U.S. Department of Justice
Washington D.C. 20530

Amendment to Registration Statment
OMB No. 1105-0004
Pursuant to the Foreign Agents Registration Act of 1938, as amended

Privacy Act Statement. Every registration statement, short form registration statement, supplemental statement, exhibit, amendment, dissemination report, copy of political propaganda or other document or information filed with the Attorney General under this act is a public record open to public examination, inspection and copying during the posted business hours of the Registration Unit in Washington, D.C. One copy is automatically provided to the Secretary of State pursuant to Section 6(b) of the Act, and copies of such documents are routinely made available to other agencies, departments and Congress pursuant to Section 6(c) of the Act. Finally, the Attorney Genreral transmits an annual report to the Congress on the Administration of the Act which lists the names of all agents and the nature, sources and content of the political propaganda disseminated or distributed by them. This report is available to the public.

Public Reporting Burden. Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Chief, Registration Unit, Criminal Division, U.S. Department of Justice, Washington, D.C. 20530; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

1. Name of Registrant	2. Registration No.
Robinson, Lake, Lerer & Montgomery/ The Sawyer Miller Group	3911

3. This amendment is filed to accomplish the following indicated purpose or purposes:

☒ To correct a deficiency in

☐ Initial Statement

☐ Supplemental Statement for ~~5/31/93~~ ~~(6/1/93)~~

☐ To give notice of change in an exhibit previously filed.

☐ To give a 10-day notice of a change in information as required by Section 2(b) of the Act.

☐ Other purpose *(specify)*

4. If this amendment requires the filing of a document or documents, please list-

5. Each item checked above must be explained below in full detail together with, where appropriate, specific reference to and identity of the item in the registration statement to which it pertains. If more space is needed, full size insert sheets may be used.

Attached please find additional answers for questions 9, 11, 12, 14 (a) and 15 (a) for the supplemental statement ending 5/31/93.

RECEIVED
DEPT. OF JUSTICE
CRIMINAL DIVISION
93 OCT 12 AM 10:01
INTERNAL SECURITY SECTION
REGISTRATION UNIT

FORM CRM-158
SEP.88

The undersigned swear(s) or affirm(s) that he has *(they have)* read the information set forth in this amendment and that he is *(they are)* familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his *(their)* knowledge and belief.

(All copies of this amendment shall be signed and sworn to before a notary public or other person authorized to administer oaths by the agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions who are in the United States, if the registrant is an organization.)

Subscribed and sworn to before me at Washington DC

this 7th day of Oct ,19 93

Nancy Ann Kishanek

(Notary or other officer)

My commission expires 10/31/96

Robinson, Lake, Lerer & Montgomery/The Sawyer Miller Group
1667 K Street, N.W.
Washington, D.C. 20006

Registration No. 3911

Additional answers for Supplemental Statement For Period Ending May 31, 1993.

9. Have you acquired any new foreign principal during this 6-month reporting period?

Yes

Fundacion Pro-Imagen de Colombia en el Exterior
Calle 28 No 13A-15
Floor 42nd
Bogota, Colombia

11. During this 6-month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 8,9, and 10 of this statement?

Yes

See activities listed below

12. During this 6-month report period, have you on behalf of any foreign principal ingaged in political activity as define below?

Yes

See activities listed below

ITEM 11 & 12

Foreign Principal: Fundacion Pro-Imagen de Colombia en el Exterior

Interests: Help promote and improve Colombia's overall image in the United States through strategic communications support. This includes public relations, advertising, polling, media/press contacts, monitoring U.S. political and business activities and trends, and organizing trade and investment events.

Key:

TB - Thomas Bruce
DC - Deidre Cohen
CC - Cynthia Case
JM - Jim Meszaros

Noemi Sanin de Rubio - Minister of Foreign Relations

Date	Person	Nature of Contact	Individual Contacted

May 23, 1993, to May 28, 1993, were the dates of a Colombia Investment Mission to Texas. RLLM/SMG helped organize, promote and operate these missions in Dallas and Houston, Texas. Numerous press and media contacts were made before the actual mission to secure interviews for members of the Colombian delegation.

4/13	DC	Media Update	Attached Colombia Update to U.S. Newswire National distribution list. (#1)
4/14	JM	Media Update	Attached Colombia Update to U.S. Newswire National distribution list. (#2)
4/21	DC	Media Update	Attached Colombia Update to U.S. Newswire National distribution list. (#3)
5/3	DC	Media Update	Attached Colombia Update to U.S. Newswire National distribution list. (#4)
5/6	DC	Media Update	Attached Colombia Update to U.S. Newswire National distribution list. (#5)
5/7	JM	Meeting	Paul Moore, Colombia Desk Officer, Department of Commerce, to discuss various issues pertaining to Colombia.

During the Colombia Investment Mission to Texas, RLLM/SMG personnel accompanied members of the Colombia Delegation when they did interviews. Those included Thomas Bruce and James Meszaros. A listing of the delegation is attached. (#6) Also attached is a copy of the press kit that was distributed at the different meetings. (#7)

5/24	TB/JM	Interview	Reuters News Service with Minister Santos and Gabriel Silva.
	TB/JM	Interview	Phone-in interview with Alex Burton of KRLD Radio. Participants were Minister Santos and Gabriel Silva.
	TB/JM	Briefing	Media roundtable briefing on purpose of investment mission. Media included Reuters, Dallas Morning News, Dallas Business Journal and various local news radio shows. Participants were Ambassador Garcia-Parra, Minister Hommes, Minister Santos, Martin Carrizosa, Gabriel Silva and Carlos Arturo Angel.
5/25	TB/JM	Press Interview	Gabriel Silva conducts small press interview enroute to next meeting.
	TB/JM	Meeting	Kay Granger, Mayor, Fort Worth, Texas, and City Council Members. Discussions were regarding investment opportunities. Participants were Ambassador Garcia-Parra, Minister Santos and Carlos Arturo Angel.
	TB/JM	Interview	El Sol (Spanish language newspaper) and Gabriel Silva.
	TB/JM	Interview	Live interview with KESS Radio and Gabriel Silva.
	TB/JM	Meeting	Editorial Board of Dallas Morning News. Participants were Minister Hommes, Gabriel Silva and Monica de Greiff,
	TB/JM	Meeting	Editorial Board of Fort Worth Star-Telegram. Participants were Ambassador Garcia-Parra, Minister Santos, Carols Arturo Angel and Martin Carrizosa.

5/26	TB/JM	Briefing	Media roundtable briefing on purpose of investment mission to Texas. Participants were Ambassador Garcia-Parra, Minister Hommes, Minister Santos, Minister Nule, Martin Carrizosa, and Gabriel Silva.
	TB/JM	Meeting	Bob Lanier, Mayor, Houston, Texas and City Council Members for welcome to the city and discussions on investment opportunities. All delegation members participated.
5/27	CC	Tel Call	Chris Marquis, Miami Herald, Dave Johnston, New York Times, Joe Trister, New York Times, John Goshko and Michael Isikoff, Washington Post, to set up interviews for Noemi Sanin de Rubio during visit on June 2-4, 1993.
	TB/JM	Meeting	Editorial board meeting at Houston Chronicle. Participants were Ambassador Garcia-Parra, Minister Nule, Minister Santos, Martin Carrizosa, Gabriel Silva and Monica de Grieff.
	TB/JM	Meeting	Editorial board meeting at Houston Post. Participants were Ambassador Garcia-Parra, Minister Santos and Gabriel Silva.
5/28	CC	Tel Call	Ron Ostrow, LA Times, David Aikman, Time Magazine, Dave Johnston, New York Times and Chris Marquis, Miami Herald, to set up interview for Minister Sanin's visit on June 2-4, 1993.

14. (a) RECEIPTS - MONIES

During this 6-month reporting period, have you received from any foreign principal named in Items 8,9, and 10 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise?

Yes

ITEM 14(a)

DATE	FROM WHOM	PURPOSE	AMOUNT
4/93	Fundacion Pro-Imagen de Colombia en el Exterior	Compensation	119,387.50*
5/93	Fundacion Pro-Imagen de Colombia en el Exterior	Compensation	93,593.75*

Total $212,981.25

In May of 1993, we helped organize, promote and operate a trade and investment mission in both Dallas and Houston, Texas. The following fees were incurred for this project.

5/93	Fundacion Pro-Imagen de Colombia en el Exterior	Compensation	69,092.50

Grand Total Fees: $282,073.75

* Fees include administrative, consulting, creative and data collection services.

15. (a) DISBURSEMENTS-MONIES

During this 6-month reporting period, have you (1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in items 8,9, and 10 of this statement?

Yes

ITEM 15(a)

FUNDACION PRO-IMAGEN DE COLOMBIA EN EL EXTERIOR

DATE	TO WHOM	PURPOSE	AMOUNT
*4 & 5/93	Agency	Reimburse Expenses	
		Airfares:	
		Washington to New York for internal meeting to discuss strategy, Jill Wilkins, 5/1/93	75.00
		Roundtrip Washington, D.C./New York for internal meetings and to meet with clients to discuss strategy:	
		T. Bruce, 4/5/93	273.00
		H. Shibuya, 4/5/93	273.00
		Roundtrip, Washington, D.C./London, England, to meet with clients to discuss strategy and developments:	
		J. Meszaros, 4/23-4/29/93	3,955.45
		Roundtrip Washington, D.C./Bogata, Colombia, to meet with client to discuss strategy and developments:	
		D. Cohen, 4/14-4/16/93	1,450.65
		E. Reilly, 5/5-5/7/93	1,736.45
		J. Leslie, 5/5-5/7/93	1,736.45
		Hotels:	
		While in London, England to meet with clients to discuss strategy and developments:	
		J. Meszaros, 4/23-4/29/93	1,012.54

While in Bogata, Colombia to meet with client to discuss strategy and developments:

D. Cohen, 4/14-4/15/93	348.06
E. Reilly, 5/6-5/7/93	350.95
J. Leslie, 5/6-5/7/93	557.39
Roundtrip train fare London/Oxford while meeting with client	37.73
Staff meals while travelling and miscellaneous travel expenses	1,254.98
Staff meals	777.88
Photocopying	1,157.30
Local and Ground Transportation	655.00
Overnight Delivery	287.55
Telephone/Telecopy	1,468.35
Graphics Design	5,411.57
Messenger Services	23.30
Video Duplication	47.70
Publications	54.13
Newswire Services	1,225.00
Information Services	171.78
Medialink Services	4.000.00
Temporary Personnel	1,781.30
Less: Discount	- 5,000.00

Total Amount: $25,122.51

* Expenses for April and May were combined on bill sent to the Foundation.

In May of 1993, we helped organize, promote and operate a trade and investment mission in both Dallas and Houston, Texas. The following expenses were incurred for this project.

Agency

Reimburse Expenses

Airfare and travel expenses 9,791.96

These above expenses included airfares for T. Bruce, J. Wilkins, J. Meszaros, L. Hughes to attend the mission (5/21-5/28/93); J. Meszaros to Dallas and Houston (5/9-5/11/93) to help in arranging mission; airfares for members of firm and members of Colombian delegation to go from Dallas, Texas, to Houston, Texas, (5/25/93) for second part of mission; car rental while in Dallas; and miscellaneous travel expenses for RLLM/SMG participants.

Telephone/Telecopy	266.02
Photocopying	577.00
Overnight Deliveries	67.18
Binding Services	3,178.59
Computer Rental	881.81
Local Transportation	11,810.78
Entertainment of Delegation during Mission:	
Music	200.00
Catering	1,955.68
Equipment Rental	1,662.84
Lodging for Participants	25,949.34
Sound/Lighting	241.41
Valet Parking	285.78
Consultants/Levinson & Hill	30,825.00
Consultants/Welden & Associates	25,256.57

Total Amount: $112,949.96

Grand Total Expenses: $138,072.47

COLOMBIA UPDATE
APRIL 13, 1993
(WEEKLY NEWS BULLETIN)

I. THE WAR ON DRUGS

Cali Drug Traffickers

On April 10, a special division of the national police, DIJIN, completed a successful week-long operation resulting in the capture of five narco-traffickers from Cali, including: Armando Mármol Morales, Consuelo Ortiz Urquije, Orlando Ordonez Vidal, Eduardo Carvajal Molina and Gloria Inéz Duque Cruz.

In addition, three or four drug traffickers from Cali are also expected to surrender to the authorities in the following weeks, according to the Attorney General, Gustavo de Greiff. It is still unknown if these traffickers are active members of the Cali Cartel.

Pablo Escobar

According to official reports, approximately 85 percent of Pablo Escobar's financial, terrorist and military apparatus has been severely dismantled. Since his escape in July 1992, Colombian authorities have killed eight key Escobar associates who resisted arrest, seven other Escobar associates have been captured, and dozens have surrendered under pressure from the police.

II. LAW ENFORCEMENT

Police Reform

President César Gaviria has set a mid-May deadline for a special Commission to report on recommended steps to reform the police. The Police Department has been under fire lately for the violent death of a ten-year-old girl in a police station, as well as accusations of corruption within the institution.

III. PUBLIC HEALTH

Malaria

Colombian scientist Manuel Elkin Patarroyo and his associates have been applauded by medical experts for the development of a synthetic vaccine against malaria. The Colombian Ministry of Health has given full support to Patarroyo's work, and is setting up a program to utilize the vaccine throughout the country.

For more information, contact Deirdre Cohen at (202) 223-1300.

COLOMBIA UPDATE
APRIL 14, 1993
(NEWS UPDATE)

I. THE WAR ON DRUGS

Pablo Escobar

• Yesterday, Attorney General Gustavo de Greiff and the Public Prosecutor Carlos Gustavo condemned the activities of Pepes, a clandestine group which has renewed their vigilante war against Pablo Escobar and his associates. An official press release stated "The Government has created legal opportunities for those who surrender to the authorities, so that they can be judged according to current laws. It's the constitutional task of these two offices (Attorney General and Prosecutor General) to investigate and accuse criminals, as well as to protect and defend the social interests of every citizen." The Government also condemned any attempts by private citizens to take the law into their own hands.

• The General Director of Prisons, Police Colonel Gustavo Socha, responded to allegations that Pablo Escobar has requested special prison privileges. Firmly rejecting any possible request from Escobar, Colonel Socha stated "Pablo Escobar will be under a strict penitentiary regime from the moment he is captured or forced to surrender." He also said that Escobar would receive the same treatment given to all inmates in the maximum security jail at Itaguí, where he will be imprisoned.

II. ECONOMIC NEWS

End of Power Shortage
After a thirteen month power shortage, the national Government lifted the rationing of electricity. As a result of recent rainfall, the country's dams have returned to normal levels, and have achieved new, short term generation capacity.

Increase of Coffee Market Share
Since the break-up of the International Coffee Pact in July 1989, Colombia has maintained its position in the international market, and even increased its market share, according to the Ministry of Foreign Trade. Under a free market, Colombia has increased its world share from 16 to 22 percent.

Colombian Trade Mission to Asia
On April 16th, the Minister of Trade, Juan Manuel Santos, and 60 Colombian business leaders, will embark on a trade mission to Asia. In a three week marketing offensive in the Far East, the Colombian delegation will visit countries, including Japan, China, South Korea and Hong Kong.

For more information, contact Jim Meszaros at (202) 223-1300.

COLOMBIA UPDATE
APRIL 21, 1993

(WEEKLY NEWS BULLETIN)

I. HUMAN RIGHTS

Military Involvement in Indian Massacre

As a part of an on-going joint investigation between the Public Prosecutors Office and the Presidential Office for Human Rights, eight soldiers have been found guilty for the 1991 massacre of seventeen Indians in Caloto. Additionally, an investigation is also underway involving accusations that two high ranking officers covered up the soldiers' role in these assassinations.

II. THE WAR ON DRUGS

Surprise Search of Itaguí Prison

On April 19, members of the Attorney General's Office, the Prosecutor General's Office and the police paid a surprise visit to the Itaguí maximum security prison where 19 Medellín Cartel drug traffickers are currently imprisoned. After a thorough search of the facilities, the authorities seized a cellular phone, a motorcycle and 950 dollars.

New Escobar Indictments

On April 14, Attorney General Gustavo de Greiff issued two new indictments for kidnapping and terrorism against Pablo Escobar. Specifically, Escobar has been accused of the recent kidnapping and murder of Lisandro Ospina Baraya, and for masterminding five terrorist bombs in Bogotá this year.

Reward Set for Pepes

Following the recent assassination of Escobar's attorney, Guido Parra, and his son, the Government of Colombia is offering a $1.25 million dollar reward for information leading to the capture of the leaders of Pepes. The Pepes are a clandestine group which has renewed its vigilante war against Pablo Escobar and his associates.

This information has been compiled by the Colombian Presidential Office for Foreign Affairs. For more information, contact Alfonso Cuéllar at (571) 284-3300 (ext. 3598 or 3599) or Deirdre Cohen at (202) 223-1300.

COLOMBIA UPDATE
MAY 3, 1993

(WEEKLY NEWS BULLETIN)

I. ECONOMIC NEWS

Eurobonds

On Wednesday, April 28, Colombia placed its first five-year Eurobond issue for $125 million dollars in the United States, Europe and Japan. Banker Trust, the lead agent, placed the purchase with the participation of investors from fifteen countries.

Although typically the bonds have an annual yield of 7.3 percent, the demand for the Colombian Eurobonds in the international market exceeded the value of the issue. The expected earnings of the bonds will be used to pay off a portion of Colombia's foreign debt with private banks. The Eurobond strategy is an effort to diversify the credit and financial sources of the Government's bank loans and multilateral credits.

In upcoming months, ECOPETROL, Colombia's state-owned oil company, is scheduled to launch a $120 million dollar Eurobond to partially finance its investment in the recently discovered oil field of Cusiana. The Cusiana oil field is held in association with British Petroleum.

II. THE WAR ON DRUGS

Escobar's Brother Transferred

Along with three other prisoners, Pablo Escobar's brother, Roberto Escobar, was recently transferred to a separate pavillon of the maximum security prison of Itaguí. In addition, the prisoners' visiting privileges have been indefinitely restricted. This action was taken jointly by the Ministry of Justice and the National Penitentiary Institute following evidence that these prisoners obtained illegal cellular phones.

Roberto Escobar has been imprisoned since his surrender to authorities last September.

This information has been compiled by the Colombian Presidential Office for Foreign Affairs. For more information, contact Alfonso Cuéllar at (571) 284-3300 (ext. 3598 or 3599) or Deirdre Cohen at (202) 223-1300.

COLOMBIA UPDATE

MAY 6, 1993

(WEEKLY NEWS BULLETIN)

I. LAW ENFORCEMENT

President César Gaviria met last week with the heads of the Army, the Air Force, the Navy and the Police to recognize Armed Forces' efforts to minimize the activities of Colombian guerrilla groups and narco-traffickers. Military operations since November 1992 have led to the capture of 1,400 insurgents, including 20 key guerrilla leaders and 1,300 members and contacts of the Medellin Cartel; the death of 143 criminals who have resisted arrest; and the seizure of 1,200 weapons during 10,000 official searches. President Gaviria also announced that he would increase personnel numbers in the Army and the Police, strengthen the intelligence agencies and work to further develop cooperation between public forces and citizens in fighting narcotraffic.

II. INTERNATIONAL NEWS

Venancio Lucio Caicedo, a Colombian policeman and a member of the United Nations Multinational peacekeeping forces, was the first member of the UN to die in Cambodia since peacekeeping forces arrived there last year. On April 30th, Caicedo and a Malayan officer were escorting a Colombian police officer to the hospital when they were ambushed by Khmer Rouge guerrillas. The Malayan officer and Colombian police officer survived. In addition to their presence in Cambodia, Colombia's armed forces also participate in peacekeeping missions in the former Yugoslavia, Angola, El Salvador and in the Sinai Desert.

III. ECONOMIC NEWS

As part of the Colombian Trade Mission to Asia, China signed an agreement to buy ten thousand tons of Colombian bananas, loan $2.5 million to Colombia and donate $500,000 worth of agricultural equipment to Colombia. This Trade Mission is part of an effort to promote foreign investment, free trade and open markets between Colombia and the Far East.

This information has been compiled by the Colombian Presidential Office for Foreign Affairs. For more information, contact Alfonso Cuéllar at (571) 284-3300 (ext. 3598 or 3599) or Deirdre Cohen at (202) 223-1300.

COLOMBIAN DELEGATION TO DALLAS & HOUSTON, TEXAS
MAY 1993

Rudolf Hommes, Minister of Finance

Juan Manuel Santos, Minister of Foreign Trade

Guido Nule, Minister of Energy & Mines

Jaime Garcia-Parra, Ambassador of Colombia to the United States

Gabriel Silva, Advisor to the President for International Affairs
Presidencia de la Republica

Martin Carrizosa, Advisor to the President for Economic Affairs
Presidencia de la Republica

Armando Vegalara, Executive Director, Corporacion Invertir en Colombia
(Colombian Foreign Investment Corporation)

Rafael Herz, Director, Infrastructure & Energy Division,
National Planning Department, Government of Colombia

Carlos Arturo Angel, President, ANDI
(Colombian Industrialist Association)

German Bula, President, ACOPI
(Colombian Association of Small Industries)

Monica de Greiff, Senior Executive, Shell Oil

Daniel Mazuera, President, Bolsa de Bogota
(Bogota Stock Market)

Cesar Gonzales, President, Asociacion Bancaria
(Colombian Banking Association)

Luis Gallo, President, Estrategias Corporativas, SA

Jaime Lizarralde, Executive Director, Council of American Companies

Bernardo Vargas, Director General, ProExport Colombia

#7

REPUBLIC OF COLOMBIA
SANTA FE DE BOGOTA

May 1993

Dear Friends,

This Colombia Economic & Investment Guide will provide you with detailed information about our economy and opportunities for trade and foreign investment.

The administration of President César Gaviria is committed to liberalizing and modernizing the Colombian economy. Our Apertura (Opening) policies have set in place reforms designed to reduce the role of the state in the functioning of our economy, open our domestic market to external trade and investment, privatize state-owned assets, invest in new infrastructure and increase economic integration with the United States and our Latin American neighbors.

At the same time, Colombia has not abandoned its policies to control inflation and public debt that have been the cornerstone of its strong record of economic growth over the past two decades.

Too often in recent years, the world has heard only of a Colombia of narcoterrorists and drug traffickers. Our visit to Texas this week will introduce to your political and business leadership another Colombia: A nation of entrepreneurs. An exciting, emerging market. A country rich in untapped natural and human resources. A Colombia that today welcomes business and industry from the United States, Europe, Latin America and the Pacific Basin. An economy with one of the most attractive foreign investment regimes in the developing world.

We hope that after you review these materials you will realize the tremendous trade and investment opportunities that await you in Colombia.

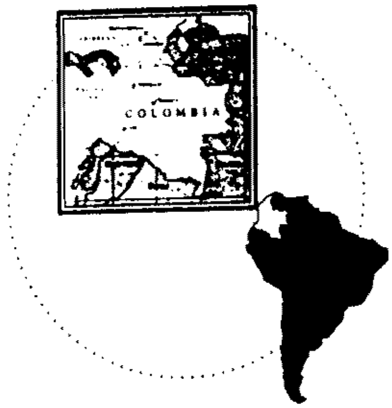
Rudolf Hommes
Minister of Finance

Jaime Garcia-Parra
Colombian Ambassador
to the United States

Juan Manuel Santos
Minister of Foreign Trade

Guido Nule
Minister of Energy & Mines

CONTENTS



Why more and more companies are doing business in Colombia.

Security issues are real.

So are reasons to do business in Colombia.

A diverse and healthy economy:

real GDP growth has averaged 3.3% annually

the last decade, the highest rate in

Latin America. There are vast natural

resources, including oil and coal.

The adult literacy rate is more than 85 percent.

The government is outward-looking:

it is committed to free trade and open markets,

and has always serviced its debts.

The Colombian people have supported

nearly 100 years of continuous democracy.

New reforms, including a broader con-

stitution, have taken hold.

These are but a few reasons why doing business

in Colombia makes sense.

FUNDACION PRO-IMAGEN DE COLOMBIA

GENERAL INFORMATION

Location:

Strategically situated in the northwest corner of South America, Colombia occupies a total land area of 1.14 million square kilometers, and is the only South American nation with both an Atlantic (1,600 kms) and Pacific (1,300 kms) coastline. As such, Colombia is a natural meeting place between North America and Europe and South America. Colombia is bordered by five countries: Venezuela and Brazil to the east, Panama to the north, and Peru and Ecuador to the south. Colombia's climate varies with the country's altitude - the coastal plains and Amazon basin are warm and tropical, the mountainous interior region is cool and springlike year round.

Land Area:

Colombia is divided into five separate land areas: the Atlantic in the north, the Pacific in the west, the Andes in the central part of the country and the Orinoco and the Amazon regions in the east. The majority of Colombia's population resides in the Atlantic and Andes regions. Mountain areas comprise 30 percent of total land area.

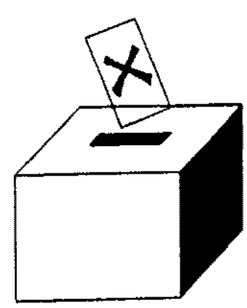
Colombia is approximately the size of Spain, France and Portugal combined. The Colombian government has set aside land areas the approximate size of England for its native indian population. These land areas are environmentally protected by law.

Population:

Colombia's population of 35 milllion persons is increasing at an annual rate of 1.9 percent. The country's population is young - 14 million persons - 41 percent of the total population - are under the age of 18 years. Colombia is a largely urbanized country - 24 million persons live in urban areas, while 11 million live in rural areas. A total of 55.6 percent of all Colombians live in one of the country's four largest cities - Bogotá, Medellín, Cali and Barranquilla. There are 33 additional cities with populations greater than 100,000 persons.

Political Structure:

Following four centuries of Spanish rule, Colombia became a republic in 1819 when it was liberated by Simón Bolívar. It is the second oldest democracy in the Americas. Colombia is divided into 32 departments and 1,024 towns, including its capital, Bogotá, which has a population of 5.7 million persons.



Executive Branch:

Colombia's executive branch is headed by a President, elected by popular vote in quadrennial national elections. In May 1990, Colombians elected César Gaviria, representing the Liberal Party, with 48 percent of the total vote. His nearest rivals were Alvaro Gómez Hurtado, with 24 percent, Antonio Navarro Wolff (former head of the M19 guerrilla movement), with 13 percent, and Rodrigo Lloreda Caicedo with 12 percent.

Gaviria's election in 1990 was aided by a split in the rival Conservative Party, which fielded two candidates, Gómez and Lloreda. The Liberal Party has won the Colombian presidency on every other occasion since 1974, except in 1982 when the party was badly divided. However, President Gaviria has included members of the Conservative and ADM-19 parties in his ruling cabinet.

Legislature:

Colombia's legislative branch of government consists of a 101-member Senate and 161-member Chamber of Deputies. The current party position in Congress is as follows:

Party	*Senate*	*Chamber of Deputies*
Liberal	60	91
Conservative	14	22
ADM-19	7	13
New Democratic Force	9	11
National Salvation Movement	4	11
Other parties	7	13
TOTAL	101	161

Constitutional Reform:

President Gaviria was elected to office on a platform of constitutional and political reform. In February 1991, an elected Constitutional Assembly met for five months to introduce reforms to the country's political system and draft a new Constitution, the first in Colombia in more than 100 years. The new changes to Colombia's political system in the Constitution included the following:

- An ambitious and modern Bill of Rights was established.

- Presidents, including the incumbent President Gaviria, are ineligible to stand for re-election.

- State governors are to be elected by popular vote, rather than appointed by the President.

- Monetary policy was transfered from the executive branch to a more independent, autonomous central bank – the Banco de la República.

- The Colombian Congress was given the authority to veto the actions of Cabinet members. Congressmen could no longer hold other public offices and those holding government jobs would have to resign them before standing for election.

- A number of judicial reforms were introduced to stregthen the government's ability to capture and try drug traffickers and other major criminals. A national office of "People's Defender" and a national Office of the Prosecuting Attorney were established.

- Decentralization of the central government.

Social–Economic Conditions:

Poverty: Living conditions in Colombia have improved in recent years, but many Colombians still live in poverty. As much as 38 percent of the population had unsatisfied basic needs. The government of César Gaviria is engaged in an outstanding effort to reduce by 3 million persons the number of poor Colombians by 1994.

Education: Access to education has improved in recent years and Colombia has one of Latin America's best educational systems. The average number of years of schooling among the country's workforce is 7 years. A total of 8 million persons are currently enrolled in one of the country's three levels of education: primary, secondary or higher education. Colombia has 577,000 college graduates. Illiteracy has declined from 43 percent in 1950 to just 12 percent in 1990.

Health Care: Colombia's life expectancy has increased from 64 years in the late 1970s to 69 years today. There has also been a significant decline in the national fertility rate, from 4.1 children/woman in the late 1970s to 2.9 children/woman today.

Crime: The presence of several guerrilla organizations and drug trafficking cartels contributes to Colombia's high crime rate. The number of murders per 100,000 residents has increased from 23 in 1975 to 70 in 1990. However, government efforts to capture major drug traffickers and narco–terrorists, including the leadership of Medellín and Cali cartels, has reduced the narco–terrorism activities that plagued Colombia during the late 1980s.

International Relations:

Colombia belongs to all major international associations and organizations and enjoys good relations with Latin America, the United States, Europe and Asia. President Gaviria has been active in the Rio Group and the Group of Three (G3) - Colombia, Mexico and Venezuela. Colombia's relations with the United States in recent years have largely focused on cooperation in the international war on drug trafficking and on bilateral trade initiatives.

Drug Issues: Under former President Virgilio Barco and President Gaviria, Colombia has led efforts to focus international attention on drug trafficking and related crimes, including money laundering and arms trafficking. Through a number of joint law enforcement and judicial cooperative efforts, Colombia is working with its Andean neighbors and the United States to reduce drug trafficking and narco-terrorism.

The impact of Colombia's drug war on its economy is significant - the government spends more than $1.2 billion a year on security and national defense to fight the drug cartels. In addition, international media attention to the drug war makes the task of attracting external investment more difficult, even though foreign companies have not been the target of drug-related violence.

In 1989, Colombia hosted a five-nation summit meeting in Cartagena, which led to law enforcement, judicial cooperation and trade agreements between the Andean region and the United States. A follow-up summit was hosted by the United States in San Antonio in February 1992. Other initatives have been made with various European governments.

The Colombian government remains firmly committed to ending drug trafficking within the country, both through internal policies and actions, as well as through cooperation with other governments and international organizations.

Trade Issues: President Gaviria is a strong advocate of reducing trade barriers both in Latin America and in the United States and Europe. His administration is working to establish stronger commercial and trade ties throughout the region, and particularly with Mexico, Venezuela, Chile and its Andean neighbors.

Security Issues:

Military: Colombia's military has not been a major force in the country's political system, as compared with other Latin American nations, although it has long been involved in fighting guerrilla activity and, more recently, drug trafficking. President

Gaviria recently issued a five-year plan for the military, to improve their capacity to fight against drug trafficking and guerrilla violence. A civilian Defense Minister, Rafael Pardo, was appointed by Gaviria in 1991, the first civilian to hold that post since 1953.

Guerrilla Groups: Guerrilla groups have been active in Colombia for more than 25 years. Under former President Barco, a peace settlement was reached between the government and one of the largest groups, the M-19. The M-19 then became a fully established political party.

President Gaviria has continued efforts to negotiate an end to guerrilla violence, with on-again/off-again talks held in Venezuela and Mexico. Several groups have laid down their arms and entered the political arena, although three major organizations - the Armed Revolutionary Forces of Colombia (FARC), the Quintin Lame and the National Liberation Army (ELN) - are still active in kidnapping (usually for ransom, rather than as a political statement), attacking the police and destroying economic infrastructure, particularly in the energy sector.

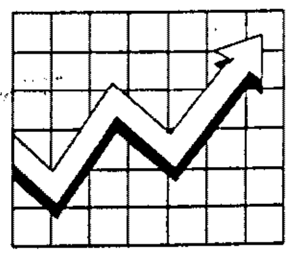
A negotiated settlement among these groups has been a high priority for the Gaviria Administration, though a negotiated end to Colombia's long history of violence does not appear imminent.

###

RECENT ECONOMIC DEVELOPMENTS

1991 and 1992 were years of significant economic change in Colombia. A new political constitution, adopted by a national assembly in 1991, has brought forth fundamental structural changes in the institutional framework for economic activity. Parallel to these changes, new economic laws and policies were enacted by the government of President César Gaviria in 1990, 1991 and 1992.

As a result, Colombia in 1992 moved toward becoming one of the most open markets in the world. Reforms undertaken in the past two years toward liberalization and modernization of the country's economy have created an attractive environment for U.S. and foreign companies.



The recent economic history of Colombia is one in which the country has fared better than its Latin American neighbors. Colombia has been one of the few consistent economic performers in the region over the past 20 years. It never suffered from the debt and hyperinflation crisis of the 1980s, and has never had to restructure its external debt. It was the only country in South America not to experience a single year of negative growth in the 1980s. Sound fiscal management of the economy by several consecutive government administrations has resulted in steady and consistent GDP growth throughout the 1980s and continuing into the current decade.

In the early 1960s and continuing through the 1970s, Colombia adopted a development strategy similar to that of many of its Latin American neighbors, characterized by import substitution and a protectionist scheme designed to allow local infant industries to dominate the internal market. The state played a large role in managing the economy. Foreign companies and investments were largely excluded from the domestic market. Foreign currency was earned through the export of principal products, such as coffee, which until recently accounted for nearly 50 percent of Colombia's foreign earnings.

After the first oil crisis, when U.S. and foreign banks offered petrodollars at low rates, Colombia avoided the temptation to increase its public debt as a means of financing large industrial megaprojects. As a result, Colombia at no time declared a moritorium on its payment to creditors, and it was the only country in Latin America that did not register a year of negative growth during the region's debt crisis. To the contrary, Colombia experienced the highest cumulative growth rate of any country in the region during the 1980s (42.4 percent), and an annual increase in GDP Per Capita of 1.5 percent, second only to that of Chile.

Toward the end of the 1980s, however, Colombia's import substitution model of development showed signs of exhaustion. Investment declined, as industries accustomed to producing in an oligopolistic and protected environment had little incentive to reduce costs, increase productivity or compete internationally.

Apertura:

Shortly after taking office in 1990, President Gaviria initiated "Apertura" (Opening), a comprehensive program of economic and trade reform designed to remove legal restrictions impeding foreign investment and private enterprise, and to spur economic development and higher growth by unleashing the private sector to market forces. Privatization of state assets, trade reform, significant changes to the foreign investment regime and financial, legal and labor reforms are also critical elements of the comprehensive economic program.

Institutions as fundamental as Colombia's Central Bank were transformed to fit the new framework. A new, independent monetary board (Banco de la República's Board of Directors) was established in the new Constitution. The protectionist economic model that had been in existence and made obsolete by the increasingly global economic environment was dismantled, piece by piece.

In its place, the foundations of a modern, outward-looking, open economy were built. This was accomplished without any serious institutional shocks. Apertura is strongly supported and accepted by the country's political and business communities.

Colombia's dramatic shift from a protected to an open economy has been realized without the government abandoning its traditional goal of price stability. In addition, the reduction of the state's role in the functioning and management of the national economy has enabled the central government to focus its efforts on raising the living conditions of the poor in Colombia, as well as providing needed infrastructure to foster long-term economic growth.

Trade Reform:

President Gaviria's administration was elected on a platform that included substantial trade reform. Following a prolonged national debate on trade reform in 1990 and the first half of 1991, the government announced a major trade reform package in September 1991. Import quotas have been eliminated and tariffs on imports have been unilaterally reduced from an average effective rate of 44.1% in 1989 to 11.6% in 1992.

Economic integration efforts with Colombia's neighbors are also a critical element of trade reform. Colombia has been in the forefront of Latin America's regional economic integration efforts. Since January 1992, a new free trade zone has been created between

Colombia and Venezuela, which has resulted in a spectacular increase in trade and mutual investment between both countries.

In addition, Colombia led the efforts to reinstate the Andean Pact. In August 1992, Ecuador, Peru, Venezuela, Bolivia and Colombia agreed to conditions that will create a five-nation free trade zone by 1995. Colombia and Venezuela have achieved a customs union and a free trade zone. The two economies have formed an emerging market greater than $100 billion GDP and with more than 50 million consumers. Ecuador and Bolivia also have a Free Trade Zone with Colombia.

Colombia is currently negotiating several free trade zones and economic integration efforts with other Latin American nations. Negotiations with Chile and Mexico are presently underway, within a reciprocal and gradual process. The Group of 3 (G3) – integrating Mexico, Venezuela and Colombia – is currently defining its legal framework and a tariff elimination program.

In 1991, the U.S. Congress passed the Andean Trade Preference Act, fulfilling a promise made by President George Bush at the Cartagena Drug Summit in the previous year. The ATPA makes an additional $325 million in exports from the Andean region eligible for duty-free entry into the United States. Colombia also enjoys special trade preferences with the European Community.

Foreign Investment Reform:

Starting in 1967 Colombia maintained a highly restrictive exchange regime that regulated virtually every aspect of international trade and capital transactions. While this policy contributed to current account stability for many years, it did not fit into the new economic policies of Apertura and liberalization.

Highlights:

- In 1991, Colombia's foreign exchange regime was greatly liberalized. Today, the exchange rate is determined by market forces. The Central Bank has abandoned its monopoly over foreign exchange transactions, and the exchange market is managed by financial institutions.

- In addition to decentralizing the exchange market, Colombia has taken steps to reduce red tape and eliminate many restrictions on trade, investment and financial transactions, resulting in an exchange environment that permits proper operation of international trade and financial flows.

- New regulations in the area of foreign investment give equal treatment to local and foreign investors in most sectors of the economy. Restrictions on remittances of profits and capital have been eliminated.

New policies have granted stability to the exchange rights of investors. By law, these rights cannot be changed in ways prejudicial to the foreign investor, except in the temporary case of a severe exchange crisis, a situation that has not occurred in Colombia since the 1960s.

New foreign joint venture projects will benefit from a 12 percent tax rate on the distribution of profits. Remittance taxes are being reduced from 12 percent in 1993 to 7 percent in 1996.

Foreign investors will benefit from the effects of the elimination of trade barriers among the Andean countries and with other Latin American nations, including Mexico, Chile and Venezuela.

Financial Sector Reform:

A new regime for financial institutions was established in 1991. The following are highlights:

- Foreign investment is now permitted in all types of financial firms, with no restrictions concerning the percentage of capital ownership or type of investor.

- Financial institutions are now allowed to be involved and active in all kinds of financial markets, as long as they establish separate associate firms for each specific purpose.

- The regime for mergers, acquisitions and the break-up of financial firms has been made more flexible.

- Licenses for new banks are now being approved after being suspended for several years.

The new financial reforms are attracting the interest of international investors. The Gaviria administration is privatizing the banks that were nationalized during the 1980s – the first two to be privatized were bought by foreign banks. Other foreign firms are applying for licenses to create new banks.

Colombia's financial sector is one of the most interesting and promising areas for foreign investors in the 1990s.

Central Banking Reform:

The 1991 Constitution determined that the Central Bank would define both monetary and exchange rate policy. Prior to this time, the Monetary Board, composed of high-ranking government officials, determined these policies.

The presence of the government on the Board of the Central Bank is restricted to the Minister of Finance, thereby creating Central Bank independence from the executive branch while maintaining some level of policy coordination.

Labor Legislation Reform:

Highlights in labor laws and regulations include:

- Reforms in labor legislation to permit greater flexibility in labor contracts, allowing firms to make decisions based on the level and perspectives of economic activity.

- Elimination of ambiguities over extra-wage benefits, which lead to uncertainty in past years.

- Elimination of former restrictions on the suspension of labor contracts for workers beyond certain limits of seniority.

- Implementation of new laws for the retirement and dismissal of government workers have been implemented, resulting in a dramatic reduction of the government's payroll.

These reforms are expected to create new employment opportunities, since firms will not have to pay the extra costs associated with former labor laws and regulations.

Changing Role of Government:

One of the most fundamental and significant changes resulting from the Apertura policies is a redefining of the role of government in managing economic activity. In short, the government is moving toward abandoning all direct economic tasks that can be performed more efficiently by the private sector.

At the same time, the government has increased its role as regulator to ensure that the greater autonomy of the private sector does not lead to excesses and to guarantee that the basic rights and needs of society are met.

The state contributes only about 18 percent of GDP in Colombia. Because Colombia's state sector is small relative to other Latin American nations, its privatization program will not be that large.

Other efforts:

- The government is concentrating its development efforts on the poorer segments of Colombia's population and in financing new infrastructure to ensure long-term, sustained economic growth.

- Privatization projects are being undertaken. Banks, ports, railways, state enterprises and garbage disposal services have been sold or their management transfered to the private sector. Telecommunications and the electric utilities sector are slated for future privatization. Nevertheless, since the role of the state in national economic management was never equal to that of several other Latin American nations, Colombia's privatization efforts have not produced the buying binge seen in other nations in the region over the past few years.

- The government is planning major investments in social sectors. Education, housing, water and sewage systems, health care, environmental protection and other areas will be the focus of increased public investments over the next two years.

- An investment program to modernize the country's physical infrastructure is underway. It is focused on building new roads and railroads to link the major urban centers with major ports on the Atlantic and Pacific coasts.

- The agricultural sector is incorporating an additional 500,000 hectares of underutilized land.

- Additional public resources will flow towards technology development, with increasing financial incentives for investment in R&D.

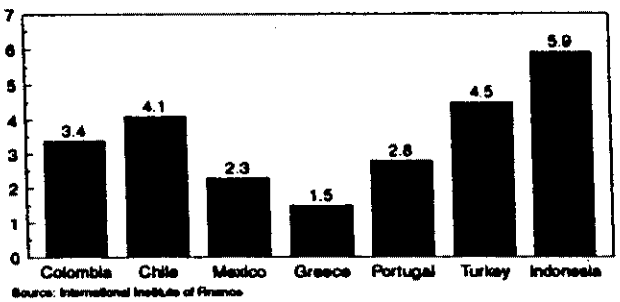
- The Gaviria Administration has also initiated a micro-enterprise development program, designed to provide training, financial assistance and export development support for 1.2 million micro-enterprises (private companies with less than 10 employees).

###

7 National Economic Comparison

GDP Growth - 1980 to 1992

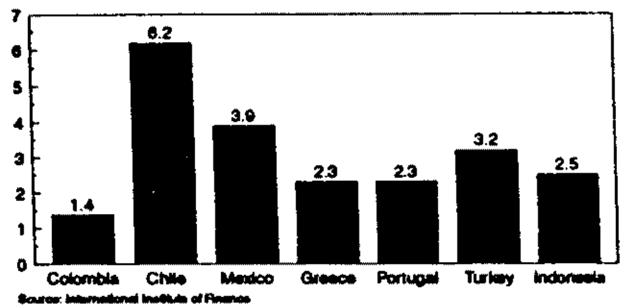
% Per Year



7 Nation Economic Comparison

Volatility of GDP Growth - 1980 to 1992

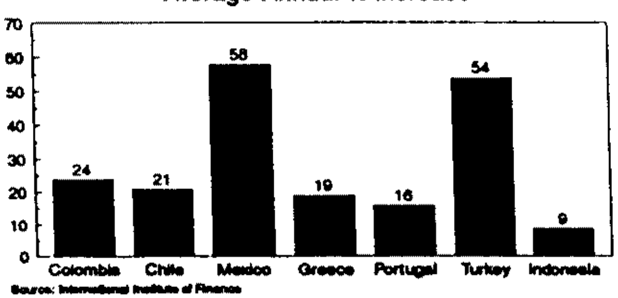
% Per Year



7 Nation Economic Comparison

Inflation - 1980 to 1992

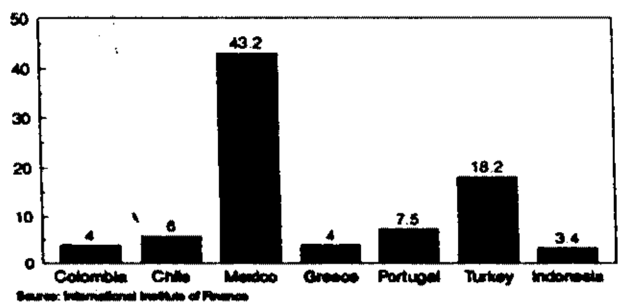
Average Annual % Increase



7 Nation Economic Comparison

Volatility of Annual Inflation - 1980 to 1992

Standard Deviation of Annual CPI Growth

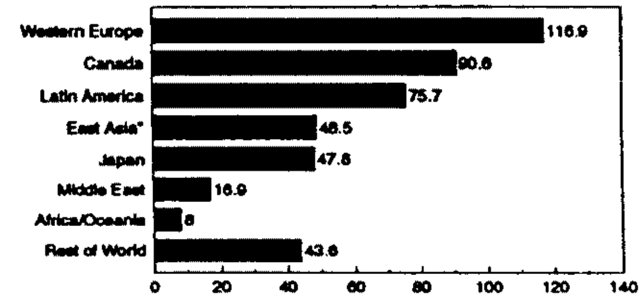


The Growing U.S. - Latin America Economic Partnership

- U.S. exports to Latin America reached a level of $75.7 billion in 1992.
- U.S. exports to Latin America rose an average of 16.7% per year between 1987 and 1992, the highest of any region in the world.
- The U.S. is the largest foreign investor in Latin America. Accumulated U.S. foreign investment in the region reached $77.3 billion in 1991.

U.S. Exports by World Region

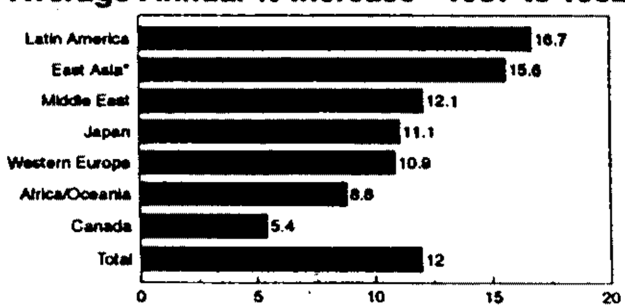
$US Billions - 1992



*Not including Japan
Source: U.S. Department of Commerce

U.S. Exports by Region - % Growth

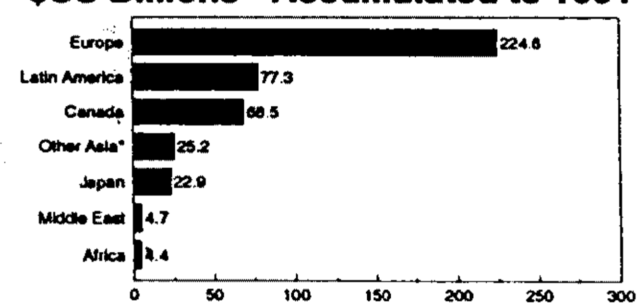
Average Annual % Increase - 1987 to 1992



*Not including Japan
Source: U.S. Department of Commerce

U.S. Direct Foreign Investment

$US Billions - Accumulated to 1991



*Not including Japan or Middle East
Source: U.S. Department of Commerce

The Andean Pact

Leading Economic Indicators - 1992

	Colombia	Venezuela	Ecuador	Peru	Bolivia
Population (m)	35.0	20.2	10.8	21.9	7.6
GDP ($USb)	49.7	71.1	13.7	30.1	6.8
Per Capita ($)	1,505.0	3,519.0	1,264.0	1,367.0	907.0
Exports ($USb)	7.1	14.0	3.0	3.3	0.6
Imports ($USb)	6.1	12.4	2.3	4.0	0.9
Inflation (%)	25.1	31.4	66.0	56.6	11.4
Debt ($USb)	17.1	36.0	12.6	20.9	3.7

Source: IADB

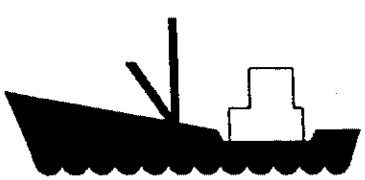
Major Latin American Regional Economic Integration Efforts

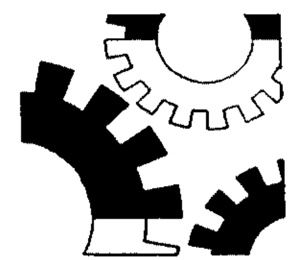
- NAFTA: Canada, Mexico and the United States (implementing legislation being considered in U.S. Congress);
- Andean Trade Preference Act (ATPA) - Enacted by United States. Increases entry to U.S. market for Andean region products.
- The Andean Pact: Colombia, Venezuela, Ecuador, Peru & Bolivia;
- G3: Colombia, Mexico & Venezuela (under negotiation);
- Mercosur: Argentina, Brazil, Uruguay & Paraguay;
- Free Trade Agreements:
  - Colombia and Venezuela
  - Chile and Mexico
  - Colombia and Chile (under discussion)
- CARICOM: Colombia and Venezuela will negotiate FTA with Caricom nations.

Colombia Economic Data (1988 -1992)

Sources:

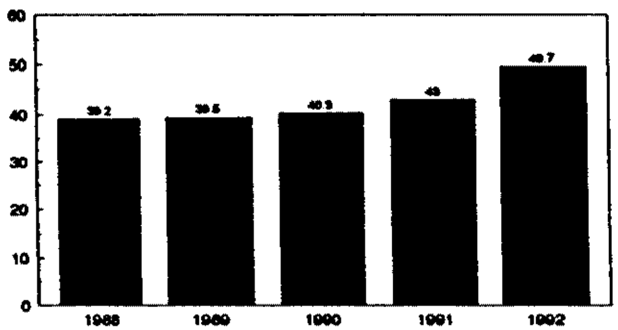
Banco de la Republica
Ministry of Finance
National Planning Department





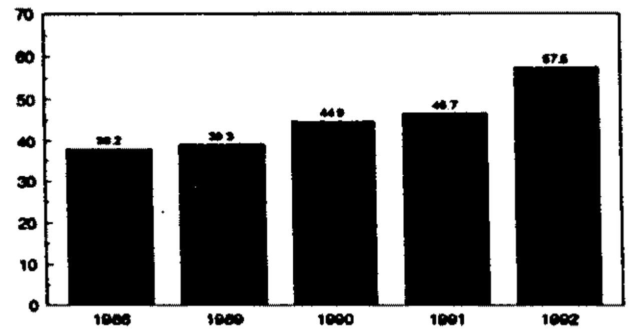
Gross Domestic Product

US$ Billions

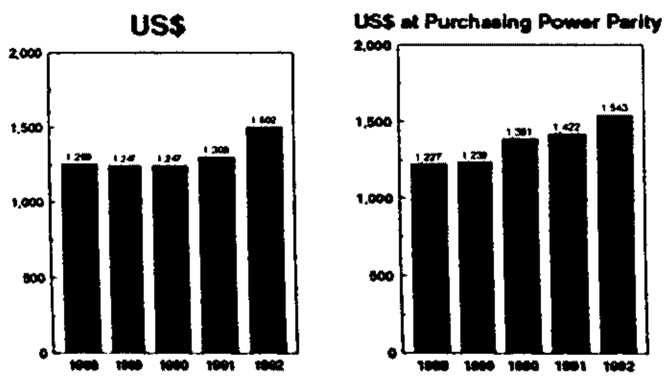


Gross Domestic Product at Purchasing Power Parity

US$ Billions

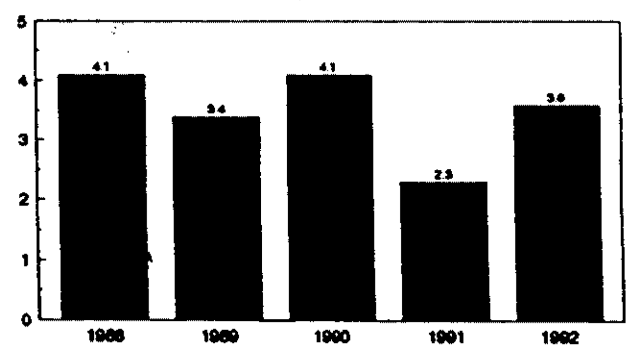


Gross Product Per Capita



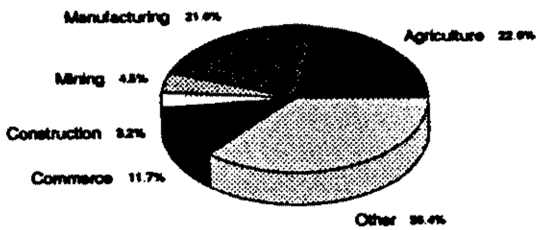
Real GDP Growth

Percent



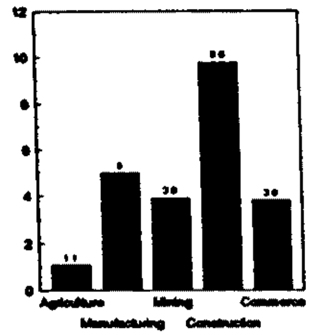
GDP by Economic Sector

% Value Added in 1992

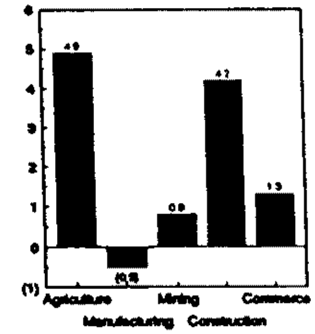


Economic Sector Growth Rate

Growth Rate % in 1992

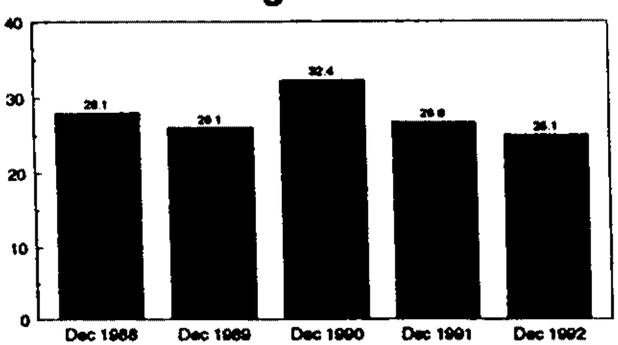


Growth Rate % in 1991



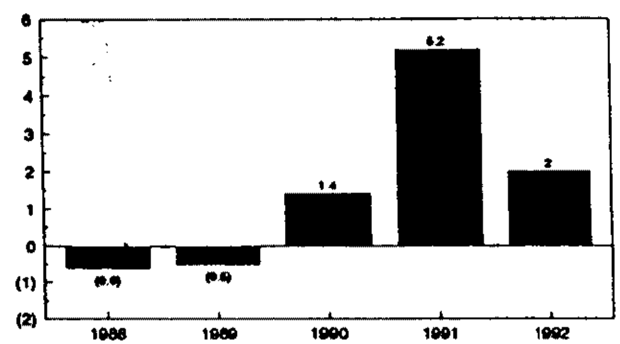
Consumer Price Index

Annual Average Percent Increase



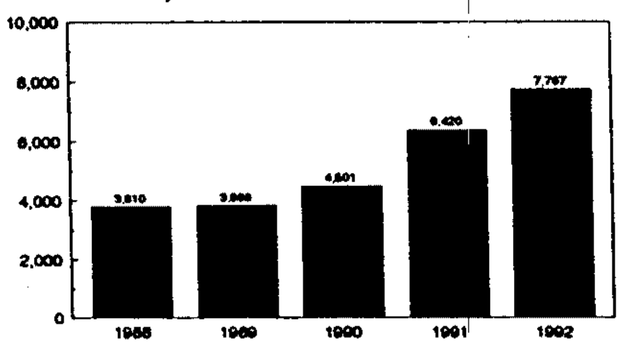
Current Account Balance

Percent of Gross Domestic Product



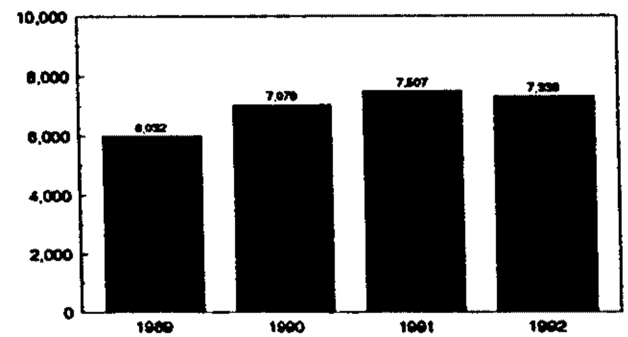
Net International Reserves

US$ Millions at Year End



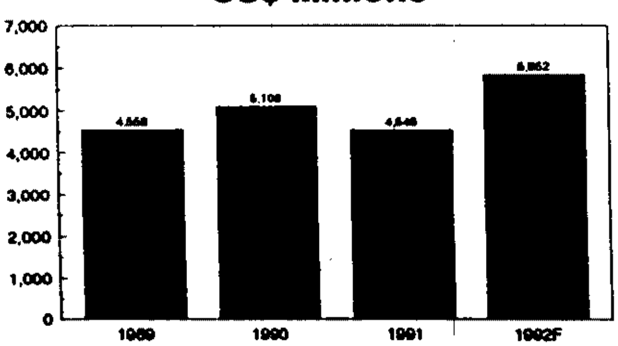
Exports (FOB)

US$ Millions



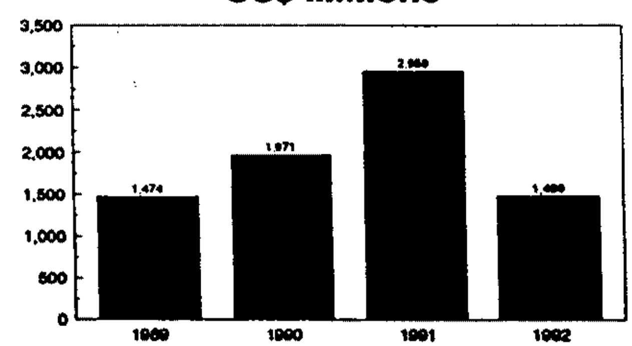
Imports (FOB)

US$ Millions



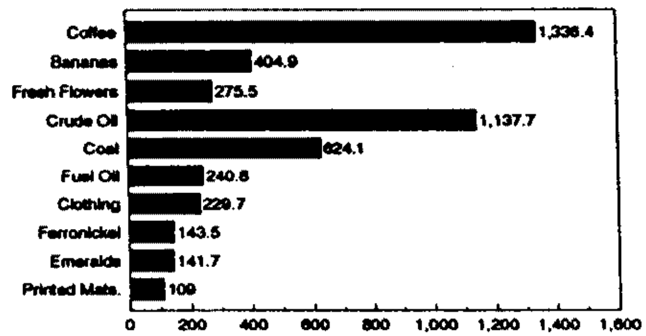
Trade Balance

US$ Millions



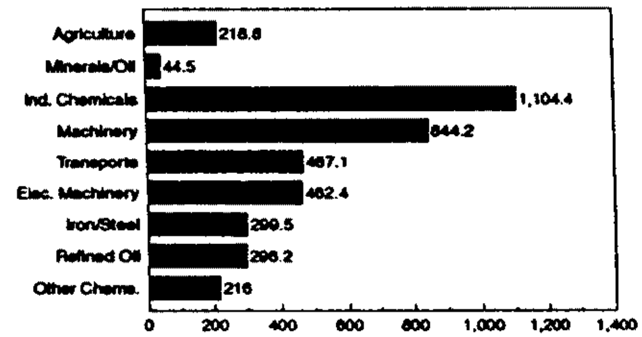
Major Exports by Sector

$US Millions - 1991



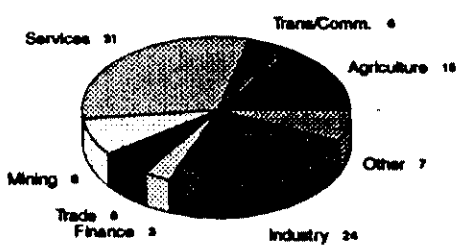
Major Imports by Sector

$US Millions - 1991



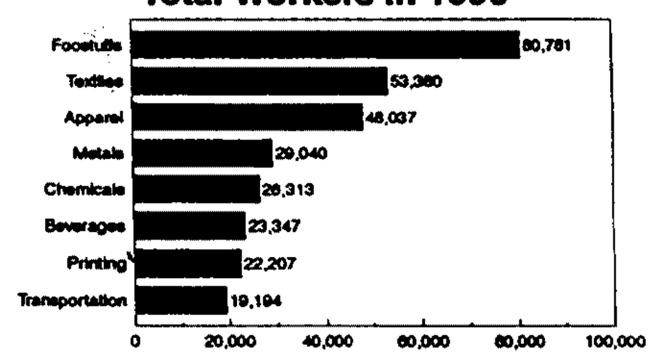
Labor Force by Economic Sector

% of Total Labor Force - 1991

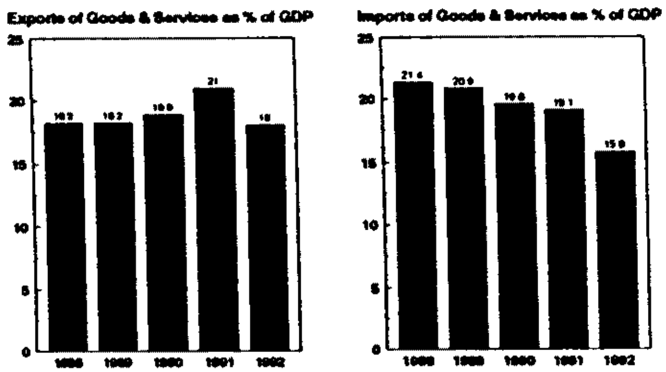


Labor Force in Manufacturing

Total Workers in 1990

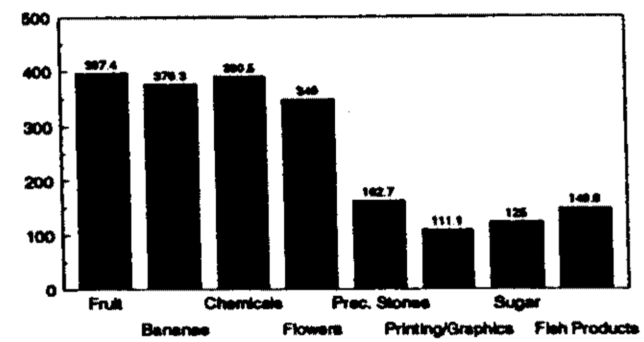


Exports & Imports as % of GDP



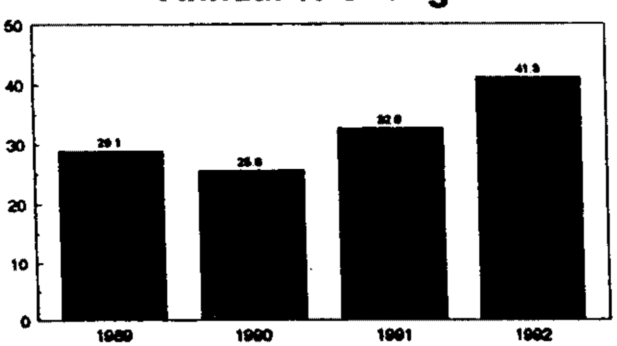
Non-Traditional Exports

US$ Millions in 1992

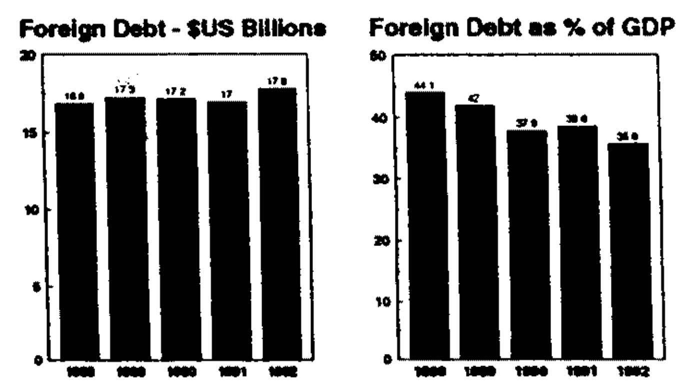


Growth in Money Supply

Annual % Change



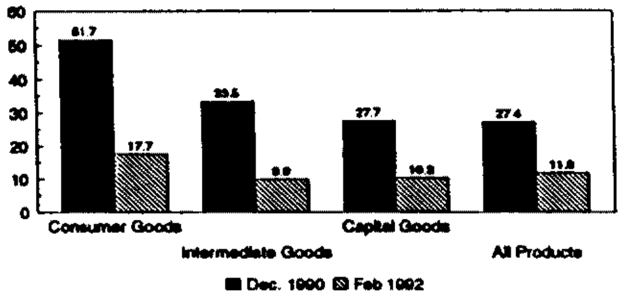
Foreign Debt / Foreign Debt as % GDP



Import Tariffs

Custom Tariffs + Average Surcharge

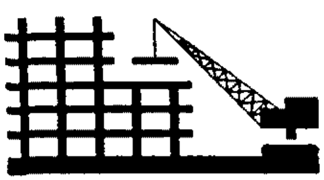
December 1990 vs. February 1992

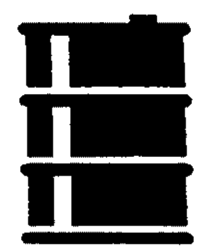


Economic Projections 1993-1995

Source:

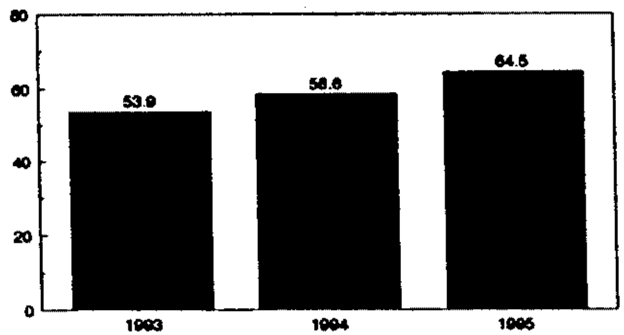
Department of National Planning
Government of Colombia





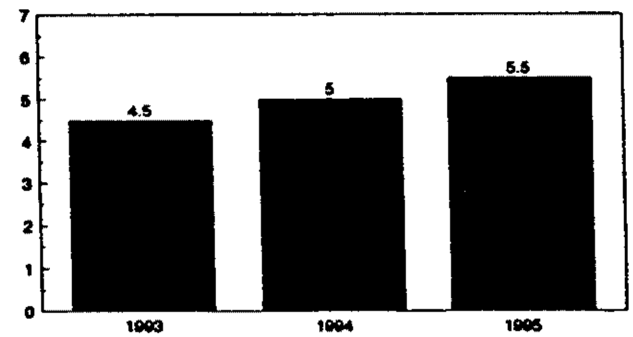
Gross Domestic Product

GDP - $US Billions



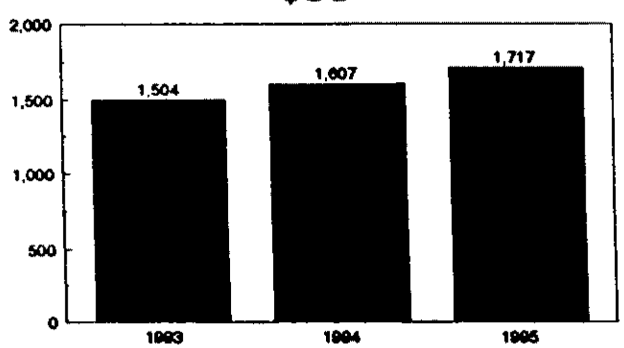
Real GDP Growth

Real GDP Growth - Annual Percent



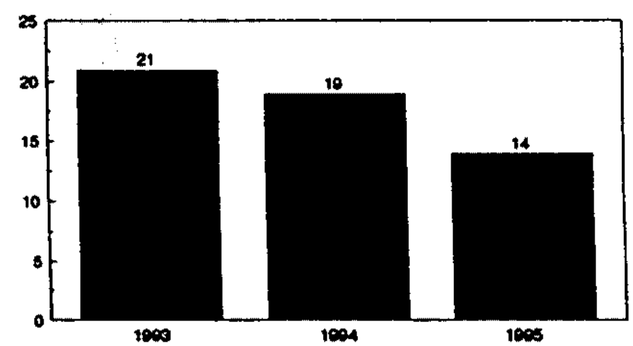
Per Capita Income

$US



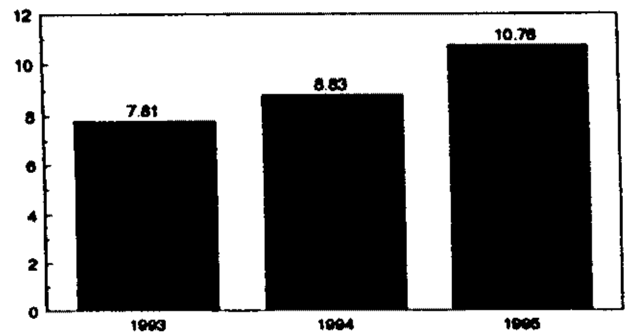
Inflation

Percent Per Year



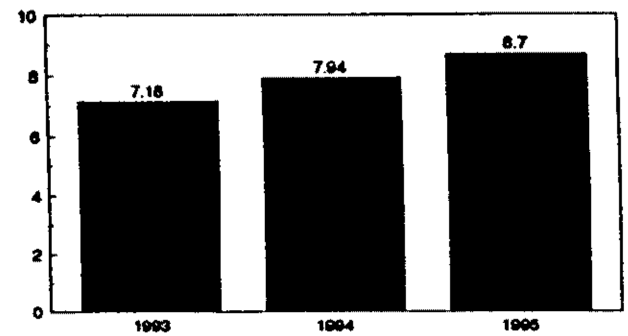
Exports (FOB)

$US Billions



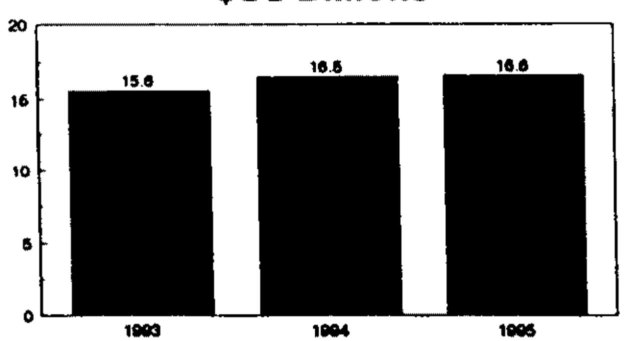
Imports (FOB)

$US Billions



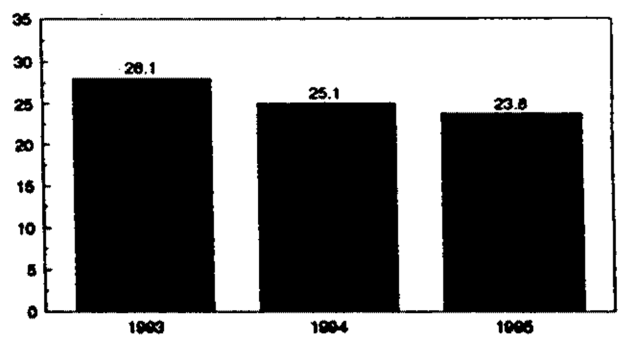
External Debt

$US Billions



Debt as % of GDP

Percent of GDP



THE ECONOMY BY SECTOR

Agriculture:

Colombia's tropical location and wide range of altitudes enables the country to grow a variety of agricultural products.

Highlights of the agricultural sector:

- The agricultural sector grew steadily during the 1980s, at an average of 3.1 percent per year.

- The major export crops are coffee, bananas, sugar, cattle and cotton. However, during the last decade, non-traditional export products, such as fruits, vegetables, seafood and cut flowers have been produced on a large scale and entered the export market.

- Agriculture in 1992 accounted for 22 percent of Colombia's GDP. This sector of the economy grew by 4.9 percent in 1991, led by a robust increase in coffee production (13.6 percent). Depressed world coffee prices and drought conditions, which have plagued Colombia this year, moderated growth in the agricultural sector in 1992.

- Agriculture in 1992 encompasses 4.0 million hectares. Production totals 20,344 million tons per year, of which 68 percent is consumed locally and 32 percent is exported.

Coffee: Due to the recent diversification of the Colombian economy, coffee is no longer Colombia's principal export. But it remains a vital contributor to the country's export revenues, accounting for 17.3 percent of total exports and 2.6 percent of GDP in 1992. The decline of coffee as Colombia's principal export is the result of an expansion of other agricultural and non-agricultural exports, as well as a reflection of the breakdown of the World Coffee Agreement. Today, world coffee prices are lower in real terms than at any time during the 20th century.

More than 1.1 million hectares of land are devoted to coffee farming in Colombia, and 300,000 farmers are involved in its production.

Other major crops:

- **Sugar:** Sugar is grown on commercial estates located in the Cauca Valley near Cali. There are approximately 118,000 hectares in production. From 1987 to 1991, exports increased dramatically from $US29 million to $US128 million, but fell to

$US45 million in 1991. Production increased from 1.3 million tons in 1986 to 1.6 million tons in 1991.

- **Bananas:** Bananas are grown along Colombia's Caribbean coast. The country is today the world's third leading producer of bananas. Production for export was 1.2 million tons in 1990, rising to 2.0 million tons in 1992. Colombia's major banana export markets are the United States and Belgium. There are approximately 36,000 hectares in production.

- **Flowers:** Flowers are one of the success stories of Colombia's agricultural and export sectors. In just 10 years, Colombia has become the world's second-largest exporter of flowers after the Netherlands. Flower exports have increased from $US75 million in 1979 to $US254 million in 1991. Exports include, among other flowers, carnations, roses and chrysanthemums. The springlike climate of the Bogotá region is ideal for flower production. The United States is the primary export market, although exports to the European Community are expected to rise as a result of the removal of tariffs since 1991 under a four-year Andean Preference Program.

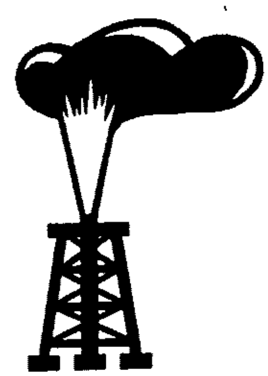
- **Staple Crops:** Other Staple crops include corn, barley, wheat, rice, potatoes, plantains, cocoa, soya, tobacco, cotton, sorghum, sesame and African palm.

Energy:

In recent years, different parts of Colombia's energy sector have become critical to the country's current economic well-being, as well as guarantees of future, long-term economic growth. Colombia's long-term economic expansion has been improved dramatically by the discovery of a major new oil field at Cusiana in 1991.

At the same time, Colombia, as other Latin American countries, has been plagued by one of its worst droughts in this century. Since the country is highly dependent upon hydroelectric power, the government was forced to institute an electricity rationing program in March 1992, which affected all sectors of the economy and society - manufacturing, small businesses and domestic homes. The 1992 drought came after two years of light rainfall in Colombia. The rationing program ended in early 1993.

Oil: Oil has replaced coffee as Colombia's leading export product. Major fields are located in the *llanos* which runs northeast from Villavicencio to the border with Venezuela. The most important area of production over the past five years is the Caño Limón field, with production around 230,000 bpd. This field turned Colombia from an oil importing country to an oil exporter.



The national oil company, Ecopetrol, extracts and refines oil but is increasingly entering into associations with foreign companies in an effort to increase the rate of exploration. All but 15 percent of Colombia's recoverable oil has been discovered by private companies, including the 1984 discovery of the reserves at Caño Limón by Occidental, which doubled Colombia's proven reserves to well over 2 billion barrels, and British Petroleum's Cusiana field, which is estimated to contain at least 2.0 billion barrels.

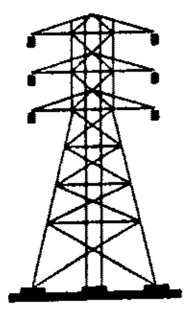
Colombia's major restraint to future production is its pipeline capacity, although Ecopetrol is planning to double the capacity of the 280 km El Porvenir–Vasconia pipeline to 200,000 bpd.

Future oil exports will also be affected by the level of internal demand for energy. Exports generated US$1.5 billion in 1991, down from $US1.9 billion in 1990. Exports earnings in the first quarter of 1992 were $238 million.

Other highlights of the energy sector:

- **Natural Gas:** Natural Gas is produced mainly in the fields in Guajira and near Barrancabermeja. It is used domestically, primarily for powering industry. New deposits recently discovered in Cusiana will be used in the country's inland cities. These discoveries increased reserves to 7.000 GPC, and the national government has initiated a plan for natural gas consumption in residential, commercial, industrial and electricity generation sectors in the country's largest cities.

- **Electricity:** Colombia generates most of its electricity through hydro-electricity and about one-fifth comes from thermal plants, most of which are located along the country's Caribbean coast. Nominal generating capacity has increased from 4,100 MW in 1980 to 9,100 MW in April, 1993.



- **Drought:** The lack of rain, caused by a shifting of the El Niño current off the coast of Peru, caused an electricity crisis in 1992. The summer of 1992 was the driest in Colombia in 40 years. Labor problems, a lack of adequate maintenance in thermal generators, and a delay in bringing on-line new hydro-electric projects also contributed to the crisis. The government responded to the electricity crisis by instituting a modernization and privatization program. The crisis ended in March 1993.

Mining:

Colombia has an active and extensive mining sector that produces coal, iron ore, nickel and emeralds, all of which are expected to increase in future years. Mining has had a remarkable growth in the past decade. Overall production in 1990 was five times that of 1980, and mining's share of GDP rose over the same period from 1 to 5 percent.

Highlights of Colombia's mining sector:

- **Coal:** The best prospects for future growth are in coal production. New, large coal deposits were discovered in the Guajira peninsula and in neighboring department of César in the 1970s. This coal is characterized by its high energy content and its low ash content. Other deposits at El Cerrejón are being developed by Exxon and the state coal company, Carbocol. Drummond is developing reserves at La Loma and Shell and other companies are interested in developing the deposits at El Descanso.

- **Coal Exports:** Coal exports are rising rapidly, from a level of $201 million in foreign earnings in 1986 to $700 million in 1992. Leading markets include the United Kingdom and the countries of Eastern Europe, which are no longer required to import coal from the former Soviet Union and Poland.

- **Nickel Ore:** Nickel ore is mined and refined at Cerromatoso. Exports earnings reached US$144 million in 1991.There is a plan to increase production at Cerromatoso by 50 percent in the next few years, with the addition of new furnaces, making Colombia the second largest producer of raw nickel in Latin America.

- **Emeralds:** Colombia has long been the world's leading supplier of emeralds. Exports in 1992 were worth $180 million, around 55 percent of the world's total market. More than half of these exports went to Japan.

  Bogotá Exchange: Emerald producers are currently establishing a world emerald exchange in Bogotá, which producers hope will become as respectable as the deBeers diamond exchange in London.

- **Other Mining Activities:** Colombia also extracts a variety of other mineral products, including gold, uranium, manganese, molybdenum, copper, aluminum, zinc, limestone, gypsum, asbestos, sulphur, salt, lead and phosphoric rock.

Manufacturing:

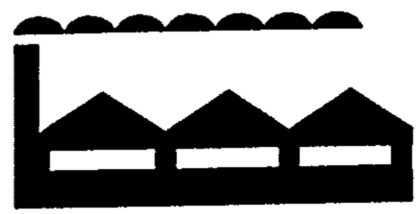
For years Colombia's manufacturing sector operated behind high tariff walls and complicated import controls. The Apertura policies instituted by the Gaviria administration have introduced the need for local manufacturers to increase productivity, reduce costs and compete with foreign competitors.

Colombia produces most of its own consumer goods and many of its intermediate products. It has developed a number of basic industries, including automobiles, oil refining, metals, steel, textiles and apparel, printing, food and beverages and chemicals.

Manufacturing sectors heavily involved in exporting include textiles, clothing, printing and chemicals.

Recent events in the manufacturing sector:

- In the 1980s, Colombia's manufacturing sector grew an average of 2.7 percent per year. In 1992, the manufacturing sector increased by 5.1 percent. Among the events contributing to the large increase in Colombia's manufacturing sector is the economic impact of Apertura in reducing industrial costs.



- The industrial sector currently contributes approximately one-third of Colombia's GDP, due to important qualitative changes as manufactured goods become subject to increased international competition. The overall performance of the industrial sector in 1992 reflects increased levels of domestic consumption and investment in response to the opening of the Colombian economy.

- Modernization plans are underway in three critical manufacturing sectors: automobile, steel and paper/pulp. All three sectors are no longer satisfied with merely producing for Colombia's domestic market, but are actively seeking new export opportunities.

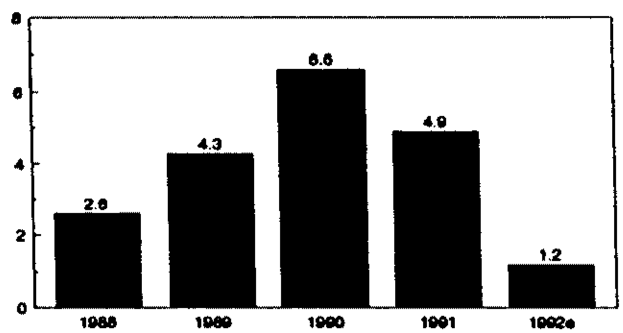
- **Automobiles:** The number of automobiles sold in 1992 reached 74,000, of which 52,000 were manufactured in Colombia. Several multinational automobile companies have operations in Colombia - General Motors, Mazda, Mitsubishi, Renault and Toyota. Automobile sales in 1993 are expected to increase to a level of 100,000.

- **Steel:** Steel production in Colombia increased by an average of 7.4 percent per year during the 1980s. Colombia has seven steel companies that can annually produce 800,000 tons per year. Steel production in 1992 reached a level of 635,000 tons, utilizing 80 percent of the country's steel industrial capacity. Seventy percent of Colombia's steel production is used for construction purposes, while the remaining 30 percent is utilized by the industrial sector. Production is expected to rise to 700,000 tons in 1993.

- **Textiles:** Colombia's industrial development has been strongly tied to its textile industry. Despite a textile industry slump during the second half of the 1980s, the sector is rebounding in the 1990s through modernization efforts, refinancing debt and improved labor conditions. These efforts are making Colombian textile products more competitive in international markets, thus improving export potential. In 1992, Colombia exported $320 million in textile products.

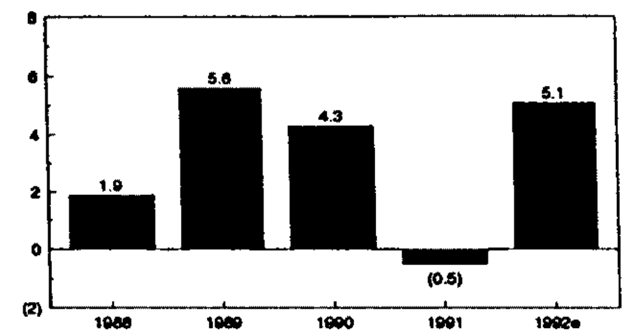
Growth by Economic Sector - Agriculture

%



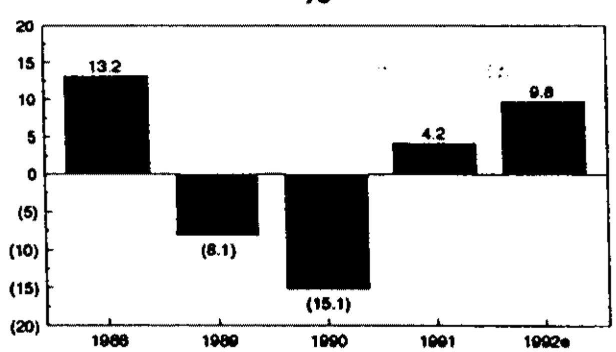
Growth by Economic Sector - Manufacturing

%



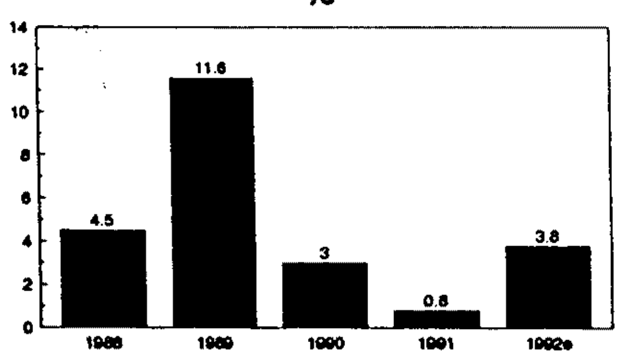
Growth by Economic Sector - Construction & Public Works

%



Growth by Economic Sector - Mining

%

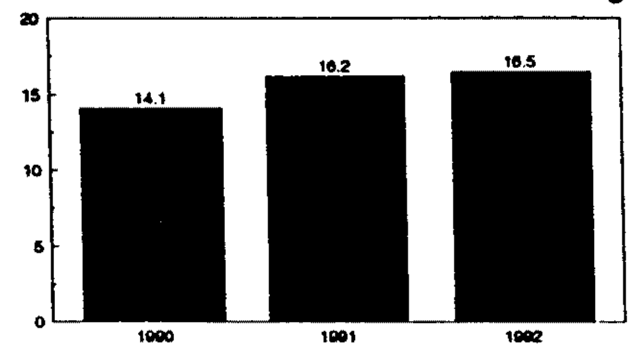


Production of Key Commodities

Coffee
Crude Oil
Coal
Iron Ore
Steel
Motor Vehicles

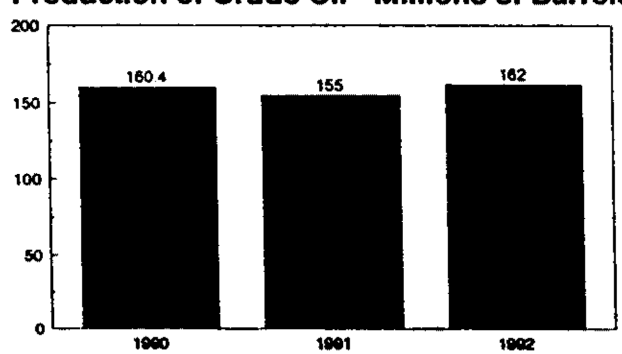
Coffee

Production of Green Coffee - Millions of Bags



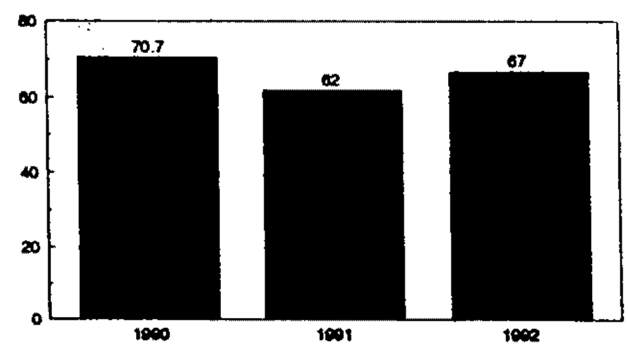
Crude Oil

Production of Crude Oil - Millions of Barrels



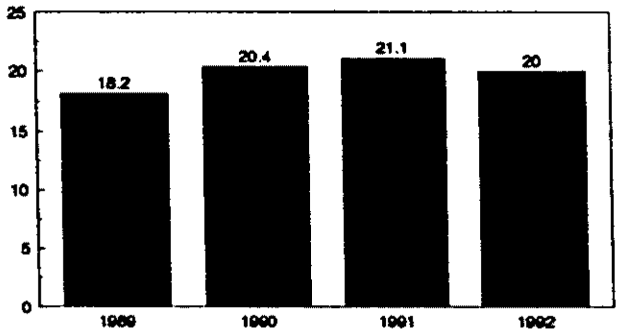
Petroleum Exports

Millions of Barrels



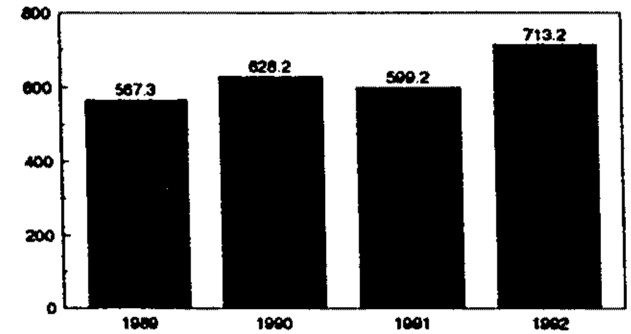
Coal

Millions of Tons



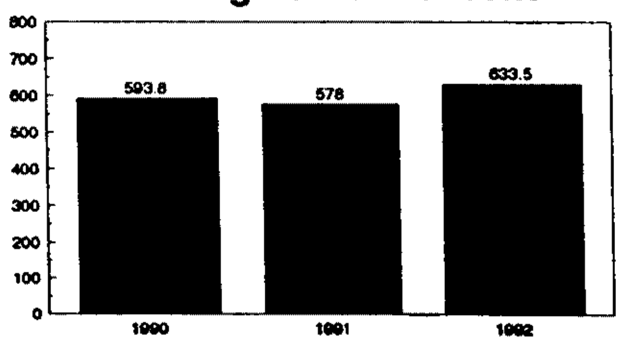
Iron Ore

'000 of Tons



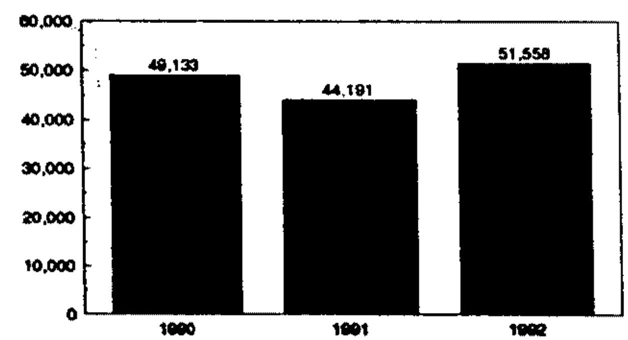
Steel

Steel Ingots - '000 of Tons



Motor Vehicles

Total Vehicles Assembled



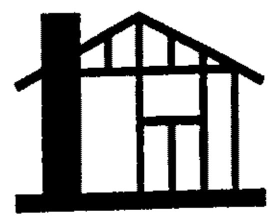
- **Food and Beverages:** This sector contributes 28 percent of all manufacturing production in Colombia, which produces most of its own foodstuffs. Colombia's Bavaria is the world's fifth largest beer producer. Food, tobacco and beverage exports reached a level of $331 million in 1992.

Construction:

The construction sector has enjoyed a period of sustained, robust growth in recent years, with the boom continuing in 1993. Between 1986 and 1991, housing construction accounted for 72 percent of all activity in this sector. In 1992, the construction sector was particularly active in Bogotá, which accounted for nearly half of all construction activity in the country's 12 largest cities.

Highlights in the construction sector:

- The construction sector has benefitted from new government systems to finance social-interest housing and the large inflow of dollars into the Colombian economy, much of which has been invested in real estate.



- The demand for new housing and office space is expected to remain high. Activity rose 35 percent in 1992. Investors see real estate as a long-term investment to diversify their portfolios.

- Mortgage banks are now again being permitted to participate in the financing of low-cost family housing. In addition, the 1992 government budget contains substantial funding for new low-income housing construction, with the intent to build 500,000 new units in the next four years.

Transportation and communications infrastructure is the largest priority for new public investment in Colombia. The Gaviria Administration believes new infrastructure development in transportation and communications is a priority for the country's economic future and the opening of the economy to greater international competition.

Highlights of Colombia's transportation sector:

- **Air:** As a result of its mountainous terrain, Colombia is heavily dependent upon air transportation. Avianca is the largest airline, operating both domestically and internationally, and together with the second largest, SAM, is owned by the Santo Domingo Group. Colombia is served by 20 domestic and foreign airlines. There are 74 major airports, 20 of which are capable of handling jet aircraft. Domestic passengers average 6 million persons per year, with 580,000 persons departing and 542,000 persons arriving on international flights. A total of 74,000 tons of cargo are exported by air.

- **Ports:** Major port facilities are located at Barranquilla, Cartagena and Santa Marta on the Caribbean coast and Buenaventura on the Pacific coast. Efforts to increase the efficiency of Colombian ports are a critical element of Colombia's export development policies. The state company Colpuertos is being abolished, and new private and mixed companies will be invited to adminster the ports under state supervision.

- **Roads:** Colombia has 112,000 kms of roads, of which 6,400 kms are paved main roads, 50,000 kms. are secondary roads and 56,000 kms are penetration roads. Improving links between areas of the country separated by the Andes mountains, as well as improving road links between major cities and port areas are the highest priorities for new public investment. Colombia has 400 trucking companies that move 51 million tons of freight per year, and 450 bus companies that transport 102 million passengers.

- **Railways:** Colombia has 3,400 kms of railways, some of which are in poor condition. Since 1991, private companies have been administering the state-owned tracks. Modernization and expansion of the existing rail system is underway. The Government recently issued regulations that allow private investments in the railway sector. A Metro system is being constructed in Medellín.

Highlights in the communications sector:

- The Colombian government's goal is to modernize this critical economic sector.

- **Telecommunications:** A total of 71 percent of the country is linked by telecommunications. The basic microwave network is 6,000 kms long, with 40,000 long-distance channels and 940,000 lines in major urban areas. In addition, there exists a 4,552 km submarine optic-fibre cable between Barranquilla on Colombia's Caribbean coast and Florida. Colombia has 42 earth stations and 1,200 satellite circuits. Future telecommunciations investment will be critical to providing support for the increasing interntionalization of the nation's economy.

- **Telephones:** At present, local calls are handled by municipal corporations and long-distance service is operated by Telecom, a state agency. In April 1992, a strike at Telecom over its privatization plans resulted in a shut-down of international telephone service and long-distance service between major cities within Colombia. The strike paralyzed communication between Colombia and the rest of the world for one week. The government still favors the idea of allowing the private sector to compete with Telecom, de-monopolizing a service that has nonetheless been efficient. A project to provide Colombia with cellular telephones has been recently approved.

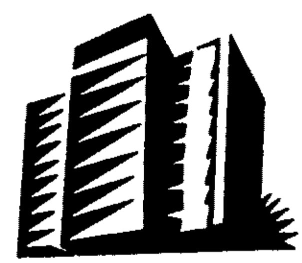
Other infrastructure projects:

- **Energy:** Modernizing the energy sector remains one of the central government's primary infrastructure objectives. A $US150-million loan from the Inter-American Development Bank will be invested in expanding the electrical power infrastructure grid and in establishing a proposed link with Venezuela's power grid. Likewise, an expansion program has been adopted to enhance the generation capacity by 2,000 MW before the year 2002.

Banking and Finance:

A major financial crisis in the early 1980s led to the nationalization of several banks and government management of several others. Three of these state banks have recently been sold to private investors - Banco Tequendama and Banco de los Trabajadores were both sold to Venezuelan interests, and Banco del Comercio was bought by the much larger Banco de Bogotá.

Highlights in the banking and financial sector:



- **Commercial Banks:** Colombia's banking sector is now open to foreign interests, which are permitted to own outright their subsidiary operations. This new policy is designed to increase the efficiency of the country's banking system.

- 1991 and 1992 were particularly good years for the financial sector, resulting from high-interest intermediation markets and the operation of a foreign exchange market. In 1992, banking profits rose 100 percent in U.S. dollar terms over the previous year.

- Four additional banks are being privatized in 1993, including Banco de Colombia and Banco del Estado.

- **Stock Market:** Colombia has three stock markets, located in Bogotá, Medellín and Cali. At the end of 1992, the total number of companies listed was 405. The last two years have seen a boom in Colombia's stock markets, consistent with that of other major Latin American countries. Share prices rose by 40 percent in 1990 and 306 percent in 1991. The dramatic increases were largely due to the removal of capital gains and shared-ownership taxes, the reduced profitability of other forms of savings, the creation of New Investment Funds for Foreign Capital and the repatriation of money from abroad.

COLOMBIA

The Colombian capital markets turned skyward last year

Star Status

Since becoming President of Colombia in August 1990, President Cesar Gaviria has liberalized the nation's economy through labor, finance, banking and tax reforms in addition to a new constitution. These reforms have begun to have a strong impact on the capital markets in Colombia and should continue to assist the development of those markets.

Some of the measures taken by the Gaviria administration are worthy of specific mention. These include the introduction of preferred stock; the abolition of the capital gains tax; the stimuli provided to foreign investment in the capital markets through various rules (mostly contained in CONPES Resolution No. 51), including country fund regulations; the relaxation of requirements for public offerings of stocks; and the creation of pension funds.

The Colombian stock exchanges are increasingly becoming an alternative way for raising capital. This welcome phenomenon is attributable not only to the positive effects of reforms but also to tight credit and very high real interest rates, which has caused companies to look for cheaper ways of financing. Further, despite high real interest rates, the level of local debt financing also has increased.

For example, Diners Club of Colombia utilized the new ability to issue preferred stock with a $6 million issue of nonvoting preferred stock denominated in pesos late in 1991. There were also a handful of common stock offerings in 1991 that raised approximately $20 million. The Colombian government was by far the most active issuer on the debt side, having sold locally about 200 million in U.S. Dollar-denominated bonds at a 9% interest rate.

The stock market capitalization increased moderately during the late 80s and early 90s, basically in line with the Colombian economy. During the last months of 1991, however, this trend accelerated dramatically. Market capitalization increased to $4.2 billion at the end of 1991 from $1.4 billion at the end of 1990.

Group of Three

Colombia has three stock exchanges. The Bogota Stock Exchange is the oldest, founded in 1928, and is the main stock exchange in Colombia. The two others, the Medellin Stock Exchange and the Occidente Stock Exchange (located in Cali), were founded in 1961 and 1982, respectively.

The participation in 1991 (in the total turnover) of the Bogota Stock Exchange in the Colombian securities markets was approximately 58.13%, the Medellin Stock Exchange had a 17.9% share and the Occidente Stock Exchange had 23.9%. Trading is somewhat more evenly distributed when one takes only equity securities into account (43%, 37% and 20%, respectively).

Trading in the Bogota Stock Exchange is conducted through two different systems, the traditional auction system for equity trading and an electronic system for fixed income trading. Trading on the other two exchanges is conducted solely through the traditional auction system. There are 81 companies listed in Bogota, 88 in Medellin and 50 in Occidente. After eliminating multiple listings, a total of 163 companies have equity securities listed on one or more of the exchanges.

Capitalization tends to be very concentrated since the largest 20 companies cover approximately 96% of the total capitalization. The two largest companies, Bavaria and Suramericana de Seguros, represent over 26% of market capitalization. The banking and the tobacco and food sectors represent together 50% of the market capitalization.

Although still rather small, trading volumes also have made dramatic advances. Equity turnover, which remains a small portion of total turnover, more than doubled in 1991. Equity traded in the three markets in 1991 increased to $225.1 million last year, from $78.0 million in 1990.

The turnover for all securities traded in all three exchanges raised to a surprising total of $4.754.2 million in 1991 from $2.012.2 million in 1990. Beginning in September 1991, volume advanced dramatically and has been approximately $700 million on an annualized basis in the stock market and over $4 billion on an annualized basis in the equity market. P/E ratios on prior year's earnings have increased for the larger capitalization stocks into the 20s and 30s.

Several of the developments touched on earlier bear elaboration:

• It is expected that sometime in 1992 private pension funds will be permitted to invest a portion of their assets in the stock markets. This represents another source of potential demand and liquidity.

• The tax reform abolished taxation on capital gains and dividends for Colombia residents. This has made investment in securities much more attractive to domestic investors. The former corporate tax on capital has also been abolished. This has eliminated the historical pressure to maintain share prices at artificially low levels to minimize taxation.

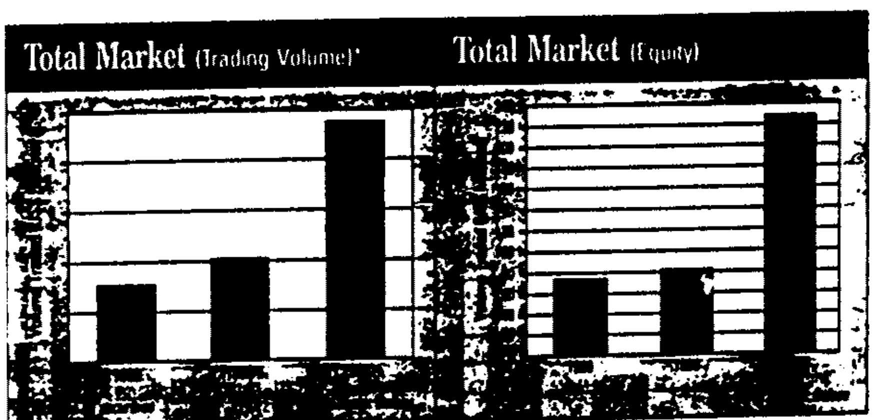
• Participation by foreign investors, which has been possible only since last year, should change the nature of trading and company analysis in the Colombian securities markets. The regulatory structure has recently been liberalized to facilitate access by foreign investors and already several international funds have been authorized to invest specified amounts totalling approximately $100 million in Colombia.

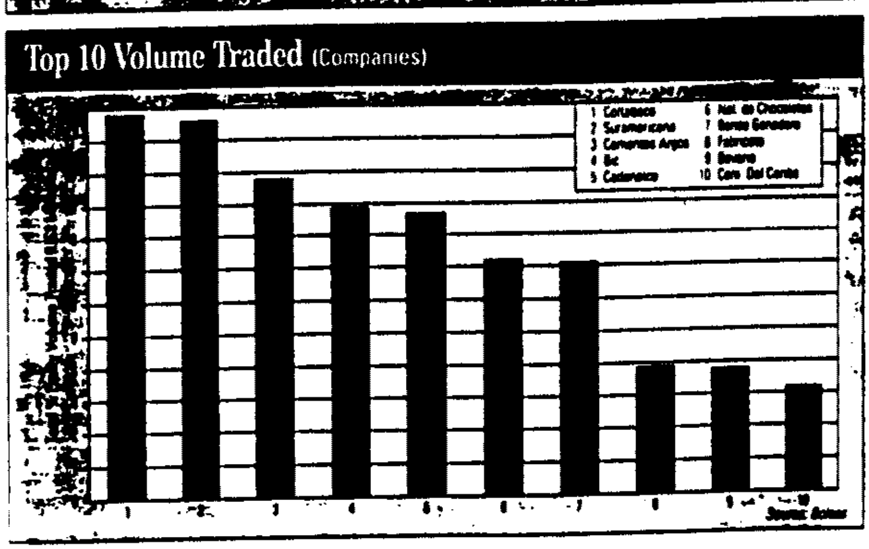
• In order to reduce inflationary pressures, the government has been implementing drastic monetary control measures. At a time when Colombian companies are looking to raise fresh capital to prepare themselves for the internationalization of the Colombian economy, the government-sponsored credit crunch has translated into high real interest rates which, combined with the historically high P/E ratios, should result in additional new public offerings.

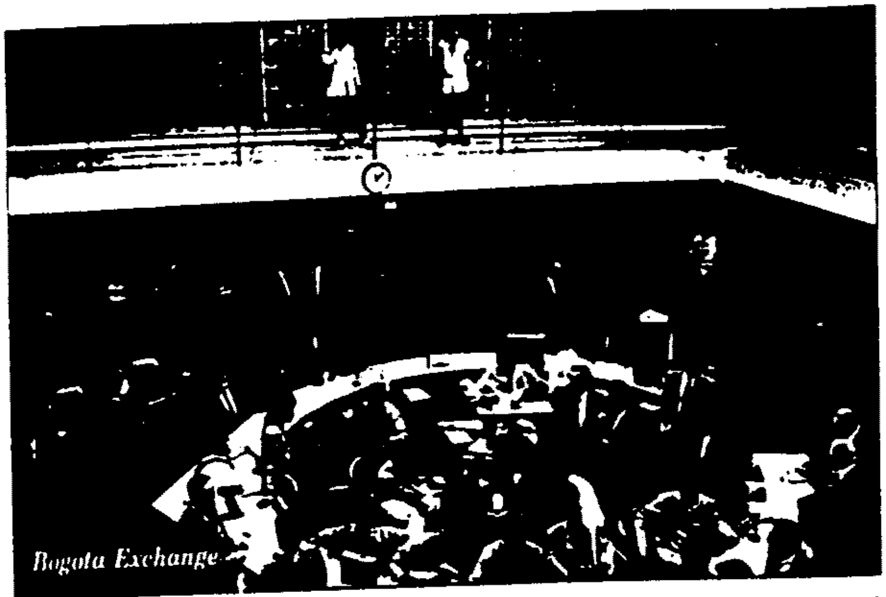
• The Colombian government has at least a majority equity interest in approximately 90 companies that would be eligible for privatization. Although the process of privatization of state industries has not yet gathered pace, sale of these companies through the public offering process would contribute to an increase in the supply of corporate securities. The pipeline of

Medellin Exchange

Market capitalization increased to $4.1 billion at the end of 1991 from $1.4 billion at the end of 1990

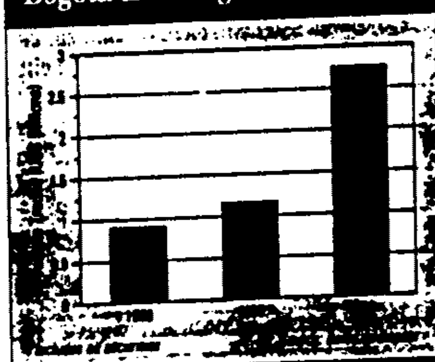




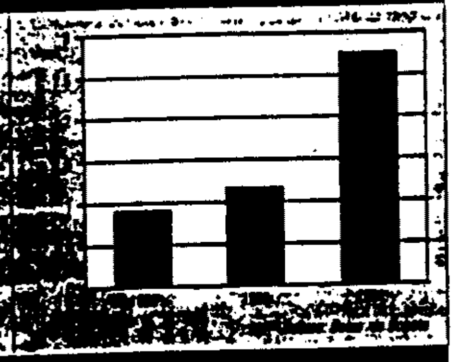


Bogota Exchange

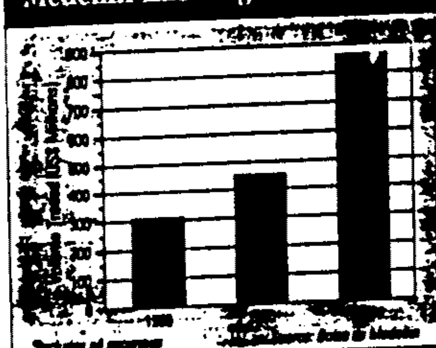
Bogota Exchange (Trading Volume)*



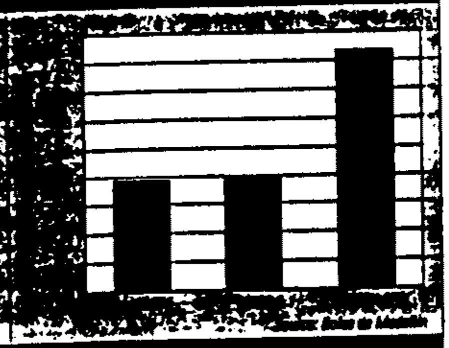
Bogota Exchange (Equity)



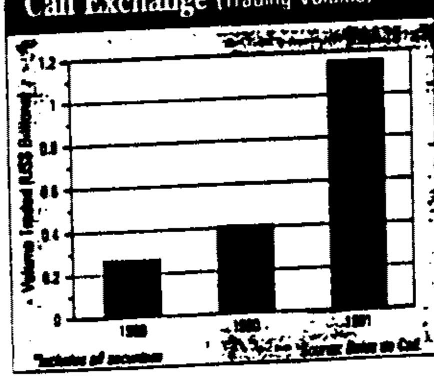
Medellin Exchange (Trading Volume)*



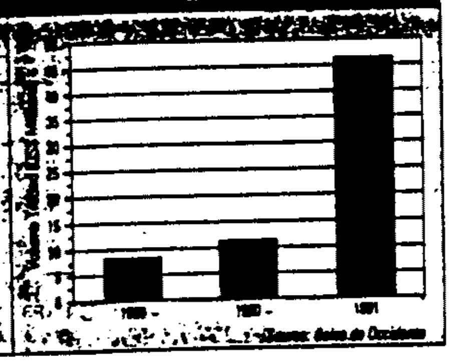
Medellin Exchange (Equity)



Cali Exchange (Trading Volume)*



Cali Exchange (Equity)



Capitalization tends to be very concentrated since the largest twenty companies cover approximately 96% of the total capitalization

privatizations includes: port authorities, manufacturing companies, electric utilities, Telecom (the national telecommunications company), transportation enterprises and several banking institutions, among others.

•Medium-term perspectives on the Colombian economy are positive. Local industry has survived the first year of economic internationalization with resilience. Exports were at an all-time high during last year, and recent oil-finds will reinforce this trend.

The biggest shadow currently is the excessive inflow of hard currency resulting from a newly-born confidence in the economy and very high real interest rates. These have exacerbated inflationary pressures, although for the time being inflation seems to remain on-check, in the low 20th percentile.

•Additional changes in tax and accounting legislation directed towards inflationary adjustments also have been proposed. Their adoption would alter future income statements and book values.

In conclusion, it appears that a number of factors are at work to increase the role of the Colombian securities markets in capital formation and financing for Colombian companies. It can be expected that these companies will enjoy a greater ability than in the past to obtain financing and equity capital in the Colombian markets.

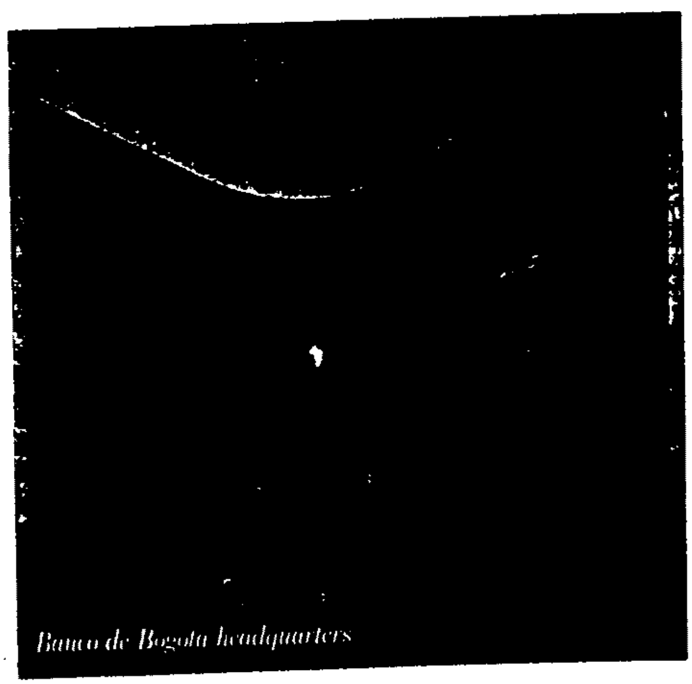
Putting a polish on things, Colombia begins to bring in buyers for its banks

Good Enough to Buy

Ten years ago, Colombia began the nationalization of five banks in the wake of a financial crisis. The banks, Banco de Colombia, Banco del Estado, Banco del Comercio, Banco Tequendama and Banco de los Trabajadores, were mismanaged and unprofitable. When the government tried to privatize de los Trabajadores in 1990, it was forced to call off the sale for lack of buyers at the right price. But the Government's financial sector reforms began to pay off last year as the Fondo de Garantias de Instituciones Financieras (FGIF) successfully reprivatized three banks to domestic and Venezuelan interests. The sales netted the government $136 million.

Two other institutions have been slated for sale this year and another two or three go on the block in 1993. New rules allowing foreign banks—once again—to take a majority share in their Colombian subsidiaries also have been passed. And it's the Venezuelan financial institutions that are sold on the changes.

Most recently, 71% of the shares of Banco del Comercio was acquired by Colombia's own Banco de Bogota for $62.7 million. Ten percent was sold for $8 million to employees, mutual investment funds and cooperatives, and another 15% was offered through the country's stock exchange for $19.7 million. Of this a further 5% was acquired by Banco de Bogota at auction.



Banco de Bogota headquarters

A New Leader

The purchase confirms Banco de Bogota as the most profitable bank in Colombia, with a new total of $35 million in combined 1991 profits. Bancomercio's 96 offices with $122.9 million in deposits will continue to operate independently of Banco de Bogota's 235 offices and $302 million in deposits until the consolidation is completed in 1993.

The acquisition will also enable Banco de Bogota to increase its market share of retail checking accounts from 10% to 14% (of great importance since these are the bank's most profitable asset), as well as utilize Bancomercio's money desk, considered to be the most sophisticated in the country.

"With the merger, we are promoting the fact that there are solid, big banks in Colombia, says Fernando Suescun, vice president of Banco de Bogota. "And this capitalization offers a new incentive to the investor."

And in 1991, the FGIF privatized Banco de los Trabajadores and Banco Tequendama. Banco de los Trabajadores was sold to Banco Mercantil de Venezuela for $5.7 million. Grupo Desarollo also had bid on the deal. Banco Mercantil's offer was 1.5 times the book value and higher than the government's minimum asking price, which was $4.48 million.

Next in line was Banco Tequendama, which was acquired by Banco de la Construcción de Venezuela. The Venezuelan bank, which is owned by the Di Masse family, prevailed over Banco Union and

by Irene Recio

Banco Latino also of Venezuela. This time the purchase price of $37 million was 3.16 times book value, and much higher than the $21.9 million minimum sale price.

"The entry of the Venezuelan banks into the Colombian system is very favorable because of their size, internationalization and automation," says Enrique Arias-Jimenez, president of the Bogota-based Latin American Center for Privatization. "These will enable Colombians to confront the challenges posed by the opening of their economy."

Venezuelan bankers seeking to expand say they feel at home buying into neighboring Colombia's banking system than say a farther off—and more expensive—Mexico. "Colombia and Venezuela are becoming one, economically financially and industrially," says Luis Prieto Ocampo, President of Banco Cafetero. Also attractive to prospective buyers is that the country's banking system remains undercapitalized and under-exploited.

Inverting Ownership

In the midst of a financial disorder that plagued the country during the early 1980s, the Colombian government felt obliged to intercede and protect depositors' interests. By privatizing these institutions, the banking sector, which was 80% privately-owned and 20% public, was inverted—80% ownership ended up in the state's hands.

The FGIF was formed in 1982 to manage the nationalized banks and since has infused over $133 million into its wards. However, it was always clear that these would be reprivatized, as soon as that appeared viable.

About the same time, foreign investment limits also were substantially reduced, forcing non-Colombians to reduce their participation in the banks to less than 49%. This restriction was absolutely eliminated last year, fully allowing foreign-owned banks. Banco Latino of Venezuela, for example, has asked for permission to establish affiliates in the country.


Recently Privatized Bancomercio

Moreover, the government last July lifted a 1967 law which had dictated severe foreign exchange controls. Now, Colombians can make transactions in foreign currency, as well as maintain deposits abroad. The return of flight capital was evident in the over $2 billion increase in the country's foreign reserves in 1991.

The Payoff

The measures have paid off: Colombian banks have become an attractive target for foreign concerns looking to invest. In December, Citibank, the largest bank in the United States, purchased the remaining 51% interest in Banco Internacional for $21 million from a group of Colombian investors.

Back in Private Hands

[illegible]	Buyer	Purchase price
[illegible] de los Trabajadores	Banco [illegible] de Venezuela	[illegible] m
[illegible]	[illegible] Construcción C.A. de Ven.	[illegible] m
[illegible] del Comercio	Banco de Bogota	[illegible] m
[illegible]	[illegible]	[illegible]

Citibank had established a branch in Colombia in 1929. However, in 1975 Colombia, along with other Andean Pact nations, required foreign banks to sell at least 51% of their stock to Colombians. Since acquiring a controlling interest in its long-time investment, Citi is focusing on consumer and corporate banking to boast its acquisition, which is already the 15th largest of the country's 25 financial institutions.

"With this increase in ownership, Citibank reiterates its confidence in President Gaviria's drive to open the Colombian economy," said a Citibank spokesperson in New York.

Perhaps Colombia has learned a few privatization lessons from Mexico, which set its privatization program on a fast pace with the sale of 18 banks, all for premiums.

But there are differences to consider. The Mexican banks are much larger purchase: Banamex was sold for $3 billion, while the collective assets of all Colombian banks totals just $15 billion. And in Mexico, the government had an absolute monopoly of the financial sector, with control of all the banks; which explains the hefty prices paid for the Mexican banks.

"In Mexico, the market share of the government-owned banks led to a very high pricing," said Carlos Mendez Peñate, senior partner at Holland & Knight in Miami. "That's not the case in Colombia, where the financial sector is much more diverse."

In Colombia, private banks have proliferated despite the nationalizations. But what Colombian officials hope is that a successful sale of major banks will set the pace for other, non-banking, privatization deals.

Not only the Venezuelans are eying their neighbors. Banamex, which was privatized last fall, was at one point looking at Bancomercio. According to Gloria Cortes of FGIF, the "Mexicans are interested in the upcoming sale of Banco del Estado and Banco de Colombia."

The privatization of other official and specialized mixed banks which have operated in the Colombian financial system remains up in the air. On the list are Banco Cafetero, Banco Ganadero, Caja Agraria and Proexpo (which has just been converted into the Banco de Comercio Exterior and which is supposed to begin to be at least partially privatized shortly). The sale of Banco Cafetero and Banco Ganadero will be especially difficult, since these have always been state-owned entities. The country's coffeegrowers will have the first option to acquire Banco Cafetero, though it will be quite difficult for them to do so, because the bank could fetch over $50 million. And that's not all.

"Even if they are able to buy it, I doubt they will be able to manage it," says Cafetero's Ocampo. He should know. When he joined the bank in 1990, it reported a $3 million loss. Profits in 1991 reached over $1 million.

This year, FGIF will sell the last two banks still under its control. These should prove to be the most attractive deals because of their size and profitability. These are the Bancos del Estado and Banco de Colombia, with assets or $477 million and $1.3 billion, respectively.

Not Just Anyone

While nobody has to convince the government that privatization is in the best interest of the country, there are some concerns to be assuaged along the way. The government must see that it does not end up in the dire straits which drove it to nationalization in the first place.

The privatization plan asks interested investors to make an offer and then undergo screenings by the Banking Superintendent's Office in an effort to screen those who were involved in past banking scandals. The government also is striving to quell fears that narcotraffic money will take hold of privatized enterprises—especially in the financial sector. Additionally, officials still harbor a concern that there just isn't enough domestic capital available to buy companies on the privatization list. (*see story on page* 93)

Besides just picking and choosing, the government is doing something about the way they play the game. Private banks must now adhere to risk-to-assets and credit lending limits. And the Banking Superintendent is enforcing international guidelines established at the Basel Accord, imposing substantial fines as needed. "Because the government wants to purify the financial system, it will never rescue a bank again," says Cafetero's Ocampo.

In January 1992, the Retirement Pension Fund will be launched, initially to manage retirement funds which are to be deposited at the end of each year in a fund selected by the employee. And the Congress will debate reforms of the social security system intended to turn over funds of the old, invalids and dead to the new system. This will further boost the growth of the capital markets.

The government also has future plans for the privatization of miscellaneous enterprises, such as fisheries and paper mills. Other companies, including a military-run domestic airline, as well as government buildings and properties, will be sold. The city of Bogota is studying the sale of its telephone company through a flotation on the Bogota stock market.

But what is the particular allure of Colombia, in light of the fact that there are "state-owned company-for-sale" signs posted throughout Latin America?

"The clarity and transparency of the privatization process gives confidence and guarantees to investors," says Carlos Urrutia Valenzuela, a partner at Brigard & Urrutia in Bogota. "And it will play an important role because it's been a success."

"Privatization encourages competition in the banking sector," says FGIF's Cortes. "And private banks are setting the example."

Furthermore, says Jorge Herrera, vice president at Oppenheimer in New York, "Colombia is not such an overbanked market. It has been neglected for too long." ℒ

Colombias Banks: Public and Private

[illegible]	[illegible]		Profits*		Offices		Employees	
	Sep/91	[illegible]	Sep/91	Dec/90	Sep/91	Dec/90	Sep/91	Dec/90
Bogota	948.58	[illegible]	[illegible]	28.01	[illegible]	[illegible]	5310	5310
Colombia	1333.13	[illegible]	28.86	[illegible]	[illegible]	[illegible]	[illegible]	5487
BCC	558.28	[illegible]	18.79	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ganadero	1371.20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4465
Popular	1078.49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Occidente	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Antioquia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Estado	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Caja Social	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Anglo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Crédito	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Internacional	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	24.5	24.7	632	632
Colpatria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Real	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Colombo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Extebandes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Santander	[illegible]	[illegible]	0.95	1.00	[illegible]	[illegible]	1136	1136
Caldas	164.47	120.54	0.70	0.81	[illegible]	34.6	805	805
Andino	118.27	146.89	-2.20	0.18	24	24	788	788
Caja Agraria	1584.21	1482.86	-66.08	-55.44	928	912	14963	14963
[illegible]	[illegible]	[illegible]						
TOTAL	[illegible]	[illegible]	141.37	101.25				

Recently Privatized [illegible] *In US$ millions [illegible] Source: FGIF

THE EXTERNAL SECTOR

Balance of Payments:

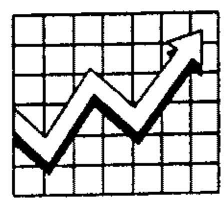
Current Account: The government projects the current account will register a small deficit in 1993, as increases in the private sector continue to outpace export growth, due largely to the government's trade liberalization program.

Highlights:

- Imports have risen sharply in 1992 - up 22.3 percent in 1992, as compared to the equivalent period in the previous year. Consumer goods, many of which had previously been restricted from import or were imported illegally, were up 40 percent. Imports of capital goods rose by 22.8 percent, indicating increased investments in agriculture, industry and construction.

- The net balance of services in 1991, though negative, was more favorable than in recent years. The service trade deficit declined from $2.3 billion in 1991 to $2.0 billion in 1992.

- Colombia's healthy trade surplus of $2.30 billion in 1991 fell during 1992, due largely to a decline in export prices as a result of a stagnant world economy and a rise in imports. Non-traditional exports grew by 4.4 percent in the first quarter of 1992.



Capital Account:

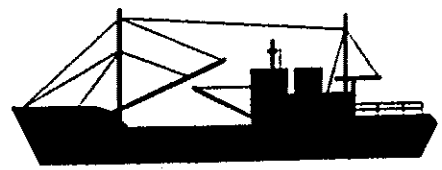
The most dramatic change in Colombia's capital account is the composition of foreign investment, from the oil and coal sectors - traditional receivers of capital inflows - to a more diversified range of private activities. In 1992, Colombia's financial sector, as well as its chemical and automotive industries, benefitted from new foreign investment.

Debt Management: Colombia's long history of prudent debt management has contributed to its consistent level of economic growth. Colombia has been able to comply with all obligations of foreign creditors and maintain normal relations with them. Thus, while private and multilateral organizations are willing to provide credits to Colombia, the country managed to decrease its rate of debt to GDP from 41.9 percent in 1989 to 38.6 percent in 1991. The rate of debt service to current account receipts declined from 44.0 percent to 33.2 percent over the same period. Foreign debt as a percent of GDP is expected to decline even further in 1992 to a level of 34.9 percent.

Trade - Exports:

Colombia is currently one of the world's largest exporters of coffee, accounting for 22 percent of the world market in 1992. However, the importance of this commodity to the country's overall export picture has declined in recent years. Coffee as a percent of total exports has fallen from 65 percent in 1978 to around 17.3 percent in 1992. Oil has replaced coffee as Colombia's leading export, accounting for 19.6 percent of total exports. Other mineral exports, including coal and nickel, have also grown in importance.

Other highlights:



- Non-traditional exports, which include products such as shrimp, bananas, flowers, mineral products and manufactured goods, accounted for 49 percent of Colombia's total merchandise exports in 1992. Many of these exports were due to new initiatives in the agricultural and manufacturing sectors, and are helping to diversify Colombia's export base.

- In agriculture, flower exports rose 21 percent in 1992, banana exports increased 1.3 percent and cotton declined modestly. Depressed world export prices and adverse weather conditions are contributed to the lack of export growth in 1992.

- Exports of machinery and equipment have increased from $52.2 million in 1988 to $204.7 million in 1992. Exports of chemicals, textiles and related products have doubled since 1988.

- Oil exports reached a level of $1.9 billion in 1990, but fell to $1.6 billion in 1992. However, the outlook for future oil exports is bright, due to the discovery of oil at Cusiana that is expected to increase Colombia's oil exports over the next several years, as well as the importance of petroleum products to the country's total export base. The volume of petroleum exports should quadruple by 1997, increasing to a level of 800,000 barrels per day, compared with the current level of 182,000 bpd.

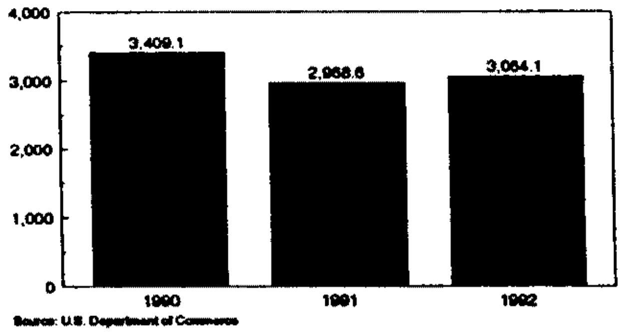
Trade - Imports:

Imports grew by 26.3 percent in 1992, due to major reductions in the average level of Colombia's tariff protection.

The U.S. Department of Commerce has identified several major areas for U.S. exporters to Colombia, including:

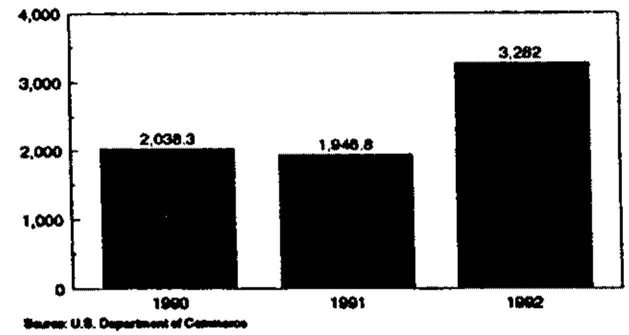
Colombian Exports to the U.S.

$US Millions - 1990 to 1992



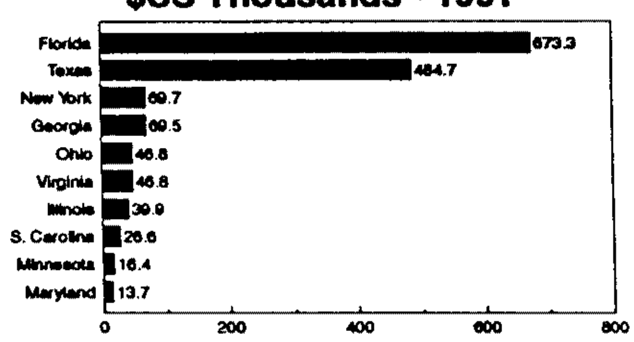
U.S. Exports to Colombia

$US Millions - 1990 to 1992



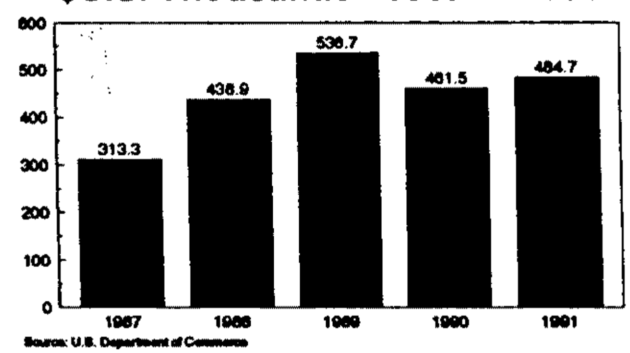
Top 10 State Exporters to Colombia

$US Thousands - 1991



Texas Exports to Colombia

$U.S. Thousands - 1987 to 1991



- Telecommunications equipment;
- Oil and gas machinery;
- Motor vehicle parts;
- Computer equipment, software and peripherals;
- Housing components;
- Railway equipment; and
- Medical equipment and machinery.

Colombia's major import products in 1992 included:

■ Machinery	US$ 960 million
■ Chemicals	US$ 517 million
■ Metals	US$ 406 million
■ Transportation equipment	US$ 303 million
■ Mineral products	US$ 305 million
■ Plastic/rubber products	US$ 227 million
■ Paper products	US$ 168 million

Trade Partners:

The United States has long been Colombia's largest trading partner, accounting for about 38.7 percent of the country's total trade (exports and imports). The European Community accounts for about one fifth of Colombia's total trade; Japan has become an increasingly important source of imports in recent years. Trade with other Latin American nations, particularly with neighboring Venezuela, is increasingly dramatically.

Trade Barriers:

A critical element of Apertura has been a reduction of trade barriers. Trade barriers fell sharply in 1991 and 1992. The government accelerated the lowering of barriers in 1992 to the levels previously intended for 1994. In nominal terms, this means that overall protection has fallen from 27.4 percent in 1990 to 11.8 percent in 1992. Protection for consumer goods fell from 52 to 17.4 percent, and for capital goods, from 28 to 10.3 percent.

Economic Integration Efforts:

- **Latin America:** The Gaviria Administration has undertaken a series of international initiatives to more widely integrate its economy with its Latin American neighbors, such as the Andean Pact, separate free trade negotations with Venezuela, Mexico and Chile, and inclusion in the Andean Trade Preference Act with the United States. The G3 – Venezuela, Mexico and

Colombia – agreed in 1990 to establish a free trade zone by 1994. A free trade zone with Bolivia and Ecuador was formed on September 30, 1992.

- **Colombia & Venezuela:** Colombia and Venezuela have recently entered into a free trade agreement, creating an economic market with a combined $100 billion GDP [illegible] Exports to Venezuela have increased from $185 million

Successful implementation of the new policies has resulted in substantial growth in gross foreign investment in 1992, which reached $773 million, an increase of 69.2 increase over 1991. This investment was concentrated in the petroleum and financial sectors, the development of the Cusiana oil field, and the banking sector, following the implementation of banking reforms that now permit 100% foreign ownership of commercial banks.

To increase foreign investment in Colombia, the government plans to:

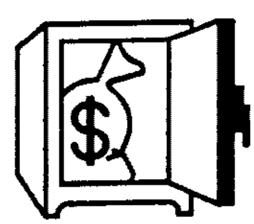
- Maintain a liberal and competitive foreign investment framework in an attempt to increase investor confidence;
- Increase its marketing effort in the United States, Europe and the Pacific Basin;
- Upgrade intellectual property legislation to attract greater inflows of technology;
- Continue efforts to reduce violence stemming from guerrilla and drug trafficking activities.

Significant foreign investment in the oil sector, including an estimated $2 billion by British Petroleum and its partners to develop the Cusiana oil field, is scheduled over the next several years.

Foreign Debt:

Colombia's foreign debt policies have been the most responsible and cautious in Latin America. Colombia's public debt has never posed a serious problem, and the country has never had to default on its payments.

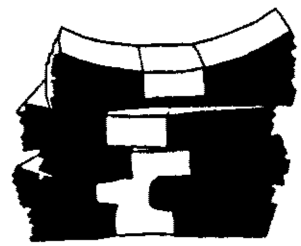
Highlights of Colombia's foreign debt:



- Most of Colombia's foreign debt is owed by the public sector rather than the private sector. The participation of the public sector in total debt was 81.7 percent in 1992.
- Much of Colombia's foreign debt has been used to finance infrastructure projects, rather than developing large industrial projects, which occurred in other Latin American nations in the 1970s and 1980s;
- Leading private economists and international finance organizations describe Colombia's foreign debt management as outstanding. The expansion of exports in the past two years has resulted in a reduction of the debt-service ratio.

The current government's approach is to maintain the exposure of commercial banks in the country's debt and make a rational use of external and domestic savings in order to avoid excessive borrowing from abroad.

Foreign Exchange Reserves:



One of the principal concerns of the government in 1991 and 1992 has been to control the excessive inflow of dollars into the Colombian economy. International reserves increased by $1,347 million in 1992.

There are numerous causes for the inflow of dollars:

- Dollars derived from export earnings rose by 19 percent over 1990, or $865 million.
- Tourism receipts rose sharply to $365 million.
- High interest rates attracted back many dollars that had previously fled Colombia to dollar accounts abroad, particularly in light of lower interest rates and inflation in the United States.
- A government tax amnesty program brought back an estimated $250 million.
- Colombia abolished most of its capital account restrictions. According to new laws, Colombians now have the right to hold foreign assets. Meanwhile, domestic banks are allowed to buy and sell foreign currencies.
- As the United States and other countries have more aggressively clamped down on drug-related businesses, more income from illegal drug trafficking has returned to Colombia. However, most of the monies returning to Colombia are legitimate, a process that is occurring in several Latin American countries.
- Colombia's stock of reserves is today about 9 months of imports of goods and services.
- The presence of three factors - continued current account surpluses, repatriation of capital and increased foreign investment - will contribute to the country's foreign exchange reserves.

###

FOREIGN INVESTMENT POLICY IN COLOMBIA

Foreign investment is an essential element of the Government of Colombia's economic modernization and internationalization program. Foreign investment is viewed as important to Colombia's economic diversification, access to technology and to building export-oriented industries.

In an effort to increase foreign investment and complement efforts to foster Colombia's private sector, President Gaviria's administration has developed a three-part strategy:

- Adopt a new legal framework based on the principal of equal treatment for foreign investors and provide foreign investors with access to all economic sectors;
- Promote international agreements to reduce political and economic risk to foreign investors;
- Aggressively promote international investment in key world markets.

Legal Framework for Foreign Investment in Colombia:

The legal framework for foreign investment in Colombia is contained in Decisions 291 and 292 of the Cartagena Agreement, issued in March 1991. These laws canceled Decision 290 of 1985. The legal framework of International Exchange (Law 9 of January 1991) and the resolutions of the Economic and Social Policy Council (CONPES) which regulate Law 9 are known as Colombia's International Investment Statute. There is also an Exchange Regime of the Banco de la República, or Central Bank.

The International Investment Statute issued by CONPES is founded on equal treatment, universality and automaticity. There exists no discrimination between domestic and foreign investment, except for the transfer of resources abroad, and regulations regarding exchange rights and tax obligation.

As a result, the principal of universality has been adopted. The investment of foreign capital is welcome in all sectors of the Colombian economy. The ban on investment sectors in such public areas has been eliminated, along with other special requirements for foreign investment in Colombia.

Finally, and as a consequence of the principal of equal treatment, Colombia has adopted the principal of automaticity, under which investments do not require special pre-authorization by government agencies. As a result, investors are only obliged to register their investments with the Banco de la República in order to guarantee their exchange rights.

The Statute requires authorization by the National Planning Department in three separate cases:

- Investments that are destined for public services, such as power generation and distribution, sanitation systems, water supply and sewage systems, communications, or investments in the mining sector that exceed $100 million;

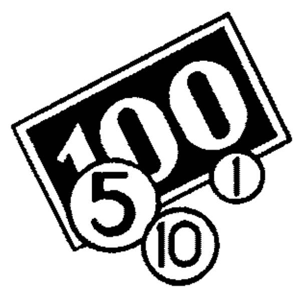
- Investments that are destined for waste processing;

- Investments that rely on their being covered by legal protections, guarantees or insurance mechanisms as part of international agreements in force and ratified by the government of Colombia.

In the capital market, the Superintendency of Securities must give its authorization for the investment of institutional funds, including equity funds organized with resources contributed by third parties and destined for investment in Colombia's public stock markets.

Finally, investments in the financial sector require an authorization from the Superintendency of Banks. Investments in the hydrocarbon sector require authorization from the Ministry of Mines and Energy.

Foreign Exchange Rights:



All profits and payments derived from investments are freely convertible and transferable, except in the event of a crisis in Colombia's balance of payments, when the transferability of funds can be temporarily suspended. A crisis is understood as a fall in international reserves to below three months of imports. Law 9 and CONPES resolutions have determined that the conditions for reimbursement and remittance of profits cannot be modified contrary to the interests of foreign investors. This implies that future reforms must respect rights guaranteed to investors that are in place today.

Technology transfers - such as technical assistance contracts, trademarks and patents, are not subject to limits or procedures for prior authorization. However, contracts must be registered with the Foreign Trade Bureau (INCOMEX).

Taxation and Foreign Investment:

The income tax rate for corporations and individuals in Colombia is 30 percent, calculated on income generated within the country. For foreign investment capital funds, the income tax applicable to the fund is abolished except when earnings received correspond to dividends not taxed while held by a partnership distributing them, in which cases the tax rate is also 30 percent.

For fiscal years 1993 to 1997, there will be a special contribution of 25 percent of the net tax. Thus, for these years the effective rate will be 37.6 percent.

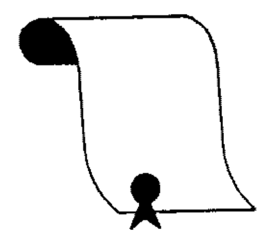
Remittance Tax: For foreign investment, there is a remittance tax at a rate of 12 percent in 1992, decreasing to 7 percent in 1996. In the operation reinvests trading profits, payments of the remittance tax is deferred while the investment is retained; after 10 years the remittance tax liability is reduced to zero.

The remittance tax for enterprises in the hydrocarbon sector will be 15 percent for fiscal years 1993 to 1995, and 12 percent for 1996 and thereafter.

International Agreements to Diminish Political Risk:

Colombia's legal framework for foreign investment is complemented by international mechanisms to protect investors against non-commercial risk. Respect for foreign investment has been a tradition in Colombia.

The Colombian government has entered into negotiations with both the United States and the United Kingdom for bilateral investment treaties (BITs). The purpose of these negotiations is to provide investors with a climate of investor confidence based on four principals:



- Equal treatment with respect to both national and non-national corporations;
- No expropriation, except for reasons of public interest, and only then after due legal processes and fair compensation has been completed;
- Guarantee of exchange rights;
- Resolution of conflicts through an International Tribunal of Arbitration, using the facilities of the International Center of Settlement of Investor Disputes (ICSID).

Likewise, Colombia is ratifying the MIGA Convention, in order to permit investors of any country-member of The World Bank to access political risk insurance. Today, U.S. investors can access OPIC insurance.

Finally, Colombia will adhere to ICSID in order to have access to conciliation and international arbitration for the settlement of any investment disputes that may arise.

Promotion Programs:

Specialized promotion programs will also complement Colombia's legal framework for foreign investment. International experience demonstrates that countries like Chile and Mexico, and others with similar economies to Colombia, have succeeded in consolidating greater foreign investment flows, partly as a result of an active and professionally managed promotion program.

The government of Colombia has been working with private sector representatives in the United States, the European Community and the Pacific Basin in promoting its solid economic record, the opportunities afforded by Apertura and new foreign investment laws and regulations. In addition, the Colombian government has recently created a corporation (COINVETIR) specifically charged with developing and implementing foreign investment promotion programs. Major trade missions to the United States, the United Kingdom and six Pacific Basin countries are scheduled in 1993.

Conclusions:

Foreign investors should consider the following combination of Colombia's economic strengths:

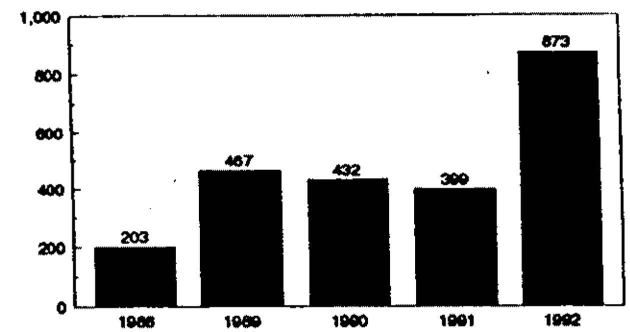
- Colombia has a solid record of economic growth and stability, and is becoming an increasing important economic partner of the United States in Latin America;
- Colombia has an exemplary record and tradition of respect and fair treatment for foreign investors;
- Colombia is undergoing a dramatic period of economic reform, opening its economy to international trade, oriented to the export of goods and services, and integration with other markets in the Latin American region;
- Today, Colombia has a competitive legal and regulatory framework for foreign investors;
- Colombia has qualified managerial capacities, a disciplined and highly-skilled labor force, and vast untapped natural resources;
- Colombia has preferential access to the U.S. and European Community markets;
- Colombia is fully committed - both politically and through the appropriation of extensive financial resources - to resolving security issues, and has made significant progress in recent years to bringing peace to the country.

###

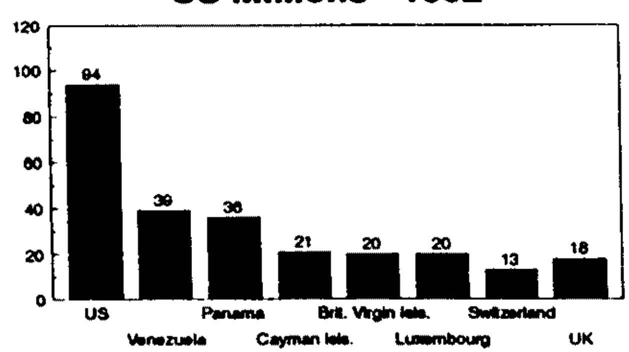
Foreign Investment in Colombia

Source:
National Planning Department
Government of Colombia

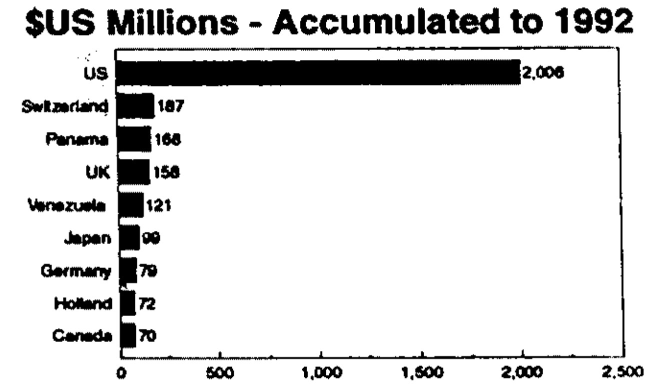
Foreign Investment in Colombia



Foreign Investment By Country

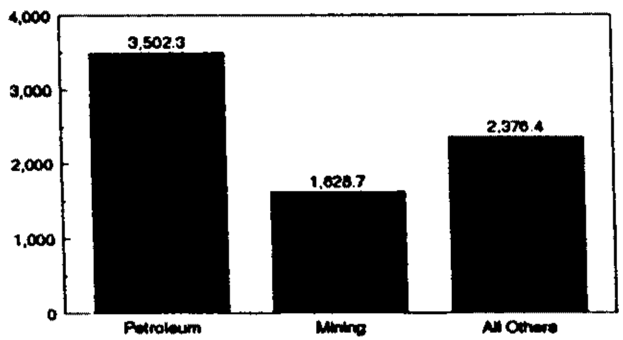


Foreign Investment Accumulated to 1992



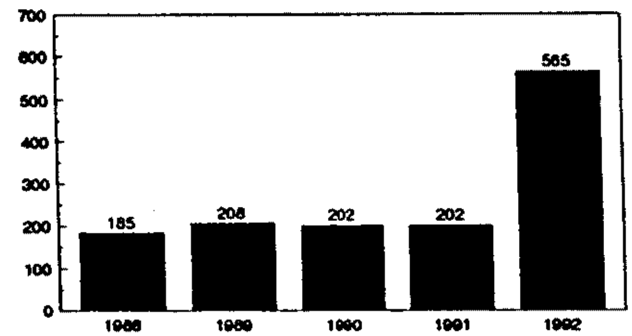
Foreign Investment by Major Economic Sector

$US Millions - Accumulated 1971-1992



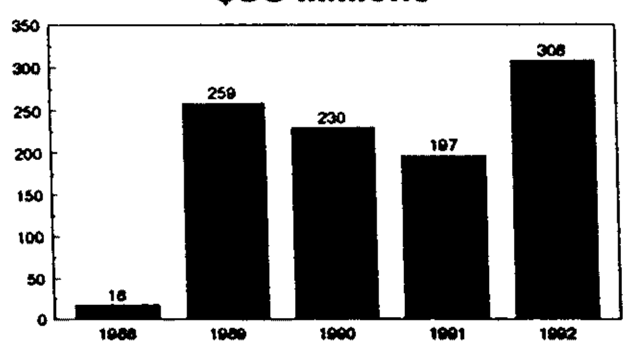
Foreign Investment in Petroleum Sector

$US Millions



Foreign Investment in Non-Petroleum Sectors

$US Millions



U.S. COMPANIES IN COLOMBIA
(Partial List)

Abbott Laboratories
American Cyanamid
American Home Products
American Life Insurance
Armco Inc.
Bank America Corporation
Bankers Trust Company
Black & Decker Corporation
Borden
Canada Dry International
Cargill
Chase Manhattan Bank
Chevron Chemical
Cigna Corporation
Citibank
Coca-Cola
Colgate Palmolive
Cummins Engine Company
Dow Chemical
Dow Corning
Drummond
E.I. du Pont de Nemours
Eastman Kodak
Eaton Corporation
Exxon Corporation
FMC Corporation
Foxboro Company
General Foods
General Motors
Goodyear Tire & Rubber
GTE Corporation
Gillette Corporation
Hughes Tools
IBM World Trade Corporation
Intl. Minerals & Chemicals
International Paper
ITT Corporation
Johnson & Johnson
Kellogg's
Kimberly Clarke
Eli Lilly & Company
Manufacturers Hanover Trust
Merck Sharp & Dohme Intl.
3M
Mobil Corporation
Monsanto Corporation
McCann-Erickson
Nabisco Brands
Nalco Chemical
NCR Corporation
Occidental Petroleum
Olin Corporation
Otis Elevator
Owens-Illinois
Pan American Life Insurance
Paramount Intl. Films
Pepsico
Pfizer
Phillips Petroleum
Proctor & Gamble
Quaker Oats
Ralston Purina
RCA Global Communications
AH Robins Company
Rohm & Haas
Sonoco Products
Standard Oil of California
The Stanley Works
Sun Exploration & Production
Ted Bates Worldwide
Tenneco Oil
Texaco Inc.
Union Carbide
Uniroyal Inc.
Unisys Corporation
United Brands Company
Upjohn Company
Wackenhut Corporation
Warner Lambert Company

OTHER FOREIGN INVESTORS IN COLOMBIA
(Partial List)

Aktieebolag Held, Sweden
Billiton Overseas, Ltd., UK
British Petroleum, UK
Beiersdorf F. GMBH, Germany
Banque Sudameris, France
Basf AG, Germany
Bayer Foreign Invest., Germany
CA Desarrolos Cavendes, Ven.
Ciba Geigy SA, Switzerland
Cinzano, Luxenburg
Compagnie de Saint Gobain, Fr.
Commercial Union, UK
Canada Wire Cable Ltd., Canada
Ferrostaal GMBH, Germany
FL Smith & Co., Denmark
Glaxo Corp., UK
Home Products AG, Germany
Holder Bank, Switzerland
Hoechst AG, Germany
Industriel Bezit Enk BV, Holland
Interfranck Holding SA, Switz.
Inst. Nac. de Astilleros, Spain
Krupp Industrietechnik, Germany
Le Charbon Lonraine, France
Lloyds Bank Ltd., UK
Montreal Trust, Canada
Mazda Motor Company, Japan
Mitsubishi Heavy Industries, Japan
Merk AG, Switzerland
Nestle SA, Switzerland
Nissho Iwai Corp., Japan
Olivetti International, Luxemburg
Pharma Investment Ltd., Canada
Petrocel SA, Mexico
Plaza y Janes SA, Spain
Reynolds Overseas Corp., Panama
Rhone Poulenc, France
Regie National des Usines, France
Rocco y Luigi Alfiero, Italy
Specia SA, France
Siemens Beteiligungen, Germany
Shell Petroleum, UK
Sumitomo Corporation, Japan
Svedish Mach, Sweden
Swisinvess Ltd., Canada
Telemecanique, France
Toyota Motors Corp., Japan
Vereinidge Zepfabriken, Holland
Veedol International, Scotland
Wella AG, Switzerland

LARGEST COMPANIES IN COLOMBIA - 1992
(Sales in $US Millions)

Ecopetrol - 2,115
Federacion National de Cafeteros - 783
Esso Colombiana - 520
Mobil Oil Corporation - 419
Avianca - 382
Bavaria - 317
Cadenalco - 279
Carbocol - 261
Colmotores - 259
Almacenes Exito - 241
Compañia Colombiana Automotriz - 235
Coltejer - 207
Cafam - 201
Monomeros Colombo Venezolanos - 198
Flota Mercande Grancolombiana - 178
Carbajal - 176
Carton de Colombia - 165
Supertiendas Olimpica - 157
Fabricato - 153
Industrias Altimenticias Noel - 152
Rafael Espinosa Hermanos - 151
Cerromatoso - 130
Colgate Palmolive - 124
Carrulla & CIA - 115
Colsubsidio - 111
CIA Nacional de Chocolates - 111
Cacharreria Mundial - 109
Acerias Paz del Rio - 107
Propal - 107
Nestle de Colombia - 105

INTERNATIONAL INVESTMENT STATUTE

NATIONAL PLANNING DEPARTMENT

GOVERNMENT OF COLOMBIA

MARCH 1993

INTERNATIONAL INVESTMENT STATUTE

The National Council for Economic and Social Policy - CONPES.

Exercising the legal powers vested in it by Law 9, 1991, and

(1) Whereas Articles 3 and 15 of Law 9 of 1992 vest the Government with regulatory powers on the subject of international investments, to be exercised through the National Council for Economic and Social Policy - CONPES; and

(2) Whereas Andean Decisions have been issued on the subject, which must be mandatorily complied with; and

(3) Whereas a new Foreign-Exchange Regime has been adopted, and

(4) Whereas during the period CONPES Resolution 49 of 1991 was in force several elements have been identified that may make more expedient the policy on investment; and

(5) Whereas in a meeting held on October 7, 1991, the National Council for Economic and Social Policy - CONPES recommended the adoption of a single Statute governing international investments;

RESOLVES:

TITLE I

SCOPE AND DEFINITIONS

Article 1.- Statute on International Investments: The rules of this Resolution constitute this country's Statute on International Investments, comprising both the regime governing the investment in Colombia of capital from abroad as well as the investment abroad of Colombian capital.

Consequently, all the rules on the subject of international investments must conform to the prescriptions of this Statute, without prejudice to the agreements set forth in international treaties or conventions in force.

Article 2.- International Investments: There are regarded as international investments, subject to this Statute, the investments of capital from abroad, taken these to be investments made in colombian territory by individuals not residents of Colombia and by foreign persons, and investments made abroad or in a Colombian free zone by residents of this country.

TITLE II

GENERAL REGIME ON CAPITAL INVESTMENT FROM ABROAD

CHAPTER I

GENERAL PRINCIPLE AND DEFINITIONS

Article 3.- Principle of equal treatment: Subject to Article 100 of the Political Constitution of Colombia and to Article 15 of Law 9 of 1991, and except for matters relating to the transfer of funds abroad, the investment in Colombia of capital from abroad will be treated, for all effects, in the same way as are investments by colombian residents.

Consequently, and without prejudice to the provisions set forth in special regimes, no discriminatory conditions or treatments may be imposed on investors of capital from abroad vis-a-viscolombian private resident investors, nor may investors of capital from abroad be given a more favorable treatment than that granted to colombian private resident investors.

Paragraph- Tax matters relating to the transfer of funds abroad shall continue governed by the Tax Statute and its supplementary rules.

Article 4.- Definitions on investments of capital from abroad: Investments of capital from abroad are direct investments, indirect investments and portfolio investments.

a. In accordance with Decision 291 of the Cartagena Agreement and the Decisions that modify, substitute or supplement it, there are regarded as direct investments contributions to the capital of an enterprise coming from abroad and owned by foreign individuals or foreign legal entities.

   There is also regarded as a direct investment, the acquisition, with an intention of permanence, of shares, participations or equity interests in the securities market, as provided for in Article 11 hereof.

b. There are regarded as indirect investments, all acts or contracts whereby the investor makes a tangible or intangible contribution to an enterprise without obtaining a share participation therein, either in full or in part, provided that the income that the investment generates for its owner depends on the profits produced by the enterprise.

c. There are regarded as portfolio investments the investments in shares, bonds mandatory convertible into shares and securities negotiable in the stock exchange, in accordance with Title III, Chapter III of this Statute.

Article 5.- Investor: The terms national investor, sub-regional investor, foreign investor and Andean Multinational Enterprise shall have the meaning established in Decisions 291 and 292 of the Commission of the Cartagena Agreement or in the Decisions that amend, substitute or supplement them.

Paragraph- Investor of capital from abroad. An individual not resident of Colombia that makes an investment in Colombian territory with resources from abroad shall enjoy the same rights that this Statute grants to foreign investors. For the purposes of this Statute, an individual not resident of Colombia shall be taken to be a person who proves that he remained abroad for at least one year, uninterruptedly.

Individuals not resident of Colombia and foreign investors are both regarded as investors of capital from abroad.

Article 6.- Host enterprise: The terms national enterprise, mixed enterprise, foreign enterprise and Andean Multinational Enterprise shall have the meaning established in Decisions 291 and 292 of the Commission of the Cartagena Agreement or in the Decisions that amend, substitute or supplement them.

Paragraph No. 1. Non-voting preferred shares shall not be computed for purposes of determining the amount and proportion of the foreign participation in the capital of the issuing enterprise.

Paragraph No. 2. The National Planning Department shall be the competent national agency for the purposes of classifying an enterprise.

CHAPTER II

FORMS OF INVESTMENTS

Article 7.- Forms of Investments: Capital investments from abroad in enterprises that have been or are to be organized or established in this country may take any of the following forms:

a. Importation of machinery, equipment or other physical or tangible assets contributed to the capital of an enterprise as non-reimbursable imports (that is, imports for which no foreign exchange is available for their payment abroad);

b. Importation of freely-convertible foreign currency for investments in colombian currency as a direct equity contribution to an enterprise or for acquisition of rights, shares or other securities, including the securities referred to in Monetary Board Resolutions 70 of 1985, 14 of 1989, 70 of 1989 and 34 of 1990;

c. Contributions in kind to the capital of an enterprise consisting in intangibles, such as technological contributions, trademarks and patents, under the terms of the Commercial Code;

d. Local currency funds entitled to be remitted abroad, such as principal of and interest on external credit, amounts owed corresponding to reimbursable imports (that is, imports for which foreign exchange is available for their payment abroad), profits entitled to remittance abroad, and royalties derived from contracts duly approved and registered, that are allocated to direct investments, indirect investments or portfolio investments;

e. Retaining in the net worth undistributed profits entitled to remittance abroad;

f. Forms of investments referred to in sub-articles a), b) and c) of this article, when they are not computed as contributions to the capital of an enterprise.

g. Importation of freely-convertible foreign currency for investment in Colombian currency in order to make a portfolio investment in accordance with Title III, Chapter III of this Statute.

h. Supplementary investments to the assigned capital of branches, under the terms of Resolution 17 of 1972 of the National Council for Economic and social Policy - CONPES investments in coal mining projects in accordance with CONPES and Resolutions 23 and 24 of 1976 and 45 of 1989.

i. Importation of freely-convertible foreign currency for investments in Colombian currency allocated to the purchase of real estate, for:

    i. In the case of non-resident individuals: housing for them, or tourism; and

    ii. In the case of foreign legal entities: housing for their officers, or offices.

CHAPTER III

DESTINATION, MANNER OF APPROVAL, AND REGISTRATION

Article 8.- Destination: Pursuant to the provisions of Article 3 of this Statute, capital investments from abroad may be made in all sectors of the economy.

Notwithstanding this, it is forbidden to make any type of capital investment from abroad in any of the following activities:

a. National security and defense; and

b. Processing, disposal and elimination of toxic, dangerous or radioactive waste not produced in this country.

Paragraph.- In any case, CONPES may reserve sectors of economic activity and determine whether the participation of investment of capital from abroad will be permitted therein.

Article 9.- Authorization: Without prejudice to the provisions of the preceding Article and to the special regimes herein contemplated, as from the effective date of this Statute (November 19, 1991) are authorized capital investments from abroad to be made in this country in any other sector. In any case, the following investments shall require the prior authorization of the National Planning Department:

a. Projected investments in activities related to providing a public service, such as power, garbage collection, water and sewerage, as well as in postal services, mail, public health, communications in all fields and through any medium, including telecommunications, radio stations, television stations and newspapers, magazines and other publications not of scientific, technical or cultural nature, with the prior favorable concept of the competent agency.

b. Projected investments in the processing, disposal and elimination of waste, with the prior favorable concept of the competent agency.

c. Projected investments that rely on their being covered by protection, guarantee or insurance mechanisms, derived from international agreements in force, ratified by Colombia.

Article 10.- Investments of capital from abroad in enterprise located in free zones: Capital investments from abroad in enterprises located in free zones will be governed by Decree 2131 of 1991 and by the rules that substitute, amend or regulate it. Notwithstanding this, this statute shall apply to them, except as regards their foreign-exchange rights.

Article 11.- Without prejudice to the authorization required under Article 9 above, investors of capital from abroad may buy shares, participations or rights from investors in this country.

In any case, investments made in securities registered in the National Securities Registry must be acquired with an intention of permanence and shall be subject to all the rules governing the public securities market.

Article 12.- Evaluating criteria for the authorization: To authorize or turn down a capital investment from abroad, when such authorization is required, the National Planning Department shall take into account the following criteria:

a. In the case of sub-article a) of Article 9 hereof, it shall take into account the positive effect on the costs and efficiency in rendering the service, and the promotion of the public welfare.

b. In the case of sub-article b) of Article 9 hereof, it shall take into account the origin and nature of the waste and the nature of the transformation process in order to determine if either one is toxic, radioactive or dangerous; and

c. In the case of sub-article c) of Article 9 hereof, it must establish whether the investment is desirable for the country.

Article 13.- Conditions for the authorization: In the act that authorizes a capital investment from abroad, when such authorization is required, the National Planning Department shall determine the general conditions of the investment, the terms under which it must be made, and the period within which its registration must be requested at the competent entity.

The authorization will produce no effect if the National Planning Department establishes by means of a substantiated resolution that the investor from abroad has amended, without prior authorization, any of the conditions of his investment, or if the investor fails to comply with any of the conditions established in the act of authorization.

Changes to terms and conditions imposed prior to January 28, 1991 are authorized, provided it is not one of the investments established in Article 9 hereof.

Paragraph. The National Planning Department may conduct a follow-up on capital investments from abroad.

Article 14.- Positive administrative silence: The National Planning Department must rule on any application seeking authorization for a capital investment from abroad within forty-five business days following the filing date, provided that no supplementary documentation has been requested within fifteen business days following such date. Once the documentation submitted to the National Planning Department is complete, the period herein established for deciding shall start to run.

When the National Planning Department requires for its ruling the concept or opinion of other agencies or entities, public or private, it must submit to them the pertinent request in writing, granting them not more than one month to reply and it shall inform this circumstance to the applicant. The periods for deciding shall be suspended until the agency consulted issues its opinion, or until the period to reply expires and no reply is produced.

Applications not decided within the period established in this article are considered approved.

Article 15.- Registration: All foreign capital investments, including additional investments, capitalization, reinvestment of remittable profits, remittances of profits and repatriation of capital, must be registered at the Central Bank, as follows:

a) Registration of direct and indirect investments must be effected by the investor or his representative within 3 months of making the investment. For investments in foreign currency, this period runs from the time the currency enters the country. For investment of remittable funds, it runs from the time of capitalization. For investments made with assets, it runs from the date they are cleared from Customs or the Manifest of Dispatch for Consumption is issued.

An applicant may request, and the Central Bank may grant where justified, an extension of registration time for a maximum of 6 months. If no registration has been applied for in the time allowed, the investment will be held not to have been made, and neither the capital amount nor profits will be remittable.

If the investment is intended to start a new company or open a branch, an operating license must be obtained as required by law from the Superientendency responsible for supervising the entity receiving the investment.

The Board of the Central Bank (or other entity designated by law) will lay down procedures for the registration described in this Article.

b) The registration of portfolio investments will be effected as required by Article 42 below.

Paragraph Nº 1: When reinvested profits are distributed, the amount registered will be reduced by the amount distributed.

Paragraph Nº 2: Share premiums may be registered as foreign capital investments. If the company elects to distribute the premiums, the amount registered in the name of the foreign investor will be reduced accordingly.

Paragraph Nº 3. Substitution and Amendment. Without prejudice to the authorizations required hereunder, substitutions of an original investment are permitted. This includes any change of ownership, purpose or company receiving the investment. The effects of such substitutions will be subject to applicable Colombian regulations, and must be registered with the Central Bank.

Paragraph Nº 4: The Central Bank will not register investments made contrary to the provisions of this Statute. Nor will it register investments if the interested party has not first informed the Central Bank or intermediary that funds from arriving abroad will be used to make a foreign capital investment.

Paragraph Nº 5: The Central Bank will advise National Planning Department monthly of the investments it has registered, giving the name of each investor, the company in which the investment is made, the amount of the investment and the type of investment.

Paragraph Nº 6: Currency of Registration The registration of foreign investments or foreign capital will be made in the currency(ies) determined by the Central Bank.

Paragraph Nº 7: Late Registration. Foreign capital investors who have not registered their investments within the time required in (a) above may do so until 31 January 1993, provided that:

a) The currency was declared as a foreign capital investment when it was brought into Colombia; and

b) The investment was formalized within 6 months of the currency being brought into Colombia.

CHAPTER IV

EXCHANGE RIGHTS AND OTHER GUARANTEES

Article 16.- Exchange rights: Investments of capital from abroad carried out in conformity with this Statute shall entitle the holder:

a. To remit abroad in freely convertible currency the proven net profits from time to time generated by his investments, base on: balance-sheets cut off at the end of the fiscal period, in the case of direct investments; such balance-sheets and the act or contract governing the contribution, in the case of indirect investments; or the cut-off of accounts by the local manager, in the case of portfolio investments.

For purposes of the purchase of foreign currencies and the exercise of such rights, the investor shall present a certificate from the statutory auditor, or whoever acts as such, recording the amount of the investment, the net profits generated by the investment, and, if necessary, all the additional data required to verify such net profits.

The Exchange Superintendency shall carry out a subsequent control base on a selective system of investigation directed to verify the existence of the net profits, specially those exceeding 25% of the registered capital in the immediately preceding year, taking into account the amount of the investment registered, the amount of the remittance, the balance-sheet certifying the proven net profits, and any other documents that may be required, without prejudice to the control functions entrusted to said Superintendency.

b. To reinvest profits or withhold in the surplus account undistributed profits entitled to remittance abroad.

c. To capitalize amounts entitled to remittance, proceeding from obligations derived from the investment.

d. To remit abroad in freely convertible currency the amounts received as proceeds from the sale of the investment within this country, or from the liquidations of the enterprise or portfolio, or from the reduction of capital.

In the case of investments in shares or bonds mandatorily convertible into shares not having the nature of portfolio investments, the amounts received upon the sale of the investment may be remitted abroad provided that it is proved that the shares or bonds originally acquired were held during an uninterrupted period of not less than one year.

Article 17.- Guarantee of exchange rights: The conditions governing the repatriation of investments and remittance of profits that are legally in force on the date of registration of the foreign investment may not be changed in a way that unfavorably affects foreign investors, except temporarily when the international reserves fall below the imports of three months.

Article 18.- Andean advantages: There shall enjoy the advantages derived from the liberation program of the Cartagena Agreement, goods produced by national enterprises, mixed enterprises or foreign enterprises that comply with the special rules or specific requirements of origin established by the Commission of the Board of the Cartagena Agreement and by the national legislation.

Paragraph- Foreign enterprises that have a transformation agreement in force under the terms set forth in Chapter II of Decision 220 may request the National Planning Department to suspend such agreement.

Article 19.- Foreign-exchange amnesty: Without prejudice to what the fiscal laws may provide, current investors may register as a direct investment, up to July 31, 1992, shares, equity interests, participations or capital as well as any profits derived therefrom corresponding to investments made and not registered before the present Statute comes into force, provided that:

a. They acquire with capital from abroad bonds of the Industrial Development Institute for an amount equal to 25% of the capital to be registered. The registration of the investment must be made in accordance with the terms set forth in Article 15 hereof; or

b. Capitalize with capital from abroad in an enterprise that has been or is organized in this country an amount equal to 25% of the capital to be registered.

CHAPTER V

CLASSIFICATIONS OF INVESTORS AND ENTERPRISES

Article 20.- The classification of national investors: The Bank of the Republic shall classify as national investor foreign individuals that so request it, provided that they prove an uninterrupted residence in Colombia of not less that one year and that they waive the foreign-exchange rights that they have or may come to have.

Paragraph. A foreigner will be taken to have resided uninterruptedly when in the year immediately preceding the request for such a classifications, he has not been absent from the country for more that ninety continuous or discontinuous days.

Article 21.- Investments of Sub-regional origin: The National Planning Department, upon request of the interested party, shall recognize as belonging to national investors the investments of sub-regional origin whose holders are national investors of Member Countries of the Cartagena Agreement, provided proof is given of the following:

a. The nature of national investor in the country of origin, by means of a certificate from the competent national agency of said country; and

b. The prior authorization of the country of origin to make the investment, when so required by the domestic regulations of the country of origin of the investment, authenticated and legalized as required by procedural law governing documentary proof produce abroad.

CHAPTER VI

PROMOTION OF INVESTMENTS

Article 22.- CONPES shall lay down the guidelines for the development and implementation of a program for the promotion of foreign investments that, through activities generating investments and services to national and private investments, seek to consolidate greater flows of foreign capital from abroad into the country.

The creation of a specialized agency will be undertaken to identify investment opportunities and potential investors from abroad that have the technical and financial capacity to carry out such projects.

CHAPTER VII

RESOLVING CONTROVERSIES, PENALTIES AND CONTROLS

Article 23.- Applicable law and jurisdiction: Except as provided for in international treaties or agreements in force, in the resolution of controversies or conflicts derived from the application of the regime on capital investments from abroad, the rules of Colombian law shall apply. International arbitration shall be regulated by the provisions of Decree 2279, 1989 and by the regulations that amend or supplement it.

With the same exceptions contemplated in the preceding paragraph, and without prejudice to actions that may be brought before foreign jurisdictions, all matters pertaining to capital investments from abroad will also be subject to the jurisdiction of colombian arbitration tribunals and rules.

Article 24.- Representation of investors of capital from abroad: In accordance with Articles 48 and 65 of the Civil Procedure Code; Article 28, Sub-article 1, and Articles 477, 1287 and following of the Commercial Code; Articles 368, 370, 572 and 576 of the Tax Statute; and all other rules that conform therewith or that substitute or modify them, investors of capital from abroad must accredit an attorney-in-fact (to represent them in Colombia).

Article 25.- Penalties: In the case of investments and legal acts leading to the installation of enterprises in forbidden sectors or in unauthorized ways, when such authorization is required, and without prejudice to the provisions of Articles 101, 105 and 899 of the Commercial Code and conforming rules, the Exchange Superintendency, in accordance with the functions assigned to it, shall decree, in the former case, the suspension and liquidation of the activity, and, in either case, the loss of foreign-exchange rights.

Any investment of capital from abroad carried out in violation of the provisions of this Statute shall lose all exchange rights and guarantees established in Chapter IV of this Title.

Failure to comply with the provisions of Article 33 of this Statute shall be penalized with a fine imposed by the Exchange Superintendency.

Article 26.- Control and Supervision: Individuals and enterprises recipient of capital from abroad must furnish to the National Planning Department, to the Bank of the Republic and to the Exchange Superintendency the data and information required to verify the movement of capitals from abroad and compliance with this Statute. Likewise, in the cases indicated in the law, they shall be subject to the control and supervision of the Superintendency of Companies, the Banking Superintendency and the National Securities Commission.

TITLE III

SPECIAL REGIMES FOR CAPITAL INVESTMENT FROM ABROAD

CHAPTER I

FINANCIAL SECTOR

Article 27.- Foreign participation: Investors from abroad may participate in the capital of financial institutions by subscribing for, or acquiring, in any proportion, shares, bonds mandatorily convertible into shares, or equity contributions of a cooperative nature.

The Bank of the Republic shall send a monthly report to the Banking Superintendency of the registration investments from abroad in financial institutions. Similarly, investors from abroad shall be obligated at all times to supply the information required by the Banking Superintendency.

Paragraph. For the purposes of this Statute, financial institutions are taken to be those defined in the Organic Statute of the financial system, in Law 45 of 1990 and in the rules that supplement it.

Article 28.- Approval: Any transaction of investors from abroad seeking to acquire ten percent or more of the subscribed shares of a financial institution subject to the supervision of the Banking Superintendency, carried out through one or more simultaneous or successive transactions of any nature, or any transaction whereby said percentage is increased, will require, under penalty of producing no legal effects, the prior approval of the Banking Superintendent, who shall give it, provided that be considers:

a. That the transaction promotes the public welfare; and

b. That the financial, professional and moral solvency of the investor from abroad and of the persons that take part in the transaction has been proved, which presupposes an analysis of their technical and financial capacity as well as of their fitness and background.

Paragraph. The incorporation or organization of any financial institution with capital from abroad will require the approval of Banking Superintendency, under the terms of the Organic Statute of the financial system, Law 45 of 1990 and the other pertinent regulations.

Article 29.- Applicable general regime: Investments from abroad in financial institutions shall be governed by the general rules on the subject on all matters not regulated in this title.

CHAPTER II

HYDROCARBONS AND MINING SECTOR

Article 30.- Special regulations: The general regime on capital investments from abroad referring to the hydrocarbons and mining sector will be subject especially to the regulations of this Chapter, which consequently shall prevail, when such is the case, over those established elsewhere in this Statute.

Article 31.- Exploration and exploitation of resources owned by the Nation: In accordance Article 332 of the Political Constitution, the State is the owner of the subsoil and of the non-renewable natural resources, without prejudice to vested rights perfected in accordance with laws existing before said Constitution. In the exercise of such ownership, the Nation may explore and exploit such resources directly, through decentralized agencies, or it may grant such rights to private persons, or it may reserve temporarily those resources, all in accordance with the provisions of the Petroleum and Mining Codes and the other special regulations on the subject, including this Statute.

The exploration and exploitation of mines shall continue to be governed by the Mining Code and the other pertinent regulations.

Article 32.- Authorization: The Ministry of Mines and Energy shall, in an overall way, authorize investment projects of capital from abroad for the exploration and exploitation of oil and natural gas, once the respective agreement with Ecopetrol and the investor from abroad has been negotiated. It shall also authorize full or partial assignment of interests, previously hearing Ecopetrol if so required. The Ministry of Mines and Energy shall also authorize investments of capital from abroad in projects for refining, transporting and distributing hydrocarbons, taking into account, if such is the case, the administrative act authorizing such activities.

Projects for investing capital from abroad in the exploration, exploitation, beneficiation and transformation of minerals must also be approved by the Ministry of Mines and Energy, in an overall way, upon request of the interested party, once the respective mining title or act modifying it is duly registered at the Mining Registry.

Without prejudice to the above, and except for projects for the exploration for and exploitation of hydrocarbons, should the investment of capital from abroad, considered in total, exceed US$100 million, of the equivalent in other foreign currencies, the authorization of the National Planning Department is required, with the prior favorable concept of the Ministry of Mines and Energy.

Article 33.- Registration: Investors of capital from abroad must register their investments in accordance with the provisions of Article 15 of this Statute. Failure to comply with the provisions of this Article shall be regarded as an exchange infraction, and hence, the Exchange Superintendency shall impose the corresponding fine.

The Bank of the Republic shall report every month to the Ministry or Mines and Energy the movements of capital from abroad, identifying the investors from abroad, the host enterprise, and the amount and type of the investments registered.

Article 34.- Periods: Applications for authorization to make an investment (of capital from abroad) shall be decided by the Ministry of Mines and Energy within the period established in Article 14 of this Statute.

When the Ministry is required to issue a prior concept, it must do so within the thirty days following the day on which the corresponding application is filed. It is fails to do so within said period, it will be regarded as a favorable concept.

The periods within which the National Planning Department must decide shall start to be counted as from the day on which the favorable concept of the Ministry of Mines and Energy is received, on, in the cases in which the administrative positive silence operates that is referred to in the preceding paragraph, from the date on which the interested party files the application at the National Planning Department, attaching proof that the administrative silence occurred in accordance with Article 42 of the Administrative Code.

Article 35.- Exchange rights of the petroleum, coal and natural gas sectors: In conformity with Law 9 , 1991 and with the foreign exchange rules, enterprises with capital from abroad that carry out the activities of exploring for and exploiting oil shall not be obligated to bring back into the country the foreign-currencies derived from their foreign-currency sales, without prejudice to the surrender obligation in respect of what they require for their local expenses, as determined in such rules.

Enterprises referred to in this Article may not acquire currencies in the exchange market for any type of expenses abroad, such as imports, debt service, or services rendered by residents abroad. Imports of capital goods, spare parts and other elements for the exclusive use of such enterprises shall not be reimbursable.

In conformity with the provisions of Article 16 of Law 9, 1991, Decree 2058 of 1991 and other pertinent rules, enterprises exclusively engaged in the rendering of technical services for the exploration for and exploitation of oil that execute contracts payable in foreign currency shall be subject to the special regime contemplated in this Article.

Enterprises of capital from abroad carrying out new investment projects for the exploration for and exploitation of natural gas or coal shall enjoy the treatment contemplated in the preceding paragraphs in conformity with what the exchange rules provide for on the subject of surrendering.

Enterprises of foreign capital from abroad carrying out investment projects in refining, transportation and distribution of hydrocarbons shall be subject to the general regime established in Title II, Chapter IV of this Statute, for which purpose they may remit the full amount of their proven net profits.

Single Paragraph. For all the purpose or this Article, new investment projects shall be taken to be those carried out based on contracts executed as from the effective date of this Statute. Nevertheless, the parties may by mutual agreement choose to be governed by the special regime established in this Article for expansion projects.

Article 36.- Exchange rights for the mining sector: Without prejudice to mining contract in force and to the provisions of the preceding article, enterprises of foreign capital from abroad that invest in new projects for explorations, exploitations, beneficiation and transformation of minerals as well as investments in enterprises of technical services engaged exclusively in the mining sector shall be subject to the exchange regime provided for in Title II, Chapter V of this Statute.

Article 37.- Follow-up: For purposes of evaluating the exchange and fiscal effects of the investment of foreign capital from abroad in the hydrocarbons and mining sectors, the Ministry of Mines and Energy, in coordination with the Bank of the Republic and the Ministry of Finance, shall carry out the pertinent studies.

Article 38.- Investment in different activities: When a enterprise having investments of capital from abroad in both the hydrocarbons and mining sector carries out various economic activities within the sector to which different exchange rules apply, it must demonstrate to the Bank of the Republic, exactly, the profits generated in each accounting period by each one of said activities, by using approved accounting procedures that allow the full identification of the assets and liabilities of, and the investments in, each one of said activities. In this cases, no assets and liabilities common to such activities will be accepted.

CHAPTER III

GENERAL REGIME ON PORTFOLIO INVESTMENTS OF CAPITAL FROM ABROAD

SECTION ONE - GENERAL REQUIREMENTS

Article 39.- Scope of application: Any portfolio investment of capital from abroad will be made through a foreign capital investment Fund the exclusive purpose of which will be to carry our transactions in the public securities market in accordance with the provisions of this Statute and the rules governing the subject.

Article 40.- Definition of the Fund: For the purposes of this Statute, a foreign capital investment fund shall be taken to be the set of assets organized in any way in Colombia or abroad with resources contributed from one or more foreign individuals or legal entities for the purpose of making investments in the public securities market.

The funds of capital from abroad may be of two types: individual funds and institutional funds.

Institutional funds are those organized in Colombia or abroad by a plural number of foreign persons or entities or those organized by a single foreign person or entity whose funds come from private or public placement abroad of participation units or parts in order to make investments.

The remaining funds shall have the nature of individual funds. The National Securities Commission shall determine whether a fund has the nature of an individual fund or an institutional fund.

Article 41.- Permanence: Any portfolio investment must be kept for a minimum period of one year counted as from the date of the sale of the foreign currencies.

Article 42.- Registration: Portfolio investments must be registered within the thirty days following the sale of the foreign currencies in the exchange market, indicating the type of fund, the amount of the investment, the local manager and the exclusive purpose of such investment. Such registration will be carried out in the name of a foreign person, in the case of individual funds, and in the name of the fund itself, in the case of institutional funds.

Article 43.- Limitations: A foreign capital investment fund may not hold ten percent or more of the number of outstanding voting shares of a company.

When a single company manages several foreign capital investment funds, the total of such funds may not hold directly or indirectly ten percent or more of the outstanding voting shares of a company.

Article 44.- Manager: Foreign capital investment funds will be managed in Colombia by trust companies or stock brokers, subject to the rules that govern them. Such companies shall be liable for negligence in the exercise of their functions.

The fund's manager shall represent it in all matters derived from the investment, and it will be jointly and severally liable with the fund for complying with the legal and regulatory rules on the subject.

The operations of the funds in the public securities market will be subject to the supervision of the National Securities Commission.

The manager of each fund shall keep a duly updated state of accounts of the investments made by the fund, clearly indicating the date, name, security and value of each transaction.

If the fund ins organized in this country, the managing company may receive contributions from foreign persons, in order to organize and manage it.

Article 45.- Unauthorized Transactions: In carrying out transactions in the name of a fund, the local manager may not engage in transactions forbidden by special regulations. Likewise, he shall abstain from purchasing assets for the account of the fund other than with resources delivered by the subscribers or participants. Hence, he shall not obtain credits to carry out the transactions of the fund that he manages, except that, in the case of securities acquired in the primary market, the credit corresponds to the conditions of the respective issue, provided it is granted by the issuer or underwriter of the security; or when it is granted pursuant to a privatization program, provided the financing is granted by the public entity that sells its participation.

Article 46.- Liabilities of the funds: The funds may only have liabilities in Colombia derived from the liquidation of transactions within the periods customary in the market, or from commissions and expenses, from management fees, from installment payments in conformity with Article 45, hereof, and the like, relating to their operations and to the proper financial administration thereof, authorized by the National Securities Commission.

Article 47.- Foreign-exchange rights: The repatriation of capitals and transfer of profits abroad corresponding to a fund's investments shall be made in accordance with the general foreign investment regime.

Net profits corresponding to the fund's portfolio investments may be transferred abroad for periods of less than one year.

The net profits generated by the investment shall be determined on the basis of the statement of account presented by the local manager, duly certified by the statutory auditor, and with proof of payment of the corresponding taxes.

Article 48.- In the case of individual funds, they may only invest in shares or bonds mandatorily convertible into shares issued by any type of company and in securities of a credit nature maturing in one year or more issued by companies supervised by the Superintendency of Companies.

They may also keep their resources in current and savings accounts, provided that said investments are temporary.

For theses effects, an investment is taken to be temporary when the time period during which it is maintained does not exceed sixty calendar days in each opportunity, nor does it exceed the aggregate of 120 calendar days during the respective calendar year.

In any case, the securities in which this fund may invest must be registered at the National Securities Register and negotiated through the stock-exchange mechanisms authorized by the National Securities Commission.

Article 49.- The organization and management by trust companies or stock brokers of individual funds belonging to individuals not residents of Colombia or to foreign personas or entities shall be subject to the limits and conditions contemplated for that effect in this Statute, and to the rules governing the administration by such companies of resources of third parties for investing in the securities market.

Except for the authorizations required by the rules governing trust companies or stock brokerage houses, the organizations of an individual fund does not require a special authorization.

SECTION TWO - INSTITUTIONAL FUNDS

Article 50.- Without prejudice to the authorization to carry out given investments demanded by Article 7 of this Statute and by special rules, institutional funds may carry out investments in Colombia prior favorable concept of the National Securities Commission.

For this effect, the National Securities Commission shall verify the fitness and background of the managers or representatives from abroad and the remaining requirements established in this title and shall be subject to the provisions of Article 11 hereof.

Paragraph- The National Securities Commission, is issuing its prior favorable concept, must also approve the operating regulations of the fund in Colombia.

Article 51.- Application: Before the resources of a fund may come into the country, the following documents and information must be presented to the National Securities Commission by the fund's legal representative or attorney:

a. Request for a concept on the projected investment;

b. Document of incorporation of the fund, and documents proving that the fund exists and continues in effect. In the case of funds organized to manage resources of a single person or entity that manages participations in order to make investments, the existence of said entity must also be proved, attaching the document of incorporation and those proving its existence and the name of the person entitled to represent it;

c. Certificate on the existence and legal representation for the fund's legal representative, and if such is the case, of the foreign manager, attaching documents proving their fitness and background. For this effect, the manager of the fund shall be taken to be any person that in accordance with the fund's regulations has the power to decide on the management thereof and on its investment policy;

d. Indication of the local manager, that is, of the Colombian company in charge of managing the investments in this country, in accordance with Article 44 of this Statute, attaching a communication from said company on its willingness to act as such and a certificate of its existence and legal representation, and draft of the respective contract;

e. Indication of the minimum capital of the fund that will be brought into the country and how it will be brought in;

f. Internal operating regulations in Colombia.

The documents listed in the preceding Sub-Articles issued in a foreign country or in a foreign language must be presented duly authenticated and translated in accordance with the provisions of Articles 259 and 260 of the Civil Procedure Code.

Article 52.- Internal operating regulations in Colombia: Each fund shall have internal regulations for its operations in this country, which must be approved by the National Securities Commission as regards its operating, investments, diversification and information in Colombia.

Paragraph- All modifications to the operating regulations in Colombia must be approved by the National Securities Commission.

Article 53.- Authorized Investments: Without prejudice to the provisions of Paragraph No. 2 of this Article, the fund's investments must be made in:

a. Shares or bonds mandatorily convertible into shares issued by Colombian corporations or by entities in which the Nation or the Financial Institutions Guarantee Fund participates;

b. Bonds and other credit securities issued by the Nation, the Departments, the Municipalities, the Capital District, the decentralized entities, the National Coffee Fund and Colombian enterprises.

There are excluded securities issued of guaranteed by the Bank of the Republic and any other security issued to carry out transactions in the monetary market.

Investments in papers or securities issued or guaranteed by financial institutions supervised by the Banking Superintendency, other than shares or bonds mandatorily convertible into shares, may not exceed 20% of the total investment registered.

c. Documents or securities, other than the above, authorized by the National Securities Commission in accordance with Law 32 of 1979 and complementary provisions.

Paragraph No. 1.- Whatever case, any securities in which the fund invests must be registered at the National Securities Commission and must be negotiated through the stock exchange and other mechanisms authorized by the National Securities Commission.

Paragraph No. 2.- Institutional funds may keep their resources in current accounts or savings accounts in entities supervised by the Banking Superintendency.

Article 54.- Expenses of the funds: Without prejudice to what the management contracts and regulations may provide, the following expenses incurred within the country shall be for the account of institutional funds:

a. Cost of safe-keeping the assets that make up the fund;

b. Remuneration of the manager;

c. Fees and expenses that have to be incurred to defend the interests of the fund, when the circumstances so require it;

d. Expenses incurred in connection with supplying information to the participants; and

e. Others expenses accruing from the normal operations of the fund, including the external auditing costs, if any, under the terms of the internal regulations.

Article 55.- Rights of subscribers of, or participants in, institutional funds: Subscribers of or participants in funds organized in this country shall have the rights granted by the respective contract, the rights corresponding to them as foreign investors, and the following rights:

a. To share in the commercial profits generated by the fund, whether they derive from interest accrued, dividends declared, profits resulting from the sale of shares and securities, or any other income corresponding to the ordinary course of business, in accordance with the provisions of the contract and the pertinent internal regulations;

b. To examine the documents relating to the fund. The documents subject to examination shall be placed at the disposal of the subscribers or participants in the manner and terms contemplated in the regulations; and

c. To transfer abroad their rights in the fund to another investor of capital from abroad, provided there is no stipulation to the contrary.

Article 56.- Controls: The manager shall send the fund's financial statements to the National Securities Commission and to the Bank of the Republic, in the manner and on the dates determined by each of them. He shall also send to said Commission, in the manner and on the dates that it determines, a list of the securities that make up the fund, their quoted prices and value-increases.

Article 57.- Without prejudice to any other prohibition contemplated herein and in special regulations, managers of institutional funds shall not:

a. Invest the fund's resources in securities directly or indirectly issued, placed or guaranteed in any other way by the local manager. Notwithstanding this, subject to what is provided for in the respective regulations, the manager may buy for the fund's account securities of the same kind as those that he undertakes to place out.

b. Carry out any transaction that may give rise to conflicts of interest between manager and the fund's subscribers, after the National Securities Commission has determined such a conflict.

c. Carry out unsafe, inequitable or discriminatory practices with the fund's subscriber.

d. Grant credits in any way with moneys of the fund.

e. Perform the same functions with respect to various funds, unless this has been previously accepted by the manager or legal representative abroad and authorized by the National Securities Commission;

f. Pledge the securities that make up the fund, except to guarantee the credits referred to in the preceding sub-article; they shall not pledge either the securities that make up the fund, except to guarantee credits obtained in accordance with the provisions of sub-article hereof (this is an exact translation from the Spanish).

SECTION THREE - FINAL PROVISIONS

Article 58.- Applicable law and Jurisdiction: The operations of a fund in Colombia shall be subject to Colombian law and to the jurisdiction of courts established in this country. Consequently, operations of institutional funds abroad shall not be subject to Colombian law.

Paragraph- A fund's investments in Colombia shall be governed by the general rules on capital investments from abroad on all matters not regulated in this Chapter and not contravening it.

SECTION FOUR - OTHER INSTRUMENTS FOR PORTFOLIO INVESTMENTS AND REQUIREMENTS

Article 59 Other Instruments: Foreign capital investors may purchase units or participation certificates issued under trust contracts and similar, where the trust fund's equity is represented by shares or bonds. Units or certificates may be issued by the management company with the prior permission of the Superintendency of Securities.

Participation certificates may be acquired directly by foreign capital investors in the securities market or from foreign financial entities, for their own account or for account of third parties. The financial entities may receive certificates on deposit, in trust for administration or on similar conditions, in order to issue new securities representing those certificates for placement on the international financial market.

Paragraph Nº 1: As provided for in Art. 40 above, equity made up of shares or convertible bonds in Colombian companies are held to be Institutional Funds when received by a financial entity in Colombia under a trust or management trust contract or similar and when a foreign financial entity makes an issue of securities representing those shares or bonds for sale to foreign capital investors.
The requirements described in Art. 41 F above will apply to such funds when their nature demands it. The Superintendency of Securities will issue the appropriate instructions.

Paragraph Nº 2: In accordance with Law 9/91, general regulations may be issued following the provisions of this Statute, to establish special instruments or mechanisms other than those described here, designed to attract and channel foreign capital investment or portfolio investment into the Colombian securities market.

TITLE IV

GENERAL REGIME OF COLOMBIAN INVESTMENTS ABROAD

CHAPTER I

DEFINITION AND FORMS

Article 60.- Investment of Colombian capital abroad: Investment of Colombian capital abroad is taken to mean: tying to enterprises abroad assets generated by productive activities in Colombia not entitled to remittance abroad; indirect investments as defined in sub-article b) of Article 4 hereof; and reinvestment or capitalization abroad of amounts that must be surrendered back to Colombia derived from profits, interest, commissions, loan amortizations, royalties, and other payments for technical services and repatriations of capital, when such reinvestment or capitalization has been authorized.

Article 61.- Forms: The investment of Colombian capital abroad in enterprises that have been, or are projected to be, organized abroad may take any of the following forms:

a. Exports of machinery and equipment or other physical of tangible assets contributed to the capital (of an enterprise abroad), the foreing-currency proceeds of which are not surrendered back to Colombia, in accordance with the regulations issued by the respective competent agencies;

b. Exports of foreign currency as a direct contributions to the capital (of an enterprise abroad);

c. Exports of services, technical assistance, technological contributions or intangible assets, contributed to the capital (of an enterprise abroad) the foreign-currency proceeds of which are not surrendered back to Colombia, in accordance with the applicable regulations;

d. Reinvestment or capitalization of amounts that must be surrendered back to Colombia derived from profits, interest, commissions, loan amortizations, royalties and other payments for technical services and repatriations of capital;.

e. Foreign-currency contributions derived from external loans contracted for such a purpose, in accordance with the regulations of the Board of the Directors of the Bank of the Republic.

f. The commitment of resources abroad, even though it does not involve sending physical resources to a foreign country, and;

g. The forms defines in sub-articles a, b, and c, hereof, when they are no computed as contributions to the capital of an enterprise (abroad).

Paragraph No. 1- Repatriation of capital is taken to mean the remittance from abroad constituting a reduction of the amount of Colombian capital tied to economic activities abroad.

Paragraph No. 2- Colombian capital investments abroad include: the direct or indirect contributions of capital to enterprises now or hereafter organized abroad; the acquisitions, with an intention of permanence, of shares, equity interests or rights owned by persons residing abroad; and the establishment of branches or agencies abroad.

CHAPTER II

AUTHORIZATION AND REGISTRATION

Article 62.- Authorizing the Investment: As from the effective date of this Statute, any investment of Colombian capital that is made abroad, whether as an initial or an additional investment, must be previously authorized by the National Planning Department, save for the exceptions contemplated in the following Articles.

Notwithstanding this, the investment in enterprises now or hereafter established in free zones will require only registration on the Bank of the Republic, once the necessary permits for every investor in a free zone have been obtained.

Paragraph- Provisional authorization: Without prejudice to the conditions that may be established pursuant to Article 66 below, to make more flexible the authorization procedures for investments entailing processes of negotiation, the National Planning Department may issue a provisional authorization for investments entailing processes of negotiation, concession or award. In these cases, the interested party must, within the fifteen days following the closing of such negotiations, concession or award, apply for a definitive authorization in accordance with said Article.

Article 63.- Automaticity: A Colombian capital investments abroad only requires authorization from National Planning Department if its value exceeds $500,000 in any given company, regardless of other investments the same investor may have in other companies abroad.

Any capital investment coming from, or destined to, any Member Country of the Andean Pact to be made in an Andean Multinational Enterprise is also authorized, provided the nature thereof has been certified by the National Planning Department.

Article 64.- Application: For purposes of the prior authorization that must be issued by the National Planning Department, the interested party shall submit to said Department the corresponding application, attaching, duly filled out, the form prepared and provided by said entity, recording complete information on the investment, the host enterprise, and the characteristics of the latter, including the description of reciprocity agreements, if any exist, through foreign investments in this country.

Article 65.- Criteria for Authorizing the Investment: to authorize the investment, the National Planning Department shall take into account the following criteria, in this order:

a. Contribution of the investment to the process of internationalization of Colombia's economy;

b. Net effect on the balance of payments;

c. Contribution to Colombia foreign trade in particular the financing of imports and opening of new external markets for Colombian goods and services of consolidation of existing markets;

d. Support that the Colombian investor may have for its activities in the country from the recipient of the investment;

e. Contribution to the Latin-America integration process.

f. Destination of the resources of the host enterprise to financing Colombian foreign trade.

Article 66.- Making and registering the investment: In the act that authorizes the investment, the National Planning Department shall establish the periods in which and the conditions under which the investment must be made and registered at the Bank of the Republic. If at the expiration of these periods the investment or the registrations, as the case may be, have not been made, the authorization of the National Planning Department will lose its effects.

Colombian capital investments abroad and their movement shall be registered at the Bank of the Republic, in accordance with regulations issued by its Board of Directors. In the case of investments other than in shares of and contributions to subordinated companies, to register the investment it will be necessary to present authenticated documents proving the ownership of the investment by the Colombian investor.

Paragraph- The authorizations adopted by the National Planning Department pursuant to this Article shall contain, in each case, the conditions under which they must be complied with and their period of effectiveness.

CHAPTER III

OBLIGATIONS OF THE INVESTOR AND CONTROL

Article 67.- Obligations of Colombian investors: A holder of a Colombian investment abroad must:

a) Register the investment with the Central Bank within 3 months of the date on which the investment is made. For investment in currency, this period runs from the date on which the currency was acquired in the market or the clearing account was charged; and for investments in kind, it runs from the date of the Export License.

b) Inform the Central Bank and National Planning Department of all capital movements in Colombia or abroad that imply a change of ownership of the investment, of the company receiving the investment or the purpose of the investment, within one month of the formalization of the transaction effected to make such a change.

c) In the event that the company receiving the investment is not classed as a financial institution in the country in which the investment is made, it may only offer short-term credit unless National Planning Department has given express permission in advance for it to do otherwise.

d) Obtain prior authorization from National Planning Department when the company receiving the investment wishes to establish other companies of any kind or open offices in any country other than that of its principal domicile.

e) Sell currency corresponding to yield from the investment within two months of declaration, unless the yield is to be reinvested, in which case the investor will inform the Central Bank and National Planning Department within one month of formalization of the reinvestment.

f) Deliver a copy of the financial statements of the investor and the company receiving the investment to the Central Bank and National Planning Department within 30 days of the end of each accounting period.

Paragraph Nº 1: If the investor does not have the real influence or decisive power in the company receiving the investment, and is therefore unable to comply with one or more of the above obligations, National Planning Department may release him from it or them.

Paragraph Nº 2: National Planning Department may authorize the proceeds of a liquidation of a Colombian investment abroad to be sold in stages, if the investor can show to its satisfaction that he has received, or will have to receive, assets which cannot be converted into liquid funds within the period described in (e) above.

Article 68.- Control of the Investment: To verify the effectiveness of Colombian investments abroad and the repatriation of their yields, the Bank of the Republic shall demand annually the balance-sheets and profit and loss statements, duly authenticated by the Colombian Consular officers abroad. In addition, the Bank of the Republic may demand sufficient guarantees to secure the effectiveness of the investments and the repatriation of their yields, under the terms laid down by the board of Directors of Bank of the Republic.

Article 69.- Loss of effects of the authorization: Without prejudice to the sanctions contemplated in the foreign-exchange regime, the authorization for an investment will loss its effects when the National Planning Department, by means of a substantiated resolution, establishes that the investors modified or failed to comply with any of the conditions mentioned in this title.

The Bank of the Republic or the National Planning Department shall report to the Exchange Superintendency any non-compliance by the beneficiaries of authorizations for Colombian investments abroad so that it may take the pertinent action.

The resolution that declares the loss of effects of the authorization shall establish the period within which the investor must repatriate the capital and the unreimbursed amounts derived from the investment.

CHAPTER IV

INVESTMENTS SUBJECT TO SPECIAL REGIMES

Article 70.- Investments of financial institutions in the financial and insurance sectors abroad: Only banks and finance corporations may make capital investments in financial institutions abroad; and only life insurance, general insurance and reinsurance companies may make this type of investments in institutions of a similar nature abroad.

In either case, they must have the authorization of the National Planning Department, once the approval of the Banking Superintendency has been obtained.

The Banking Superintendency, in the exercise of its legal powers, shall appraise the situation of the investments referred to in this Article. It shall also issue a prior concept with respect to all the authorizations referred in to in Article 28 of this Statute, related to investments in the foreign financial and insurance sectors, for which purpose it shall take into account banking supervision criteria.

Paragraph. Provided that the host country's legislation allows, the members of the board of directors may acquire representative titles of the financial entity complying the terms given in this article.

Article 71.- Investments not subject to this Statute: This Statute does not apply to the investments and assets existing abroad referred to in Article 17 of Law 9 of 1991 or to the holding of foreign currency by residents of this country under the terms of Article 7 of the same law.

It does not apply either to temporary investments abroad by residents of this country or to the holding and possession abroad, by residents in this country, of foreign currencies that must be transferred or negotiated through the exchange market, which shall be regulated by the general rules on the subject adopted by the Board of Directors of the Bank of the Republic in accordance with Article 10 and other pertinent rules of Law 9 of 1991.

TITLE VI

FINAL RULES - EFFECTIVENESS AND REPEALS

Article 72.- International negotiations: The National Planning Department, through the Special Division of Foreign Investments, must render its opinion on and participate in the negotiation of international agreements that affect or may affect the policy or the laws relating to international investments in Colombia.

Article 73.- Operating procedures: The Board of Directors of the Bank of the Republic may, as the law determines it, establish operating procedures on matters that are under its jurisdiction to ensure that the provisions of this Statute are strictly complied with.

Article 74.- Effectiveness in time: As from the effective date of this Statute, authorizations shall be granted in accordance with the regulations herein contemplated, without prejudice to specific situations already defined.

Article 75.- Taxes: All the provisions hereof shall be understood without prejudice to the prior payment of taxes as required by the tax rules.

Article 76.- Effectiveness, repeal, and communication to the Board of the Cartagena Agreement: This Resolution shall be in force as from the date of its publications (November 19, 1991), and it repeals CONPES Resolution 49,1991 and any other rules to the contrary and shall be communicated to the Board of the Cartagena Agreement.

Issued in Bogota on October 22, 1991.

The following report was prepared by the U.S. Department of Commerce

COLOMBIA COMMERCIAL OVERVIEW

APRIL 1993

BACKGROUND

The Republic of Colombia is a geographically diverse country, nearly three times the size of Montana, located on the northwest corner of South America. Its tropical coastal plain, cool highlands, and lush mountains allow it to produce a wide variety of products, such as bananas, fresh flowers, coal, and coffee, but Colombia possesses an established industrial base as well. Ports on both the Pacific and Caribbean coasts give Colombia the additional, strategic advantage of direct access to U.S. ports on both the east and west coasts.

Independent since 1810, Colombia and its 34 million people enjoy a history of democratic government, despite the challenges posed by drug-related activities and leftist guerrilla movements. Peace negotiations and a new, more inclusive constitution--inaugurated in January 1991--have helped to diminish the threat of the latter, and the Colombian Government continues to crack down on the former. While violence still poses a problem, it is rarely targeted towards foreigners or businesses, and many U.S. corporations maintain successful operations in Colombia.

ECONOMIC OVERVIEW

Colombia's violent image has overshadowed its impressive economic growth and low debt burden maintained throughout the 1980s. Real GDP growth averaged 3.3 percent from 1988 to 1992. Despite a severe electricity crisis, 1992 real GDP growth reached 3.3 percent, up from 2.3 percent the previous year. The growth appears to be the result of increased capital investment and improved efficiency brought on by energy rationing that, at its worst, lasted up to 10 hours per day. Rationing is now down to less than 6 hours per day and is expected to continue to decline as a number of energy projects come on line. Consequently, the GOC is predicting even better real GDP growth of 5 percent in 1993.

A breakdown of Colombia's 1991 GDP, which totaled $44 billion, illustrates the diversity of the Colombian economy. The manufacturing sector contributed to 20 percent of Colombia's GDP, led primarily by the textile and apparel, leather, wood and paper, rubber, food processing, graphics and printing, cement, and chemicals industries. Agricultural production (16 % of GDP) has diversified in recent years from traditional coffee and sugar production to cut flowers, bananas, tobacco, and seafood. The mining sector's 8.7% contribution, which includes coal, gold, precious stones, and petroleum, should witness continued growth due to oil discoveries in central Colombia estimated at 3 to 5 billion barrels. Other major sectors include commerce (14.2%), financial services (10.7%) and transportation and communications (9.1%).

Strict monetary policy appears to be positively affecting Colombia's stubborn inflation rate: 1992's 25.1 percent rate represented a significant decline over the 32.4 percent rate in 1990. The government is hoping to see inflation continue to drop to 21 percent in 1993. Colombia remains in excellent standing with the international financial community. The Colombian Government has not sought to reschedule the $18 billion debt burden, and has made regular interest and principal payments. A new financial package totalling $1.775 billion (including, for the first time, $200 million in bonds) was negotiated in 1991.

TRADE

Since its implementation in February 1990, Colombia's apertura has created important trade and investment opportunities for local and foreign businesses. The government has eliminated prior licensing requirements for 98 percent of items for import. In addition, the Colombian Government consolidated all duties into four tariff levels in February 1992: five percent for primary goods, inputs, and capital goods not produced in country; 10 and 15 percent for the above categories produced in country; and 20 percent for all final consumer goods. The previous import surcharge of 5 percent is now included in the tariff. A 14 percent value added tax (VAT) is applied to both imports and domestic goods, with the exception of certain consumer basics. The apertura goes well beyond liberalization of the trade regime, however, to include tax reform, a revised labor code, privatization, conversion to a free market foreign exchange of the peso, and elimination of price controls.

The United States, providing approximately 40 percent of imports, continues to be Colombia's main trading partner. U.S. exports to Colombia increased by a whopping 68.8 percent in 1992 to $3.3 billion, up $1.3 billion from 1991. This impressive boom reflects the positive effects of tariff reductions under Colombia's apertura and increased capital investment by Colombian businesses. Colombia's energy crisis in 1991 also triggered a high demand for electric generators and other energy related equipment. Colombia now ranks fourth among Latin American markets for U.S. products behind Mexico, Brazil and Venezuela, respectively. Principal U.S. exports include computer hardware, wheat, machinery parts, polymers, and telecommunications equipment.

U.S. imports of Colombian goods fell by 16 percent in 1991 to $2.7 billion and have remained fairly constant since. Colombian exports to the United States were $2.7 billion, a 4.4 percent increase over 1991. The country's export stagnation reflects the effects of a global recession, Colombia's adjustment to economic reforms, and a 15 percent real devaluation of the peso over the past two years. Recently negotiated free trade agreements with Ecuador and Venezuela should help to improve Colombia's exports. In addition, Colombia's designation in July, 1992 as a beneficiary under the Andean Trade Preference Act* should serve to increase non-traditional export sales to the United States. Major U.S. imports from Colombia include crude and non-crude oil, coffee, cut flowers, bananas, tropical fruit, and women's apparel. Despite the import decline, the United States remains Colombia's largest customer with a 35 percent market share.

INVESTMENT

The apertura's reform of the investment regime will, in the longer term, generate even greater economic expansion in Colombia, given its large and diverse industrial base and relatively advanced economy. New regulations established in 1991 open all sectors of the economy to foreign investment, provide national treatment, eliminate prior government approval (with some exceptions), and provide full repatriation of all

*On July 2, 1992 Colombia was designated a beneficiary under the Andean Trade Preference Act (ATPA) a unilateral trade enhancement program that broadens duty-free access for products originating from Colombia and entering the United States. A "Guidebook to the ATPA" is available upon request by calling the Commerce Department at (202) 482-0703 or (202) 482-1659.

net profits. In addition, foreign institutional and individual funds can invest in the Colombian stock market through registered stockbrokers. Colombia also offers investment opportunities in mining, communications, finance, agriculture, construction, wood processing, rubber products, textile and leather manufactures, metals, chemicals, and services. A new "free zone" law creates investment opportunities in both free trade areas and tourism free zones to attract hotel and resort developers. Since 1967 U.S. companies have registered $2.5 billion in assets in Colombia, largely in manufacturing. U.S. investment represents 68 percent of total foreign direct investment in Colombia.

As trade and investment between the United States and Colombia strengthens, so too will the demand for U.S. products. Most imports complement the Colombian export sector. A comprehensive list of best prospects for exports by industry sector follows. Additional country and industry specific information is available through the National Trade Data Bank (NTDB) or the National Technical Information Service (NTIS). Both programs are explained in the attached "Guide to Doing Business in Latin America." The NTDB and other Commerce Department Services are available through your local Commerce district office (also listed in the "Guide"). Individuals requiring specific information not found in these publications should contact the Colombia desk officer at (202) 482-1659.

BEST PROSPECTS FOR EXPORT TO COLOMBIA

The following are industry categories listed as best prospects by the Commercial Section of the U.S. Embassy in Bogota as described in its "FY 1993 Country Marketing Plan" (CMP). Those printed in bold type indicate an in-depth "Industry Sector Analysis" (ISA) is available. Refer to the attached "Guide to Doing Business in Latin America" for information and order number for the ISA or the CMP.

1. **Telecommunications Equipment**
2. **Oil & Gas Field Machinery and Services**
3. **Computers & Peripherals**
4. **Travel and Tourism Services**
5. **Automotive Parts and Service Equipment**
6. Industrial Chemicals
7. **Security and Safety Equipment**
8. **Pumps, Valves and Compressors**
9. **Electric Power Systems**
10. Mining Industry Equipment
11. Construction Equipment
12. **Food Processing & Packaging Equipment**
13. Processed Foods
14. **Aircraft and Parts**
15. **Plastic Materials & Resins**
16. **Electronic Components**
17. **Railroad Equipment**
18. Materials Handling Machinery
19. **Health Care Services**
20. **Pollution Control Equipment**
21. Automobiles and Light Trucks/Vans
22. **Plastic Production Machinery**
23. **Machine Tools and Metal Working Equipment**
24. Air Conditioning and Refrigeration Equipment
25. **Textile Machinery and Equipment**
26. **Printing and Graphic Arts**
27. Dental Equipment
28. **Building Products**
29. **Textile Products**
30. Financial Services

Latin American trade

Patchwork

IN 1990 George Bush proclaimed his dream of a free-trade area "from Anchorage to Tierra del Fuego". Latin America has taken his words to heart. While America, Canada and Mexico equivocate over the North American Free Trade Agreement, there is a new enthusiasm about open trade among countries to the south. A hotchpotch of alliances that were once little more than symbols of neighbourly intent suddenly matter.

Since the mid-1980s Latin America has pursued economic reform and rediscovered democracy. From the beginning, trade liberalisation—cutting import tariffs and abolishing import licences—has had a central place in most Latin reform programmes. Trade agreements are a natural extension of this approach. Prosperous Chile, the region's star performer, has built its growth on exports—and has signed a raft of trade agreements. A treaty with Mexico doubled the (admittedly modest) trade between the two. Chile has also signed mutual tariff-cutting agreements with Argentina and Bolivia, last year doubling its exports to one and increasing them by a third to the other.

The transformation is affecting the

whole region—though the results are not always quite so striking. "We have experienced a 180° turn in our mentality," says Colombia's trade minister, Juan Manuel Santos. Colombia used to hide isolated behind high tariffs; a former president compared his country to Tibet. Now Colombia is rushing to open its markets. Last year it broadened an earlier agreement with Venezuela and Ecuador. These countries once welcomed only each other's goods, while imports from non-members were severely discouraged. Now, any product can be sold whatever its origin; the only barrier is a common external tariff ranging between 5% and 20%.

As a result of open borders, trade between Colombia and Venezuela increased from \$525m in 1990 to \$932m last year. Trade between Colombia and Ecuador, which joined the agreement last September, increased by about 30% in the fourth quarter. Trade is helping the three economies to grow closer together. Venezuela recently issued \$100m-worth of government bon… the Colombian stockmarkets. They … sold in minutes. Colombia and Venez… are jointly negotiating a free-trade agre… ment with the three Central Amer… countries. They are also talking to Me… The prospect of such a deal may have he… to boost Colombian exports to Mexic… 27% last year. An enthusiastic Mr Sa… claims that, of all the developing coun… Colombia will soon be the "best … tioned, commercially". Hyperbole, … course. But it is a sign of the times t… Latin American minister even wishe… make such a boast.

Whether the region's liking for lit… trade will last remains to be seen. One … son to think it may is that the new a… ments have turned national tariff-cut… programmes into international com… ments. These should be harder to re… than purely domestic initiatives. The … dence for this is that, in the past, such a… ments helped to entrench protectionist … icies. For instance, in the 1960s a com… market of five Central American coun… sheltered over-priced local goods beh… high tariffs, putting an international st… on import substitution. This year fou… them agreed to set a low common exte… tariff instead. For the moment inte… tional collaboration is on the side of lib… trade.

Despite their success in boosting t… within the continent, these deals have d… backs. They have created genuinely … trading opportunities, but they have als… verted trade from established patterns … Europe and the United States. (How m… is not known, and trade with Europe … North America may still be growing in … all terms.) When regional deals divert m… trade than they create, economists re… them as harmful overall: such arrangem… tend to shift production to less effic… producers.

There is also the danger that small, … agreements spin out of control as trade … balances grow among their signatories. … expanding Colombian trade surplus … Venezuela and Ecuador threatens to c… an upset. Brazil's surplus with its partner… Mercosur (Argentina, Uruguay and P… guay) already has. Although Brazil is … lowing in stagflation, Brazilian exports to its … unchanged at \$2.2 billion. The imbala… mostly due to the vigour of Brazil's e… industries, its sickly demand for im… and, with respect to Argentina, an u… valued exchange rate.

Recently Argentina's economics … ter went to Brazil and asked the Braz… to buy more Argentine wheat to help … balance. Even in the new Latin Amer… seems, the commitment to free trade … only so far.

Government Puts Privatization Drive Onto Fast Track

The government is putting new emphasis on privatization and wants to complete a slew of major sell-offs by year end, according to Luis Alberto Moreno, minister of economic development. On the roster are financial institutions, shares held by the government through the Industrial Development Institute (IFI), holdings of oil company Ecopetrol, other energy properties, part of the railroad network and hotels. Even crown jewels like Cerromatoso are on the quick sale list. Simultaneously, responsibility for development of a raft of infrastructure projects in the spheres of roads, railroads, airports, electric energy and telecommunications is to be shifted out to the private sector.

No More Foot Dragging. The intention to privatize is not new, but the intention to privatize fast is. According to Moreno, it reflects the government's conviction that the process was dragging to the detriment of the economic restructuring program. A recent policy paper on the subject of privatization drawn up by the economic cabinet — the ministers of finance, development and national planning — resulted in a presidential mandate to sell off the lion's share of government holdings in 10 months. With the clock now ticking towards presidential elections next year, the Gaviria government wants to push reform as far as possible before politics consumes everybody's attention.

The sales should fetch some hundreds of millions of dollars. Part of the returns will be fed back to the municipalities to fund social welfare projects. IFI will use its earnings to invest in new start-ups and Ecopetrol will use its gains to help fund its hugely expensive development program.

No Risk Concessions. The other side of the privatization program is to attract private capital to new projects. Over 200 kilometers of road and tunnel construction — about 40% of planned road expansion — are to be built in this manner. To lessen private sector risk, the government will guarantee a minimum toll collection. In the railroad sector, the government will sell its 49% holding in the system and award concessions for new projects. The government plans to promote private sector electricity generation by guaranteeing the purchase of 750 kw from private utilities.

HOLDINGS FOR SALE

Financial Institutions:	Public Ownership (%)	Net Profit ($ millions)	Assets ($ millions)
Banco de Colombia	99.0	55.0	1,500
Banco del Estado	100.0	3.5	550
Corpari	49.0	3.0	300
Banco Cafetero	100.0	35.0	1,400
IFI Companies:			
Mon. Col-Venezolanos	33.44	8.0	140
Cerromatoso	47.69	50.0	190
Frigopesca	47.39	.5	12
Corfidesarrollo	16.06	.5	100
Federaltex	21.86	.75	18
Catsa	37.35	.3	4

Ecopetrol: Participation in 7 gasoline distribution companies and 3 natural gas companies
Energy: Hidroelectrica de Betania; Termo-Cartagena
Railroads: Government's 49% participation.
Hotels: Cartagena Hilton; Nueva Granada; Hotel Santamar

NEW INFRASTRUCTURE PROJECTS

Telecommunications: 3 cellular concessions
Railroads: Pacific Rail Road (304 km); La Caro-Belencito (200 km); Puerto Salgar-Neiva (402 km)
Roads and Tunnels: Buga - Tulva - La Paila (58 km - $55mn); La Caro - Briceño (14 km - $50mn); Baranquilla-Cienaga (60 km - $25mn); Tobiagrande - Puerto Salgar (74 km - $110)
Airport: Runway at Bogota Airport ($50 million)
Energy: Private companies to supply 750 mw

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Now a Top Priority, Privatization Will Move Much Faster

Since it was first announced in 1990, the privatization program has proceeded in fits and starts. But that looks set to change as the government prepares for a big push to complete a large agenda of sell-offs by year-end (LL 4/16/93). All told, over $5 billion in assets will be put on the block.

Overcoming obstacles. The slow pace that has characterized privatization to date is a result of many factors, ranging from lack of coordination among the various government agencies and unduly complicated legislation, to nationalist and economic concerns, as in the case of the failed Telecom sell-off. Nevertheless, the process is steadily marching forward with several projects for the privatization of railroads, ports, hotels, roads and tunnels, airports, energy companies and financial institutions underway. Many more are being scheduled for the rest of the year.

Lack Of Experience. In many cases the government itself has been responsible for slowing down the privatization process. For instance, there has been little coordination among the different ministries and agencies involved – a handicap that should hopefully be overcome with the recent appointment of a high level coordinating commission formed by the ministries of finance, development and mines, the national planning department, and the presidency. The need to draft complex enabling legislation to effect sales has also retarded the process.

In other instances the inexperience of government bureaucrats has delayed matters. For example, there were no bidders when the government's minority holdings in the state insurance corporation, La Previsora, were put up for sale. The offer was so limited in scope that would-be-investors shied away. Had they acquired shares in the company, their role would have been so peripheral as to give them virtually no say in the management of the corporation. A more ample offer, giving investors eventual control of the company, may be made shortly.

Telecom's Rocky Privatization. Political considerations have been a stumbling block in the planned privatization of the profitable Telecom corporation. Militant unionists are adamantly opposed to private management - more for economic than nationalist reasons. Like state oil workers, Telecom employees enjoy both high salaries and extensive fringe benefits that might well be curtailed under private management driven by efficiency considerations. Telecom workers paralyzed the communications network in a strike to protest privatization plans, and the government backed down rather than prolong the confrontation. Notwithstanding, the unionists have not had it all their own way. The government has introduced legislation to convert the Telecom monopoly into a fully-fledged state commercial undertaking that will have to hold its own against private-sector competition. This is expected to intensify rapidly as plans to introduce cellular phone services, international data transmission networks, and other facilities gather steam.

Green Light For Railroads And Ports. Few objections have been voiced to the privatization of the bankrupt and mismanaged state rail network, which is being converted into a mixed capital endeavor. The state retains responsibility for basics, such as track maintenance, while commercial freight and passenger services will be run by private investors. The still developing new network should begin to function profitably within a year or two.

Similarly, the privatization of the high-cost and inefficient port network is proceeding to schedule - and with surprising little opposition from the once all-powerful longshoremen's unions, whose power has been broken. By the end of this year, most of the country's ports should be under private or mixed-capital administration by regional entities. Already one port, Santa Marta, is being run basically by private enterprises, and efficiency has rocketed as a result. One reason dock workers have accepted privatization is they have been offered generous compensation terms in the event of redundancies; the majority of them have secured employment with private port companies, however.

Municipalities Get Into The Act. At the local level, privatization is also gaining ground. In Bogota, for example, the notoriously inefficient garbage removal department run by the city council has been replaced in many areas by privately run services.

Some Big Sales Ahead. In keeping with the new timetable of completing the privatization program by year-end, several major offerings will be made shortly. The biggest sales will center on the remainder of the government's bank holdings. It expects to raise close to $600 million with the sale of the intervened Banco de Estado and Banco de Colombia. Also to be auctioned is the BCH mortgage bank.

The sale of shares in Banco Cafetero, owned by the state national coffee fund, should raise another $300 million. And the sale of the fund's partial holding in the Flota Mercante Grancolombiana is expected to generate some $130 million. Additional equity in the shipping company may be sold at a later date.

Tighter Regulations On Intellectual Property Attack Software Piracy

US computer manufacturers are following closely the case brought against the government's Central Mortgage Bank (BCH) for allegedly copying and utilizing computer programs. The suit, the first of its kind in Colombia, has been filed by US software companies on the basis of an investigation by Indusoft, the national software association. As it will set a legal precedent, it could have multimillion dollar implications for firms that have licenses for only part of their software as well as for the many thousands of companies that have no licenses at all.

Stiffer Rules. The government recently stiffened penalties against intellectual property crimes. Offenders now face prison terms of two to five years. Authorities can also confiscate pirates' computers, close their business premises and cancel their operating licenses. At the very least, offenders face the risk of heavy fines.

Huge Losses. Authorities estimate that for every software program utilized legally in Colombia, there are as many as eight used illicitly by data "pirates" who copy programs without authorization and neglect to pay royalties. As a result, losses of software manufacturers are believed to exceed $100 million annually. But until now, companies have been able to do little to protect their rights as sanctions for software piracy have been lenient and provisions to ensure compliance of the law almost non-existent. Now, as a result of the BCH suit, rights-protection legislation is expected to be fully enforced. A number of companies using data irregularly have already taken steps to legalize their positions.

It is ironic that an entity such as BCH, in which the government has a majority holding, may be the first to run afoul of the more stringent legislation. BCH denies having committed piracy and claims it has licenses for its software programs, which were acquired in good faith from legitimate computer distributors. But Indusoft charges that at one stage, BCH's licenses did not cover all its programs.

Widespread Piracy. Piracy in Colombia is not confined to the computer industry. Other sectors such as publishing and home video have also been hard hit. In the case of the former, the industry has brought several suits in recent years against clandestine printers who, without paying royalties, have published everything from US, European and Colombian bestsellers to text books for school children and university students. Now, because of the threat of legal action, this is expected to diminish. The same is true of the home video film industry, which only a few years ago, was dominated by illegally copied movies. Now the police are moving against offenders, and thousands of illegal tapes are being confiscated. In a country where as many as half of all cigarettes sold are contraband, offenses will continue because of the inefficiency and corruption of the authorities. Still, it is hoped that in the computer sector at least, large companies will now begin to respect the law.

More Players Discover Bond Market

The local bond market scene is becoming increasingly lively. This month the Venezuelan government floated a $106.5 million public bond issue in Colombia. The three-year bonds, payable in dollars, were offered for purchase on the stock exchange and by the Valle Finance Corporation. They were sold at a substantial yield of slightly over 9.1% annually, tax-free. The issue is the first of its kind by a foreign entity in Colombia. A portion of the issue was also sold internationally. Bankers say the authorities demanded this to verify the pricing.

The Venezuelan issue will be followed shortly by a $50 million bond placement by CAF, the Andean Development Corporation. The Inter-American Development Bank is also said to be considering a bond offering; it may float a $100 million issue.

Plans For A Eurobond Issue. Last year the Gaviria government raised $750 million on the domestic money market with dollar-bond issues, floated to prepay external debt commitments and to finance electricity-sector development. Now, again in order to pre-pay foreign debt, the government is planning to float a $100-million eurobond issue.

	% Change			(In millions US $)					
Date	CPI	M1	Interest Rate (%)	Imports	Exports	Trade Bal	Current Acct Bal	Net Reserves	Exchange Rate
1984	18.3	23.3	28.5	3,025	2,485	-540	-1,706	1,795	112.80
1985	23.4	23.8	28.3	2,533	2,918	385	-1,586	2,067	172.30
1986	21.0	24.0	26.6	2,789	3,779	990	463	3,050	219.00
1987	24.0	32.9	26.2	3,012	3,471	459	-21	3,450	263.70
1988	28.1	25.8	27.0	3,514	3,841	327	-167	3,794	336.80
1989	26.0	26.0	28.0	3,819	4,274	455	29	3,867	433.92
1990	32.4	27.9	31.0	3,754	4,620	866	510	4,501	568.73
1991	26.8	34.1	29.7	4,428	5,488	1,060	2,339	6,420	706.86
Jan	3.1	-6.6	28.3	316	450	134	259	4,633	578.96
Feb	3.4	-9.5	28.3	441	404	-37	328	4,593	588.63
Mar	3.5	-7.7	30.1	486	798	312	445	4,533	598.46
Apr	2.5	-6.4	29.9	457	149	-308	582	4,605	608.45
May	2.2	-1.3	28.5	362	503	141	930	4,905	618.61
Jun	1.6	0.9	30.1	215	403	188	1,210	5,165	628.82
Jul	2.6	-1.0	30.1	269	455	186	1,521	5,436	639.37
Aug	1.6	-0.9	32.3	301	519	218	1,834	5,864	652.11
Sep	1.9	0.5	31.2	346	544	198	2,184	6,126	667.18
Oct	1.5	6.8	30.6	441	459	18	2,107	6,379	679.30
Nov	1.3	4.4	30.5	377	370	-7	2,206	6,383	694.70
Dec	1.6	16.8	29.7	417	434	17	2,339	6,420	706.86
1992	25.5	34.0	28.0	5,700	5,300	-400	1,000	8,000	830.00
Jan	3.5	10.6	24.9	429	430	1	214	6,518	716.70
Feb	3.3	-11.8	23.8	399	480	81	451	6,700	725.10
Mar	2.8	-9.9	23.4	448	395	-53	565	6,938	733.34
Apr	2.8	-1.8	22.4	347	392	45	707	7,102	741.66
May	2.8	-2.6	23.4	476	490	14	923	7,315	750.68
Jun	2.8	4.6	21.5	434	379	-55	1,052	7,423	758.62
Jul	2.3	4.0	21.8	532	409	-123	1,072	7,473	767.22
Aug	0.8	1.3	27.3	547	329	-128	1,028	7,462	775.94
Sept	1.3	4.2	27.1	549	410	-139	1,008	7,492	784.75
Oct	0.8	7.1	27.7	523	433	-90	958	7,567	793.65
Nov	0.7								
Dec									
1993	22.0	32.0	30.0	6,500	6,000	-500	500	8,600	970.00
Column Number	1	2	3	4	5	6	7	8	9

SHORT-TERM OUTLOOK

• Inflation in 1992 totalled just over 25%, or some 3% above the government's original target. With relatively tight monetary restrictions likely to remain in force, the CPI should rise by no more than 22% in 1993, according to the government.

• Money supply growth, which has been running at almost 35% annually for the past two years, should slacken in 1993 because the government amnesty for returning flight capital has terminated. Interest rates have dropped because of government controls intended to keep the cost of short-term loans to a mean of 35%. The controls are likely to remain in force through the second quarter of 1993.

• Imports grew by 25.5% through October due to the relaxation of trade barriers. Exports fell by nearly 12% in the same period, partly because of depressed prices for oil, coffee and other commodities. The government is unconcerned about the negative trade balance because of its massive reserves of roughly $8 billion.

• The crawling peg devaluation rate has been cut to less than 17% annually as an anti-inflationary measure. The slower rate is likely to be maintained throughout 1993.

FOOTNOTES BY COLUMN: Annual figures for 1993 are projections. 1-2: Annual figures represent January-December increase. 2: Monthly figures represent year-to-date change. 3: Rate on 90-day CDs. Annual figures represent average for year. 4-9: Annual figurls represent values at year-end.

SOURCES BY COLUMN: 1: Dane. 2-9: Banco de la Republica.

• GDP grew 2.5-3% in 1992. Growth may pick up to 5% this year, according to the government, particularly if the industrialized nations put their recession behind them. The booming construction sector will probably continue to ride high in 1993 because of the persistent housing shortage. Resumption of work on the Medellin metro and a projected increase in pubic works expenditure of as much as 35% will be among the factors fostering growth, as will a likely reduction in energy rationing.

• Manufacturing output was up 7.5% in the first nine months of 1992. Auto sales registered a hike of 28.2% through October, partly because restrictions on imports have been lifted. Retail sales grew 3.5% in the January-August period.

• The construction sector enjoyed 34.2% growth in the 12-month period ended last October. The government housing program, now gathering momentum, will call for investment of at least $100 million in 1993. In the private sphere, a significant proportion of the ongoing investment in real estate has been generated by the drug trade. But many other projects have been financed by legitimate entrepreneurs, attracted by the low risk and high returns to be gained in the sector.

• Exports of petroleum and derivatives grew only moderately in 1992 above the $1.5 billion earned in 1991 because of incessant guerilla raids on oil pipelines. The rebels were so active in November that they virtually closed down exports of crude. Just 550,000 barrels of a scheduled 6 million made it through the pipeline in the month. Prospects for the sector remain very bright, however, because of the discovery of 2 billion barrels of reserves at Cusiana. Daily national output could reach 600,000 barrels by 1996.

• Coal exports were down 43% to $290 million through October because of poor prices. Ferronickel exports suffered a similar fate, slumping 32% to $101 million. Gold output was down 11%. Emerald shipments, though, could pick up in value as plans to form an international gem exchange in Bogota take root.

• Coffee exports brought in barely $1.3 billion in 1992. The figure is expected to rise little, if at all, in 1993. Flower export earnings in 1992 fell short of the 1991 figure of $270 million because of recession conditions in importing countries. Leather goods also suffered, with exports down 25% in the first half. Banana exports fell some $70 million in value because of poor prices. But sugar exports rose 25% because of surplus output, and shrimp exports earned nearly $50 million in 1992 as a result of investments in expanded capacity.

• The rapidly expanding plastics sector increased export income 16% to $102 million in 1992.

• The unemployment rate fell to 9.2% last year from 9.8% in 1991, thanks largely to the building boom.

COMPANY MONITOR

• US software firm Microsoft has opened a subsidiary in Colombia because of the country's rapidly growing demand for computer products.

• Coltejer, the Medellin textile group, will invest $72 million in 1993 to modernize its facilities and boost exports.

• With an investment of $20 million, the Colombo-Argentine firm Impsat has launched "Teleport," an international telecommunications service geared to large companies.

• Minas y Metalurgia Quimbaya, of Manizales, will begin annual production of 3.6 tons of ornamental gold chains, primarily for export.

• Sweden's Ericsson was awarded a contract to install 11,000 new telephone lines in Ibague.

• Local investors have formed a new carrier, Republic Airways, to operate domestic services.

• Coinvertir, a mixed public-private corporation with the backing of 90 of the country's largest companies, has been founded to attract foreign investment to Colombia.

• The Mexican group EPN has joined with state power utility CHEC and Caldas Finance Corp. to form Sociedad Geotermica Andina, which plans to exploit the geothermal resources of the Ruiz volcano in central Colombia for power generation.

COLOMBIAN DELEGATION TO DALLAS & HOUSTON, TEXAS
MAY 1993

Rudolf Hommes, Minister of Finance

Juan Manuel Santos, Minister of Foreign Trade

Guido Nule, Minister of Energy & Mines

Jaime Garcia-Parra, Ambassador of Colombia to the United States

Gabriel Silva, Advisor to the President for International Affairs
Presidencia de la Republica

Martin Carrizosa, Advisor to the President for Economic Affairs
Presidencia de la Republica

Armando Vegalara, Executive Director, Corporacion Invertir en Colombia
(Colombian Foreign Investment Corporation)

Rafael Herz, Director, Infrastructure & Energy Division,
National Planning Department, Government of Colombia

Carlos Arturo Angel, President, ANDI
(Colombian Industrialist Association)

German Bula, President, ACOPI
(Colombian Association of Small Industries)

Monica de Greiff, Senior Executive, Shell Oil

Daniel Mazuera, President, Bolsa de Bogota
(Bogota Stock Market)

Cesar Gonzales, President, Asociacion Bancaria
(Colombian Banking Association)

Luis Gallo, President, Estrategias Corporativas, SA

Jaime Lizarralde, Executive Director, Council of American Companies

Bernardo Vargas, Director General, ProExport Colombia

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