13).

Table 15. Colombian agricultural imports from the United States in U.S. million dollars<sup>a</sup>

Year	Agricultural	Nonagricultural	Total
1954	30.5	309.8	340.3
1955	32.4	312.5	344.9
1956	29.3	283.1	312.4
1957	33.5	204.0	237.6
1958	25.5	157.7	183.3
1959	23.6	180.5	204.1
1960	24.7	218.9	243.7
1961	25.0	218.7	243.8
1962	23.9	201.2	225.2
1963	26.0	212.8	238.9
1964	23.0	191.6	214.6
1965	29.5	165.7	195.3
1966	32.5	249.8	282.3
1967	24.9	192.3	217.3
1968	26.9	238.0	264.9

<sup>a</sup>Source (14).

Table 16. Colombian agricultural imports from the United States by products in U.S. million dollars<sup>a</sup>

Products	1954	1955	1956	1957	1958
Cattle	3.6	2.7	.5	-	-
Milk fat	1.1	.1	-	-	-
Dry milk	-	.4	.4	.2	.2
Tallow inedible	1.0	1.5	.7	1.4	1.3
Flavoring syrups	-	-	-	-	-
Barley	2.4	3.0	2.6	2.9	2.1
Corn	-	-	-	-	-
Wheat grain	1.0	5.5	6.3	6.7	4.7
Wheat flour	.6	.2	.2	.6	.9
Beans, dry, ripe	-	-	-	-	-
Hops	1.4	.6	.9	.5	.9
Hop extract	-	-	-	-	-
Other agr. products	3.2	4.9	3.4	4.2	5.4
Baby chicks	.2	-	.5	-	-
Other dairy products	.7	-	-	1.0	.1
Meats	1.3	.7	.5	.2	-
Eggs	.8	.8	.3	-	-
Hides & Skins	2.5	-	-	-	-
Cotton	1.5	5.2	6.6	10.2	6.5
Fruits	.7	.5	.5	.1	-
Oatmeal	1.4	.5	.4	-	-
Rice	3.5	.1	-	-	-
Other grains	.62	.2	.3	.3	.7
Cotton seed	.1	.2	1.5	-	-
Oil & Fats	.8	2.5	.9	4.5	1.0
Seeds	.1	.2	.2	.1	.1
Vegetables	1.5	.6	.3	.1	.1
Food for infants	-	.9	.8	.3	.1
Feeds & Fodders	-	.9	.7	-	-
Stearic acid	-	-	.4	.3	.4
Gelatin edible	-	-	-	-	-
Rubber	-	-	-	-	-
Tea	-	-	-	-	-
Total	30.5	32.4	29.3	33.5	25.5

<sup>a</sup>Source (14).

1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
.2	-	.3	.2	.1	.2	.2	.1	.1	.2
-	-	-	-	-	-	-	-	-	.6
.1	-	-	-	-	-	-	-	4.6	5.3
1.8	1.8	2.1	1.8	1.4	2.7	2.0	1.8	3.2	3.1
.1	-	-	-	-	.2	.3	.5	.4	.6
2.8	.5	-	-	-	.2	.8	2.8	.4	1.2
-	-	2.2	-	-	-	-	-	.5	.2
5.0	6.5	7.7	7.9	7.6	9.0	8.2	13.7	7.2	7.8
1.8	2.1	1.3	-	-	.1	.1	.1	.8	1.3
-	-	.2	-	-	.2	-	1.0	-	.3
1.3	1.8	.6	.5	.8	.8	.7	-	1.7	1.8
-	-	-	-	-	-	8.0	-	1.9	2.7
2.5	4.2	5.8	8.5	9.4	6.6	-	4.4	-	-
-	-	-	-	-	.1	-	-	-	-
-	-	-	-	-	.2	.1	.2	-	-
-	-	-	-	-	-	-	.2	-	-
-	-	-	-	-	-	-	-	-	-
1.1	-	-	-	.6	.5	6.9	.2	-	-
.1	-	.5	-	.1	.1	-	-	-	-
-	-	-	.1	-	-	-	.1	.2	-
-	-	1.2	.1	-	-	-	-	-	-
.4	.2	1.0	-	1.2	.2	.2	.4	-	-
-	-	.1	.2	-	-	-	.1	-	-
4.9	6.0	.6	3.0	-	1.8	1.1	5.6	2.8	-
-	-	-	-	.3	.2	.1	.3	.2	-
.1	.1	.1	1.3	1.6	.2	-	.2	.1	-
-	.1	-	-	-	-	-	-	-	-
-	-	-	.1	-	-	-	-	-	-
.2	.3	.4	.3	-	-	-	-	-	-
-	-	-	.1	.2	.2	-	-	-	-
-	-	-	-	-	-	-	.2	-	-
-	-	-	-	-	-	-	-	.1	-
23.6	24.7	25.0	23.9	26.0	23.0	29.5	32.5	24.9	26.9

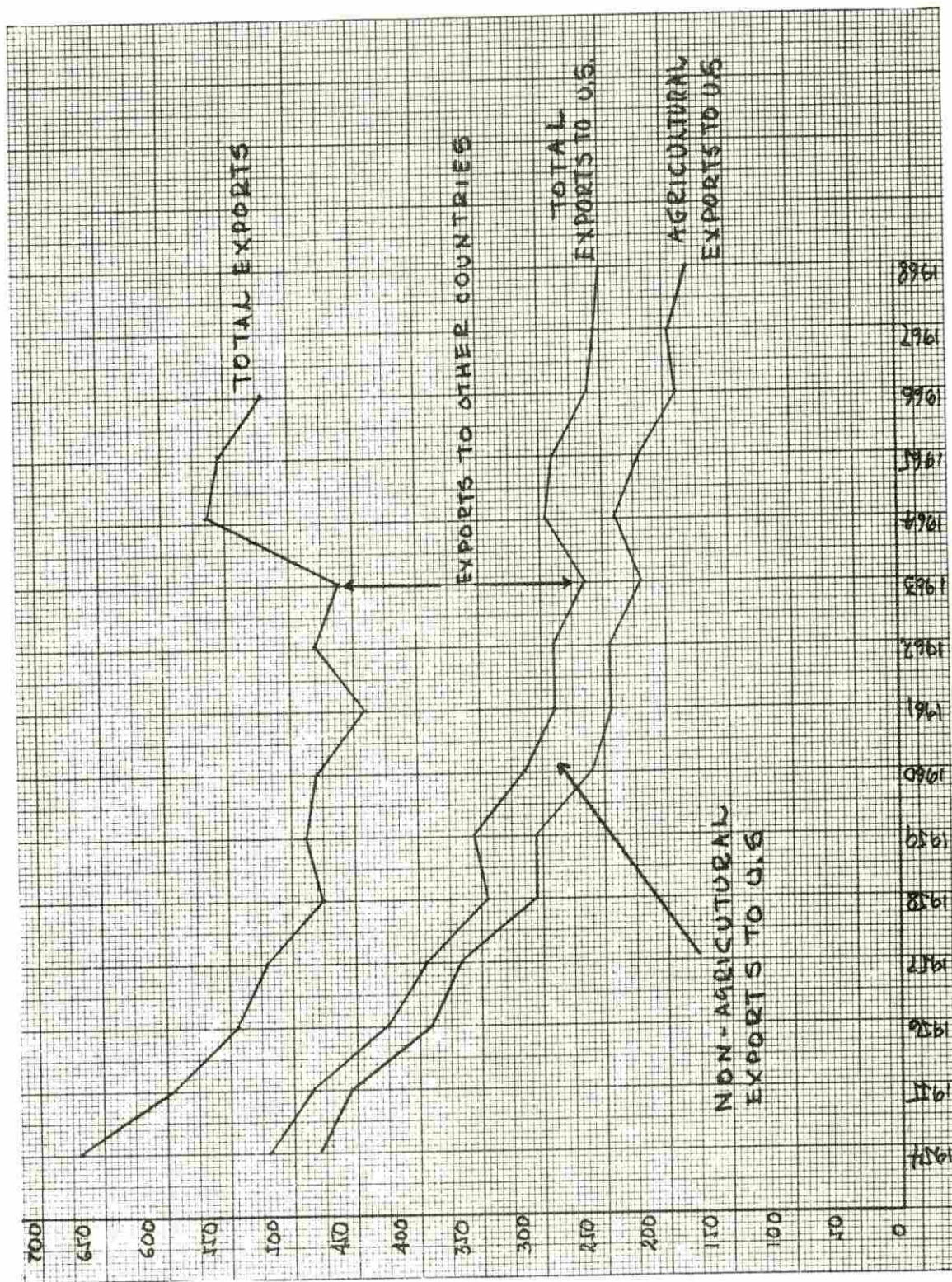


Figure 16. Exports destination in million dollars. Source: Tables 1, 9

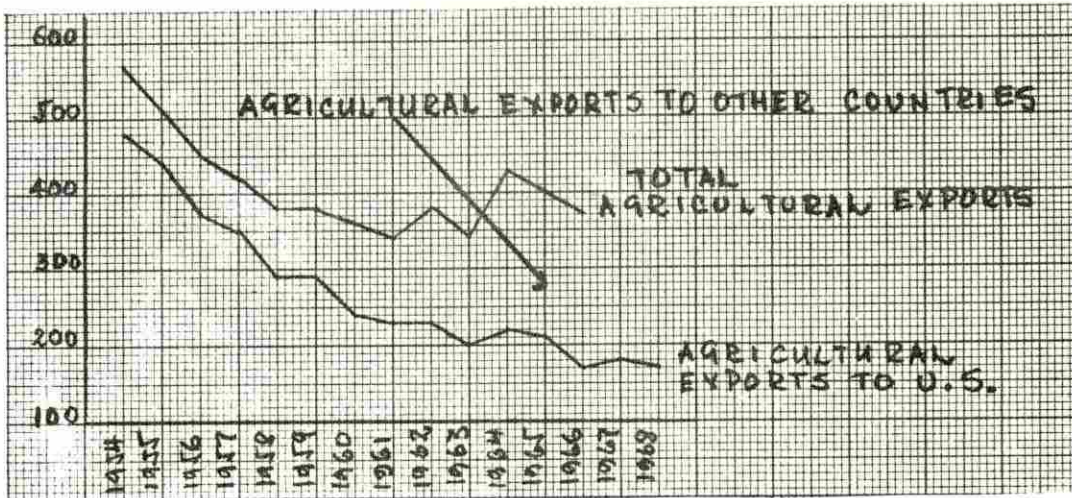


Figure 17. Agricultural exports destination in million dollars. Source: Tables 1, 9

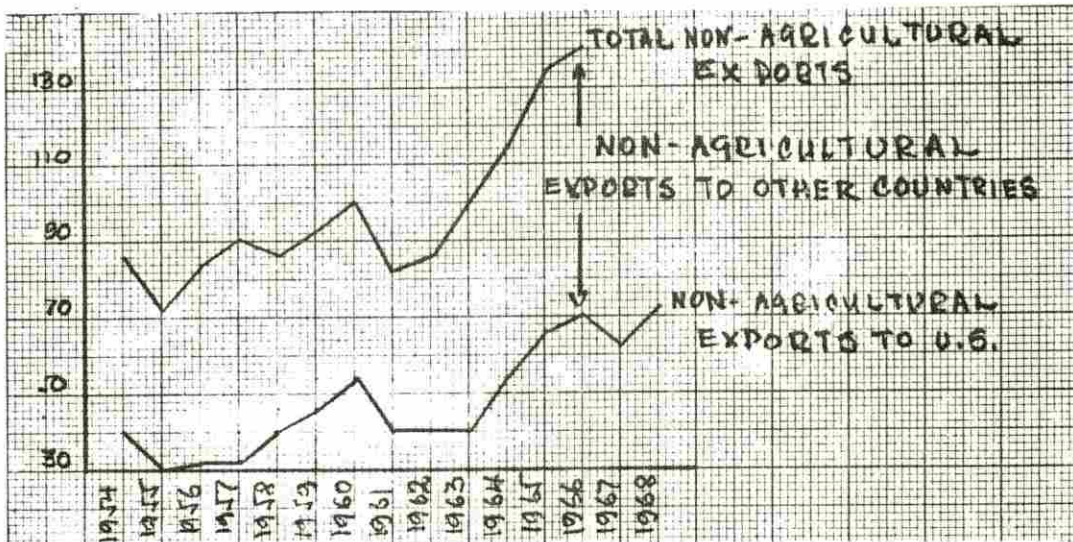


Figure 18. Nonagricultural exports destination in million dollars. Source: Tables 1, 9

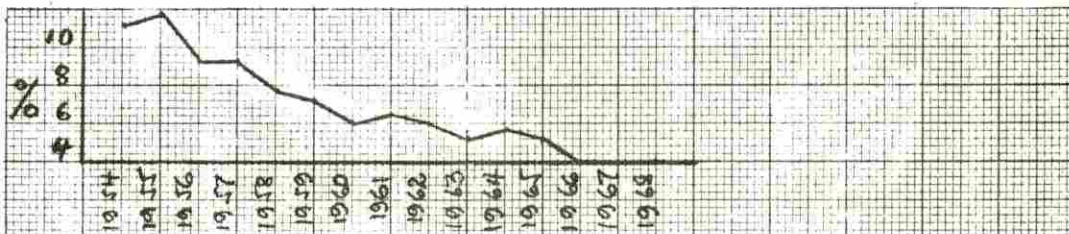


Figure 19. U.S. agricultural imports from Colombia versus world in million dollars. Source: Tables 9, 10



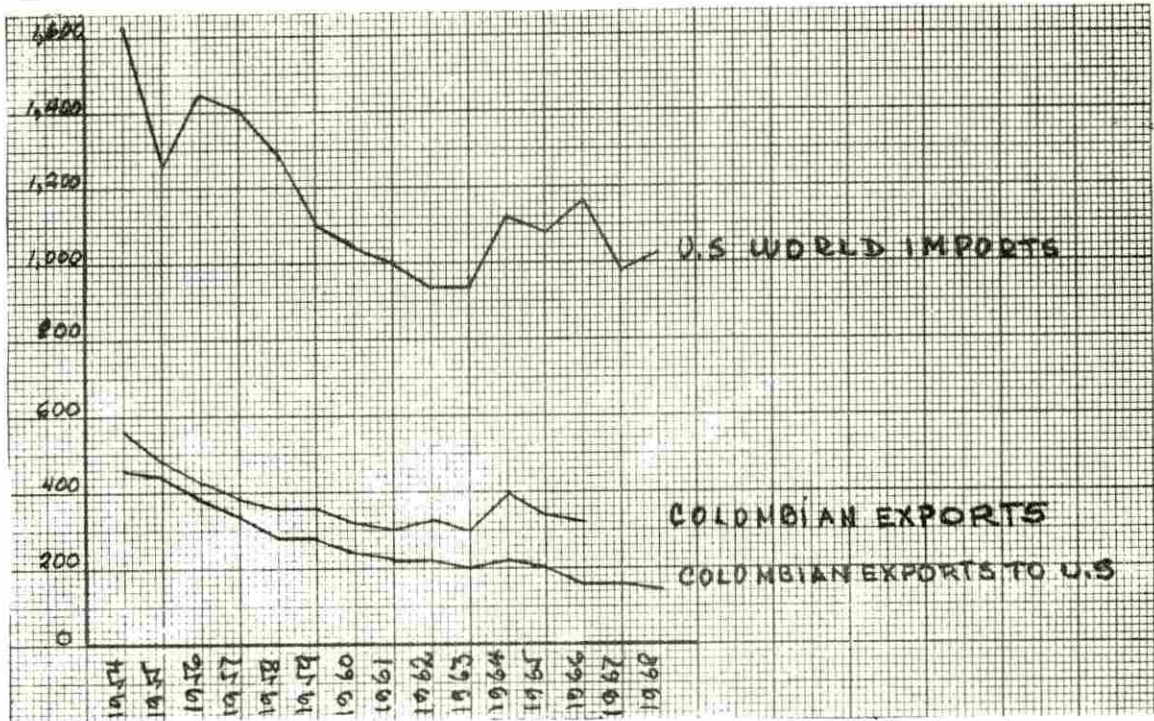


Figure 20. U.S. coffee imports from Colombia versus world in million dollars. Source: Tables 2, 11, 12

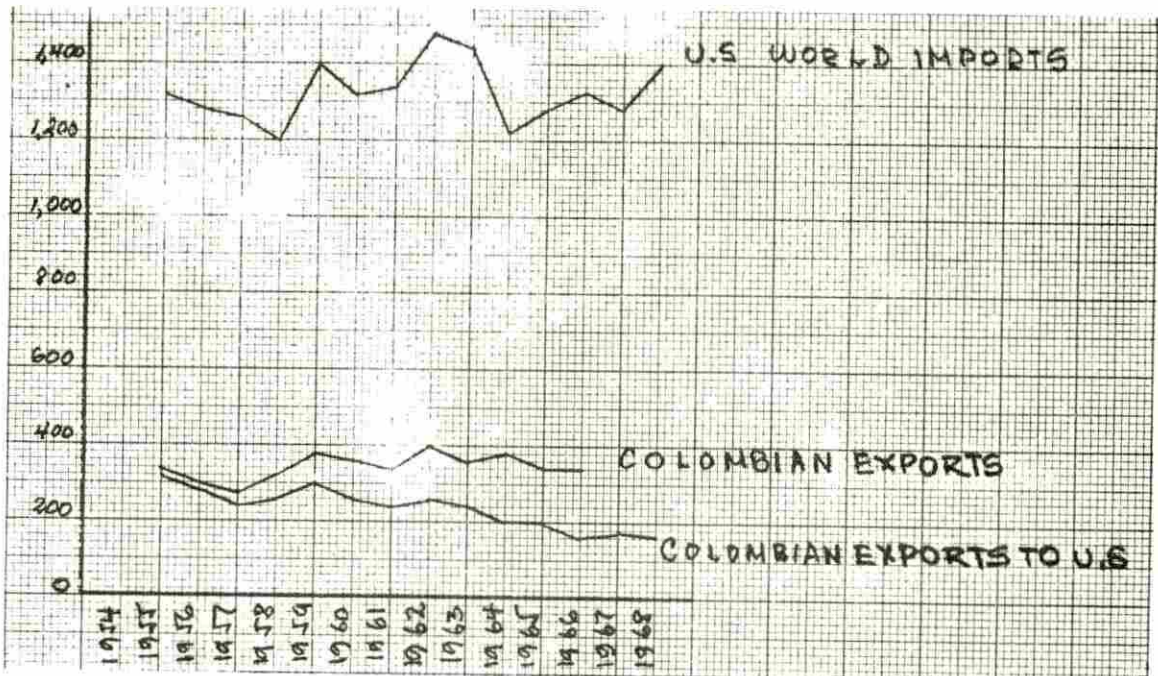


Figure 21. U.S. coffee imports from Colombia versus world in thousand tons. Source: Tables 3, 13, 14

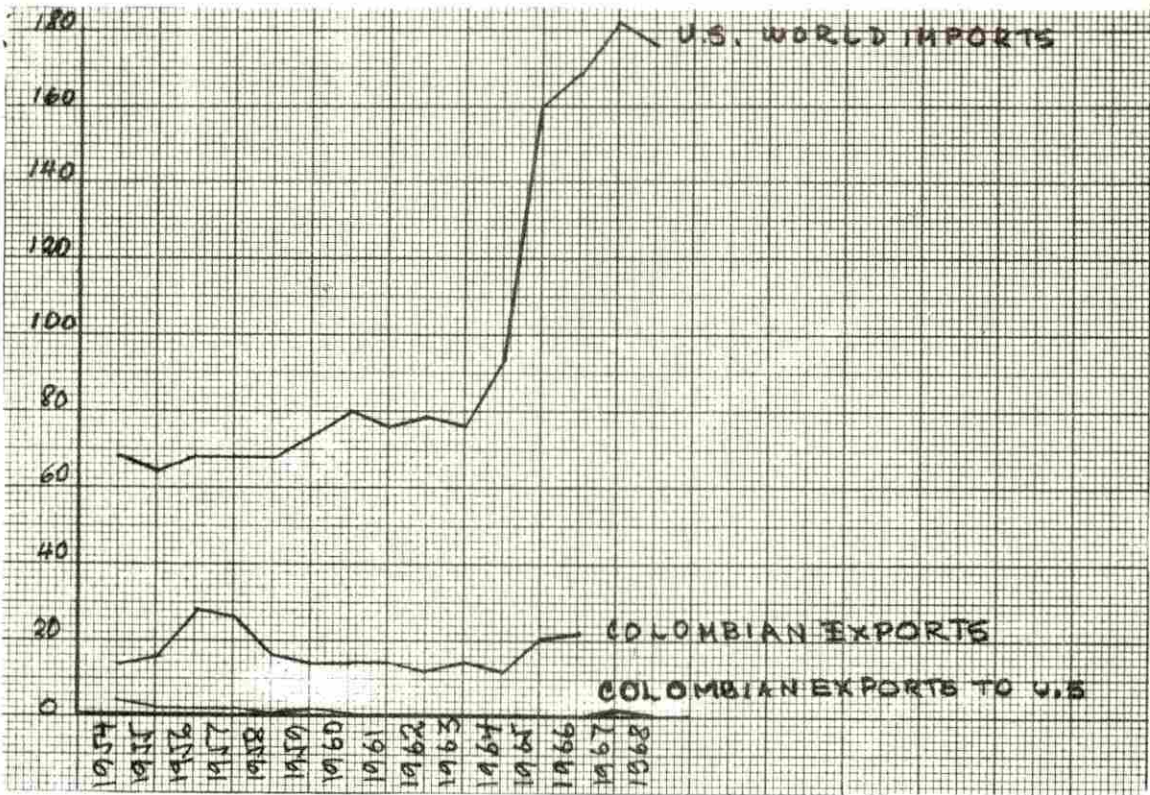


Figure 22. U.S. bananas imports from Colombia versus world in million dollars. Source: Tables 2, 11, 12

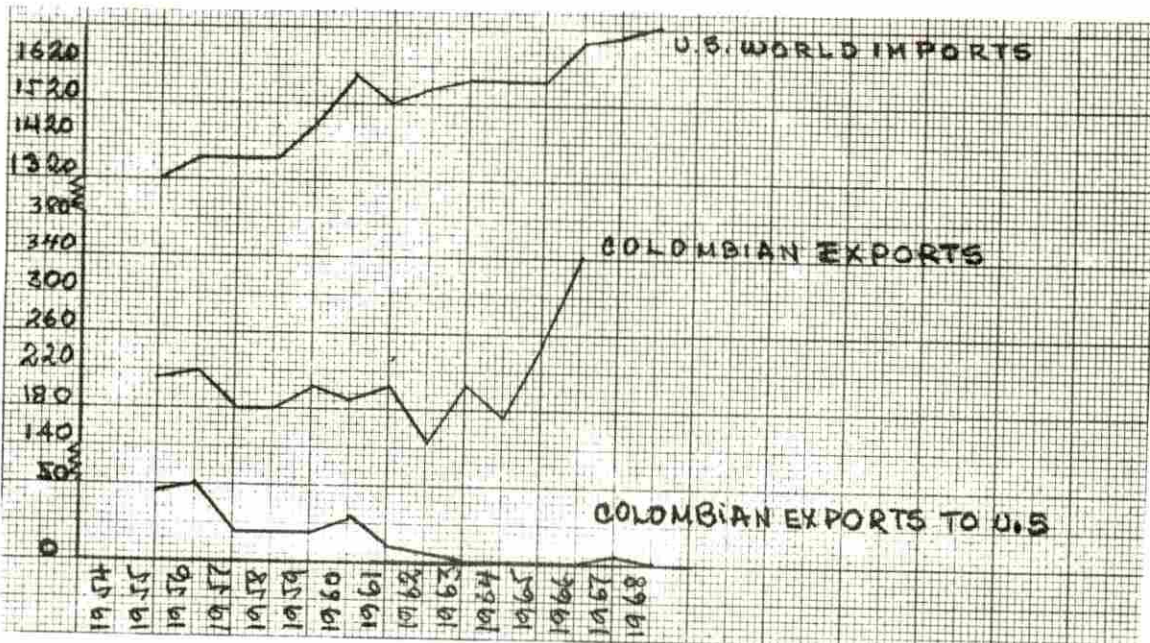


Figure 23. U.S. bananas imports from Colombia versus world in thousand tons. Source: Tables 3, 13, 14.

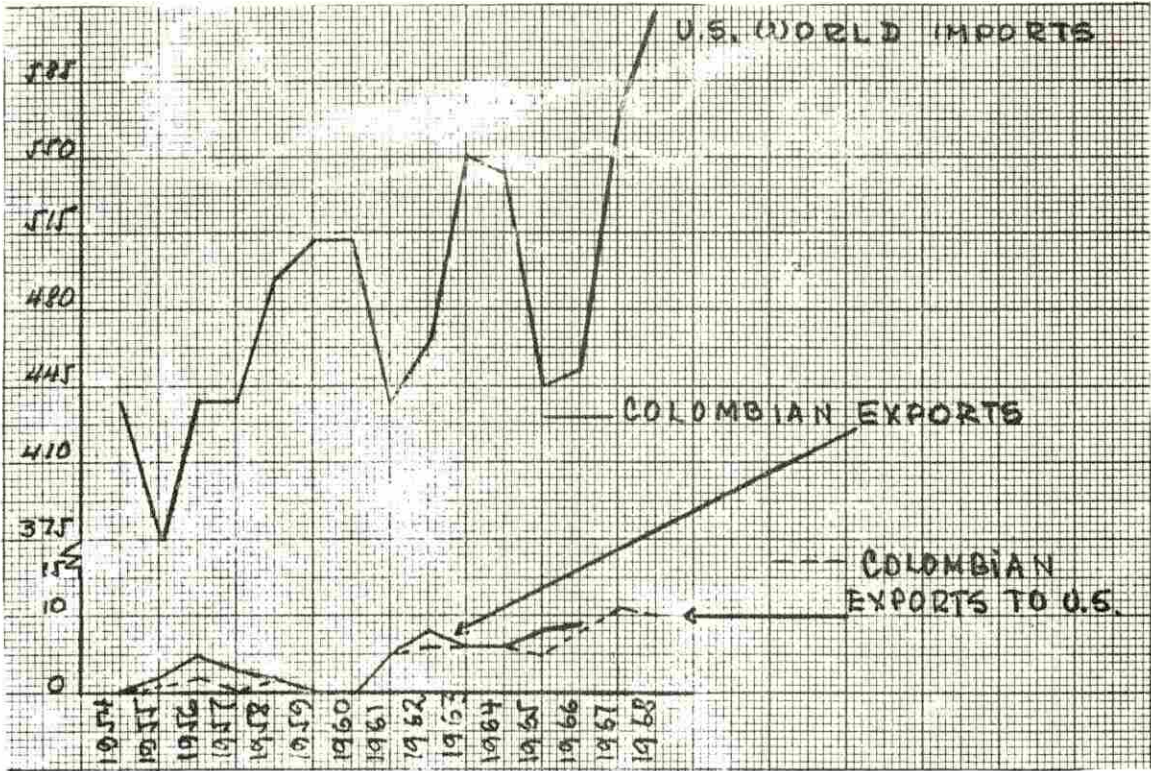


Figure 24. U.S. sugar imports from Colombia versus world in million dollars. Source: Tables 2, 11, 12

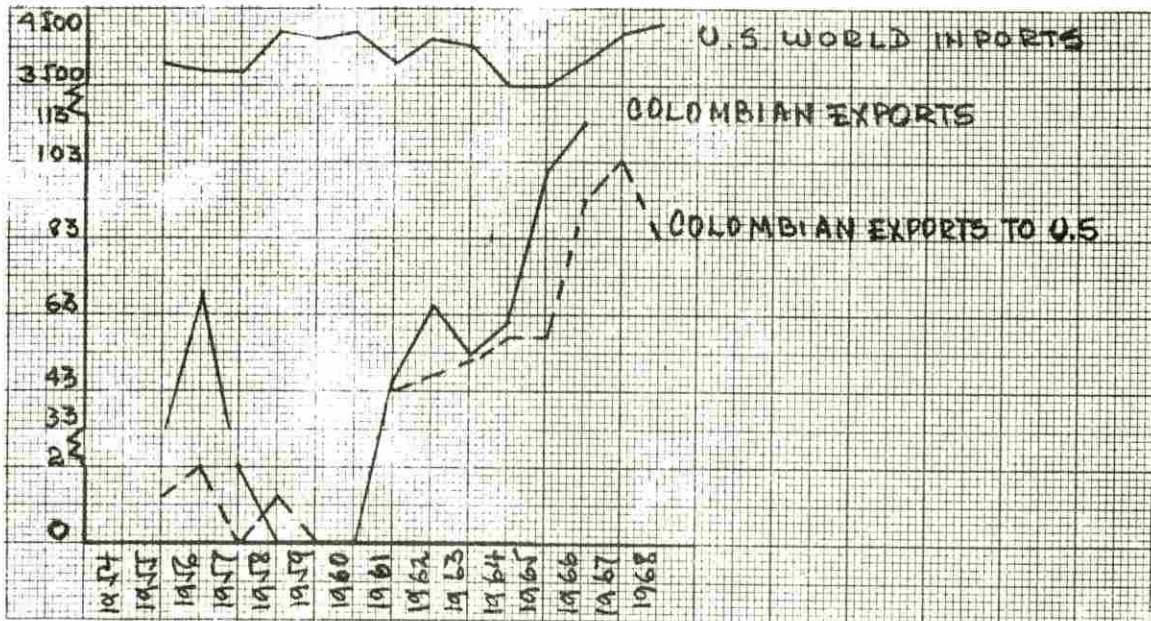


Figure 25. U.S. sugar imports from Colombia versus world in thousand tons. Source: Tables 3, 13, 14

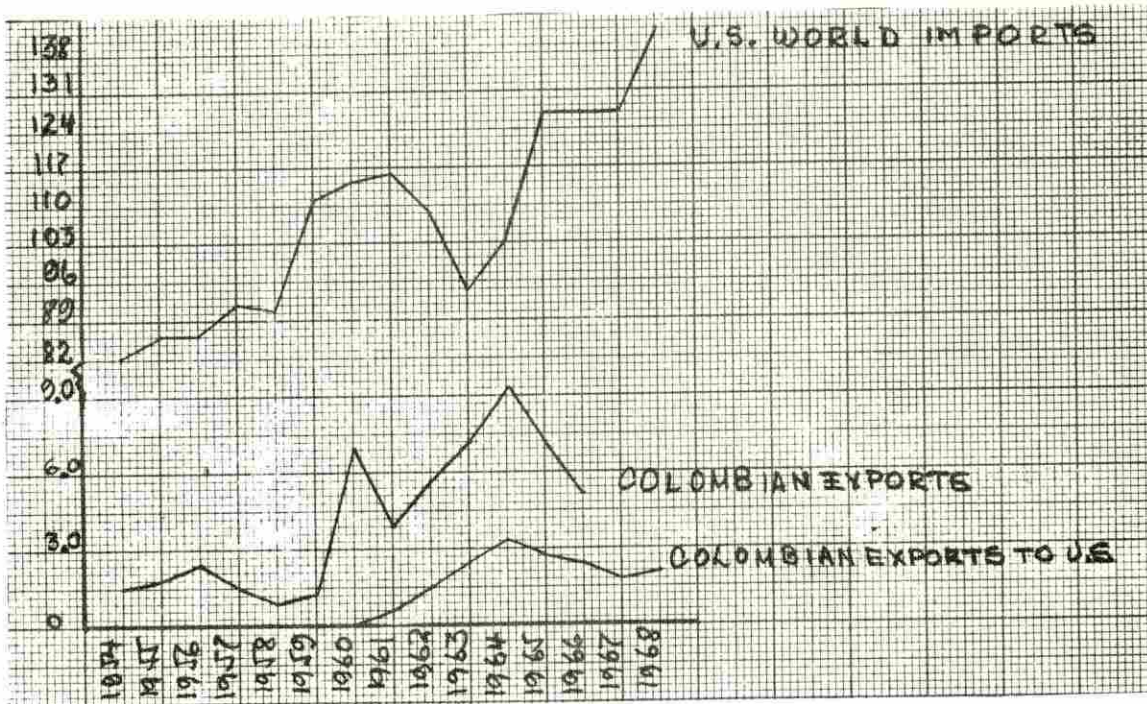


Figure 26. U.S. tobacco imports from Colombia versus world in million dollars. Source: Tables 2, 11, 12

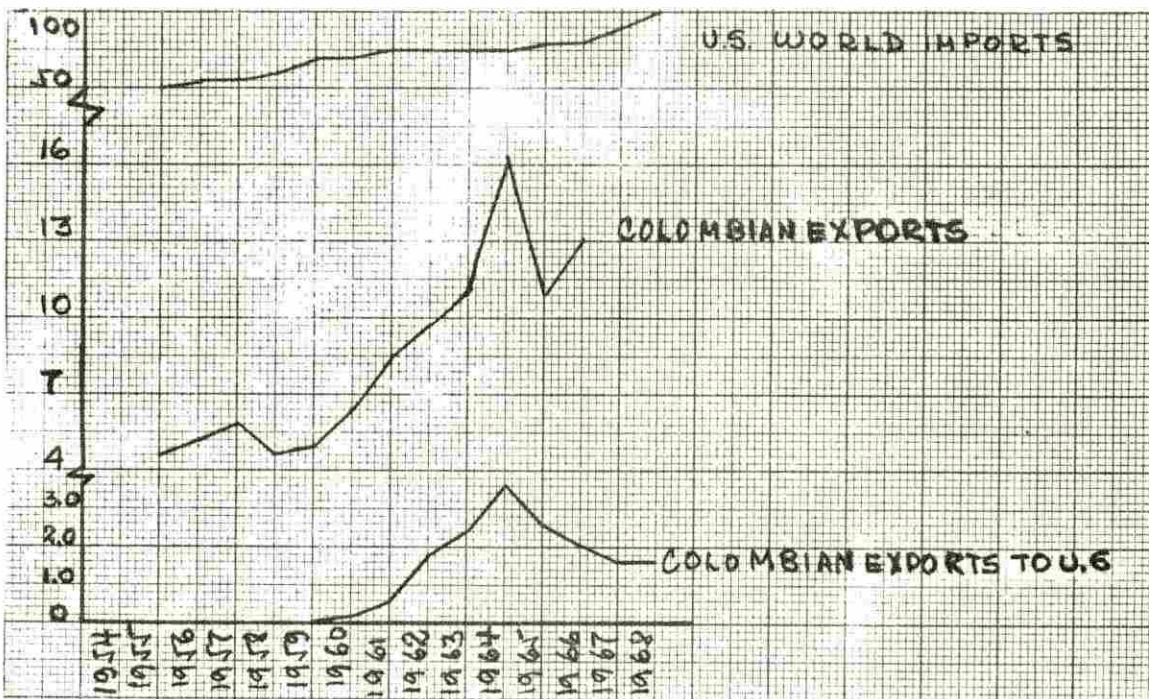


Figure 27. U.S. tobacco imports from Colombia versus world in thousand tons. Source: Tables 3, 13, 14

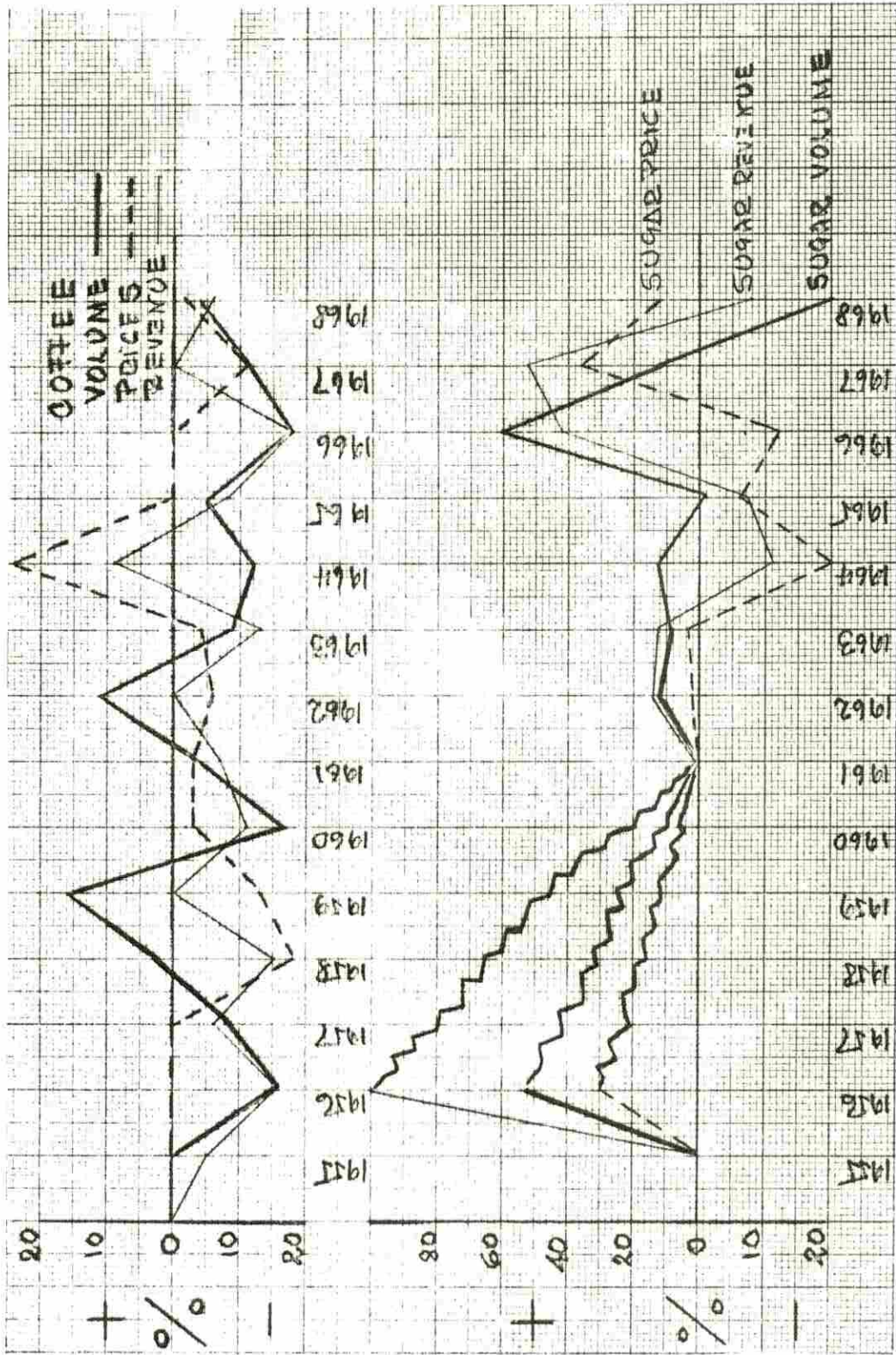


Figure 28. Colombian coffee and sugar increasing-decreasing rates of exports to the U.S. Source: Table 14

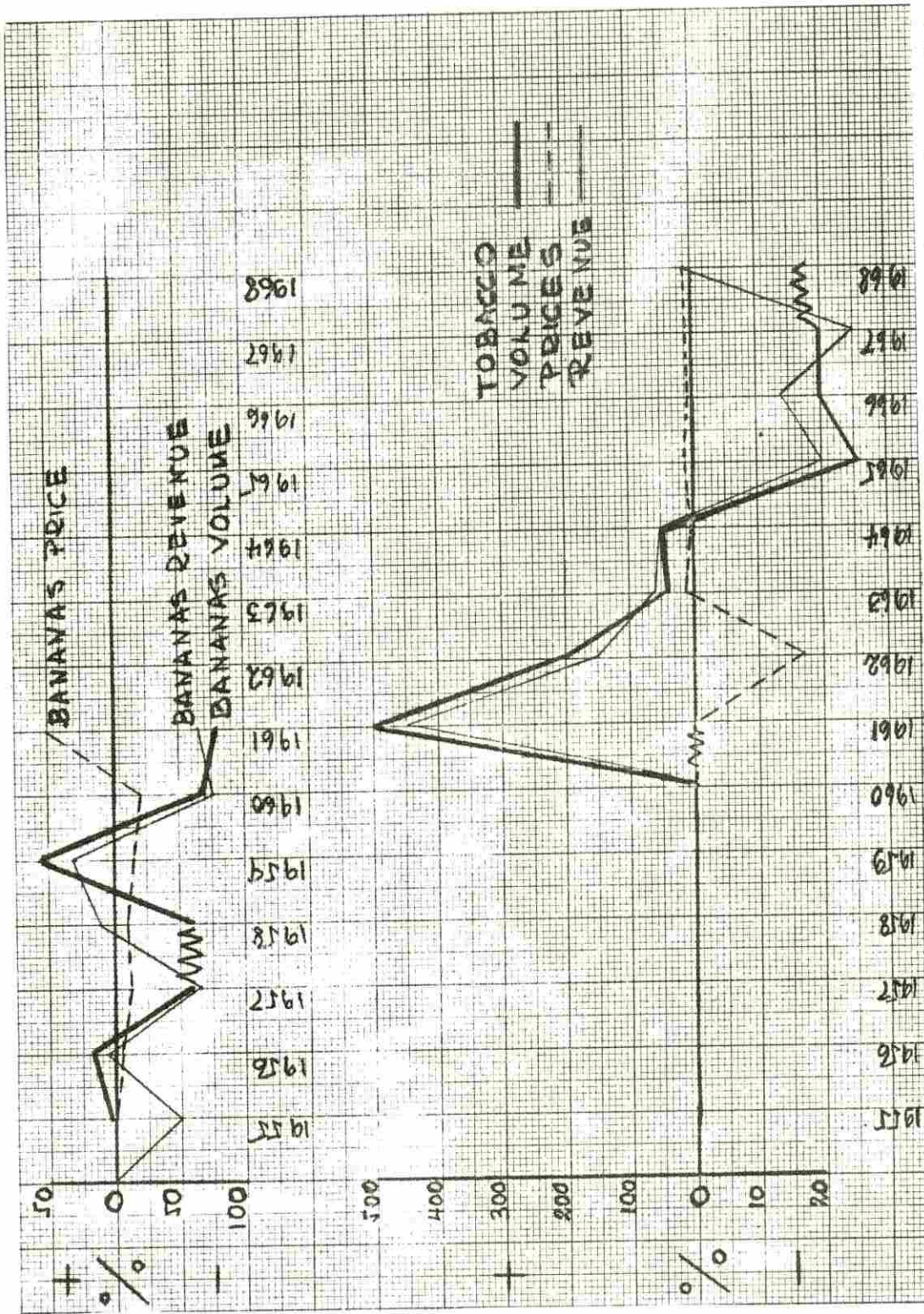


Figure 29. Colombian bananas and tobacco increasing-decreasing rates of exports to the U.S. Source: Table 14

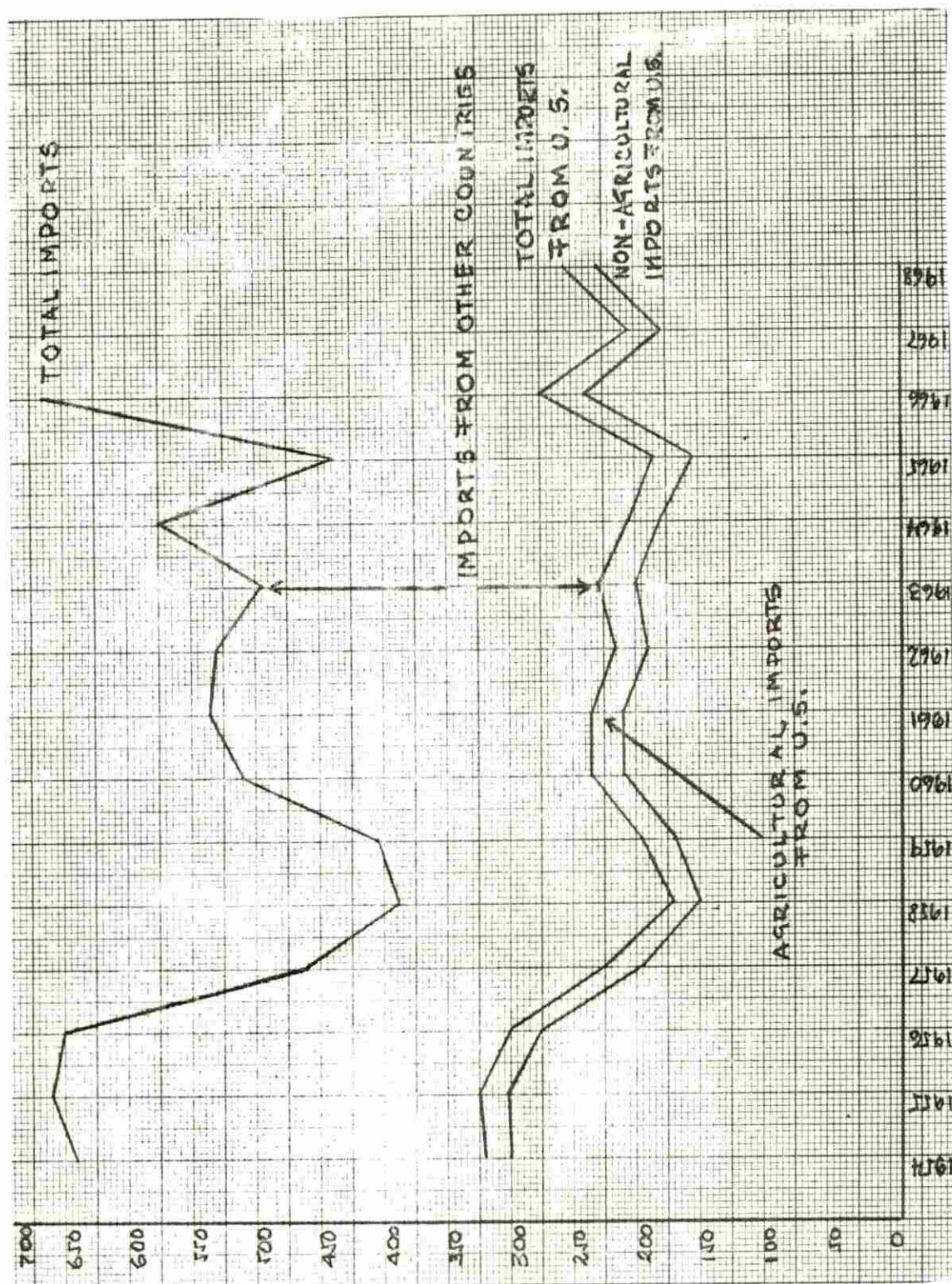


Figure 30. Imports origin in million dollars. Source: Tables 6, 15

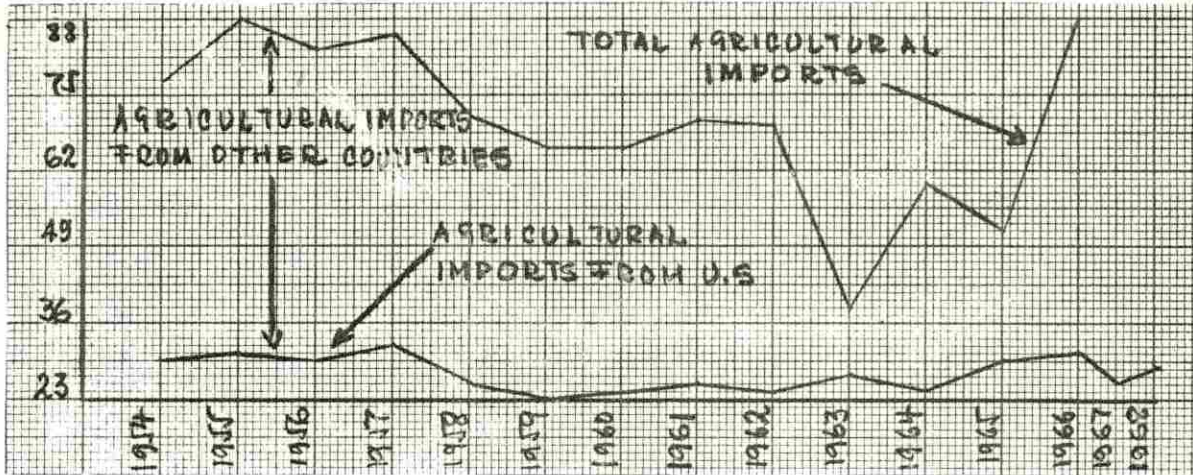


Figure 31. Agricultural imports origin in million dollars. Source: Tables 6, 15

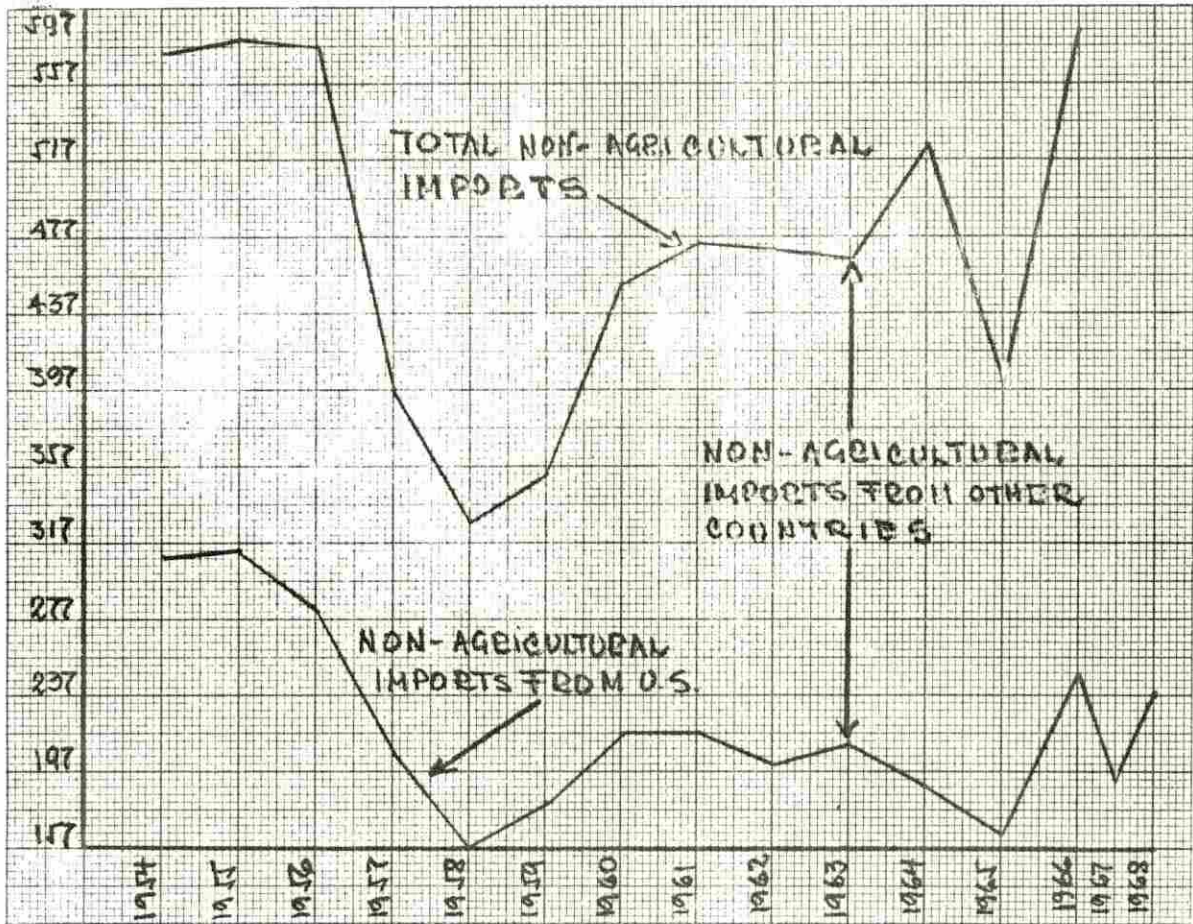


Figure 32. Nonagricultural imports origin in million dollars. Source: Tables 6, 15



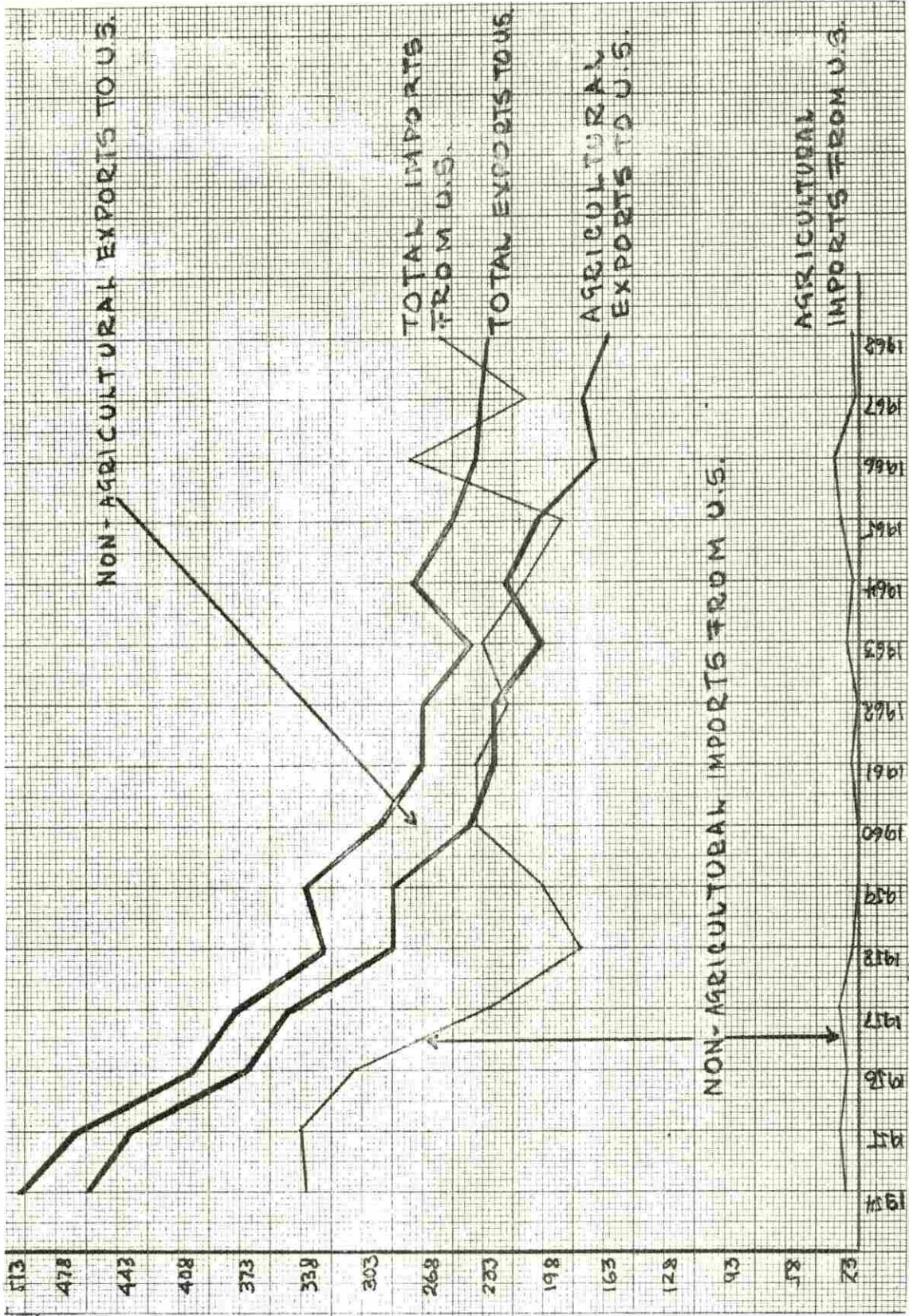


Figure 33. Colombia-United States balance in million dollars. Source: Tables 9, 15

## V. RESTRICTIONS AFFECTING EXPORTS

### A. Protectionism Background

#### 1. Historical context

In the historical context since the 1870's the relation between trade and production has been declining. Production has been expanding more than trade and the explanation usually offered is the upward trend in tariffs, and more effective nontariff barriers such as import quotas in the 1930's. Probably the only imports that are left free of duty are those with a special value for the economy, that is, those that cannot be produced at home or would have much higher domestic production costs than import costs. Given the prejudice most national economic policies have against imports, to admit some of them free of duty or at low rates of duty demonstrates that these products must be worth more to the general economy of the importing country than what is shown in their monetary value.

For the postwar period international economic policy is the most important factor determining international trade. International economic policy is composed of two branches: International monetary policy and commercial trade policy. The latter is not confined any longer to tariff policy but rather has an armory of weapons such as quotas, licenses, etc.

## 2. Present expectations

At present time protectionism is expected to persist especially for two reasons:

a. Small confidence in durable peace      With war a constant threat countries want to have a high degree of self-sufficiency.

b. Interference      State interference in most countries in national planning and government direction of production and prices is practiced broadly. Consequently, regulation of international trade is required.

## B. Reasons for Protectionism

### 1. Equality

One reason for protectionism was suggested long ago by Adam Smith who believed it wise to lay a tariff burden on foreign imports when the domestic articles competing with the imported were subject to taxation. Import duty compensated for the effect of domestic taxation. This could be referred to as the equality argument which tended to put all producers on an equal basis. The use of a tariff against foreign dumping is also included in the equality argument.

### 2. Security

The security argument rests on the assumption that in time of war to obtain commodities from other countries could be difficult and that the importance of defense over opulence

allows restrictions on trade for the purpose of protecting home industries to stimulate a production that probably would be needed in the case of war.

### 3. Development

The development argument points out that historical the wealthy nations have been those which have possessed a variety of occupations such as the Egyptians, the Phoenicians and the English, and that protectionism gives an opportunity for a wider variety of enterprises within the borders.

### 4. Independence

The independence argument claims that the foreign market could be cut off at any moment, say by adverse foreign legislation, creating a problem for the disposal of products which would not exist if there were home markets rather than foreign ones.

### 5. Confidence

The confidence argument seems to be a strong one if there are large vested interests sustaining the government. If the government withdrew the protection it could bring disaster to those who invested, relying on the policy of the government to continue the protection. Investments it is argued demand protectionism and confidence that protection will continue.

## C. Kinds of Restrictions

### 1. Restrictions classification

Restrictions can be classified in two broad groups: tariff and nontariff restrictions.

The tariff represents the traditional way governments have used in order to restrict trade by imposing a duty on goods entering or leaving the country.

Nontariff is a complex device for restriction receiving an increasing emphasis and ranging from variable import levies to quantitative limitations such as embargoes, absolute quotas and tariff-rate quotas.

### 2. Quantitative restrictions

The quantitative restrictions are provisions imposed in conformity with certain international agreements in some cases, and some times imposed by the importing country unilaterally. It is also possible that the exporting country exercises quantitative restrictions on exports.

a. Embargoes      The embargoes prohibit the importation of an article and is generally used to discriminate against a product or a country for health or political reasons.

b. Absolute quotas      The absolute quotas prescribe the maximum quantity of an article that may be imported during a specified period.

c. Tariff-rate quota      The tariff-rate quota permits a quantity of an article to enter at a given rate of duty in

a designated period, and imports exceeding that quantity are subject to a higher rate of duty.

### 3. Restrictions effects

These devices are all considered inconsistent with a liberal trade policy. Each affects trade in a different way but all limit the extension of trade and reduce the export possibility for several countries.

## D. International Agreements

### 1. The helping circumstances

The economic integration of Europe, decline of prices of exports of less developed countries, periodic overproduction causing price instability, low purchasing power of raw material exports, have all helped create the problem of managing the volume of trade to reduce the damage caused to the underdeveloped economies by the instability of exports. Many countries are now willing to cooperate and regulate trade to support prices and to limit quantities traded through international agreements.

Generally two conditions favor the establishment of international agreements:

"(1) where a 'burdensome surplus', such as would cause serious hardship to the producers, of whom a substantial proportion must be small producers, will not be avoided or prevented from developing by normal market forces, because a substantial reduction in price does not lead to a significant increase in consumption or decrease in production, or

(2) where widespread unemployment or underemployment involving undue hardship to the workers has developed, or is expected to develop, and will not be prevented by normal market forces because of the absence of reactions as above to price reduction, and because there is no alternative employment for the workers involved" (15, p. 159).

## 2. Agreements guidelines

It is considered that three principal guidelines must accompany the agreements:

a. Representation      The main producing countries and consuming countries must be represented in the negotiations as well as in the operation of the agreement in order to cover the interests of all of them, avoid exploitation of each other and facilitate rules enforcement in all contracting countries.

b. Volumes      The products must have large volumes in world trade and must be technically feasible in their handling, i.e., in storage.

c. Consistent policies      The national policies of the contracting countries must be adjusted, to be consistent, with the schemes of the agreement. This will avoid conflict by harmonizing internal adjustments to the markets and will enhance the possibilities of success of the agreement.

## 3. Forms of agreements

The international agreements could assume any of the following forms:

a. Buffer stocks Under this type the price is allowed to vary within a range maintained by the purchases and sales of a stock agency. If prices fell to the lower limit the agency buys the excess supply and if prices rise over the upper limit the agency sells. The system has the merit of little interference with the price mechanism and minimally when it does, but at the same time carries with it several difficulties in terms of costs, funds and stocks, storage and homogeneity and open opportunities for the speculator.

b. Multilateral long-term contracts Under this type a form of mutual insurance exists between importers and exporters. If prices fell an agreed level the buyers will purchase prearranged quantities at that lower price. If prices rise exporters will supply prearranged quantities at that top level. Between both points chosen for prices, trade is allowed free. The system has the merit of presenting price indicators for coming negotiations, but also has the problem of homogeneity and that the movements in price must induce adjustments of production.

c. International quota agreements This type predominantly has the purpose of moderating fluctuations in prices by regulating the export quantities of commodities. The overall or total quantity is determined at a level that satisfies the current and the expected demand at estimated



prices. For the countries in particular the quotas are usually determined on the basis of historical market shares. This type of agreement is charged with misallocation of resources, protection of inefficient producers and restriction in production, but those are not necessary attributes of such scheme.

#### 4. Number of agreements

The number of international agreements is small and covers tin, wheat, sugar and coffee. From them, sugar and coffee agreements are particularly relevant to Colombia, the former reflecting the possibilities of new markets and the latter because of being an active present force in which Colombia is an active member.

a. The Sugar Agreement      Sugar agreements have covered only part of the world trade in sugar, operate under the mechanism of export quota and went into operation with quota provisions in 1953. At that time quota provisions adjustable in accordance with current prices were introduced looking for floor and ceiling prices. The principal provisions cover: Export regulation by quotas and redistribution of surrendered shortfalls, production and stock regulation for exporters, priorities in meeting requirements of participating importing countries, limitation of imports from nonparticipants, limitation of exports by importing countries, subsidies, economic adjustments in the light of

the objectives of the agreement, and policies favorable to expansion of consumption.

The agreement was settled to solve the problem of growing production of heavily protected beet sugar in the United States and Western Europe. Production limits were required in the quota export countries. If prices fell below 3.25 cents f.a.s. for 15 consecutive market days, and adjustments to such condition were not reached, reductions of at least five percent would go automatically into operation. Simultaneously it was also agreed that if prices exceed 4.35 cents f.a.s. quotas will be removed and it could even be called upon part or the total stocks of the quota countries. The stock should amount to ten percent of the export quota.

The United States reduction in the early 1960 of Cuba's preferential import quota by 700,000 tons, that was replaced by U.S.S.R. purchases, did not affect the international agreement because the reduction in Cuba's supply was replaced by exports outside of agreement. By the end of the year, the United States prohibited all imports from Cuba, increased domestic beet sugar production and made larger purchases from other foreign countries. "The Dominican Republic, Mexico, Brazil, Peru, Australia and the British West Indies have been the major beneficiaries of the reallocated Cuban quota" (16, p. 44). The Geneva Conference

of 1961 to fix export quotas for 1962 did not reach an agreement and the regulations for sugar markets ended on December 31, 1961. It remained a Sugar Council but the prospects for an effective sugar agreement are not encouraging.

b. The Coffee Agreement Most of the market for a commodity with high degree of significance for the well-being of many less developed countries is covered by this agreement. The high prices of 1950 induced a coffee expansion that did not reach the market until demand had slowed, and prices fell under the pressures of excessive production from Africa and Latin America. The producers started limiting agreements in 1957, but it was in 1962 when importers entered the agreements, reinforcing the quota restrictions and placing the basis for the International Coffee Agreement. The renewal of the agreement in 1968 establishes the following objectives: Achievement of balance between supply and demand, and equitable prices between production and consumption, alleviate the surpluses and excessive price fluctuations, improvement of conditions of the member countries through fair wages, higher living standards and better working conditions, increase the purchasing power of coffee exporters by equitable prices and increasing consumption, encouragement of coffee consumption, and cooperation in world coffee problems.

The Coffee Agreement passed the test, but the period of operation was short for assessment of its performance. Although it seems well designed it is expected that heavy price fluctuations will be prevented by the control of the quantities whose allocation is made in the following way: Thirty days before the beginning of the coffee year (October 1-September 30) the Council, by 2/3 majority vote, estimates total world imports for the coming year and estimates exports for nonmembers. Based on those estimates the annual quotas for exports are distributed to the members. Then the annual quotas are broken-down in quarterly quotas. Quotas can be reallocated if there are shortfalls, by the system of individual prorating over the same proportion of basic quotas already determined by the council.

For purposes of control the importing countries agree to require a Certificate of Origin from the importer, and nonmember exports are limited to the average of exports 1960, 1961, 1962. These limits, however, can be changed by the Council.

Outside of the agreement the members can export coffee not charged to their quotas, if such coffee is proved to be used in nonhuman or industrial processes. Also if destined to a group of countries considered of low per capita consumption, under the condition of not being re-exported out of that group but within. The agreement also

tries to establish adjustment in production to domestic consumption, exports and stocks, and has been signed to last until September 30, 1973.

## E. Trade Restrictions of the United States

### 1. Historical context

Import duties have had a bigger role in the trade policy of the United States than quantitative import restrictions. However the National Recovery Act in 1933 initiated a turn in the earlier U.S. policy by providing import quotas for petroleum, lumber and timber, and alcoholic beverages. Its constitutional and legal authority to regulate imports was recalled in 1935, however, new authorizations were provided in other acts such as the Jones-Costigan Sugar Act, the Agricultural Adjustment Act, the Philippine Cordage Act, and finally with the Trade Expansion Act of 1962 containing authority to impose quantitative restrictions in special circumstances of discrimination against the United States.

### 2. The fears of exporting countries

The United States apparently is a country with moderate tariffs, but the exporting countries are still worried about these points:

a. The escape clause      The United States can modify or withdraw a concession if imports are threatening the domestic industry producing like or competitive articles.

b. The peril point provision Findings by the Tariff

Commission of the minimum rates of duty needed to avoid threatening of the national industry that the Commission may recommend to increase.

c. Section 22 of the Agricultural Adjustment Act of 1933

When imports interfere with price support programs conducted by the United States Department of Agriculture, such imports may be restricted by the imposition of a quota or a fee in addition to the import duty.

d. Customs and rate of duty Complexity of customs procedures and determination of the rate of duty to be applied.

e. The Buy American Act United States government agencies buying supplies have to buy at home, unless price is unreasonable or there is inconsistency with public interest.

3. Products under restriction

"Since Section 22 was enacted, import controls have been imposed with respect to eleven (11) different commodities or groups of commodities. These include: (1) wheat and wheat flour; (2) cotton, certain cotton wastes and cotton products; (3) specified dairy products; (4) rye, rye flour and rye meal; (5) barley, hulled or unhulled, including rolled, ground and barley malt; (6) oats, hulled or unhulled and unhulled ground oats; (7) shelled almonds; (8) shelled filberts; (9) peanuts and peanut oil; (10) tung nuts and tung oil; and (11) flaxseed and linseed oil" (17, p. 1).

Commodities currently subject to quantitative import restriction under embargoes, quotas and tariff-rate quotas

are in general the following: Meats, wild bird eggs, fur skins, sugar, cocoa, confectionery, coffee, tea, mate and spices, pepper shells, feathers, hard fiber cordage, petroleum, natural gas, and products derived therefrom, watches, clocks and trimming devices, brooms, phosphorus matches, stainless steel, dairy products, wheat and cotton.

#### 4. Incidence for Colombia

For the Colombian agricultural exports to the United States these restrictions have the following incidence:

a. Coffee Coffee quotas of the United States are those quotas fixed for the nonmembers of the International Coffee Agreement under requirement of the members. As a member of the agreement, Colombia is not under such U.S. coffee quotas.

b. Cotton Cotton quotas of the United States have been totally assigned to several countries but never have been completely fulfilled. Among the different kinds of cotton quotas, only in the short staple cotton quota of 14,516,882 pounds, a 100 pounds were assigned to Colombia.

c. Sugar The total amount of sugar imported by the United States has been increasing, and around 30 percent is supplied by foreign countries while 70 percent is domestic and from the Philippines. The quota for Colombia, even small, also has been increasing.

d. Wheat      The United States wheat import quota of 800,000 bushels is practically fulfilled by Canada with a share of 795,000.

e. Dairy products and meat      Dairy products and meat import quotas are also practically fulfilled and only would leave very small possibilities for Colombian exports.



## VI. CONCLUSIONS

### A. Importance of Agriculture for Colombia

Agriculture dominates the economy of Colombia. Agriculture traditionally has made the biggest contribution to development by generating the bulk of the foreign exchange to be used in the expansion of the industrial sector. At the same time, agriculture is a sector with acute problems of overpopulation, low education, low income, and low levels of living. This indicates that improvement in Colombia is very closely linked to the development of the agricultural sector. Agriculture still continues to be the main generator of foreign exchange, and when handicaps are removed, it offers the possibility of capital formation, savings, transfer of resources to other sectors of the economy and effective markets for the output of the manufacturing sector.

### B. Importance of Foreign Demand

In order to pace the development of agriculture to industry, it is vital that the markets for agricultural products offer effective demand. The expansion in demand for agricultural products has its source in the domestic and in the foreign demand. The foreign demand involving repayment in foreign exchange closes the circle, permitting investment in other sectors as well as in the same agricultural sector in those forms of capital that are most

efficiently imported or that cannot be produced at home with the present echnologies and skills.

Thus, the export of agricultural products has a high level of significance for the level of living and current rate of development of Colombia. Agriculture could contribute further savings of foreign exchange by import displacement in terms of direct substitution or shifts to other patterns of consumption. If the foreign exchange saved by the displacement of imports reverts again to the international trade to buy capital goods, it will avoid the possibility of retaliation; it will increase the amount of capital goods available for development; and at the same time it will increase the national production of the displaced imports.

#### C. Trade Theory Relevance for Colombia

Colombia has been and will have to be for several years an export-oriented country. Theories and controversies about the relationship of trade to development have a particular relevance for the country. From these theories and considerations, it clearly emerges that trade has not contributed as substantially, as could be expected from a force that historically operated well for certain countries in past years.

#### D. Trade Equitability

In recent years the relationship trade to development has become a responsibility of the governments. The volumes

and revenues of exports, and the terms of trade limit and contribute to the extension of the relationship. For those who deny that the terms of trade have been deteriorating for the primary producers, the favorite argument is that primary commodities are always the same while manufactured commodities improve in quality. It seems then impossible to count on trade as being equitable. The possibilities for transformation of the primary products that would permit the improvements in quality usually do not exist for the countries that produce agricultural products, and rather are transferred to the importing countries.

Benefits from trade are then heavily inclined to the side of the importing countries of primary products. These countries satisfy a consumption need and assure that the payment for such imports is returned through purchases of manufactured products which include the value of services. This also permits them to establish transformation industries which generate income and employment. Technological progress in these industries reduces the amount of primary products imported.

#### E. World Trends

The main bulk of Colombian agricultural exports has a primary characteristic, and a negative trend in the world trade. It is noticeable through tables and figures that there is an overall tendency for the foreign exchange

revenue to decline accompanied by price deterioration. As a result only the gains from other products can compensate the losses in coffee exports. Low levels of income elasticities for food and high degrees of competition suggest that expansion in trade exports under normal circumstances are hard to obtain, and that aggressive policies for selling have to be taken. Every possibility in the economic forms of export payment, barter or other feasible devices should be investigated to permit the expansion of the markets. At the same time foreign exchange obtained from exports will have to suffer a selective procedure for possible alternatives of domestic investment.

The more equitable distribution that exports obtain in terms of the total value attributable to different products is quite valuable for Colombia, in spite of the fact that up to now it does not change the total revenue expected from exports, if we consider that different kinds of technology, management, organization and allocation of resources will permit the establishment of a balanced growth rather than an unbalanced one. With respect to imports, the country must be prepared to obtain those types that require the less possible amount of foreign exchange and still permit maximum output. In importing, it is necessary to search and analyze offers of different producers to avoid dependence on one supplier.

#### F. Transformation within the Country

Sooner or later the value and volumes in the foreign trade of primary commodities will be affected by adverse circumstances and the net effect will be one of higher volumes of exports, less revenue and deteriorating prices. This process implies that besides the deterioration in the terms of trade, substantial amounts of the internal efforts for development will be lost, unless the increases in volume with lower selling prices are compensated by costs decreasing or certain types of agreement. The history of these agreements however is that they are created when adverse circumstances have already appeared and the reversion of the process is almost impossible. Consequently it would be a prudent consideration to dedicate resources to the scientific investigation within the country of the transformation of those products which could have future demand and not to limit the scope to the production and exportation in the primary stage. It has been proved that elasticities for services in food are higher than the elasticities for food itself, at least in the developed countries.

#### G. Trends with the United States

The general pattern of Colombian agricultural exports to the rest of the world is repeated in the trade with the United States, where the predominant characteristic is that the value of exports have sharply declined. The noncom-

petitive declining value of imports of the United States from Colombia clearly shows the attention that this country must give to many other exporters of similar products. This will result in a decrease in the share of the American markets for Colombian exports. At the same time the non-competitive value of imports of the United States from the rest of the world has also been declining and the volumes have been increasing. This shows that adverse circumstances are spread to several exporters.

Colombian nonagricultural exports have had a tendency to increase, attenuating the losses in agricultural exports, however, agricultural exports are still generating the majority of foreign exchange coming from the American markets. Colombian trade began with an almost total dependence upon the American demand, however the pressures of other competing exporters reduced Colombian exports. These exports found markets in other countries resulting in a more equitable distribution. Consequently half of the exports are sold to the United States. With respect to Colombian imports from the United States a substantial decrease is also noticeable. Colombian total imports have been increasing, but markets other than the United States have benefited from this circumstance.

## H. Markets Diversification

This favorable situation of diversification of the markets obtains for Colombia relations and possibilities of interchange in a broader number of markets as well as financial opportunities and commercial arrangements, that were hard to obtain when the bonds with other countries were not enforced by commercial relations and trade.

### I. Exports Expansion to the United States

The fact that the total agricultural imports to the United States from the rest of the world shows no tendency to decline, and that the complementary imports from Colombia have been increasing, also permits one to wonder if Colombian agricultural products could increase their rate of export to the United States. Independently of the pressures of many competitors of primary products, the United States could open a door to other Colombian agricultural products to compensate the losses of the noncompetitive imports. This, at the same time will permit Colombia to demand manufactured goods and capital goods from the United States. With respect to the traditional agricultural exports from Colombia it could be expected, in the light of past years, that normal expansion in exports to the United States of coffee and bananas is negative but expansion in sugar, tobacco and cotton is quite possible.

### J. Balance Considerations

The cumulative deficit that the balance of Colombia shows with the rest of the world is not generally applicable to the United States. There, it seems that trade relations tend to come to a balance, showing that Colombia is buying as much from the United States as she is selling. This is a good indicator that in spite of the retrogression of trade, both countries, independently of the considerations of volume and prices, are keeping a dollar pace on imports and exports. It may be expected that under favorable conditions, trade between both countries would increase if the U.S. would offer Colombia a higher demand for agricultural products.

### K. Protectionism Considerations

To the conclusions that have been drawn, it is necessary to add the impact of protectionism, because it has existed for many years and quickly spread around the world. In spite of the many advocates for free trade, the governments keep it one way or another. For many countries protectionism is a tool for bargaining and has become a very complicated matter.

Protectionism gives the chance to offer something in exchange for something, i.e., tariff negotiations, and those countries that have nothing to offer are at a disadvantage if they do not present as individuals or groups certain levels of protectionism. Because of the reasons



that have been given for protectionism, it is natural to expect that agriculture will keep levels of protectionism even in the highly developed countries. In spite of the fact that the industrial sector has been highly effective in absorbing the labor force withdrawn from agriculture in some highly developed countries, the agricultural sector is still lagging with respect to the conditions of efficiency, which clearly suggests that more agricultural population could be removed and transferred to the industry, and that if such a thing does not happen it is because industry, even doing its best, is not able to incorporate them. The same problem affecting the less developed countries also afflicts the highly developed countries on a smaller scale.

It is then a hard internal political problem for a government even in a developed country to remove such agricultural protectionism. The protectionism that invokes war as the cause for maintaining production inside of the country rather than permitting imports because of a possible cut of supply, makes no sense. It has been already proved that wars still are fought with conventional weapons, and that there are cuts in supply but not a complete blockade. Nuclear war would destroy sources of supply everywhere. Protectionism has then shifted from the original idea of equalizing effect to a more complicated one of created internal circumstances hard to overcome even in the highly developed

countries. Particularly, the restrictions of the United States at first glance leave open possibilities for Colombian exports of sugar, cotton and tobacco.

#### L. Impacts of the Agreements

For the less developed countries, among them Colombia, the international agreements, while limiting possibilities of expansion by fixing a quota, alternatively present a set of favorable conditions. The most important of these is the maintenance of prices that otherwise would fall very quickly, creating chaos for the economy, and some of the agreements, i.e., the International Coffee Agreement, also leaves open the possibility of unregulated trade with countries of low per capita consumption. Several forms of agreements could be established and should be studied in advance prior to the overwhelming problem of excess production.

#### M. The Strategy

From the overall trade situation it is concluded that a strategy of development for Colombia requires as vital element the maintenance of the level of exports. If some exports are decreasing it is necessary to compensate for the decrease with increases in other exports. Consequently it is necessary to allocate resources to the investigation of the trade possibilities of each agricultural product in particular, including possibilities of elaboration and

transformation within the country, and the arrangement of agreements when this seems advisable. Import displacement must be emphasized to save foreign exchange to buy capital goods. Goals must be established to serve as guidelines for the investment of the scarce foreign exchange. The internal markets must be organized to facilitate intersectorial relations, especially when trade threatens to deteriorate. The attraction of foreign capital with widening markets must be equitable for the investor and for the country. Government has the responsibility to see that those investments are truly guided to development of Colombia. Trade associations must be enforced.

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