

Contents

| | Page |
|---|------|
| List of Tables and Figures | VI |
| Preface | XI |
| Chapter I: Introduction | 1 |
| Chapter II: The Importance of the Foreign Sector for Colombian Economic Development and the Implications for Industrial Policy Making | 9 |
| 1. Major Phases of the Coffee Cycle and its Impact on Economic Growth and Industrialization | 9 |
| a. External Shocks and Domestic Economic Development, 1925-1945 | 11 |
| b. Postwar Development with and without Foreign Exchange Constraints | 16 |
| 2. External Sector and Industrial Policy Measures for Import Substitution and Export Diversification: Conflicts and Compatibilities | 21 |
| a. The Issue of Fixed vs. Variable Exchange Rates | 21 |
| b. Protectionist Policies: Tariffs and Import Controls | 24 |
| c. Effective Protection of Colombian Industry | 29 |
| d. Short and Long-Term Financing of the Industrial Sector | 32 |
| e. Public Investment and Fiscal Incentives to Further Import Substitution Industrialization | 37 |
| f. The Role and Development of Export Promotion Policies | 38 |

| | Page |
|--|------------|
| g. Increasing the Size of the Market: Latin American and Andean Integration Policies | 45 |
| 3. Economic Strategies and the Foreign Exchange Bottleneck | 49 |
| Chapter III: Industrial Development 1925 - 1974: Growth Patterns and Sources of Supply and Demand | 54 |
| 1. Industrial Expansion in the Thirties and Forties and the Structure of Industrial Output in the Early Postwar Period | 55 |
| 2. The Major Phases of Industrial Development after World War II: Patterns and Linkages in the Fifties and Sixties | 64 |
| 3. The Role of Import Substitution and Export Diversifica- tion: An Ex Post Analysis of the Major Sources of Industrial Growth | 75 |
| 4. The Use of Labor and Capital in a Dualistic Industrial Sector | 83 |
| a. Production Function Analysis and Dualism | 83 |
| b. Employment Patterns and Industrialization Strategies | 90 |
| c. The Issue of Capital Utilization and the Importance of Learning by Doing | 98 |
| 5. Benefits and Costs of Import Substitution Industrialization | 102 |
| Chapter IV: Colombia's Export Diversification Drive: Achievements, Problems and Future Aspects. | 104 |
| 1. Development of Exports: The Shift from Coffee to Nontraditional Products | 105 |
| 2. The Pattern of Industrial Exports: Revealed and Potential Comparative Advantage | 112 |
| 3. Determinants of Industry's Export Performance | 121 |
| 4. The Impact of Industrial Exports on Major Macroeconomic Variables | 129 |

| | Page |
|--|------|
| 5. World Recession and Performance of Colombian Manufactured Exports in 1975/76 | 138 |
| 6. The Outlook for Colombian Exports | 142 |
| Appendix | 151 |
| Bibliography | 164 |