Trade and Development Policies in Colombia: Export Promotion and Outward Orientation, 1967–1992

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As developing democracies implement programs of economic adjustment and trade liberalization, we need to examine the relationship between the state and society in the making of foreign economic policies. This article examines trade and development policies in Colombia, one of Latin America's more institutionalized democracies. Colombia was one of the first countries in Latin America to begin a major reorientation away from full dependence on ISI as a strategy of development. The research shows that domestic political institutions and actors have had a decisive impact on the character and direction of foreign economic policies., The study also illustrates how state capacity for economic management is enhanced by bureaucratic insulation and institutional reform.

Colombia presents a valuable case study in Latin American political economy. While most other countries in the region have only recently begun implementing neoliberal policies to promote export diversification and outward orientation, for the past twenty-five years Colombians have experimented with various schemes to promote new exports and to reorient their development strategy away from full dependence on import substitution industrialization (ISI). Throughout much of the twentieth century, Colombia's export sector was largely dependent on one primary commodity, coffee.[1] By the late 1980s, the economy was diversified to the extent

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that no single product represented more than 30 percent of foreign trade. The administration of President *César Gaviria* (1990–1994) has accelerated a process of economic *apertura,* initiated at the end of the previous administration of *Virgilio Barco* (1986–1990), and liberalized Colombia's financial, investment, foreign exchange, and tax regimes. The new *apertura* program is effectively replacing the postwar development strategy of ISI for an outward-oriented, export-led growth model. In comparison with liberalization programs undertaken by other major Latin American countries in the late 1980s (and Chile in the 1970s), the Colombian reforms can be considered strong, especially in the area of trade liberalization. What is surprising is that the reforms were initiated under relatively stable macroeconomic conditions and not at the beginning of a new administration. In the midst of this process of modernizing and internationalizing the economy, Colombia also carried out an important political reform in 1991, rewriting its 100+ year-old constitution and opening the way for a more participatory democracy with the inclusion of previously marginalized political forces.[2] An important question is whether this democratic opening will impact the country's tradition of stable economic policies and strong elite consensus over trade and development policies. A legacy of macroeconomic stability, strong elite consensus, and a technocratic orientation all suggest that, relative to other regional countries, Colombia stands a good chance of succeeding in its economic plan.

To understand how Colombia was able to shift development strategies[3] after 1990, we need to look back at recent Colombian economic history. During the administration of President *Carlos Lleras Restrepo* (1966–1970), state officials and industrialists sought to address the problems associated with a mono-export economy and began a process of reorienting Colombia's foreign trade strategy to promote nontraditional exports, a policy choice which was a major contributing factor to economic expansion in the first half of the 1970s. Economic policy-making was centralized within the executive branch, and trade policy was placed under the control of semi-autonomous bureaucratic institutes in order to concentrate expertise and limit clientelistic pressures for political patronage. The reforms strengthened the planning and administrative capabilities of the state as much of Congress's power to determine public spending passed to the executive branch. This, in turn, allowed state officials to engineer the beginning of a shift away from import substitution and towards export promotion in the late 1960s, providing government officials with a framework for stable macroeconomic policy management.

This article describes how political factors have influenced trade and development policies in Colombia over the past 25 years. Colombia stands out for having achieved sustained export growth after a long period of ISI with political costs far short of those paid, with less return, in the southern cone of the region (Mares 1990, 203). The research shows that foreign economic policy-making must be understood as an inherently political process. Since economic development requires choices from a variety of alternative strategies, political variables have a definite impact on the character and direction of economic policies. The case of Colombia also reveals that state capacity was enhanced by political structures that insulated technocrats and economic decision-makers from political pressures.

How did Colombia manage to improve state capacity to shift trade policies to promote nontraditional exports and ultimately reorient its development strategy? What were the issues that affected policy-making in one of Latin America's more institutionalized democracies? And how does the political role of business groups influence economic decision-making in a developing democracy? The answer should suggest some lessons for other developing democracies attempting to liberalize trade and shift economic orientation.

We begin with a look at how political variables have affected economic policy-making in Colombia. A peculiar bipartisan political pact, signed by the country's traditional elites in the late 1950s, limited access to the policy process and facilitated the development of a coherent and relatively stable set of economic policies. The exclusionary nature of the pact removed many issues of economic policy from direct exposure to political debate and fostered a technocratic orientation of state planning efforts. The role of a well-entrenched political party system and the organization and political capacity of business groups highlight an oligarchic power structure where marginalized groups, including labor and popular sectors, have been largely excluded from the policy process.

The Politics of Economic Development in Colombia

Development requires choices from alternative strategies. In fledgling democracies those choices are often constrained and severely limited by political factors. A number of recent studies of the political economy of development have stressed the impact of domestic political forces on economic policy choices (Haggard and Kaufman 1992; Frieden 1991; Haggard 1990; Hall 1986). In the case of Colombia, the nature of the political regime and its relationship to social and economic forces have had a significant impact on the character and direction of economic policies.

Colombia: An Oligarchic Democracy

Colombia has been characterized as a form of "oligarchic democracy" (Wilde 1978; Ogliastri 1990). After more than a decade of widespread violence and regime breakdown in 1949, Colombia's political elites overthrew the dictatorship of General *Gustavo Rojas Pinilla* and in 1958 returned the Conservative and Liberal parties to power in a narrowly based political arrangement known as the National Front (*Frente Nacional*). The political pact under the National Front required both political parties to share equally all bureaucratic and electoral posts for a period of sixteen years (1958–1974) and to alternate the presidency every four years during that period.[4] The basic objectives of the National Front—social peace and economic development—were generally supported by all factions of the ruling class and also were made possible by the aggressive support of industrialists, bankers, and merchants. The arrangement is said to have represented a logical institutional alternative for mustering the support of economically dominant groups in terms of long-term concerns with capitalist development in a stable political environment (Hartlyn 1988, 75). A key feature of the National Front period was that major producer and employer associations, representing dominant and allied class interests, enjoyed privileged access to the policy process while subordinate classes (the peasantry, workers, and the urban poor) had little or none.[5]

While ushering in a new era of political reconciliation and domestic peace, the new rules under the restrictive bipartisan coalition represented, by their very nature, a denial of democratic principles (Bushnell 1993, 223–224). The anti-democratic features of the Colombian political system provided a framework for rapid social and economic development. But the exclusionary nature of the regime would lead ultimately to a severe crisis of legitimacy and provide a strong impetus for political reform by the early 1990s.

An important factor that sets Colombia apart from other Latin American countries is the presence and continued domination of two of the oldest active political parties in the world.[6] With the possible exception of Costa Rica, there have been fewer years of military rule in Colombia than in any other country in Latin America, and it is the only country in South America governed by the same parties as a century ago. Formed in the mid-nineteenth century, the Conservative and Liberal parties have faithfully represented the oligarchical power structure that prevails in Colombian society. The remarkable survival and continuing hegemony of the two parties is due to their shared commitment to the maintenance of the status quo, to republican institutions and democratic forms, and to a liberal capitalist political economy.

A lack of differentiation in the two parties has provided a homogeneous political elite with a strong consensus over economic policy choices. This helps explain why Colombia's economic system has never been at stake in any election, an important contrast to many other Latin American countries where the economic system has occasionally been challenged at election time (Thoumi 1990, 128). The conflict-limiting mechanisms of the National Front created an institutionalized bias against progressive legislation, by eliminating partisan competition, the electoral system encouraged intraparty factionalism and insured that legislative conflict did not revolve around specific governmental policies related to economic and social matters, but, instead, principally involved maneuvers designed to maintain the strength of divergent party factions (Hoskin 1988; Shugart and Nielson 1993). The political system was "depoliticized" to a certain extent, establishing an implicit consensus that eliminated any sense of opposition, or even a semblance of pluralism. This meant that the foundation for stable economic policy was established in that party struggles over control of the state ended. A stable political environment, in turn, meant that political and economic elites in Colombia could concentrate on supporting long-term concerns of capitalist development.

Since the end of the National Front period, the Liberal and Conservative parties have continued to monopolize the electoral system and garner the vast majority of votes in congressional and presidential elections (see tables 1 and 2). A new constitution in 1991 opened the system to new political forces, including former guerrillas, evangelical Christians, and indigenous groups; yet, despite this historic "democratic opening", Liberals and Conservatives still accounted for about 80 per-

TABLE 1
Historical Domination of Colombia's Traditional Political Parties Elections for House of Representatives, 1958–1991

Year	Liberal %	Conservative %	ANAPO %	Other %	Participation rate
1958	57.7	42.1	—	—	68.9%
1960	44	41.7	—	12	57.8
1962	35.0	41.7	3.7	19.5	57.9
1964	46.2	35.5	13.7	4.3	36.9
1966	52.1	29.8	17.8	—	44.5
1968	49.9	33.7	16.1	—	37.3
1970	37.0	27.2	35.5	—	51.9
1974	55.6	32.0	9.5	3.1	57.1
1978	55.1	39.4	—	4.3	33.4
1982	56.3	40.3	—	2.5	40.7
1986	47.6	37.0	—	15.0	43.6
1990	59.0	31.2	—	9.4	55.4
1991	54.0	25.2	—	20.8	n.a.

Sources: 1958–1982, Jonathan Hartlyn, *The Politics of Coalition Rule in Colombia* (Cambridge: Cambridge University Press, 1988), 150–151; 1986–1990, John Dugas, Rubén Sánchez D., and Elizabeth B. Ungar, "La Asamblea Nacional Constituyente: expresión de una voluntad general," in *Los Nuevos Retos Electorales—Columbia 1990: antesala del cambio,* edited by Rubén Sánchez David (Bogotá: CEREC and Departmento de Ciencia Política, Universidad de Los Andes, 1991), 211; 1991, Consejo Electoral (Electoral Council) as reported in *El Tiempo* (Bogotá, Colombia), 26 November 1991, 7A.

cent of House seats in both the October 1991 congressional elections and March 1992 mayoral and municipal elections (taking into account dissident party candidates).[7] Although the Conservative party has been factionalized and less effective in recent years, the two traditional parties continue to maintain a solid presence in Colombian politics, with the Liberal Party as the country's dominant political force.

Since the late 1960s, there has been an increasingly technocratic orientation of state planning efforts in Colombia. The first priority of the National Front pact had been the restoration of peace and constitutional government. As the threat of violence receded, the Front focused increasingly on ways to promote economic development, while attempting to address social and economic inequalities (Collier & Collier 1991, 463). Given the divided legislature and the resulting policy immobilism, subsequent governments came to rely on an increasingly technical, bureaucratic approach to economic development. With sixteen years of national power virtually guaranteed to a fairly homogeneous group of traditional party leaders, questions of economic strategy were defined simply in 'technical' terms and solved accordingly. Economic policy-making was insulated from political pressures and was facilitated by a proliferation of functionally-specific public agencies which were designed to operate with efficiency—rather than equity, mass involvement, or other values—as their major goal (Cepeda Ulloa & Mitchell 1980, 253). One result of these changes

TABLE 2
Presidential Elections in Colombia, 1958–1990

1958–1970

Year	Official National Front		ANAPO	Other		Participation Rate %
1958	**79.9%**		19.8%	—		57.7
	Lleras C.	(Lib.)	Leyve			
1962	**62.1%**		11.7%	25.9%		48.7
	Valencia	(Con.)	—	López M.		
1966	**71.4%**		28.0%	—		40.1
	Lleras R.	(Lib.)	Jaramillo	—		
1970	**40.3%**		38.7%	11.7%	8.3%	52.5
	Pastrana	(Cons.)	Rojas	Betancur	Sourdis	

1974–1990

Year	Liberal	Conservative	ANAPO	Left	Other	Participation Rate %
1974	**56.2%**	31.4%	9.4%	2.6%	0.1%	58.1
	López	Gómez	María Rojas	Echeverri	Duarte	
1978	**49.5%**	46.6%	—	2.4%	1.3%	40.9
	Turbay	**Betancur**		3 Candidates	Valencia	
1982	41.0%	**46.8%**	—	1.2%	10.9%	49.8
	López	Betancur		Molina	Galán	
1986	**58.3%**	35.8%	—	4.5%	0.6%	73.0
	Barco	Gómez		Pardo	Liska	
1990	**47.8%**	23.7% 12.1%	—	n.a.	12.4%	43.0
	Gaviria	Gómez Lloreda			Navarro	

Sources: 1958–1986, Jonathan Hartlyn, *The Politics of Coalition Rule in Colombia* (Cambridge: Cambridge University Press, 1988), 152–153; 1990, Patricia Pinzon de Lewin, "Las Elecciones de 1990," in *Los Nuevos Retos Electorales—Colombia 1990: antesala del cambio,* edited by Rubén Sánchez David (Bogotá: CEREC and Departmento de Ciencia Política, Universidad de Los Andes, 1991), 127, 131.

was the growing political importance of technocrats (*técnicos*) in the making of economic policies, a development that began in the late 1960s during the administration of President *Carlos Lleras Restrepo* (1966–1970).[8] The emergence of a technocratic bureaucracy is crucial in explaining shifts in Colombia's trade and development policies since the late 1960s, as we will see later.

The Organization and Political Capacity of the Colombian Private Sector

Organized business groups in Colombia play a key role in providing stability and continuity to the political system and influencing economic policy on a wide range of issues. Although one prominent study of government-business relations in Colombia asserted that Colombian business groups have had a "limited influence" on government policies (Urrutia 1983), Sáenz (1992) has shown that, since the 1940s, industrialists have played a prominent role in Colombian politics. The private sector has a close, often institutionalized, relationship to the government. In effect, the Colombian state is said to be relatively fragmented and penetrable by private sector groups that possess multiple points of access and means to pressure the regime. Organized labor and popular sector organizations, by contrast, have been considerably less influential. Another study of Colombia's business associations (*gremios de producción*, literally "producer associations") found significant support for the regime by economic interest groups, support that is linked to considerable, but not unlimited, capacity for influence (Hartlyn, 1985).[9] The upper-class and pro-business bias of the Colombian state has been well described by Hartlyn (1985, 127):

> [R]elative to other groups in society, producer associations have far more capacity to influence decisions facilitated by their greater access to arenas of state power. Informal contacts and direct access to key decision makers are often crucial in determining the outcome of policy decisions or in obtaining an administrative ruling or exception favorable to a particular firm or subsector. . . . When these means are not successful, producer groups are also well situated to utilize the democratic aspects of the regime—such as the press, the congress, or the courts—to their advantage.

As Table 3 shows, since the 1940s there has been a proliferation of new economic interest groups in Colombia. Probably the most powerful of the *gremios* is the National Association of Industrialists (ANDI, *Asociación Nacional de Industriales*). The ANDI was founded in 1944 and, as the leading advocate of free enterprise in Colombia, has important roots in the Medellín industrialists. Although there is no overall peak organization of business groups similar to *Fedecamaras* in neighboring Venezuela, the ANDI approximates one as it includes not only the large industrialists, but also firms from the agribusiness, insurance, financial, and commercial sectors (Kline 1983, 79–80). ANDI is powerful for several reasons: its wealth and social prestige; the common overlapping of membership of the group with that of the government; and the fact that industrialization has been a major goal of almost all Colombian presidents during the last half century. The trade association tends to oppose anything that might negatively affect the private sector, but historically has supported the government when there is opposition to the basic system of government.

During the National Front period many of the business associations made efforts to become explicitly bipartisan, to the point of adjusting the numerical make up of their boards to allow for an even distribution of members from the two parties. The removal of many issues from partisan debate during this period gave private sector groups a more important role as societal intermediaries; in effect, business associations provided a "corporative" style of interest articulation between state and society. This process was intensified during the administration of *Carlos Lleras* (1966–1970), a regime characterized by an emphasis on sector-specific policies. From that moment on, the role of organized business groups is seen to have been more prominent and the more or less direct access to the state by the business sector has been facilitated by the rational orientation of the country's macroeconomic policy (Leal Buitrago 1990, 34).

TABLE 3
Principal Business Associations in Colombia

Interest Group	Sector	Year Founded
Sociedad de Agricultures de Colombia (SAC)	Agriculture	1871
Federación Nacional de Cafeteros de Colombia (FEDERACAFE)	Coffee	1927
Asociación Bancaria de Colombia (ASOBANCARIA)	Banking	1936
Asociación Nacional de Industriales (ANDI)	Industry ("modern sector")	1944
Federación Nacional de Comerciantes (FENALCO)	Commerce	1945
Asociación Colombiana Popular de Industriales (ACOPI)	Small industry	1951
Federación Colombiana de Industrias Metalúrgicas (FEDEMETAL)	Metal-mechanic	1954
Cámara Colombiana de la Construcción (CAMACOL)	Construction	1957
Asociación de Cultivadores de Caña de Azúcar (ASOCAÑA)	Sugarcane	1959
Federación Colombiana de Ganaderos (FEDEGAN)	Livestock	1959
Confederación Colombiana de Camaras de Comercio (COMFECAMARAS)	Chambers of Commerce	1969
Asociación Colombiana de Productores de Flores (ASOCOLFLORES)	Flower production and export	1970
Asociación Nacional de Exportadores (ANALDEX)	Exporting	1971
Asociación Nacional de Instituciones Financieras (ANIF)	Banking and Finance	1974
Unión de Aseguradores Colombianos (FASECOLDA)	Insurance	1976

Source: Rubén Sánchez and Dora Rothlisberger, "Formas de organización, representación y participación política de los gremios," in *La Democracia de Blanco y Negro: colombia en los años ochenta,* edited by Patricia Vásquez de Urrutia (Bogotá: Ediciones Uniandes and CEREC, 1989), 89; Jonathan Hartlyn, *The Politics of Coalition Rule in Colombia* (Cambridge: Cambridge University Press, 1988), 80; and author.

Unlike the statization trend observed in bureaucratic authoritarian regimes like Brazil and Argentina or in more inclusionary authoritarian regimes such as Mexico, Colombia has been characterized by more of an emphasis on "privatization"; that is, toward the parceling out of state authority to private sector groups that assume responsibility for policy implementation (Bagley 1984, 133). Perhaps the most important example is the National Federation of Coffee Growers (FEDERACAFE, *Federación Nacional de Cafeteros de Colombia*), a mixed entity composed of private producers and government officials but dominated by the large growers. Founded in 1927, the Federation is not easily definable. Carrying out both private and public functions, it enjoys a close relationship to the state, evidenced by the fact that the Federation has represented Colombia in international negotiations among producing and consuming countries, and it maintains tight control on information about the country's most significant export. (Hartlyn 1988, 134)[10] As Hartlyn shows:

> the relationship between the state and the coffee sector approximates that of 'societal corporatism' (cf. Schmitter 1974) or what can be termed *selective* privatization since the Federation operates as a private group when it is convenient—serving as a pressure group for the interests of its members and as a financial conglomerate managing massive investments—but also carries out numerous state functions related to coffee policy and also to regional development in coffee areas. (1988, 135)

Coffee in Colombia has had a profound impact on the structure of the state, and even today, the coffee sector is involved in general macroeconomic decisions that affect other sectors of the economy. For a long period in Colombia's economic history, "coffee policy was the country's macroeconomic policy" (Revéiz and Pérez 1986, 267). The nature of the coffee export economy has affected patterns of societal cleavages in the sense that coffee both promoted economic growth and at the same time inhibited the organization and cultural autonomy of the popular forces that elsewhere challenged liberal principles and undetermined the political legitimacy and cultural monopoly of the ruling class. The result was that, unlike its counterparts in other major Latin American countries, the Colombian ruling class was not forced to compromise its principles of political economy in response to working class pressure (Bergquist 1986, 294-295). Although export diversification has diminished the relative importance of coffee exports over the past few decades, the generous rents provided by coffee exports will always provide the sector with an important role in economic policy matters.

In addition to the Coffee Federation, other business groups often have a direct role in negotiating Colombia's foreign economic relations. Two cases in point are the sugar industry trade association (ASOCAÑA, *Asociación de Cultivadores de Caña de Azúcar*) and the flower exporters association (ASOCOLFLORES, Asociación Colombiana de Exportadores y Distribuidores de Flores). The participation of ASOCAÑA in negotiations over sugar quotas was minimal through 1977. As a result of a strategic error on the part of the minister of agriculture, the country was ranked among the smaller countries in international trade agreements, a factor that impeded the possibility of entering U.S. markets effectively. Since then, however, ASOCAÑA has assumed a leading role and practically dictates the country's sugar export policy (Sarmiento, et al. 1988, 28–29). Similarly, most bilateral negotiations with respect to flower exports (after the Dutch, Colombia is the world's second largest exporter of cut flowers) are realized with the active and direct participation of ASOCOLFLORES.[11] These examples illustrate how the state works closely with the *gremios,* even to the extent of delegating control of the sector's foreign economic relations to the private sector groups.

In addition to their role as societal intermediaries, Colombia's business associations have become important mechanisms for providing expertise in complex policy issues—so much so that the executive and legislative branches have come to rely on the wealth of research and statistical support from private sector groups.[12] Without extensive and well-organized research capacities of their own, the President and Congress are almost wholly dependent on business groups for information and analysis.[13] As a final note, the relative strength of Colombian business groups can also be attributed to the fact that the private sector in Colombia developed prior to the emergence of the modern state, and its continuing political power has thus allowed it to play a central role in the economy. This is in sharp contrast to the cases of both Mexico and Venezuela, where the state was a principal motor of economic expansion throughout the twentieth century, while the private sector assumed a secondary role.[14]

The Structure of Economic Decision-Making

To explain the political determinants of economic policies in developing countries it is not enough to know how groups are organized for political action. Equally, if not more, important is the question of how social demands are represented in the decision-making process: trade and monetary policy may have more to do with internal bureaucratic politics or the independence of the central bank, than with electoral politics or political party constraints (Haggard 1991, 238). The structure of economic decision-making exerts an influence over economic policy choices as various institutions (*e.g.,* political parties, business associations, or economic bureaucracies) mediate the interests and capacities of individuals and groups within them, thus altering the character and direction of public policies.

Colombia's ability to shift trade policies and development strategies over the past 25 years must be understood in the context of important changes in the organization of the state as well as efforts to increase state capacity and rationalize economic decision-making since the 1960s. The decision-making apparatus for economic affairs has always been under the control of a centralized presidential system (Archer and Chernick 1989). The Constitution of 1886 and its subsequent amendments (most notably in 1936 and 1968) provided the legal justification for strong executive authority. The 1886 Constitution had placed strong powers in the executive, primarily through the president's ability to invoke a state of siege (*estado de sitio*) under Article 121 and a state of emergency (*estado de emergencia*) under Article 122. Constitutional reforms in 1936 gave the executive branch a more prominent role in the economy as property became a social function with implied obligations of the state to rationalize the production, distribution, and consumption of the nation's wealth (Ocampo 1988, 229). In 1945 a reform introduced the concept of planning by determining that Congress would play a leading role in determining national economic development plans. Nevertheless, legislative control of economic policy had faded during the dictatorship of *Gustavo Rojas Pinilla* (1953–1957), one of the few periods of military rule in Colombia in the twentieth century).

During the National Front period, successive governments in Colombia consolidated economic planning within the executive branch, a process that was further reinforced by the 1968 amendments to the Constitution. The 1968 Constitutional Reform led to important changes in the government system, especially in widening the scope of governmental authority. The revised Article 32, while guaranteeing free enterprise and private initiative, put the state "in charge of the general direction of the economy." The reform translated into greater interference by the president in monetary policy, public credit, the organization and reform of foreign trade, and the administration of decentralized institutes (Ocampo, et al. 1988, 299). A section of the reform was aimed at clarifying the roles of Congress and the executive branch in planning and carrying out economic policy. The basic objective of the reform was a redistribution of *de jure* responsibility between the executive and the legislature (*de facto,* this redistribution had already occurred in large part, as National Front presidents increasingly invoked Article 121 of the Constitution that provided for a state of siege). The end result was that the 1968 reform strengthened the presidency and limited congressional behavior to various checks on executive programs, while the president was charged with general control of economic policy.

Colombia governments throughout much of the National Front did not have sufficient votes to carry out their legislative programs. During the early part of the National Front, any meaningful policy needed the consensus of at least the president and his cabinet and two-thirds of the legislature. To be *implemented,* such legislation needed technically proficient bureaucrats whose political interests and family and friendship groups did not prevent such implementation. Given these circumstances, it is not surprising that the National Front governments carried out little in the way of socioeconomic reforms (Kline 1983, 59). They did, however, have notable successes in some areas, namely ending the rampant violence throughout the country and developing a technocratic bureaucracy well-insulated from pressures for political patronage.

To deal with the problem of policy implementation, government officials made extensive use of the state of siege clause (Article 121) and the 1968 constitutional amendment (Cepeda 1985). Remarkably, nearly 75 percent of the National Front period was conducted under a state of siege, and this mechanism was crucial to the success of the Front.[15] The downside of this was that continued use of what had previously been considered an exceptional executive power created serious legitimacy problems and growing criticism of the abuse of the state of siege provisions (Collier and Collier 1991, 669). In the post-National Front period, state officials have continued to use anti-democratic methods to implement neoliberal policies. One example is the annual negotiations with labor and business groups over the legal minimum salary. While all the parties come to the negotiating table to bargain, in the final analysis, government officials simply issue a decree and dictate the new rate. Although a constitutional reform in 1979 slightly reduced executive control of the economy—the reform authorized congressional intervention under specified circumstances and called for the president to submit a national development plan for its approval—it was not until the new Constitution of 1991 that Colombia's decision-making apparatus was significantly reformed. The 1991 Constitution has shifted some power back to the legislature, mostly through greater congressional input into the budgetary process. In the area of international economic policy, the president has been granted significant new powers (Shugart and Nielson 1993, 28–29). Article 224 allows the president to put into action economic and trade agreements with countries and international organizations without prior congressional approval (similar to the "fast-track authority" that the U.S. Congress may grant presidents in trade negotiations). Articles 227 and 295 support the same tendency, obligating the government to seek economic integration with other Latin American countries.

Since the National Front period, governments in Colombia have sought a way of coordinating policy through a planning agency and a special cabinet-level council. Originally, the planning agency was created under President *Alberto Lleras Camargo* (1958–1962), and it underwent various reforms and name changes until it became the National Planning Department (DNP, *Departamento Nacional de Planeación*) in 1968 (Hartlyn 1988, 128). President *Alberto Lleras* also created the special council that underwent modifications in 1963 and 1968 to emerge finally as the National Council of Economic and Social Policy (CONPES, *Consejo Nacional de Política Económica y Social*).[16] "Increased state capacity was also sought by enlarging the role of the state in monitoring and processing information and in regulating the economy" (Hartlyn 1988, 128).

The board of directors of Colombia's central bank (*Banco de la República*) was long dominated by private sector interests, in part reflecting the state's low autonomy. Dissatisfaction with their management of the money supply led to the creation of a cabinet-level Monetary Board (*Junta Monetaria*) in 1963 to insure greater state control over monetary policy. The new organism was comprised entirely of government officials: the ministers of finance, economic development and agriculture; the managers of the National Planning Department and the central bank, and (from 1968 to 1990) the director of the Foreign Trade Institute (Incomex).[17] The establishment of the Monetary Board was an important step in increasing state capacity and providing greater state control over monetary policy, although it effectively handed power over to the administration in office as the leading figure on the Board has always been the minister of finance appointed by the president.[18]

Colombia's new export-led development strategy has called for a new institutional framework for the management of foreign economic relations. As of January 1992, trade policy has been centralized by incorporating the Foreign Trade Institute (Incomex) into a new Ministry of Foreign Trade (*Ministerio de Comercio Exterior*) and converting the Export Promotion Fund (Proexpo) into a new Foreign Trade Bank (BANCOLDEX, *Banco Colombiano de Comercio Exterior*). A new cabinet-level board, the Superior Council on Foreign Trade (*Consejo Superior de Comercio Exterior*), was set up to coordinate trade policies. While this process of bureaucratic consolidation is likely to give Colombian state officials even greater control over foreign economic relations, the new constitution also has liberalized monetary, exchange rate, and credit policies. Article 372 now gives the central bank's Board of Directors (*Junta Directiva*) autonomy over these issues. In theory, the new Board is designed to function as an autonomous organism, similar to the Board of Governors in the U.S. Federal Reserve system;[19] in practice, however, since the first members were all appointed by the president and the Board is presided over by the finance minister, monetary policy is not likely to have an independent streak.

Shifts in Trade Policies and Development Strategies

We have seen how political factors are important variables affecting economic policies in Colombia since the National Front. Colombia's restrictive political arrangement constrained the policy process and gave private sector groups privileged access. The oligarchic power structure inhibited reformist policies but also enhanced macroeconomic stability. And the strong role of the executive branch removed key issues of economic policy from political debate and fostered a technocratic orientation of state planning efforts. From 1950 until 1967, Colombia followed a well-defined program of import substitution industrialization (ISI), with most manufacturing start-ups directed toward domestic consumption that previously had been satisfied by imports (Berry and Thoumi 1977). After 1967, however, planners in both government and industry shifted Colombia's economic strategy toward export promotion, rationalizing the exchange rate, and providing clear incentives for stimulating non-traditional exports. The following section examines reforms after 1967 and highlights the critical role of institutional innovation and bureaucratic insulation to enhance state capacity. The policy shift of the late 1960s is seen an important contributing factor to the economic growth of the early 1970s. During the 1980s, Colombians experienced the highest growth rate of GNP among Latin American countries, in part the result of a more diversified economy (including illegal drugs[20] and contraband) and in part the result of stable macroeconomic policy management. The capacity of the state to implement a shift in trade policy after 1967 and develop a technocratic bureaucracy will in turn help us understand the ability of government officials to switch to an export-led growth strategy after 1990.

Export Promotion and Bureaucratic Insulation: The Lleras Restrepo Reforms

In the first part of the National Front, the administrations of *Alberto Lleras Camargo* (1958–1962) and *Guillermo León Valencia* (1962–1966) pursued classic (secondary) ISI policies: state officials implemented a sophisticated system of exchange rate controls, tariffs, quotas, and licensing designed to shelter the fledgling industrial sector from foreign competition. Although average levels of protection were not unreasonably high, there were large variations among sectors, and many restrictions went beyond reasonable needs to protect the country's infant industries (Bagley 1984). This is turn led to serious economic distortions. While industrial production had increased in areas such as steel and chemicals, the possibility for future growth was severely limited by protection-inflated costs (in effect, the size of the market limited potential growth). The exhaustion of the "easy phase" of import substitution by the mid-1960s left the country saddled with capital- and import-intensive sectors dominating industrial development. Equally problematic was an exchange rate policy that greatly overvalued the peso and made it virtually impossible for industrialists to export their products. Overvaluation taxed the primary export sector and simultaneously distributed the proceeds to producers of manufactured goods able to import capital goods and other inputs cheaply.

As *Carlos Lleras Restrepo* assumed the presidency in August 1966, he confronted two international constraints in foreign economic policy. First, his government faced a renewed balance of payments crisis as a result of a sustained decline in coffee prices, at that time the primary generator of foreign exchange. On another level, international political constraints—such as the approach to international payments problems favored by the United States Agency for International Development (AID), the International Monetary Fund (IMF), and the World Bank—were inadequate to keep Colombia from adopting its preferred strategy for dealing with international economic constraints. President *Lleras Restrepo* was a trained economist and resourceful politician, with definite ideas about how things should be changed and with the ability to coordinate government (Kline 1983, 105-107).[21] In 1967 his administration implemented a series of reforms that substantially reoriented Colombia's economic development strategy. The most important of these was Decree Law 444 of March 1967. The law put into place a new framework for trade and foreign exchange and consisted of three major parts: 1) the establishment of a "crawling peg" exchange rate, a series of small devaluations which were designed to keep up with inflation (by and large this was true until the mid-1970s); 2) an emphasis on export diversification as the new motor for development; and 3) regulation of multinational corporations for the first time, designed in principle to be in harmony with the national interest. The most important of these measures were the exchange rate reform and the incentives for promoting non-traditional exports. The 1967 law "was ostensibly imposed as an alternative to the demands from international lending agencies for a large devaluation" (Hartlyn 1988, 125). The 1966 dispute between Colombia and the IMF holds an important place in recent Colombian economic history, highlighting President Carlos Lleras' skillful leadership and the familiar Latin American complaint that international development institutes impose orthodox policies ill-suited to the political and economic conditions prevailing in the area (Thorp 1991, 146–148; Maullin 1967).

The new "crawling peg" exchange rate mechanism was an innovative concept for devaluing the currency and was placed under the control of the Monetary Board and the central bank. Its basic effect was to make devaluations "occur constantly and gradually, rather than brusquely (and tardily) as in the past" (Hartlyn 1988, 125). The new exchange rate scheme effectively addressed the chronic balance-of-payments problems and played an important role in promoting political stability: between 1948 and 1967 there were six currency devaluations that were politically tumultuous and after 1967 there were no significant exchange crises in the Colombia.[22] The conversion from a fixed exchange rate system (with inevitable periodic devaluations, given the tendency to internal inflation) to a "crawling peg" exchange rate is seen as perhaps the most important economic policy step in the National Front period. For potential exporters, it meant a greater degree of stability and predictability in foreign economic policy. The 1967 law also decreed a simple and general tax credit for exporters of "minor" products (exports other than coffee and petroleum). A general tax-credit certificate (CAT,[23] *certificado de abono tributario*), originally set at 15 percent of the export value, was given to minor exporters and could be used in payment of taxes one year after the date of issue. The new policy was an attempt to strengthen the *private* sector through these exports subsidies (Kline 1988, 91), and, by the late 1980s, exporters would emerge as a powerful pressure group for economic liberalization.

Although it was not entirely obvious at the time, the 1967 law "had established the means for a partial reorientation of the economy from an import-substitution model to one of export-promotion" (Hartlyn 1988, 125). It should be made clear what the policy shift was and what it was not. Many analysts would go so far as to argue that by the late 1960s Colombia made a transition from an ISI development strategy to an export led one (Díaz-Alejandro 1976; Morawetz 1981).[24] But liberalization and export promotion after 1967 was not made at the expense of protection for most import-substituting industries. Rather, as in South Korea and Taiwan, protection for import-substituting industries was not eliminated. Nevertheless, the policy shift did imply that exports were to become the new "motor" for development in Colombia, rather than either coffee or ISI (which had reached limits in Colombia to be seen later in other Latin American countries, due to the lack of the growth of intermediate-goods and capital-goods sectors). The results of President *Lleras'* reform program significantly stimulated exports without dismantling import substitution; between 1966 and 1972 the value of "minor" exports almost quadrupled (Table 4).[25] The new "crawling peg" exchange rate, together with export promotion incentives, had the effect of diversifying the country's economy and thereby decreasing the vulnerability of the external sector. The export promotion scheme can also be seen to have strengthened the political system in the sense that a more diversified export sector made it more difficult for any one group to play a hegemonic role.

While the exchange rate reform and direct subsidies were clearly the most important factors stimulating export diversification, the ability of government officials to *implement* these changes was made possibly by insulating trade policy and increasing state capacity for economic management. Since the mid-1930s, there has been a growing role of the Colombian government in the promotion of industrialization and in overall economic coordination and planning (Sánchez 1984). Since first using devices such as protective tariffs in the 1930s, a number of decentralized and semi-autonomous institutes have provided the government with economic instruments to facilitate economic policy-making. The earliest of these, the Industrial Development Institute (IFI, *Instituto de Fomento Industrial*), was established in 1940 and helped spur the creation of a number of industries. The use of decentralized institutes for economic policy-making has always been one method of avoiding the problems of patronage politics. Under President *Carlos Lleras,* two key government agencies were set up to facilitate the promotion of new exports and coordinate foreign economic relations: the Export Promotion Fund (Proexpo, *Fondo de Promoción de Exportaciones*) and the Foreign Trade Institute (Incomex, *Instituto Colombiano de Comercio Exterior*). Both agencies received generous budgets that were removed from congressional scrutiny and gradually developed competent pools of technocrats. Proexpo's organizational mission was to promote the expansion of

TABLE 4
Colombia: Coffee and Minor Exports, 1963–1991
(millions of U.S. dollars, FOB)

Year	Coffee Exports	Coffee exports % total exports	Non-traditional exports*
1963	303.0	67.8	66.5
1964	394.2	71.9	78.9
1965	343.9	63.8	107.0
1966	328.3	64.7	108.7
1967	321.5	63.0	127.2
1968	351.4	62.9	170.6
1969	343.9	56.6	206.8
1970	472.0	63.5	225.0
1971	409.0	58.3	259.0
1972	483.0	52.2	404.0
1973	612.0	50.6	566.0
1974	675.0	44.0	669.0
1975	764.0	47.2	813.0
1976	967.2	55.4	707.2
1977	1,497.7	61.3	849.9
1978	1,978.7	65.1	929.0
1979	2,005.1	60.8	1,163.7
1980	2,360.5	59.8	1,472.9
1981	1,423.3	48.1	1,487.4
1982	1,561.5	50.5	1,302.5
1983	1,506.2	48.9	1,077.6
1984	1,764.5	50.7	1,138.7
1985	1,745.5	49.1	1,174.3
1986	2,988.3	58.5	1,407.9
1987	1,650.6	32.9	1,665.3
1988	1,640.6	32.6	1,932.5
1989	1,524.0	26.6	2,176.2
1990	1,414.7	20.9	2,708.7
1991 (p)	1,336.4	18.5	3,665.2

*Non-traditional exports are defined as those other than coffee, coal, and petroleum (and its derivatives).
(p) preliminary
Source: National Statistics Department, DANE (1976–1991); Jonathan Hartlyn, *The Politics of Coalition Rule in Colombia* (Cambridge: Cambridge University Press, 1988, 111 (1963–1975).

Colombia's non-traditional exports. The new entity was financed by a tax on imports, and its many activities included generous lines of credit (even providing equity capital in special circumstances), insurance plans, information about foreign markets, and other promotional measures. One of Proexpo's most important functions was probably as a "pressure group" for export interests within the government bureaucracy in the face of opposing fiscal, monetary, or even social considerations (Hartlyn 1988, 126).[26] The new Foreign Trade Institute (Incomex) also had a central role in the formulation of foreign economic policies by participating in international negotiations, issuing directives on foreign trade, and granting import licenses. In addition to these two agencies, another area where technocrats have dominated is in the National Planning Department (DNP), the executive agency responsible for economic and social development plans and programs, the central government budget, and the regulation of foreign investment. After a reform of the DNP in 1967, the precedent was set that recruitment to all high posts in the department required postgraduate studies, and to reach head of a division, the candidate had to be at least a Ph.D. candidate (Urrutia 1991, 385).

By creating these decentralized institutes, President *Lleras* and his advisers sought to reduce the impact that partisan interests could have in the running of these agencies and to increase the rationalization of the distribution of public funds by the creation of technical entities that would be independent of political pressures. The result was that state capacity was enhanced by a significant transfer of functions from the central ministries to these newly-created bureaucracies. The agencies were given economic independence and thus greater autonomy by having their budgets come from earmarked taxes or funds (Hartlyn 1988, 127).

Geddes (1990) has shown how the insulating of government agencies that are crucial to national economic development conduces greater state capacity in three important aspects: first, by concentrating expertise in bureaucratic agencies, since jobs are not traded for support; second, by providing a more efficient concentration of resources for chosen development goals, since contracts and subsidies are not exchanged for support; and third, by fostering greater agency commitment to bringing about change, since the careers of individual bureaucrats depend on achieving goals rather than demonstrating partisan loyalty. Colombia's experience with bureaucratic insulation is similar to the *bolsões de eficiência* ("pockets of efficiency") in the Brazilian bureaucracy during the Vargas and Kubitschek administrations (Geddes 1990, 225). Similarly, the successful patterns of policy-making in some of the East Asian NICs are based on the practice of "depoliticizing" and closing off strategic sectors of the bureaucracy in order to manage these pockets of the public sector as if they were private (Johnson 1987, 152). Bureaucratic insulation of trade and development policies is thus seen as a *necessary,* although not *sufficient,* explanation for the ability of state officials to shift trade toward export promotion after 1967.

During the period of the National Front (1958–1974), the Colombian government was able to initiate important changes in economic policy more readily than some other Latin American countries, making it easier for the country to achieve crucial economic adjustments in the 1960s and 1970s (Collier and Collier 1991, 667). From 1967 to 1980, the Colombian economy experienced sustained growth. GDP grew at an average annual rate of over 5 percent during this period, supported by an expanded labor force, increased labor productivity, and accelerated investment. The most noticeable results of this economic expansion were strong export earnings and a large increase in foreign exchange reserves. The combination of domestic economic achievements in the 1970s and rents from foreign aid and foreign exchange

TABLE 5
Gross National Product for Selected Latin American Countries, 1960–1990
(Percentage Growth Rate)

	Accumulated Averages			Annual			
Country	**1961–70**	**1971–80**	**1981–90**	**1987**	**1988**	**1989**	**1990***
Argentina	4.4	2.5	–1.9	5.6	2.2	–2.7	–4.6
Brasil	5.4	8.7	2.1	7.5	3.6	0.0	3.6
Colombia	**5.2**	**5.5**	**3.5**	**5.8**	**5.4**	**3.7**	**3.2**
Costa Rica	6.0	5.4	2.2	5.5	4.8	3.5	5.6
Chile	4.3	2.6	2.9	5.7	5.7	7.4	10.0
Ecuador	5.2	9.1	2.0	3.0	–5.5	12.8	0.6
Mexico	7.1	6.7	1.2	–3.7	1.6	1.4	2.9
Peru	5.5	3.5	–0.6	9.5	7.7	–7.9	–11.2
Uruguay	1.6	3.0	0.0	7.5	5.9	0.5	1.5
Venezuela	6.3	4.3	0.1	6.3	4.5	6.2	–7.6
Latin America	**5.4**	**5.9**	**1.1**	**3.7**	**2.7**	**0.3**	**0.7**

*preliminary estimate
Source: *Progreso Económico y Social en América Latin, Informe 1991* (Washington, DC: Interamerican Development Bank, 1991), 21.

placed Colombia in a relatively favorable position to ride out the global recession after 1981, especially in comparison with other Latin American states.[27] With high levels of foreign exchange reserve, state officials were able to compensate for both trade and national account imbalances, thereby minimizing the financial and social consequences of the recession. By contrast, other Latin American countries, facing similar deficits, borrowed heavily from both private financial and multilateral development institutions, which forced them to restrict government spending severely. This, in turn, helps explain why during the "lost decade" of the 1980s economic crisis, Colombia was the only country in the region that registered positive economic growth throughout the entire decade, with an average annual rate of 3.5 percent (Table 5).

Political Reform and a New Development Strategy for the 1990s

In spite of the economic success of export promotion after 1967, Colombians gradually confronted a severe political and economic crisis by the 1980s. The political crisis was perhaps unparalleled since *la violencia*[28] of the 1940s and 1950s and was fundamentally institutional, in the sense that existing institutions had not evolved quickly enough and were inadequate for confronting social problems (Thoumi 1990). The guerrilla problem was only the most visible dimension of a far deeper problem confronting the Colombian political system: the progressive erosion of the regime's legitimacy as a result of failure to institutionalize mechanisms of political participation. The legitimacy problem was also reflected in the rising levels of voter abstention, mass political apathy and cynicism, and declining rates of voter identification with either of the traditional parties. Equally important, the elitist nature of the Colombian political system and its lack of concern for social welfare continued to foster armed resistance by disaffected groups. By the mid-1980s the severity of the crisis had sparked a national debate in the country that was oriented toward a restructuring of the political system with the intention of making it more responsive to citizen demands—a process that has been labeled a "democratic opening" (Leal Buitrago 1990; Hoskin 1988).

Colombia took a major step toward breaking with its elite political tradition and modernizing the country's political structures by holding its first direct, popular elections for mayors in early 1988. In May 1990, at the same time they elected *César Gaviria* as President, Colombians also voted to draft a new constitution, the first since 1886. Seventy delegates, including two Indians, were selected in special elections in December 1990 for the Constituent Assembly (at a constitutional convention in the spring of 1991, four additional delegates were added, one of them another Indian and three from disarmed guerrilla groups). The new constitution, which took effect in July 1991, is the most important political change since the National Front agreements of the late 1950s. It has added numerous mechanisms to strengthen the judicial system, encouraged broader political participation, called for the election of 34 state governors (previously appointed by the president), and set aside congressional seats for previously marginalized groups, including Indians and former armed insurgents. In terms of economic policy, the new constitution has shifted some power back to the legislature, reorganized foreign trade management, and given the central bank greater autonomy over monetary policy.

On the economic front, by the early 1980s the Colombian economy began to deteriorate for a variety of reasons: as a consequence of worldwide economic recession, a loss of competitiveness in its export products due to an appreciation of the real exchange rate, a deterioration in the terms of trade from falling international prices, and a general tightening in the industrial sector from 1974–1977. While a coffee bonanza after 1975 and generous rents from illegal drugs helped to contain part of the crisis, by the late 1970s, Colombians were experiencing the effects of a "Dutch diseased" economy (Pineda 1991). Throughout the 1980s it was clear that industrial production was still heavily protected and unable to stimulate economic growth for the long term. While the economic crisis in Colombia during the 1980s was not as severe as in other Latin American countries, stagnation of industrial production and external pressures were leading many to consider a structural reform as a way of ensuring long-term growth. In 1988 the Colombian government first began to discuss the theme of economic *apertura,* and by early 1990 it took the first concrete steps in that direction.

In February 1990 President *Virgilio Barco* (1986–1990) presented the "Economic Modernization Program" (EMP), a bold initiative to open up to international markets in an effort to accelerate domestic production in the medium- and long-term through a process of outward orientation and greater competition (Hallberg and Takacs 1992).[29] The EMP was presented as a suitable instrument for resolving structural problems in the economy. While the shift to export promotion in 1967 marked a watershed period in recent Colombian economic history, the new strategy initiated in early 1990 represented an ever bolder move: a complete replacement of the ISI model for an outward-oriented, export-led development strategy (what Colombians call economic *apertura*).

The centerpiece of the Barco administration's EMP program was the reform of the trade regime. In typical Colombian fashion, caution prevailed and the initial plan called for a gradual reduction of trade restrictions. The first phase was designed to replace quantitative restrictions (Qrs) with tariffs as the main instrument of protection.[30] The second, designed to take place through 1994, was to reduce the levels and dispersion of tariff protection in a preannounced schedule. To ensure the success of the new strategy, the government also advanced a series of structural reforms aimed at improving the international competitiveness of national products. These reforms included simplifying the financial and tax systems, introducing greater flexibility in the labor code and the exchange regulations, and granting foreign investors the same benefits enjoyed by Colombian investors. The government's agenda also included plans to privatize key sectors of the economy, including railways, ports, and telecommunications.

The new economic *apertura* strategy also calls for an emphasis on regional economic integration. After 1990, economic integration became one of the key issues in Colombia's foreign policy agenda. This was due in part to the gradual consolidation of various integration schemes throughout the world, a factor that led some to fear a gradual restriction of traditional markets for Latin Americans. Another factor that stimulated Colombia's push for integration was the decision of the EEC to negotiate only with organizations or blocs of countries, and not with individual countries (Osorio and Nasi 1990). Colombia's integration efforts since the early 1990s have focused on three main areas: the Andean Group, the Group of Three, and bilateral initiatives with Venezuela and Ecuador. The previously moribund Andean Pact—linking Colombia with Venezuela, Ecuador, Peru, and Bolivia—has been revitalized and, as of January 1992, an Andean free-trade zone went into effect. The link to Venezuela has been accorded a high priority by the Colombian government, signalling an end to years of tense and conflictual relations between the two countries. This has also given strength to the so-called Group of Three (G–3) that joins Colombia and Venezuela with Mexico.[31]

After the Gaviria administration took office in August 1990, the new president announced his intention to continue and even accelerate the trade liberalization process. By October 1990, government authorities had eliminated all prior licensing requirements for imports (with the exception of agricultural products with unstable international prices). Additionally, average tariffs of 44.6 percent in 1989 were reduced to 34.5 percent by September 1990, and to 6.7 percent in 1992 (the level originally planned for 1994). By mid-1991, several factors led government officials to push through all the planned tariff reductions much faster: the expected import surge had not occurred; international reserves continued to increase dramatically; and, in 1990, inflation had passed 30 percent, the highest level in thirty years. Government officials argued that imports would not rise until all of the announced reductions took place, and the economic team was desperate to stop the increase in international reserves, which, by mid-1991, covered seventeen months of imports (Urrutia 1993, 17).

The liberalization program initiated in 1990 was different from the earlier episodes in several ways. First, it followed an extensive period of discussions within the government, and between the government and the private sector.[32] The development of a consensus for a new, outward-oriented model of development was based on several arguments. Throughout the 1980s, it was clear that industrial production was still heavily protected and unable to stimulate economic growth for the long term. The slow growth of the economy (by Colombian standards) during the 1980s had convinced many, including industrialists, that the internal market was no longer a dynamic source of growth. The contribution of manufacturing to GDP in Colombia had remained relatively constant in contrast to the experience of some of the other newly industrializing countries that had seen more dynamic manufacturing growth (Hallberg and Takacs 1992). Diversification into intermediate and capital goods industries had slowed after the 1967–1974 period, and the share of nondurable consumer goods was high compared to much of Latin America and other NICs. Moreover, the growth in nontraditional exports since 1984 was concentrated in a few products. Add to this, low and frequently negative rates of productivity growth, and there were strong arguments made to shake up the old system. Finally, it's worth noting that by the late 1980s the Colombian government found itself increasingly alone in Latin America in maintaining an inward-oriented trade regime.

Explaining the Switch to An Export-Led Development Strategy

The process of economic liberalization in Colombia after 1990—like much of Colombian politics and economics—does not appear to fit the normal pattern in Latin America. As one of the country's best known economists explains it, liberalization "did not take place as a reaction to an economic or foreign exchange crisis, nor at the start of an administration, when its popularity is at its highest, nor was there great coherence and unanimity within the government in favor of liberalization. The reforms, however, after an initial tentative start in the Barco administration, were coherent and radical" (Urrutia 1993, 1). Throughout the postwar period and well into the mid-1980s, opposition from powerful business groups, and in particular Medellín industrialists, had thwarted the ability to maintain a liberal trade regime. By the late 1980s, however, a consensus had emerged to carry out a comprehensive strategy of economic liberalization. The question remains as to how government officials were able to implement such a radical shift in economic policy with relative ease and with lower political costs than in other parts of Latin America. The country has never had much enthusiasm for radical policy shifts. As such, the depth and speed of the reforms is somewhat surprising. Moreover, the reforms were initiated under relatively stable macroeconomic conditions, with the exception of an increasingly problematic rate of inflation. To explain the policy switch in 1990,.we need to look back at the impact of the political regime on economic policy and stress two additional factors: 1) a shift in interest group influence; and 2) external pressure from the World Bank, the International Monetary fund (IMF), and U.S. government.

As we saw earlier, the National Front's peculiar bipartisan pact had put in place a restrictive form of democracy. The political system had removed many economic issues from political debate, and institutional reforms in the late 1960s had provided the executive branch considerable authority and insulation from political pressures (especially on key issues of macroeconomic policy). This, in turn, led to an increasing technocratic orientation of government planning efforts, and technocrats have played an important role in formulating Colombia's economic policies since the late 1960s. The emergence of a technocratic bureaucracy in Colombia is thus crucial for explaining economic liberalization. While earlier efforts to liberalize trade had been thwarted by protectionist pressures (usually supported by the Development Ministry), by the late 1980s, Urrutia (1993, 22) notes that Colombia had no structuralist or Cepalino economists in government, and the dominant group in economic policy making were free-market oriented technocrats concentrated in the Finance Ministry and the Planning Department. At the same time, Colombian exporters had emerged as a very strong pressure group. This included some industrialists, but also the progressive numbers of landed gentry who exported flowers and fruits, agribusinesses that exported bananas and fruit pulp, and the products of shrimp farms developed on the Pacific coast. As these internationally-oriented entrepreneurs pressured for liberalization, there was also increasing division among the ranks of traditionally protectionist interests. In effect, there was no unanimity over liberalization at the ANDI, Colombia's leading business group with important roots in the Medellín industrialists. Although the President of ANDI and the Medellín chapter remained ardent protectionists, the Bogotá and Cali chapters were protectionist interests (1993, 15). Although some private sector leaders complained bitterly that they were not included in any decision-making over economic *apertura,* the debate leading to economic liberalization included a strong and wide-ranging business group presence. Business groups in Colombia have always had a close, often institutionalized relationship with the government. Moreover, government officials recognized the vital role that private sector groups would need to play in a more open, internationalized economy.

In addition to the importance of changes in the domestic political arena, externally the World Bank, the IMF, and the U.S. government were also pressuring for change in Colombia's development strategy. The World Bank, in particular, has always been a key player in the Colombian economy, and, as the Barco administration entered its second year, pressure from bank officials built up considerably. Additional pressure was also brought to bear from the office of the U.S. Trade Representative since some Colombian exports were running into protectionism in the United States, and American customs officials continuously harassed Colombian exporters in apparent retaliation against illegal drug exports.

The economic *apertura* process in Colombia has strong arguments for the medium- and long-term growth prospects, and there has been a remarkable degree of elite consensus to move ahead with the policy change. The success of the trade reform program will depend on its consistency with macroeconomic policies (Hallberg and Takacs 1992), and there are still likely to be significant costs involved in shifting development strategies. One of the obvious implications of this new development strategy is that it will make Colombia more vulnerable to the international market forces. This is an important factor because, at a time when developing countries like Colombia are embarking on reforms to internationalize the economy and promote free trade, there is growing concern over protectionist measures in the industrialized world. Many of Colombia's largest exports (coffee, coal, agriculture) are vulnerable to international markets, and a smaller state role in the economy will imply less ability to soften those blows. Economic liberalization in Colombia also can be seen as the legitimization of an already open economy: traditional protectionism seems to have lost much of its effectiveness since dealing in contraband has always been an important activity in Colombia.

Another concern is the need to address inevitable social and more immediate costs of economic liberalization. The economic policies being accelerated by the *Gaviria* administration will necessarily require a transformation of domestic industry: some sectors will modify their productive structures, certain manufactured goods will be phased out, while other goods will see their production levels dramatically increased. The entire process is bringing about significant changes in the volume and composition of the labor market. As one Colombian economist notes, "employment losses in some sectors, whether by elimination of certain productive processes or new machinery, may not necessarily be compensated by employment growth in other sectors" (Misas 1991, 48).[33] The working classes, labor unions, and public sector employees are *a priori* likely to suffer the greatest losses in employment. Surprisingly, recent opinion polls, in the midst of a severe downturn in President Gaviria's popularity, indicate that a majority of Colombians continue to perceive the economic *apertura* strategy as beneficial (Cárdenas 1992).

As Colombia approaches the twenty-first century, policymakers have embarked on an ambitious plan to modernize and internationalize the economy. While labor and popular sector organizations traditionally have been weak forces in Colombia, the new Constitution of 1991 has opened up political space, a factor that may challenge the long-standing elite consensus on strategies for growth and development. Although government officials in Colombia have long been able to rely on antidemocratic means for implementing economic policies, government-by-decree is less likely to work in a more open political system. While organized labor in Colombia has enjoyed little influence on policy-making, the successful April 1992 strike by workers at Telecom effectively slowed down the government's plans for fully privatizing the telecommunications sector. What this suggests is that the future for Colombia may in fact begin to look more like the rest of Latin America.

Conclusion

What lessons does Colombia's experience with trade and development policy provide for other developing democracies? We have seen that political variables can play an important role in economic policy-making. In the case of Colombia, political elites deliberately favored an arrangement whereby political participation might be controlled, suppressed, or otherwise restrained from undue influence on elite rule. The article has argued that state interests in Colombia were important in determining policy choices to promote export diversification and exchange rate reform after 1967, and by extension, to reorient economic development strategies by 1990. In effect, government officials were able to utilize institutional innovations to alter the incentives structuring societal behavior and to increasingly isolate some areas of economic policy-making within the executive (Mares 1990, 218). The relative success of this strategy, at least in the short run, was marked by effective control of policy-making and an apparent degree of stability (Martz 1992a, 27–28): since 1967 Colombia's exchange rate and other macroeconomic policies have been remarkably continuous indeed. The outstanding growth performance during the late 1960s and most of the 1970s was not an accident. Rather, it can be seen as the result of technically sound, macroeconomic decisions made by successive governments in the context of a regime that freed them from the imperative of responding directly to lower-class demands for a more equitable share of the benefits of economic growth (Bagley 1984, 136).

In terms of lessons for other developing democracies, Colombia's experience supports the notion that state officials can increase state capacity by insulating technocrats from clientelistic pressures (Geddes 1990; Wise 1990). The case also shows that institutional arrangements, the government's role in organizing interest groups, and the internal structure of the economic decision-making, all help to account for variations in policy choices (Haggard and Moon 1990). From this perspective, the domestic political economy can alter external pressures and constraints and must be viewed as an important analytical focus in order to understand these issues. With pressures (and constraints) toward democracy and economic liberalization around the world, there is a critical need to explore the relationship between politics and economic decision-making in developing democracies. The case of Colombia can help us understand more about current efforts to liberalize economic development strategies elsewhere, since the country has a long record of efforts to promote export diversification and outward orientation of the economy.

Notes

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1. As recently as 1963, coffee accounted for over 87 percent of total export earnings, a factor that made the county extremely vulnerable to the ebbs and flows of the international economy.
2. Political development continues to remain a severe challenge to policymakers. Although the new Constitution of 1991 has effectively opened up the system, as of 1993 there are still two active guerrilla groups in Colombia, and the country continues to suffer rampant violence from drug traffickers, kidnappers, paramilitary groups, common criminals, and the guerrillas. While these factors certainly have an effect on the Colombian economy, this paper focuses on the politics of trade and development policies and not the prospects for political stability or democratic consolidation. For a review of political development and electoral reform in Colombia, see Martz (1992) and Shugart (1992), respectively.
3. A development strategy is defined here as a "set of policies that shape a country's relationship to the global economy and that affect the domestic allocation of resources among industries and social groups" (Gereffi and Wyman 1991, 28).
4. The guaranteed rotation of the presidency during the National Front had an unanticipated byproduct: the progressive alienation of the electorate, which faced a situation in which its vote had been rendered largely meaningless. Constitutional reforms in 1968 extended the bureaucratic principle of parity from 1974 to 1978 and required the president to extend "adequate and equitable" representation to the major party not holding the presidency, a practice that has been maintained by most subsequent presidents as cabinet posts are generally distributed in such a way as to include all political forces and party factions. For details on the principle features of the National Front system, see Dix (1967, 129–135).
5. Martz (1992a, 217) notes that a major and unintended consequence of the National Front was the effective reinstitutionalization of a two-party monopoly, a tacit but conscious continuation of the hegemonic pattern dating back more than a century.
6. One of the best overviews of Colombia's traditional two-party system is Tirado (1991). For reviews in English, see Martz (1992b) and McDonald & Ruhl (1989, 77–89).
7. The past few elections have confirmed a downward trend in party identification and continued high rates of voter abstention (as high as 70 percent). The fact that Colombians faced five elections in two years and a proliferation of lists of candidates also helps account for the low turnout and general voter apathy.
8. *Técnicos* are generally individuals with little political experience and are more professionally oriented. A review of the role of *técnicos* in Colombia, and the inherent conflict between *técnicos* and *políticos* can be found in Rivera-Ortíz (1976). Technical input into Colombia's economic policy rose notably during the Front and appears to be superior to that of most Latin American countries (Berry 1980). Support of the *técnicos* on the part of President *Lleras* was an effort to rationalize economic policy and diminish the influence of clientelistic behavior in the policy process. After a short pause, the role of *técnicos* in economic decision-making has been important in every Colombian government since the administration of President *Belisario Betancur* (1982–1986) (Leal Buitrago 1990).
9. Hartlyn (1985) notes that "*producer associations*" is an approximate translation of the term employed in Colombia, *gremios de producción*, to refer to business associations or organizations. A more recent study of the political capacity of business groups in Colombia is Sánchez and Rothlisberger (1989). For an analysis of the hegemony of business groups in the local and regional development of Colombia and the increasing centralization of the private sector, see Ogliastri and Dávila (1987).
10. As Hartlyn notes (1988, 134), the coffee "Federation has been responsible for overseeing coffee purchasing and export since the 1930s. In 1940, the National Coffee Fund (*Fondo Nacional del Café*) was created by means of a tax on coffee exports and *the Federation* was charged with its administration. Since that time the coffee fund has expanded its interests into the areas of finance, insurance, construction, shipping, and other kinds of agriculture as it continues to receive income from a variety of coffee taxes, coffee exports, and sales of coffee for domestic consumption."
11. Interview with ASOCOLFLORES manager, 5 May 1992.
12. Interview with former president of a Colombian business association, 15 February 1992.
13. The fact that lobbying programs often parallel government priorities for economic development is understandable in the sense that there is a long tradition of alternation between positions in the state itself and business associations. Practically all government ministers in positions important for national economic development have been presidents of business associations and top executives in the private sector.
14. As Bagley (1984, 136) notes, it is equally important that, unlike the Brazilian and Argentina militaries, the Colombian military never assumed permanent control over the state in the direction of the economy.
15. Jonathan Hartlyn (1989, Fn 5, 330) notes that "the state of siege was usually invoked during the National Front and post-National Front years to address student protests, labor demonstrations, or guerrilla violence. However, especially in the 1960s, it was often retained not so much to restrict civil liberties but to

provide the president with special decree powers to circumvent congressional immobilism."

16. As the central coordinating body for the state's development efforts and economic policies, CONPES is chaired by the president and its members include: the ministers of finance, development, agriculture, foreign relations, labor, and public works; the directors of the National Planning Department (DNP) and of the Foreign Trade Institute; and the managers of the central bank and the Coffee Federation (Hartlyn 1988, 276, fn. 35).
17. After 1991, the new foreign trade minister took the place of the director of the Incomex.
18. Interview with Hugo Palacios Mejía, former Minister of Finance, 24 March 1992.
19. The reforms of the central bank were modeled after the powerful German Bundesbank; interview with Hugo Palacios Mejía, former Minister of Finance, 24 March 1992.
20. Two additional factors which are noteworthy include a coffee boom in 1986 and substantial foreign exchange earnings from exports of illegal drugs. The impact of the drug economy is significant and yet extremely difficult to measure. While there have been some important benefits (foreign exchange earnings, a boom in urban construction and luxury goods), on balance the impact has been much more negative, especially with respect to the crippled judiciary system, ongoing violence, and much lower foreign investment than might otherwise be the case. The most detailed study to date on narcotics in Colombia is Arrieta et al. (1991). Another valuable collection of articles can be found in Tokatlian and Bagley (1990). For a review in English of the economic impact of narcotics on Colombia, see Thoumi (1992).
21. *Carlos Lleras* is viewed as one of Colombia's more effective leaders, especially in terms of improving the level of public administration and increasing state capacity and planning efforts. Albert Hirschman refers to *Lleras* as a "master reformmonger" and even dedicates to him his classic study of economic policy-making in Latin America (1973, iv).
22. Indeed, Colombia's real exchange rate has since remained at a "realistic" and stable level without suffering overvaluation interludes (Urrutia 1991).
23. In 1983 the CAT was replaced with a new tax subsidy, the CERT (*Certificado de Reembolso Tributario*).
24. I am grateful to Mares (1990, 205) for pointing this out.
25. For accounts of how "minor exports" responded well to the new exchange rate regime and export incentives, see Morawetz (1981), Edwards (1985), and Díaz-Alejandro (1976, 63–71).
26. For a description of the division of trade policy management in Colombia, including the role of Proexpo and Incomex, see Reina (1988).
27. External assistance in the form of grants and concessional loans were important in relieving stress on Colombia's international and domestic finances. Throughout most of the 1980s, Colombia ranked among the leading recipients of World Bank loans, as well as direct assistance from the United States. An additional factor that led to high levels of foreign exchange after the mid-1970s (although difficult to measure) was the impact of drug money; see Fn 21.
28. La violencia refers to the terror, political banditry, pillage, and peasant uprising that Colombians lived through between the 1940s and the 1960s. As Bergquist notes, "between 1946 and 1966, long before the drug trade constituted a significant factor, Colombia experienced a period of violence that by comparison dwarfs the current state of affairs" (1992, 4).
29. For a review of the major elements of the Colombian economic program, see Hommes (1992). The literature on economic *apertura* in Colombia is now quite vast. Some representative examples include Lora, ed. (1991); Lora et al. (1991); Camara de Comercio de Bogotá (1991); Ocampo (1990); and the two volumes published by the Presidency and the National Planning Department: Colombia, Presidencia de la República (1991a and 1991b).
30. Between 1950 and 1989 Colombia had carried out as many as five episodes of trade liberalization (Papageorgiou, et al. 1991); most were partially or totally reversed. The longest and most significant reform occurred during 1967–1982 with an increase in the use of quantitative import restrictions (Qrs) and a gradual move toward exchange rate management—mainly through the introduction of the crawling peg scheme—as the main policy for reducing excess demand for foreign exchange (Hallberg and Takacs 1992).
31. The Group of Three (made up of Colombia, Venezuela, and Mexico) was formed in February 1989 to promote greater coordination of economic policies between the three member countries. The goals of the Group include the improvement of relations among Latin American countries as well as the facilitation of economic dialogue between Central America and the European Community.
32. As one Colombian government official noted, there are few countries in which economic liberalization was discussed and debated longer (author interview, 12 May 1992). The result was that by the late 1980s

a broad consensus had emerged in favor of liberalization. The debate then shifted from *whether* to liberalize to whether the liberalization should be gradual or accelerated.

33. Translation by author.

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