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The subsidiary role of direct foreign investment in industrialization: the Colombian manufacturing sector

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In national industrialization processes, direct foreign investment, together with the incorporation of new technologies, enables the modernization of industry to go hand in hand with the promotion of its development. However, the goals of the transnational corporations that take part in national industrialization processes do not always coincide with the economic policy objectives of the host State. Hence, almost all the governments of the region have set up, in varying measure, administrative systems to assess, authorize, register and occasionally supervise foreign participation. There is always some tension between the aims of modernization, with its reduced control and restriction of the activities of the transnational corporations, and national participation, which implies more supervision. The importance of the Colombian case, which is examined in this article, lies in the way in which it resolved this tension by assigning a subsidiary role to foreign participation, particularly in the industrial field. To verify the impact of this policy, a survey was made of the 26 largest firms in the manufacturing sector in which foreign participation was involved. The results of this survey are summarized in the second part of this article.

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Introduction

Studies on Colombian development generally distinguish between two stages in the industrialization process and in the official policy relating to it: the easier stage of import substitution, and the more difficult stage, in which substitution is combined with the promotion of exports of manufactures. The two stages are separated by the balance-of-payments crisis of the 1960s and the turnaround in economic policy imposed by Decree-Law 444 of 1967.

The result was not so much a structural change in the process of development as a transition towards a more complex economic policy, which had diverse consequences for the agents of development, above all the foreign enterprises. In this connection Ranis (1976, p. 99), for example, indicates that "... during import substitution investment is channelled mainly into the industrial sector of the LDC, with the main contribution of the MNC one of adding to industrial savings, capital accumulation, and management capacity. At this point in time, when the market, the role of relative prices, efficiency, and so forth have been put aside, at least temporarily, in order to ensure as rapid a rate of industrial growth as possible, foreign capital and management can provide an important assist. This is usually a period when technology choice generally consists mainly in the act of turn-key borrowing from the "shelf" of advanced country technology... In this period, the watchword is getting the job done as quickly as possible, with relatively little concern for efficiency —certainly not at international prices".

As the industrial sector advances, according to Ranis (1976, p. 101), "... the role of appropriate technology and output mixes in penetrating international markets becomes much more important. One can now conceive of a benign and productive combination between the advantages of the MNC ... and the growing domestic expertise based on the specificity and peculiarities of the local resource endowment and institutional factors. ... Under generally more competitive conditions there is an increasing need for coming up with the right amalgam of imported and adaptive technologies and output mixes to ensure the continued outward-looking expansion of the industrial sector".

In the postwar period, the manufacturing sector gradually became the engine of the Co-

Colombian economy, raising its 13.5% share of the GDP in 1950 to 18.4% in 1975, aided by a clear policy of industrial import substitution (ECLAC, 1978). From that year, however, it began to lose dynamism and suffered a considerable fall in 1981-1983. At all events, the share of imports in the total supply of manufactures dropped from 20% in 1950-1952 to 15% in 1965-1967, while imports corresponding to intermediate industries fell from 39% to 18%. Between 1965-1967 and 1979, import substitution declined in the traditional industries (2.5% to 5.3% of the total supply) and in the intermediate industries (18.2% to 21.3%) on account of the notable increase in the capacity to import at the end of the 1970s. Nevertheless, this process continued in the more complex industries (metal products and machinery), so that the proportion of imports in the total supply of these manufactures fell from 58.4% to 43.3% (DANE, 1977, 1981 a and 1981 b). The share of exports in the total production of manufactures rose from 0.2% in 1950-1952 to 9.2% in 1975, although it suffered a notable fall in 1979 (to 6.8%) through the loss of impetus in traditional industry (foodstuffs and textiles) and intermediate industry (chemicals and petroleum products). In these cases there is a clear distinction between two phases in the policy of industrial import substitution, namely, those of 1950-1957 and 1967-1982.

Thus, in the period 1967-1982 Colombian industrial policy became more ambitious, simultaneously promoting import substitution in technically more complex industries (motor vehicles, petrochemicals, machinery) and the export of manufactures (above all those produced in the industries set up in the easy stage of import substitution), with the initial aim of alleviating the

scarcity of foreign exchange brought about by the balance-of-payments crises.

For the enterprises with foreign participation, the new orientation of economic policy had implications which went beyond import substitution in its second phase or the export of manufactures, since they had to adapt themselves to a new administrative system based on exchange control in order to assess, authorize, register and control numerous aspects of foreign participation, which made itself felt in controls over investment, remittances (of profits, royalties and interest) and foreign trade (imports and exports). To these measures were added, by virtue of Decision 24 of the Commission of the Cartagena Agreement, the obligation to convert themselves into mixed enterprises in order to enjoy the benefits of the Andean market, and other limitations (e.g., some sectors were reserved for national and mixed enterprises; access to domestic credit and conditions for external credits were defined; and a ceiling was fixed for reinvestment unless officially authorized). Obviously, Decree 444 of 1967 imposed limits on the activities of enterprises with foreign participation from the balance-of-payments angle, while the Common System (Decision 24) established broad objectives in order to favour national and mixed enterprises in the enlarged market which resulted from Andean integration and to strengthen the bargaining capacity of the member countries *vis-à-vis* foreign participation. In essence, the official policy designated enterprises with foreign participation as agents of development and tried to ensure through the new system that they achieved the goals of the economic policy in a much wider sense than that of the balance of payments.

I

Official policy: a subsidiary role for foreign participants in the Colombian industrialization process

The new policy *vis-à-vis* foreign participants in the industrialization process was based on the following aims: to channel direct foreign invest-

ment towards substitution in the technologically more complex industries; to promote the export of manufactures; to reduce the foreign exchange

cost of the participation of foreign enterprises; and to increase the share of local capital in the industries dominated by foreign enterprises.

In 1967 and 1983 the direct foreign investment registered in the manufacturing sector was progressively directed towards the metal-

Table I
COLOMBIA: DIRECT FOREIGN INVESTMENT REGISTERED IN
THE MANUFACTURING SECTOR, 1967-1983

(Millions of dollars)

ISIC Industrial Division	1967-1970	1975	1980	1983	Percentage breakdown	
					1967-1970	1983
A. Current values						
31. Manufacture of food, beverages and tobacco	27.4	39.0	77.8	119.0	8.6	12.0
32. Textile, wearing apparel and leather industries	18.3	27.3	39.7	47.0	5.8	4.8
33. Manufacture of wood and wood products, including furniture	4.3	5.6	8.4	12.0	1.4	1.2
34. Manufacture of paper and paper products; printing and publishing	38.5	45.2	83.0	109.0	12.1	11.0
35. Manufacture of chemicals and of chemical, petroleum, coal, rubber and plastic products	149.2	199.2	289.0	385.0	47.0	38.9
36. Manufacture of non-metallic mineral products, except products of petroleum and coal	23.2	29.3	40.7	56.0	7.3	5.6
37. Basic metal industries	6.3	10.0	13.5	15.0	2.0	1.5
38. Manufacture of fabricated metal products, machinery and equipment	47.6	68.5	190.5	241.0	15.0	24.3
39. Other manufacturing industries	2.3	3.3	7.1	8.0	0.7	0.8
Total	317.3	427.4	749.8	992.0	100.0	100.0
					Annual cumulative growth rate (1970-1983)	
B. Constant values (1980)^a						
31. Manufacture of food, beverages and tobacco	71.7	59.9	77.8	105.4	2.8	
32. Textile, wearing apparel and leather industries	47.9	41.9	39.7	41.6	-1.0	
33. Manufacture of wood and wood products, including furniture	11.3	8.6	8.4	10.6	-0.5	
34. Manufacture of paper and paper products; printing and publishing	100.8	69.4	83.0	96.5	-0.3	
35. Manufacture of chemicals and of chemical, petroleum, coal, rubber and plastic products	390.6	306.0	289.0	341.0	-1.0	
36. Manufacture of non-metallic mineral products, except products of petroleum and coal	60.7	45.0	40.7	49.6	-1.4	
37. Basic metal industries	16.5	15.4	13.5	13.3	-1.5	
38. Manufacture of fabricated metal products, machinery and equipment	124.6	105.2	190.5	213.5	3.9	
39. Other manufacturing industries	6.0	5.1	7.1	7.1	1.2	
Total	830.6	656.5	749.8	878.6	0.4	

Source: Calculated on the basis of information from the Oficina de Cambios, Banco de la República.

^aDeflated by the wholesale price index of the United States.

Table 2
 COLOMBIA: DIRECT FOREIGN INVESTMENT AUTHORIZED IN
 THE MANUFACTURING SECTOR, 1970-1976 AND 1977-1981

(Millions of dollars)

Basic Industrial Division	1970-1976			1977-1981 ^a		
	Number of enterprises	Amount authorized	Percentage	Number of enterprises	Amount authorized	Percentage
31. Manufacture of food, beverages and tobacco	45	15.9	7.3	12	34.8	7.4
32. Textile, wearing apparel and leather industries	37	12.1	5.6	7	14.5	3.1
33. Manufacture of wood and wood products, including furniture	9	5.1	2.3	2	0.5	0.1
34. Manufacture of paper and paper products; printing and publishing	34	8.9	4.1	12	89.9	19.0
35. Manufacture of chemicals and of chemical, petroleum, coal, rubber and plastic products	168	106.7	49.1	63	148.9	31.4
36. Manufacture of non-metallic mineral products, except products of petroleum and coal	25	18.6	8.6	6	3.6	0.8
37. Basic metal industries	13	5.0	2.3	19	14.2	3.0
38. Manufacture of fabricated metal products, machinery and equipment	124	44.0	20.2	45	159.7	33.7
39. Other manufacturing industries	9	1.0	0.5	11	7.5	1.6
Total	464	217.4	100.0	177	473.4	100.0

Source: 1970-1976, calculated on the basis of Medina Torres 1978, p. 93. 1977-1981, calculated on the basis of foreign investment applications approved by the National Planning Department of Colombia.

^aWhereas the totals for 1970-1976 represent 100% of the authorizations for the said period, the totals for 1977-1981 represent the authorizations exceeding US\$ 100 000 (around 83% of the total amount authorized in the said period).

working industries which grew at a real annual cumulative rate of close on 4%, so that their share in the recorded total rose from 15% in 1967-1970 to over 24% in 1983 (table 1). This is confirmed by analysis of the investments authorized for the same period (table 2). Not only did the share of the metal-working industry in the total authorizations rise from 20% to 34%, but also the average of each investment authorized in that industry soared from US\$ 0.4 to US\$ 3.5 million, whereas the average for all industrial divisions rose only from US\$ 0.5 to US\$ 2.7 million. The change of direction in the authorizations clearly showed itself in the records of direct foreign investment in the manufacturing sector for 1981. The policy of directing this investment towards substitution in more complex industries such as the motor—vehicle and capital—goods industr-

ies was quite successful, judging by the figures on economic activities (tables 1 and 2). In the promotion of exports of manufactures, however, the enterprises with direct foreign investment have not displayed such positive results. For various reasons—mainly a competitive exchange rate and a broad programme of incentives—the manufacturing sector achieved a notable increase in its exports in 1967-1974 (Echavarría and Perry, 1983). After that period it lost impetus. The tax credit certificate benefits were reduced and the exchange rate for exports deteriorated (comparing 1975-1982 with 1967-1974). To stimulate the activity of foreign enterprises, a policy was applied making new direct foreign investment conditional on an increase in the values of manufactured exports. The government authorities must have believed that the

Table 3
COLOMBIA: DIRECT FOREIGN INVESTMENT AUTHORIZED SUBJECT TO
EXPORT COMMITMENTS, MANUFACTURING SECTOR, 1977-1981

ISIC Industrial Division	With export contract		Without export contract		Total	
	Millions of dollars ^a	%	Millions of dollars ^a	%	Both types (Millions of dollars)	With contract (Percentages)
31. Manufacture of food, beverages and tobacco	16.9	3.6	17.9	3.8	34.8	45
32. Textile, wearing apparel and leather industries	3.2	0.7	11.3	2.4	14.5	22
33. Manufacture of wood and wood products, including furniture	0.5	0.1	—	—	0.5	100
34. Manufacture of paper and paper products; printing and publishing	36.0	7.6	53.8	11.4	89.9	40
35. Manufacture of chemicals and of chemical, petroleum, coal, rubber and plastic products	118.0	24.9	30.9	6.5	148.9	79
36. Manufacture of non-metallic mineral products, except products of petroleum and coal	3.4	0.7	0.2	—	3.6	94
37. Basic metal industries	12.8	2.7	1.4	0.3	14.2	90
38. Manufacture of fabricated metal products, machinery and equipment	43.0	9.1	116.7	24.7	159.7	26
39. Other manufacturing industries	7.3	1.5	0.2	—	7.5	97
Total	240.9	50.9	232.5	49.1	473.4	

Source: Calculated on the basis of foreign investment applications approved by the National Planning Department of Colombia.

^aIncludes only investments exceeding US\$ 100 000 (equivalent to 83% of the total value of the authorizations for the manufacturing sector).

high concentration of exports produced with direct foreign investment in a limited number of enterprises¹ would contribute to the success of the policy, since with a few export contracts there would be a notable change in the export performance of the enterprises, especially of those associated with the old substitution policy. Despite the fact that 51% of the authorizations for new direct foreign investment during 1977-1981 (table 3) involved contractual commitments with regard to exports of manufactures (above all in the chemical industry), however, the exports of the enterprises with this investment deteriorated *vis-à-vis* those of national enterprises (table 4).

¹Montoya (1982) found that more than two-thirds of the manufactures exported by the transnational corporations from Colombia in 1978 came from industrial groups (ISIC) where three corporations generated 75% of the total value of those exports.

With the exception of Cartón Colombia and, to a lesser degree, Cristalería Peldar, it is clear that the exports of manufactures did not come mainly from the dominant foreign enterprises associated with the phase of easier substitution, but from others. Thus, although it is obvious that the results of the policy of tying new investment to export contracts did not respond to the official intentions, it is no less certain that the specific policy applied on the subject has motivated many new foreign participants to export manufactures (tables 3 and 4).

With regard to the aim of reducing the foreign exchange cost of foreign participation in the manufacturing sector², quite good results were obtained even during the foreign exchange

²Several official studies have substantiated the high cost of direct foreign investment (Banco de la República, 1974, 1973 a and 1973 b).

Table 4
COLOMBIA: CUMULATIVE GROWTH RATES OF THE MANUFACTURES
EXPORTED, BY TYPE OF ENTERPRISE (SELECTED PERIODS, 1969-1980)

Isic Industrial Division	1969-1971/1974-1976			1974-1976/1978-1980		
	All enterprises	Enterprises with direct foreign investment ^a	National enterprises	All enterprises	Enterprises with direct foreign investment ^b	National enterprises
31. Manufacture of food, beverages and tobacco	37.1	49.3	36.8	7.1	10.0	7.0
32. Textile, wearing apparel and leather industries	42.0	87.3	40.0	13.7	-14.4	15.5
33. Manufacture of wood and wood products, including furniture	35.3	34.0	35.3	-7.6	-1.2	-70.9
34. Manufacture of paper and paper products; printing and publishing	27.7	26.0	30.8	21.8	12.4	34.3
35. Manufacture of chemicals and of chemical, petroleum, coal, rubber and plastic products	39.0	29.5	78.5	6.4	8.1	3.3
36. Manufacture of non-metallic mineral products, except products of petroleum and coal	36.8	25.6	44.6	20.3	4.2	25.8
37. Basic metal industries	48.2	11.0	55.7	-13.4	2.5	-14.8
38. Manufacture of fabricated metal products, machinery and equipment	40.6	49.6	36.5	25.9	11.8	32.4
39. Other manufacturing industries	30.9	79.9	29.9	35.5	19.7	36.2
Total	37.9	34.6	38.8	13.4	7.5	14.5

Source: Calculated on the basis of Montoya (1982), tables 7, 8 and 27.

^aFor 1969-1971, the coverage amounted to 67% of the enterprises with direct foreign investment.

^bAll the enterprises with direct foreign investment equivalent to 30% or more of their registered capital.

boom period generated by the record coffee exports of 1976-1980, which might well have caused a relaxation in the policy adopted. The greatest outflow of foreign currency was associated with the so-called importing vocation of the foreign enterprises. According to the calculations of Misas (1983), between 1975-1979, i.e., at the height of the foreign exchange boom, the imports of these enterprises fell from 33% to 22% of the total value and inter-enterprise trade in total private imports fell from 29% to 21%. External payments (profits, dividends, royalties for technical services) also declined during the 1970s as a proportion of the direct foreign investment recorded in the sector (table 5). By component, and as a percentage of the direct foreign investment recorded, royalties fell appreciably,

payments for technical services remained constant and profits and dividends rose slightly. The modest size of the increase in payments of profits and dividends measured in proportion to the direct foreign investment is surprising for two reasons. In the first place, from 1977 onwards a higher limit was applied to the remittances of profits (20% instead of 14% of the investment registered). Then towards the end of the 1970s there arose a problem of "capital in limbo", that is, non-remittable profits which exceeded the new limit. The problem was solved in 1978 by means of Resolution 29 of the Economic and Social Policy Council, which permitted the remittance of 50% of the capital in limbo, provided that the foreign investor used the other half to purchase special bonds of the Industrial De-

Table 5
COLOMBIA: MAIN EXTERNAL PAYMENTS LINKED WITH FOREIGN
PARTICIPATION IN THE MANUFACTURING SECTOR, 1970-1982

(Millions of dollars)

Year	(1) Registered direct foreign investment	(2) Profits and dividends ^a	(3) $\frac{2}{1} \times 100$	(4) Royalties ^b	(5) $\frac{4}{1} \times 100$	(6) Technical services	(7) $\frac{6}{1} \times 100$	(8) $\frac{2+4+6}{1}$
1970	317.3	24.3	7.7	10.4	3.3	9.2	2.9	13.8
1971	346.0	26.9	7.8	7.8	2.3	7.9	2.3	12.3
1972	373.3	29.5	7.9	6.8	1.8	9.0	2.4	12.1
1973	383.4	29.2	7.6	5.9	1.5	12.7	3.3	12.5
1974	395.5	28.5	7.2	6.7	1.7	11.6	2.9	11.8
1975	427.4	36.7	8.6	5.7	1.3	11.3	2.6	12.6
1976	453.9	43.5	9.6	5.0	1.1	11.3	2.5	13.2
1977	541.0	47.7	8.8	6.1	1.1	10.3	1.9	11.8
1978	572.6	54.0	9.4	4.9	0.9	6.5	1.1	11.4
1979	648.8	51.9	8.0	6.3	1.0	10.2	1.6	10.5
1980	749.8	53.0	7.1	6.0	0.8	...	...	...
1981	868.0	72.0	8.3	9.0	1.0	...	...	...
1982	922.0	76.0	8.2	10.0	1.1	...	...	...

Source: Banco de la República, Oficina de Cambios and data from INCOMEX.

^aAll sectors except petroleum.

^bExcluding royalties on cinematographic material.

velopment Institute. The sum invested in these bonds in 1978-1981 amounted to almost two million Colombian pesos (half of it associated with only three foreign enterprises: Colgate Palmolive & Cía., Propal S.A. and Fábrica Colombiana de Automotores S.A.). This scant growth implies that even in the exceptional conditions of a foreign currency boom a reduction was achieved in the relative burden represented by foreign participation in industrialization with regard to its foreign exchange cost (table 5).

In raising the share of local capital in industries dominated by foreign enterprises, it is clear that the policy of promoting mixed enterprises was successful. The new companies favoured by the policy of substitution in technologically more complex industries were made highly conditional on greater national (State) participation, as in the cases of Cía. Colombiana de Automotores S.A., Monómeros Colombo-Venezolanos S.A. and the Sociedad de Fabricación de Automotores S.A., which were the main mixed enterprises operating in Colombia up to 1982 (table 6). In 1980 the direct foreign investment

registered in mixed enterprises came to 17% of the total of such investment in the manufacturing sector, and if Celanese Colombiana S.A. and Enka de Colombia S.A., which were converted into mixed enterprises two years later are included, the figure rises to 22%. Resolution 11 of the Monetary Board adopted in 1976 had a slight influence on the conversion of the foreign enterprises, as in the case of ALCAN de Colombia S.A. when it established a fund of US\$ 50 million for the purchase of shares in foreign enterprises. Through disagreements among local groups, however, only 25% of the resources were allocated to the purpose indicated (*Latin American Review*, 1977 a, p. 3, and 1977 b, p. 203). Another impact was made by the requirement of Decision 24 which compelled the foreign enterprises operating in Colombia and wishing to export to the Andean market to sign transformation agreements with the National Planning Department (table 7). The enterprises which had signed such agreements up to the end of 1982 represented, according to data for the year 1980, another 3% of the total of direct foreign investment reg-

Table 6
COLOMBIA: NAMES OF THE MOST IMPORTANT MIXED ENTERPRISES, 1982

Mixed enterprises	Registered direct foreign investment in 1980 (Millions of dollars)	ISIC group	Sales in 1982 (Millions of pesos)
Cía. Colombiana de Automotores S.A.	38.6	3843	3 749
Monómeros Colombo-Venezolanos S.A.	21.4	3513	8 255
Eternit Colombiana S.A.	14.8	3699	2 268
Soc. de Fabricación de Automotores S.A.	6.2	3843	9 306
Aluminio Alcan de Colombia S.A.	3.4	3720	...
Productora Nac. de Llantas S.A.	3.3	3551	2 604
Hilandería Medellín S.A.	3.0	3211	...
Papeles Scott de Colombia S.A.	2.7	3419	2 200
Laboratorios Pharmatique S.A.	2.5	3522	...
Derivados de Maíz S.A.	2.4	3116	...
Subtotal 10 largest	98.3		
Celanese Colombiana S.A. ^a	19.1	3513	3 191
Enka de Colombia S.A. ^a	14.9	3513	5 258
Subtotal	132.3		
All the mixed enterprises	163.8		

Source: Information from the register for 1980 and interviews.

^aForeign enterprises before 1982.

Table 7
COLOMBIA: MANUFACTURING ENTERPRISES WHICH HAD SIGNED
AGREEMENTS WITH THE NATIONAL PLANNING DEPARTMENT TO
BECOME MIXED COMPANIES UP TO 1982

Enterprise	Foreign capital (according to the 1980 register) In millions of dollars	National share in the registered capital (%)
Pizano S.A.	5.4	37.0
Carboquímica S.A.	4.0	15.0
Productos Avon S.A.	1.9	18.0
Abitbol & Bigio Vanytex S.A.	1.5	3.6
Sandoz Colombiana S.A.	1.5	21.8
Colombia Kimberley S.A.	1.4	50.4
Química Antex Ltda.	1.3	15.6
Braun de Colombia S.A.	0.8	0.1
Lácteos Colombianos Lacol S.A.	0.7	15.7
Siemens S.A.	0.6	1.0
Aga-Fano S.A.	0.6	15.1
Carlo Erba de Colombia S.A.	0.6	15.0
Monarch Colombiana S.A.	0.6	22.2
Subtotal	20.6	
Other enterprises ^a	2.8	
Total 35 enterprises	234.0	

Source: Information supplied by the National Planning Department and enterprises surveyed.

^aEach with less than US\$ 500 000 of foreign capital registered for the year 1980.

istered in the sector.³ Thus the mixed enterprises and those in process of transformation represented 25% of the direct foreign investment registered in the manufacturing sector at the beginning of the 1980s. These changes accord with the expressed intentions of the authorities, since between 1970-1976 and 1977-1981 they raised the authorizations for direct foreign investment in mixed enterprises (as against foreign and national enterprises) from 20.5 to 37.4% of the total value of the authorizations for these periods. In other words, the share of national enterprises in the capital of the companies accounting for foreign participation in the manufacturing sector increased considerably (tables 6 and 7).

It should be noted that these achievements of the policy as regards foreign participation in the industrialization process were not due to the efficient functioning of the Andean integration process, particularly in the case of the sectoral programmes of industrial development, and even of certain aspects of Decision 24. ECLAC studies show clearly that towards the end of the 1970s, at least, the sectoral programmes had not worked well, having failed to promote the new investment needed or to motivate the foreign enterprises to change into mixed companies in order to participate in the programmes (Gana, 1977; Garay, 1977 and Mortimore, 1978). Enterprises such as CCA, SOFASA and Monómeros were mixed before the application of sectoral programmes in the motor-vehicle and petrochemical branches, and the subsequent transformation of companies such as Celanese and Enka was not particularly related to the petrochemical programme. Perhaps the only important case of transformation into a mixed enterprise directly linked with the programming is that of Carboquímica S.A., which produced only one product falling within the allocations of the petrochemical programme. Nor did the Andean market play a very important role in the expansion of foreign enterprises in Colombia, since they generally took the view that the domestic market was more attrac-

tive or that other variables (such as the level of protection offered by the common external tariff) could be more important for enterprises with direct foreign investment than access to the rest of the Andean Group (Pérez Salazar, 1980, p. 72). It is clear, therefore, that the incentives provided by these instruments had no great influence on the decisions of the enterprises, since the negative aspect of the instruments (exclusion of the foreign enterprises) was more obvious than the positive (possibility of accelerated growth in a large market). In other words, the degree of success that the policy of promoting mixed enterprises has achieved is not basically due to the incentives offered by the Andean instruments, but rather to Colombian internal factors. Now, all the official indicators and data, and even the unofficial ones too, agree that (with the exception of the aim of increasing exports of manufactures) the official policy largely achieved the goals it set itself. If this is so, it would mean that the official policy of assigning to foreign participation a subsidiary role in Colombian industrialization gave quite good results. To verify this hypothesis the author directly approached the main industrial firms with a foreign element for their views on the economic policy and its effects on foreign participation in the industrial sector during the period 1967-1982. A survey was made of the 30 largest firms (on the basis of their sales in 1982) with foreign participation in the manufacturing sector, representing 58.4% of the foreign investment registered in the manufacturing sector at the end of 1980. Of this sample, the questionnaire was answered by 24 firms which represent 50.7% of the foreign investment registered in the manufacturing sector at the end of 1980 and 35.9% of the total foreign investment (excluding petroleum) recorded in the same year. To reach a total of at least 25 enterprises two interesting cases were added: Exportadora Dupont, one of the foreign firms which exports most manufactures in Colombia; and Carboquímica, a foreign company in process of transformation which competed directly with a national company, both producing one of the items of the Andean Group petrochemical programme. Thus the enterprises surveyed reached 26 (table 8).

The survey consisted of a qualitative part, with opinions on the industrial and export-

³Two firms which changed into mixed enterprises (Celanese Colombiana S.A. and Enka de Colombia S.A.) and one enterprise which signed a transformation agreement (Carboquímica S.A.) in 1982 are included in the data for the year 1980. The list for the year 1982 was not available.

promotion policies, on the administrative system for assessing, authorizing, registering and controlling foreign investment and technology, and on the role of Colombia as a recipient of foreign investment. The quantitative part was devoted to

an inquiry on various aspects of the performance of the enterprises.

The interviews which accompanied the survey were held in May and June of 1983 in the cities of Bogotá, Medellín and Cali.

Table 8
COLOMBIA: THE LARGEST ENTERPRISES WITH FOREIGN PARTICIPATION SURVEYED,
IN ORDER OF NET SALES IN 1982

Colombian enterprise	Main activity (tsic group)	Main foreign participant	Foreign capital (%)	Net sales ^a		Registered foreign investment	
				1982	1981	Amount ^b	Updated
Fábrica Colombiana de Automotores S.A.	3843	General Motors Corp.	77	11 931	10 932	20.8	1979
Cartón de Colombia S.A.	3411	Container Corp. (Mobil Oil Corp.)	66	10 678	8 621	30.8	1980
Monómeros Colombo-Venezolanos S.A.	3513	IVP (Venezuela) DSM (Netherlands)	53 ^c	8 255	9 072	21.4	1980
Colgate Palmolive y Cía.	3523	Colgate Palmolive Inc.	100	7 022	6 013	31.6	1980
Productora de Papeles S.A.-Propal	3411	International Paper Co.	100	6 348	5 300	45.3	1980
Ind. Nestlé de Productos Alimenticios S.A.	3121	Nestlé S.A.	100	5 601	3 286	13.5	1980
Goodyear de Colombia S.A.	3551	Goodyear Tire and Rubber Co.	100	5 388	...	23.9	1980
ENKA de Colombia S.A.	3513	N.V. Industriel Bezit	49 ^c	5 256	4 408	14.9	1979
Cristalerías Peldar S.A.	3620	Ovens Illinois Inc.	58	5 089	3 156	15.7	1979
Ind. Colombiana de Llantas S.A.	3551	B.F. Goodrich Co.	71	4 940	...	17.8	1980
Compañía Colombiana Automotriz S.A.	3843	Fiat S.p.A. (up to 1982)	49 ^c	3 830	3 548	38.6	1975
Dow Química Colombiana S.A.	3512	Dow Chemical Co.	100	3 160	2 870	2.5	1979
Ind. Phillips de Colombia S.A.	3832	N.V. Phillips	100	2 967	2 732	8.1	1979
Unión Carbide de Colombia S.A.	3839	Union Carbide Corp.	100	2 771	...	8.7	1980
Siemens S.A.	3831	Siemens A.G.	71 ^c	2 665	2 455	4.2	1979
Productora Nacional de Llantas S.A. ^d	3551	Uniroyal Inc.	49 ^c	2 604	2 508	3.3	1983
Pizano S.A.	3311	Boise Cascade Inc.	73 ^c	2 594	2 110	5.4	1980
CEAT General de Colombia S.A.	3839	Ceat International, General Cable Corp.	100	...	1 978	5.6	1979
Croydon S.A.	3559	Uniroyal Inc.	99	2 576	2 191	14.1	1980
Celanese Colombiana S.A.	3513	Celanese Corp. (up to 1982)	49 ^c	2 489	2 669	19.1	1978
Eternit Colombiana S.A.	3699	Eternit Co.	49 ^c	2 268	1 200	10.2	1980
Gillette de Colombia S.A.	3819	Gillette Co.	100	2 000	1 481	3.3	1979
Hilos Cadena S.A.	3211	J. and P. Coats Ltd.	100	1 940	1 911	16.5	1980
Cementos Boyacá	3692	Holderbank Financiere Glaris	50	1 479	1 277	4.8	1979
Dupont Exportadora S.A. ^e	3511	E.I. Dupont de Nemours & Co.	100	...	...	0.5	1979
Carboquímica S.A. ^e	3511	Millmaster Onix Co. (Gulf Oil Corp.)	85 ^c	931	...	4.0	1979

Source: ECLAC, on the basis of official data and interviews with the enterprises.

^aMillions of pesos.

^bMillions of dollars.

^cMixed enterprises or in process of transformation.

^dFormed in 1980 on the basis of the tire branch of the ex-Uniroyal Croydon S.A.

^eEnterprises added for special reasons.

II

The opinion of the entrepreneurs

1. *The industrial policy of 1967-1982*

The inquiry began with two general questions. If a distinction is made between the goal of substitution of imports in the industries with more complex technology (su complex) and the promotion of exports of manufactures (x manuf.) and the period 1967-1982 is divided into two subperiods (1967-1974 and 1975-1982).

Question: Which has been more successful?

	1967- 1974	1975- 1982	1967- 1982
su complex	9	10	11
x manuf.	16	11	14
Other items or both the above	1	5	1
Total	26	26	26

Question: In your opinion, what result has been achieved by the policy of promoting the transition from the easy substitution of industrial imports to more difficult substitution or the export of manufactures in the period 1967-1982?

0	11	12	3	0
None	Slight	Moderate	Successful	Very successful

As may be seen from the results, the entrepreneurs found that the Colombian industrial policy during the period 1967-1982 had had a marked emphasis. Opinions were very divided as to which objective (substitution of imports of the complex industries or exports of manufactured products) was more successful during the period 1967-1982 (after Decree 444 of 1967).

On dividing the period 1967-1982 into two subperiods, it became clear that the goal for 1967-1974 was mainly to promote industrial exports and in a lesser degree to substitute imports in complex industries. The subperiod 1975-1982 was ambiguous for these important entrepreneurs, however, since 11 voted for the promotion of the export of manufactures as the more successful goal, 10 opted for the substitu-

tion of imports in complex industries and 5 could not decide.

The entrepreneurs considered that the overall results during 1967-1982 were only moderate (12 enterprises) or slight (11 enterprises); only 3 considered that the results had been good. It is probable that these rather negative opinions on the industrial policy reflect in particular their experience during the period after 1975, when the industrial impetus declined, first as a result of the foreign exchange boom and then because of the difficulties experienced by entire sectors, such as the motor-vehicle industry, in which the leading enterprises have suffered losses for two to four years running.

Question: How would you describe Colombian industrial policy during the period 1967-1982 and the subperiods 1967-1974 and 1975-1982? Choose and place in order of importance three adjectives appropriate to each period.⁴

	1967- 1974	1975- 1982	1967- 1982
Nationalist	23	6	13
Open-market oriented	7	44	24
Protectionist	32	5	14
Monetarist	15	47	26
Technicalist	16	1	4
Political	9	31	24
Integrationist	33	12	21
Subtotal: the three highest votes	90	122	74
Total: all votes	156	156	156

The entrepreneurs showed a critical attitude in the adjectives chosen to characterize the in-

⁴In the survey the entrepreneurs were asked to select 3 adjectives for each period. In tabulating these results the first choice was weighted by 3, the second by 2 and the third by 1. The adjectives with the highest marks mentioned for each period represented 56, 78 and 47% of the total number of options for the periods 1967-1974, 1975-1982 and 1967-1982, respectively. The values represent "votes" from a total of 156 (i.e., 26 x 6). In addition, in order to collect the total number of possible replies to this question three options were left blank so that the entrepreneur could choose adjectives not included in the survey.

dustrial policy in 1967-1974, 1975-1982 and the total period 1967-1982. The first subperiod was described as integrationist, protectionist and nationalist and, to a lesser degree, technicalist and monetarist. This assessment seems to accord well with the Colombian experience of serious balance-of-payments problems in the mid-1960s and the intention of the new industrial policy announced in Decree-Law 444 and the Cartagena Agreement. The second subperiod was described as monetarist, open-market oriented and political and, to a lesser degree, integrationist; these adjectives admirably represent the essence of the new neo-liberal trend that was introduced into Colombia in 1975-1982. The industrial policy in the overall period 1967-1982 was described as monetarist, political, open-market oriented and, to a lesser degree, integrationist, protectionist and nationalist. The industrial policy of the subperiod 1975-1982 was disliked by the entrepreneurs, who expressed their disagreement with monetarism and the open-market orientation. There was a pronounced consensus on the adjectives applied to the subperiod 1975-1982, which shows not only the influence of the most recent period but also a very consistent interpretation of its importance for the industrialization process.

Question: Which sectors have benefited the most from the industrial policy? Choose three and arrange them in order of importance.

	1967- 1974	1975- 1982	1967- 1982
Foreign enterprises	19	16	14
The State	51	56	60
Popular sectors	14	5	8
National private enterprises	59	61	65
Others (specify): ———			
(Financial groups) ⁵		(22)	(15)
(Foreign trade enterprises) ⁵			(6)
Subtotal: the three highest votes	129	133	139
Total: all the votes	156	156	156

The greatest degree of consistency is seen

⁵Included in national private enterprises.

in respect of the question as to which sectors benefited most from the industrial policy. During the subperiod 1967-1974, according to the entrepreneurs, the beneficiaries were national private enterprises, the State, and to a lesser degree foreign enterprises. Those who benefited most from the industrial policy in 1975-1982 were national private enterprises (including financial groups), the State, and foreign enterprises. In the period 1967-1982, the entrepreneurs considered that the beneficiaries of the industrial policy were national private enterprises (including financial groups and foreign-trade enterprises) and the State. Foreign enterprises figure to a much lesser extent.

There appear to be two criteria involved here. On the one hand, the entrepreneurs of these large firms with foreign participation felt that there was discrimination in favour of national enterprises. This view was undoubtedly the result of the application of one of the stated aims of Decision 24, namely, that it was necessary to establish common rules for foreign investment in consonance with the new conditions created by the Cartagena Agreement, so that the advantages deriving from it would favour the national or mixed enterprises as defined in the statute. On the other hand, in 1975-1982 the mention of financial groups as beneficiaries of the industrial policy might mean that, according to this view, even national private-sector industrialists were prejudiced by the lack of a clear industrial policy.

In sum, the opinions of the entrepreneurs of the largest firms with foreign participation in the manufacturing sector indicate that for them the industrial policy during the period 1967-1982 became increasingly more confused as regards the main goal (substitution of industrial imports in the industries with more complex technology or the promotion of exports of manufactures) the results of this policy were only moderate, if not downright meagre; and although the integrationist and protectionist policy in 1967-1974 benefited mainly national private enterprises and the State rather than foreign enterprises, the monetarism and open-market orientation of the following period channelled the benefits towards non-industrial national private enterprises and the State.

Hence, they complain that an initial prejudice of the industrial policy against foreign en-

terprises was aggravated by another bias against industry during 1975-1982, so that they were doubly injured by the industrial policy.

2. Promotion of industrial exports

Question: In general, which have been the most important instruments employed in Colombia's policy for promotion of exports of manufactures? Choose three of these and place them in order of importance.

	1967- 1974	1975- 1982	1967- 1982
Exchange rate	14	12	13
Tax Credit Certificates (CAT)	53	41	49
PROEXPO credits	41	55	52
The Vallejo Plan	39	34	33
Subtotal: the three largest votes	133	130	134
Total: all the votes	156	156	156

The opinions of these entrepreneurs on the policy for the promotion of industrial exports during 1967-1982 are very clear. The most important instruments, in their view, are almost exclusively the incentives. Thus, in general they thought that the financing by PROEXPO, the Tax Credit Certificates (CAT) and the Vallejo Plan were the most important instruments during 1967-1982. To quote a report of the Banco de la República, "PROEXPO's action can be described as integral and covers the basic cycle of external marketing, from market research, supply of information, direct promotion abroad, technical assistance and handling of insurance, up to the flexible, timely and generous granting of credit to the exporter on very favourable terms. Recently, in view of the need to intensify still further the efforts to develop external sales, new instruments have been brought into use, likewise in close collaboration with PROEXPO. These relate to the creation in 1979 of international marketing companies and the development of forms of international subcontracting. The basic aim of the former is to technify the work of external marketing, especially in support of small and medium-sized firms which individually do not possess the technical and financial capacity to develop an efficient external sales strategy. Moreover, these societies, given their knowledge of the external market and of domestic possibili-

ties, will be able to invest in the sectors which offer the best prospects, or act as intermediaries of foreign investment. At the same time, they engage in the importation of inputs to supply domestic needs, particularly those required by national producers who export through them. International subcontracting, for its part, constitutes an agreement whereby a national manufacturer supplies partially or fully assembled articles to a foreign industry, which undertakes to market the resulting product.

"In the fiscal field" (continues the report), "Tax Credit Certificates (CAT) were created for the benefit of exporters of non-traditional products. These certificates, which are freely negotiable and can be used when they mature for the payment of any type of tax, have been subjected to various reforms designed to give them a selective character in order to adapt them to the external competitiveness requirements of national production.

"Similarly, it should be noted that the exchange rate statute maintains a special import and export system, in force since the beginning of the 1960s and known as the Vallejo Plan. Through this system, national producers can bring into the country, free of all tariff charges, prior permits, deposits and other requirements, raw materials, intermediate products and goods destined for export" (Banco de la República, 1982, pp. 76 and 77).

During the subperiods 1967-1974 and 1975-1982 the factors voted for were the same, with a relative change of emphasis in the sense that in 1967-1974 CAT came first, followed by PROEXPO and the Vallejo Plan, whereas in 1975-1982 PROEXPO was first followed by CAT and the Vallejo Plan. For both the subperiods and the whole period 1967-1982 the incentives mentioned represented between 83% and 86% of the replies given by these entrepreneurs.

The marked tendency to give special emphasis to the incentives among the various instruments and factors was also manifest in the enterprises which managed to increase the share of exports in their total sales in 1967-1974 and 1975-1982. For the 13 firms⁶ which increased

⁶ One enterprise did not give sufficient information, so the number was reduced to 12.

the share of exports in their total sales during 1967-1974 the incentives —CAT (15), Vallejo Plan (13) and PROEXPO (9)— represented 76% of their replies. For the 7 enterprises that increased the share of exports in their total sales in 1975-1982 the incentives —PROEXPO (15), CAT (11) and Vallejo Plan (9)— represented 83% of their replies. It should be noted, however, that for the 12 firms of the subperiod 1967-1974 the exchange rate (9) and the increase of external demand (9) were considered as important as the support of PROEXPO. The exchange rate and increases in external demand were not important for the 7 enterprises which raised their proportion of exports in total sales in 1975-1982. It would seem that the deterioration in the real exchange rate, comparing 1967-1974 with 1975-1982, was not sufficiently offset by the increase in credit available through PROEXPO in this latter period. Despite the problem of the fall in the real exchange rate for exporters between 1967-1974 and 1975-1982, these complained more of the policy of tying new foreign investments to increases obtained in export contracts signed with the Institute of Foreign Trade (INCOMEX). Half the new investments authorized in 1977-1981 were subject to this condition, and although only 13 of the 26 enterprises signed export contracts with INCOMEX in 1975-1982, 17 of the 26 considered that the policy was negative and 13 out of 18 suggested that it had not been successful.

Question: In general, what is your opinion of the policy of tying new foreign investments to increases in exports through export contracts signed with INCOMEX?

	9	17
	positive	negative
<i>Question: Has the tying policy been successful?</i>		
0	5	13
Yes	Fairly	No
		8
		Did not answer

Considering that only 2 of the 13 enterprises which had export contracts with INCOMEX did not achieve the goal agreed up to the end of 1982 and that the tying policy is in a legally weak position for applying fines, it is surprising that the opinions of these entrepreneurs are so unfavourable. Perhaps the explanation lies in their repeated comment that failure to fulfil the contract brought with it practical consequences as regards

the official authorizations required in other aspects of their operations (new investment, imports, technology contracts, price increases).

Many complained that "one cannot export by decree" and that there was a gap between the policy of export promotion and the economic policy in 1975-1982. It seems, however, that they were more concerned about a new increase in the power of the administrative system to assess, authorize, register and control foreign investment and technology in Colombia, as expressed in the tying policy with regard to exports.

3. The new administrative system for assessing, authorizing, registering and controlling foreign investment

Question: In your opinion, what have been the main objectives generally pursued by the administrative system in redefining foreign investment? Choose three and place them in order of importance.

45	To regulate remittances abroad of profits, royalties, interest, etc.
31	To direct foreign investment to specific sectors or activities
22	To promote mixed enterprises
21	To co-ordinate foreign participation with the goals of economic policy
98	Subtotal of the three largest votes
156	Total of all the votes

In the view of the entrepreneurs, the general objectives of the administrative system were to regulate remittances abroad, direct foreign investment to specific sectors or activities, promote mixed enterprises and co-ordinate foreign participation with the goals of the economic policy. For the enterprises, the factors with the greatest influence in 1967-1982 were the regulation of remittances abroad, the incentivization of industrial exports, the promotion of mixed enterprises, the improvement of the transfer of foreign technology, and the reservation of local credit for national enterprises. The most influential factors were practically the same in the two subperiods: in 1967-1974 the most noted factors were the regulation of remittances abroad, the incentivization of industrial exports, the promotion of mixed enterprises, the improvement of the transfer of foreign technology and the reservation of local credit for national enterprises; in 1975-1982 the order of the factors

changed very slightly, with the reservation of local credit for national enterprises preceding the improvement of the transfer of foreign technology, the order of the other factors remaining unchanged. Apart from the aspects mentioned, among the general goals of the administrative system the entrepreneurs found that the incentivization of industrial exports, the improvement in the transfer of foreign technology and the reservation of local credit for national enterprises were the aspects of the administrative system which had the greatest effect on the development of the larger enterprises with foreign participation in the manufacturing sector. In other words, the entrepreneurs had a very good grasp of the general message of the administrative system and were able to distinguish other factors which had had a more powerful influence on the development of their own enterprises.

Question: Which aspects of the official policy influenced the development of your enterprise during 1967-1982 and in the two subperiods mentioned? Select three and place them in order of importance.

1967-1982	1967-1974	1975-1982	
41	42	37	Regulation of remittances abroad of profits, royalties, interest
18	18	16	Promotion of mixed enterprises
18	15	12	Improvement in transfer of foreign technology
23	27	27	Incentivization of industrial exports
18	14	15	Reservation of local credit for national enterprises
82	87	80	Subtotal of the three largest votes
156	156	156	Total of all the votes

Regarding the institutions of the administrative system which had the greatest influence on the development of these enterprises,⁷ the following were mentioned: National Planning Department (DNP), PROEXPO and the INCOMEX Import Board and, to a lesser degree, the Royalties Committee (CR) and the export contracts of INCOMEX.

The relative importance of these institutions, according to the persons interviewed, changed

⁷Not only the administrative institution but also the corresponding function is indicated, since some institutions, such as INCOMEX, perform more than one function in relation to the operations of enterprises with foreign participation.

somewhat during the two subperiods. In 1967-1974 the most influential institutions were the DNP, the INCOMEX Import Board, PROEXPO, the CR and the export contracts of INCOMEX.

In the second subperiod, PROEXPO, DNP, the INCOMEX Import Board, the export contracts of INCOMEX and the CR were the most influential institutions for the development of these important firms. These changes are consistent with the features of each subperiod from the balance-of-payments viewpoint, since 1967-1974 was characterized by a difficult balance-of-payments situation, while 1975-1982 was a boom period as regards foreign exchange.

Question: Which institutions or public enterprises have had the greatest influence on the development of your enterprise? Indicate the three most influential in order of importance.

1967-1982	1967-1974	1975-1982	
32	31	23	DNP: authorization of investment
28	24	30	PROEXPO: financial assistance
24	30	21	INCOMEX: Import Board
12	13	16	INCOMEX: export contracts
15	22	12	Royalties Committee: technology contracts
84	85	74	Subtotal of the three largest votes
156	156	156	Total of all the votes

The entrepreneurs were asked to grade the impact of the functions of the institutions and public enterprises on the operations of their companies. Disregarding the replies indicating that the impact had not been significant, the institutions with the most positive assessments (total of positives less negatives) were PROEXPO (19), Banco de la República (18), the Import Board of INCOMEX (15), the DNP (authorization of investment) (12) and the DNP (authorization of reinvestment) (8). The functions and institutions with negative assessments were the Royalties Committee (-2), INCOMEX (-1) (access to the Andean market), DNP (norms on local content) (-1), the industrial promotion of the Institute of Industrial Development (0), the petrochemical promotion of ECOPEPETROL (0), and the price and production controls of the Ministry of Economic Development (0). Three functions and institutions (the INCOMEX export contracts, the capital in limbo of the Institute of Industrial Development and the certificates of the Superin-

tendency of Joint Stock Companies) received +5. In other words, the institutions which in the opinion of the entrepreneurs had the most negative impact on the functioning of these large enterprises were the Royalties Committee (transfer of foreign technology), INCOMEX (access to the Andean market), the DNP (fulfilment of goals on local content), the sectoral promotion of public enterprises such as IFI and ECOPEL, and the price and production controls administered by the Ministry of Economic Development.

Although it did not figure as an explicit aspect of the impact of the institutions of the administrative system on the functioning of enterprises, one of the general aims of the administrative system—to promote mixed enterprises—has had a notable influence if 1970-1976 is compared with 1977-1981. Overall, the proportion of new investments authorized in relation to mixed enterprises (i.e., not foreign or national enterprises) rose from 21% to 37% of the total. Of the 26 companies interviewed, nine are now mixed or national (as of 1982) or have signed an agreement to become mixed, and four are thinking of doing so. The entrepreneurs declared, without exception, that there is no official pressure in this sense, but it was manifest that the additional advantages for mixed enterprises carry increasing weight in the decisions taken by the directors of the foreign enterprises. In other words, in contrast to what happened in the petroleum sector (contracts of association) and the financial sector (shrinking of the banking system), the policy of redefining foreign participation in the manufacturing sector has not been characterized either by direct State action or by strong official pressure.

Question: Do you believe that the administrative system for assessing, authorizing, registering and controlling foreign investment achieved its goals in the period 1967-1982?

0	12	5	9	0
Completely	Largely	Moderately	Partially	Not at all

Considering all the initiatives designed to redefine foreign participation in the manufacturing sector, it is noteworthy that, according to the entrepreneurs themselves, the policy has been quite successful. Thus, twelve of those in-

terviewed considered that the policy had been largely successful, five thought that it had been moderately successful and nine that it had been partially successful. None of them voted for total success or total failure. In other words, the entrepreneurs confirmed beyond doubt that the situation of the dominant foreign participants in the Colombian industrialization process had been substantially redefined in 1967-1982.

The opinions of the directors interviewed regarding the changes in the power of negotiation with the official sector and with the national private sector confirmed the impact of the policy for redefining foreign participation in the industrial sector. Applying a scale from 1 to 10, in which 1 signifies very strong bargaining power for the national participants, the entrepreneurs considered on average that there had been a sharp change in bargaining power in favour of the official sector. According to them, it rose from 4.8 in 1967 to 6.7 in 1974 and 6.8 in 1982. This may signify that the presence of the State is becoming increasingly important and its control over the behaviour of the enterprises with a foreign element is increasingly strict. With regard to the negotiations of foreign enterprises with the national private sector in the latter's role of share-holders, suppliers, and customers the bargaining power has also changed, with that of the national private sector increasing from an average of 5.5 in 1967 to 7.1 in 1982. In other words, in contrast to their practice prior to Decree-Law 444, the main foreign participants have changed their attitude and have begun to negotiate with the local participants as a result of the impact of the new administrative system.

In sum, during the period 1967-1982 the administrative system for assessing, authorizing, registering and controlling foreign investment and technology has had a noteworthy impact on foreign participation in the manufacturing sector. It seems reasonable to conclude that the policy for redefining foreign participation in Colombian industrialization has created a new situation for the leading foreign investors.

4. Colombia as a recipient of foreign investment, 1967-1982

As a result of the changes in the nature of foreign participation in the Colombian industrialization

process, the entrepreneurs of these large firms, with the exception of one enterprise which did not answer this question, declared that Colombia had been "moderately satisfactory" as a recipient of foreign investment during 1967-1982. Nineteen of them were of this opinion, while five considered Colombia "bad" as a recipient and one opted for "good". Considering the two sub-periods separately, however, it is evident that according to them Colombia was a much better recipient of foreign investment in 1967-1974 than in 1975-1982. For the first subperiod the predominant adjectives were "good" and "moderately satisfactory", whereas for the subperiod 1975-1982 they were "moderately satisfactory" and "bad". It is obvious, therefore, that the persons interviewed considered that Colombia's situation as a recipient of foreign investment worsened in 1975-1982 as compared with 1967-1974, although this subperiod witnessed the initiation of the new administrative system for assessing, authorizing, registering and controlling foreign investment and technology, based on foreign exchange control and greater negotiating power on the part of the official sector. Their opinions are reflected in table 2, which shows that the real value of direct foreign investment in the manufacturing sector was barely maintained between 1977 and 1981.

Question: How would you characterize Colombia

as a recipient of foreign investment during the period 1967-1982?

0	1	19	5	0
Excellent	Good	Moderately satisfactory	Bad	Very bad

a) In the subperiod 1967-1974:

0	8	10	6	1
Excellent	Good	Moderately satisfactory	Bad	Very bad

b) In the subperiod 1975-1982:

0	1	14	10	0
Excellent	Good	Moderately satisfactory	Bad	Very bad

Finally, when asked whether they thought official policies of other Latin American countries were more favourable to foreign investment than that of Colombia, 16 answered yes, quoting mainly the cases of Brazil and Chile and holding that their policies offered greater incentives and less rigorous conditions than that of Colombia. Nevertheless, very few of the entrepreneurs were able to make a formal distinction between the basic features of the Brazilian model and the Chilean one, so that their preferences seemed to lack a solid foundation.

III

Conclusions

To sum up, with the exception of the promotion of exports of manufactures, the Colombian policy designed to bring foreign participation in line with the official goals (i.e., to direct investment towards substitution in technologically more complex industries, to reduce the foreign exchange cost of foreign participation and to improve national participation) has been a success, in the opinion of the entrepreneurs affected. On the basis of these assessments it may readily be concluded that the official policy has had a marked effect in reorienting foreign participation in Colombian industrialization towards a

subsidiary role. The technical influence of the administrative system for assessing, authorizing, registering and controlling participation in a continuous and progressive manner gave rise to the following comment by the Board of the Cartagena Agreement (1979, p. 53): "An analysis of the functioning of the institutional structure responsible for the authorization, registration and control of foreign investment in Colombia leads to the general conclusion that it has had satisfactory results and that Colombia now has a wide experience at its command which can be profitably used by some of the other countries".

Nonetheless, there are still certain doubts (which go beyond the scope of this article) as to its capacity to impose a subsidiary role on the foreign participants. For instance, although it is quite true that progress has been made in "Colombianization", it is not known whether this process was independent of or detrimental to "modernization". The new direct foreign investment has been channelled towards the metal manufactures and machinery industry, but, judging by the precarious state of several of the largest enterprises in this sector (especially the motor-vehicle industries) during the present crisis, it is not at all clear that the new investment is going to speed up the growth of the sector as a whole. Moreover, the mediocre results in exports of

manufactures obtained by the enterprises with a foreign element might indicate the obsolescence of the technologies employed. It is possible that some foreign firms have transformed themselves into mixed or national companies to evade the obligation to export, while continuing to take advantage of the domestic market. Additionally, although the reason is not very obvious, it is noticeable that the introduction of a subsidiary role for foreign participants coincided with the loss of dynamism in the Colombian industrialization process. Finally, from a comparative angle, it is not quite clear to what extent the relatively meagre participation of foreign investment in Colombian industry has played a part in the success obtained in redefining such participation.⁸

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⁸As a matter of fact, in April 1983 some changes were announced in the official policy with a view to promoting an increase in foreign participation. Although several of the

former requisites were relaxed, however, the policy continues to insist on tying foreign participation to the aims of the official policy (*Revista de planeación y desarrollo*, 1983).