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RECENT TRENDS AND DEVELOPMENTS IN THE ECONOMY
OF COLOMBIA

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INTRODUCTION

General

Foreign trade is the principal dynamic factor in Colombia's economic activity. The value and volume of exports determine the level of income of the greater part of the population engaged in farm work and consequently, their capacity to purchase manufactured goods. Similarly, the volume of domestic investments largely depends on the value and volume of exports, not only because of its influence on the level of consumer demand for goods and services, but also because the purchase of capital goods depends on the capacity to pay for them in foreign exchange. The coefficients of foreign trade (expressed by the percentage ratio between the value of imports and exports and the national income) were during the period 1945-50, 15.3 for imports and 14.0 for exports. At the same time, on an average, some 41.3 per cent of the national income was derived from rural activities (agriculture and animal husbandry), while industry contributed 16.3 per cent, mining some 3.0 per cent, and commerce some 7.7 per cent.

On the other hand, exports were excessively concentrated; two articles alone - coffee and petroleum - represented an average of 78 per cent and 14 per cent respectively of the total value. From the point of view of the balance of payments, the importance of foreign exchange derived from coffee is greater than indicated by this percentage, as petroleum profits do not entirely return to the country.

It therefore follows that Colombia's economy is based fundamentally on coffee, and variations in its price abroad bring about fluctuations in domestic economic activity, which can only be offset if the fall in prices is moderate and temporary. If the opposite occurs, the country suffers a general recession.

/Coffee prices

Coffee prices in 1950

During the course of 1950 the prices of coffee remained relatively high, as a culmination of the trend shown after price controls were lifted on the United States market. The annual average quotations for Colombian coffee in New York rose by 41.6 per cent between 1949 and 1950, while between 1948 and 1949 the rise had been 15.5 per cent. As a result of this rise, coffee prices within the country rose by 43.3 per cent between 1949 and 1950, and 30.6 per cent between 1948 and 1949. In relation to the prevailing levels in 1948, this rise was much greater than that of the cost of living. An examination of the movement of prices after 1945 shows, moreover, that this same trend existed since that time, although it was not so marked. In any case, this has resulted in greatly increased purchasing power for the coffee producers. However, while coffee prices rose by 87.2 per cent in 1950 over 1948, the producer's receipts only rose by approximately 50 per cent during the same period. This is explained by the lower production recorded which, in turn, resulted in exports being 18 per cent lower than the average for the years 1945-49. This increase in receipts is reduced to approximately 10 per cent when taking into account the increase in the cost of living (about 29 per cent) and the increase in production costs (about 10 per cent) from 1948 to 1950.

Coffee Prices and Inflation

Apparently the increase in the income of the coffee producers greatly contributed to intensify the inflation during 1950, given the high degree of expansion achieved by the country in that year. Increases in the workers' cost of living and foodstuff indices were relatively greater in 1950 than in any other preceding year. This was due to the fact that the coffee workers are, on the one hand, one of the most numerous sectors of the economically active population, and on the other, because their low standard of living means that any increase in their incomes results almost entirely in a greater demand for goods and services.

This greater demand also affected imports, but as the increased

/imports in 1950

imports in 1950 were authorised principally for various kinds of capital goods, the pressure of the additional demand arising out of the increase in income was not offset by greater availability of consumer goods.

The New Foreign Exchange System

The modification of the foreign exchange system towards the end of March 1951 was an apparently contradictory move; in fact, after a year of high coffee prices, when these had been stabilised on the foreign market at 0.60.1/2 dollars per pound, the peso was devalued again.^{1/} Actually, the raising of the exchange rate was effected not so much to re-establish exports on a competitive footing in foreign markets, but primarily to make imports more costly, in order to restrict any increase arising out of the introduction of a relatively free exchange system. The limitation consists in a list of prohibited imports. This limitation does not appear to be sufficient, however, in view of the pressure of imports on the balance of payments as a result of the constant increase in the money income of the population. Official control had permitted the maintenance of an artificially low exchange rate, which became a subsidy for imports, and was thus a factor operating in favour of greater disequilibrium in the balance of payments. This explains why, since the postwar period began, import trade has been subject to a system of individual quotas, which resulted on the one hand in a very complicated control system and on the other in the almost complete elimination of competition.

Moreover, there was the slowness and rigidity involved in fixing quotas for importers according to their volume of imports in previous years, capital, the value of their payrolls, etc., and consideration of each import application as a special case.

On the other hand, the elimination of foreign exchange and import

^{1/} Legally, the gold parity between the peso and the dollar continues to be \$ 1.94.9 = US\$1.00; nevertheless, imports and a part of exports are negotiated at the rate of \$2.50 per US\$1.00. The Banco de la República has been authorised to vary this exchange rate in accordance with the pertinent recommendations made by a Junta Reguladora de Cambios (Exchange Regulating Board).

controls has done away with an instrument by means of which the country during the postwar years adopted a firm and specific policy of capitalisation. This is another important aspect of the reform: in order to prevent competition between capital goods and non-essential or secondary consumer goods imports, the list of prohibited imports includes not only goods already produced within the country but also some considered as luxury goods, i.e. automobiles, jewellery, perfumes etc.

Terms of Trade and the Capacity to Import

The terms of trade and the capacity to import developed favourably for the country during the period 1945-48. The tendency towards improvement has been more marked in the terms of trade than in the capacity to import, because in the years prior to 1945, the index of export prices lagged behind the rise in the index of import prices. In 1949 and 1950, the more favourable situation with regard to the terms of trade probably further improved (although there is no information available to prove this), because there has been a more rapid increase in the foreign prices of coffee (which may be considered representative of the index of export prices) than in prices of imports.

Although relatively speaking there are no fundamental changes in the composition of imports and exports, the predominant position of coffee exports has become more pronounced since the war. There is no doubt, however, that the smaller number of sacks exported in 1950 (approximately 18 per cent less than the average for the years 1945-49) has meant that the capacity to import has not improved to the extent which might have been expected from the rise in export prices.

The Balance of Payments

In 1949, the balance of payments and the trade balance were favourable for the first time since the postwar period. This was due of course to the severity of the restrictions imposed on imports during that year. In 1950 it appears likely that the balance of payments should also show a surplus, arising out of the greater value of exports. The value of imports and exports in 1950 rose to 645 and 759 million pesos, respectively; although part of the trade balance

/surplus is

surplus is absorbed by deficit items in the balance of payments, it may be assumed that there would still be a positive figure for the total of current transactions.

The decline in petroleum investments within the country has also affected the position of the balance of payments. This decline is due, in the first place, to the expiration of the term of the principal petroleum concession, and, in the second, to the hesitance of foreign investors in view of the plans for reforming the legislation on this subject, which have been under study by the Government for some years past. In 1950 reforms were approved which favourably modified former conditions for the investment of capital in the exploration and exploitation of petroleum reserves, assuring the reimbursement of foreign investments, so that a change in the tendency mentioned may be expected.

Credit and Monetary Policy

One of the most important aspects of monetary policy in 1950 was the direction of bank credit towards more productive activities. For this purpose, the commercial banks were authorised to grant credits with terms of up to five years, whereas former banking legislation had limited the maximum term to two years. This measure and the limitation of the banks' portfolio granted to the commercial banks and the Banco de la República were for the purpose of achieving a redistribution of credit, expanding that for productive activities without increasing the total volume.

From the monetary point of view, the struggle against inflation has met with initial success; not only has a greater expansion of credit been prevented (over the level of September 1950, the month of the agreement mentioned), but a reduction has also been achieved in the money in circulation in relation to the figure recorded in that month, a figure which was much higher than that of any previous date. There is no doubt that the success of the monetary stabilisation policy will have an effect on the new system of foreign exchange mentioned above. Unrestricted imports and the stabilisation of the exchange rate at 2.50 pesos per dollar will have greater prospects of being prolonged over a long period, if the stability of credit and monetary /circulation can be

circulation can be maintained. The direction of fiscal policy toward the elimination of the use of credit as a source of financing part of the public expenditure will also be of help.^{1/}

Policy of economic development

Government action directed towards the development of certain economic activities, principally in industry and agriculture, takes several different forms. In some cases, the Government has directly promoted the foundation and financing of enterprises, recent examples being the Empresa Siderúrgica de Paz del Rio and the Empresa Nacional de Petróleos. In others, it has created special entities entrusted with the planning and financing of new enterprises, such as the Instituto de Fomento Industrial for the manufacturing industry; the Instituto de Fomento Municipal for public works (sewage, aqueducts, hospitals, school buildings); the Instituto de Aprovechamiento de Aguas y Fomento Eléctrico for irrigation works and hydro-electric plants; the Instituto de Parcelaciones, Colonización y Defensa Forestal for the distribution of land and the incorporation of new regions into agricultural work; and the Instituto Nacional de Abastecimientos to guarantee a stable market and remunerative prices for farmers. In other cases, the policy of development has been directed towards the creation of official credit organisations, such as the Caja de Crédito Agrario and the Banco Agrícola Hipotecario, whose operations are mainly concentrated around agriculture and animal husbandry, and the Banco Central Hipotecario and the Instituto de Crédito Territorial, which supply credits for urban and rural buildings.

Although there have been proposals to coordinate the different policies of economic development into a unified plan, these proposals have not in fact been carried out. Each of the development institutions draws up and carries out its own plans with complete autonomy, there being no entity coordinating the programmes to prevent duplication of effort or to take advantage of experiences acquired in the development of the undertakings proposed. Such coordination was only attempted

^{1/} A decree reforming the budgetary system issued at the beginning of 1950 prohibited the utilisation of credit for financing the Government's ordinary expenditures. According to this decree, public credit can only be used for productive investments, or to finance extraordinary expenditure arising from domestic unrest, war or public disaster.

very recently (March 1951) by unifying some of the institutions enumerated in a Ministerio de Fomento.

From other points of view, the policy of economic development has also been evident in the stimulus and financial assistance given to the organisation of producers into societies or federations, such as the Federación Nacional de Cafeteros, the Asociaciones de Ganaderos (Stockbreeders Associations), and the Federación de Productores de Panela y Miel, among others. Generally the organisation of these societies or federations has taken place simultaneously with the creation of a special tax or contribution on the respective product or economic activity, which is set aside for financing the development works. In these cases the respective entity signs a contract with the Government specifying the way in which the receipts from such taxes should be invested.

Tax exemptions granted by the central or local Governments are another traditional method used in the policy of economic development. In the majority of important cities tax exemptions for a period of up to ten years are granted to new industries; in other cases the exemptions refer to profits obtained from given investments. For example, to stimulate the participation of private capital in the steel company, its dividends were exempted for all kinds of taxes.

During the last four years, a greater amount of funds has been directed towards housing construction, through the investment in mortgage banks of given percentages of the deposits in the Caja de Ahorros and of the reserves of the insurance companies.

Probably one of the most important results of the work carried out by the Currie Mission^{1/} was the interest which it aroused among public opinion in the general problems of economic development. It recommended the diversion of "a slightly larger flow of capital to

^{1/} The International Bank of Reconstruction and Development, at the request of the Colombian Government, sent a Mission of experts presided over by Mr. L. Currie, to carry out a survey on the country's possibilities of economic development and to draw up a development programme. The Mission was composed of personnel from the International Bank itself, from the International Monetary Fund and other international and United States organisations, and was advised by a group of Colombian functionaries from the Banco de la República and other official dependencies.

the provision of electric power, community facilities, hospitals, health centres and low cost housing than could be expected on the basis of existing trends^{1/}. This means that in the next few years relatively greater importance should be given to the expansion of public investments. The Mission considers that it is much more important to achieve an increase in the productivity of labour, by improving present standards of education, hygiene and housing of the people, than to give preference to investments in activities which correspond to more industrially developed countries. This explains the adverse recommendations made by the Mission as regards the investments planned in the steel plant and in the expansion and modernisation of installations for refining crude petroleum. Nevertheless, the Government finally decided to go ahead with these two projects, which will permit - in three or four years more - a substantial reduction in the payments abroad for imports of iron and steel products, fuels and other petroleum derivatives.

In view of the importance of foreign trade in the country's economy, the achievement of the investment programmes depends fundamentally on the continuance of coffee exports - both in volume and value - at the highest possible level; however, as the prices of the bean on the foreign market were frozen by the Price Stabilisation Office, success now depends more on the relative stability of import prices.

^{1/} Report of the Currie Mission, Bogotá, 1950. "The Basis of a Development Programme for Colombia", Page 593.

CHAPTER I AVAILABLE GOODS AND PRODUCTION

Available Goods

During the war the total volume of available goods was limited by two main factors: first, the fall which took place in imports, which represent approximately a third of that total; second, the difficulties encountered by domestic production, as a result of the reduction in supplies of foreign raw materials and of equipment, machinery and tools for replacement and expansion. While it is true that the second factor only affected some manufacturing and mining activities which do not represent a very high proportion of the total, it at least tended to restrict the expansion of these activities, even if it did not reduce considerably the total supply of goods.

The foregoing largely explains the fact that the per capita quantum goods available in 1945 was almost the same as in 1939. In other words, when the war ended, domestic production and imports had increased at approximately the same rate as the growth of the population, an increase which was also recorded - although in slightly lesser proportions - in the goods intended for export.

In the years 1946 and 1947 the quantum of available goods increased at an average of 14.5 per cent per annum, both because of the greater volume of domestic production and because of high imports. Nevertheless, since substantial reduction in the country's international reserves resulted, imports had to be restricted in 1948, and the rate of increase in available goods was reduced in 1948 to 2.4 per cent. The following table illustrated these changes:

/Table 1.

Table 1. Colombia: Quantum of Available Goods
(Values at 1939 prices, in millions of pesos)

<u>Years</u>	<u>Production</u>	<u>Exports</u>	<u>Imports</u>	<u>Available Goods</u>	
				<u>Total</u>	<u>Per Capita</u> (pesos)
1939	557.0	136.5	183.4	603.9	68
1945	692.1	166.2	174.1	700.0	69
1946	739.2	181.1	239.4	797.5	77
1947	779.1	173.9	312.6	917.8	87
1948	841.4	174.8	273.3	939.9	87

Source: Compiled by the Economic Commission for Latin America using basic data for the Anuarios de Estadística y Comercio Exterior, and the Statistical Appendix of the Report of the Currie Mission.

Compared with 1939, there was no fundamental change in the postwar period - until 1948 - in the proportion of imports within total available goods. In that year imports supplied 30.4 per cent of that total; in 1945 the percentage was only 24.9 per cent, due to the limitations which still affected the import trade. In 1946 and 1947 the percentage rose to 30.0 and 34.1 per cent respectively, but in 1948 it fell again to 29.1 per cent. This decline was of course due to the effect of foreign exchange and import controls. At the same time, it is interesting to observe that exports in recent years have represented a lower percentage of domestic production; in 1939 and 1945 exports amounted to 24.0 per cent of this production, the percentage remaining the same during 1946. During 1947 and 1948 exports were 22.3 and 20.8 per cent of production. This fact is related to the improvement in the terms of trade and in the capacity to import, which will be analysed in the chapter on foreign trade.

The distribution of capital and consumer goods within total available goods was modified slightly in favour of the former during the years 1946 to 1948 in relation to 1939. In 1945 imports were still affected by wartime restrictions, which were particularly severe in the case of supplies of capital goods. This explains why in that year the percentage of these goods in the total was the same as in 1939. Similarly, the greater percentage during the following years - particularly in 1947 - was largely due to the pent-up demand of the war years.

CHART I
COLOMBIA

AVAILABLE GOODS.

MILLIONS OF PESOS AT 1939 PRICES

SEMI-LOGARITHMIC SCALE

- 1. AVAILABLE GOODS
- 2. PRODUCTION
- 3. IMPORTS
- 4. EXPORTS

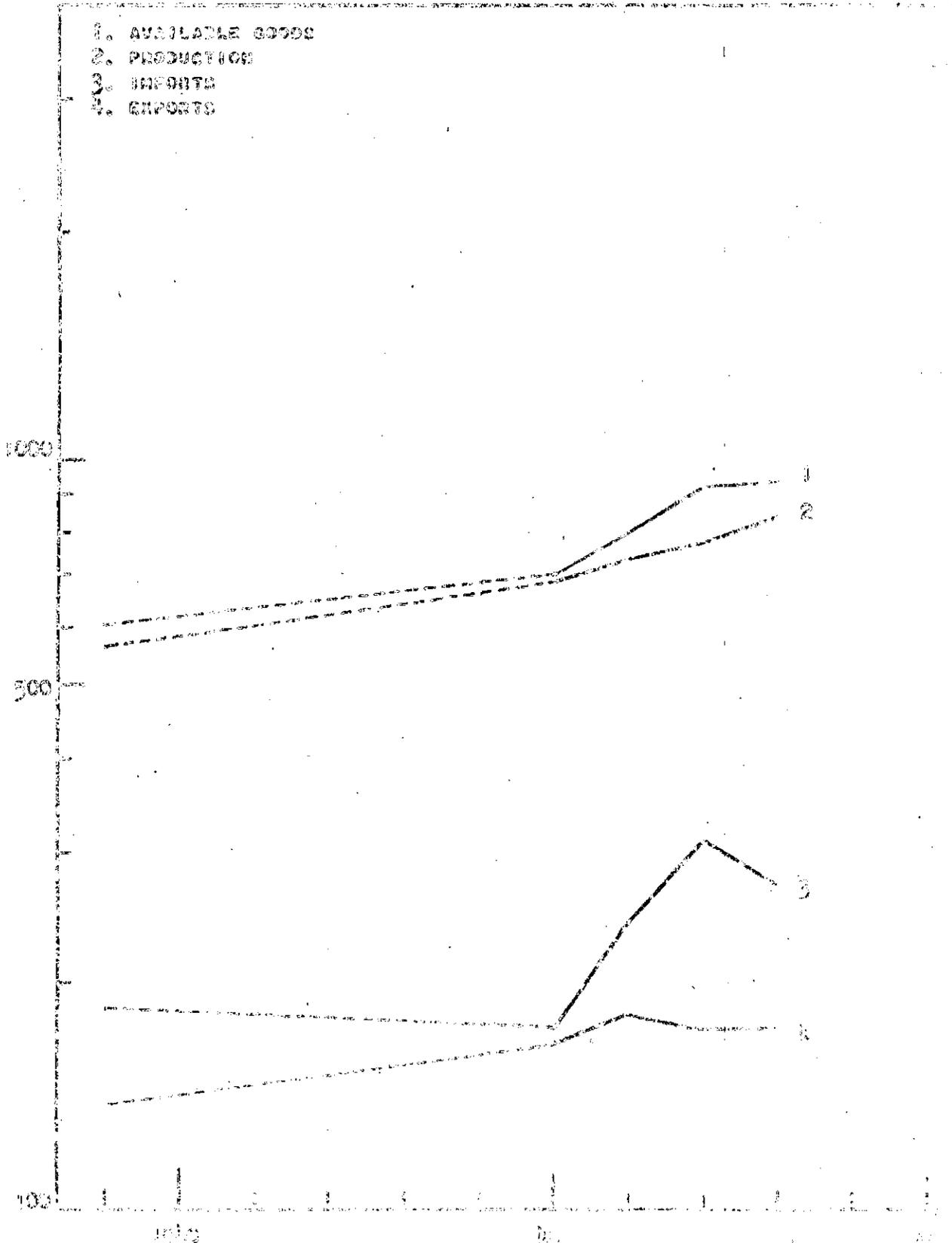




Table 2. Colombia: Capital Goods and Consumer Goods^{a/}
(Values at 1939 prices, in millions of pesos)

Years	Capital goods ^{b/}	Percentage	Consumer goods	Percentage	Consumer goods per capita
1939	63.9	10.6	540.0	89.4	61
1945	72.8	10.4	627.2	89.6	62
1946	105.7	13.3	691.8	86.7	67
1947	148.7	16.2	769.1	83.8	73
1948	125.1	13.3	814.8	86.7	76

Source: Compiled by the United Nations Economic Commission for Latin America using basic data from the Anuarios de Estadística y Comercio Exterior.

a/ The values for capital goods given in this table are only an approximation, as domestic production includes other goods apart from cement, but it would be impossible to estimate them with the existing information. Nevertheless, their volume is so slight that it would not have any important effect on the percentages indicated.

b/ Imported capital goods plus domestic production of cement.

The value of per capita available consumer goods, which showed fairly important increases in 1946 and 1947 (through greater imports) increased less in 1948: precisely because of restrictions on imports. Nevertheless, it was higher than the 1945 figure by 22.6 per cent. As already observed, the increases in the quantum of available goods per inhabitant took place from 1945 on, as the figure for that year was only slightly higher than the 1939 figure.

Changes in Production

Although the greater part of Colombian production is of agricultural origin and therefore wartime conditions did not seriously affect it, there was a decline in 1942 of approximately 3 per cent in relation to the preceding year. The decline took place in the manufacturing industry and in mining, which together represented slightly more than a quarter of the value of total production in that year. With this exception, production increased, during the period 1939 to 1943 at an annual average of 3 per cent, as against annual increases of 5 to 9 per cent in the following years until 1948.

Table 3. Colombia: Quantum of production ^{a/}
(Net values at 1939 prices, in millions of pesos)

Years	Agriculture	Manufacturing industry	Mining	Total
1939	399.6	120.0	37.4	557.0
1940	405.3	128.0	44.2	577.5
1941	411.5	142.0	42.5	596.0
1942	419.9	128.0	31.2	579.1
1943	419.4	144.0	32.6	592.0
1944	438.1	166.0	41.3	645.4
1945	448.9	204.0	39.2	692.1
1946	471.6	229.0	38.6	739.2
1947	483.6	256.0	39.5	779.1
1948	512.0	292.0	37.4	841.4

Percentages

1939	71.7	21.6	6.7	100.0
1940	70.2	22.2	7.6	100.0
1941	69.1	23.8	7.1	100.0
1942	72.5	22.1	5.4	100.0
1943	70.2	24.3	5.5	100.0
1944	67.9	25.7	6.4	100.0
1945	64.9	29.5	5.6	100.0
1946	63.8	31.0	5.2	100.0
1947	62.0	32.9	5.1	100.0
1948	60.9	34.7	4.4	100.0

Source: Compiled by the United Nations Economic Commission for Latin America, using basic data from the Revista del Banco de la República and Statistical Appendix from the Report of the Currie Mission.

a/ The basic statistics for agricultural production are derived from official estimates, and should only be taken as approximations.

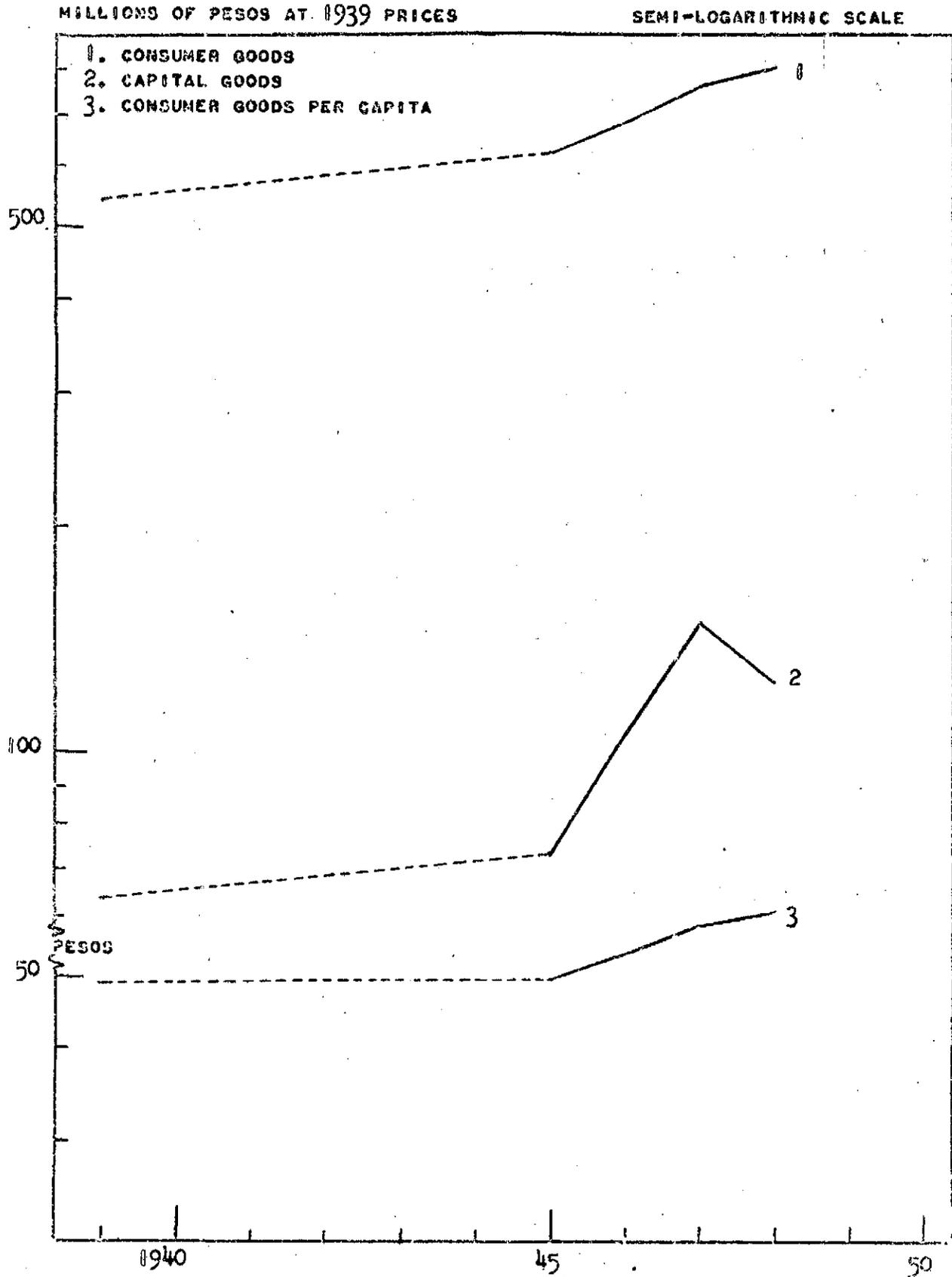
As shown in Table 3, during the 1939-48 period the proportion of the different activities within the total varied considerably; while the manufacturing industry increased from 21.6 per cent to 34.7 per cent between the two years mentioned, agriculture fell from 71.7 per cent to 60.9 per cent during the same years. This means that the annual rate of increase of the first was greater than that of the second, as in absolute terms both activities showed increases. In contrast, the share of mining in total production not only fell from 6.7 per cent in 1939 to 4.4 per cent in 1948, but also its value in the years 1945-48 was approximately the same as in 1939 and lower than that for the years 1940-41.

/These changes

CHART 2

COLOMBIA

CAPITAL AND CONSUMER GOODS







These changes reflect the greater importance acquired by secondary production in the Colombian economy, particularly after 1944, as a result of favourable conditions on the domestic market and the protectionist policy adopted by the Government after import difficulties disappeared.

Distribution of Production

In view of the importance of foreign trade for the Latin American economies, it is interesting to observe the changes which have taken place in the direction of production towards either the foreign or domestic markets. Table 4 gives an approximate estimate of the value of production for the export market and for domestic consumption, based on four principal products, which are produced almost entirely for export.^{1/}

Table 4. Colombia: Distribution of Production

(Values at 1939 prices, in millions of pesos)

Years	For the foreign market	Percentage	For domestic consumption	Percentage	Total
1939	100.1	18.0	456.9	81.8	557.0
1940	99.6	17.2	477.9	82.8	577.5
1941	101.6	17.0	494.4	83.0	596.0
1942	98.1	16.9	481.0	83.1	579.1
1943	96.7	16.3	495.3	83.7	592.0
1944	109.1	16.9	536.3	83.1	645.4
1945	110.2	15.9	581.9	84.1	692.1
1946	108.6	14.7	630.6	85.3	739.2
1947	117.6	15.1	661.5	84.9	779.1
1948	122.6	14.6	718.8	85.4	841.4

Source: Compiled using basic data from the Anuarios de Estadística and the Statistical Appendix to the Report of the Currie Mission.

^{1/} Two agricultural products, coffee and bananas, and two mining products, petroleum and platinum. The total exports naturally include other products, but they are of very little importance within the whole, and probably do not represent more than 2 per cent of the total value of production.

Mining is the activity most dependent on the export market; moreover, from 1945 to 1948 the value of mining production for export rose from 51.0 per cent to 58.9 per cent. In agriculture, the two principal export products, coffee and bananas, have represented an average of 20 per cent of total agricultural production.

The manufacturing industry's dependence on the foreign market is of a different nature, because it is dependent on the import trade insofar as the supply of raw materials, machinery, equipment and tools is concerned.^{1/}

Table 4 shows clearly that while production for export increased by 22.4 per cent in 1948 in relation to 1939, that directed towards domestic consumption increased by 57.3 per cent between the same years. This lesser increase in production for export as against that for domestic consumption is linked with the lower percentage represented by the former within total production, falling from 18.0 per cent in 1939 to 14.5 per cent in 1948.

The National Income

The figures for the national income provide a more complete picture of the development of Colombia's economy during the last ten years. Table 5 show that the national income, at constant 1939 prices^{2/}, increased from 1.049 million pesos in 1939 to 1.534 million in 1948, an increase of 46.2 per cent. Per capita income rose 20 per cent during the same years from 118 to 142 pesos.

^{1/} During the war and in subsequent years there have been exports of textile products, but the quantities are not important.

^{2/} The index of the worker's cost of living in Bogotá was deflated using 1939 as a base, as there is no other index available which could be considered more suitable.

Table 5. Colombia: National Income

(in millions of pesos)

Years	At current prices	At constant 1939 prices		Index 1939 = 100
		Total	Per inhabitant	
			- pesos -	
1939	1.049	1.049	118	100.0
1940	1.033	1.066	117	99.2
1941	1.063	1.113	120	101.7
1942	1.159	1.117	118	100.0
1943	1.339	1.113	115	97.5
1944	1.660	1.147	116	98.3
1945	1.982	1.230	122	103.4
1946	2.418	1.373	133	112.7
1947.	3.023	1.453	138	116.9
1948	3.718	1.534	142	120.3
1949 a/	4.573	1.770	161	136.4
1950 a/	5.051	1.627	145	122.9

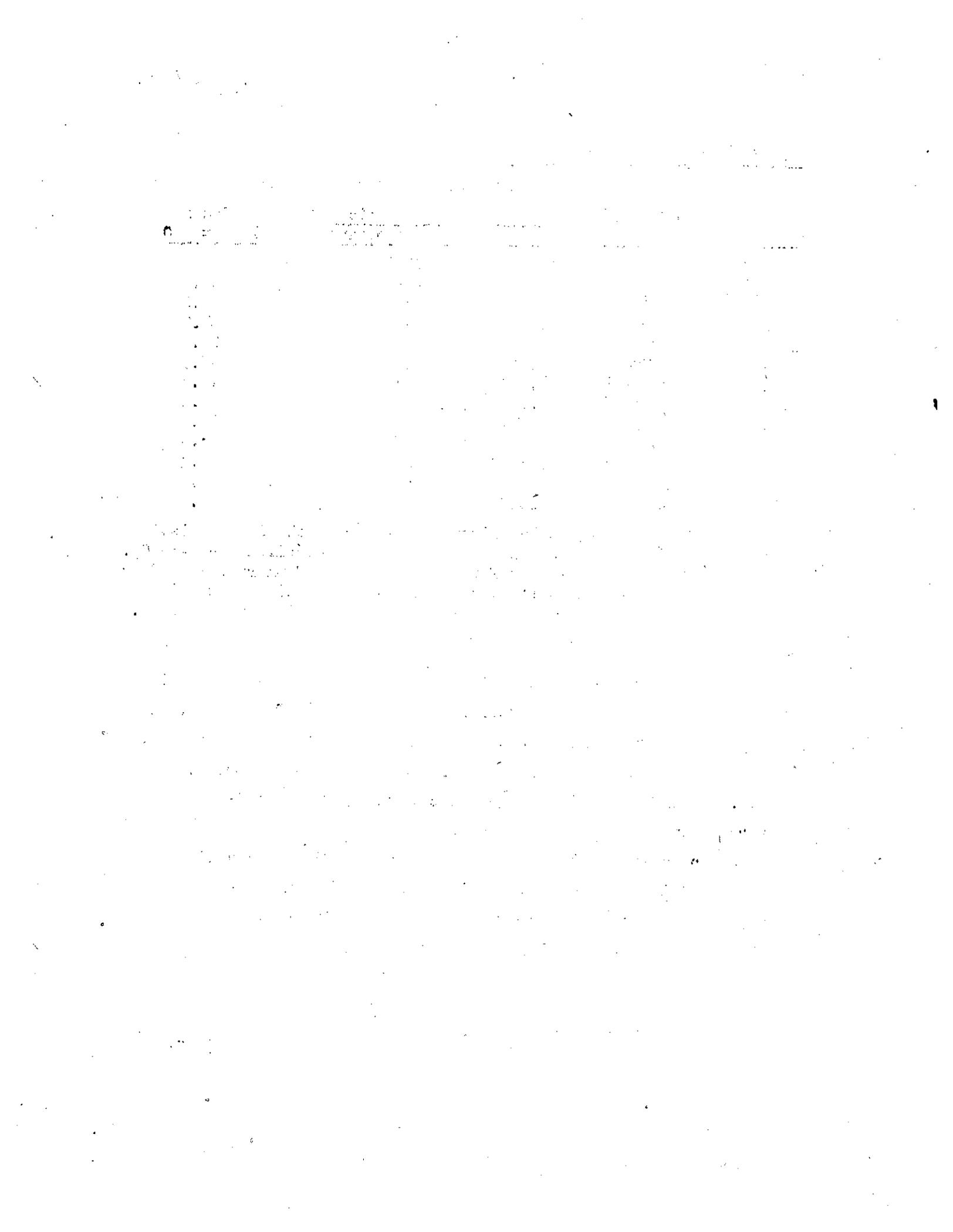
Source: Combined series using figures compiled by the Currie Mission from 1939 to 1944) and the Banco de la República (1945-1950), including corrections for Agriculture and Commerce, according to an unpublished study by Señor Miguel Fadul, who was in charge of preparing the series of the Banco de la República.

a/ Provisional figures.

Provisional estimates for 1950 indicate a drop in the national income in relation to the preceding year. During 1950, in fact, the severe and prolonged winter caused the loss of part of the harvests, including the coffee harvest, and seriously disorganised the transport system. In this year the national income was approximately 8 per cent below that of 1949.

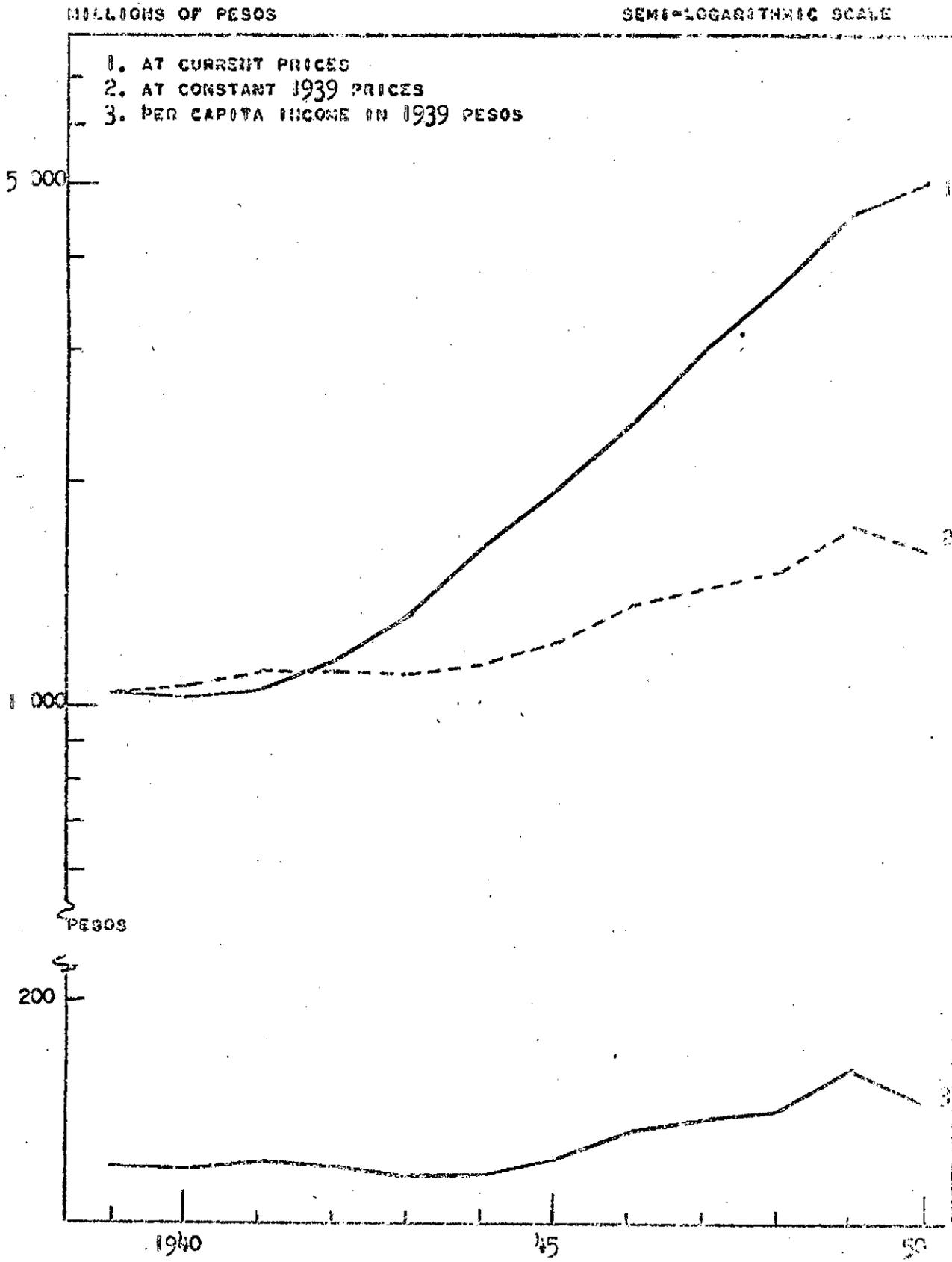
Table 6 shows the figures for income by activities from 1945 to 1950, and indicates that there were no important changes in the percentage for each one of these activities within the whole.

/Table 6.



COLOMBIA

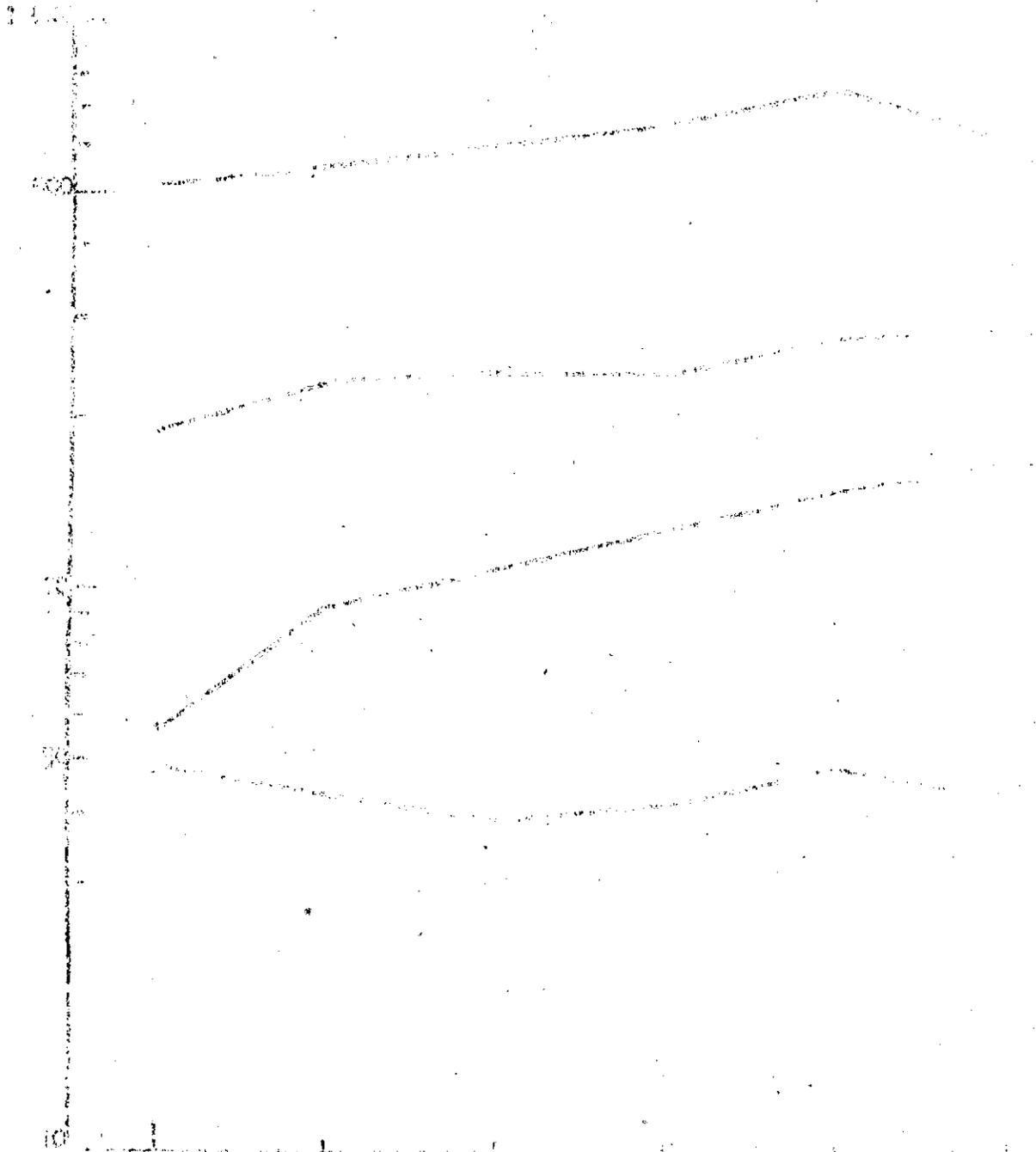
NATIONAL GLOBAL INCOME

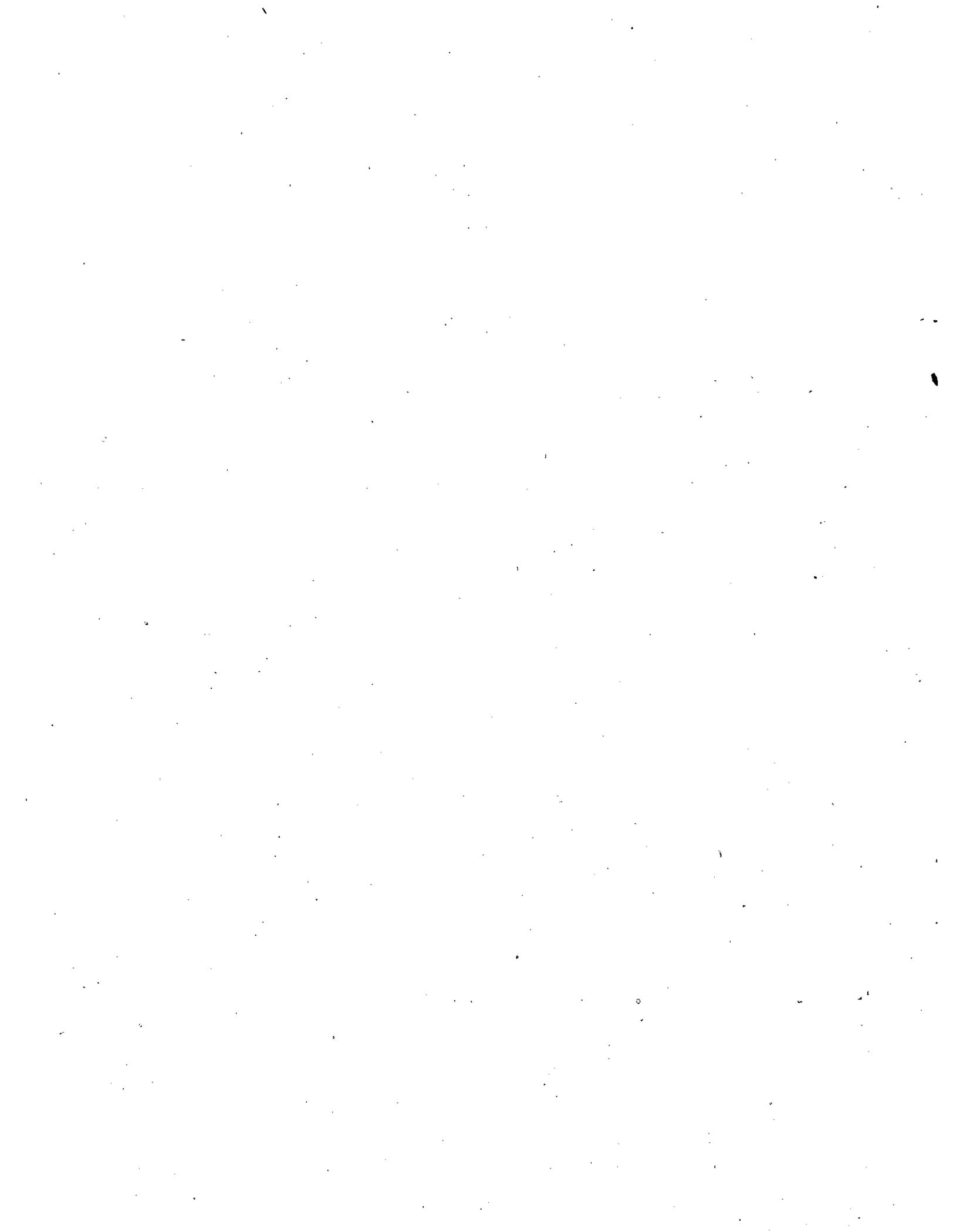




SECTION OF ...

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- 2. ...
- 3. ...
- 4. ...
- 5. ...





Agricultural Production

In spite of the importance of agricultural activity within Colombia's economy, statistical information is exceptionally rare and deficient. Approximately 40 per cent of the national income, as noted in preceding pages, is derived from rural activities. The Population Census of 1938 (the last one effected) revealed that 71 per cent of the total population lives in the country and 29 per cent in urban areas. Of the economically active population, 74 per cent was engaged in farming, animal husbandry and forestry. This dominant position of agriculture can also be seen from the foreign trade figures, which show that during recent years two products - coffee and bananas - have represented 78 per cent and 2 per cent respectively of the total value of exports.

It is very likely that the relative distribution of the urban and rural population and the proportion corresponding to agricultural activity within the total active population may have varied during recent years, but no direct recent research has been conducted which would prove this. The study of a rural community close to Bogotá indicates that in the regions close to the industrial centres there is a strong current of migration from the country to the city.^{1/}

The considerable growth of industrial employment, which increased by approximately 50 per cent between 1939 and 1947, according to the Currie Mission's estimates, also indicates that the displacement of rural workers towards urban activities has been stepped up during recent years.

The rural population in 1948 was estimated at 7.0 million (out of a total of 10.8 million), of which 4.0 million represented the economically active population. According to this estimate,^{2/} the urban population should have been 3.8 million in 1948. The percentages

^{1/} In the research on population growth in Tabio it was found that during the last forty years it had remained practically stationary; migration has completely absorbed the annual rate of increase. Tabio, un estudio de organización social rural, T. Lynn Smith and others, quoted in the Report of the Currie Mission, page 64.

^{2/} Report of the Currie Mission, page 64.

would be 64.8 and 35.2 per cent for rural and urban population respectively, compared with 71 and 29 per cent in 1938. Using these figures, the distribution of per capita income among rural and urban activities will serve to indicate the differences in productivity between the two. Taking the national income of 1948 (at constant 1939 prices), the per capita income of the rural population was 94 pesos and that of the urban population, 230 pesos.

The distribution of the land is a feature of Colombian economy which has received little study. It is estimated that, on an average, farms cover two hectares of cultivated land and that there are 700,000 farms. The total number of hectares under cultivation is calculated to be 2.4 million.

It is absolutely impossible, with the available information, to calculate the per capita productivity of agriculture, even in the case of such an important crop as coffee. Nevertheless, it is a well-known fact that the productivity of farm work is low because of the use of rudimentary methods of cultivation, the lack of mechanical implements, the ignorance of methods of selecting seeds, rotating crops and the use of fertilisers, etcetera. In some of these aspects, such as research and experimentation for seed selection, the Government has made a positive contribution during recent years, by organising Experimental Agricultural Farms; in others, as in the use of fertilisers and fungicides, there has also been progress, but in any case it is impossible to estimate the extent of the change which has taken place.

Principal Crops

Table 7 shows an estimate of the value of agricultural production at constant 1939 prices. Although this calculation is based on official estimates, it should only be taken as providing an approximate idea of the trends of agricultural production. It indicates the expansion of the cultivation of rice, beans and sugar cane (from which "panela", or unrefined sugar, is also derived), and the relative stagnation of other crops such as wheat, potatoes, plantains and cacao. At the same time, the table shows that the two export crops represent approximately 20 per cent of the value of agricultural production, this percentage having varied very little from 1939 to 1948.

/Table 7.

Table 7. Colombia: Quantum of Agricultural Production

(Values at 1939 prices, in millions of pesos)

	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>
<u>Export crops</u>										
Coffee	70.7	71.2	76.3	87.8	84.6	88.6	88.8	86.7	92.6	98.2
Bananas	<u>8.8</u>	<u>6.1</u>	<u>3.7</u>	<u>0.3</u>	-	<u>0.6</u>	<u>1.4</u>	<u>2.0</u>	<u>3.0</u>	<u>4.0</u>
Total	79.5	77.3	80.0	88.1	84.6	89.2	90.2	88.7	95.6	102.2
Percentage	19.4	18.5	18.9	20.5	20.4	20.2	19.8	18.6	19.7	19.5
<u>Crops for domestic consumption</u>										
Rice	16.1	16.5	18.7	18.7	14.6	18.9	17.8	25.3	24.2	39.1
Maize	56.3	62.4	59.2	56.1	57.7	63.2	63.0	63.5	63.5	65.0
Wheat	23.7	23.5	26.7	20.3	17.1	15.2	15.4	22.4	22.6	22.2
Barley	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.4	0.4	0.4
Beans	8.6	8.1	7.9	8.1	10.1	12.0	14.0	14.7	13.5	14.7
Potatoes	54.0	52.2	46.8	49.2	40.6	47.3	52.7	54.1	54.1	57.2
Cassava	23.9	25.8	27.6	29.5	31.4	33.2	25.1	36.8	28.7	39.1
Plantains	49.7	49.7	49.7	49.7	49.7	49.7	49.7	49.5	49.4	47.8
Sugar	16.7	17.4	21.0	23.2	24.3	26.1	27.6	27.6	30.1	39.6
Cacao	8.0	9.3	8.0	8.0	6.0	6.0	6.7	7.3	5.3	7.3
Tobacco	9.9	10.6	11.9	10.6	9.9	9.9	10.6	12.5	12.5	13.2
Unrefined sugar	63.0	64.4	65.9	67.3	68.9	70.5	72.0	73.7	75.4	77.0
Total	330.0	340.0	343.7	340.8	330.4	352.1	364.8	387.8	389.7	422.6
Percentage	80.6	81.5	81.1	79.5	79.6	79.8	80.2	81.4	80.3	80.5
Total	<u>409.5</u>	<u>417.3</u>	<u>423.7</u>	<u>428.9</u>	<u>415.0</u>	<u>441.3</u>	<u>455.0</u>	<u>476.5</u>	<u>485.3</u>	<u>524.8</u>

Source: Compiled by the United Nations Economic Commission for Latin America, using basic data from the Statistical Appendix of the Report of the Currie Mission.

Coffee. Coffee and bananas are the export crops, but while the former represents between 78 and 80 per cent of the total value of exports, bananas represent only 2 per cent.

There are no reliable statistics on coffee production, which is calculated by taking exports as a basis and assigning a small percentage to domestic consumption. As it is a permanent crop, it is usually recognised that short-term fluctuations in production are principally due to weather factors (loss of harvests through prolonged rainy seasons, as in 1950) or other similar causes.

Table 8. Colombia: Estimated Production of Hulled Coffee Beans

<u>Years</u>	<u>Sacks of 60 Kgs.</u> (thousands)	<u>Years</u>	<u>Sacks of 60 Kgs.</u> (thousands)
1941	4,761	1946	5,762
1942	5,488	1947	6,158
1943	5,283	1948	5,774
1944	5,533	1949	6,148
1945	5,478		

Source: Federación Nacional de Cafeteros, Boletín de Estadística, No. 30, Bogotá, July 1950. These figures correspond to the "quota years", October to September.

During 1950 coffee exports declined by slightly over a million sacks in relation to the average for the last five years, because the prolonged winter affected almost all the harvests.^{1/} It may therefore be considered that in this year total production declined by an approximately equal amount.

The important change which is apparently taking place in the coffee-planting economy lies in the gradual decline of subsistence crops. The Federación Nacional de Cafeteros has found it necessary to undertake a campaign for the diversification of crops in the coffee-growing areas, not only in order to contribute to the increase in the domestic production of foodstuffs, but also as a method of protecting the farmer's economy from the risks of the foreign coffee market. It is not yet possible, however, to discuss the results of this campaign, which has usually taken the form of creating "Rural Schools" where the farmers are given practical instruction on the growing of various products suited to each region.^{2/}

There are broad differences between the different producing regions as regards the yields of the coffee trees, according to the calculation made by the Federación Nacional de Cafeteros for 1946 of the yield per tree in different regions.

^{1/} Editorial notes from the Revista del Banco de la República for the months of March and May 1950.

^{2/} Revista Cafetelera de Colombia, No. 116, Bogotá 1948, page 3,340.

Table 9. Colombia: Production of Coffee: Number of Trees and Average Yield

<u>Regions</u>	<u>Number of coffee trees</u> (thousands)	<u>Yield per tree</u> (Kgs. of unhulled coffee beans)
Antioquia	165,600	0.372
Boyacá	3,312	0.452
Caldas	236,079	0.539
Cauca	30,912	0.440
Cundinamarca	122,461	0.234
Huila	16,560	0.414
Magdalena	5,520	0.264
Nariño	5,500	0.381
N. de Santander	99,360	0.161
Santander	52,992	0.221
Tolima	118,240	0.448
Valle	<u>92,736</u>	0.730
Total	949,272	

Source: Economía Agrícola de Colombia, Ministry of Agriculture, Bogotá, 1949, page 49.

On the other hand, it is well known that the vast majority of coffee production is carried out by small producers, who usually plant on the hillsides and mountain slopes. Consequently, greater yield largely depends on the technical progress achieved in preventing soil erosion and in the use of disease and pest control.

Compared with the pre-war years, in the 1945-50 period coffee production has tended to assume greater relative importance in Colombian economic activity. On the one hand, the value of coffee exports has recently represented a greater proportion of the country's total exports than during any other period; on the other, the increase in the income of the population engaged in producing this commodity is the most important factor in expanding the market for manufactured products, not only on account of the number of workers employed, but also because the majority of the other crops (with two or three exceptions) are principally subsistence crops.

The first of these factors may be noted in examining the figures for coffee exports during the two periods compared: from 1935 to 1939 the volume of sacks exported remained at around 4 million a year and, on the average, represented 63 per cent of the total value of exports.

/From 1945 to

From 1945 to 1949, the average annual exports amounted to 5.5 million sacks, representing about 78 per cent of the total value. Not until 1950 did production, and consequently exports, fall to any considerable degree, although - in compensation - the price of the product rose considerably. In any case, it is evident that the improvement in the terms of trade and in the capacity to import which may be noted during the post-war period (according to the analysis in the chapter on foreign trade) had its fundamental origin in the more favourable position gained by coffee on the foreign market.

Although there is no doubt that in 1950 the better prices of the bean have given the producers a greater purchasing power, the increase in income has not been on the scale indicated by the price rise, first because of lower production and second because of rising costs.

Table 10. Colombia: Cost of Living and Coffee Prices

Years	Index of workers' cost of living in Bogotá	Prices of coffee ("Manizales" type)			
		Within the country		In New York	
		(Pesos per arroba)	Index	(Dollars per lb.)	Index
1945	66.5	5.37	50.6	0.162	49.8
1946	72.7	7.45	70.2	0.225	69.1
1947	85.9	9.55	89.9	0.301	92.4
1948	100.0	10.62	100.2	0.326	100.0
1949	106.7	13.87	130.6	0.376	115.5
1950	128.1	19.88	187.2	0.532	163.5

Source: Compiled from figures published by the Revista del Banco de la República.

On the basis of the yields per coffee tree given by the Federación for the Caldas region, an approximate calculation may be made of the producer's income after 1948.^{1/}

^{1/} A "typical" producer has been taken (3,000 trees) yielding approximately 129 arrobas of coffee. For 1950 the yield was taken as being 20 per cent less than that of the previous years.

CHART 6

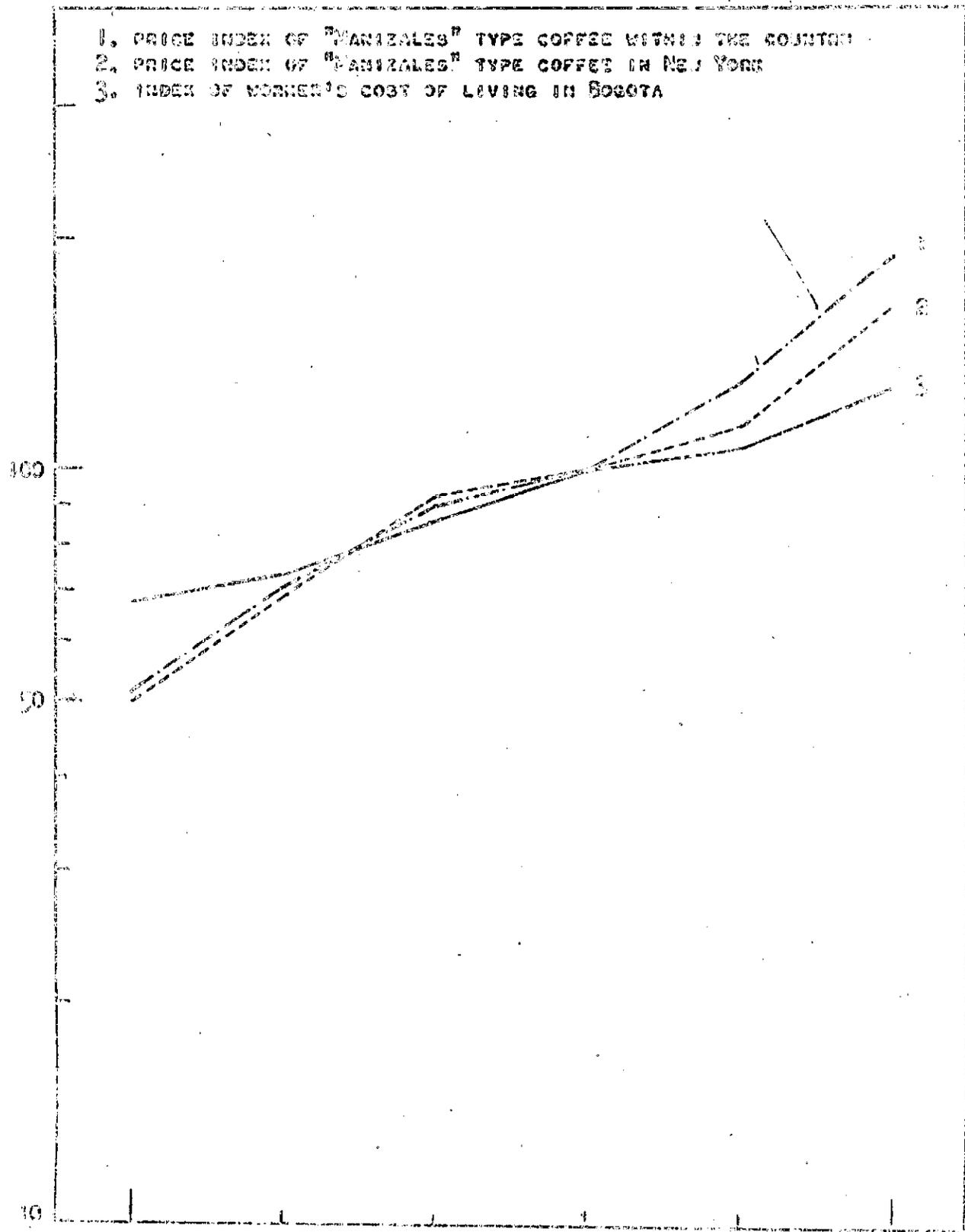
COLOMBIA

COST OF LIVING AND COFFEE PRICES

1928 = 100

SEMI-LOGARITHMIC SCALE

- 1. PRICE INDEX OF "MANIZALES" TYPE COFFEE WITHIN THE COUNTRY
- 2. PRICE INDEX OF "MANIZALES" TYPE COFFEE IN NEW YORK
- 3. INDEX OF WORKER'S COST OF LIVING IN BOGOTA



1915

50

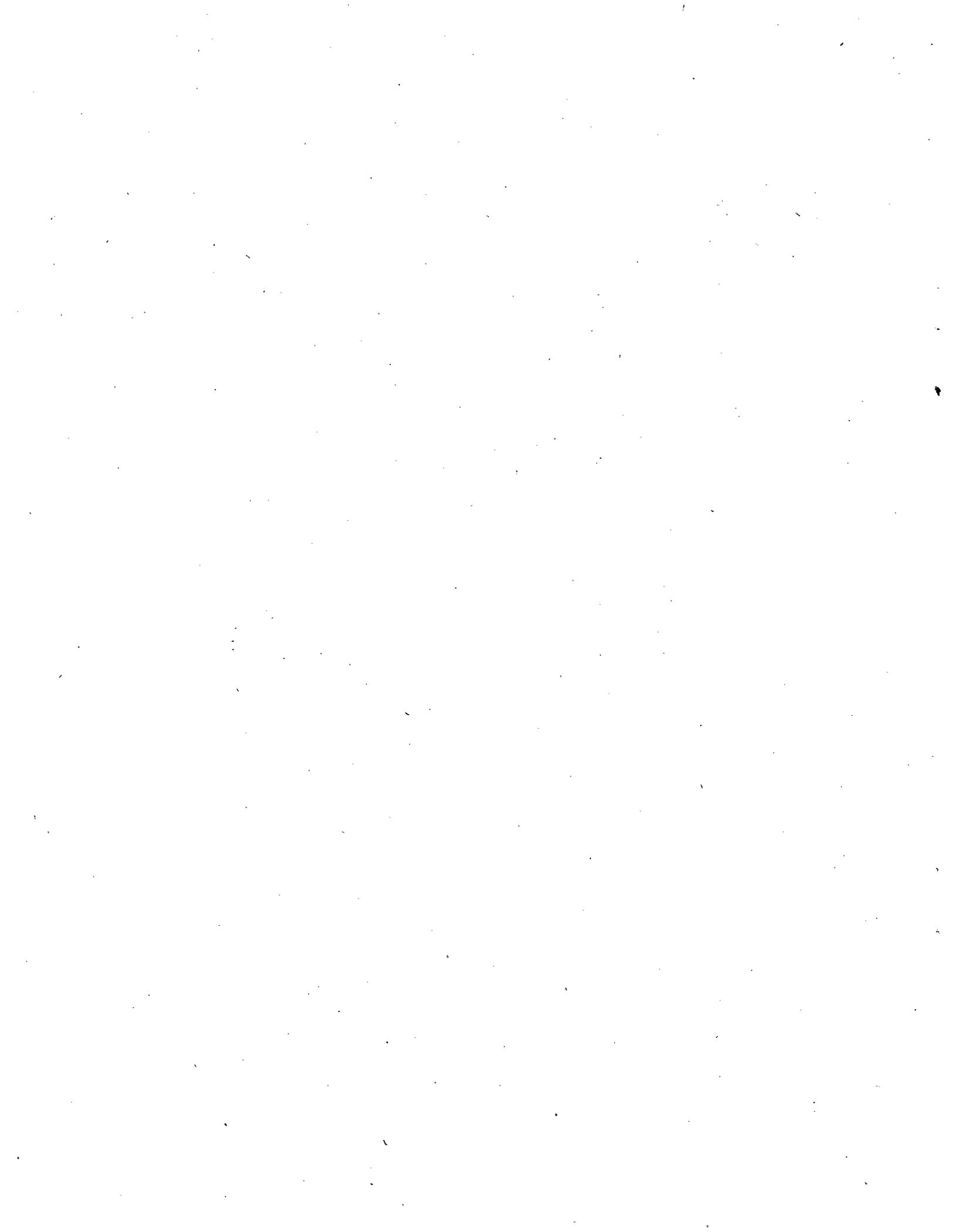


Table 11. Colombia: Probable Income of a Small Coffee Producer

<u>Years</u>	<u>Pesos</u>	<u>Index</u>
1948	1,370	100.0
1949	1,789	130.6
1950	2,048	149.5

Source: Compiled using the annual average of prices for "Manizales" type coffee within the country, according to the Revista del Banco de la República.

At the same time, it may be estimated that production costs rose by 10 per cent from 1948 to 1950.^{1/} The real increase in the receipts of the coffee producer in 1950, therefore, fell to a figure approximately 10 per cent over the 1948 levels.

Bananas. Although this is only one of the varieties of plantain^{2/} cultivated in the Caribbean coastal region (Department of Magdalena), its importance within the country's exports is such that it has been assigned a special place within agricultural production. The spread of a plague ("sigatoka"), the loss of European markets and the difficulties of ocean transport during the war, affected the production and exports of this fruit and severely affected the regional economy of the producing zone. The Government tried to develop a plan for crop diversification in the so-called "banana region", introducing rice and cotton, but the results do not appear to have been satisfactory.

When the war ended, production and exports of bananas began to recover, as shown by the export figures (representative of approximately 95 per cent of production, as domestic consumption is limited to the producing region).

^{1/} Agricultural wages rose approximately at a rate of 10 per cent during the years 1940-48.

^{2/} Six varieties of plantain are grown in Colombia, but that known as "banana" is the only one exported. The other varieties form one of the basic components of the popular diet, particularly in the rural areas.

From 1937 to 1939, exports of bananas represented from 5 to 6 per cent of the total value of exports. The average value of exports of the fruit in those years was 8.0 million pesos a year, with an approximate volume of 180,000 tons. The rise in foreign prices from approximately 6.70 dollars per 100 pounds in the United States market in 1938 to 15.50 dollars in 1948, explains the greater value of exports in that year, in spite of the fact that the tonnage was only half that of the pre-war period. Since 1948, however, foreign prices of bananas have not varied greatly.

Leaf Tobacco. Formerly, the production and export of tobacco had become one of the dominant activities in Colombia's agricultural economy, similar to the position that coffee has today. The decadence of the crops is partly explained by the heavy domestic taxes on consumption of the leaf and partly by the loss of the principal foreign markets.

Most of the present production is used for the manufacture of cigars and cigarettes by the national factories.^{1/} During the 1940-46 period, production of the leaf amounted to approximately 16,000 tons a year.^{2/} Average exports during 1938-39 were 4,500 tons and the value represented 1 per cent of total exports. During the war, exports of this commodity declined considerably, but since 1946 they have recovered. From 1946 to 1948 they continued to represent 1 per cent of the value of total exports.

Crops for Domestic Consumption

Cotton. The considerable progress achieved by the textile industry during recent years has made cotton growing particularly important. The creation of the Instituto de Fomento Algodonero, the introduction of quotas for the compulsory use of domestic cotton, the fixing of minimum prices and the special use of the receipts of a tax introduced on the consumption of yarns by the textile factories, are integral parts of the campaign to increase cotton crops in the country.

^{1/} The exportable surplus represents less than half of one per cent of the value of total agricultural production, in view of the tiny percentage occupied within this by tobacco production.

^{2/} Economía Agrícola de Colombia, op. cit. page 167.

There are three principal cotton producing regions, each of which grows a different quality: a fine type in the region of Tolima and the Valle; an average type in the Atlantic Coast region, and a thick, rough type in the regions of Boyacá, the Santanderes and Antioquia. Apparently the deficiencies in the fibre's quality have been the reasons inducing the textile factories to prefer the consumption of the imported fibre. Nevertheless, the effect of the Agricultural Experimental Farms in improving the qualities obtained has been very efficient and the product now grown meets the minimum requirements of the Colombian textile industry.

According to the figures in the study by Señor Varela Martínez, already mentioned, the cotton crops were important in the pre-war period, amounting to a production of 7,047 tons of fibre in 1939. They fell off considerably after 1940, while at the same time imports increased considerably; domestic production doubled from 1940 to 1941, however, and continued to increase thereafter.^{1/} It is very probable that the development campaign, with which the textile manufacturers themselves have become associated, may rapidly succeed in increasing the production figures for this raw material, the volume of which it has not been possible to estimate. However, the spread of a plague (pink worm) which has affected the more extensive crops in the regions of Tolima, Cundinamarca, Huila, Calda, Boyacá and Hoya del Magdalena, not only reduced the yields obtained, but obliged the Ministry of Agriculture, in August 1950, to prohibit the sowing of cotton in the regions mentioned from October of that year until January 1951, so that necessary measures for protecting the new crops could be introduced. Rice. There has been undeniable progress in the cultivation of this product, due to the experimental work and seed selection of the Agricultural Experimental Farms, particularly of that at Palmira. Two varieties with a high yield have been obtained at Palmira, permitting the development of a broad campaign tending to eliminate the use of mixed or inferior quality seed. Moreover, the land on which the crop

^{1/} Economía Agrícola de Colombia, op. cit. page 28.

is grown has benefited from the use of irrigation works constructed during the last five years, apart from which mechanised procedures are largely used in the sowing, harvesting and processing of rice, all of which have contributed to the progress of this crop.^{1/}

Wheat. Research conducted in 1935 revealed that approximately 180,000 hectares were used for growing wheat in the uplands of the country, yielding approximately 120,000 tons.^{2/} The quality is considerably inferior to that of imported wheat. The specific weight of domestic wheat varies between 68 and 76 per cent, while the minimum for imported wheat is 80 per cent.

On the Experimental Farm at La Picota, Bogotá, research work has been carried out permitting the selection of a seed with a higher specific weight, a high yield, good baking qualities and resistant to local diseases. Nevertheless, crops have not increased to any great extent for two main reasons: lack of suitable land and the increase in sowings of barley, which yields greater profits from the same type of land.^{3/} There are no figures available on wheat production in recent years.

Sugar Cane. This is the crop where the most rapid advances have been achieved, mainly due to the favourable conditions in the Valle del Cauca. The largest cane-growing areas are located in this region, as well as the majority of the sugar mills. This crop has progressed to the extent that it is no longer necessary to import sugar, and in 1950 it was possible for the first time to export a small quantity.

There are no direct figures on the area devoted to cane crops but only on the production of its derivatives, principally sugar. Even so, this is not the principal derivative industry, first place being held by production of panela (unrefined brown sugar).

^{1/} Memoria of the Ministry of National Economy, Bogotá, 1947, page 153.

^{2/} Economía Agrícola de Colombia, op. cit. page 183.

^{3/} Memoria del Ministerio de Economía Nacional, op. cit. pages 64-152.

The importance of the panela and syrup industry lies in the fact that not only is it a very important item in the popular diet, but it is also a raw material for the manufacture of fermented and alcoholic beverages. Due to this, the Government sponsored the creation of the Federación Nacional de Productores de Panela y Miel, to which has been entrusted the task of developing the industry. The product of a tax of 0.03 pesos for each kilogramme of panela or syrup consumed by all the enterprises using these raw materials (factories of alcohols, liquors, beers and fermented beverages)^{1/} has been assigned to this Federation. It is an autonomous entity supervised by the Superintendencia Bancaria and enjoys all the prerogatives granted to semi-official institutes or entities.

With the organisation of this Federation, all the industries associated with the growing of cane were organised on a corporate basis, since the Distribuidora Nacional de Azúcar, an organisation of the producers, already existed.

On the other hand, the Experimental Farm at Palmira has been conducting research on cane, permitting the selection of a variety which provides a better yield in tonnage and greater sugar content. The experimental work of this Farm facilitated the timely combating of the spread of "mosaic", which might have caused incalculable damage to crops in recent years.^{2/}

Maize. The area used for growing maize is the second largest in Colombian agricultural production. Maize is grown almost throughout the country, although yields vary greatly between the different regions; they amount to 1,200 kilogrammes per hectare where cultivation is carried out without any technical training, and reach an average of 3,600 kilogrammes where the land is fertile and the rainfall good. In contrast, the general average of production in other countries is 2,200 kilogrammes per hectare. Maize is cultivated in all regions, but the harvest season varies from 3 months in the hot lands to 10 in the temperate and cold regions.

^{1/} Decree No. 2099 of July 1949. Revista del Banco de la República, Bogotá, July 1949, page 751.

^{2/} Memoria del Ministerio de Economía Nacional, op. cit. page 151.

It should be noted that in spite of the importance of maize, by reason of the area under cultivation and because it constitutes - together with plantain and cassava - the basic diet for the majority of the population, it continues to be grown under primitive conditions. The Agricultural Experimental Farms have conducted work on genetics to obtain varieties with a high yield, but apparently the results to date have not permitted the spreading of a campaign to achieve a substantial change in this crop.

Potatoes. This is predominantly a crop of the cold climates (between 2,000 and 3,000 metres above sea level) and consequently it forms part of the diet of the population of these regions. As cultivation has not increased appreciably, a portion - small, it is true - has to be imported to satisfy total demand. Generally these imports are indispensable for the hot coastal regions, as the tuber is not produced there and it is very difficult to bring it from other parts of the country because of the great distances, high freight costs and the absence of means for preserving the product.

Plantain and Cassava. These two commodities, together with maize, are the basic components of the diet of the great majority of the Colombian people, although their cultivation is usually carried out under very primitive conditions. They are typical subsistence crops in all regions of the country, and form the basis of the family economy. This is naturally partly due to the fact that they require relatively less outlay than any other crop, and are consequently within the reach of the great majority of peasants who have neither capital nor credit facilities.

Barley. The number of hectares cultivated with barley is relatively small, according to estimates made for 1946. Nevertheless, the crop has been expanding steadily, favoured by the great industrial demand for barley as a raw material for manufacturing beer.

The development of barley is principally due to the initiative of private enterprises (beer factories, in the first place), which have carried out propaganda campaigns in its favour and have adopted the same system of minimum prices used by the Government. There are no recent figures on the increase which has taken place in production.

/Other Crops

Other Crops

Other crops, such as beans, cacao, etcetera, represent relatively small proportions in total Colombian production, and they have to be imported in fairly large quantities in order to satisfy consumption.

There are, finally, other products which are now beginning to be cultivated and have received particular attention in recent years. Coconut and sesame, which are raw materials for the vegetable oils and fats industry, have been the object of very lengthy Government regulations tending to ensure minimum remunerative prices for the producer and a stable, secure market for his products, by means of a system of contracts between the Government and the factories producing fats.

Some forestry products (balata, tagua, balsam of Tolú, among others) have for some years constituted activities of relatively intense exploitation, but international competition and the deficient working methods employed have made these activities either disappear or decline to unimportant figures. The only noteworthy change which has taken place in this branch of production is that relating to the exploitation of natural rubber. During the last war, rubber requirements for armament production induced a United States Government organisation to undertake the exploitation of wild rubber in some regions of the country. Once the war ended, this activity declined; but since 1945 the Caja de Crédito Agrario has taken a direct interest in fostering it, removing it from its purely forestry stage to an agricultural one. The installation of two tyre and tube factories in the country has substantially modified the situation of this product, which is now imported rather than exported, because domestic production is insufficient to meet the requirements of the processing industries.

Agricultural Progress

It is not possible to estimate with any degree of accuracy the change which may have occurred in agricultural productivity. Undoubtedly, it has been considerable as regards crops like rice, sugar cane and oilseeds, following the growing use of mechanical equipment, the use of selected seeds certified in the Experimental Farms and the improvement in the methods of harvesting and processing. Nevertheless, primitive methods of tilling the soil still predominate in the vast majority of /agricultural activities.

agricultural activities. Factors contributing to this situation are: the low cultural level of the peasant population, the great limitations from which credit still suffers (particularly long-term loans) and the subsistence nature of the majority of crops. In other words, the method of specialised production, on a large scale, on essentially capitalist foundations, is scarcely beginning to penetrate into the Colombian rural areas; small family subsistence farming still usually predominates on a strictly local basis.

Even though it cannot be denied that there has been progress in some aspects of agriculture, the fundamental problem continues unsolved. It essentially consists in the inefficient utilisation of the land suitable for cultivation, which is used for stock breeding or even left partly or entirely unused. This is possible because land taxes are relatively low, not so much because the rates are low as because they are applied on the basis of land valuations which are abnormally low and antiquated.^{1/}

This viewpoint seems to be confirmed in the Report of the Currie Mission, which suggests a form of taxation which would heavily penalise at progressive rates the inadequate use of land. "In addition to providing a direct stimulus to more intensive farming, the proposal would also operate to depress inflated land values, i.e., those not justified by the productive capacity of the land in question, and so put better land within the reach of the poorer farmers."^{2/}

^{1/} "In Colombia the land tax is insignificant, at least as regards the land valuation rate derived from the mere increase of the population. The result is therefore that not only does it cost nothing to retain wealth in the form of land, with all the guarantees of and securities offered by its immobility, but also in many cases there is a net advantage; this has reached the stage where keeping land has always been a sure source of enrichment." H. Echevarría, Empleo Pleno y Otros Temas, edit. Minerva, Bogotá, 1948, page 128.

^{2/} Report of the Currie Mission, op. cit. page 386.

The Development of Agriculture

While in industry Government economic development activity has aimed at the direct promotion of various enterprises, in agriculture preference has been given to increasing the financial resources of official institutions which grant agricultural credits. At the same time an attempt has been made to ensure that the private commercial banks assign a greater volume of loans to this activity, and they have been put in a position to grant credits with terms of up to five years.

Probably the Government's most positive contribution to agricultural development lies in the research and experimental work being carried out by the official agricultural farms. To this should be added the price support policy granted for certain products such as cotton, rice and oilseeds, guaranteed by purchases of the Instituto Nacional de Abastecimiento (an official body); in addition, industrialists are obliged by law to consume given quotas of domestic raw material in proportion to their consumption of foreign raw materials. Finally, mention should also be made of the assistance given to farmers by means of favourable terms for the purchase of tools, fertilisers, fungicides and other agricultural requirements, through the agricultural provision warehouses of the Caja de Crédito Agrario and the Federación Nacional de Cafeteros.

Livestock Production

The breeding and fattening of cattle is an activity which has developed considerably during recent years, stimulated by the demand for its products abroad and by other favourable local conditions. Nevertheless, there are no data available regarding increases in the number of livestock.

The value of livestock production has been estimated by the number and value of animals slaughtered in the country, as shown in Table 12.

/Table 12.

Table 12. Colombia: Livestock Production

(Values at 1939 prices in millions of pesos)

	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>
Cattle	78.5	78.6	79.1	83.3	91.5	96.1	95.8	106.6	108.1	105.1
Hogs	13.0	12.2	13.2	14.6	14.8	12.4	12.2	14.4	13.2	12.3
Others	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>	<u>0.6</u>	<u>0.6</u>	<u>0.5</u>	<u>0.8</u>	<u>0.8</u>	<u>0.7</u>	<u>0.7</u>
Total	92.4	91.7	93.2	98.5	106.9	109.0	108.8	115.8	122.0	118.1

Source: Estimated by the United Nations Economic Commission for Latin America, using basic data from the Statistical Appendix of the Report of the Currie Mission.

According to these figures, the per capita consumption of meat showed no important increase from 1939 to 1948. Nevertheless, it is a fact that stock-breeding has developed in recent years and that in many regions lands formerly used for food crops have been turned over to stock-breeding as wage rises and social legislation in favour of the peasants increased the cost of labour.

The Government has inaugurated four experimental livestock farms where studies have advanced on native or "creole" breeds of cattle, and six sub-stations and numerous breeding stalls have been distributed throughout the country. The work developed in these farms, together with the importation of European breeds of cattle with a high yield of meat or milk, has permitted the rapid growth of stock-breeding, which not only covers the greatest area of Colombian lands, but also the best flat lands in the country.

According to a calculation made by the Ministry of Agriculture and Animal Husbandry in 1948, 2.4 million hectares were assigned to agricultural crops while stock-breeding occupied 43.0 million.^{1/} Assuming that cattle only occupy 30.0 million hectares and that in the same year there were 14.5 million head, each animal would have an average of 2 hectares. As this is a normal average when the lands are good pastures, it seems possible to assume that the greater development

^{1/} Report of the Currie Mission, op. cit., page 62.

of stock-breeding will depend largely on whether new areas of untilled lands are exploited. Otherwise, the increase in this activity could only be achieved at the expense of agriculture, should the trend now noted persist of assigning lands suitable for agriculture to the breeding of cattle.

The problem which stock-breeding in Colombia has to solve is that of suitable means of transport. The distribution of the cattle for domestic consumption has to be effected over great distances, causing a large reduction in the weight of the animals. The solution proposed consists in constructing slaughter houses for steers in the producing regions themselves and transporting the meat by air to the consuming centres. At the end of 1948, the first enterprise of this nature was inaugurated in the Planeta Rica village in the producing region of the Department of Bolívar. The meat is transported by specially fitted aircraft, which in a few hours cover the distance from the greater consuming centres, eliminating the losses formerly involved, which were estimated at 20 per cent for each animal. The success of this enterprise has encouraged new entrepreneurs to organise a second one in the region of Villavicencio, a centre which attracts all the production of the country's eastern plains.

During the war, exports of beef received a strong stimulus. In the years 1945-47 they amounted to an average value of 3.0 million pesos (1 per cent of the total value of the export trade). Nevertheless, the Government has introduced quotas for sales abroad, apparently in order to protect domestic consumption. Another livestock product, cattle hides, is also an export article, which in 1947 and 1948 amounted to 6.5 million pesos (from 1 to 2 per cent of total exports).

/Industrial

Industrial Production

Table 13 gives an estimate of the net value of industrial production, at constant 1939 prices, according to calculations made by the Currie Mission. It may be seen from this table that production increased at a lower rate during the 1939-44 period in comparison with the years 1945-48. Actually, two opposing forces affected production during the first period. In the first place, the reduction of imports opened up broad possibilities for expansion of domestic production without having to meet competition from imported products. In the second place, the same reduction of imports (insofar as these relate to raw materials, tools and spare parts for industrial equipment) tended to prevent the expansion of domestic production.

Table 13. Colombia: Quantum of Industrial Production
(net values, at 1939 prices, in millions of pesos)

<u>Years</u>	<u>Quantum Index</u>	<u>Net value</u>
1939	100	130
1940	107	136
1941	113	142
1942	107	128
1943	120	144
1944	133	166
1945	170	204
1946	191	229
1947	213	256
1948	243	292

Source: Compiled using basic data from the Statistical Appendix to the Report of the Currie Mission.

Once imports became more normal, the Government utilized exchange control for protectionist purposes, in order to ensure that the activities which had arisen and developed during the war should not be affected by the competition of foreign products. This protectionist policy and the rise in national income, due to the monetary expansion of recent years, have contributed decisively to the increase in manufacturing production, as may be seen from the above table.

Production of Electric Energy

Production of electric energy increased during the 1937-39 period from a monthly average of 15.5 million kilowatt hours to 20.9 millions.

/From 1945 to 1949

From 1945 to 1949, the monthly average rose from 33.0 million kilowatt hours to 52.1 kilowatt hours. In absolute terms, production of energy showed the following increases:

Table 14 Colombia: Production of Electric Energy ^{a/}

Years	Millions of kilowatt hours	Index
1945	396.0	72.7
1946	462.9	85.0
1947	516.8	94.9
1948	544.5	100.0
1949	625.3	114.8

Source: Anales de Economía y Estadística, No. 55-60, Bogotá 1949

a/ These figures do not really represent total production, but only that of the three large companies which represent not less than 90 per cent of the total.

Judging from these figures, the increase in the production of electric energy has been approximately 13 per cent per annum. This increase is related to the 10.5 per cent annual rate of increase in manufacturing output indicated by the Currie Mission, because the factories require more electric energy as the degree of industrialisation advances.

It is also interesting to observe the increase in energy production per capita, always bearing in mind that the figures available do not really correspond to total production. Per capita production in kilowatt hours was 39.2 in 1945 and rose to 56.8 in 1949, an increase of approximately 11 per cent a year.

Some aspects of industrial development

The total number of workers (employees and workers) employed by the firms included in the 1945 Census was 135,400 persons. Two industries alone - foodstuffs and textiles - employed 41.5 per cent of this total.^{1/} In the following table, the relationship is shown between the number of establishments, personnel employed and total investment of the different industrial groups.

1/ The importance of the food industry according to this and other figures given below, is derived from the fact that the Census included in this group the hulling machines which process coffee.

Table 15 Colombia: Investment and employment by Industries, 1945

<u>Groups</u>	<u>Number</u> <u>of</u> <u>establish</u> <u>ments.</u>	<u>Per</u> <u>cent</u>	<u>Staff</u> <u>Employed</u>	<u>Per</u> <u>cent</u>	<u>Invest</u> <u>ment</u>	<u>Per</u> <u>cent</u>
Foodstuffs	2,020	25.7	27,493	20.3	96.8	19.0
Rubber and allied products	42	0.5	978	0.7	3.9	0.8
Beverages	422	5.4	9,389	6.9	91.7	18.0
Hides	919	11.7	8,919	6.6	17.1	3.4
Metallurgy	546	6.9	8,481	6.3	31.8	6.3
Non-metallic minerals	556	7.1	11,204	8.3	44.5	8.7
Chemical & Pharmaceutical prod.	381	4.8	5,443	4.0	24.9	4.9
Tobacco	293	3.7	7,643	5.7	16.6	3.3
Textiles	337	4.3	28,726	21.2	118.1	23.2
Clothing	963	12.3	9,648	7.1	17.6	3.5
Other industries	1,374	17.6	17,476	12.9	45.2	8.9
Total	7,853	100.0	135,400	100.0	508.2	100.0

Source: Compiled with figures from the Industrial Census

a/ In millions of pesos.

The three most important industrial groups are, therefore, foodstuffs, beverages and textiles, although the importance of each varies according to the factor considered (number of establishments, staff employed and total investment. Within each group there are, however, certain particular aspects which should be stressed. In the "Foodstuffs" group, which covers the greatest number of establishments, 20 sugar mills are included with a total investment of 35,7 million pesos, that is, 36,9 per cent of the total for the group. Similarly, the total under the "Beverages" group includes 24 beer factories, with a total investment of 68,5 million pesos, that is 74,7 per cent of the total for the group. In the last two years the composition of this industrial group has been changed by the prohibition on the making of "chicha", 164 establishments with a capital of two million pesos having previously produced this beverage.

Although figures are not very precise because of differences within each group, it is interesting to observe the size of the industrial establishments according to the average number of workers employed and the capital invested. As shown in Table 16, the group of "Textiles" has the highest average number of workers per establishment. Nevertheless, this is not the activity with the highest capital investment per worker employed. In the last column of Table 16 an estimate has been given of

/the average capital

the average capital per worker, dividing the total investment for the group by the number of workers employed. This shows that while the capital investment per worker is approximately the same in the industrial groups comprising textiles, chemical and pharmaceutical products, non-metallic minerals, rubber and associated products, metallurgy and foodstuffs (about 4,000 pesos per man employed), in the beverages group the average is more than double (10,000 pesos): The clothing industry has the lowest average among these ten groups, no doubt because this is an activity which does not require large fixed capital investments. Naturally there are other activities where the average investment per worker is still lower.

Table 16. Colombia: Investment and Employment in Industrial Establishments, 1945

<u>Groups</u>	<u>Average number of workers per establishment</u>	<u>Average investment per establishment</u>	<u>Average investment per worker employed</u>
Foodstuffs	13	47.9	3.5
Rubber and associated products	23	92.7	4.0
Beverages	22	217.3	10.0
Hides	9	18.6	2.0
Metallurgy	15	58.3	3.7
Non-metallic minerals	20	80.0	4.0
Chemicals and pharmaceutical products	14	65.3	4.6
Tobacco	26	56.6	2.2
Textiles	85	350.3	4.1
Clothing	10	18.2	1.8

Source: Compiled using figures from the Industrial Census.

The ratio between workers employed and consumption of electric energy provides another basis of comparison for judging the features of Colombian industry. In the following table the figures corresponding to consumption of electric energy are given for the different industrial groups together with the average of kilowatt hours per worker employed.

/Table 17.

Table 17. Colombia: Consumption of Electric Energy per Worker, 1945

	<u>Electric Energy Consumed</u> (thousands of KWH)	<u>Per Cent</u>	<u>Average of KWH per worker</u>
Foodstuffs	36,631	18.2	1,332
Rubber	1,242	0.6	1,269
Beverages	14,473	7.1	1,541
Hides	3,105	1.5	348
Metallurgy	8,904	4.4	1,049
Non-metallic minerals	48,901	24.3	4,365
Chemicals and pharmaceutical pr.	2,758	1.5	508
Tobacco	841	0.4	110
Textiles	71,190	35.3	2,478
Clothing	1,806	0.9	187
Other industries	11,752	5.8	672
Total	201,613	100.0	1,489

Source: Industrial Census

The two highest averages correspond to non-metallic minerals (including cement) and textiles. There is a low average for activities such as "Hides", "Tobacco", and "Clothing", where manual labour still predominates. The general average for all the industrial groups is 1,489 kilowatt hours per worker employed.

Because of the relationship with foreign trade and the balance of payments, it is also interesting to observe the domestic or foreign origin of the raw materials used in industry. The respective figures are given in the table below.

Table 18. Colombia: Value of raw materials consumed, 1945
(in thousands of pesos)

<u>Groups</u>	<u>Domestic</u>	<u>Per Cent</u>	<u>Foreign</u>	<u>Per Cent</u>	<u>Total</u>
Foodstuffs	217.9	92.6	17.5	7.4	235.4
Rubber	2.1	76.1	0.7	23.9	2.8
Beverages	25.0	75.4	8.2	24.6	33.2
Hides	16.0	83.3	3.2	16.7	19.2
Metallurgy	0.9	8.2	10.0	91.8	10.9
Non-metallic minerals	5.4	67.9	2.6	32.1	8.0
Chemical & pharmaceutical prod.	0.9	43.4	11.8	56.7	20.8
Tobacco	8.3	78.6	2.3	21.4	10.4
Textiles	21.4	40.0	32.1	60.0	53.5
Clothing	20.5	74.8	6.9	25.2	27.4
Other industries	52.4	83.7	10.2	16.3	62.6
Total	378.9	78.2	105.5	21.8	484.4

Source: Industrial Census

/Altogether, industries

Altogether, industries depend on foreign sources for almost a fifth of their raw materials the highest percentage being recorded for the "Metallurgy" group. The textile group depends on imports for 60 per cent of its supplies, but this proportion must have declined in recent years because the factories are now obliged to consume given minimum quotas of domestic raw material, before imports are authorised. An analysis of the changes which have taken place in this and the other aspects of industry discussed previously (averages of investment and employment per establishment, consumption of electric energy per man employed, etcetera) cannot be made at present because information is lacking.

Industrial Development in Recent Years.

There is very little useful information for examining the development of industry in recent years. Judging by the capital figures of the industries recorded in the Stock Exchange, the most intensive development has taken place in the beer, textile, cement and tobacco factories, which have doubled and sometimes trebled their investment from 1945 to 1949. The cement factories increased their output from 166,685 tons in 1939 to 302,598 tons in 1945 and 475,777 tons in 1949. For the 1945/49 period production was as follows:

Table 19. Colombia: Production of cement

<u>Years</u>	<u>Tons</u>	<u>Index</u>
1945	302,598	83.2
1946	332,265	91.3
1947	346,227	95.2
1948	363,749	100.0
1949	475,777	130.8

Source: Review of the Banco de la República

The development of the factories manufacturing tyres and inner tubes for automotive vehicles corresponds to this last period, and represents one of the most positive advances achieved by the industrialisation policy. Before the war these goods were entirely imported; in the course of 5 or 6 years two factories have developed which meet no less than 80 per cent of total consumption, so that only those types or sizes less used by the market have to be imported.

/The convenience of

The convenience of using exchange and import control for severely protectionist purposes became very evident in the development of the tyre factories. Import duties on tyres, according to the tariff in force until July 1950, was 0.13 pesos per kilogramme, while rubber paid 0.39 pesos and other raw materials 0.12 pesos per kilogramme. Should the domestic tyre factories have had to meet the competition of tyres imported under this tariff, they would inevitably have failed, not only because of the lower cost of the latter, but also because of the relatively high duty on the raw material. The protection given by selective control of imports permitted the industry to survive the organisation stage. At present the two factories have modern machinery and a production capacity of slightly more than 200,000 tyres a year.

As may often be observed in the course of industrial development, the initiation of new manufacturing activities has a stimulating effect on some agricultural activities. The development of the tyre factories provided a positive incentive for the exploitation of rubber, which had once more declined through the recovery of Malayan rubber.

The active demand for rubber has already had the effect of removing exploitation from the forestry to the agricultural stage. The Caja de Crédito Agrario itself undertook a campaign for developing this crop and by the middle of 1948 had already succeeded in planting 136,400 trees, with another 40,000 in nurseries.^{1/} The exploitation of rubber and the fostering of its cultivation would not have taken place, undoubtedly, had there been any modification in the protectionist policy adopted by the Government in this connection. According to the Report of the Currie Mission, the progress of the tyre producing industry does not appear possible unless the Government's policy as regards the producers is modified. "The cost of production of tyres in Colombia is abnormally high, because of the existence of taxes and duties of more than 60 per cent on the c.i.f. price of Malayan raw rubber, and of the requirement to purchase domestically produced rubber".^{2/} It is scarcely necessary to add, that under present

^{1/} Caja de Crédito Agrario, Report for 1948, page 33

^{2/} Report of the Currie Mission, op. cit., page 414

conditions, the lower cost of Malayan rubber would not appear sufficient to bring about a change in Government policy for this raw material, as over a longer or shorter term it may very well be that Malayan rubber will not be imported either at this lower or at a higher c.i.f. price.

During this period the two most far-reaching projects, with the most decisive influence on the country's industrial development, were also proposed: the plant for soda and its by-products (located in Zipaquirá) and the steel plant at Paz del Río. Both these enterprises were initiated and planned by a Government organisation, the Instituto de Fomento Industrial, created in 1940 to promote the foundation of new enterprises and to contribute to the reorganisation and expansion of those already in existence by means of capital contributions and technical cooperation. The first of these enterprises will enter into production in the first half of 1951 and will have a daily production capacity of 100 tons of soda ash, 25 of caustic soda and 10 of refined bicarbonate of soda. Construction on the second has already begun and it is expected to enter into production in 1953.

The development achieved in the course of recent years by some new industries in Colombia, such as the manufacture of tyres, deep-sea fishing, some chemical products, etcetera, is really due to the work carried out by this official institution.

The Steel Industry

The plans for building a steel industry in the region of Paz del Río had been the subject of study and research since 1940, when the Instituto de Fomento Industrial contracted the services of foreign technicians to analyse not only the purely technical aspects of operation, but also the economic aspects, i.e. the possibilities of organising on a commercial basis the exploitation of the iron ore deposits in that region. Paz del Río is located to the northwest of Bogotá, 280 miles by road, at an altitude of 2,225 metres.

Proven reserves of five deposits with an average thickness of 3 to 5 metres and amounting to 19,180,000 tons have been blocked out. Proven reserves are estimated at 34,100,000 tons to which should be added a

/further 50,000,000

further 50,000,000 tons of possible reserves. The proven reserves are sufficient to last for 45 years at a production rate of 700 tons a day of pig iron, as proposed in the initial plans of the enterprise, and for a longer period should the plant's capacity be less.^{1/} Reserves of coal have been estimated at 1,900 million tons in this region alone where the plant will be located.

A United States firm drew up the projects for the enterprise; the first comprises an integrated steel plant, with a blast furnace for 700 tons a day of pig iron and a production capacity of 193,500 tons a year. The approximate cost was estimated at 94.9 million dollars. The second project includes the installation of a blast furnace of 500 tons a day, with an annual production capacity of 104 thousand tons at a cost of approximately 41 million dollars. This second project was drawn up in October 1949. According to it, the plant would manufacture the following products: ^{2/}

	<u>Tons per year</u>
1. Pig iron	2,000 to 3,000
2. Structural, billets and bars	10,000 to 16,000
3. Rails	6,000 to 10,000
4. Concrete bars	30,000 to 40,000
5. Light profiles	12,000 to 16,000
6. Barbed wire	8,000 to 12,000
7. Black wire	7,000 to 10,000
8. Wire for nails	6,000 to 10,000
9. Galvanized wire	2,000 to 4,000

^{1/} J.A.Prieto and other, El Proyecto de la Siderúrgica de Paz del Rio ed. A.B.C. Bogotá, page 18.

^{2/} Insituto de Fomento Industrial, Report for 1950, Bogotá, page 19.

/A domestic market

A domestic market survey for iron and steel products was naturally the preliminary phase of the projects for the plant. At first the evaluation was made on the basis of the import figures for those products during the war. As this was not an absolutely certain basis for gauging market capacity, because of the supply limitations on these products during the war, a direct survey was made covering 222 industrial establishments which consumed iron and steel products. The results of this research permitted demand for 1948 to be estimated at 170,000 tons; on the basis of the rate of increase of the country's population, demand for 1953 was estimated at 193 thousand tons, and for 1958, 216 thousand tons.^{1/}

On the basis of the various surveys conducted, the Government authorised the foundation of the enterprise under Law 45 of December 1947, with a capital of 100 million pesos. Private capital may subscribe up to 20 per cent of this total, but if it does not, then the Government will subscribe the whole. The same Law laid down that in the National Budgets, after that in force for 1948, annual allotments should be included of 10 million pesos each to finance the enterprise.

Moreover, Legislative Decree No. 4051 of December 1949 assigned 50 per cent of an additional surcharge to be paid by all income tax payers to finance the Government's share in the enterprise. This tax represents approximately 10 million pesos a year. The contributors themselves may subscribe a sum equivalent to the tax to share in the steel company, in which case they are exempted from paying it, on condition that they renounce the right to negotiate the shares until the enterprise enters into production.

On 20 June 1950 a contract was signed between the Government and a United States firm for the installation of the plant, along the lines of the second project drawn up, within a period of approximately 3 years. At the same time, the enterprise signed contracts with two European firms for the supply of machinery at a value of 37 million dollars,

^{1/} El proyecto de Siderúrgica de Paz del Río, *op. cit.* page 7.

with a 9-year credit. In order to finance local expenses, the Banco de la República granted the enterprise a rotating credit of 13 million pesos. In January 1951 a contract was signed with a Danish firm for the construction of a branch railway between Corrales and Paz del Río, which would link the plant with the consuming markets.

The development of the plans for the organisation of the steel industry advanced normally until the first half of 1950, when first the summary and later the complete text of the Report of the Currie Mission were published, which expressed doubt as to whether the enterprise was economically advisable: "There is quite naturally an active desire on the part of the Government to produce these articles (of iron and steel) in Colombia and thus save dollar exchange. The Mission is very sympathetic towards this desire, providing that it can be demonstrated that the production of steel products in Colombia is economic, that is, that it can be carried out so that steel can be sold at a price comparable to the price of imported material ex duty. If this essential condition cannot be met and a Colombian steel industry can exist only through the continuance of high protection, then it would appear more economic for Colombia to export those products which it can produce at a comparative advantage and import those which it can produce only at a comparative disadvantage."^{1/}

The Mission recognised that, from the technical viewpoint, it is feasible to smelt iron ore in Paz del Río. It considers, however, that there are many factors adversely affecting the cost of production, mainly the location of the plant in an industrially undeveloped region and the small size of the market.^{2/} It considers, moreover, that the annual value of iron and steel imports replaced by the installation of the plant would be approximately 12.5 million dollars, whereas operating costs (only those which would have to be paid for in foreign exchange)

^{1/} Report of the Mission, op. cit. page 419.

^{2/} It seems apparent that the location of the proposed plant, on the one hand, and the smallness of the market, on the other, make it premature and inadvisable at this time to consider the erection of the larger or the smaller integrated steel projects at Belencito. The high prices that would have to be charged would operate to retard the industrial development of the country. The tremendous amount of capital involved, particularly United States dollars, would return much greater yields to Colombia invested in other sectors of the economy." Report of the Mission, op. cit. page 425.

would be 6 million dollars a year. The Board of Directors of the enterprise declared, nevertheless, that the import statistics do not reveal the true capacity of the domestic market for iron and steel products, and therefore the value of the imports replaced should be estimated at a much higher figure.

In place of the project under consideration, the Mission recommended the organisation of a small plant to smelt imported scrap, at an approximate cost of 9 million dollars.

The Mission's recommendations were not accepted by the enterprise's Board of Directors, which on 19 December 1950 made a public statement reaffirming their intention of going ahead with the plans initially approved for the installation of the plant covered by the second project, with a capacity for 104,000 tons a year of iron and steel products. This decision was based, among other reasons, on the fact that plans had already been drawn up to install - alternatively - a plant for 22,000, 40,000 or 60,000 tons a year, combining various lines of metallurgical production and processes, at the end of which it was concluded that the most suitable project for the country was the plant with a capacity of 104,000 tons. This decision was made because this is the only scale of production compatible with the present requirements of the national economy, and because it is preferable to make a greater initial investment which will permit cheaper production than a smaller investment entailing higher operating costs.^{1/}

Industrial Development

Apart from the traditional forms of industrial development (by means of protective tariffs, exchange control and tax exemptions), the Government has fostered the development of new manufacturing activities through the creation of an official organisation, the Instituto de Fomento Industrial. This entity, founded in 1940, was empowered to "propose and promote the founding of new enterprises, collaborate with private enterprise in their formation, and contribute to the development and reorganisation of those already in existence by means of capital

^{1/} Statement of the Board of Directors of Paz del Río, El Tiempo, Bogotá, December 22, 1950.

contributions, the guarantee of their contractual obligations and by any other available means." In its initial stage from 1940 to 1945, this Institute organised slightly more than 20 small enterprises, some of which had to be liquidated within a short period of time through loss of capital. Another part of its limited resources was invested in the study and research of some minerals, which finally offered no prospects of commercial exploitation.

Of the enterprises founded in this stage, a tyre factory, a chemical products plant and a deep-sea fishing enterprise rapidly prospered, and the Institute fulfilled its aim of gradually transferring to private enterprise those enterprises which had already attained a certain stability. During the second stage, from 1946 to 1950, the work of the Institute centred around the plans for financing and organising two large enterprises: a plant for soda and by-products and the steel plant of Paz del Río. The first will enter into production in the first half of 1951 and it is planned to complete the installations of the second in 1953.

Mining Production

While agricultural and manufacturing production showed obvious progress during the post-war period, mining production declined, or in those cases where there was a recovery, it still remained below the levels achieved during the war years. The only exception to this trend is found in the production of crude petroleum and one of its derivatives, gasoline, these products in 1949 having reached the highest figures recorded since their exploitation began.

Table 20 shows the quantum of mining production, at 1939 prices. This is the activity most dependent on the foreign market, which accounts for over half of total production. During the war both production and exports declined, mainly due to the difficulties of ocean transport and the foreign restrictions on the purchase of mechanical equipment essential to this activity.

/Table 20.

Table 20. Colombia: Quantum of Mining Production

(Values at 1939 prices, in millions of pesos)

	<u>1939</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>
<u>Export products</u>						
Petroleum	20.0	19.1	18.8	20.9	20.0	24.9
Platinum	0.6	0.9	1.1	1.0	0.5	0.5
Total	20.6	20.0	19.9	21.9	20.5	25.4
Percentage	55.1	51.0	51.6	55.6	54.7	58.9
<u>Others</u>						
Gold	12.8	11.4	9.8	8.6	7.5	8.1
Silver	0.1	a/	a/	a/	a/	a/
Coal	1.8	2.7	2.8	3.0	3.4	3.5
Salt	2.1	5.1	6.0	5.9	6.0	6.1
Total	16.8	19.2	18.7	17.6	16.9	17.8
Percentage	44.9	49.0	48.4	44.4	45.3	41.1
Total	37.4	39.2	38.6	39.5	37.4	43.2

Source: Basic data from the Revista del Banco de la República.

a/ Amounts lower than 60,000 pesos.

Gold. The highest production figure was recorded in 1941, with 656,019 ounces troy. After that time, production of the metal began to decline, until it fell to 334,260 ounces in 1948. During the war, the decline in production was explained by the fact that the necessary machinery and equipment for working could not be imported. Once the difficulties in connection with these imports disappeared, inflation became the cause of the continued decline insofar as entrepreneurial profits were reduced as production costs rose and the price of gold remained fixed. It is very probable, nevertheless, that real production has not declined to the extent indicated by the figures in the preceding table. In fact, these figures do not correspond to "production", but to "purchases by the Banco de la República." Due to the better prices of gold in some foreign markets, what may really be taking place is a decline in the sales to the Bank, which has not been efficiently counteracted by the /subsidy granted to

subsidy granted to producers after 1948.^{1/}

The explanation for this may lie in the figures for production by types of enterprise: foreign capital, domestic capital and small industry.^{2/} The decline in sales to the Banco de la República has been particularly notable in the case of the "small industry" group and relatively less in the case of the group of "foreign capital enterprises". This is logical, because it is possible to exercise some degree of official control on the large enterprises, from which the small mines escape completely. Therefore, while foreign capital enterprises in 1946 provided 60.7 per cent of the total purchases by the Banco de la República, this contribution being raised to 75.2 per cent in 1949, the share of "small industry", which provided 33.5 per cent in 1948, fell to 19 per cent in 1949. The other domestic enterprises (with a production exceeding 1,000 ounces a year) have reduced their sales to the Bank in absolute terms, but retained the same percentage during the two years mentioned.

Due to this decline, the importance of gold in the balance of payments has also shown a decline. In 1938, the production of gold represented 18.4 per cent on the credit side of the balance of payments in current account. In 1946 the percentage was 6.7 per cent, falling to 3.7 per cent in 1949.

1/ In order to provide an incentive for producers of the metal, a Law of December 1947 authorised the issue of "Gold Certificates", which were freely negotiable on the market and would permit the producer to receive more pesos per ounce, whereas before that Law, the Banco de la República sold at the official exchange rate of 35 dollars per ounce all the metal which was sold to it. At the exchange rate in force in 1948, each ounce represented for the producer an income of 61.07 pesos; with the "Gold Certificates", accepting a minimum average price for these of 3 pesos per dollar, the income per ounce rose to 105 pesos. The system of "Gold Certificates" was extended later to other export products, under the name of "exchange certificates", a system which was in force until the end of March 1951, when the official foreign exchange market was unified.

2/ "Small industry" includes Colombian capital enterprises whose annual production does not reach 1,000 fine ounces.

Platinum. Platinum is a very important strategic material, and Colombia is the only country in Latin America which possesses it. During the war, the Government introduced control on production and trade of this metal, in order to prevent exports to countries with which it had declared a "state of war". This control was lifted on 20 December 1945.

After 1934 production, which then amounted to 54,946 ounces, began to decline until it reached 19,739 ounces in 1948. Platinum production declined more rapidly than that of the other two metals, gold and silver. In spite of its strategic importance, platinum did not succeed during the war in recovering the levels recorded during the immediately preceding years. The reaction shown in 1940, when 35,859 ounces were produced (as against 23,671 the year before) ended in 1942, when the figure reached 43,102 ounces. During 1943-45, production remained at around 34,500 ounces, rising again to 43,835 in 1946. After 1947, however, the decline became more pronounced, although in 1949 production was slightly higher than in 1948. It is very probable that the rearmament programme will provide favourable opportunities for the production of this metal, so that it may recover to the pre-war levels.

Coal. The Servicio Geológico del Ministerio de Minas y Petróleo has estimated the country's coal reserves at slightly more than 12,400 million tons. Nevertheless, the exploitation of this mineral on any sizeable scale has not yet begun. Although there are no complete production figures available, an approximate calculation has been made (on the basis of the coal transported by the railways, aerial ropeways and rivers) according to which production rose from 422,000 tons in 1937 to 940,000 in 1949.^{1/}

^{1/} Instituto de Fomento Industrial, Informe de 1950, page 30.

Using the same source, consumption of 1949 production was distributed as follows:

Household uses	380,000 tons	(40.4 per cent)
Railways	220,000 tons	(23.4 per cent)
Cement industries	120,000 tons	(12.8 per cent)
Other industries	190,000 tons	(20.2 per cent)
Coke production	30,000 tons	(3.2 per cent)
Total	940,000 tons	(100.0 per cent)

The Servicio Geológico is exploiting several mines, and work is going ahead on the studies necessary to modernise the workings. Recently a joint enterprise has been formed by this organisation, the National Railways and some private concerns, with a capital of 1.5 million pesos, for the purpose of increasing production even more and beginning the export of the mineral through the port of Buenaventura.

Petroleum and its Derivatives

In contrast to the situation as regards metals, production of crude petroleum and gasoline has increased during recent years.

Compared with prewar figures, petroleum production only showed a substantial increase in 1949. The increase in the production of gasoline has been more important in relative terms, but it is still insufficient to supply demand without imports. Imports amounted to 223,221 barrels in 1945, and in 1948 they rose to 1,327,894 barrels.

During the war production of crude petroleum fell considerably; in 1942 it was reduced to 10,593,000 barrels (of 42 United States gallons), principally due to ocean transport difficulties. From 1945 to 1948 it remained at an approximate average of 24 million barrels, a figure slightly higher than that for the war years. In 1949 and 1950 production rose considerably due to the activity of new enterprises.

In the course of the 1945-49 period four new petroleum concessions commenced production; one began to operate in 1945, producing 1.6 million barrels in this year and reaching 6.2 million in 1949. The other three new concessions began exploitation in each of the years 1947, 1948 and 1949, with relatively small figures. Production of the largest enterprise has declined because its concession is due to expire in August 1951; in 1945 it produced 15.6 million barrels,

/falling to

falling to 11.9 million in 1949.

Apart from its importance in the country's foreign trade as the second most important export item, petroleum production is a source of Government revenue, its contribution to the total public receipts having risen in recent years. The following table gives the figures corresponding to the contribution of the petroleum enterprises to the national budget and the percentage within the whole.

Table 21. Colombia: Contribution of Petroleum Exploitation to Public Revenue, 1945-49
(in thousands of pesos)

<u>Years</u>	<u>Contribution</u>	<u>Public Revenue</u>	<u>Percentage</u>
	a/	b/	a/ b/
1945	3,796	171,953	2.2
1946	4,449	215,273	2.1
1947	6,917	295,486	2.3
1948	9,001	324,248	2.8
1949	12,209	392,102	3.1

Source: Financial Reports of the Contralor General de la Republica.

a/ Comprises shares in the exploitation and in the transport by pipelines and surface fees.

b/ Does not include receipts derived from public credit.

Empresa Nacional de Petroleo

According to the clauses of the contract with the principal petroleum concession,^{1/} on the expiration of the term (25 August 1951), all the works, installations, machinery, tools and equipment associated with the Concession, will revert to the Government, under free title. This reversion includes the installations for refining and the means of transport belonging to the concession company.

^{1/} In Colombia there is both private and public ownership of the petroleum sub-soil. In order to exploit petroleum on lands belonging to the State, the Government grants "concessions" to private concerns, for a specific period of time, receiving a share or royalty from the workings. The "Concesión de Mares", granted in 1905, was the first petroleum exploitation begun in Colombia, with an area of 512 thousand hectares. The drilling of wells did not begin until 1916; and three years later, the "Concesión" was transferred to a foreign society, which began commercial exploitation of the petroleum in 1921.

In order to continue the exploitation of petroleum, the Government promoted the foundation of a national enterprise, formed with private domestic and foreign capital which desired to associate itself with the enterprise under the terms laid down by the Government, the principal one being that the Government should retain the majority of shares. The enterprise was formed in the middle of 1950 and in turn signed a contract with the International Petroleum Company on the following basis: the national enterprise will hand over to the International for its management after 25 August, all the equipment, etc. belonging to the "Concesión de Mares"; the "International" will supply a credit of up to 20 million pesos, or its equivalent in dollars, for expanding the refining installations, which mainly includes a cracking plant. This credit will be for a ten-year term, at an interest rate of 4 per cent per annum. The contract has a ten-year duration period, beginning with the functioning of the new installations. Of the profits, the national enterprise will receive 0.07 pesos per barrel of crude petroleum and natural gasoline treated in the refinery, as long as the cracking plant is not functioning and 0.18 pesos per barrel when this is operating, apart from 75 per cent of the profits after the foregoing has been deducted. Finally, the International undertakes to sell on the market 40 per cent of the shares of its Colombian branch company, in order to give Colombian capital an opportunity to share in the business of distributing gasoline and other petroleum derivatives carried out by this company.

Under these conditions, the petroleum industry has not yet really been nationalised, but there has been progress which will have two positive results: the expansion and modernisation of the installations for refining crude petroleum, so that in the near future it will no longer be necessary to effect imports of this nature; and domestic capitalisation of the greater part of the profits from the exploitation, which formerly belonged exclusively to foreign capital.

/Prospects for

Prospects for the Petroleum Industry

In January 1950 a decisive step was taken for the promotion of the petroleum industry in Colombia, in the nature of legislative reforms. The new legislation not only tends to make the Government concession of petroleum regions less complicated, slow and costly, but also to reduce the fiscal charges which burdened the capital invested in the industry when it had scarcely gone beyond the exploration state. These had been considered as the obstacles hampering the progress of Colombian petroleum exploitation. About the middle of the same year, the Government signed the first concession contract, for a region of 49,000 hectares in the Department of Magdalena, under the terms of the new legislation.

The investment of capital in the exploration of petroleum reserves was interrupted for a time by the Government decision not to contract new concessions, while the reform of the respective legislation was being studied. As a result of this policy and the taxes levied on the capital intended for this exploration work, the study of the country's petroleum reserves has been considerably delayed. This delay has affected the industry's development, as the calculation of proven reserves considerably affects the size and type of investment for exploitation. Therefore, the Report of the Currie Mission considered it was a mistake to plan an investment programme of approximately 35 million dollars for introducing modern installation for refining crude petroleum, since "this outlay is excessive, especially when one considers the uncertainty regarding the source and types of crude which may be available for processing a few years hence." ^{1/} Nevertheless, the Consejo Nacional de Petróleo, a council which advises the Government on these matters, gave its approval to the plans for installing a refinery in the outskirts of Cartagena, on the Atlantic, at an approximate cost of 13.5 million dollars, the expansion of the installations at Barrancabermeja, at a cost of 9 million dollars and additional investments in the Cartagena refinery in 1955 for 12.2 million dollars.

^{1/} Report of the Mission, op. cit. Volume II page 432.

The convenience of carrying out the respective investments for the expansion and improvement of the petroleum refining installations may be better appreciated after examining the figures for production of crude and the proportion of this refined within the country, as shown in the following table.

Table 22. Colombia: Production of Crude Petroleum
(thousands of barrels of U.S. 42 gallons)

<u>Years</u>	<u>Crude Produced</u>	<u>Entries to the refinery</u>	<u>Percentage of refined petroleum</u>
1945	22,825	4,884	21.4
1946	22,424	5,272	23.5
1947	24,981	7,852	31.4
1948	23,801	7,085	29.8
1949	29,723	9,260	31.2
1950	34,059	9,257	27.2

Source: Revista del Banco de la República

At the same time, it should be pointed out that the petroleum derivatives refined in the country are insufficient to meet domestic consumption, so that imports are necessary. Due to the development of transport and the insufficiency of domestic production of refined products, imports have risen by 261.4 per cent between 1937 and 1948, as may be seen in the following table:

Table 23. Colombia: Production, Imports and Apparent Consumption of Petroleum Derivates
(thousands of cubic meters)

<u>Years</u>	<u>Production</u>	<u>Percentage</u>	<u>Imports</u>	<u>Percentage</u>	<u>Apparent Consumption</u>
1937	408.0	82.4	87.1	17.6	495.1
1938	497.0	81.5	113.8	18.6	610.8
1939	632.0	70.9	258.9	29.1	890.9
1945	496.4	92.1	42.4	7.9	538.8
1946	734.0	85.7	122.6	14.3	856.6
1947	855.0	83.6	167.8	16.4	1,022.8
1948	790.0	71.5	314.8	28.5	1,104.8

Source: Basic data from the Revista del Banco de la República and Anuarios de Comercio Exterior.

/It may be gathered

It may be gathered from the preceding table that while apparent consumption of petroleum derivatives rose by 123.1 per cent between 1937 and 1948, production rose by 93.6 per cent. The greater increase of consumption over production means that part of the country's foreign exchange has to be assigned to this type of imports, while at the same time these tend to represent an ever-increasing proportion of total consumption; this trend could be noticed both before the war, when the share of imports in the total consumption increased from 17.6 per cent to 29.1 per cent, and also after 1945.

The plans for expanding the refinery of petroleum derivatives began to be realised with the contract signed between the national petroleum corporation and the International Petroleum Company mentioned earlier. As regards the new refinery, no advances have been made in the work, in the expectation that the national petroleum corporation will complete its organisational stage and itself proceed with the planned investments.

/CHAPTER II.

CHAPTER II. FOREIGN TRADE

Quantum of Foreign Trade, Terms of Trade and Capacity to Import

Colombia's foreign trade was affected by World War II in a manner similar to that of the majority of Latin American countries. The reduction in the quantum and value of foreign trade affected imports more than exports, and resulted in the Banco de la República accumulating international reserves. Once the war-time restrictions disappeared, the recovery of imports, very slow at first as a result of the expected delay in the restoration of the economies of the supplying countries, became more pronounced, reaching a peak in 1947 due to the effect of imports which had been deferred during the war.

During the 1945-48 period it may be seen how exports, after the rapid rise in 1945 and 1946, declined in 1947-48 in contrast to the position already described for imports.

Table 24. Colombia: Indices of Quantum of Imports, Exports, Terms of Trade and Capacity to Import

Years	Imports		Exports		Terms of trade	Capacity to import
	Index of prices	Quantum index	Index of prices	Quantum index		
1937	100.0	100.0	100.0	100.0	100.0	100.0
1938	95.9	99.1	91.5	103.3	95.4	98.5
1939	86.0	122.6	93.6	95.4	108.8	103.8
1945	142.9	116.4	136.5	116.2	95.5	111.0
1946	149.0	160.0	178.5	126.6	119.8	151.7
1947	178.4	208.9	239.9	121.5	134.5	163.4
1948	186.8	182.7	271.4	122.2	145.3	177.6

Source: The basic data were taken from the Anuarios de Comercio Exterior de Colombia.

/After 1945,

CHART 7
COLOMBIA

QUANTUM AND PRICES OF EXPORTS AND IMPORTS

1937 = 100

SEMI-LOGARITHMIC SCALE

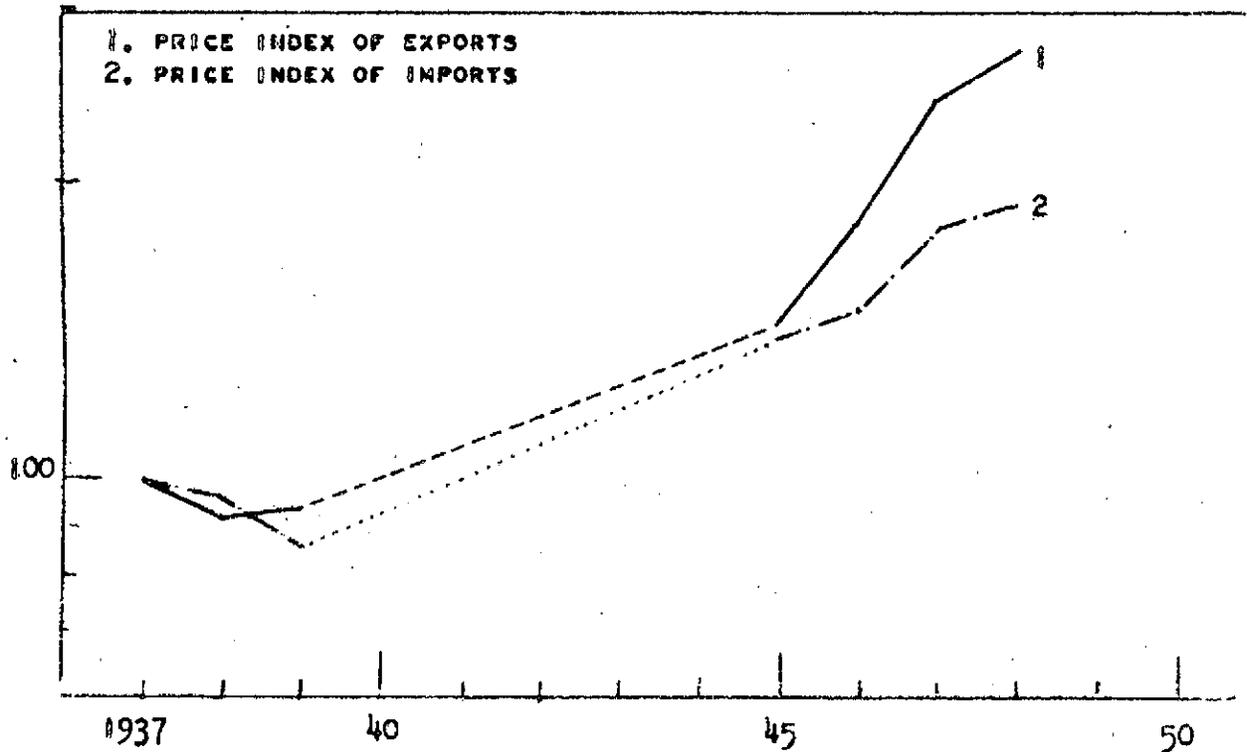
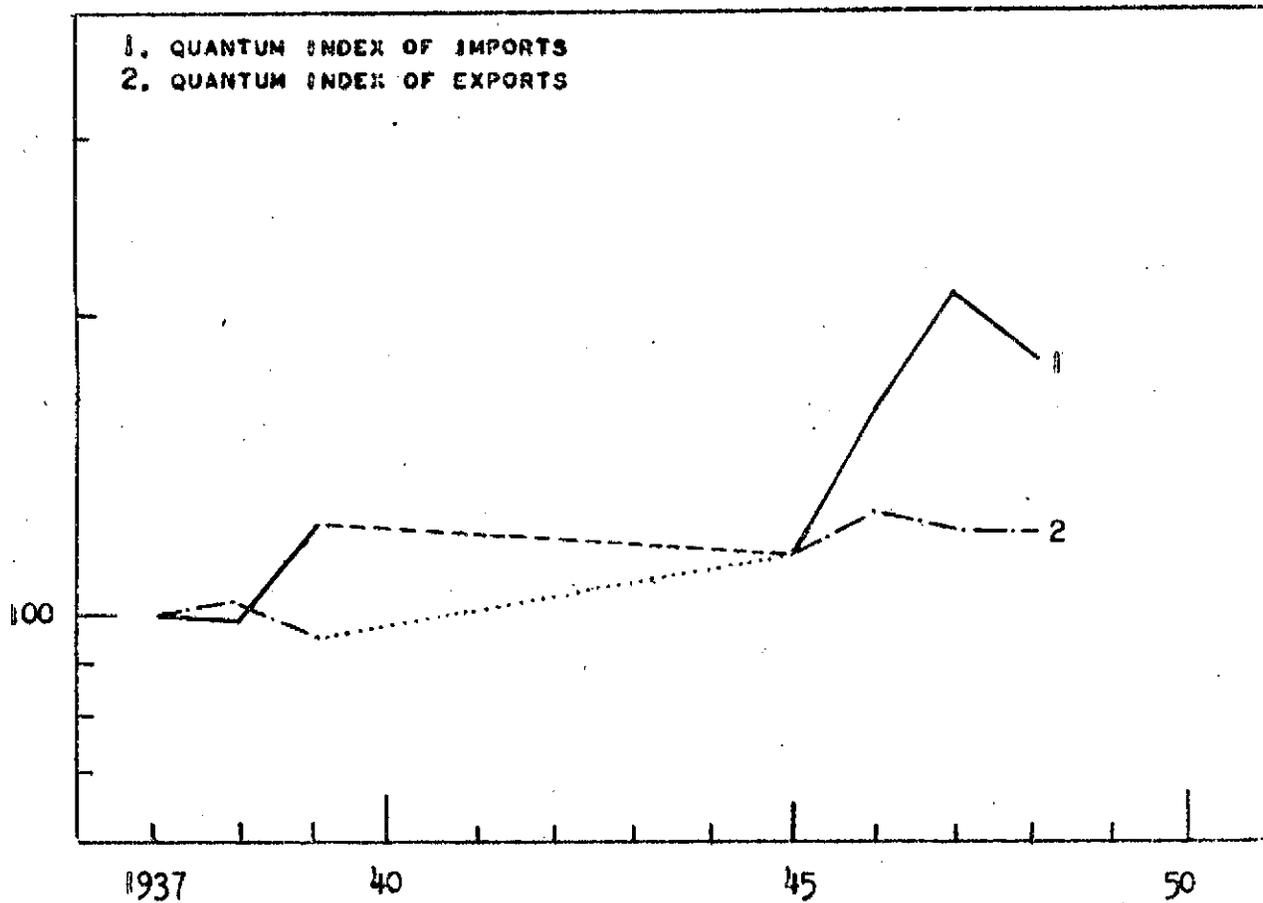
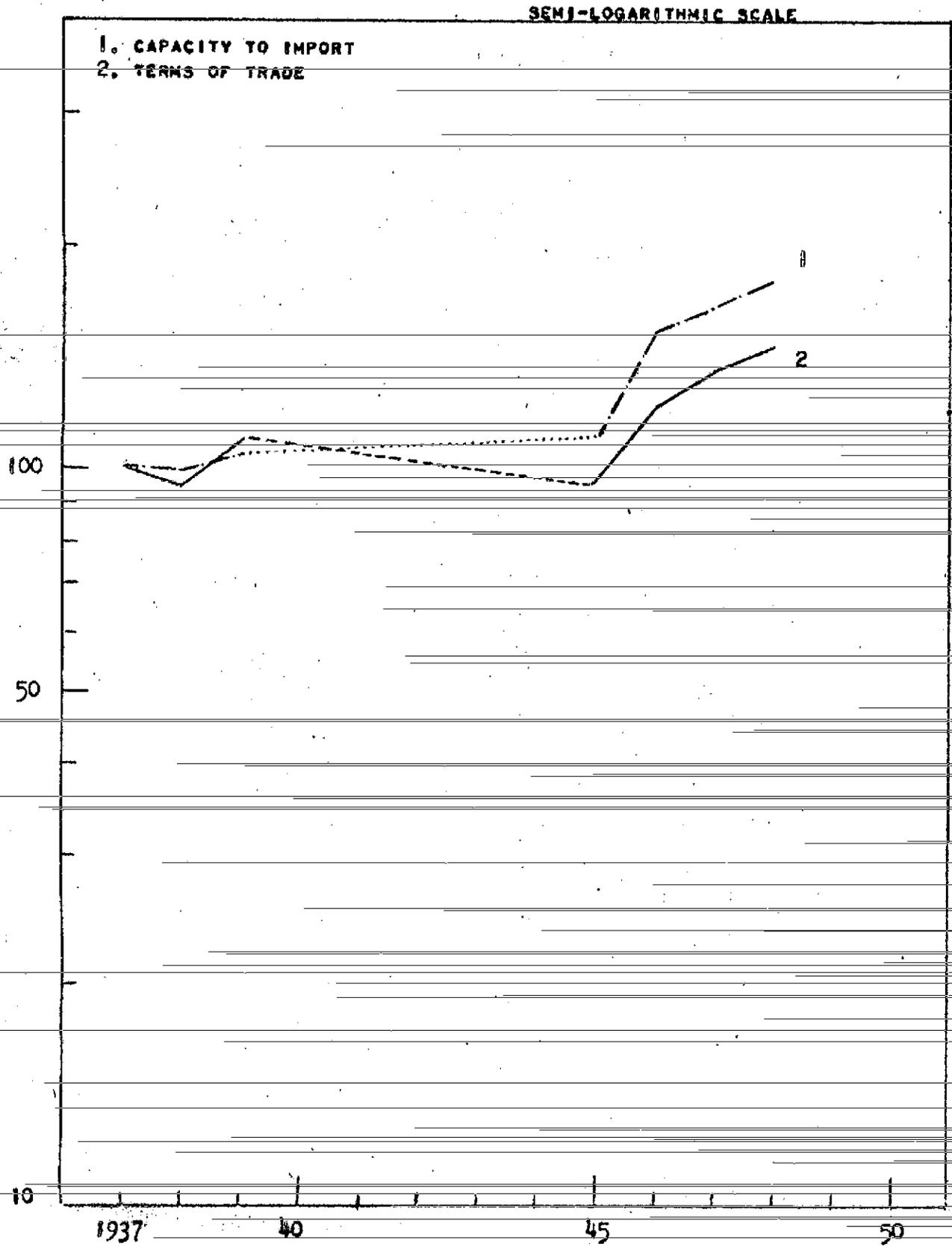




CHART 8

COLOMBIA

TERMS OF TRADE AND CAPACITY TO IMPORT
1937 = 100





After 1945 the terms of trade developed favourably for Colombia under the influence of the rise in the price of coffee - its principal export product - and, to a lesser degree, the rise in petroleum prices. This, added to the increase in exports, resulted in an expansion of the capacity to import, the index for which rose from 111.0 in 1945 to 177.6 in 1948.

In spite of this, negative trade balances were recorded throughout the period, as imports expanded more than could be handled by the capacity to import. This expansion was possible because of the international reserves accumulated during the preceding period and as a result of the pressure exerted by the expansion of the means of payment of domestic origin. These augmented the propensity to import which is ordinarily strong and is now more marked because of the need to cover the supply deficiencies which arose out of the war-time restrictions.

By 1948 there was an appreciable decline in the quantum of imports. As exports remained practically steady and the terms of trade improved, the capacity to import increased. It is not possible to calculate the indices for 1949 and 1950 on the basis of available information. Nevertheless, it is known that in 1949 the fall in the current value of imports became more marked, while that of exports rose, so for the first time during the period there was a surplus in the trade balance, amounting to 43.2 million dollars. In view of the rise in coffee prices at the end of that year and the overwhelming importance of that product in Colombia's exports, it appears probable that the terms of trade have improved considerably, and it is not unlikely that the capacity to import may also have experienced some improvement, in spite of the decline in the quantum of coffee exported.

/Table 25.

Table 25. Colombia: Foreign Trade, 1937-50

(Current values in millions of pesos)

<u>Years</u>	<u>Exports</u>	<u>Imports</u>	<u>Trade balance</u>
1937	152	170	- 18
1938	144	159	- 15
1939	136	183	- 47
1940	126	148	- 22
1941	133	170	- 37
1942	171	105	66
1943	219	147	72
1944	227	175	52
1945	246	281	- 35
1946	352	403	- 51
1947	446	639	- 193
1948	505	589	- 84
1949	626	516	110
1950	759	645	114

Sources: From 1937 to 1948, data from the Anuario de Comercio Exterior de Colombia. For 1949 and 1950, data from International Financial Statistics.

The rise mentioned in the price of coffee, which occurred towards the end of 1949, has had most profound effects on Colombian economy, and permitted some relaxation of import restrictions. This and the increase in the incomes of the coffee producers and exporters, added to credit expansion, resulted in strong pressure on the balance of payments, so that the increase in the Banco de la República's international reserves in the first half of 1950 was rapidly consumed, and by November of that year these were lower than in December 1949.

Taking the period as a whole, the most significant change in relation to pre-war conditions has been the evolution of the terms of trade. Before the war, these had been deteriorating, mainly as a result of the fall in the price of coffee. Since the war, as already seen, there has been an improvement in this price, particularly in 1946, 1949 and 1950, and this explains the reversal of the trend in the terms of trade, as import prices rose at a lesser rate during the same period.

Composition of Exports

The growing importance of coffee within the total value of exports appears to be the most significant feature of the post-war export trade. During the years 1937, 1938 and 1939, exports of this product had already amounted to 65.8, 65.4 and 61.9 per cent of the total quantum of exports. Since the war, the proportion has always been over 70 per cent, as may be seen from the following table:

Table 26. Colombia: Composition of Exports

A. Quantum

(In millions of pesos at 1937 prices)

<u>Years</u>	<u>Coffee</u>	<u>Petroleum</u>	<u>Bananas</u>	<u>Others</u>	<u>Total</u>
1937	99.2	35.1	7.0	9.4	150.7
1938	101.6	36.5	8.0	9.5	155.6
1939	88.9	38.4	8.0	8.4	143.7
1945	123.6	38.5	1.5	11.6	175.2
1946	136.0	35.2	2.2	17.5	190.9
1947	128.2	38.7	3.5	12.7	183.1
1948	134.2	37.2	5.0	7.8	184.2

B. Percentages of the total

1937	65.8	23.3	4.6	6.3	100.0
1938	65.4	23.4	5.1	6.1	100.0
1939	61.9	26.7	5.6	5.8	100.0
1945	70.6	22.0	0.8	6.6	100.0
1946	71.3	18.4	1.2	9.1	100.0
1947	70.0	21.2	1.9	6.9	100.0
1948	72.8	20.2	2.7	4.3	100.0

Source: Compiled by ECLA on basic data of the Anuarios de Comercio Exterior.

It may be observed that petroleum, which takes second place, retained the same quantum after the war, but its proportion within the whole shows a slight decline. Finally, exports of bananas dropped, both in quantum and in percentage of the whole.

/From the

From the point of view of current value, the relatively slight changes in the composition of exports in relation to the pre-war period are more important in the case of coffee and petroleum. As regards coffee, the rise in price must be added to the greater quantum exported, this price rise being relatively sharper than that experienced by petroleum.

Table 27. Colombia: Composition of Exports

(Percentages of the current values)

<u>Years</u>	<u>Coffee</u>	<u>Petroleum</u>	<u>Bananas</u>
1937	61	23	5
1938	61	26	6
1939	64	23	6
1945	74	16	1
1946	77	12	1
1947	77	15	2
1948	78	16	2

Source: Anuario de Comercio Exterior, 1948.

In 1948, as shown in the preceding table, coffee represented 78 per cent of the value of exports, and petroleum only 16 per cent. In 1949, the quantum of coffee exports fell slightly, but this decline became much sharper in 1950 (4.47 million sacks against 5.41 million the previous year), while at the same time exports of petroleum rose (24.2 million barrels in 1949 as against 18.8 in 1948). Nevertheless, it is probable that in spite of this, the preponderance of coffee in the total value has been stressed by the considerable price rise.

The brief remarks above are sufficient to show the unilateral nature of Colombia's exports and the vulnerability of the economy - to the extent of its dependence on foreign trade - subject to the world fluctuations in the price and demand for coffee.

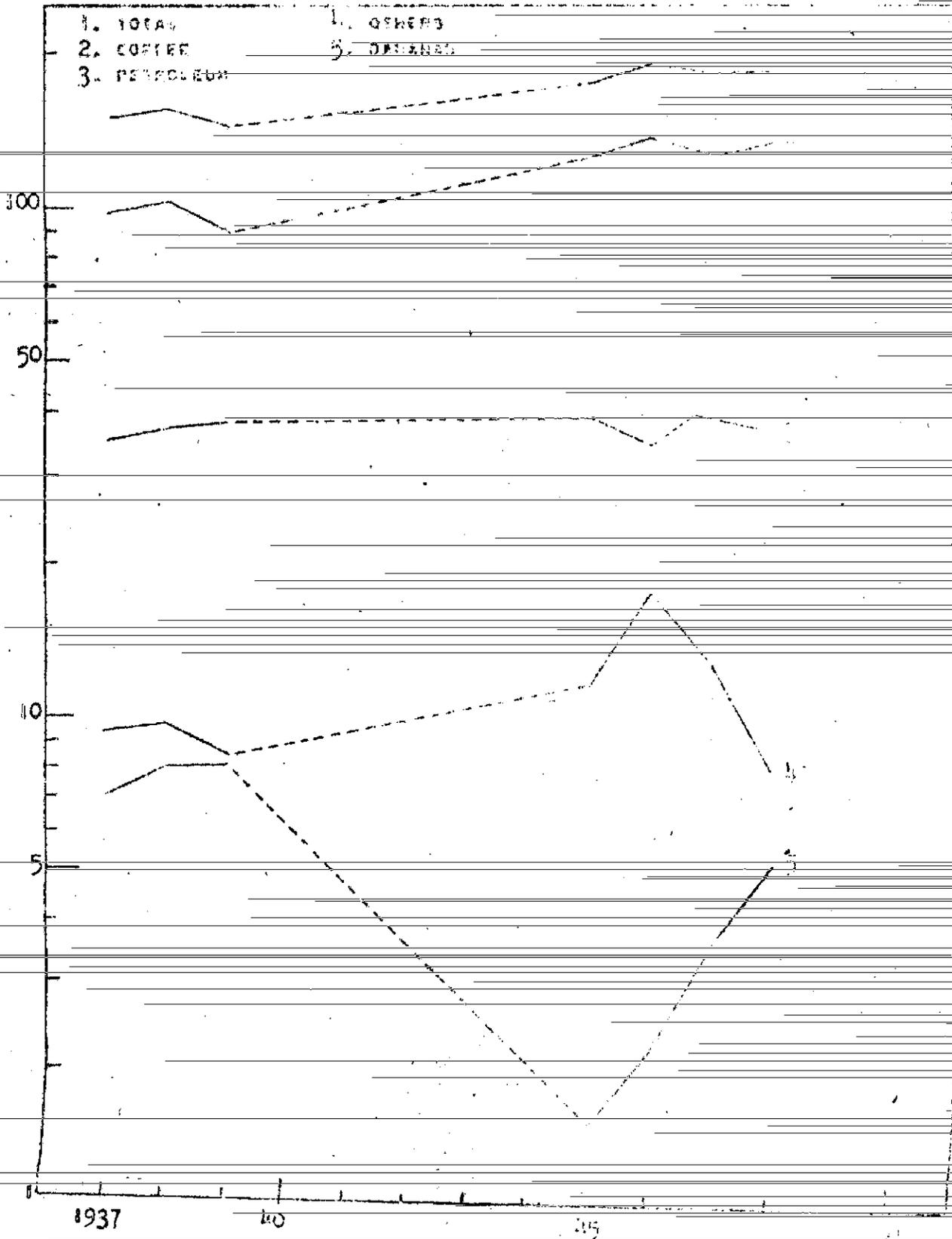
Greater diversification of exports over a short period can only be achieved on a very small scale. In fact the exportable surpluses which could be produced are very small, as existing production is almost entirely required to meet domestic consumption. It is not strange, therefore, that official policy appears somewhat contradictory, at times tending to serve the interest of developing exports and at others limiting these to ensure domestic supplies. This is true, for example,

/with cattle

COMPOSITION OF EXPORTS

MILLIONS OF DOLLARS AT 1937 PRICES

3000000000





with cattle exports, which on the one side are limited by quotas fixed periodically by the Government and, on the other, are favoured by the system of "exchange certificates" which permits the exporters to negotiate on the free market the foreign exchange obtained from sales abroad, which really means granting them a subsidy. This system, introduced originally for gold exports, was later extended to other products, as will be seen later; there is at present no adequate information to form a decision as to the extent to which it has assisted in fostering new exports.

Composition of Imports

The variations recorded in the composition of imports are largely due to the direction given to the exchange control policy and their selection by means of import licences. Usually the groups of products showing declines in foreign purchases since the war in relation to the pre-war period correspond to those sectors of domestic production where fairly important advances have been achieved, although it is not always possible to establish a direct relationship between the two, because of the sparse statistical information regarding the development of industrial production.

Capital goods take first place among the group of imports whose quantum has increased between the pre- and post-war periods. Imports of these goods increased between 1939 and 1948 by 90.8 per cent, in comparison with a 49.0 per cent increase for total imports between the two years mentioned. Part of this increase is exclusively due to the need to replace equipment and machinery which could not be replaced during the war or which experienced excessive wear for the same reason; at the same time, the foreign exchange accumulated during the war period through the impossibility of making these purchases made it possible to increase the proportions already indicated. This probably would not have taken place under normal conditions. Not all the increase in purchases of capital goods should be taken as being due to deferred demand, however; actually, the expansion of production - stimulated by the favourable conditions of the domestic market and monetary expansion - has introduced a change in the composition of imports, substituting manufactured consumer goods by machinery and raw materials necessary for producing these within the country.

As a result of the increase registered in the quantum, the percentage of capital goods within the total imports, according to the figures in Table 28, increased from 32.7 per cent in 1939 to 41.8 per cent in 1948.

Table 28. Colombia: Composition of Imports

A. Quantum							
(in millions of pesos at 1937 prices)							
	1937	1938	1939	1945	1946	1947	1948
1. Foodstuffs, beverages and tobaccos	14.3	14.5	25.3	25.0	22.9	28.4	20.9
2. Textiles and their manufactures	36.1	26.4	40.9	23.9	30.9	34.2	33.0
3. Paper, cardboard and their manufactures	5.9	5.9	6.0	7.9	8.1	11.4	8.4
4. Hides, skins and their manufactures	1.5	1.5	1.6	1.6	1.2	1.0	0.7
5. Chemical products and allied goods	14.3	16.0	17.2	26.6	32.8	33.8	32.5
6. Non-edible oils and fats	3.4	3.0	3.8	2.6	2.2	4.7	3.9
7. Fuels and lubricants	1.8	1.6	4.2	4.1	8.1	10.7	15.6
8. Rubber and its manufactures	2.6	2.6	3.2	1.9	6.5	4.2	3.0
9. Timber and its manufactures	0.9	1.3	1.3	1.0	2.5	1.6	0.7
10. Stones, earths, glasses and similar products	2.3	3.1	2.6	4.3	5.1	6.2	6.0
11. Metals and their manufactures	4.4	4.8	5.1	3.9	5.7	10.3	9.3
12. Durable consumer goods	9.1	7.8	11.4	3.1	11.3	22.0	22.6
13. Capital goods	52.1	59.1	61.1	67.2	99.9	143.3	116.6
14. Sundries	3.8	3.8	3.6	4.7	7.1	7.2	5.7
<u>Total</u>	152.7	151.4	187.2	177.8	244.4	318.9	279.0
B. Percentages of the total							
1. Foodstuffs, beverages and tobaccos	9.4	9.6	13.5	14.1	9.4	8.9	7.5
2. Textiles and their manufactures	23.7	17.4	21.8	13.4	12.6	10.7	11.8
3. Paper, cardboard and their manufactures	3.8	3.9	3.2	4.4	3.3	3.6	3.0
4. Hides, skins and their manufactures	1.0	1.0	0.8	0.9	0.5	0.3	0.2
5. Chemical products and allied goods	9.4	10.5	9.2	15.0	13.4	10.6	11.7
6. Non-edible oils and fats	2.2	2.0	2.0	1.5	0.9	1.5	1.4
7. Fuels and lubricants	1.2	1.0	2.2	2.3	3.3	3.3	5.6
8. Rubber and its manufactures	1.7	1.7	1.7	1.1	2.7	1.3	1.1
9. Timber and its manufactures	0.6	0.9	0.7	0.6	1.0	0.5	0.3
10. Stones, earths, glasses and similar products	1.5	2.0	1.4	2.4	2.1	1.9	2.2
11. Metals and their manufactures	2.9	3.2	2.7	2.2	2.4	3.3	3.3
12. Durable consumer goods	6.0	5.2	6.1	1.7	4.6	6.9	8.1
13. Capital goods	34.1	39.0	32.7	37.8	40.9	44.9	41.8
14. Sundries	2.5	2.6	2.0	2.6	2.9	2.3	2.0
<u>Total</u>	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculations made by the Economic Commission for Latin America using basic data derived from the Anuarios de Comercio Exterior de Colombia.

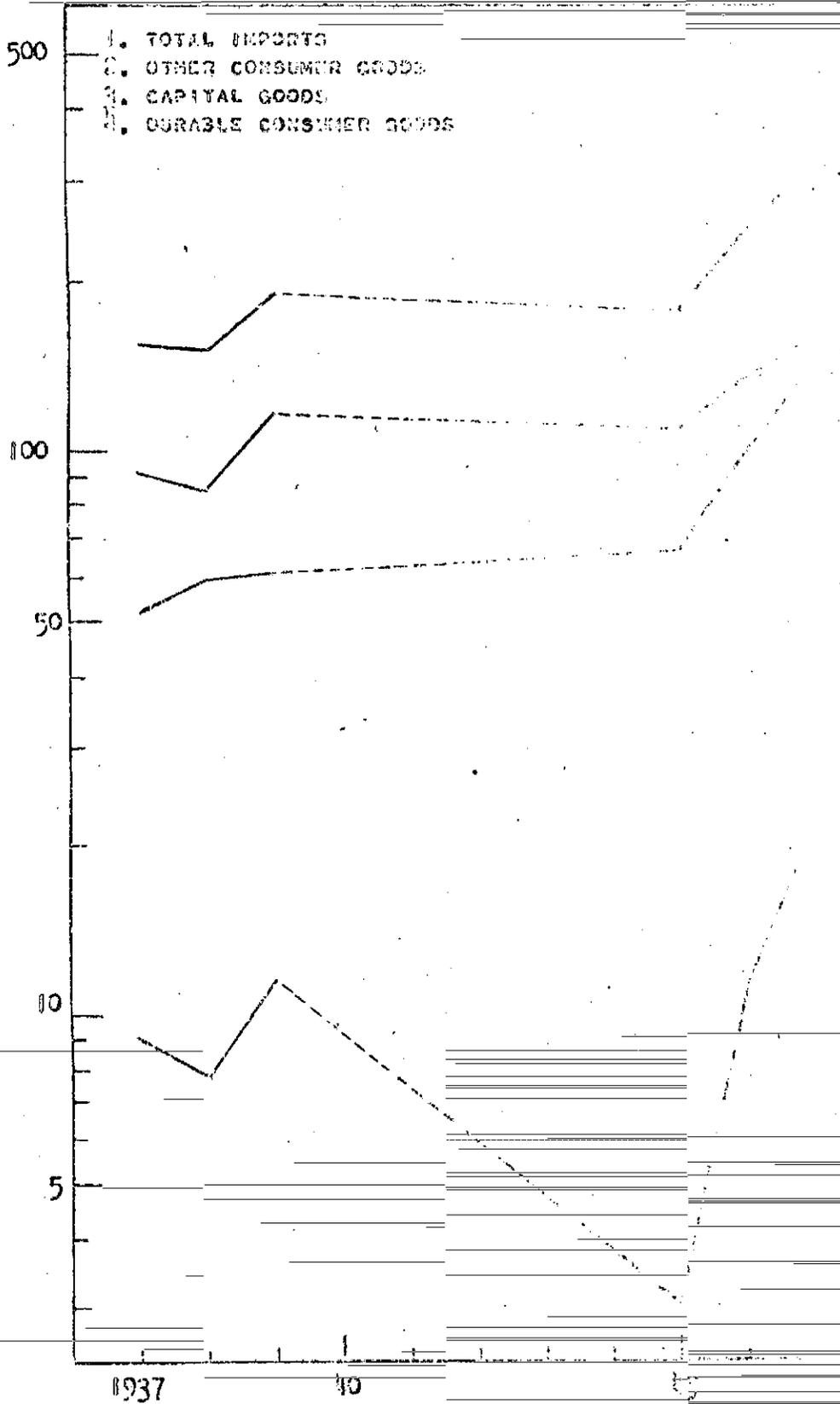
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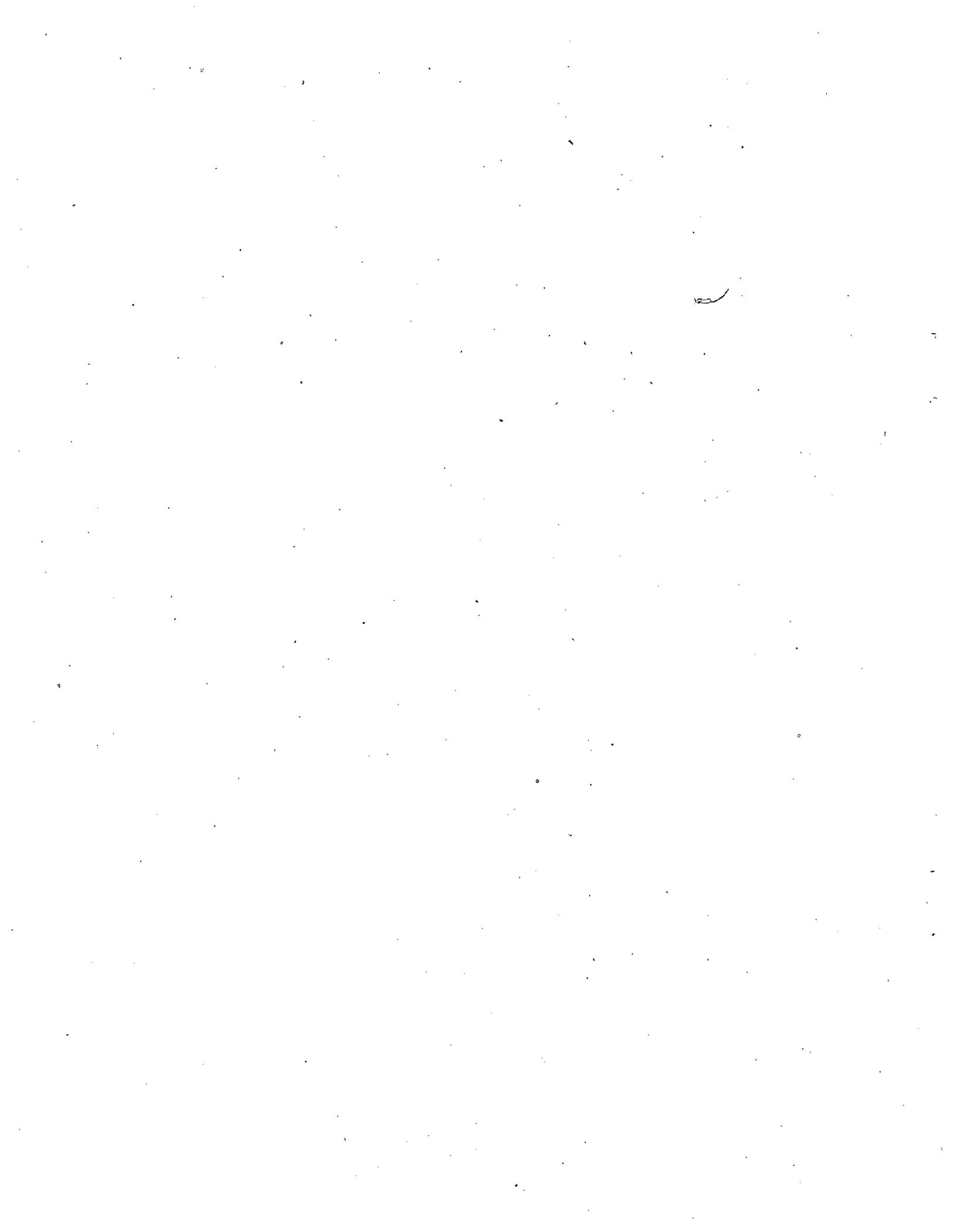
COMPOSITION OF IMPORTS

MILLIONS OF PESOS AT 1937 PRICES

1937-1945

- 1. TOTAL IMPORTS
- 2. OTHER CONSUMER GOODS
- 3. CAPITAL GOODS
- 4. DURABLE CONSUMER GOODS





Within the group of capital goods, on the other hand, there have also been changes in harmony with the development of domestic production: building materials since the war represent a lower proportion than in the 1937-39 period within the total of reproductive capital goods. The greatest increases have taken place in equipment for transport and communications, as may be seen from the following table:

Table 29. Colombia: Composition of Imported Capital Goods
(at 1937 prices, in millions of pesos)

A. <u>Quantum</u>	
	<u>1937</u> <u>1938</u> <u>1939</u> <u>1945</u> <u>1946</u> <u>1947</u> <u>1948</u>
Building materials	18.4 23.0 22.7 24.6 26.1 37.4 26.9
Agricultural machinery and equipment	2.7 3.8 4.0 5.4 5.2 9.1 7.6
Transports and communications	7.7 8.7 11.5 11.2 32.6 40.6 25.4
Industry and others	<u>23.2</u> <u>23.5</u> <u>23.0</u> <u>26.0</u> <u>35.9</u> <u>56.2</u> <u>56.7</u>
<u>Total</u>	52.0 59.1 61.1 67.2 99.9 143.3 116.6
B. <u>Percentages</u>	
Building materials	35.4 38.9 37.2 36.6 26.1 26.1 23.1
Agricultural machinery and equipment	5.2 6.5 6.5 8.0 5.2 6.4 6.5
Transports and communications	14.8 14.7 18.7 16.7 32.7 28.3 21.8
Industry and others	<u>44.6</u> <u>39.8</u> <u>37.6</u> <u>38.7</u> <u>36.0</u> <u>39.2</u> <u>48.6</u>
<u>Total</u>	100.0 100.0 100.0 100.0 100.0 100.0 100.0

Source: Basic data from Anuarios de Comercio Exterior.

During the 1937-39 period, purchases of building materials represented, on an average, 27.2 per cent of the total of imported capital goods, but this percentage dropped after 1945 and was only 23.1 per cent in 1948. At the same time, the share for equipment for transport and communications which before the war reached an average of 16.1 per cent, increased to 32.7 per cent in 1945, and although it fell in the following years, continued to be higher than the prewar percentage. For agricultural machinery, even though the quantum increased, the percentage continued to be almost the same in both periods. As regards the group of machinery and equipment for industry, it should be pointed out that, without greatly exceeding the percentages shown before the war, the quantum of

/purchases in

purchases in 1948 did not fall below that for 1947, in spite of the great reduction experienced by total imports in that year.

As a result of the increases in imports of capital goods, those for fuels and lubricants also rose to a relatively great extent.

Purchases of these products in 1948 were 271.4 per cent higher than those of 1939 and already in this year they had doubled in relation to 1937. The greater part of this increase corresponds to the growth of transport in the country and is in proportion to the increases in imports of equipment for this industry in 1947 and 1948, as was seen before. Their share in the total increased from 2.2 per cent in 1939 to 5.6 per cent in 1948.

Considerable increases were also recorded between 1939 and 1948 in imports of chemical products, stones, earth, glass and similar materials, metals and their manufactures, and durable consumer goods. For all these goods the increase was relatively greater than that recorded for the total volume of imports, and consequently, the percentage represented by each has also varied.

The group of imports where the quantum is less in the postwar period in relation to the 1937-39 period is made up of foodstuffs, beverages, and tobacco, textiles, hides, skins, rubber products, timber and its manufactures. As a general rule, the lower volume of imports of these goods is related with the increases achieved in domestic production of similar articles or substitutes. In any event, this decline is a true reflection of the protectionist and selective aspects of exchange control.

Only the group of imports of paper, cardboard and its manufactures has shown an increase in proportion to the total volume of imports, because the country has developed no basic industry for these products.

Among the group of durable consumer goods, the proportion of automobile purchases has increased. Already before the war approximately 50 per cent of imports of durable goods were made up of automobiles, and in 1948 these purchases reached 61.9 per cent of the total for the group, while the quantum trebled. The changes which have taken place may be seen in the following table:

/Table 30.

Table 30. Colombia: Imports of Durable Consumer Goods
(at 1937 prices, in millions of pesos)

A. <u>Quantum</u>							
	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>
Automobiles	4.6	3.6	6.1	0.3	4.5	12.2	14.0
Other goods	<u>4.5</u>	<u>4.2</u>	<u>5.3</u>	<u>2.8</u>	<u>6.8</u>	<u>9.8</u>	<u>8.6</u>
Total	9.1	7.8	11.4	3.1	11.3	22.0	22.6

B. <u>Percentages</u>							
	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>
Automobiles	50.5	46.2	53.5	9.7	39.8	55.5	61.9
Other goods	<u>49.5</u>	<u>53.8</u>	<u>46.5</u>	<u>90.3</u>	<u>60.2</u>	<u>44.5</u>	<u>38.1</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Basic data from the Anuarios de Comercio Exterior.

As already indicated, the modifications which have taken place in the composition of imports are largely the result of the direction given to exchange control. In order to favour those considered essential, not only were the quantitative restrictions eased, but such goods were accorded a lower exchange rate than the one in force for the remaining imports. During 1949 and 1950, apart from the differential exchange rate, a system of prior deposits against import licences was used: the percentages of deposit, which were modified various times during the course of those years, were set relatively high for "non-essential" imports (up to 40 per cent of the value of the license for some products) while they were low (from 2 to 5 per cent) for those classified as "essential" or economically convenient for the country.

Coefficients of Foreign Trade

The coefficients of foreign trade express the percentage ratio between the national income and the value of imports and exports. Their variations, therefore, are due to changes originating either in the value of foreign trade or else in the national income, or in both at the same time.

/Table 31.

Table 31. Colombia: Coefficients of Foreign Trade, 1939-48
(value in millions of pesos)

<u>Years</u>	<u>National income</u>	<u>Imports</u>	<u>Coefficient</u>	<u>Exports</u>	<u>Coefficient</u>
1939	1.049	183	17.4	137	13.1
1940	1.033	148	14.3	126	12.2
1941	1.063	170	15.0	134	12.6
1942	1.159	105	9.1	171	14.8
1943	1.339	147	11.0	219	16.4
1944	1.660	175	10.5	227	13.7
1945	1.982	281	14.2	246	12.4
1946	2.418	403	16.7	352	14.6
1947	3.023	639	21.1	446	14.8
1948	3.718	589	15.8	505	13.6
1949	4.573	516	11.3	626	13.7
1950	5.051	645	12.8	759	15.0

Source: Figures for National Income from the Currie Mission and values of foreign trade from the respective Anuarios.

The fall noted in the coefficient of imports from 1942 to 1944 is due to the limitations recorded in those years. For the opposite reason, i.e. the great volume of imports in 1947, the coefficient rose to 21.1 in that year. During 1946 and 1948 the coefficient was approximately the same as in 1939.

The coefficient for exports, on the other hand, showed great stability. It was 14.0 from 1946 to 1948, this figure being approximately the same as that for 1939. Only in 1943 did the coefficient rise to 16.4 but it fell again the following years, and as stated above, it varied in the last few years around the figure recorded before the war.

Evolution of the Foreign Exchange System

In June 1948 the first important event (considering only the postwar period) took place in relation to the foreign exchange system. It consisted in classifying imports of merchandised into three groups and fixing additional tax rates on the drafts intended to pay for them. In this way the system of one single exchange rate for all imports was changed to one in which these paid 2.16, 2.27 and 2.55 pesos per dollar, according to whether they were included in the first, second or third group of the classification.

/The multiple

The multiple exchange rates had a dual purpose: first, to make imports of merchandise more costly, and second, to provide fiscal revenue. It was already a fact that the official exchange rate (1.75 pesos per dollar) corresponding to the gold parity declared in the International Monetary Fund, could not be considered an equilibrium rate (as it had been in the last two prewar years); nevertheless, the convenience of devaluating the peso was not considered for the moment, and it was decided rather to impose additional taxes on the drafts payable for imports and establish a premium of 0.10 pesos per dollar on the drafts derived from coffee exports.^{1/}

Another reform was introduced at the same time, consisting in the creation of the "exchange certificates", which were securities on foreign exchange, negotiable on the same stock exchange at the free market quotation on the day of their expiration.

The "exchange certificates" were originally introduced as a measure of establishing a subsidy on gold production.^{2/} Later other products were included, in order that the more favourable exchange rate should stimulate their export. In this way the foreign exchange market was divided into two sectors: the official, i.e. the market for the foreign exchange to be sold to the Banco de la República at the fixed exchange rate, and the free market, composed of the "exchange certificates". The first included the foreign exchange derived from exports of coffee, bananas, cattle hides, silver, platinum, jewels, precious stones, cattle,^{3/} meats, plain weave textiles, products of domestic manufacture using over 10 per cent of foreign raw materials, from petroleum exports, and from the payments of insurance and dividends on

1/ Comité de Crédito Público y Asuntos Económicos: Recomendaciones sobre cambio internacional. Revista del Banco de la República, Bogotá, June 1948, page 683.

2/ They were then called "Gold Certificates". See note on page 43, Chapter I, Mining Production

3/ In the middle of 1950, exports of cattle were included among products entitled to "exchange certificates".

Colombian capital invested abroad, or in general, from imports of capital. Exports with a right to "exchange certificates", were listed in a Government Decree and covered a certain number of articles of little importance because of their small value and volume in the country's foreign trade.^{1/}

Towards the end of that same year, 1948, the peso was devaluated; the official rate rising from 1.75 pesos per dollar to 1.95. The premium charged on the drafts derived from coffee exports was eliminated and the additional taxes on drafts payable abroad were reduced, but in any case, the exchange rates for the different groups of imported merchandise remained higher than before.

The system of multiple exchange rates lasted until July 1950, when the customs tariff was changed. During the second half of 1950 and the first months of 1951, there has been a single exchange rate on the official market, apart from the quotations for the "exchange certificates" on the free market.

Towards the end of March 1951 the most important reform of the foreign exchange system took place. The Oficina de Control de Cambios, Importaciones y Exportaciones was replaced by an office for registering foreign exchange; a list of prohibited imports was drawn up, and the rest were declared to be free, although subject to a prior deposit of 10 per cent of their value; the "exchange certificate" system was eliminated, all the buying and selling of foreign exchange being centralised in the Banco de la República, and two official exchange rates were introduced; one corresponding to the gold parity of the peso (1.95 pesos per dollar) for 75 per cent of the drafts derived from coffee exports, and a new rate of 2.50 pesos per dollar for the remaining 25 per cent of these drafts and those derived from any other source. It is this second exchange rate which applies for imports.

The essential aspects of the reform lie in the unification of the foreign exchange market, the fixing of a higher exchange rate for imports and the elimination of the system of quantitative

^{1/} It is not possible to discover what proportion of the "exchange certificates" corresponded to a gold production and which to export products.

import restrictions. The volume of imports will depend, in the future, on the extent of the list of prohibited imports and on the exchange rate. The Banco de la República is authorised to modify it, in accordance with the pertinent recommendations made by the Junta Reguladora de Cambios.^{1/}

The most important aspect is, therefore, the level at which the new exchange rate will be stabilised. Should free imports be excessively high in relation to the availabilities of foreign exchange, it will be necessary to fix a higher rate and/or include new merchandise in the prohibited list.

Direction of Foreign Trade

The table below shows a definite trend in the direction of Colombia's foreign trade and establishes a clear-cut distinction between pre- and postwar periods.

Table 32. Colombia: Geographic Distribution of Foreign Trade

	<u>Exports</u>							
	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>
United States	56.6	52.8	57.0	78.2	81.9	84.4	83.1	81.3
South America	0.6	0.6	0.9	3.1	2.8	1.8	1.2	0.3
Central America and Antilles	12.5	12.0	10.8	4.8	5.3	5.2	7.9	8.2
Europe	23.5	24.5	21.8	3.3	4.6	5.0	4.9	6.8
Others	<u>6.8</u>	<u>10.1</u>	<u>9.5</u>	<u>10.6</u>	<u>5.4</u>	<u>3.6</u>	<u>2.9</u>	<u>3.4</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	<u>Imports</u>							
United States	48.4	51.2	55.7	67.7	68.8	72.3	69.8	78.3
South America	1.7	1.4	2.0	18.9	12.9	7.6	8.4	4.9
Central America and Antilles	1.7	1.1	1.6	5.0	4.3	2.9	2.7	1.0
Europe	46.5	44.5	38.5	6.3	11.3	14.4	16.8	13.5
Others	<u>1.7</u>	<u>1.8</u>	<u>2.2</u>	<u>2.1</u>	<u>2.7</u>	<u>2.8</u>	<u>2.3</u>	<u>2.3</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Basic data from the Anuarios de Comercio Exterior.

Before the war, Colombia's imports came mainly from Europe and the United States, in almost equal proportions; but later trade with the former was cut off due to the war. Imports from Europe only

^{1/} Formerly, only the National Congress could modify the exchange rate.

/amounted to

amounted to 6.2 per cent of the total in 1945, after having been 46.5 per cent in 1937. There has been a slow recovery in subsequent years, reaching 16.8 per cent in 1948, but falling off again in 1949 to 13.5 per cent. At the same time, imports from the United States rose gradually from 48.4 per cent in 1937 to 78.3 per cent in 1949.

The same thing occurred with exports, although here it should be stressed that before the war the United States share was larger than in the case of imports.^{1/}

Trade with the rest of Latin America has been traditionally small. It acquired some importance during the war, particularly on the import side, and declined again in the last few years.

In summary, it may be said that since the war the preponderance of the United States in Colombia's foreign trade has been maintained firmly and became more marked. Consequently, to the unilateral nature of foreign trade, already mentioned, depending on the exports of a single product, must be added the concentration in one single buyer. These conditions make Colombia's economy all the more vulnerable. Nevertheless, it should be noted that, under present conditions, this is largely offset by the availability of hard currency exchange derived from exports to the United States.

The Balance of Payments

In 1949 the country's trade balance showed a net credit of 43.2 million dollars, as a result of the greater value of exports and the lesser value of imports in relation to previous years. From 1945, when it amounted to 24.6 million dollars, the debit in the trade balance steadily increased, until it reached 109.6 million dollars in 1947. In 1948, import restrictions reduced the unfavourable balance to only 59.5 million dollars.

^{1/} Actually, the percentage of exports to the United States is greater than shown in the above table, because exports of petroleum nominally destined for Curaçao (in the Antilles) really go to the United States.

The invisible items in the balance of payments (transport, insurance, tourist trade, dividends from investments etc.) have been unfavourable throughout the 1945-49 period, reaching a maximum in 1949 of 42.9 million dollars. From 1945 to 1947 the unfavourable balance was 22 to 25 million dollars, in 1948 amounting to only 18.3 million dollars. In relation to the prewar period and compared with the increase which took place in the trade balance, the invisible items did not show any considerable rise, except in 1949, when it was almost double the 1945 figure.

No increases have been recorded in dividends from foreign investments during the 1946-49 period. The outflow corresponding to this item amounted to 9.5 million dollars in 1946 and 8.6 million in 1949. It should be noted, however, that these sums do not entirely represent remittances abroad for dividends on foreign investments, as those for petroleum are excluded, these being precisely the most important foreign investments in the country.

Table 33. Colombia: Balance of Payments, 1938-49

(in millions of dollars)

	<u>1938</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>
	<u>B a l a n c e</u>			<u>N e t</u>		
A. <u>Current transactions</u>						
Trade Balance	- 8.3	- 24.6	- 35.0	-109.6	- 59.5	/ 43.2
Gold Production	/18.2	/ 17.7	/ 15.3	/ 13.4	/ 11.7	/ 12.6
Invisible items	-17.6	- 22.3	- 23.2	- 25.1	- 18.3	- 42.9
Total for Current						
Account	- 7.7	- 29.2	- 42.9	-121.3	- 66.1	/ 12.9
				<u>N e t</u>	<u>A s s e t s</u>	
B. <u>Capital and Monetary Gold</u>						
Private Capital	- 3.8	- 43.7	- 54.1	- 42.1	- 18.4	- 7.6
Official and Banking						
Capital	- 1.9	..	- 22.5	/ 8.2	/ 1.7	/ 33.9
Monetary Gold	/ 7.8	..	/ 18.9	- 62.2	- 32.1	/ 0.3
Total for Capital						
and Gold	/ 2.1	- 43.7	- 57.7	- 96.1	- 48.8	/ 26.6
Errors and Omissions	/ 9.3	- 14.5	- 14.8	/ 25.2	/ 17.3	- 13.7

Source: Banco de la República, Annual Report for 1950, and Revista for January 1950.

/The high deficit

The high deficit shown in invisible items in 1949 almost entirely absorbed the surplus obtained in the trade balance. Consequently, the surplus of 12.9 million dollars resulting from all the current account transactions in that year corresponds to non-monetary gold, that is, domestic gold production. In the previous years, the contribution of gold production resulted in an average reduction of 14 million dollars a year in the total deficit on current account.

Although during the years 1946 to 1948 the importance of the trade balance in the total value of current transactions increased (reaching 88.7 per cent on an average during those years), in 1949 it once again fell to the same percentage as in 1938 (approximately 83 per cent).

In the capital account, the most outstanding feature is related to long-term direct investments. The total for these, which was 48.5 million dollars in 1946, declined in the following years, amounting to only 19 million in 1949. This decline was due to the lesser volume of petroleum investments.^{1/}

The large deficits on current account during 1947 and 1948 were mainly compensated by monetary gold. Those for 1945 and 1946 were covered in the first place with foreign exchange saved during the war period.

According to the preliminary information on foreign trade, the country had a favourable trade balance in 1950 amounting to 58 million dollars. This result was obtained in spite of the fact that imports exceeded those of 1949 by slightly over 70 million dollars. At the same time, exports in 1950 increased by 66 million dollars over those for 1949, mainly due to the higher coffee prices.

As Colombia's foreign trade is to a large extent directed towards the United States, the trade balance with other areas is not very important. Before the war, the trade balance with Europe was very important, but in 1949 imports from and exports to this area

^{1/} One of the reasons for this lower volume lies in the expiration of the term (in August 1951) of one of the principal foreign concessions.

represented slightly under a third of their figure in 1937-39. The favourable trade balance with Central America and the Antilles is explained by the fact that the exports of crude petroleum were directed towards this area.

Compensation Agreements

The signing of bilateral agreements for foreign trade with certain European countries has made it possible to reopen markets to Colombian products, while at the same time permitting imports without the need for using dollars.

During 1948 and 1949 compensation agreements were signed with Belgium, Sweden, Holland, Finland and Western Germany. The last two are the most important from the point of view of the value entailed. The agreement with Finland amounted to 3.5 million dollars and began in March 1949. An agreement for 15.0 million dollars was signed with Western Germany, taking effect in June 1949. Later on a new agreement for 37.0 million dollars was signed, which will be valid until 30 June 1951 and can be automatically renewed for one-year periods, providing the parties do not abrogate it three months before its expiration. This agreement stipulates the sale of Colombian products such as coffee, for 18 million dollars; tobacco, for 3.5 million; bananas, for 2.0 million; sugar, for 2.0 million, and others, such as hides, skins etc. Purchases from Germany include all kinds of manufactured goods.

The most recent agreement was signed with France, for 750,000 dollars, and covers the exchange of coffee for woollen yarns.

The report of the Currie Mission considers that Colombia has no need to "force its foreign trade into bilateral channels", in view of the fact that the majority of its exports produce hard currency. Although this is true in principle, in practice it has been found that compensation agreements have been the only way to renew sales of Colombian products to European countries. Nevertheless, the truth is that the result of these agreements cannot yet be weighed judiciously, because they have so far accounted for a very limited volume of trade. The manner in which the Agreement with Western Germany develops will make it possible to reach better founded conclusions, as it covers fairly important figures.

CHAPTER III MONEY, CREDIT AND PRICES

Monetary Expansion Since the War

An analysis of the determining factors of the means of payment (Table 34) permits an appreciation of the changes which have occurred since 1940. International reserves were a powerful source of expansion during the years 1942 to 1944 because of the accumulation of foreign exchange in the bank of issue as a result of difficulties in importing merchandise; the influence of this factor diminished, however, in 1945. In 1947 and 1948 there was a contraction, and the same tendency was shown during the first ten months of 1950. Nevertheless, foreign exchange reserves were once more a cause of expansion in 1949, due to the severity of the restrictions imposed on imports. Another contributory factor was that in 1948 a reduction from 30 to 25 per cent in the gold reserve of the bank of issue was decreed.

Factors of domestic origin began to play a decisive role in monetary expansion after 1945. Commercial bank credit was the principal source of expansion in the years 1945 and 1946; during 1948 and 1949 its importance was reduced slightly, but became intensified during 1950.

/Table 34

Table 34. Colombia: Evolution of the Means of Payment 1940-50
(in millions of pesos)

Balances at the end of:	Means of payment			Total means of payment
	Of foreign origin	Of domestic origin	Total	
1940	1.9	11.1	12.1	172.4
1941	- 4.3	22.1	17.8	190.2
1942	68.9	- 6.5	62.4	252.6
1943	90.2	8.9	99.1	351.7
1944	78.6	13.4	92.0	443.7
1945	32.5	72.7	105.2	548.9
1946	- 0.8	99.0	93.2	647.1
1947	- 92.2	122.9	30.7	677.8
1948	- 28.9	125.5	96.6	774.4
1949	52.7	107.4	160.1	934.4
1950 a/	- 11.8	134.7	122.9	1,057.3

Source: Compiled from data of the Revista del Banco de la República.

a/ October

Credit issued to the Government and to the private banks was the principal source of expansion during 1947 and 1948. Its intensity declined during 1949 and 1950, mainly in the category of government operations.

During the first nine months of 1950 expansion was mainly due to commercial bank credit. The portfolio of these establishments rose from 469 million pesos in December 1949 to 640.8 million in September 1950, an increase of 73.2 per cent between the two dates mentioned. This exaggerated increase in the bank portfolio gave rise to a voluntary agreement between the directors of the private institutions and the central bank not to exceed in the following months the volume of credits already granted. The agreement, put into practice last October, has not only prevented greater expansion of the means of payment but has brought about a decline in the following months. They fell from 1,093.4 million pesos in September 1950 to 995.7 in December of the same year.

/In summary,

In summary, it may be said that while monetary expansion was mainly due to the favourable balance of payments during the war (as shown in the preceding table), after the war the primary source of expansion has been credit of the issuing bank both to the commercial banks and to the Government. The transition took place in 1945, when only a third of the means of payment created corresponded to international reserves, the rest arising from domestic factors. This was repeated in 1949, due to the restrictions imposed on imports. In the other years, international reserves were a contracting factor, which considerably reduced (as in 1947) the expansionist strength of the domestic factors.

Credit

The increase recorded in credit operations is considerable. During the period under review the relative importance of the volume of operations by groups of establishments has varied. From 1945 to 1948 the increase in the credit operations of the Banco de la República was much greater than that of the other banking establishments. The opposite was the case during 1949 and 1950, when commercial banking credits increased at a greater rate than those of the Banco de la República. The mortgage banks and the Caja de Crédito Agrario showed a fairly steady upward trend throughout the period, although the volume was greater in the case of the Caja de Crédito Agrario.

/Table 35.

Table 35. Colombia: Bank Credit, 1940-50
(in millions of pesos)

<u>Balance as at the end of</u>	<u>To Private individuals</u>	<u>To the Government and official entities</u>	<u>Total</u>
1940	190.2	51.4	241.6
1941	230.7	55.2	285.9
1942	192.7	61.4	254.1
1943	212.9	68.4	281.3
1944	284.0	73.1	357.1
1945	351.6	72.8	424.4
1946	483.0	92.7	575.7
1947	662.5	130.2	792.7
1948	784.0	165.2	949.2
1949	883.6	181.1	1,064.7
1950 a/	1,128.8	139.1	1,267.9

Source: Compiled with figures from the Revista del Banco de la República.

a/ November

In September 1950, bank credit (excluding investments in the public debt) reached the high figure of 1,135 million pesos. The importance of this figure, compared with that of former years, explains why a unanimous agreement was reached by the Directors of banking institutions in order to prevent credit and money in circulation from increasing in the proportions recorded during 1950. On the other hand, it should be noted that the stabilisation agreed upon in October of that year has not entailed a restriction of credit supplied by organisations such as the Caja de Crédito Agrario and the mortgage banks, whose operations are mainly directed towards agriculture, animal husbandry and urban and rural building. The reduction has taken place exclusively in the operations of the commercial banks, through the application of a qualitative control of credit, denying it for those activities which are not directly related with the fostering of production.

/From 1945 to

From 1945 to 1949, there was an increase in the proportion of loans granted by the Caja de Crédito Agrario for agricultural purposes, and a decrease in those directed towards stockbreeding. The proportions of commercial banking credits for these two activities remained more or less the same during the period under review, although their increase has been relatively less in relation to other activities.

It is surprising to discover that there is no credit for mining in Colombia. This is probably largely explained by the fact that this activity requires relatively large amortisation periods, whereas loans granted by commercial banks could not exceed two-year terms. The Caja de Crédito, although it has a section for medium-term credits - 2 to 5 years - has a relatively small operating capital to cover this activity, as well as agriculture and stock-breeding. This situation will undoubtedly be modified as a result of the authorisation given towards the end of 1950 to the commercial banks to grant credits with amortisation periods of up to five years. This could also mean that the percentage of credit assigned to industry will increase more in the next few years than it did during the 1945-50 period.

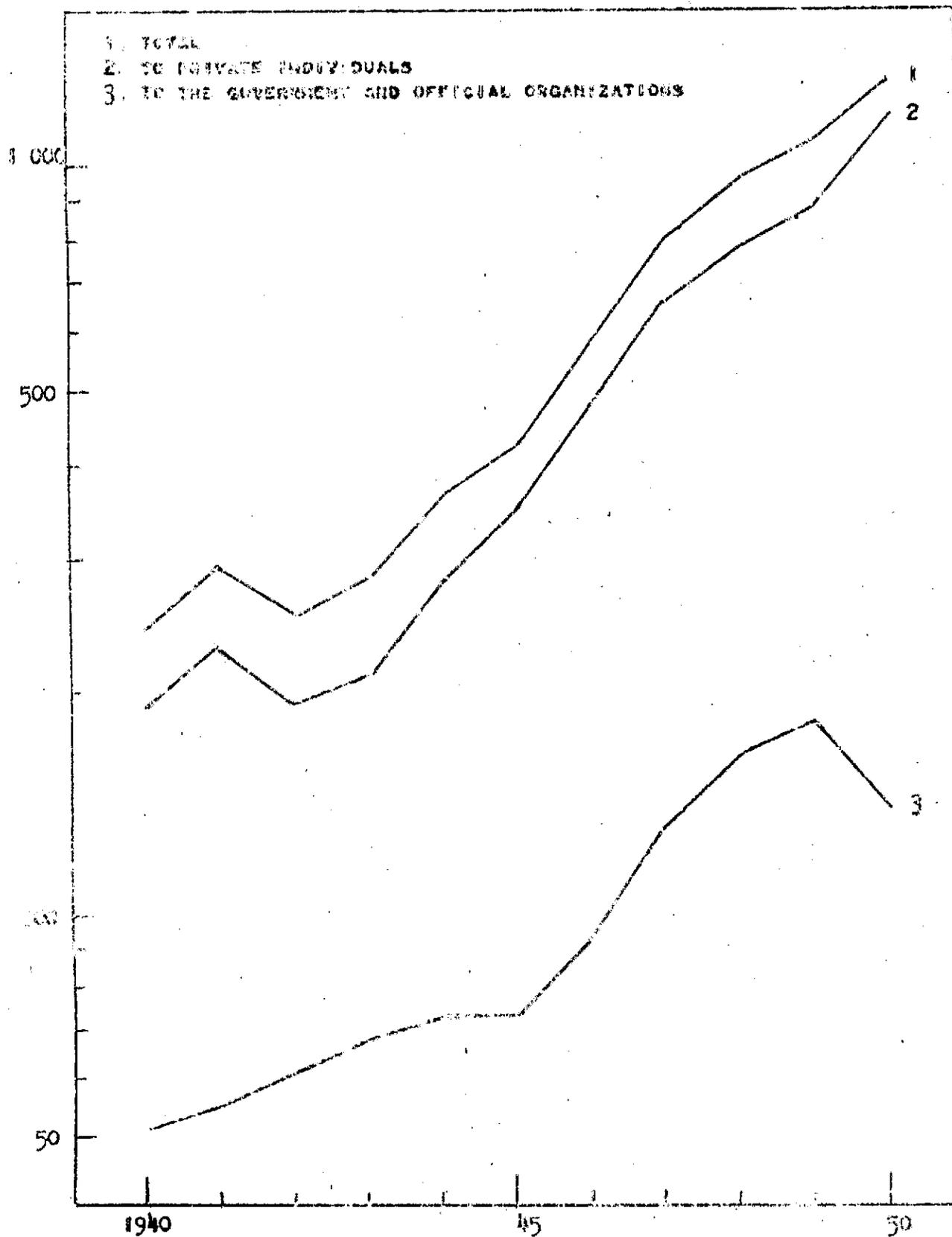
As the above figures show, credit has experienced a relatively high rate of increase in recent years; it seems reasonable to affirm therefore, that the most urgent needs in this respect are related not so much with a greater increase in volume as a better distribution among the different economic activities. Evidently the percentage of credit for commerce is considered to be generally high, whereas that for agriculture is too low. In this connection, there is no doubt that the reform of the banking legislation already mentioned, which permits commercial banks to operate with medium-term credits, may assist in providing a better distribution.

/On the other

SAVINGS DEPOSIT

BILLIONS OF PESOS

SEMI-LOGARITHMIC SCALE





On the other hand, various official measures tend to direct credit resources towards specific activities. Examples of this trend may be found in the legal regulations obliging the Cajas de Ahorro and Insurance Companies to invest a given percentage of their deposits or reserves in mortgage bonds, in order to increase the available funds of the Banco Central Hipotecario, the greater volume of its operations being directed towards the building of houses.

In the early days of April 1951, the Government issued a Decree granting the Banco de la República new powers as regards banking credit. As a result, the Bank may set special credit quotas for specified economic activities and indicate different interest and discount rates for loan operations, according to the economic importance of each activity. At the same time, as the depository of the Government's funds, it may transfer these to other banking concerns with which it may reach a prior agreement on the supply of credit to productive activities.

The Level of Prices

From 1938 to 1945, the worker's cost of living index in Bogotá (which in the absence of any other has been taken as representing the general level of prices) showed a rising trend slightly higher than the index for the average of industrial wages in the central region of the country. In the years 1946 to 1948 (latest for which there is information available concerning wages), the reverse seems to have been the case, as the index of wages rose relatively more than that for the cost of living.

Table 36. Colombia: Cost of Living, Wages and Means of Payment
(Indices 1938 = 100)

<u>Years</u>	<u>Worker's cost of living in Bogotá</u>	<u>Industrial wages a/</u>	<u>Means of Payment</u>
1938	100.0	100.0	100.0
1939	104.4	101.8	103.6
1940	101.3	102.4	111.4
1941	99.7	101.8	122.9
1942	108.4	109.0	163.2
1943	125.6	124.6	227.2
1944	151.1	144.3	286.6
1945	168.2	160.5	354.6
1946	183.8	186.8	418.0
1947	217.3	225.1	437.9
1948	253.0	264.7	500.3
1949	269.8		603.6
1950	324.1		650.0

Source: Compiled using figures from the Revista del Banco de la República and the Anuarios Generales de Estadística.

a/ Index of the average wages for industries in the central region of the country, according to the Anuarios Generales de Estadística.

The index of real wages in Bogotá, calculated by the Dirección General de Estadística, shows variations along the same lines: a decline from 1941 to 1945 and an upward trend from that year on, this rise being also recorded in the per capita quantum of available consumer goods.

Table 37. Colombia: Real Wages in Bogotá
(Indices 1938 = 100)

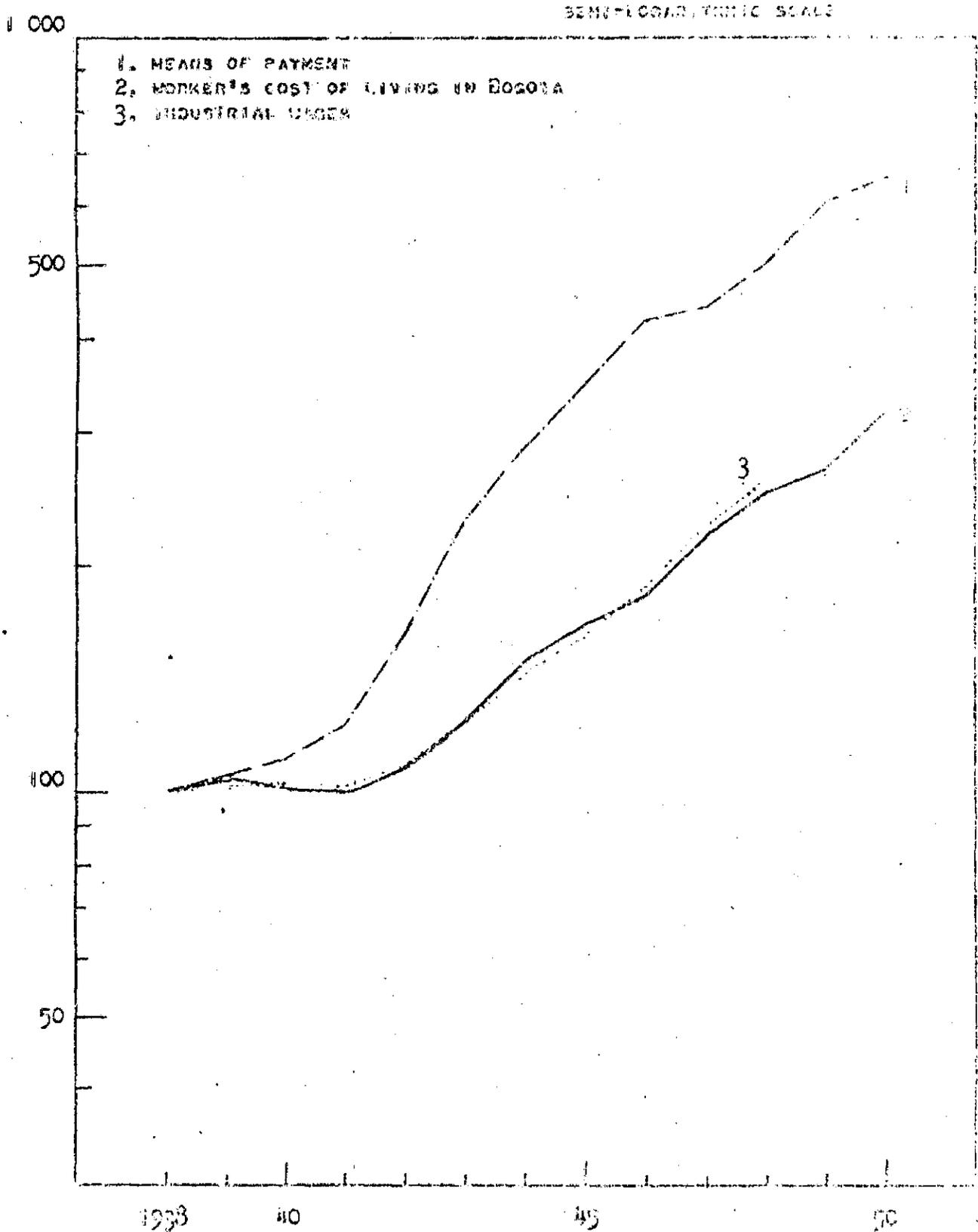
<u>Years</u>	<u>Women</u>	<u>Men</u>	<u>Total</u>
1938	100.0	100.0	100.0
1939	98.6	100.3	99.2
1941	113.1	99.8	103.8
1942	113.2	99.5	103.3
1943	113.4	95.8	101.2
1944	104.9	88.9	93.2
1945	102.7	88.7	90.6
1946	104.7	93.8	94.2
1947	107.9	95.1	96.0
1948	110.2	95.3	96.1

Source: Anuarios Generales de Estadística.

/Farm wages,

COLUMBIA

COST OF LIVING, WAGES AND MEANS OF PAYMENT
1938 = 100





Farm wages, in turn, showed a slightly greater increase than industrial wages. The most common daily wage in Cundinamarca (which corresponds to the central region mentioned for industrial wages), rose 233.3 per cent from 0.60 pesos in 1938 to 2.00 pesos in 1948,, in comparison with a rise of 164.7 per cent in industrial wages. In the Caldas region, where coffee growing is the predominant activity, the most common agricultural wage rose 212.5 per cent from 0.80 pesos in 1938 to 2.50 pesos in 1948.^{1/} Although in relative terms the rise in agricultural wages was less in the coffee producing area, in absolute terms the most common wage is higher in this area than the other.

In comparison with the rises in the indices of the cost of living and wages, that of the means of payment is much more important. This is at least partly due to the fact that the increase in monetary circulation started from an extraordinarily low level. Before the war, the annual increases in the means of payment were approximately 5 million pesos, except for 1936 and 1938, when they were slightly over 15 million. After 1942, on the other hand, the annual increases varied between 60 and 100 million, amounting to 160 million in 1949. Although it is not possible to separate the causes for the rise in prices, it is probably correct to state that in the years 1943 to 1945 it was mainly due to the limitations imposed by the war on the supply of consumer goods and only to a very small extent to monetary expansion, whereas in the following years (but particularly after 1948) the rise in prices was mainly due to the monetary factor and secondarily to the rise in prices abroad and the greater cost of imports through devaluation and the additional taxes on the exchange rate.

Another factor which explains the lower rise of the cost of living index, in relation to that for the means of payment is the action of official price control, introduced by the Government since the war period. With a few months' interruption in 1946, this control affected all the principal commodities of general consumption, both agricultural and manufactured, including rents, and was extended to a certain number of imported goods, such as drugs, machinery and tools, automotive vehicles, food products, etc.

^{1/} Basic data on the most common agricultural wages obtained from the Anuarios Generales de Estadística.

Due to the absence of price indices for manufactured goods, it is not possible to compare the growth of these with that of agricultural products. As observed in other countries, the increase in the price of foodstuffs has been relatively greater than the rise in the worker's cost of living, the index rising to 324.1 in 1950, while that for foodstuffs rose to 395.0 in the same year, in both cases taking 1938 as 100. In comparison with these indices, that for the prices of building materials in Bogotá (most of which are of domestic production) rose from 100.0 in 1938 to 272.4 in 1950. It may be estimated, therefore, that the rise in the prices of manufactured products has been less than that for agricultural products.