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ECONOMIC STRUCTURE, TRADE AND REGIONS

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1. Introduction.

The effects of the changes in the international division of labour on the interregional division of labour are by no means well understood.

In regional studies literature two main views are held on this issue. The first one considers them largely separate areas, relating to different dimensions of development, at different levels of analysis. Regions are seen as open economies, but their contacts with the 'rest of the world' usually are not differentiated according to their domestic or international origins. With the increasing attention to the multinational enterprise a point of overlap and contact was created, namely the locational behaviour of the MNC's and its regional consequences (cf Storper, 1981 and Hayter and Watts,1983).

The second view has gained increasing acceptance with the rise of dependency cum imperialism approaches to regional development. Realizing the danger of gross generalization, this view holds that the international division of labour takes predominance over the interregional structure of a country. A top-down sequential conditioning takes place: international center-periphery structures shape interregional center-periphery relationships. Quite true, there are considerable differences between for instance Myrdal(1957), Frank(1968), Slater(1975) or Massey(1978), and they are not all equally specific on this issue. But on the whole it is argued that Third World countries find themselves in (historically developed) unequal trade relations with center countries, and that their internal (interregional) structures are not only historically shaped by those trade relations, but also that the continued (postcolonial) international trade dependency causes a worsening of the (inter)regional problem. For example, a macrocephalous urbanization process (metropolitanization or development of primacy) is seen as one of the results of the international insertion (cf Quijano and Castells in Schteingart,1973). Similarly it is argued that, as interregional economic relations remain structured along 'internal colonialist' lines, regional inequalities are exacerbated.

Although some of the mechanisms through which international effects are mediated downwards are identified (MNC's and state policies), many conclusions are based on a sort of parallel argumentation (eg center-periphery relations of one level that are 'reproduced' at another level). This has a certain common sense appeal. After all, regions are more open economies than nations and therefore are bound to be more susceptible to external influences. Finally, there has been a considerable bias in the analysis. Industry and industrialization have received most attention.

Perhaps matters are not so clear cut however. Historically, and prior to processes of national integration by industry, several Latin American countries had one or more individual regional economies that had strong international ties, stronger than those with other regions with which they formed a national unit. It is reasonable to argue that this fact influenced the regional shape of the national integration process and the interregional division of labour that evolved as a result of this process. However, international trade factors are not the only ones involved. In some cases and instances they do play a key role, in others they clearly do not, or only at a very reduced level and along with other factors.

In this paper, on the basis of a review of Colombian national and regional development processes, we will discuss the relation between the two divisions of labour. In doing so we will hold the view that as national integration proceeds, the interregional division of labour increasingly complements the international trade participation of the regions. In other words, national integration processes draw regional economies more and more into market and trade relations. This trade may be either international or interregional, depending on a number of factors. Since it is unlikely that both the interregional and international trade accounts of a region can remain negative in the long run, a trade deficit on one account has to be compensated by a trade surplus on the other account. For example, a region may be a large net international exporter and, because of it, at the same time a large net interregional importer. Similarly, a region (eg the capital region) may be a large international net importer, and at the same time dominate interregional trade.

In the following three sections we will discuss the major features of the Colombian development process, focussing on agriculture, industry and international trade, describing sectoral and spatial processes. In section 2 the early industrialization process (1900-1950) is briefly analysed against a background of some historical facts. In section 3 we deal with the period 1950-1967 during which major transformations took place in agriculture and industry largely completed its import substitution process. Section 4 describes the changes that took place in the 1967-1980 period, in which relations with the international economy were altered under the new policy of export promotion.

A comparison of the regional changes as they took place under different national and international conditions in each period allows us to discuss, in section 5, the relation between the participation of Colombia in the international division of labour and the changes in the division of labour between the regions of the country.

2. Early industrialization and agricultural change (1900-1950).

One of the early development problems of Colombia was that it lacked a strong international sector. The country failed for a long time to develop a viable export base and, because of this, it also lacked the resources to build and maintain a strong central state. There was a number of shortlived attempts to replace gold production which already before Independence had entered into decline. However none of these (tobacco, quina and some textile products) succeeded. Taking into account the country's geographical features, there was in fact little that united the various regions.

In passing it is perhaps useful to mention here that the country is carved up by three spurs of the Andes Mountains, which run north-south; around the various valleys, regions have developed. The eastern highlands are the most populated part of the country (Cundinamarca, Boyaca and Santander). In the north, the Andes give way to the Atlantic Coast region, some parts of which, because of their role in the natural transport system, have a long development history. Finally, there are several vast natural regions with very low population densities, such as the Llanos Orientales, the Amazon region and the Pacific Coast.

These geographical features constitute formidable barriers to communication and movement between regions. For instance, by the end of the 19th century it was cheaper to transport a commodity from Liverpool to Medellin, than from Medellin to Bogota(Ospina Vasquez,1951 and McGreevey,1975).

The weak export base and the absence of a dominant national elite, able to displace the old landed groups, led three decades after Independence to the adoption of a federal structure which permitted a minimization of conflict among the variously structured regional oligarchies. Only by the end of the 19th century did the 'Regeneration' culminate in the re-institutionalization of a unitary political-administrative structure (1886), but with considerable powers still vested in the departments (Ruiz,1982). Departments had a large resource base, controlled key functions such as police, education, immigration, land settlement, roads and railways, etc.(Tirado Mejia,1981). This change towards a unitary system coincided, not surprisingly perhaps, with the development of coffee as a new export sector from 1870 onwards.

Traditional regional power was gradually weakened as new departments were created and functions transferred to or displaced by central govenrment. The 'War of a Thousand Days' (1899-1902) was the last regionally inspired civil war, and resulted in the creation of 5 new departments (Narino, Caldas, Atlantico, Huila and Norte Santander).

The growth of coffee exports contributed to the strenthening of the central government. The growing revenues derived from them made possible the expansion of central government institutions and activities, either directly financed or on the basis of now accesible foreign loans. In the first decade of the present century, coffee came to constitute around one third of total Colombian exports. Partly due to the changing world market in coffee in favour of the fastgrowing post-World War I United States economy, coffee exports rose rapidly to 70% of total exports in the 1920's. This share went down during the Great Depression only to recover after World War II, rising to more than 75% in the 1950's.

Without doubt, the growth of coffee production and exports enabled industrialization to take place (Urrutia,1979). First of all,the structure of coffee production was much less concentrated than in other agricultural sectors, generating a more favourable distribution of(monetary0 income, and thus constituted an important source of demand for manufactured products. Secondly, the growing coffee exports generated the foreign exchange necessary to finance the imports of industrial machinery and raw materials. To this one may add, as a third point, that the coffee exports stimulated the creation of a much-needed transport infrastructure, which facilitated the physical entry and movement of industrial equipment. During the 1920's great advances were made in the expansion of the various railway networks of the country (Mcgreevey,1975). Finally, the emergence of the industrial bourgeoisie is related, though not exclusively, with coffee production and trade (Brew,1977).

In addition to coffee, several other factors should be kept in mind which contributed to the establishment and consolidation (from 1930 onwards) of the manufacturing sector. First, the temporary interruption of foreign competition, particularly during the first and second world wars, and during the depression (when protective measures, made necessary because of the reduced capacity to import), created a similar effect. A further factor of importance has been the import of foreign loans and capital,particularly during the 1920's, with which the construction of transport infrastructure was partly financed. Foreign (US) private capital concentrated mostly in oil extraction (Escorcia,1978).

The main branches of manufacturing concerned basic consumer goods,such as food,beverages,textiles and clothing. The development of the sector as a whole was based almost entirely on internal final demand and continued to rely on imports of intermediate and capital goods.

Industrialization was not a widespread phenomenon, but developed largely in the Antioquia-Caldas coffee region (Medellin and to some extent

Pereira and Manizales), in the eastern coffee region, Cundinamarca (Bogota), and some port cities, like Barranquilla. This fact notwithstanding, it constituted a powerful stimulus to the integration of local and regional markets. This is also evidenced by the tendency towards oligopoly formation, first on a regional and later on a national basis. In the production of textiles, beer, tobacco and some food products like chocolates such processes occurred in the 1930's and 1940's. Periods of reduction of competitive imports, marked by great spurts in oligopoly formation by means of absorption of competing firms, were followed by periods of incorporation of new technical progress leading to larger plant size, which in its turn led to a further consolidation of these market structures (Helmsing,1979).

In table 1 annexed it can be seen that the two most highly industrialized regions already by 1945 accounted for 50 per cent of total manufacturing net output. The growth of industries, trade and state fomented urbanization. Not only was the growth of urban population higher than the rural one, but particularly the departamental capitals grew at above-average rates. Within this group, the largest cities (Bogota, Medellin, Cali), and the towns located in coffee-producing areas, grew fastest.

With regard to agriculture, it is important to recall some fundamental historical aspects. The agrarian structure was dominated by the latifundium-minifundium complex. Large haciendas were found in the fertile valleys, high plains and lowlands, whereas peasant holdings were situated alongside them on less fertile land and on the mountain slopes. Agriculture was most developed in the more temperate Andean regions. Some subtropical regions were just recently settled (Antioqueno Colonization) but tropical agriculture was virtually undeveloped. Very extensive livestock production, if anything at all, prevailed in regions such as the Costa Atlantica and the Llanos Orientales.

The development of coffee production had relatively little direct impact on domestic agriculture. Its labour requirements were such that it could be easily incorporated into peasant household production in the newly settled lands of Antioquia and Caldas. In Cundinamarca, where most of the production was organized on large haciendas, it did however put pressure on traditional tenancy relations. The major impacts on agriculture came from public works, industrial expansion and urban growth. The resulting increases in demand for labour contributed to uproot traditional forms of tenure that had tied labour to the land. Secondly, there were local regional impacts in terms of demand for urban food and industrial raw materials. These effects were mostly felt in the Andean regions of the interior (Cundinamarca, Tolima and Valle). Peasant organization and movements during the thirties produced some positive change during the liberal governments (improvements in land tenure laws and some land redistribution).

The regional pattern of the development of agricultural production was relatively straightforward. Market production expanded most around the big cities and in a pattern consistent with the industrialization process. Cundinamarca and to a lesser extent Antioquia concentrated most of the agricultural production, but maintained a diversified agriculture (Bejarano,1979).

With regard to the regional distribution of Colombia's international exports it is found, not surprisingly, that by the end of the period (1950) Caldas and Antioquia were the major contributors, with respectively 37 and 21 per cent of total Colombian exports (see table 2 annexed). Being the third coffee producing region, Cundinamarca ranked third with 12%. Other regions contributed with secondary exports products, such as Magdalena (banana), Santander (tobacco). Consistent with the pattern of industrialization and urbanization, the four most developed departments accounted for 83 % of the international imports, but within this group there was a manifest differentiation in the sense that Cundinamarca alone accounted for almost one third (31%) of total international imports. The relatively more prominent role of ports or port-related towns such as Barranquilla and Cali was in all probability due to the fact that here we find more specialized import trade firms.

If we look at the net interregional foreign exchange flow we find that Caldas contributed 64% and the two Santander departments another 22%. The largest net user was Cundinamarca(38%), followed immediately by Atlantico (33%) and at a lower level Valle(19%). It is interesting to observe that Antioquia, much in line with its 'independent' reputation, generated within its own department the foreign exchange it required to finance its international imports. Finally, it is important to mention that a number of regions had no or hardly any direct international trade participation. Here we refer not only to distant frontier regions such as Choco and Meta, but also to long established but subsistence regions like Narino, Huila, Boyaca and Cauca.

From this brief account it can be concluded that the period (1900-1950) was a very dynamic one. Various processes of change in part reinforced each other. The production and export of coffee created demand and the reduction of competitive imports due to external factors stimulated a domestic supply response in manufacturing. Furthermore, coffee production made possible an accumulation of capital which under the prevailing conditions could best be profitably invested in domestic industry. The infrastructure made possible by, and necessary for, the mobilization of the coffee exports unified and extended some regional markets for industrial production. The infrastructural works employed rural labour, stimulated rural-urban migration and contributed to the formation of urban labour markets. The migration fuelled the process of urbanization which in turn amplified the demand not only for industrial products but also for agriculture. Given the technological conditions of agriculture, these new opportunities could best be met through raising local regional peasant production. The development of Colombia as an industrializing, agricultural mono-exporting nation contributed to shape the interregional division of labour, particularly insofar as the Andean interior is concerned. It should, however, be added that many regional economies were as yet little affected, particularly the Atlantic Coast and the southern part of the country, and that large parts of the territory were not even settled at that time.

3. Import substitution and the evolving interregional division of labour (1950-1967).

The change from one period to the other was marked by a spectacular investment boom following immediately the second world war and by the beginning of the period of rural conflict known as 'La Violencia'. The boom greatly expanded domestic manufacturing capacity and, together with balance of payment problems which resulted from temporary declines in coffee export earnings, induced governments to adopt import substitution policies. The recurrent and in many respects systematic government protectionist intervention marked an important difference *vis-a-vis* the previous period. However, it should be added immediately that this policy was determined by balance of payments considerations rather than by conscious and deliberate industrial development objectives (Montes y Candelo,1981).

For the period as a whole (1950-1967), manufacturing industry grew at an average real rate of 8.1%. The greatest contribution, namely 3.7%, came from the intermediate product sector while the consumer goods sector contributed 2.7 and the capital goods sector only 1.7% (Montes y Candelo,ibid).This demonstrates the stage in the import substitution process which the country had already achieved. The importance of import substutution as a source of growth is well illustrated in the following table.

Table I

Percentage distribution of growth by demand component in manufacturing production, by subsector,1951-1968

	change in domestic demand	change in exports	import substitution	total
Consumer goods	93.5	3.6	3.1	100.0
Intermediate gds	71.8	-0.5	28.7	100.0
Capital goods	53.3	0.6	46.1	100.0
Total Manufacturing	84.2	1.1	14.7	100.0

Source: Montes y Candelo(1981),op cit.,table 6

Although sectorwise the pattern of manufacturing growth conformed with the import substitution model, it should be stressed that, on the whole, changes in domestic demand (final and intermediate) were far more important than the external sector, either on the import or on the export side. In fact the increase in import duties on consumer goods hardly produced any growth effect at all, and consequently must be seen in the context of domestic price rises.

To analize the regional pattern of change, a shift and share analysis has been conducted for the periods 1945-1958 and 1958-1967. The main results are summarized in table 3 reproduced in the annex. The major conclusions can be formulated in the following way. The regional pattern of output change in the period 1945-1958 revealed some very clear changes. Whereas industry in Antioquia, the 'oldest' industrial area, grew at a rate slightly below the national average, Cali (Valle) became firmly established as the third industrial center of the country. The extraordinary growth of output in Cali can, to a large extent, be explained by the expansion of the Buena Ventura harbour at the Pacific coast which made Cali and attractive alternative transshipment point to Barranquilla in the North. Output growth in the department of Barranquilla (Atlantico) consequently fell behind. This trend continued up to the present day. A second important reason was found in the expansion of agro-processing, particularly in relation to sugar grown in the area near Cali.

As a matter of fact Valle, together with the capital city region Cundinamarca, contained almost the entire positive shift. Peripheral regions such as Narino, Norte Santander, Tolima and Magdalena not only had a relatively unfavourable industrial structure, but also performed worse than elsewhere (negative shares). The same applies also to regions that did not have a clear peripheral status such as Bolivar and Viejo Caldas.

The fact that in this period the domestic market was protected from foreign imports, enables one to interpret the relative interregional changes as in a zero sum context. That is to say, there is a direct relation between the high growth of the central industrial regions and the relatively poor industrial growth performance in the periphery.

In the second part of the period (1958-1967), the slow growth of domestic demand manifested itself in a relative stagnation of consumer goods industries, something which explained the relative standstill of the 'early' industrial regions, such as Cundinamarca and Antioquia (see table 4). In contrast, Valle continued to grow fast thanks to the growth of foreign enterprise-dominated intermediate goods production. A parallel differentiation can be found within the periphery, where some regions experienced fast growth on the basis of a particular branch of production (e.g. Santander, Bolivar and Boyaca), while other regions continued to stay behind.

The industrial export base was estimated for each region on the basis of the same data. An export dependency ratio and a sectoral export diversification index were calculated. The results are quite revealing (see tables 5 and 6 and figure 1 and 2). There was a clear tendency towards specialization (reduced diversification) in the manufacturing export base of almost all peripheral regions, as well as an increased dependence on industrial exports. With regard to the core regions no such phenomena can be observed. Export base activities remained highly diversified (except in Antioquia) and the export dependence rose only slightly, if at all (Helmsing,1983b).

Perhaps two conclusions stand out: A)By far the greatest source of growth was domestic demand, rather than the external sector (import substitution or export growth). Changes in the domestic conditions of demand (eg migration) and the evolving oligopolistic market structure must therefore be seen as the principal factors explaining the regional pattern of change. B) For those sectors where the external sector played a more important role (production of intermediate products), the regional pattern of change is not of a center-periphery nature, but differentiation took place within both the center and the periphery. C) The integration process affected regions differentially. Almost all peripheral regions underwent a restructuring. Increased export dependence, reduced diversification and relatively poor growth performance were all features of the integration of the peripheral regions into the national market. In contrast, the more developed regions did not undergo such restructuring. They benefitted from the integration in terms of relatively high growth.

In order to explain the developments in agriculture a number of factors need to be taken into account. I have already mentioned the 'Violencia'; in certain regions, this had devastating effects, in that it contributed to uproot the traditional tenure relations and distribution of ownership. Many peasant small holders/tenants left their holdings, often never to return (Oquist,1978). The rural exodus from the areas of violence - which may have involved more than two million people - mostly ended up in the towns but also led to settlement of new land, mostly in tropical regions (eg Caqueta, Putumayo, Meta, Medio Magdalena).

Another major factor was the new technology that became available after World War II: it made large scale entrepreneurial production feasible (Kalmanovitz,1976), and caused supply condition to shift in favour of the landlords.

Thirdly, there was a considerable increase in the demand for agricultural products. During the intercensal period 1951-1964 urban growth was as high as 5.7% per annum. The proportion of population living in towns rose from 39% in 1951 to 53% in 1964! Also the growth of industry stimulated the demand for agricultural output. The latter did not result automatically. It is known for instance that textile firms continued to import cotton. Only after the domestic market was shielded from foreign competion could the agricultural import substitution process start (cotton, soya, sorghum and african palm oil).

During the fifties the government agricultural support system was built up: agricultural extension, some marketing facilities and credit. The growth of the public sector took place largely at the national level, and implied a *de facto* centralization process.

Finally, it is relevant to mention the role of producer associations as vehicles for the rapid diffusion of technological know how and as channels for procurement of inputs and marketing of output (cotton, rice, coffee, banana). These associations often emerged in a response to monopsonistic trade and industrial firms.

Table 7 annexed summarizes some of the main aggregate features of agricultural development. The so-called commercial crops, i.e. those that are predominantly used as inputs for industry, have been the most dynamic elements in the transformation of Colombian agriculture. Their share in the value of crop production almost doubled from 10 to 19 per cent and continued to grow thereafter but at a lower pace. The fact that on the whole neither land nor labour productivities changed very rapidly, indicates that a geographycal widening of the base of transformation occured. Only in the sixties and early seventies did a strong deepening take place.

The production of basic foodstuffs such as maize, cassava, plantain and potato - and with the notable exception of rice at the end of the period- remained within the realm of peasant production. Given the fact that productivity increases were very low, the only way to explain increased supply is through the continuation of market incorporation of peasant agriculture and the expansion of the latter through landsettlement.

In the sixties the development of the agro-industrial complex took a great leap forward. It had two major features. Firstly, the growth in production resulted in exportable surpluses (cotton, rice and sugar). Secondly, the new technologies that enabled the large increases in productivities (HYV's and related inputs), raised the capital requirements of production and this threatened to marginalize the participation of the smallholder farmers. The number of smallholdings as well as agricultural wage employment which had gone up in the fifties, went down in the sixties.

When industrial growth slackened and the employment absorption capacity of industry was severely reduced, capitalist agriculture started to expel rural labour and peasant agriculture was threatened with marginalization. Two policy solutions were put forward to solve the 'social' problem. One was to keep the peasants in the countryside. Recognizing the social function of landownership, land reform would be the principal instrument. The second was an urban solution via a programme of labour intensive urban housing construction. Both solutions were experimented with by successive governments. Though there were outspoken differences with regard to the 'social'issue, there were remarkable similarities on how to tackle the economic problems. Instead of seeking to stimulate domestic demand - eventually by means of some redistributive measures -,a re-orientation towards external demand was aimed for. To this end a number of major reforms were introduced in 1968.

What were the regional aspects of the emerging structure of agricultural production? As already implied above there was a considerable expansion of the agricultural frontier. First, in terms of a transformation of the estates to capitalist production, particularly in the interior and later in the Atlantic Coast. Secondly, in terms of peasant land settlement, which occured on a fairly large scale in the south and south-east of the country,but extended basically to tropical areas all over the country (Helmsing,1982). On the basis of regional land use data available for the principal 16 crops, it was found (Helmsing, 1983a) that agricultural production expanded most notably in the Atlantic Coast. Here expansion occurred in commercial crops like cotton, sorghum and rice. In addition, Antioquia extended its local regional agricultural frontier considerably. With regard to the commercial crops it can be concluded that some already specialized production areas switched to other (more profitable) crops and new specialized production regions emerged (sorghum, barley), in part replacing existing ones (barley, rice and cotton). With regard to the mixed and traditional crops, changes in the interregional distribution of production were much more limited. Mostly, there were no specialized production areas at all (maize and platain), or they existed for climatic reasons only (wheat). Notwithstanding, these areas tended to account for a growing proportion of production, something which may be related with market incorporation (potato, beans and tobacco).

With regard to the changes in the regional participation in international trade, the following major conclusions can be drawn. Whereas exports in the nineteen fifties were completely dominated by coffee, which originated for the greater part in two regions (Caldas and Antioquia), in the sixties a considerable diversification started to develop (cotton, rice and sugar), which extended regional participation (Atlantico, Bolivar and Valle). The most remarkable changes are however found on the import side. There was a persistent tendency for Cundinamarca, the capital city region, to monopolize international import trade. Its share went up from 31% in 1950 to 49% in 1967. All other regions (except Boyaca and Santander) saw their direct participation decline. Unfortunately, we do not have detailed information on the sectoral composition at the regional level. However, it appears that this change cannot be explained adequately by the urbanization, regional agricultural and industrialization processes alone.

As to the pattern of international net foreign exchange flows, based on the analysis of the trade balances of each region, it can be concluded that, while the number of net contributors increased with a less polarized distribution, the opposite occured with the net receivers. Consequently, interregional trade must have become increasingly dominated by the capital region as this constituted a way to cover its growing international deficit.

Perhaps a major conclusion of the analysis of sectoral and spatial change in the period is that the evolving interregional dvision of labour was shaped by the physical and economic integration of the country, the considerable extension of the land frontier and the development of national market organization of industrialized agriculture. If any externally conditioned process is of importance, it is the import substitution process but with regard to agriculture, not industry.

4. International Restructuring and regional differentiation (1967-1980).

In 1968 a number of reforms were carried out which aimed at developing exports as a new source of accumulation and growth,and to this end a structural adjustment of the economy was imperative. The exchange rate regime was changed so as to avoid avoid large balance of payments problems by means of frequent small devaluations (crawling peg). Fiscal incentives for exports were increased drastically, first only for manufactured products but later(1970) also for agricultural ones. New export promotion institutions and funds were created, including free trade zones in the main cities. Finally, the Andean Pact gave an additional export stimulus (Bejarano,1978). Later governments extended this policy in neo-liberal fashion by considerably lowering the nominal tariffs on manufactured imports. It should be added, however, that the latter policies were also inspired by other events,in particular the coffee price bonanza of 1975/76.

Together with the economic reorientation, an institutional reorganization of the state took place. An administrative reform expanded considerably the role of national, semi-autonomous public agencies. Some figures on the distribution of expenditures by level of government are quite revealing in this respect. In 1950/52 the share of central government and agencies in total public expenditure was 63%. In 1969/71 this share had risen to 79% (DNP, 1977) and in 1980 it had become 85% (Controlaria General de la Republica, 1983).

The effects of the new economic policy, summarized above, on the growth of manufacturing industry can be seen in the following table.

Table II

Decomposition of growth in manufacturing by sector and component of demand,1967-1974 and 1974-1980

	1967-1974				1974-1980			
	total change	domestic change	export change	import subst.	total change	domestic change	export change	import subst.
light cons gds	5.35	4.92	0.61	- 0.18	5.18	4.64	0.67	-0.12
cons dur gds	9.52	6.42	0.65	2.46	7.95	8.98	1.02	-2.05
intermed. gds	10.92	10.30	0.92	- 0.28	5.47	5.57	0.27	-0.40
capital gds	10.0	6.79	0.35	2.96	6.3	8.67	0.64	-3.04
total	8.52	7.48	0.74	0.30	5.63	5.90	0.54	-0.82

Source: R.Chica Avella, 1983, table 22, pp83-84

It is clear that in both subperiods export has become a much more important source of growth. For the sector as a whole exports contributed 9 and 10 per cent respectively to the average real rate of growth. It should be added, though, that domestic demand did not become less important. On the contrary it even increased somewhat. The problem was that trade liberalization had a negative effect, particularly in the second subperiod, so that the total contribution of the external sector declined.

Without going into too much detail, it is enough to say here that the pace of capital accumulation slowed down in the second part of the seventies due not only to the world recession but also to the restrictive policies of the government to curb the inflationary effects of the coffee and illegal drug trade booms (Piedrahita,1980). The latter ones were the main reason that the world recession only started to be felt in Colombia in the eighties.

The change in economic policy attracted a considerable increase in the volume of foreign investment. By 1974 firms with major and minor foreign participation were estimated to contribute no less that 45 percent of total manufacturing exports (Arango,1976). In this respect there is a clear link between the changing participation of Colombia in the international division of labour and the role this played for the foreign firms active in the country.

If we look at the pattern of regional change for the period as a whole it can be concluded that within the industrial core a 're-concentration' ocurred favouring the capital city region, Cundinamarca (see table 8). The Cali region in particular lagged behind. And it is notable that Atlantico in the north (Barranquilla) did not benefit clearly from the export drive. In spite of its free trade zone it continued to lag behind. The trend of 'differentiation within the periphery' also continued very clearly during this period. Bolivar and Santander experienced an above-average growth, which was almost entirely due to their insertion as producers of intermediate resource based outputs (chemicals, oil and oil derivates).

The effect of foreign investment on the regional industrial division of labour was not simply one of accentuation of trends. In fact it is estimated that, up to 1974, 80% of foreign investment was concentrated in the three principal regions. In this context it is striking to observe that foreign investment became much more important to Antioquia and Valle than to Cundinamarca. The effect was thus opposite to the overall tendency towards re-concentration.

As is clearly shown tables 5 and 6 and in figure 2, all regions except the most developed or core regions, such as Cundinamara, Valle and Antioquia, became not only increasingly specialized industrial producers, but also came to depend heavily on their industrial export base (Helmsing,1983b).

For agriculture, the new policy orientation aided and strengthened an already emerging tendency. The new policy measures offered new incentives for the expansion of capitalist agriculture.

Now that both manufacturing industry and capitalist agriculture were leaving the confines of the domestic market, price intervention lost much of its rationale. Price control systems were either altered or eliminated altogether and the international prices came to rule more directly the domestic market. For the period as a whole the patterns of growth were influenced by three different processes. Firstly, with regard to the non-traditional agricultural exports, the initial expansion (12% of total exports in 1975) was followed by the progressive collapse of international market prices and the sky rocketing of prices of chemical inputs. Secondly, the traditional export of coffee was greatly affected by the price boom in 1975 and the subsequent production increase following a frost calamity in Brazil. The share of coffee in total exports, which had gone down to 43% in 1974, rose again to 59% in 1980 (Parra Escobar,1982). The complex problem that government had to face was to absorb the vast increase in purchasing power caused by the booms in order to avoid an inflationary process and a revaluation of the peso which would undermine the recently achieved export diversification. Exchange controls were adopted and the trade liberalization after 1975 was part of this effort to control domestic inflation and revaluation of the domestic currency. However, the policy failed, partly due to a decline in nontraditional exports as a result of the world recession. The other reason of failure refers to the third major ongoing process in agriculture. That is to say, the stagnation of peasant agriculture.

Several factors need to be considered here. First of all, Colombia had passed in the late sixties the point after which its rural pupolation started to decline in absolute numbers(cf. Johnston and Kilby,1975). The shares of rural and urban population in 1973 were the reverse of 1951. Rural population was by then only 36% (DNP,1977). Furthermore, and related with it, was the fact that the continued land settlement in the outlying tropical regions no longer compensated the rural exodus in the Andean zone and in the older established tropical regions. Thirdly, the agricultural policy had, for decades, neglected peasant production. There was no adequate extension or research, credit nor marketing to raise peasant agricultural productivities. Since the extension of the agro-industrial complex had not been fast enough to incorporate traditional and mixed crops into the realm of large scale capitalist agriculture - though certainly inroads were made e.g. in rice,cassava and potatoes - peasant agriculture came to constitute a real economic problem as prices of basic foodstuffs started to rise sharply in the early seventies. In 1976 an integrated rural development programme, which is still being carried out, was initiated.

The changes in the regional division of labour in agriculture in this period are not so easily to establish (Helmsing, 1983a). On the whole it appears that livestock production intensified and was partly displaced in a Von Thuenen-like manner to outlying regions (Llanos and Amazonas). With regard to industrial crops, specialization continued and was accompanied by important shifts from one region to another (rice, sorghum and barley). Production became entirely organized at the national level. With regard to the mixed and traditional crops no such tendencies could be clearly observed except for cassava and, to an extent, maize. If the concentration patterns at the level of each region are examined, it is found that in the core regions levels of specialization actually declined. The agro-regions in the north and interior showed marked tendencies towards specialization in a few crops. In the peripheral regions such as Cauca, Norte Santander, Narino and Boyaca, specialization levels which were already lower remained stable or declined. The regional peasant economies that continued to predominate in these regions maintain diversified crop patterns.

With respect to the regional participation in international trade, the following major trends could be observed. Consistent with the changes in the relative importance of coffee exports, Caldas' contribution first declined to an all-time low of 26% in 1974, to rise again to somewhat below 40%. A similar pattern of change was found for Antioquia - the only core region with a positive international trade balance - although not only coffee but also manufactured exports played a role here. In an opposite manner Cundinamarca, Bolivar and Valle first increased their participation, thanks to non traditional exports, but later declined. For the remaining most peripheral regions no major change was observed. In table 9, annexed, the importance of international exports is measured for each region. Not only is there a very large absolute variation among regions, but there is also considerable change over the period which does not follow a center-periphery pattern (Helmsing,forthcoming).

The tendency already observed since 1950 towards a concentration of international import trade, continued almost without interruption. By 1971 Cundinamarca concentrated 62% and throughout the seventies this high level was maintained, and with this the region became the only major interregional net receiver of foreign exchange.

5. Some final observations and conclusions.

During the first three decades of the present century Colombia began a process of integration of the various regional economies, aided by the development of external trade and by domestic industrialization. Up to the beginning of the fifties only a relatively small part of the territory and population was affected by these processes. Several regional economies were not yet drawn into a market-based interregional division of labour, when the first stage of the industrial import substitution process was already almost completed and with it the basis of the regional industrial structure.

After 1950 some clear changes could be observed in the interregional division of labour and these did not so much arise from externally determined processes of trade specialization, but from physical integration of the country, a considerable incorporation of new land and of existing agricultural regions, and the formation of national oligopolies and markets for manufacturing products. If any externally conditioned trade factor played an crucial role, it was an agricultural import substitution process.

In the third period considered here (1967-80), sectoral growth processes became increasingly regionally selective. That is to say, the continued area specialization in agriculture and the growing importance of domestic and transnational multi-plant firms in manufacturing, trade and services, which operate simultaneously in various regions, were key forces that shaped the regional economies. As a result a growing proportion of interregional trade has become 'intra firm'. This seems to be a fundamental feature of the changes in the interregional division of labour in this period. At the aggregate level, neither core nor periphery advanced or stayed behind in a uniform fashion. Differentiation takes place within each. The centralization in government and in enterprise (in agriculture, industry and other sectors), both foreign and Colombian contributed to increase the leakages and transfer of benefits and resources to core regions so that, macro-analytically, impact multipliers of export growth in peripheral regions declined.

Although it is difficult to come up with definite and direct evidence it must be concluded for the case of Colombia that the effects of the changing participation in the international division of labour are much less evident than expected. Neither the first nor the second theoretical position summarized in the introduction seem to hold in the case of Colombia. The first position seems to be far too simple to capture the complex historical interplay between international and domestic factors in shaping the development of the Colombian regional economies. The second position, while correct in its insistence on the importance of external factors in shaping the regional structure of the country, appears not to be entirely supported by the facts. While in periods of reduced international opening of the economy a center periphery type pattern of regional development did emerge, import liberalization and export growth have resulted in greater differentiation for both core and peripheral regions.

Considerable changes took place in the regional economic structures. Some of these changes can be attributed to the changing participation in international trade. In this context, agriculture rather than industry played a pronounced role. But other factors, such as the physical integration of the country, land settlement and agricultural transformation and the centralization of government and of enterprise, also had a strong impact on the division of labour between the regions of Colombia.

COLOMBIA
DIVISION POLITICO-ADMINISTRATIVA
1981

FIGURE 1: <u>Changes in the industrial export base of Colombian Regions, 1945-1958</u>

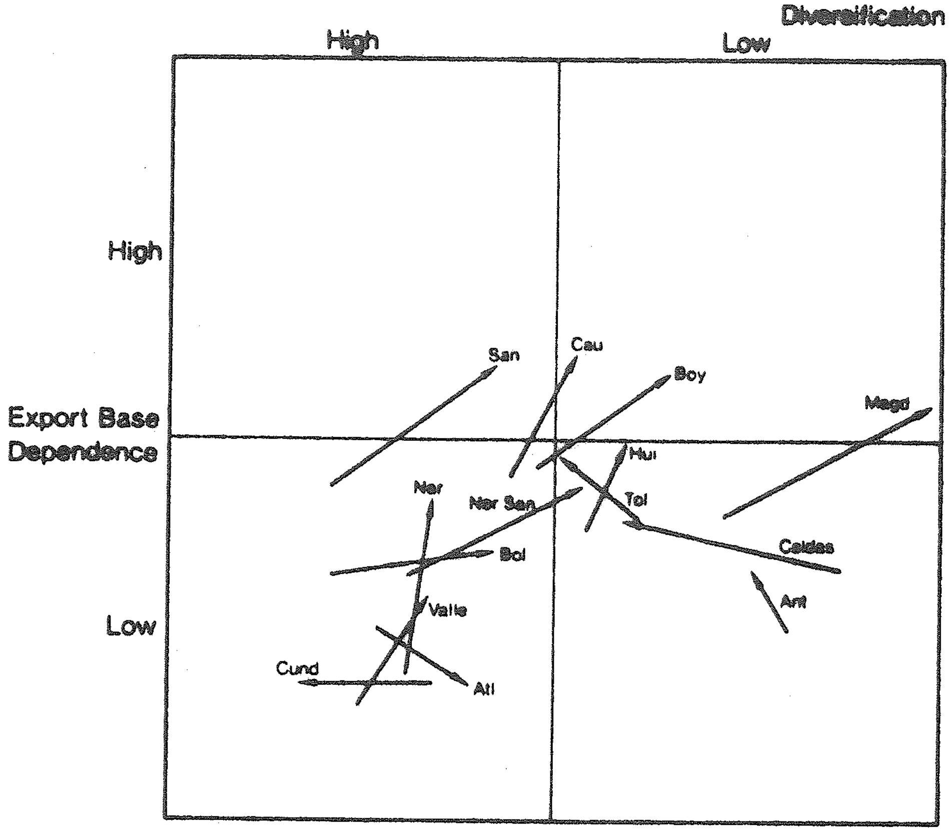

FIGURE 2: <u>Changes in the industrial export base of Colombian regions, 1958-1967-1980</u>.

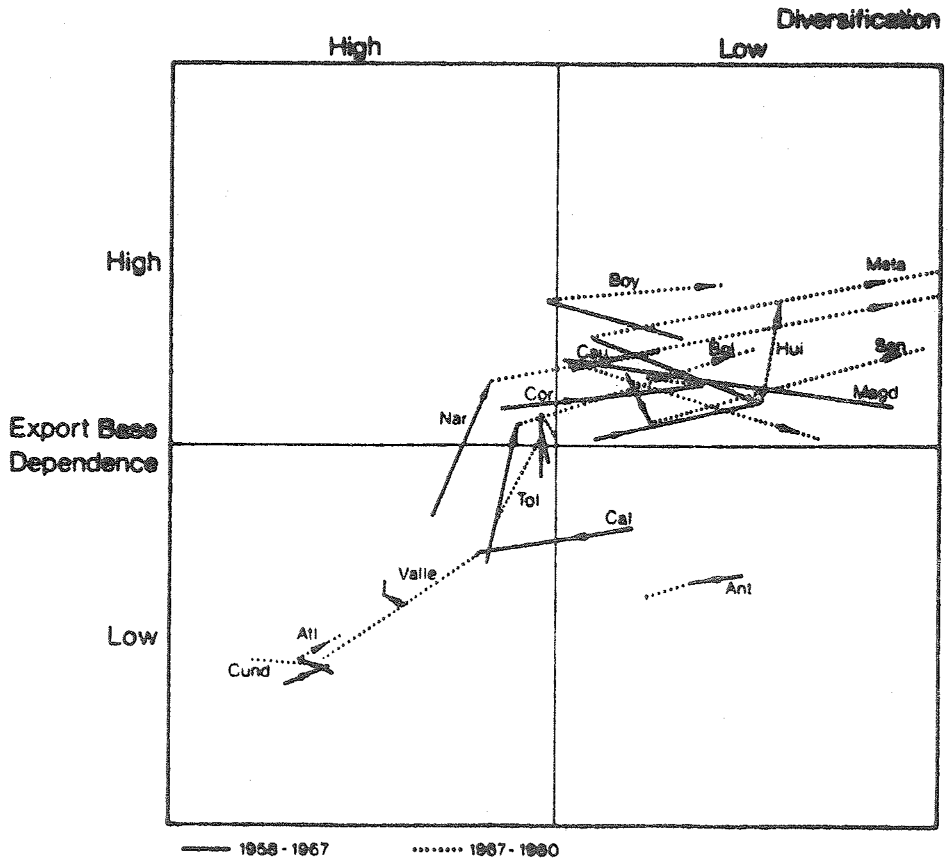

Table 1
Manufacturing net output and employment,1945-1980
by region

	output					employment				
	1945	1958	1967	1975	1980	1945	1958	1967	1975	1980
Antioquia	25.3	24.8	23.7	21.1	22.6	26	24	25	24	25
Atlantico	13.1	9.0	8.3	7.7	6.2	11	10	9	8	8
Bolivar	3.3	2.7	3.7	4.9	6.2	4	2	2	2	2
Boyaca	2.2	2.2	2.5	2.6	2.6	3	3	2	2	2
V.Caldas	6.0	5.2	4.6	4.9	4.9	6	5	5	5	6
Cauca	1.1	0.7	0.7	0.9	0.6	1	1	1	1	1
Cordoba	-a-	0.1	0.2	0.1	0.1	a	0	0	0	0
Cundinamarca	25.3	27.1	25.8	30.3	28.0	20	30	30	33	33
Huila	0.3	0.4	0.3	0.3	0.3	1	0	0	0	0
Magdalena	0.9	0.6	1.0	0.6	0.6	1	1	1	1	1
Meta	-b-	0.1	0.4	0.3	0.3	b	0	0	0	0
Narino	0.6	0.6	0.6	0.4	0.4	1	1	1	1	0
Nor.Santander	1.1	0.9	0.9	0.8	1.0	2	1	1	1	1
Santander	5.3	5.3	5.5	5.2	7.8	7	5	4	4	4
Tolima	2.7	1.5	1.1	1.0	1.1	3	1	1	1	1
Valle	12.6	18.5	20.3	18.5	17.1	13	16	17	16	16
Total	100.0	100.0	100.0	100.0	100.0	100	100	100	100	100

a-included in Bolivar
b-not available
sources:Census of Manufacturing Production,Bogota,various years

Table 2
Origin of international exports and destination of international imports
distribution by region,1950-1980

	exports					imports				
	1950	1958	1967	1975	1980	1950	1958	1967	1975	1980
Antioquia	21	22	28	22	27	19	13	11	13	14
Atlantico	1	1	4	4	4	18	14	11	6	6
Bolivar	1	3	5	9	5	4	4	4	1	2
Boyaca	0	0	1	0	2	0	1	4	0	0
Caldas	37	45	35	29	37	5	3	3	2	2
Cauca	1	2	2	1	2	0	0	0	0	0
Cordoba	0	0	1	0	0	0	0	0	0	0
Cundinamarca	12	5	7	13	10	31	46	49	60	61
Choco	0	0	0	0	0	0	0	0	0	0
Guajira	0	0	0	0	0	0	0	0	0	0
Huila	0	0	0	0	0	0	0	0	0	0
Magdalena	3	4	4	5	3	1	1	1	0	1
Meta	0	0	0	0	0	0	0	0	0	0
Narino	0	1	1	1	0	1	0	1	0	0
Nor.Santander	8	9	3	1	0	2	0	0	0	0
Santander	7	4	2	1	0	2	3	3	1	3
Tolima	4	2	1	1	1	1	0	0	1	0
Valle	5	2	6	12	9	15	14	12	14	11
total	100	100	100	100	100	100	100	100	100	100

sources:Anuario de Comercio Exterior,DANE,Bogota (various years)

Table 3
A shift and share analysis of regional industrial output and growth in Colombia, 1945-1958

	Output (VA) 1945	Output (VA) 1958	Net shift	Relative distribution -	Relative distribution +	Comparative shift	Decomposition industrial composition	Net Shift regional residual
Antioquia	36,475	801,884	-13,458	5.3	-	-1.7	-101,265	87,808
Atlantico	18,882	292,570	-129,508	51.2	-	-30.7	-30,097	-99,411
V.Bolivar	4,759	93,569	-12,811	5.1	-	-12.0	-8,390	-4,421
Boyaca	3,173	74,124	3,197	-	1.3	4.5	-2,502	5,699
V.Caldas	8.693	168,280	-26,038	10.3	-	-13.4	-23,245	-2,794
Cauca	1,564	22,738	-12,223	4.8	-	-35.0	3,216	-15,439
Cundin'ca	36,601	875,945	57,787	-	22.8	7.1	-73,858	131,644
Huila	0,506	11,864	0,553	-	0.2	4.9	-1,914	2,467
V.Magdalena	1,326	20,051	-9,590	3.8	-	-32.4	-2,306	-7,284
Narino	0,970	18,202	-3,481	1.4	-	-16.1	-2,267	-1,214
Norte San.	1,623	29,674	-6,606	2.6	-	-18.2	-4,461	-2,145
Santander	7.665	172,464	1,125	-	0.4	0.7	240,866	-239,742
Tolima	3,916	48,143	-39,393	15.6	-	-45.0	-0,715	-38,679
Valle	18,242	598,216	190,445	-	75.2	46.7	6,936	183,509
Total	144,395	3.227,724	0	100.0	100.0	0	-	-

note: values in (*10^6) current pesos
Source: Helmsing,1983b

Table 4

Shift and share analysis of regional industrial output growth in Colombia: 1958-1967.

	output (VA) 1958	output (VA) 1967	net shift	relative distribution -	relative distribution +	comparative shift	decomposition net shift industrial composition	decomposition net shift regional residual
Antioquia	801,884	3.590,703	-161,499	26.3	-	-4.3	-400,898	239,399
Atlantico	292,570	1.258,480	-110,523	18.0	-	-8.1	53,602	-164,125
V.Bolivar	88,633	566,920	152,186	-	24.8	36.7	-34,871	187,056
Boyaca	74,124	383,258	36,415	-	5.9	10.5	-25,447	61,861
V.Caldas	168,280	691,919	-95,502	15.6	-	-12.1	-29,041	-66,462
Cauca	22,738	119,483	13,087	-	2.1	12.3	-4,331	17,418
Cordoba	4,936	24,438	1,341	-	0.2	5.8	-1,916	3,257
Cundin'ca	875,945	3.908,677	-190,074	31.0	-	-4.6	98,410	-288,484
Huila	11,864	57,441	1,927	-	0.3	3.6	-3,222	5,148
Magdalena	20,051	151,833	58,010	-	9.5	61.8	-6,739	64,749
Meta	5,072	56,199	32,466	-	5.3	136.8	-1,510	33,975
Narino	18,202	94,164	8,993	-	1.5	10.6	-6,227	15,220
Norte San.	29,674	135,879	-2,973	0.5	-	-2.1	-9,965	6,993
Santander	172,464	839,426	32,427	-	5.3	4.0	120,206	-87,779
Tolima	48,143	172,114	-53,158	8.7	-	-23.6	-8,799	-44,359
Valle	598,216	3.076,071	276,879	-	45.1	9.9	260,747	16,132
Total	3.232,796	15.127,005	0	100.0	100.0	-	-	-

note: values in ($*10^6$) current pesos

Source: Helmsing,1983b

Table 5
Regional export base dependency ratio,
by region,1945-1980

	Serie A		Serie B		
	1945	1958	1958	1967	1980
Antioquia	25	32	33	32	30
Atlantico	25	18	20	22	25
V.Bolivar	33	35	35	53	63
Boyaca	46	57	64	69	71
V.Caldas	33	39	39	36	24
Cauca	45	60	60	61	62
Cordoba	(1)	(1)	55	58	59
Cundin'ca	18	18	19	21	22
Huila	38	49	51	56	69
V.Magdalena	40	54	55	61	51
Meta	n.a.	n.a.	56	64	73
Narino	18	41	41	58	70
Norte Santander	32	43	46	54	51
Santander	44	59	59	53	63
Tolima	39	48	48	54	40
Valle	15	28	29	30	32
Total	25	29	30	32	34

notes: (1) included in Bolivar
N.a. not available

Methodology: The manufacturing export base was calculated with the following formula

$$OB(i)= \frac{Lq(i)-1}{Lq(i)} * O(i) \qquad \text{for } Lq(i)>=1$$

if Lq(i)<1 then OB(i)=0

The export dependency ratio $E(r) = \sum_i OB(i) / \sum_i O(i) * 100$

Table 6
Regional export base diversification index,
by region, 1945-1980

	serie A		serie B		
	1945	1958	1958	1967	1980
Antioquia	0.20	0.24	0.26	0.32	0.37
Atlantico	0.73	0.62	0.79	0.83	0.78
V.Bolivar	0.79	0.59	0.59	0.55	0.24
Boyaca	0.52	0.36	0.33	0.51	0.29
V.Caldas	0.13	0.40	0.40	0.60	0.80
Cauca	0.56	0.48	0.48	0.44	0.27
Cordoba	(1)	(1)	0.57	0.31	0.38
Cundin'ca	0.66	0.83	0.85	0.80	0.89
Huila	0.46	0.41	0.45	0.24	0.21
V.Magdalena	0.27	0.02	0.07	0.49	0.16
Meta	n.a.	n.a.	0.24	0.45	0.00
Narino	0.69	0.66	0.66	0.59	0.01
Norta Santander	0.69	0.47	0.52	0.52	0.50
Santander	0.79	0.59	0.41	0.38	0.02
Tolima	0.39	0.50	0.51	0.52	0.57
Valle	0.75	0.67	0.69	0.72	0.72
Total	0.86	0.88	0.89	0.90	0.88
Range of index	0< index <0.93			0< index <0.95	

Notes: (1) included in Bolivar

Methodology: The index which is known as the Gibb-Martin index of trade diversification, is formulated as follows:

$$GM(r) = 1 - \frac{OB(i)^2}{(\Sigma OB(i))^2}$$

The upper boundary varies with the adopted number of sectors (i) (cf. Hammond and McCullagh, 1974)

Table 7
Annual growth rates agricultural production,land and employment
Colombia,1951-1973

	production		employment		crop accreage	
	51/64	64/73	51/64	64/73	51/64	64/73
Commercial crops	8.3	3.8	8.5	-4.1	7.4	2.1
Mixed crops	1.7	-0.7	1.1	-8.0	0.8	-0.4
Traditional crops	2.6	0.7	2.2	-4.2	0.8	2.1
Plantation	2.1	0.4	1.6	-4.8	2.3	0.6
Minor crops	3.0	5.0	1.6	-1.2	2.3	10.6
Agriculture	3.0	1.2	2.0	-5.0	2.0	2.0
Livestock	4.0	4.1	1.2	-3.8	2.0	1.5
Total	3.3	2.9	1.7	-3.7	1.0	1.2

Based on:DNP,1977,op cit,p.158

Table 8

Shift and share analysis of regional industrial output growth in Colombia: 1967-1980.

	output (VA) 1967	output (VA) 1980	net shift	relative distribution –	+	comparative shift	decomposition net shift industrial composition	regional residual
Antioquia	3.590,703	76.276,976	-3.683,832	15.1	-	-4.6	-4.197,454	513,625
Atlantico	1.258,480	21.060,216	-6.964,680	28.5	-	-24.9	-1.952,347	-5.012,336
V.Bolivar	566,920	20.930,328	8.305,675	-	34.0	65.8	-1.518,665	9.824,335
Boyaca	383,258	8.630,374	95,661	-	0.4	1.1	2.827,111	-2.731,449
V.Caldas	691,919	16.441,389	1.033,152	-	4.2	6.7	-1.040,275	2.073,428
Cauca	119,483	2.088,794	-571,954	2.3	-	-21.5	-258,510	-313,444
Cordoba	24,438	506,274	-37,932	0.2	-	7.0	-54,886	16,954
Cundin'ca	3.908,677	94.267,728	7.226,008	-	29.6	8.3	6.604,916	621,078
Huila	57,441	1.230,992	-48,153	0.2	-	-3.8	48,424	-96,577
V.Magd'na	151,833	2.106,994	-1.274,152	5.2	-	-37.7	-140,162	-1.133,989
Meta	56,199	1.222,996	-28,491	0.1	-	-2.3	-41,606	13,115
Narino	94,164	1.330,215	-766,709	3.1	-	-36.6	-40,515	-726,194
Norte San.	135,879	3.264,395	238,527	-	1.0	7.9	-70,898	309,425
Santander	839,426	26.212,662	7.519,614	-	38.0	40.2	-1.389,029	8.908,638
Tolima	172,114	3.620,486	-212,294	0.9	-	-5.5	-195,388	-16,906
Valle	3.076,071	57.670,088	-10.830,456	44.4	-	-15.8	1.419,255	-12.249,718
Total	15.127,005	336.860,928	0	100.0	100.0	-	-	-

note: values in ($*10^6$) current pesos

source: Helmsing,1983b

Table 9
International Exports in relation to Gross Product
by region,Colombia,1960 and 1975

	1960	1975		1960	1975
Antioquia	17.4	16.8	Huila	0.6	0.0
Atlantico	3.8	6.5	Magdalena	18.4	25.3
Bolivar	5.8	17.1	Meta	0.0	0.0
Boyaca	1.5	0.7	Narino	7.3	3.8
V.Caldas	71.6	52.5	Norte Santander	44.6	3.5
Cordoba	2.0	1.5	Santander	10.7	1.2
Cundinamarca	2.7	5.1	Tolima	7.6	1.5
Choco	3.7	4.2	Valle	1.8	10.5
Guajira	0.0	1.6	Colombia	17.5	14.0

Sources:Annuario de Comercio Exterior,Dane,Bogota (various years)
Cuentas Regionales de Colombia,Innandes,Bogota

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