

External sector II

Luis Francisco Gomez Lopez

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Please Read Me

- 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)

Purpose

Explain the composition and determinants of Colombian foreign trade

The concept of comparative advantage

- **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 happens 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 beneficial for both of them

The concept of comparative advantage

- 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 production of spears and axes.
 - To produce both products **agent 2** will need to allocate 3 hours
 - ¿It will be beneficial 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.

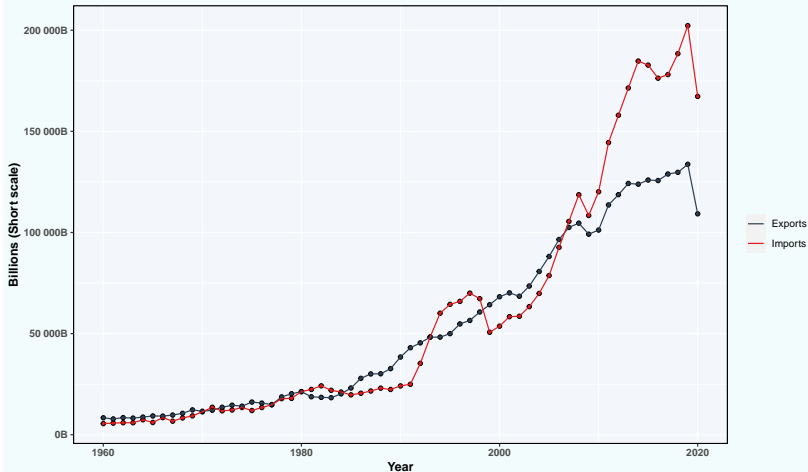
Volume of international trade

Colombia imports and exports: 1960–2020

Variables Units: constant Local Currency Units Base Year 2015

Imports WDI code : NE.IMP.GNFS.KN

Exports WDI code: NE.EXP.GNFS.KN



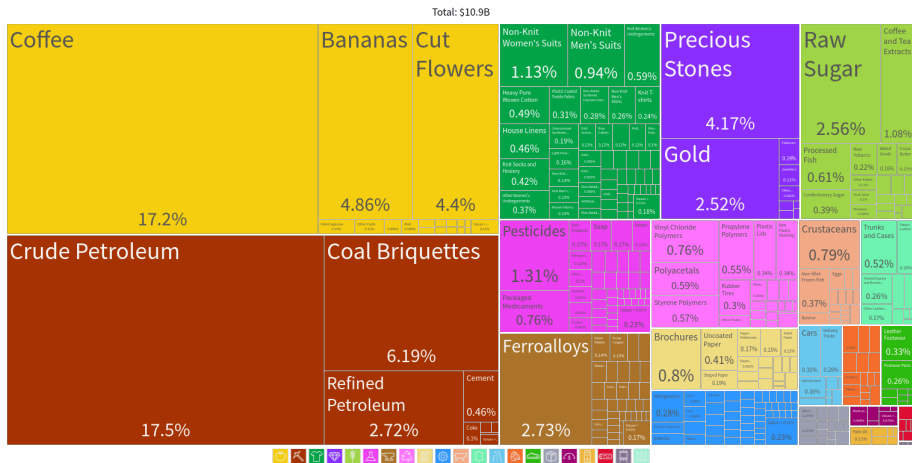
Source: World Development Indicators – World Bank,
Last update: 2022-05-25

Harmonized System (HS)

- 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**: Coffee, 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

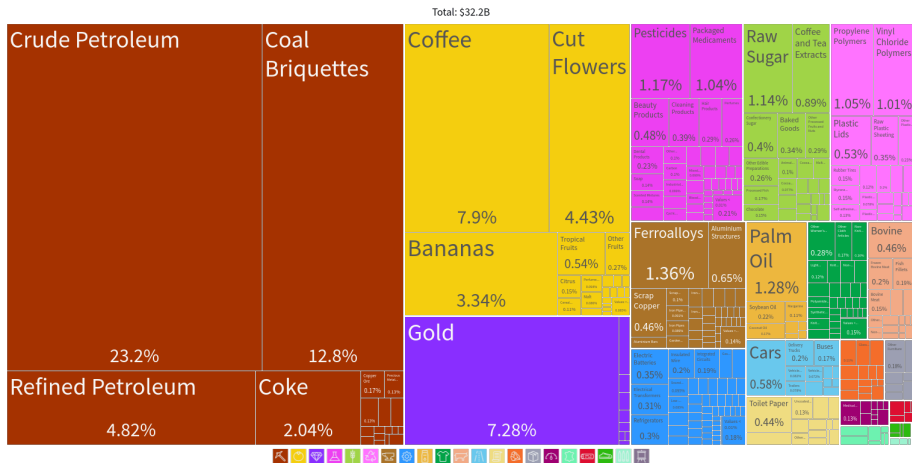
Patterns of international trade: goods

- Colombian goods exports (**HS 4 digits Version 1992**) year 1995 (OEC 2022)



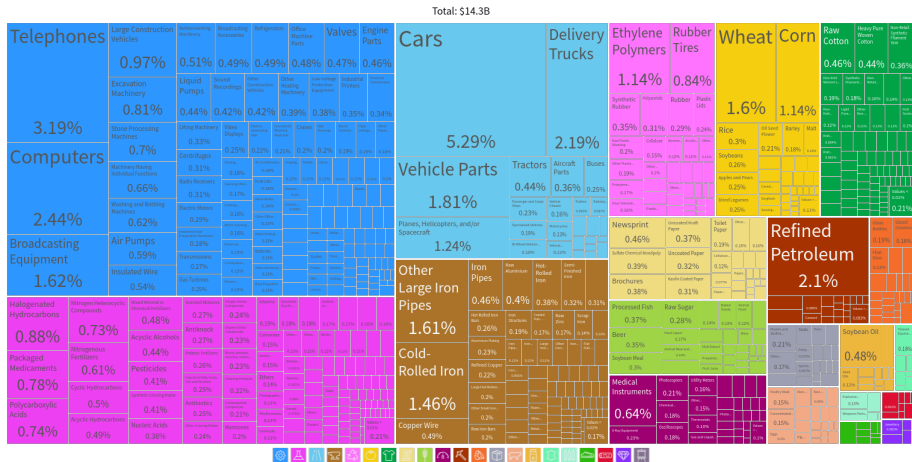
Patterns of international trade: goods

- Colombian goods exports (**HS 4 digits Version 1992**) year 2020 (OEC 2022)



Patterns of international trade: goods

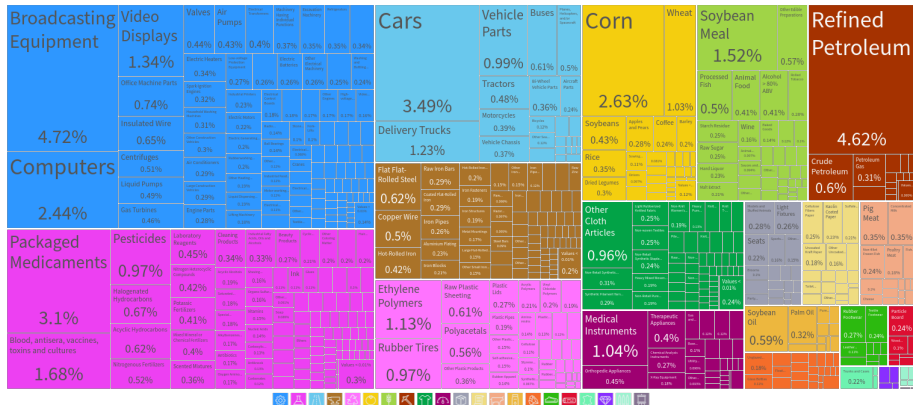
- Colombian goods imports (**HS 4 digits Version 1992**) year 1995 (OEC 2022)



Patterns of international trade: goods

- Colombian goods imports (**HS 4 digits Version 1992**) year 2020 (OEC 2022)

Total: \$42.2B

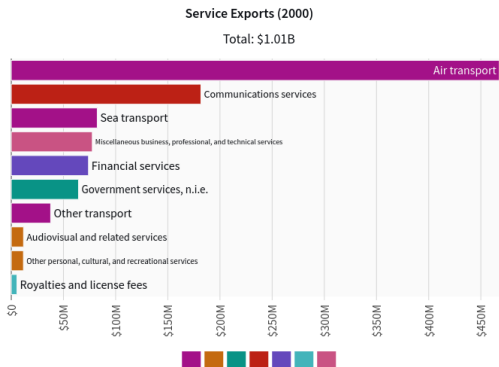


Extended Balance of Payments Services classification (EBOPS)

- 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)

Patterns of international trade: services

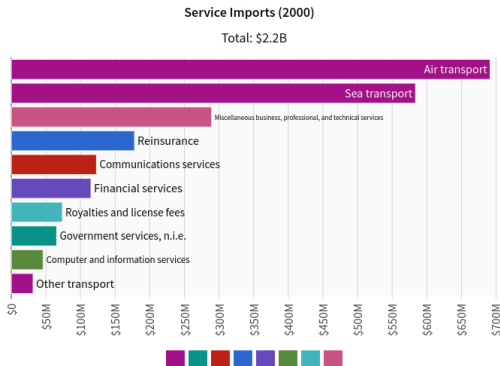
- Colombian services exports (**EBOPS Version 2002**) year 2000 (OECD 2022)



ec.world/en/visualize/tree_map/hs92/export/aus/all/show/2020/

Patterns of international trade: services

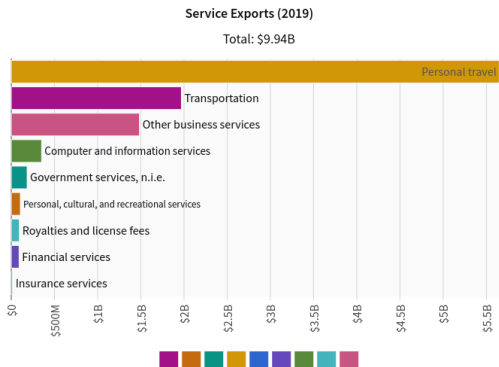
- Colombian services imports (**EBOPS Version 2002**) year 2000 (OECD 2022)



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Patterns of international trade: services

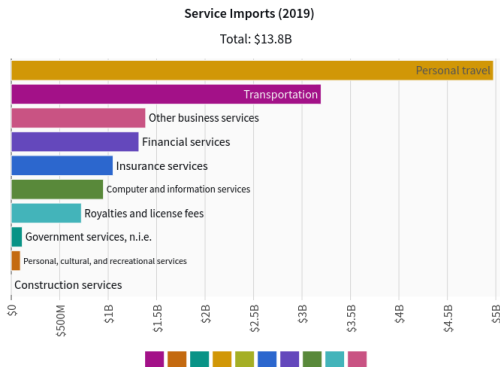
- Colombian services exports (**EBOPS Version 2002**) year 2019 (OECD 2022)



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Patterns of international trade: services

- Colombian services imports (**EBOPS Version 2002**) year 2019 (OECD 2022)



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Observatory of Economic Complexity (OEC)

- “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)

Observatory of Economic Complexity (OEC)

- Tree map

- <https://oec.world/> > TOOLS > Tree map
 - Country
 - Product
 - Bilateral

- Profiles

- <https://oec.world/> > PROFILES > Countries > Colombia

Acknowledgments

- 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**
- To the **R Core Team**, the creators of **RStudio IDE** 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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