

Tariff barriers and non-tariff barriers: appraising Colombia's protectionism

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Abstract

Tariff barriers (TBs) are regulated under the provisions of the General Agreement on Tariffs and Trade (GATT), such as the most-favoured-nation treatment article, which establishes that trade concessions granted to one member are applied immediately and without conditions to all other members. Likewise, the schedule of concessions on goods, which indicates that all trade concessions made by members must be reported under the legal agreement's 'bound' rates. Then, if one World Trade Organization (WTO) member raises applied tariffs above their bound level, any WTO member can sue the country for this action. However, on the other hand, the non-tariff barriers (NTBs) are more complex to regulate due to a state's ability to adopt many different new measures, which makes the measures hard to identify as barriers. Furthermore, the opacity of many NTBs also makes enforcement of regulations a complicated international endeavour. Thus, the international trading system assumes that there will be essential challenges and seeks to develop explicit provisions for this kind of protectionism. This paper, which is based on the findings of a comprehensive review of Colombia's situation, provides a general explanation of TBs and NTBs as protectionist measures within the foreign trade of this Latin American country. In doing so, the research identifies the TBs and NTBs currently adopted, the effects of these barriers on this economy, and the sectors that are meaningfully affected by these measures.

1. Introduction

According to Bussière, Pérez-Barreiro, Straub and Taglioni (2011), recent trends in the implementation of protectionist policies among countries and their possible implications for economic growth are an essential issue in the study of international trade. Until recently, the increases in real protectionist measures to restrict trade have been moderated thanks, in part, to the WTO, which has been able to contain trade restrictions and protectionism. This is possible because the WTO's member states believe in the functioning of the current legal framework, regulated by the provisions of the GATT because all members of the WTO seem to trust the multilateral trading system.

The recession of 2008–2009 (the vestiges of which can still be seen in the commercial tensions between some countries), resulted in economic uncertainty and induced many countries to implement protectionist measures, such as TBs and NTBs (Baena, Montoya & Torres, 2017).

Nevertheless, the current international trading system has been able to sustain this wave of protectionism, in part due to the effective regulation of the GATT against various unjustified protectionist policies. It should be noted that this legal system has managed to control trade protectionism, especially TBs, since the issue of tariffs was addressed as a central issue in all the rounds of the GATT and the provisions of the

GATT (both Article I General most-favoured-nation treatment and Article II Schedules of concessions) are a series of specific conditions for the implementation of TBs by the countries within the multilateral trading system (Baena & Fernández, 2016; Baena, 2018; Vanegas & Baena, 2019).

Article I states that any trade concession made by a member country of the WTO must be extended to any other member, which is usually understood as the most-favoured-nation (MFN) tariff. However, Article II states that member countries must report the maximum rates for each product, or line of product, in what is usually understood as a consolidated tariff. From the above it can be added that non-compliance with these two articles may lead to any multilateral trading system member being able to hold consultations and subsequently bring an official complaint before the dispute settlement body (DSB) of the WTO (Cardona, 2017).

Likewise, at the international level there are several regulatory variables within the multilateral trading system that influence the determination of the TBs of a state, which can go beyond traditional economic explanations associated with the minimum standard that domestic producers must meet in relation to foreign competition in terms of price, quality and other related aspects (Miravete, 2003; Marette & Beghin, 2010). There is also the additional variable that the classic perspective that protectionism is usually valid when infant industries, which arise in the national market, require a series of specific commercial policies by the state to allow them to develop their competitiveness against other industries of foreign origin that have more experience (Melitz, 2005; Lewis, 2014).

It is important to add that the concept of competitiveness depends on the role of the governments and their states, as they can develop trade policies enabling a series of favourable conditions associated with infrastructure, human and financial resources, and scientific and technological developments. Moreover, these policies must encourage innovation, protection of intellectual property, markets, investment, tax burdens and sustainability which can ultimately guarantee the constant improvement of the productive fabric of its different sectors and productive organisations (Pagell & Halperin, 1998; Porter & Stern, 2001; Londoño, 2015; Serna, Londoño & Vélez, 2016; Londoño & Baena, 2017).

Protectionism can be seen as a trade policy response that attempts to correct deficiencies in terms of competitiveness. Thus, there seems to be a relationship between the imposition of both TBs and NTBs by a government when there are inconveniences that hinder certain economic sectors from developing fully against foreign competition. Therefore, the primary purpose of the adoption of interventionist measures is to protect the national industry in an attempt to promote the long-term specialisation and productivity of sectors that are inefficient at the production level in order to encourage exports (Kaneda, 2003; Junguito, 2010).

In this sense, the primary objective of this paper is to characterise the current behaviour in Colombia's protectionism derived from TBs and NTBs, the affected goods, and the most common protection mechanisms. Section 2 presents the review of the literature with particular emphasis on the role of protectionism in the international trade; section 3 outlines the methodology to be used for the development of this research; section 4 analyses the results; and section 5 presents the conclusions and main implications of this research.

2. Review of the literature

2.1 The role of protectionism in international trade

From the mercantilism of the 16th century to the present, the theories of international trade have kept alive the debate between free trade and trade protectionism. Such theories have repeatedly exposed the benefits that each of the two approaches can bring to international trade. It is for this reason that this whole debate is not static, given that recent world economic history has shown that countries that have

adopted one of the two options, or a combination of both in different periods, have shown different results for the development of industry sectors. Trade policy alone is not enough to maintain a specific economic position, and unless trade is fairer and more equitable for all countries, the debate on free trade and protectionism will continue to fill pages in the specialised literature as well as in academic and political circles (Pereyra, 2015).

Steinberg (2006) claims that for all states, their governments are responsible for designing trade policy and choosing their measures for boosting economic development, taking into account many different factors, often including national security. Either way, there is no doubt these factors are related to the strategic interaction model in which interest groups put pressure on social systems and government. Then protectionism is just a political action related to the business associations and industry sectors which seek shelter from the state when they are not competitive abroad.

Currently, the debate behind trade protectionism is a sensitive issue for many governments owing to the economic consequences of political decisions. For instance, the Great Depression and the ensuing collapse of world trade, in the 1930s, and the global spread of nationalistic movements seem related to the Smoot-Hawley Tariff Act in which customs duties for many different products were increased regardless of the interests of consumers. Then, US imports fell sharply and other countries retaliated by increasing tariffs on American goods, leading to US exports contracting as well. All this unleashed an unprecedented trade war, and although Smoot-Hawley was hardly responsible for the Great Depression, it contributed to a decline in world trade that lasted decades (Irwin, 2017).

Merrills (2005) adds that when World War II ended, states were forced to consider the new shape of the post-war world and that is why the first priority was international peace and security, which led to the creation of the United Nations. Nevertheless, not far behind came financial and economic issues, including international trade, which also had an institutional implication. On this basis, the 1930s has been usually recognised as an anarchic period in every sense. To avoid repeating this complex scenario many governments of the post-war era resolved to establish arrangements that would reflect the realities of economic interdependence through new institutions. The International Monetary Fund (IMF), The World Bank, the GATT and the WTO, decades later, have provided the framework for international economic relations in the post-war period. These have been supplemented by numerous subsequent instruments and organisations, including regional arrangements, set up for particular purposes usually related to trade liberalisation.

Clearly, the net result of the war was a sharp decline in international trade flows and loss of welfare. However, from this mistake governments finally understood that international trade needs to be supported by effective multilateral institutions that can make the world a more orderly place. The common responsibility from full members is to strengthen the WTO, which still is not a perfect instrument. That is why it would appear appropriate to address its deficiencies since the international trading system must be careful not to repeat the mistakes of the past; then the primary goal should be to make the organisation better reflect the countries' aspirations and avoid any protectionism escalation and subsequent trade isolation. Indeed, it is important to say that some of the WTO's greatest imperfections, like its slow pace of negotiations, stem from its most positive attributes because this is precisely a democratic institution, based on consensus and political will (Gupta, 2006).

Hence, during a period of economic crisis, protectionist trade policies are commonly employed by governments as short-term instruments to tackle falling growth rates and rising unemployment. This protectionism is held despite the position from the multilateral trading system led by the WTO, which advocates avoiding unjustified protectionist measures that affect free trade. However, an economic crisis produces uncertainty regarding the actions of other countries, which in turn encourages defection in the form of discriminatory trade policy. Then, each country has a dominant strategy to implement protectionism during an economic crisis. Historical evidence demonstrates that, just like during the Great Depression, countries revert to protectionist policies as a reaction to pressures from sectors harmed

by such a crisis. In any case, the current era of globalisation is distinguishable from earlier periods by the presence of an extensive network of international institutions that serve as conveyors of information that help to guarantee free trade liberalisation (Baccini, Kim & Pammolli, 2010).

Either way, there are important issues within trade protectionism related to infant industries. In other words, protectionism is usually justified when some enterprises are starting their productive activities and but are not competitive with more established enterprises. The protection of infant industries still seems to generate a deep debate in which some initiatives that assume exceptions to the rules of the multilateral trading system are subject to disagreement. Thus, this is the reason why developing countries use TBs and NTBs more actively as a commercial policy for the promotion of infant industries. It is worth bearing in mind that, in the past, the most developed countries used this type of state aid not only during their industrialisation process but even when their economies were in recovery processes after some global crises, while the developing countries of today have not used this type of aid in the same proportion, which undoubtedly has generated a structural gap (Chang, 2003).

According to MacCharles (2013), protectionism is not necessarily the solution for increasing competitiveness in countries; in fact, this trade policy can be problematic for manufacturers in countries where domestic markets are too small for efficient support from government compared to a highly specialised producer abroad. In this sense, it is producers in smaller nations and newly industrialising countries whose potential for improved competitiveness is harmed the most by increased protectionism as this can create dependency for these new enterprises. Therefore, excessive interventionism may result in declining production capacity in smaller countries, which further adds to their cost and employment problems.

Empirical evidence demonstrates that higher TBs covered under trade protectionism will have a severe significant indirect impact through industrial forward (distribution) and backward (supply) linkages. An example is in transport, where value chains are longer and more complex, causing greater economic losses for tariff-imposing countries than to exporting countries (Kang & Dagli, 2018).

Likewise, according to Millet and García-Durán (2009), a protectionist measure in one country usually provokes retaliation by other governments, which can lead to the loss of confidence in the freeing of trade, bringing serious difficulties for all international trade in an action–reaction effect. This ends up curbing imports, leading to an increase in product prices and a reduction in employment in addition to affecting other indicators, leading to possible crises. These are some of the fundamental reasons why the WTO advocates the reduction of trade barriers through negotiation among all its member countries.

Broadly speaking, it is fair to say that protectionism, in the short term, can support some uncompetitive industries. However, the evidence shows that those countries that increase import tariffs do not necessarily increase, long term, their economic growth rate or their competitiveness (Schularick & Solomou, 2011).

Table 1 sets out the various non-tariff protectionist measures that are used in international trade.

Table 1: Common non-tariff protectionism adopted in the international trade

Name of the measure	Definition	Authors
Sanitary and phytosanitary (SPS)	These are all the measures applied by governments for protecting the health of people as well as animals. The SPS are also adopted to preserve vegetables, for preventing pests or diseases, although the abuse of these measures can become protectionism.	WTO (1995) Olson & Roy (2010) Engler, Nahuelhual, Cofré, & Barrena (2012) Melo, Engler, Nahuehual, Cofré, & Barrena (2014)
Technical barriers to trade (TBT)	Technical barriers to trade are the measures taken by governments which establish requirements for products in order to achieve public policy objectives, such as the health of the population or the safety of products, environmental protection, information to the consumer or even quality. These measures apply equally to domestic and imported products.	United Nations (2003) Bao & Qiu (2010) Li & Beghin (2012) WTO (2015) Fontagné & Orefice (2018)
Antidumping (ADP)	Anti-dumping is a trade defence measure that is carried out when a foreign supplier sets prices lower than those applied in their own country. This practice focuses on how governments can react to dumping.	GATT (1986) Blonigen & Prus (2003) Konings & Vandebussche (2005) WTO (2005) Dinlersoz & Dogan (2010) Lu, Tao, & Zhang (2013) Zhang (2018) Tovar (2019)
Countervailing (CV)	These are the measures taken by an importing country. Generally, in the form of an increase in duties, to offset the subsidies granted in the exporting country to producers or exporters.	GATT (1986) Collie (1991) Qiu, (1995) WTO (2005) Lee (2016)
Safeguards (SG)	These are border enforcement measures, generally of a tariff nature, temporarily imposed on those goods that cause or threaten to cause severe damage to a national industry that produces identical or similar merchandise. Its aim is to provide time for the affected industry to carry out an adjustment process.	Bown (2002) United Nations (2003) Sykes (2006) Martin & Vergote (2008) Beshkar (2010) Kagitani & Harimaya (2015)
Special safeguards (SSG)	These are the temporary increase of an import duty to cope with the increase in imports or the fall in prices, under special provisions of the Agreement on Agriculture.	Hathaway (2002) WTO (2004) Thennakoon & Anderson (2015) Countryman & Narayanan (2017)
Quantitative restrictions (QR)	These are limitations of the quantities or value of products that can be imported (or exported) during a given period.	Baldwin & Haberler (1965) Bhagwati (1968) GATT (1986) Acharyya (2011) Chen, Chang, & McCarl (2011)

Name of the measure	Definition	Authors
Tariff-rate quotas (TAR)	Tariff-rate quotas can be explained as import duties that apply to quantities within the quota that are lower than those that apply to quantities outside the quota.	GATT (1986) Pearce & Sharma (2000) WTO (2001) Panagariya & Duttagupta (2002) Van der Mensbrugghe, Beghin, & Mitchell (2003) Khorana (2011) Nagurney, Besik, & Dong (2019)
Export subsidies (XS)	An export subsidy is a payment made to a company which sells goods in another country. Export subsidies are intended to support national companies in international markets.	GATT (1986) Levy (1989) Eckaus (2006) WTO (1999) Lee (2016) Defever & Riaño (2017)

2.3 Background to Colombian foreign trade policy

Colombia’s foreign trade policy has moved according to what Peng (2012) defined as a pendulum that oscillates from one end to the other. Proof of this is the process of accumulation of long-term capital that has resulted in different development models. Some model have been of a liberal nature, such as the agro-export model (1850–1929), which was based on coffee exports, while other models were of a protectionist nature, such as the import substitution model (1946–1967) and the import substitution model with export promotion (1967–1989). Later, another liberal approach, which still remains, is the model of economic openness in the latter part of the 20th century (Gamboa, 2005; Londoño, Cardona & Abadía, 2017).

According to Torres (2011), trade policy has only been in Colombia for 60 years, in which there was a sluggish growth during the protectionist period relative to the import substitution model, and a jump was made with the adoption of the economic opening model. Regarding this last idea, Ocampo (2017) says that it is not clear that the current model is of economic opening, so he prefers to make reference to the fact that in this country since the beginning of the 1980s there has been a search for a new development model, which is still unfinished. However, the justification for the adoption of a model of economic openness in Colombia took force in the late 1980s. It was strengthened in the early 1990s with the Washington Consensus. According to this political agenda of the Washington Consensus, the causes of the delay of most of the Latin American countries, including Colombia, were due to the protectionist policies implemented for many years during the application of the import substitution model (Montoya, 2013).

It was necessary, therefore, to reduce the size of the state, privatise companies and deregulate different markets, both for goods and services, because in this way a favourable climate would be generated for the entry of foreign investment and for credits of multilateral institutions (Moncayo, 2003). For this there were a series of institutional changes embodied, among others, in Law 7 of 1991 ‘Framework Law of Foreign Trade’ and Law 9 of 1991 aimed at the opening of capital, which generated in the last two quarters of 1990 (the year in which the opening process in question begins), an average effective protection increase from 24.8 per cent to 44.0 per cent (Najar, 2006). Thus, with the model of economic

openness, the objectives of Colombian trade policy ceased to be the justification of the structure of protection and incentives offered to non-traditional exports and began to be the promotion of integration into the economy worldwide and production diversification (WTO, 2006; Gallardo-Sánchez & Vallejo-Zamudio, 2019).

To achieve the first of the objectives, Colombia oriented its internationalisation strategy towards international trade (Montoya, 2011). For example, one of the historical milestones that reinforces this approach is the entry of this country in 1995 to the WTO (Baena & Fernández, 2016; Baena, 2019). As of this moment, Colombia adopted different principles of economic liberalism, such as the free market and the removal of barriers to the free flow of capital (Vargas-Alzate, Sosa & Rodríguez-Ríos, 2012). In this regard, it should be emphasised that Colombian foreign policy, in the first phase of its entry into the WTO, was oriented to strengthen its relations with governments of similar tendencies (ideologically close) such as the United States of America. This is evident in the governments of Andrés Pastrana (1998–2002) (Cardona, 2001) and also in the two governments of Alvaro Uribe (2002–2006 and 2006–2010) (Vargas-Alzate, Sosa & Rodríguez-Ríos, 2012).

During the term of the last two governments the increase in negotiations of various free trade agreements has been remarkable, which is consistent with the evolution of the WTO-led multilateral trading system, where the proliferation of trade agreements is increasingly common (Londoño, Cardona & Abadía, 2017). On the other hand, in a second phase of the process of integration of Columbia into the WTO, which covers the two governments of Juan Manuel Santos (2010–2014 and 2014–2018), most of the agreements that entered into force had been negotiated by the governments of Alvaro Uribe, as were the agreements with the United States and Canada (WTO, 2019b), in addition to the signing of treaties with ideologically close countries and regions (Vargas-Alzate, Sosa & Rodríguez-Ríos, 2012), as evidenced by trade agreements with Costa Rica and the Pacific Alliance (WTO, 2019b).

Regarding the second objective, that of product diversification, the results of some studies indicate that trade diversification in Colombia is relatively limited and seems to follow a pattern according to which exports are diversified mainly through increases in the number of products instead of the number of partners (Argüello, 2017), which in some way evidences a commercial dependence with the United States. In addition, foreign trade policy in the last two decades has also been based on the strong dependence on mining raw material to the detriment of industrial products that generate greater added value (Baena, 2019). Thus, it is necessary to adopt effective policies and measures that diversify the country's exports.

Also according to García, López, Montes and Esguerra (2014), in 20 years of economic opening, tariffs as an instrument of protection have been reduced considerably, although the number of tariff lines has increased, which are also linked with the changes presented in the harmonised system of tariffs. Figure 1 shows the decrees that have modified or generated updates in the harmonised system for import tariff barriers in Colombia.

Figure 1: Harmonised systems in Colombia for tariff barriers in imports

Regulation	Name	Modifications	Total
Colombian Harmonised System	Decree 255 of 1992	Decree 193 of 1993	1
	Decree 2317 of 1995	Decrees 2650 of 1999, 2394 of 2002 and 580 of 2003	3
	Decree 4341 of 2004	Decrees 830 of 2005, 1000 of 2005, 1139 of 2005, 2273 of 2005, 4570 of 2005, 1142 of 2005, 942 of 2006, 941 of 2006, and 0727 of 2006.	9
	Decree 4589 of 2006	Decrees 4423 of 2006, 4410 of 2006, 295 of 2006, 2880 of 2006, 2222 of 2006, 2735 of 2006, 2685 of 2006, 3000 of 2006, 3688 of 2006, 476 of 2007, 4672 of 2007, 4670 of 2007, 4832 of 2007, 2040 of 2007, 2760 of 2007, 3838 of 2007, 3484 of 2007, 160 of 2007, 1035 of 2007, 1037 of 2007, 2039 of 2007, 4838 of 2008, 4500 of 2008, 4300 of 2008, 4226 of 2008, 3515 of 2008, 3430 of 2008, 3434 of 2008, 3272 of 2008, 3271 of 2008, 3260 of 2008, 3169 of 2008, 3142 of 2008, 3143 of 2008, 2987 of 2008, 2988 of 2008, 2959 of 2008, 2565 of 2008, 1513 of 2008, 1531 of 2008, 1500 of 2008, 1205 of 2008, 500 of 2008, 4978 of 2009, 4464 of 2009, 4135 of 2009, 4098 de 2009, 3967 of 2009, 3969 of 2009, 961 of 2009, 370 of 2009, 4662 of 2011, 4390 of 2010, 4114 of 2010, 4115 of 2010, 2906 of 2010, 2439 of 2010, 319 of 2010, 322 of 2010, 314 of 2010, and 240 of 2010.	61
	Decree 4927 of 2011	Decrees 2917 of 2011, 2916 of 2011, 2658 of 2011, 2052 of 2011, 2050 of 2011, 2051 of 2011, 2049 of 2011, 1750 of 2011, 1571 of 2011, 1414 of 2011, 511 of 2011, 492 of 2011, 2021 of 2012, 1702 of 2012, 1703 of 2012, 1573 of 2012, 2909 of 2013, 1755 of 2013, 444 of 2013, 074 of 2013, 2529 of 2014, 2432 of 2014, 2340 of 2014, 1498 of 2014, 555 of 2014, 456 of 2014, 332 of 2014, 2180 of 2015, 2230 of 2015, 1625 of 2015, 1704 of 2015, 1498 of 2015, 275 of 2015, and 154 of 2015.	34
	Decree 2153 of 2016	Decrees 1744 of 2016, 1744 of 2016, 1246 of 2016, 1288 of 2016, 588 of 2016, 459 of 2016, 343 of 2016, 1786 of 2017, 1563 of 2017, 1343 of 2017, 1280 of 2017, 1116 of 2017, 519 of 2017, 1027 of 2018 and 858 of 2018.	15

Source: Own elaboration based on MINCIT (2019).

Similarly, according to the World Bank (2019), since Colombia entered the WTO in 1995, there has been a decrease in MFN tariff: the average rate for this in 2019 was 13.67 per cent and for 2017 it was 8.81 per cent. This period refers to the first government and the beginning of the second term of Juan Manuel Santos, where there was an increase in the negotiation and conclusion of trade agreements (Vargas-Alzate, Sosa, & Rodríguez-Ríos, 2012). At the same time, the consolidated rate, taken as a simple average, has increased slightly since the country’s entry into the WTO in 1995. Then it was 41.91 per cent and for 2016 it was 42.77 per cent (World Bank, 2019a). This indicates that leeway or average room for manoeuvre has increased since joining the WTO.

In this sense, as highlighted by Gallardo-Sánchez and Vallejo-Zamudio (2019) and also the World Bank (2019b), it is noted that tariffs as an instrument of protection have decreased in Colombia, although it is no less true that the protectionism associated with the implementation of non-tariff measures such as those described in Table 1 have increased between 1991 and 2015. Tariff items with non-tariff measures went from 27 per cent to 78 per cent, which is consistent with a worldwide trend towards non-tariff protectionism. Even under the implementation of an economic opening model, there is a decrease in tariff barriers and a consequent increase in non-tariff barriers (Baena, 2018; WTO, 2019a) and evidence of the possibility of the implementation of other unconventional modes of protectionism such as support for the export of goods, as is precisely reflected in Decree 2153 of 2016 (MinCit, 2016; Baena, 2019).

In most years between 1970 and 2018 Colombia has had a negative trade balance; in fact, 35 out of 49 years Colombia has been in deficit (Gallardo-Sánchez & Vallejo-Zamudio, 2019). It is therefore necessary to highlight that in the long term a deficit trade balance requires financing that, if left unattended, can constitute debts that jeopardise the financial sustainability of future governments. Due to all the above, Colombia needs to diversify and increase exports, and this situation requires immediate attention. However, without wanting to assume an anachronistic mercantilist position of the trade surplus stopping its imports abruptly, as the United States government maintains; because this is a perspective that supports, for instance, the recent trade war between the United States and China where it is assumed is that all trade deficits are not convenient (Rosales, 2019).

It should be noted that rather than placing the Colombian trade balance in surplus, what is required is to generate improvements in terms of trade. For this, it is also necessary to improve the commercial policy that enables the country to generate specialisations of its production that contribute added value and diversify export sectors and markets, thus reducing dependence on exports from the energy mining sector and, in particular, the impact generated by the decline in international oil prices (Toro, Garavito, López & Montes, 2015).

3. Methodology

The review of the literature presented some reflections on the dynamics of trade protectionism, especially those related to the implementation of TBs (MFN tariffs and bound tariffs) in addition to analysing the incidence of NTBs, which are the most common type of protectionism. Thus, databases, such as Scopus, Web of Science (WOS) and others, were used to identify scientific publications on this research topic.

This paper seeks to carry out a descriptive study that does not intend to build laws or general theories, but from a general or panoramic view seeks to discover new aspects of a studied phenomenon (Ruíz, 2012; Nayar & Stanley, 2015). A descriptive study is based on a stronger knowledge base than the exploratory ones, since the problem is based on a previously established and known knowledge base, but if it is necessary to generate some hypothesis about the described variables, a complete description is required and, of course, a statement of the problem in question (Jiménez, 1998).

According to García (2004), the present descriptive study is a cross-sectional study as the phenomenon is analysed at a point in time, which for the purposes of this study will be the year 2019 because it is the year in which the most up-to-date data on tariff and non-tariff barriers in Colombia can be found. Likewise, the study is complemented with a longitudinal one, in which the evolution of the variables analysed over a period of time is presented. In the latter case, the start period is the year 1995, since that is when Colombia entered the WTO. The final time period is determined by access to the most recent data possible.

The descriptive studies include a series of phases, among which the definition of the objectives of the study, the variables to be analysed and the selection of the sources of information that will serve as support for the analysis of the information are highlighted (García, 2004). The objects of study, the variables to be analysed and the sources of information of this work are shown in Table 2.

Table 2: Study objects, variables to analyse and sources of information

Objects of study	Variables to analyse	Information sources
Commercial opening and fiscal imbalances	Average and discrimination of tax revenues in Colombia (2019)	Dian (2019) World Bank (2019) Garcia et al. (2014) y Gallardo-Sánchez & Vallejo-Zamudio (2019) Sarmiento (2002) Espitia et al. (2017) Clavijo, Alejandro & Vera (2013) OECD (2019, 2019 a)
Declining trend of bound tariffs since its inception to the WTO in 1995	Tariff rate MNF, simple mean, all products % (2019) Tariff rate MNF, simple mean, all products % (1995–2017) Bound rate, simple mean, all products (%) – Colombia (2019) Bound rate, simple mean, all products (%) – Colombia (1995–2017) Tariff protectionism Leeway within the sectors in Colombia (2019)	WTO (2019a) World Bank (2019) World Bank (2019a)
Decrease of tariffs and increase of tariff barriers	Non-Tariff protectionism in Colombia compared to other countries in the region	WTO (2019a) Global Trade Alert (2019) Yalcin, Felbermayr, & Kinzius (2017) Dean, Feinberg, Signoret, & Ludema (2008).

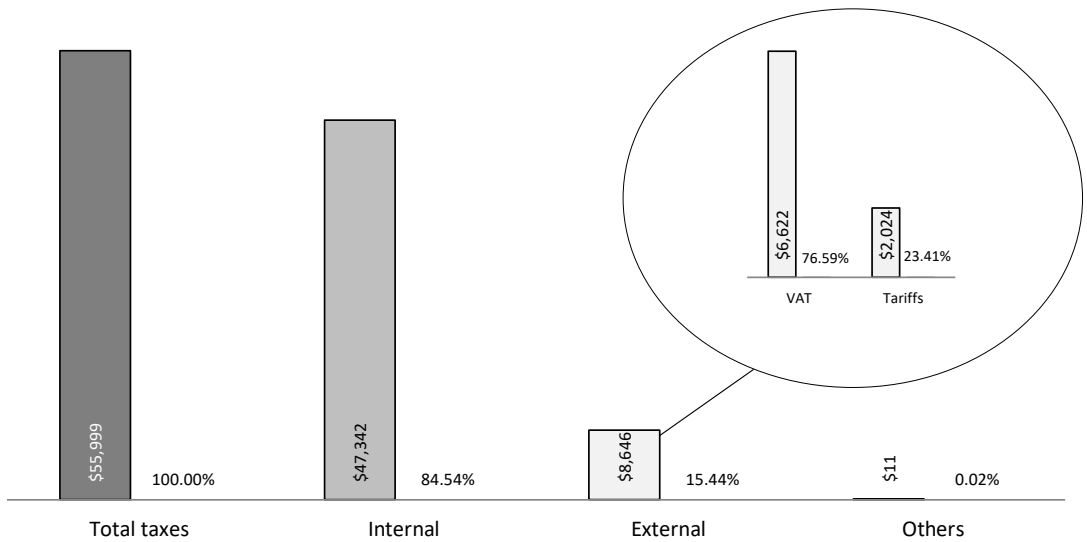
Source: Own elaboration based on García (2004), Nayar & Stanley (2015).

In this investigation, these issues are synthesised to generate a deeper explanation of the effects that the tariff and non-tariff measures currently adopted in this economy generate in their commercial dynamics, based on information from the DIAN, the OECD, the World Bank and the WTO and the bibliographic sources used in the literature review (section 2).

4. Results and discussions

In 2019, as illustrated in Figure 2, the most significant proportion of taxes collected in Colombia were internal (84.34%). Regarding external taxes, these represent only 15.44 per cent of total taxes and, of these, 76.69 per cent are value-added taxes (VAT) and the remaining 23.41 per cent are tariffs, which indicates that tariffs represent only 3.61 per cent of total taxes.

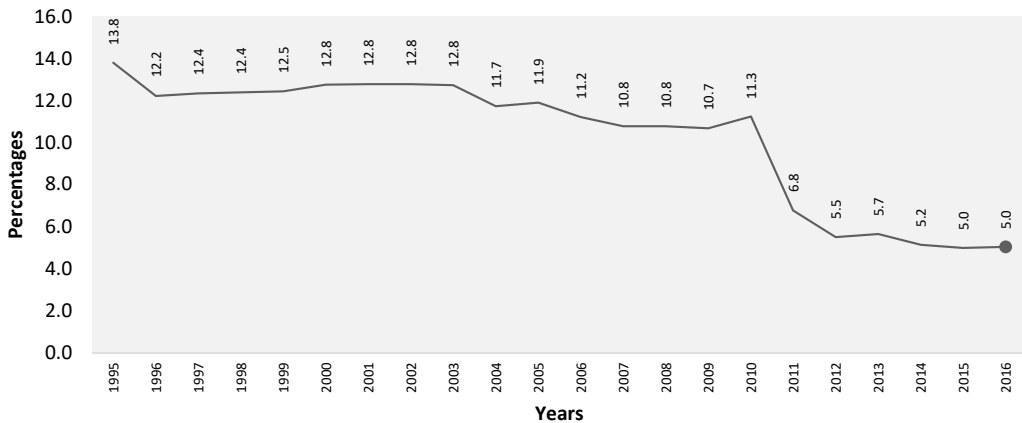
Figure 2: Overall tax revenue in Colombia (millions of US dollars)



Source: Own elaboration based on DIAN (2019).

This is consistent with García et al. (2014) and Gallardo-Sánchez and Vallejo-Zamudio (2019), who found that tariffs as an instrument of protection has decreased in Colombia. Also, since Colombia entered the WTO, the applied tariff rate (simple average) has decreased from a value of 13.81 per cent in 1995 to 5 per cent in 2017 (See Figure 3).

Figure 3: Tariff rate, applied, simple mean, all products %



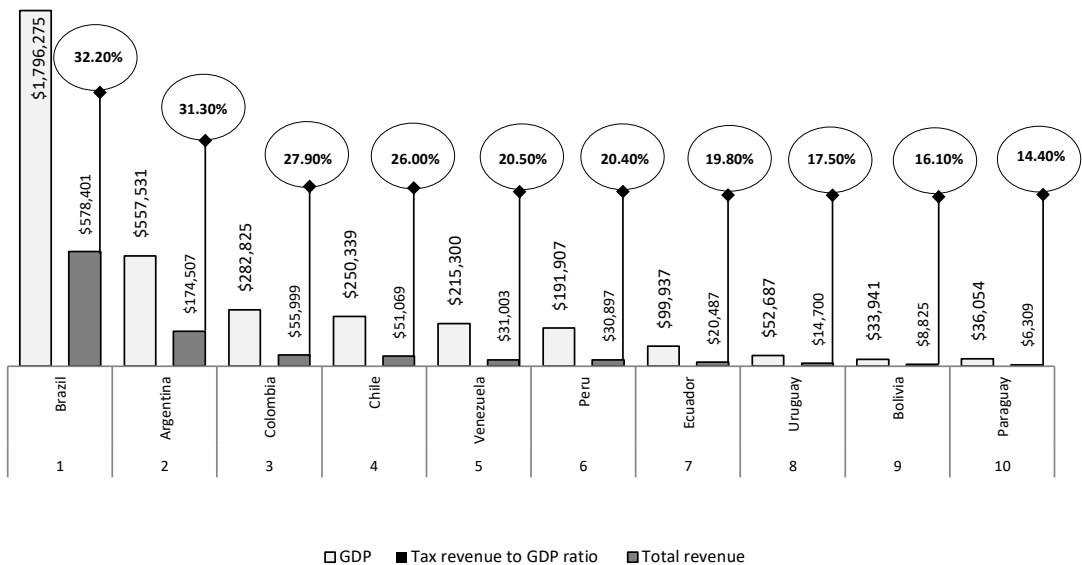
Source: Own elaboration based on the World Bank (2019b).

Sarmiento (2002) affirms that internal taxes have been growing, especially indirect taxes such as VAT, which has increased both in its taxable base and in its general rate since the implementation of the economic opening model, which has also influenced a series of continuous tax reforms that aim to mitigate fiscal imbalance. Although society demands the application of a structural or long-term reform that provides for the much sought-after fiscal balance, such is the case of the academy (Espitia, y otros, 2017), as well as from international organisations such as the OECD, which suggest the increase in tax

revenues in order to promote equity and investment. Since these are still low as a percentage of GDP and in relation to OECD countries, it should also be borne in mind that the structural pressures of spending reflect an upward inflexibility due to territorial transfers and social spending to which it has committed the country since the Political Constitution of 1991 (Clavijo, Alejandro & Vera, 2013), which translates into fiscal deficits that must be financed with the aforementioned structural reform.

Similarly, it must be said that when comparing tax revenues as a percentage of GDP, Colombia represents third place after Brazil and Argentina (see Figure 4). Although, this has been increasing, according to the recommendations of the OECD, this percentage should continue to increase; otherwise, it would not be possible to advance in terms of equity and promotion of investment and formalisation (OECD, 2019a) and, for this, the recommendation is to carry out a tax reform of a structural nature that contributes to increasing the application of a standard VAT rate to all consumption and compensating low-income households through cash transfers, in order to increase income more inclusively.

Figure 4: Tax revenue to GDP ratio in the region (millions of US dollars)



Source: Own elaboration based on OECD (2019).

The analysis carried out up to now seems to indicate that trade opening causes a structural fiscal imbalance because the decrease in tariffs has had to be compensated with increases in internal taxes, especially those of an indirect type such as VAT, which are regressive because they do not consult income levels and also tend to generate inflation. In this sense, structural reform is urgently needed in Colombia, especially when the country must comply with the recommendations of the OECD, of which it has been a member for a year, as the OECD promotes an increase in tax revenues in order to promote equity, inclusion and investment. The challenge is to define what that source of income will be since, if it continues with that based on VAT, a high degree of inequality will continue to be generated and if it is based on corporate taxes, the investment can decrease, and it can deepen the de-industrialisation.

In the second instance, when analysing Table 3, it is noted that in comparison with the countries of the region, Colombia presents one of the lowest simple average MNF and is only surpassed by Peru and Chile. Nevertheless, in terms of bound tariffs, it has one of the highest levels, since for primary goods it occupies the last place and for the manufactured goods the penultimate one surpassing only Bolivia.

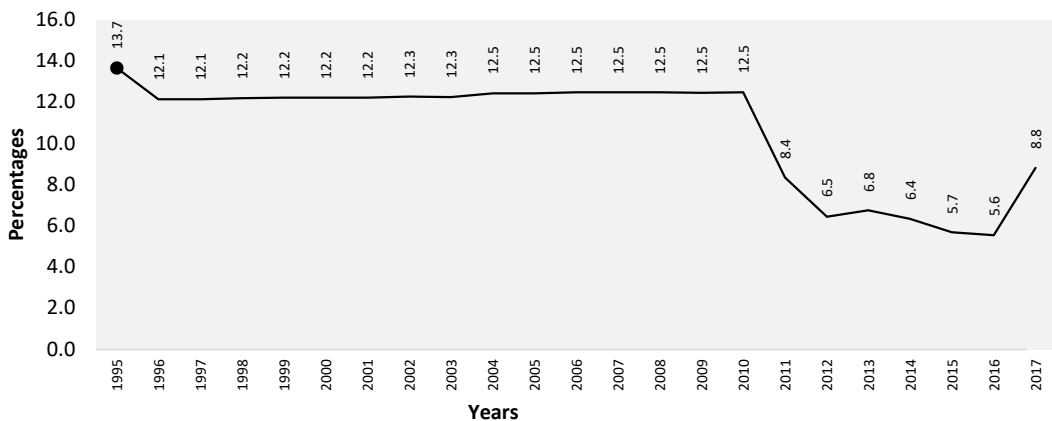
Table 3: Overview liberalisation in Colombia compared to other countries in the region

N°	Countries	Country interventions (Global Trade Alert, 2019)	Countries	MFN simple average (World Bank, 2019)	Countries	Bound rate average, primary products (World Bank, 2019a)	Countries	Bound rate, average, manufactured products (World Bank, 2019b)
1	Peru	19	Peru	2.46	Ecuador	23.72	Peru	20.20
2	Bolivia	48	Chile	5.80	Chile	25.61	Ecuador	21.12
3	Paraguay	48	Colombia	8.80	Peru	30.50	Chile	25.00
4	Ecuador	54	Paraguay	9.94	Argentina	32.98	Brazil	30.50
5	Uruguay	56	Uruguay	10.47	Paraguay	33.68	Uruguay	30.80
6	Colombia	75	Bolivia	11.88	Brazil	33.86	Argentina	31.40
7	Venezuela	75	Venezuela	13.32	Uruguay	33.90	Paraguay	33.40
8	Chile	81	Brazil	13.58	Bolivia	39.97	Venezuela	33.90
9	Argentina	275	Argentina	13.68	Venezuela	44.83	Colombia	34.90
10	Brazil	502	Ecuador	13.89	Colombia	62.43	Bolivia	40.00

Source: Own elaboration based on WTO.

These results confirm the same trends shown in the publications of the World Bank (2019, 2019a), which were presented in Section 2 and illustrated in Figures 5 and 6. Figure 5 shows that the MNF tariff in the 1996–2010 period remained very stable, reaching its lowest level in 1996 with 12.14 per cent and its highest point in 2010 with 12.5 per cent. However, the strongest decline occurred between 2010 and 2016, from 12.5 per cent to 5.55 per cent.

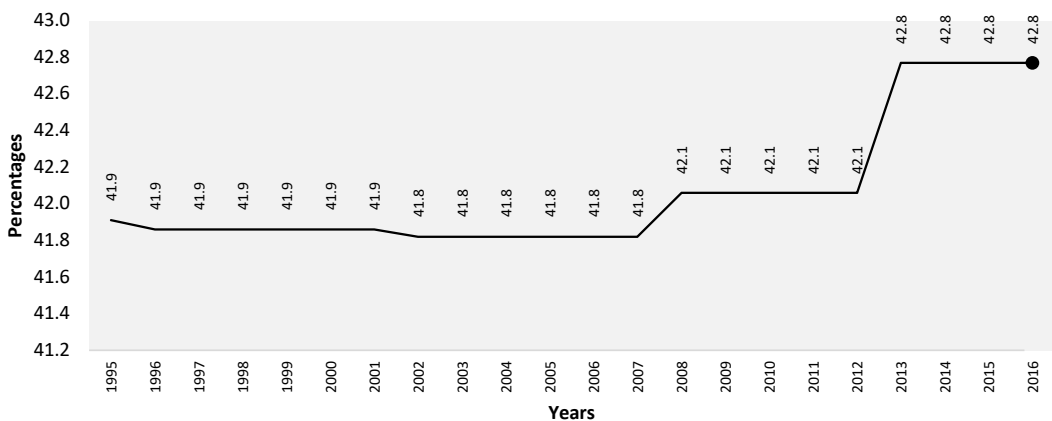
Figure 5: Tariff rate MNF, simple mean, all products %



Source: Own elaboration based on The World Bank (2019).

Figure 6 shows that in the period 1995–2016 the consolidated rate, simple average, for all products has presented a slight increase; all of this, when Colombia became in full member of the WTO in 1995, with a value of 41.9 per cent to a value of 42.8 per cent in 2016.

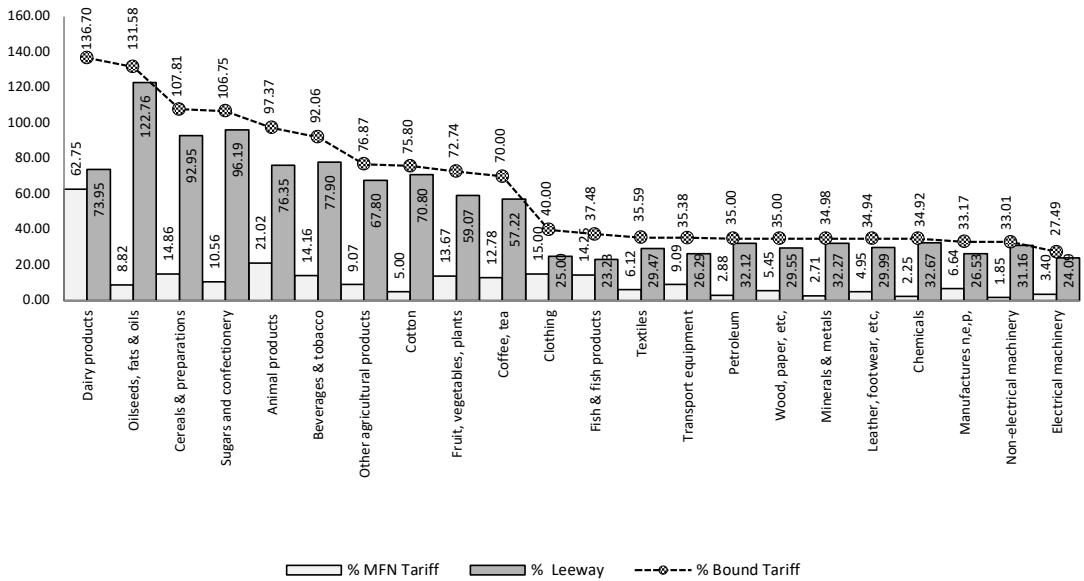
Figure 6: Bound rate, simple mean, all products (%) – Colombia



Source: Own elaboration based on The World Bank (2019a).

In terms of this last type of protectionism it is important to note that the disaggregation of the margin of manoeuvre by sectors (see Figure 7). Oilseeds, fats and oils, sugar and confectionary, and cereals and preparations have the highest margin of manoeuvre because they have a higher than average bound tariff with a low MNF tariff. However, in some sectors, such as electrical machinery, non-electrical machinery, manufacturing and chemicals, the operating margin is very low, since both the consolidated tariff and the MNF tariff are below the average presented in Table 3. In this way, it is noted that, in general terms, the tariff consolidation in the primary sector is higher than in the manufacturing sector and that in the manufacturing sector in lighter industries the consolidation of tariffs is still very high. However, they have more room to manoeuvre, while in the sector of heavier industries the bound and MNF tariffs are lower; however, there is less room to manoeuvre to deal with possible crises.

Figure 7: Tariff protectionism leeway or average room within the sectors in Colombia



Source: Own elaboration based on WTO (2019).

The above tables show that since entering the WTO, Colombia has developed different protectionist policies at the sector level, especially in the agricultural and light industry sectors, as reflected in its bound tariffs. These protectionist measures were adopted in an attempt to protect these sectors that had not yet fully developed or not yet reached their expected growth levels.

However, a remarkable deindustrialisation of the country has occurred. This is explained in part by the signing of many different trade agreements despite the problems of competitiveness in specific industries. Furthermore, the significant dependence that the state has reached, in extractive terms, about some minerals and hydrocarbons has affected Colombia’s productive diversification (Echavarría & Villamizar, 2006; López, 2010; Baena, 2019).

Thus, it can be assumed that in Colombia, the WTO tenets are not fulfilled because as a country participates in the multilateral trading system as an active member of the WTO, bound tariffs should decrease over time, including for products of the agricultural sector (Bejarano, 1998). This seems to generate evidence in favour of the hypothesis that this non-reduction is due to the deindustrialisation phenomenon (Baena, 2019), which affects more sensitive industries in the generation of employment such as light industries. Likewise, the higher average rate of bound tariff for the primary sector indicates that these margins are necessary to protect the less competitive sectors or those most exposed to the phenomenon of openness, as is the case with the agricultural sector.

In the third instance, when analysing Table 4, Colombia occupies an intermediate position in the region in terms of the application of tariff barriers, which is consistent with that presented in Table 2, on interventions, where it also occupies an intermediate position with 75 interventions. (Global Trade Alert, 2019).

Table 4: Non-Tariff protectionism in Colombia compared with other countries of the region

N°	Country	Sanitary and phytosanitary (SPS)	Technical barriers to trade (TBT)	Antidumping (ADP)	Countervailing (CV)	Safeguards (SG)	Special safeguards (SSG)	Quantitative restrictions (QR)	Tariff-rate quotas (TRQ)	Export subsidies (XS)	Total
1	Bolivia	18	38	0	0	0	0	0	0	0	56
2	Uruguay	53	31	1	0	0	0	44	0	3	132
3	Paraguay	27	110	0	0	0	0	0	0	0	137
4	Venezuela	13	35	0	0	0	0	0	62	72	182
5	Colombia	308	280	26	0	1	0	0	58	18	691
6	Ecuador	222	472	0	0	0	0	0	14	0	708
7	Argentina	225	422	122	0	0	0	0	0	0	769
8	Peru	824	115	10	4	0	0	6	0	0	959
9	Chile	597	553	3	0	1	0	0	1	0	1155
10	Brazil	1521	994	177	3	0	0	0	1	16	2712

Source: Own elaboration based on WTO (2019a).

Although the country occupies first position in the region in terms of quantitative restrictions and export subsidies, these only represent 6.6 per cent and 0.43 per cent respectively of the total non-tariff measures in the country. In this regard, the measures that represent the most in terms of total tariff measures are sanitary and phytosanitary measures and technical obstacles, with 44.6 per cent and 40.5 per cent, respectively.

5. Conclusion

In this descriptive study, a general analysis of the protection and behaviour of Colombian foreign trade was carried out. It was also possible to delve deeper into three essential items regarding how the Colombian economy is integrated into international markets: commercial opening and fiscal imbalances; the trend of bound tariffs from the entry to WTO; and the decrease of tariffs and increase of tariff barriers as a result of the implementation of models of economic openness.

In Colombia, it appears that the entry into the multilateral trading system and the WTO did not necessarily result in lower bound tariffs, because Colombia has remarkable problems regarding deindustrialisation, which affects more sensitive industries in the generation of employment such as light industries. Indeed, the higher average rate of bound tariff for the primary sector indicates that these margins are necessary to protect weak populations or those more exposed to the phenomenon of openness such as farmers and certain specific industries.

Also, with regards to the first objective, the evidence seems to confirm the hypothesis that commercial opening causes a structural fiscal imbalance because the decrease in tariffs has had to be compensated with increases in internal taxes, especially indirect taxes, as happened with the VAT for example.

With regard to the economic opening model, it is necessary to add that the liberalisation of Colombian foreign trade has been very singular—considering its market competitiveness and the dynamic of globalisation, which has led to a fragmented liberalisation in only some sectors. For instance, in the agricultural sector and light industry, tariff protectionism remained quite high, as happens with the bound tariffs that were reported before the WTO, whose purpose was to provide room to manoeuvre against potential crises and risks in such sectors when opening trade to imports. However, this has been undermined by the signing of trade agreements as these almost completely liberalise foreign trade for the vast majority of products from new trading partners. This increasingly influences Colombia's deindustrialisation, on the one hand, given the outstanding competitiveness of its trading partners and, on the other hand, given its lack of diversification and dependency on oil and mining.

Finally, it should be noted that this work went beyond mere exploration and, by focusing on a deeper description of phenomena of economic integration that affect the Colombian economy, it sought to generate a series of hypotheses that support the need for further work, which should be oriented to the verification of the hypotheses derived from the descriptive analysis performed in this work. For this, it would be ideal to use quantitative methods, to verify the hypotheses presented here about the behaviour of Colombian foreign trade and the levels of protectionism of this South American country.

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