

Economic impact of the canal project

by Javier Almario

The following are excerpts from a presentation given in August 1985 at a forum on the proposed Atrato-Truandó Canal, held in Bogotá, Colombia. The meeting was convoked by the Colombian Society of Economists, Bogotá and Cundinamarca chapter, along with the Colombian Fusion Energy Foundation, and the Colombian Geographic Society. The full title of Mr. Almario's speech was "The Impact of the Construction of the Atrato-Truandó Canal on the Colombian Economy."

... Let us look at the effect that construction of the Atrato-Truandó Canal would have, if we began construction in 1986 ... and also consider its effect on economic growth for the years 1995 and 2000. We assume that Colombia would only import heavy construction equipment and other elements indispensable to the effort, but that cement, steel, and similar goods, as well as labor power, would be supplied by the Colombian economy itself.

Looking at the proposals for creation of new cities and industries in the area surrounding the canal, we get the following picture: 5 million tons of steel-producing capacity; a lumber and sawmill industry ten times the size of the current national industry; a chemicals and petrochemicals industry 3.5 times the current national capacity; a leather and plastics industry equivalent to current industrial levels; a huge aluminum production plant that would multiply production of non-ferrous metals tenfold; a new industry of electrical and non-electrical machinery equivalent to the capacity of current industry; and a transport vehicle industry 1.5 times current production levels.

The Atrato River valley and bordering regions could produce a large quantity of wood that could be efficiently transported by the Atrato and other rivers. Chemicals and petrochemicals are chosen, because they are products that greatly benefit from water transport to and from the factory. There is oil in the region for the petrochemical industry, but Colombia needs to produce more of these products anyway. An aluminum plant is proposed, because maritime transport makes the import of bauxite from Venezuela and Jamaica that much easier, and energy for the plant could be generated with coal from Colombia's Cerrejón, and from nuclear and hydroelectric energy.

Steel was chosen, because there is coking coal in the region, and it can be transported from other regions as well. Water is an excellent means of transportation for imported iron ore, for coking coal, and for movement of finished steel. Since this is a steel-producing region, a modern heavy machinery industry should also be built. The combined effect of the building of the canal, and related industries, would be a 7.2% annual growth in 1995, and 6.6% in the year 2000.

To this growth, we should add the growth spurred by the industries supplying the canal zone, that is, the industries located elsewhere in the country which will provide inputs for the steel and cement industries, as well as other industrial inputs, for housing construction and for workers' consumption in the canal-construction zone. Plastics, glass, and machinery production must be doubled, cement production quadrupled, and steel production increased tenfold. Thus, our growth will reach 9.5% in 1995, and 8.1% in the year 2000.

Finally, if the building of the Atrato-Truandó Canal is combined with modernization of all national infrastructure, all productive and consumer goods industries will grow. This would lead to a doubling of production in basic consumer industries, in their demand for machinery, capital goods, electricity, raw materials, and other inputs. Thus we arrive at an annual growth figure of 12.8% for 1995, and 11.7% for the year 2000.

Hundreds of thousands of new jobs

The other point is the employment generated by the building of the canal: 10,000 jobs directly, and another 20,000 indirectly, in related activities, were the building project to use nuclear explosions. The use of more traditional technologies would generate 24,000 jobs directly, and 30,000 indirectly. Fifty thousand construction workers would be needed for building new cities and industries. Some 250,000 industrial workers would be employed directly in new industries in the canal area.

One hundred thousand agricultural workers are needed for work in the Atrato valley, to fell trees and plant new forests; between 200,000 and 225,000 industrial workers would be needed for the industries that would supply the canal zone, at productivity rates 25% higher than current rates for industry. Add to this, other jobs created throughout the economy, to build other infrastructure. Take as a baseline, industrial productivity rates 25% higher than current ones.

In the manufacturing sector, there would be a total of 1.575 million new jobs, an extraordinary leap, if we take into account that there are currently only 475,000 industrial workers, according to figures compiled by the DANE statistical agency in its annual survey. Industrial employment will grow by 300%.

These are some of the benefits to be derived from the building of the Atrato-Truandó Canal, not counting the revenues collected from users' tolls.