## Contents

1 Introduction ............................................................................................................. 1  
1.1 Motivation and Scope .......................................................................................... 1  
1.2 Outline of the Dissertation .................................................................................. 3  

2 Export Diversification, International Trade, and Economic Growth: A Survey of the Literature ................................................................................................................. 9  
2.1 The Static and Dynamic Gains from Trade ............................................................ 10  
   2.1.1 Trade and Economic Growth, from the Perspective of the International Trade Theory and the Growth Theory .................................................. 10  
   2.1.2 The Empirical Assessment ........................................................................... 19  
2.2 Export Diversification and Economic Growth ....................................................... 31  
   2.2.1 The Gains and Losses Derived from Export Diversification: A Theoretical Analysis ................................................................. 33  
   2.2.2 Export Diversification and Growth: The Empirical Evidence ...................... 40  
2.3 Concluding Remarks ............................................................................................ 46  

3 Structural Change in Exports and Export Diversification:  
A Look at Colombia over the Period 1990–2008 ...................................................... 49  
3.1 From an Import Substitution to an Export Promotion Model ............................... 49  
   3.1.1 The Policy Shift in Latin America .................................................................. 49  
   3.1.2 Colombia: From an Inward to an Outward-Looking Economic Strategy ........ 52  
3.2 The Colombian Commercial and Trade Policy Reforms Since 1990 ....................... 57  
3.3 Role and Significance of the “Traditional” and “Non-traditional” Exports for the Colombian Economy ................................................................. 61  
3.4 Export Diversification in Colombia: An Empirical Analysis ............................... 66  
   3.4.1 The Cumulative Export Experience Function and the Industry-Specific Traditionality Index .................................................. 66  
   3.4.2 The Herfindahl-Hirschman Index of Export Concentration .......................... 80
### Contents

| 3.4.3 The Export Diversification Index | 81 |
| 3.4.4 The Intensive and Extensive Margins of Export Growth in Colombia After 1990 | 82 |
| 3.4.5 Diversification of Markets and Trade Performance of Colombian Export Sectors | 85 |
| 3.4.6 Intra-Industry Trade and the Grubel-Lloyd Index | 88 |
| 3.4.7 Trade Specialization: The Revealed Comparative Advantage (RCA) Index | 92 |
| 3.5 Concluding Remarks | 97 |

| 4 Commercial Relations Between Colombia and the European Union: An Empirical Approximation in the Light of the Gravity Model | 101 |
| 4.1 Evolution of the Bilateral Commercial Relations | 101 |
| 4.1.1 Significance of the European Union for Colombia’s Foreign Trade | 101 |
| 4.1.2 The Andean GSP, the GSP Plus, and the Multiparty Trade Agreement | 104 |
| 4.2 Theoretical Framework: The Gravity Model of International Trade | 105 |
| 4.2.1 Previous Empirical Studies | 105 |
| 4.2.2 Foundations and Assumptions of the Model | 108 |
| 4.3 Empirical Methodology and Data | 110 |
| 4.4 Results | 114 |
| 4.5 Concluding Remarks | 119 |

| 5 Export Competitiveness in Colombia: Strengths and Weaknesses of the Economy’s Competitive Foundations | 121 |
| 5.1 The Concepts of “Competitiveness” and “Export Competitiveness” | 121 |
| 5.2 The Institutional Framework of Competitiveness in Colombia | 125 |
| 5.3 Measuring Export Competitiveness in Colombia | 128 |
| 5.3.1 The Global Competitiveness Index (GCI) | 128 |
| 5.3.2 The Macroeconomic Context | 134 |
| 5.3.3 Productivity and Hourly Compensation Costs | 142 |
| 5.3.4 The Logistics Performance Index | 146 |
| 5.3.5 Infrastructure | 148 |
| 5.3.6 Technology Absorption, Research, and Development | 155 |
| 5.3.7 Human Capital: Education Attainment Levels and Quality | 160 |
| 5.3.8 Access to Finance | 164 |
| 5.4 Concluding Remarks | 166 |
6 Enhancing Colombia’s Export Diversification: A Normative Approximation, with an Emphasis on the European Union’s Market ................................................................. 169
6.1 Towards a Strengthened EU-Colombia Trade Relation:
   From the GSP Plus, to the FTA ........................................ 170
   6.1.1 Opportunities for Colombia from an Amplified Commercial Relation ......................... 170
   6.1.2 Challenges Associated to the Entrance into the FTA ........ 173
6.2 Policy Recommendations to Promote Export Diversification in Colombia ................................. 177
   6.2.1 Reforming the Public Institutional Environment .......... 177
   6.2.2 Upgrading the Transport Infrastructure and Logistics System ........................................ 179
   6.2.3 Improving the Human Capital’s Availability and Quality ............................................. 181
   6.2.4 Making Research, Development, and Innovation a Priority .......................................... 183

Appendix ............................................................................. 185

References ........................................................................ 193
Export Diversification and Economic Growth
An Analysis of Colombia's Export Competitiveness in the European Union's Market
Mejía, J.F.
2011, XXI, 206 p., Hardcover
ISBN: 978-3-7908-2741-5
A product of Physica-Verlag Heidelberg