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Article — Digitized Version

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Intereconomics

Suggested Citation: Reye, Ulrich (1969) : Economic structure and industrial development, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 04, Iss. 3, pp. 91-94, <https://doi.org/10.1007/BF02929930>

This Version is available at:

<https://hdl.handle.net/10419/138149>

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Economic Structure and Industrial Development

by Dr Ulrich Reye, Medellín

The Andean Republic of Colombia (439,734 square miles; 18 million inhabitants) can be divided into a densely populated western region and an eastern part with practically no inhabitants. The West (roughly $\frac{1}{3}$ of the surface) comprises the narrow and sparsely populated coastal strip along the Pacific and three mountain ranges, all running from north to south and separated from each other by the broad fertile and tropical valleys of the Cauca and Magdalena rivers. It is in this region that 97 per cent of the country's inhabitants live. The vast eastern lowlands comprise extensive savannas and primeval tropical forests. Here live on 270,000 square miles barely 3 per cent of Colombia's inhabitants.

Rapid Population Growth

This pattern of population distribution Colombia has in common with all Andean countries, but what distinguishes the country is its exceptionally strong population growth rate (more than 3 per cent per annum), the rapid urbanisation process and the development of numerous towns and industrial centres of all sizes.

The last-mentioned factor is of particular interest from the point of view of regional industrial development. While the total population grew from 11.5 million people in 1951 to 17.5 million in 1964¹ the proportion of town dwellers increased in the same period from 38 per cent to 53 per cent. Large cities like Bogotá, Cali and Medellín increased their population from 1951 to 1964 by more than 60 per cent against a "mere" 32 per cent rise in the total population. In 1964 there existed in Colombia 25 towns with more than 50,000 inhabitants, which corresponds roughly to 32 p.c. of the total population². These towns are for the most part situated either in the mountainous zones and their valleys or in the Caribbean coastal region.

The Growth Centres

Colombia's industrial development has so far been concentrated in Medellín, Cali and Bogotá. These

¹ DANE, XIII Censo Nacional de Poblacion, 1964, Resumen General, Bogotá 1967, pages 30, 32, 41.

² Ibid.

three cities have in the past 30 years undergone a very rapid development:

Table 1
Number of Inhabitants
(in thousands)

	1938	1951	1964
Bogotá	332.5	715.3	1,697.3
Medellín	144.1	358.2	772.9 a)
Cali	88.0	284.2	637.9

a) In 1964 Greater Medellín had roughly 1 million inhabitants.

Source: DANE, XIII Censo Nacional de Poblacion, 1964, Resumen General, Bogotá 1967, page 30.

In 1965 the share of these three cities in Colombia's industrial value added amounted to 61.3 per cent (Bogotá: 24.1 per cent, Medellín and satellite towns: 22.3 per cent; Cali, including the satellite town of Yumbo: 14.9 per cent³).

The rapid industrialisation of Bogotá is primarily due to the city's function as capital and centre of administration and also to the preferential treatment it enjoys in the matter of public investments of all kinds. This is in line with developments in the other Latin American countries.

The industrial development in Medellín and Cali is, however, due to other causes. Medellín had for a long time been cut off from the rest of Colombia by the various mountain ranges. The inhabitants of the region distinguished themselves by their diligence and initiative. These factors made it possible to build an industry without as much personal or financial participation by foreigners as in other industrial states in South America. When Medellín was linked up with the Colombian network of communications, a considerable industrial development had already taken place with the result that the town could no longer be sucked into the wake of Bogotá. Generally speaking it may be said that many towns and industrial centres owe their existence to various regions remaining isolated for a rather long time.

The rapid development of Cali after the second World War has yet other causes. Cali lies on the only recently completed asphalt road, which links

³ DANE, Boletín Mensual de Estadística Nr. 200, Bogotá 1967, page 49 seqq.

the Pacific port of Buenaventura with Bogotá⁴. Buenaventura has since developed into Colombia's most important import and export port. Apart from its favourable position as regards communications, which attracted numerous industries dependent on imported raw materials, Cali's favourable climate and its fertile surroundings—the Cauca Valley—played an important role in the towns' development. Today, the Cauca Valley is the most modern and the most productive agricultural region of Colombia.

A Diversified Industrial Structure

The industrial structure of Bogotá is more diversified than that of the other two cities. Prominent are the food and drink industries, the chemical industry and firms producing machines, spare parts and electrical appliances. In Cali, the chemical industry has the largest share of the town's total industrial value added, followed by food and drink producers and paper mills. In Medellín and its satellite towns, the textile industry is dominant with, in 1965, a 42 per cent share in the total industrial value added⁵. Medellín's textile industry is without doubt one of the most modern and best organised in Latin America, representing an important export potential on the South American market.

Apart from these three major growth centres there exist numerous smaller ones, among which the Caribbean ports of Cartagena and Barranquilla are worth particular mention. Since Barranquilla possesses a freeport area, industry there has grown at an accelerated rate. In both ports the chemical industry enjoys pride of place.

Development Areas

As development areas must be classified all those regions in which existing industry or export centres have induced positive developments by a process of radiation.

The industrial expansion in Cali, Medellín and Bogotá brought in its wake a growing measure of development in the large valleys in Central Colombia — areas which are particularly suited for farming and cattle raising. This applies above all to the valleys of the Cauca and Magdalena rivers and to the high plateau around Bogotá where the modernisation of agriculture and livestock production has progressed fastest. From here come the most important foodstuffs and agricultural raw materials to supply the growing needs of the towns: rice, oil-seeds and cotton from the Magdalena Valley, sugar cane from the Cauca Valley and vegetables, potatoes and milk from the high plateau of Bogotá. The farming of livestock for urban consumption is well developed

in the Magdalena Valley, in the Llanos prairies as well as in the equally flat Caribbean coastal regions. In the last-named region, a considerable portion of the cotton required for the textile industries of Medellín are also produced. Some of the central mountain regions, the coffee zone, and several regions along the Caribbean coast (cotton, cattle, bananas) have made headway under the stimulus of export possibilities.

The positive influences radiating from a few major towns and export centres also brought about the creation of new towns and the growth of numerous existing ones of medium size. These fulfill essentially commercial functions, but also have some rudiments of industry in varying degree. They serve in the first instance as service centres for the surrounding farm areas, but also as packing stations for farm-produce intended for export or dispatch to the major towns, and, thirdly, as centres for distribution of industrial products. To this category of towns belong for instance Girardot, Ibagué, Neiva, Montería, Bucaramanga, Cúcuta, Palmira, Tuluá, Buga and the coffee towns of Armenia, Pereira and Manizales. Foreign trade and improved communications were responsible for the greater importance the harbour towns of Cartagena, Barranquilla and Buenaventura now enjoy.

The development in the area around Cali is worth mentioning specially. Here, in the fertile Cauca Valley, the influences radiating from Colombia's third-largest city have led to marked improvements in agriculture. In this area numerous small towns have come into being with some significant rudiments of industry. Such towns are Buga, Bugalagrande, Palmira and Tuluá; in 1965 they already contributed 4 per cent of Colombia's total industrial value added⁶.

These development zones comprise in all some 15 to 20 per cent of the land surface, housing between 50 and 60 per cent of the country's population (including the growth centres).

Stagnation Areas

Under the term of "stagnation areas" it is intended to group together all those regions which the development process has either not affected at all or, if so, adversely (draining of savings, exodus of the most efficient among the population, passing over of the region in the distribution of public investments, etc.).

These stagnation zones can be divided essentially into two types: the remote, unpopulated or sparsely populated areas and the densely populated ones. Those of the first type comprise roughly 3 per cent of the population, living on 60 per cent of the state's territory. These areas are largely

⁴ Bogotá—Cali 335 miles; Cali—Buenaventura 84 miles.

⁵ DANE, Boletín Mensual de Estadística, loc. cit., page 49.

⁶ DANE, Boletín Mensual de Estadística, loc. cit., page 49 seqq.

untapped and unexploited notwithstanding the fact that they offer in parts great possibilities. To this category belong the narrow coastal strip along the Pacific and the vast Eastern plain.

The regions which have been adversely or at least not positively affected by development elsewhere make up 20 to 25 per cent of the space and 40 per cent of the population. They are in the main in the mountainous zones (the coffee areas excepted) which are relatively badly served by the communications system, but also a few areas at the back of the Caribbean coast. Here a primitive subsistence economy predominates. The size of the enterprises is as a rule too small considering the prevailing soil conditions and the production methods presently in use; they do not therefore enable their owners to earn a satisfactory living. Here regular production surpluses for marketing purposes are a rarity. The low income level of the inhabitants and the scarcely developed division of labour in these areas represent obstacles greatly impeding the expansion of Colombia's home market as well as the industrial growth of the country. Selective emigration, the draining off by the centrally organised banking system of the meagre savings and the practice of passing over these regions when public investments are handed out, all these are factors militating against the integration of these stagnation areas into the Colombian economy.

Varlation in Regional Development

The situation described above has resulted in four "departamentos"—Cundinamarca, Antioquia and Valle in the centre and Atlantico on the Caribbean coast—increasing their share in the Colombian national income from 60 per cent in 1953 to 68 per cent in 1963⁷. Yet the four departamentos cover only 9.9 per cent of the country's territory, while their inhabitants represent 44 per cent of the total

⁷ José R. Sojo Zambrano: "Las grandes desequilibrios internas, Bogotá 1967.

population. The remaining 56 per cent shared in 1963 only 32 per cent of the national income.

Table 2 illustrates the discrepancies in regional developments:

Table 2
Regional Discrepancies in Colombia

Grouping of Departamentos according to their level of development	Per-centage share of territory	Percent-age of total population		Income per head in per cent of national average		Percent-age share of farm output		Percent-age share of Industrial output	
		1953	1963	1953	1963	1953	1963	1953	1963
Group I (a)	9.9	42	44	150	170	42	45	71	78
Group II (b)	12.6	33	31	80	85	37	36	25	20
Group III (c)	17.6	22	23	43	48	19	18	4	2
Group IV (d)	59.9	3	3	30	25	2.3	2	0	0

(a) Departamentos Cundinamarca, Antioquia, Atlantico, Valle.

(b) Departamentos Quindío, Risaralda, Tolima, Caldas, Norte-Santander, Santander, Bolívar, Huila.

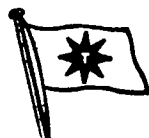
(c) Departamentos Magdalena, Cesar, Boyacá, Cauca, Nariño, Córdoba.

(d) Departamentos Chocó, Meta, Guajira, Intendencias and Comisarias.

Source: Population census of 1964, José R. Sojo Zambrano: "Las grandes desequilibrios internas"; Bogotá 1967.

The population of the group of "rich" departamentos has increased as a result of internal migration. The true extent of these migrations is not discernible from the figures because even within the first group considerable population shifts have taken place from the rural districts to the towns. According to the population census of 1964 the departamentos Valle, Cundinamarca, Caldas and Atlantico show net increases in the migration rates. Almost all the other populous departamentos, including the departamento of Antioquia, which belongs to the first group, show net losses.

Antioquia is included in the first group because of its industrial concentrations in Medellín. The larger part of this departamento should actually be numbered among the poorer regions. Particularly impressive is the process of migration into the departamento of Valle (capital Cali). According to the census of 1964 more than 30 per cent



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of its inhabitants were born outside the departamento. In the country's capital Bogotá only about 50 per cent of the people living there were "natives".

What does emerge from the table, however, is the fact that, notwithstanding these migratory movements into the centres of these "rich" areas, the percentage share of the poorer regions has remained almost constant. This is largely due to the high growth rate of the population in these zones. This is why the internal migrations brought no real relief to the many, partly overpopulated rural areas.

Income Discrepancies and Structural Changes

The regional discrepancies in income per head of population between the first and last groups have been accentuated between 1953 and 1963. Particularly noticeable is above all the widening gap between the per head income in the richer regions and the national average. Interesting is also that the gaps for groups II and III have narrowed. This is undoubtedly the consequence of the beneficial results radiating from the growth centres.

Between 1953 and 1963 the concentration of the agricultural and industrial production has made headway in the first group. In groups II, III and IV

the shares in agricultural production declined slightly, while the shares in industrial production decreased to a greater extent. This is an alarming sign if one compares these falls with the persistently high population percentage share of these groups.

The increasing industrial concentration in the first group is accounted for by the preference shown by industry for already developed areas and for densely populated centres. There the infrastructure is most highly developed and from there the markets at home and abroad are most easily accessible. The increased share of the first group in agricultural production is the consequence of a higher degree of mechanisation of farming and cattle raising in areas supplying the large industrial towns.

In addition to the evidence provided by the above table, there are other figures showing discrepancies in regional development in Colombia. In 1965, the departamentos of Antioquia, Cundinamarca, Valle, Atlantico, Caldas, Quindio and Risalda received 80 per cent of all the bank credits granted while their share in deposits amounted to 75 per cent. 80 per cent of the country's electricity production capacity was concentrated in these departamentos, and they contributed 93 per cent of Colombia's revenue from direct taxation.

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