External sector II

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- Check the message **Welcome greeting** published in the News Bulletin Board.
- Dear student please edit your profile uploading a photo where your face is clearly visible.
- The purpose of the virtual meetings is to answer questions and not to make a summary of the study material.
- This presentation is based on (Cardenas 2020, chap. 5)

Explain the composition and determinants of Colombian foreign trade

- **Absolute advantage**: the ability of a party (individual, company, country) to produce a product more efficiently than any other party
  - A party should concentrate in producing a good in which it has an absolute advantage
  - ¿What happend when you don't have an absolute advantage?
- **Comparative advantage**: the ability of a party (individual, company, country) to produce a product at a lower relative opportunity cost
  - Under certain conditions, even if a party doesn't have an **absolute advantage**, trade with other agent can be benefical for both of them

- Example of gains of trade using the concept of **comparative advantage** (Ridley 2010)
  - **Agent 1** produce 1 spear in 4 hours and 1 axe in 3 hours.
    - To produce both products **agent 1** will need to allocate 7 hours
  - **Agent 2** produce 1 spear in 1 hour and 1 axe in 2 hours.
    - **Agent 2** has the absolute advantage in the prodution of spears and axes.
    - To produce both products **agent 2** will need to allocate 3 hours
  - ¿It will be benefical for agent 1 and 2 to trade? Yes!!! **Agent 1** can produce 2 axes in 6 hours and **agent 2** 2 spears in 2 hours. Then they can trade 1 spear for 1 axe.
    - **Agent 1** has now 1 spear and 1 axe only working 6 hours.
    - Furthermore **agent 2** has now 1 spear and 1 axe only working 2 hours.
    - Each of them saves 1 hour of work in contrast with a situation in which they don't trade and produce themselves both products.

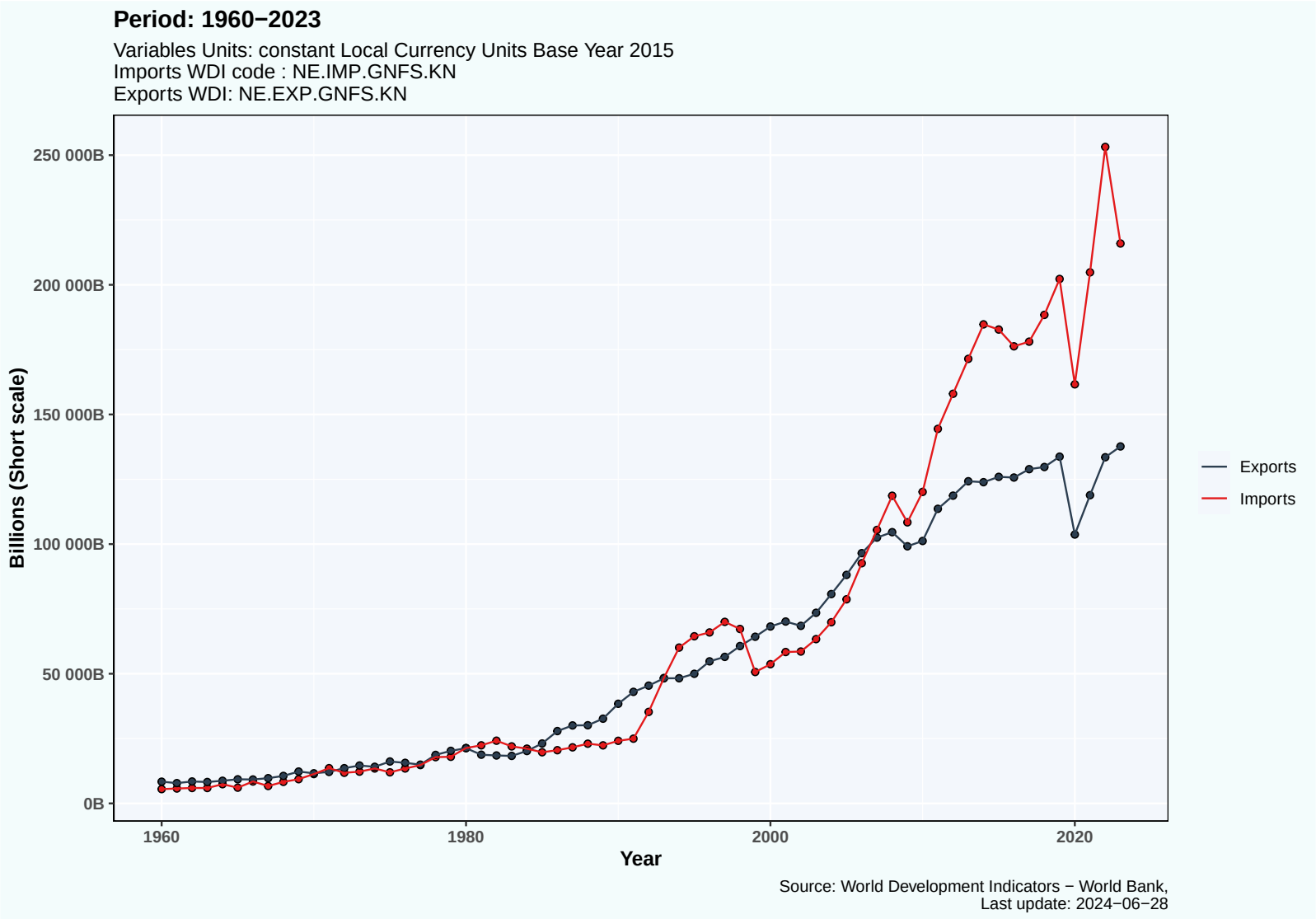

Figure 1: Colombia imports and exports

- The **Harmonized System (HS)** is a standardized numerical method of classifying traded goods that is internationally accepted and maintained by the **World Customs Organization (WCO)**
- The HS code consists of 6-digits that are the same independent of the country:
  - First 2 digits designate the **HS** chapter
  - Second 2 digits designate the **HS** heading
  - Third 2 digits designate the **HS** subheading
- Example of **HS** code: 090111 (Coffee, not roasted, not decaffeinated)
  - Chapter **09**: Cofee, tea, mate and spices
  - Heading **01**: Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion
  - Subheading **11**: Coffee, not roasted, not decaffeinated

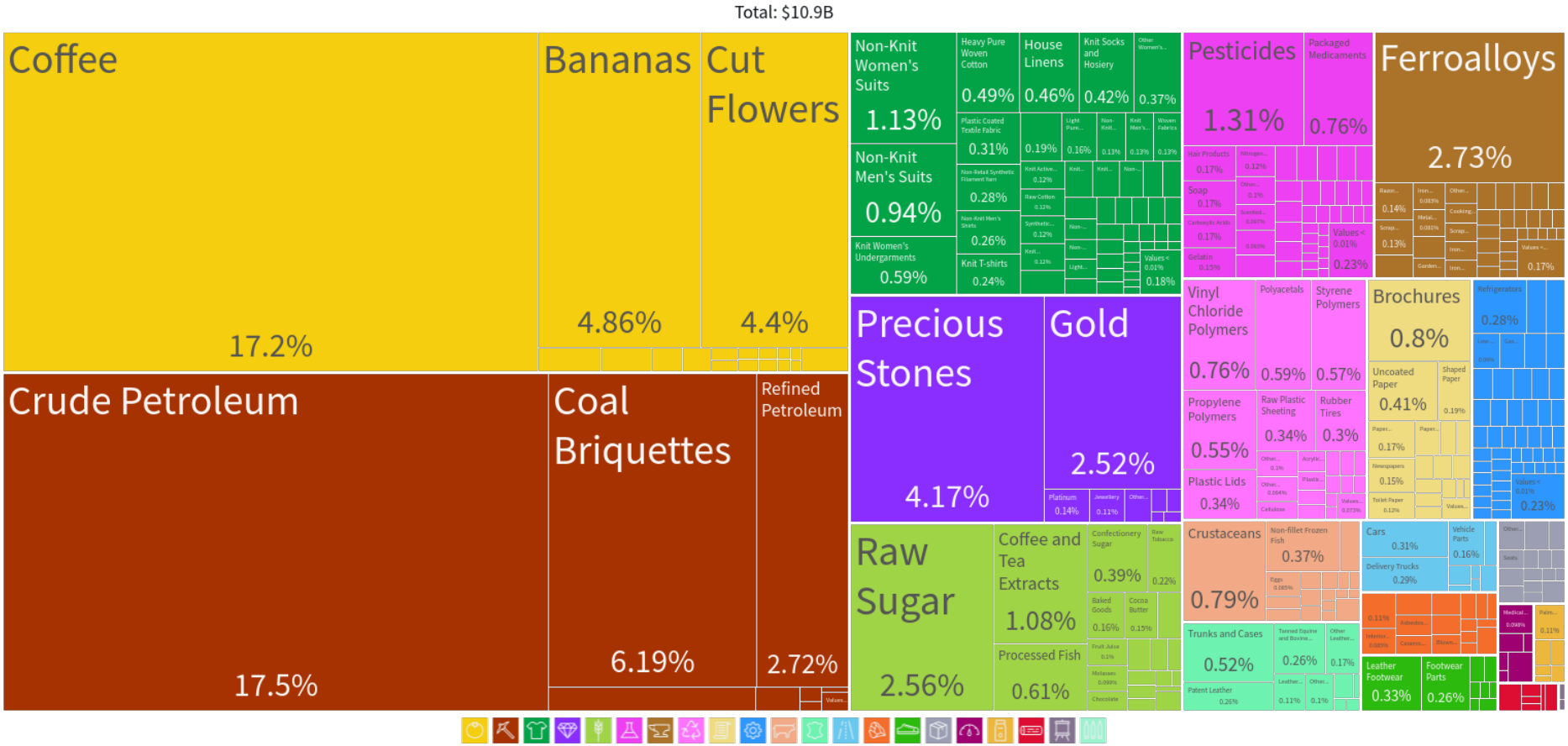

Figure 2: Colombian good exports **HS 4 digits (HS92) edition** year 1995 (OEC 2022)

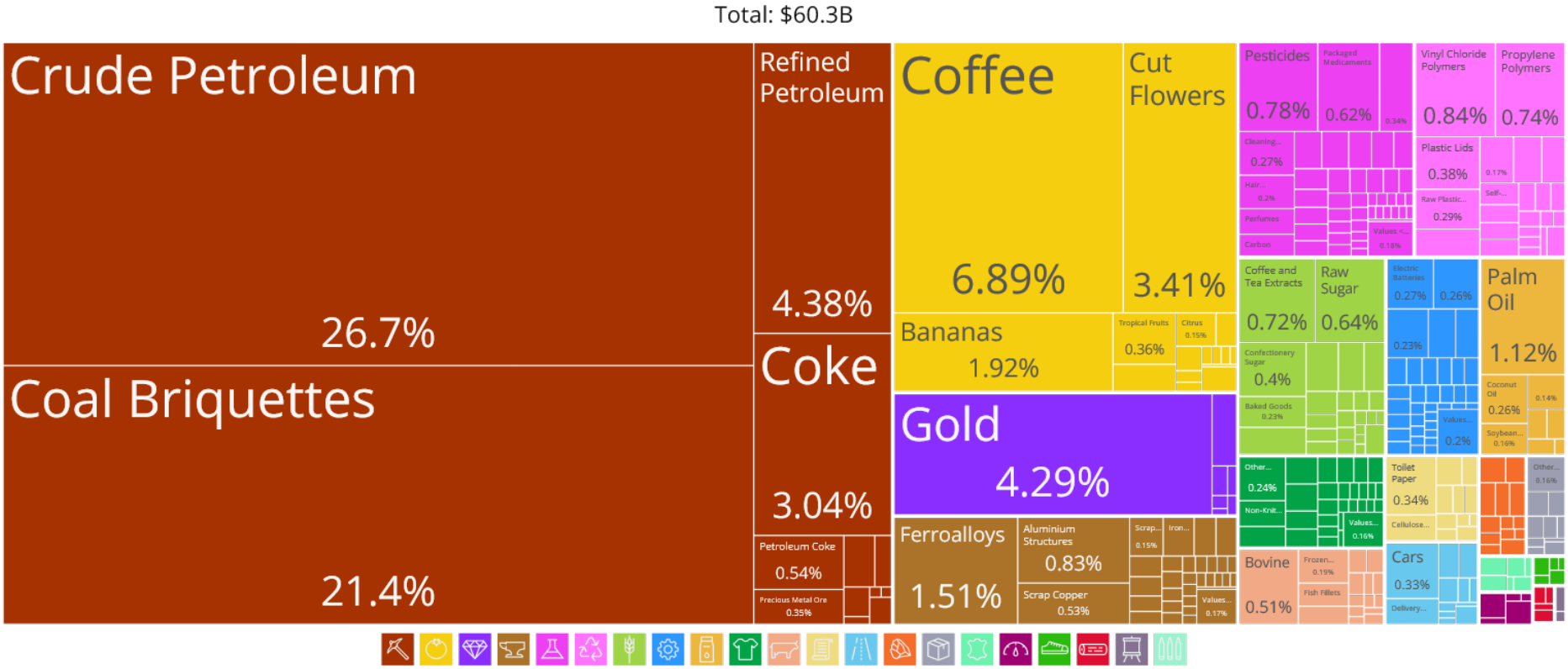

Figure 3: Colombian good exports **HS 4 digits (HS92) edition** year 2022 (OEC 2022)

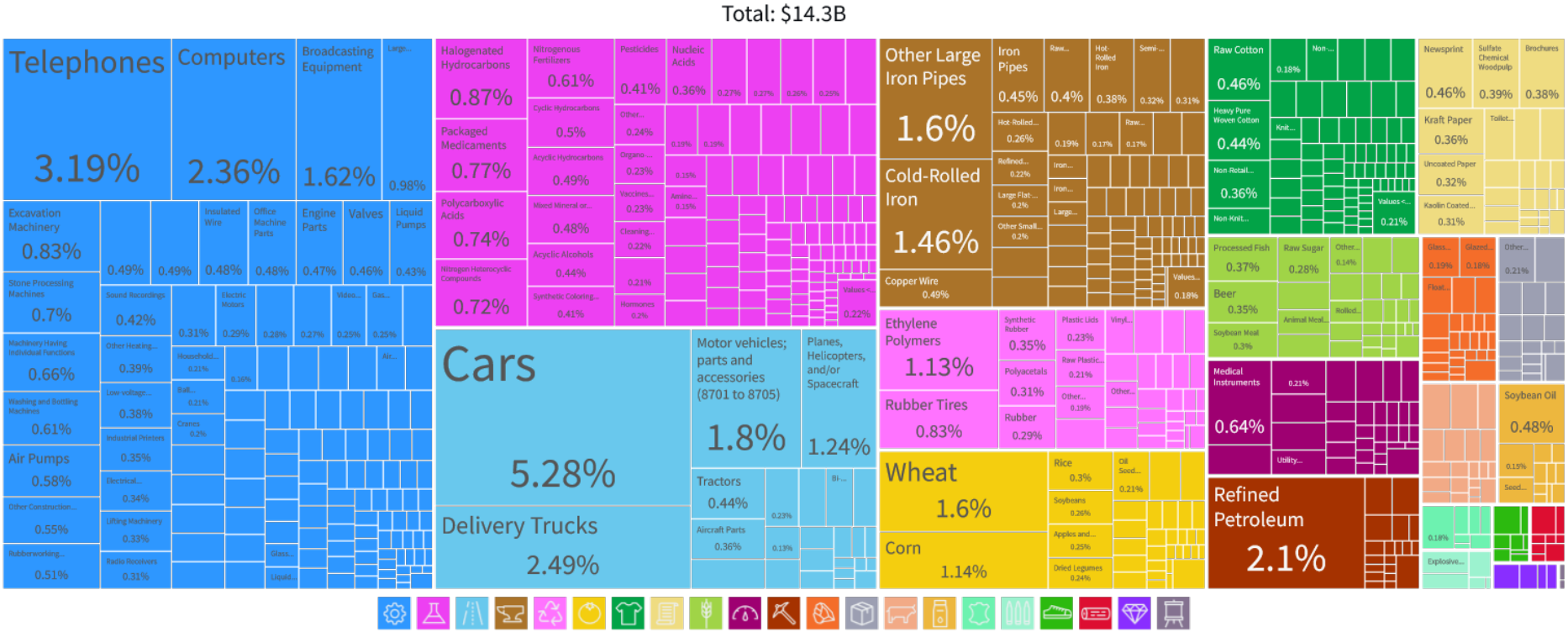

Figure 4: Colombian goods imports **HS 4 digits (HS92) edition** year 1995 (OEC 2022)

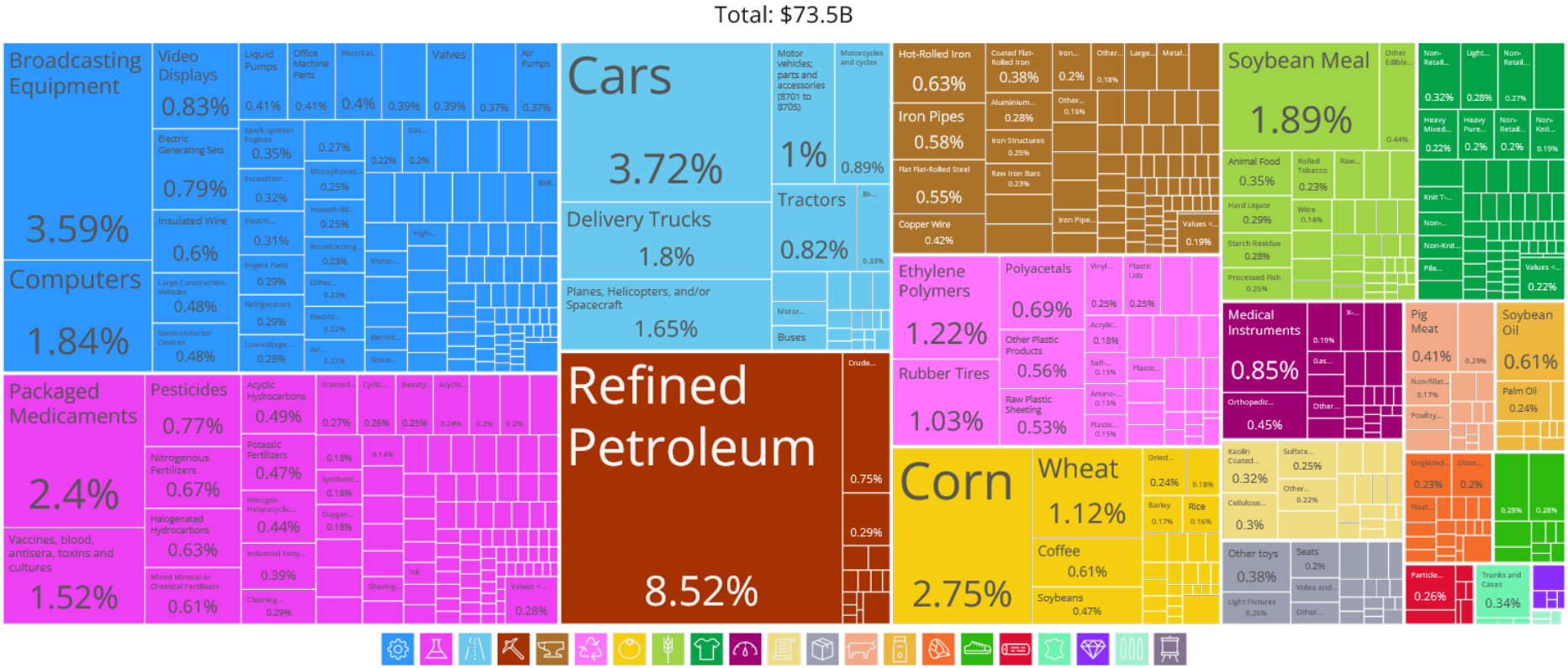

Figure 5: Colombian goods imports **HS 4 digits (HS92) edition** year 2022 (OEC 2022)

- The EBOPS classification provides a breakdown of the Balance of Payments Trade in Services by types of services.
- The classification thereby meets a number of user requirements, including the provision of more detailed information on Trade in services
  - **EBOPS 2002**
  - **EBOPS 2010**
- For more information check out
  - (Nationen and Kommission 2002)
  - (Nations 2012)

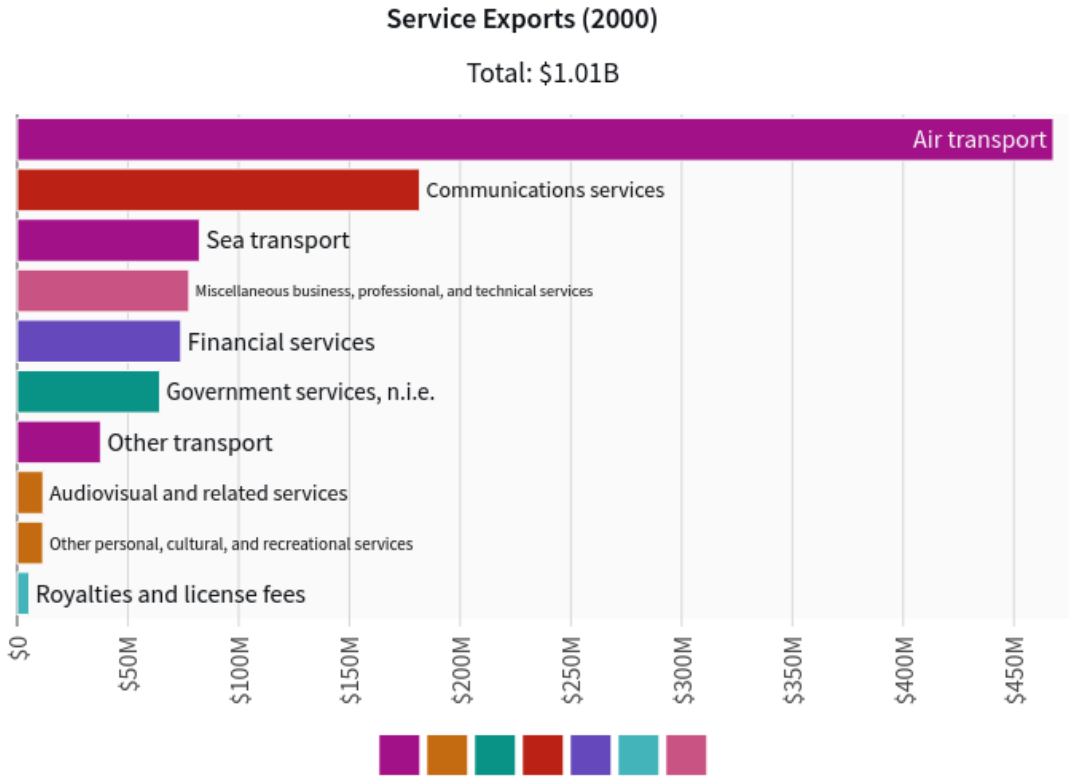

Figure 6: Colombian services exports **(EBOPS Version 2002)** year 2000 (OEC 2022)

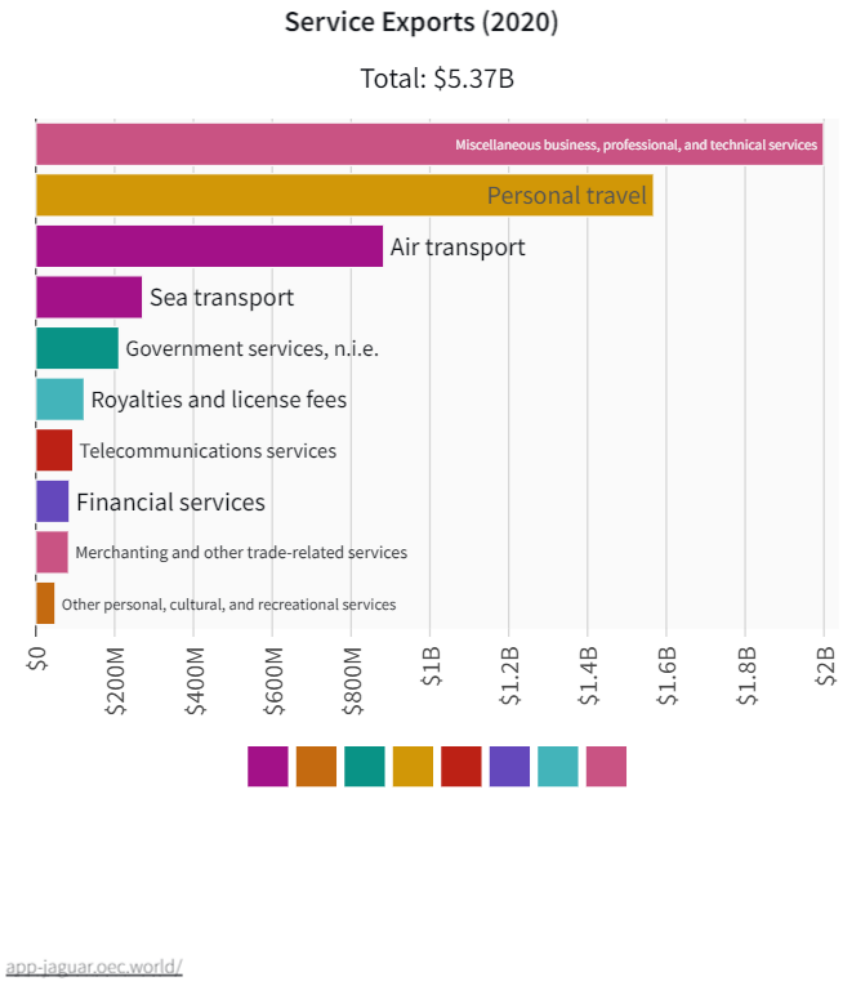

Figure 7: Colombian services exports **(EBOPS Version 2002)** year 2020 (OEC 2022)

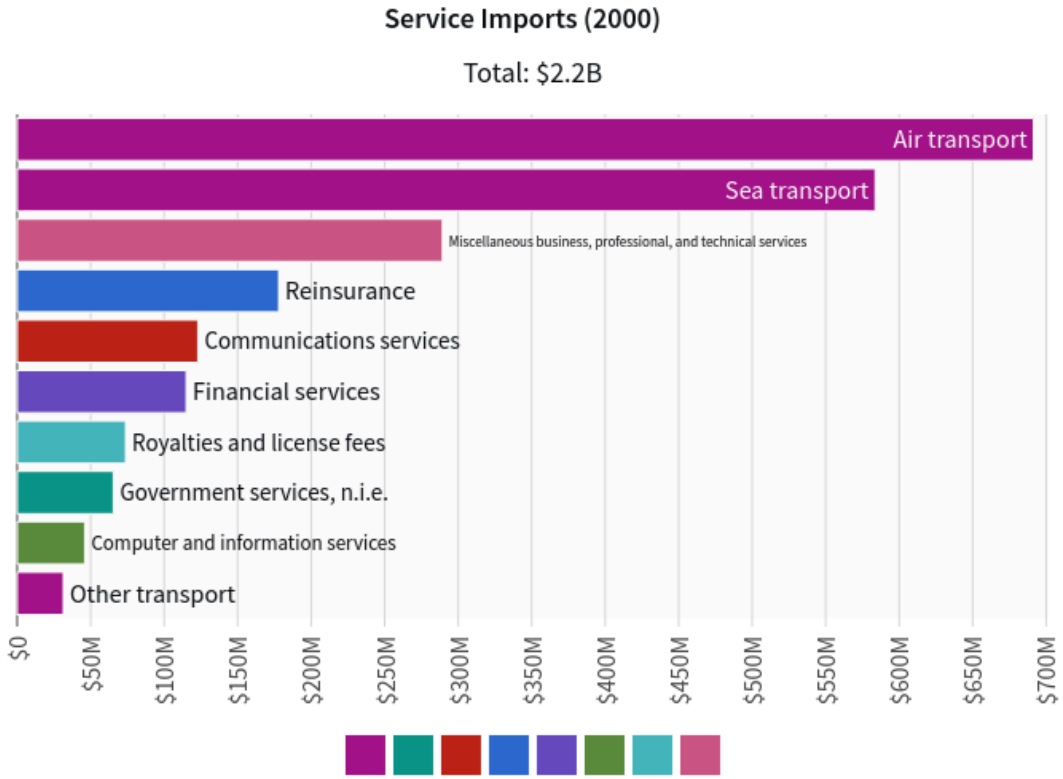

Figure 8: Colombian services imports **(EBOPS Version 2002)** year 2000 (OEC 2022)

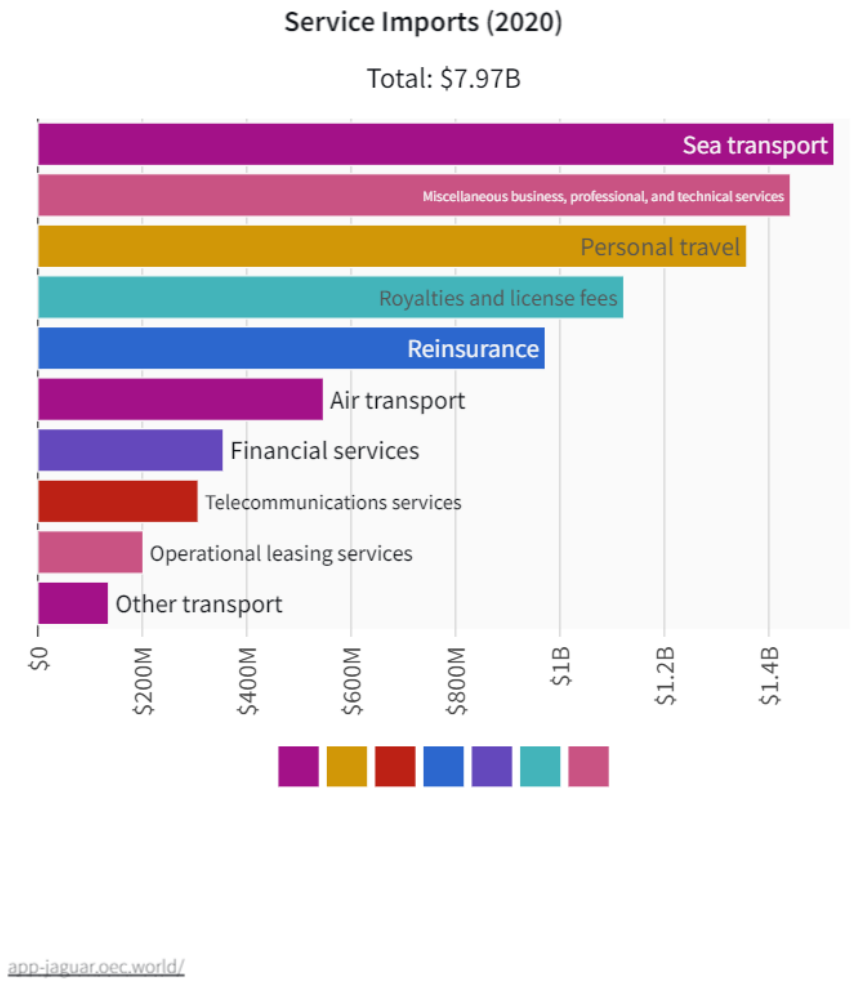

Figure 9: Colombian services imports **(EBOPS Version 2002)** year 2020 (OEC 2022)

- *"The Observatory of Economic Complexity (OEC) is an online data visualization and distribution platform focused on the geography and dynamics of economic activities"* (OEC 2022)
- *"The OEC is currently designed and developed by Datawheel, but it began as a research project at MIT's Collective Learning group (former Macro Connections Group)"* (OEC 2022)

- Tree map
  - https://oec.world/ > TOOLS > Tree map
    - Country
    - Product
    - Bilateral
- Profiles
  - https://oec.world/ > PROFILES > Countries > Colombia

- To my family that supports me
- To the taxpayers of Colombia and the **UMNG students** who pay my salary
- To the **Business Science** and **R4DS Online Learning** communities where I learn **R** and **π-thon**
- To the **R Core Team**, the creators of **RStudio IDE**, **Quarto** and the authors and maintainers of the packages **tidyverse**, **wbstats**, **tidyquant**, **knitr**, and **tinytex** for allowing me to access these tools without paying for a license
- To the **Linux kernel community** for allowing me the possibility to use some **Linux distributions** as my main **OS** without paying for a license

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