2.3 Macroeconomic Trends

2.3.1 Long Term Trend of the Colombia Economy

(1) General trend of the GDP

The growth rate of the GDP of Colombia is shown in Table 2.3 and Figure 2.3. In the course of major changes in the world economy; including the favorable condition till the first half of the 1970s; the first oil crisis in the latter half of 1973; the subsequent worldwide economic problems; the second oil crisis in the latter half of the 1970s; the ensuing stagnation of the world economy in 1981; and the subsequent fall of the oil price, the Colombian economy grew at a relative stable rate in the range of 4% to 7% the latter part of the 1960s through 1980, with the exception of the low growth rate of 2.3% in 1975 (0.1% per capita) and the high growth rate of 8.5% in 1978.

Still, there were distinctive economy cycles peaking in 1972 and 1978 as seen in Figure 2.3.

And following the stagnant world economy since 1981, the economic growth started to decline in 1981 in Colombia too, resulting in a negative growth on a per capita basis during the 1982 - 1983 period. And in spite of the subsequent recovery of the world economy, the recovery of the business conditions in Colombia had to wait till 1986. Then it recorded high growth of more than 5% in 1986 and 1987, but slowed down again to 3% levels in 1988 through 1990. As shown in Table 2.3, Colombia has been showing relatively healthy growth compared to other Andes countries; Only Colombia recorded a positive growth of per capita GDP while other Andes countries a negative growth between 1980 and 1988.

(2) GDP and the manufacturing industry

Table 2.4 show the shares of the industries in the economic activity. The share of agriculture has consistently declined, the 33.6% during the 1950 - 1954 period falling to 20.7% in 1987. The manufacturing industry grew from 17.4% during the 1950 - 1954 period to 22.9% in the 1975 - 1978 period, but the growth stagnated since then and fell to 21 - 22% in the 1980s. But there has been no change in that the two account for over 40%. Other than above, commerce, government services, finance, transportation, personal services, etc. maintained shares in the range of 7 - 10%, followed by public services (including communication, electricity, gas), construction, and mining at around 3%.

Table 2.5 and Figure 2.4 shows the growth rates and percentages of GDP and the manufacturing industry. It is to be seen that during the first half of the 1970s when the growth of GDP was high, the growth of the manufacturing industry surpassed it and during the period since the 1980s when the GDP was stagnant the manufacturing industry was more stagnant.

Table 2.6 compares growth rates of GDP and the manufacturing industries in Colombia, Venezuela, Mexico, Thailand, and Korea covering the periods 1965 - 1980 and 1980 - 1986. During the 1965 - 1980 period the growth rates in Asia were somewhat higher compared to Latin America but there were no substantial differences. There are, however, substantial differences in the growth rates since 1980. As there evolved a wide difference in the growth rates of the manufacturing industry in particular, the percentage of the manufacturing industry in GDP which was 18% for both Colombia and Korea in 1965, rose to 30% in Korea and stayed at 18% in Colombia.

Table 2.7 shows the structural change of the manufacturing industry. Production of consumer goods account for approximately 53% in 1985, food having a major share. Intermediate goods account for approximately 34%, textiles, chemicals, paper, plastics being the major items and iron and steel accounting for only 2.4%. Capital goods account for around 13% and is a minor item. Depending on the definition, capital goods exclude automobiles, etc. but here they are included. Table 2.8 shows the record of production of capital goods and metal products, non-electrical machinery, electrical machinery and transportation equipment showed negative growth during the 1980 - 1985 period.

Table 2.9 shows the export ratio and the import substitution ratio by products of the manufacturing industlry. It is to be seen that almost all consumer products except scientific equipment are produced domestically and that the self-sufficiency in intermediate goods except iron and steel, non-ferrous metals, and chemicals has progressed. The import substitution rate in capital goods is low, the rate being lower than 50% for machinery excluding electrical machinery. Separate analysis will be made in Chapter 3 on basic metals and machinery that constitute the capital goods.

Table 2.10 shows the record of investment by each manufacturing industry. Each industry reduced the investment in 1984. Among these industries, food, textiles, iron and steel and chemicals account for significant portions.

(3) The relationship between the GDP and exports of coffee and miscellaneous commodities

The respective relationships are shown in Table 2.5 and Figure 2.4.

Exports of miscellaneous commodities mean exports of manufactured products, such as agricultural products, food and textile products, excluding coffee and fuel such as oil. (Table 2.11 shows the list of miscellaneous commodities exported in 1987 indicating that agricultural products such as bananas and flowers, etc. account for 29.1%, minerals account for 20.1% and the products of the manufacturing industry account for 50.8%. Among the manufactured products chemicals account for 9.9% followed by metalworking for 8.7% and garments for 6.2%. Table 2.12 shows major importers as of 1985. The U.S. is dominant with 44% and followed by Venezuela, Peru, and other Central and South American countries).

It was already mentioned that when the growth rate of the GDP is high the growth rate of the manufacturing industry is high and when the growth rate of the GDP is low the growth rate of the manufacturing industry is lower than it.

As shown in Table 2.1.6, the price of coffee increased gradually since 1970, turning up sharply in 1976 and, subsequently, exports of coffee varied with the change in price and the volume exported, but did not fall as in the first half of the 1970s and it may be said that the price is maintained at a high level compared to the price of that period. The exports of the miscellaneous commodities increased in parallel with the exports of coffee, and was stable at a high level during the recession of 1980.

In addition to exports of coffee and miscellaneous commodities, exports of oil grew rapidly since 1987.

Under these export trends, there seems to exist a negative association between the growth of manufacturing and the GDP. That is, up to 1975 when exports of coffee and the miscellaneous commodities became favorable, the growth of the GDP and manufacturing were relatively high and the growth of the GDP and manufacturing declined after the exports stabilized at a high level. This indicates that the development of the GDP and manufacturing can be achieved under an appropriate industrial policy without the support of the exports of coffee.

There are cases where favorable exports of special products will inhibit the growth of manufacturing. The case of Netherlands, where a decline of manufacturing and the increase of unemployment took place caused by the rise of price in the first oil crisis, is cited at times as the "Dutch sickness". In the Colombian case, too, as will be discussed in 2.3.3, there was a negative devaluation in real terms during the 1976 - 1983 period. The currency was evaluated so much strongly, indicating the possibility of hindering manufacturing, and in fact manufacturing was stagnant in terms of production. The real value of the currency returned to the 1975 base in 1986. There are Colombian literatures that cite the "Dutch sickness". The exports of miscellaneous commodities also declined during this period, but not as severely as the GDP or manufacturing. It seems that the decline in the GDP and manufacturing since 1981 is affected more by such factors as the stagnation of the growth of the domestic demand brought about by the tightening of the rise of the real interest rate due to the rapid increase of the accumulated debt and the decrease of the private investment, as will be discussed in 2.3.1 (5). It seems that the growth rate of GDP declines when the consumer price index is high. This will mean that the domestic market is suppressed to suppress inflation.

(4) GDP and external trade

Figure 2.5 shows the shares of exports and imports in the GDP from 1978 to 1988.

There is a wide variation from year to year, but both exports and imports are in the range of 7 to 12% and do not represent significant proportions.

As discussed in details in 2.3.2, exports declined since 1980, imports exceeded exports since 1981, and the commodity trade showed a deficit till 1984, but export increased from 1985 exceeding imports again.

Imports continued to decrease from 1981 to 1985. Major reasons for this are the stagnation of the domestic economy and import restriction by the government.

(5) Relationship between national expenditure and the GDP

Table 2.13 shows shares of consumption and capital expenditures in GDP. The characteristics here are that the share of consumption is around 80% of the GDP, of which 70% is accounted for by personal consumption. Fixed capital formation is 18% or less and the savings which exceeded the fixed capital formation till 1980 started to run short after 1981.

The fixed capital formation, as shown in Figure 2.6, exhibits a broad decline in the private capital formation after 1980, replaced by a rapid increase in the public investment.

Public investment will be discussed in 2.3.5.

2.3.2 International Balance of Payments

Table 2.14 and Figure 2.7 show the international balance of payments of Colombia covering the period 1970 - 1988.

In trade, both exports and imports continued to increase from 1970 to 1980 and trade balance maintained surplus except for the extraordinary year such as 1974. On the other hand, services including financing continued a deficit and the total showed deficits for the first half of the 1970s and surpluses for the latter half.

Entering the 1980s, however, the trade balance also turned to deficits from 1981 to 1984 and services showed a large deficit in total, caused by the sharp increase of the deficits in financing.

The trade balance turned to a surplus from 1985 due to increase of exports and decrease of imports, but because of the large deficit in services, there was a deficit in the current account in 1985. Then in 1986 and 1987, the current account turned into surplus, as fueled by growth of exports (rise of coffee prices in 1986). But in 1988 through 1990, the imports continued to grow, the current account turned into defecit again.

The exports in recent years, as shown in Table 2.15, consists of approximately 80% commodities and approximately 20% services, and of the exports of commodities, exports of coffee and miscellaneous commodities are the main items, but exports of oil has come to hold a large share since 1987. Coffee at times may account for 42% as in 1986 depending on the fluctuation of the price, but in the 1987 - 1988 period exports of miscellaneous commodities exceeded the exports of coffee. (Table 2.16)

Imports mainly consist of intermediate goods (approximately 50%) and capital goods (approximately 35%) as shown in Table 2.17 and Figure 2.8. As may be seen from the figure, imports increased sharply till 1982 but continued to decrease since then till 1986. As shown in Table 2.18 and Figure 2.9, it is seen that the increase of the prior approval items and the suppression of the free items by the government exhibited a substantial effect. The imports of capital goods decreased particularly. In 1990, the Colombian government decided to initiate a five-year economic opening policy to boost a percentage of free import items from 38.9% to 70.1%. The opening program was implemented in two stages; in the first two years, tariff rates will be raised in exchange for the increase in free import items, so as to protect domestic industries, then in the subsequent three years, tariff rates will be lowered to planned levels.

2.3.3 Inflation, Exchange Rate and Interest Rate

Table 2.19 and Figure 2.10 show the general consumer price index and the food price index, the nominal exchange rate and the real exchange rate, the real devaluation and the prices computed from it based on 1975 and the real exchange rates based on 1975.

The consumer price index has been held down to a level of 20 - 21% in Colombia when the countries of Latin America suffered from high inflation rates. The food price index were slightly higher than the general price index.

The relationship between inflation and devaluation is shown in Figure 2.11, indicating that devaluation in 1975 - 1983 was inadequate compared to the inflation. This shows that there was a negative devaluation in real terms during this period.

Figure 2.12 shows the calculation of the real exchange rate from 1975 based on the exchange rate of 1986, indicating a rise to 65% in 1982.

As shown in Table 2.19, based on the exchange rate of 1975, the real exchange rate continued a gradual rise since 1976 and rose to 74% in 1983, reaching finally in 1986 the 1975 level, indicating that the peso was valued on the low side of 10% in the 1987 - 1988 period. The reason for the somewhat higher tendency in 1989 is said to be due to a delay in adjusting to the bullish trend of the U.S. currency.

That the increase in exports of coffee raised the real exchange rate was discussed before.

It is obvious that the real exchange rate will affect the international competitiveness and, further, the imports and exports and the industrial structure of Colombia, from which aspect it is desirable that the real exchange rate is not on the high side. The open economy policy considers the present exchange rates to be acceptable and will maintain it in the future.

Table 2.20 shows the calculation of the real exchange rate and the real effective exchange rate taking into account the export incentives. Also, Figure 2.13 shows the relationship between the real devaluation and the international balance of payments.

One notable point in relation to inflation is the control of interest rates. Figure 2.14 shows the relationship between inflation and interest rate. What is seen here is that the rise of interest rate is higher than the inflation and, therefore, the real interest rate has risen since 1977. That the private investment is lower than that in 1981 has been mentioned before, and Figure 2.15 is a graph depicting the relationship between the real interest rate and private investment. It is noted that the increase of the real interest rate caused the decrease of private investment, while suppressing inflation at the level of 20 to 21%. As shown in Table 2.20-2, changes in nominal and real interest rates between 1986 and 1989 indicate that the real interest rate has been lowered after late 1986.

Figure 2.16 shows the relationship between the real interest rate and savings, and the increase of the real interest rate is not linked to the increase of savings.

2.3.4 External Debt

Table 2.21 and Figure 2.17 show the state of external debt. While private debt did not increase in the 1970 - 1978 period, the public debt increased constantly, the ratio to the total increasing from 80% in 1970 to 88% in 1980. Entering 1980, the private debt started to increase and the total accumulated debt increased, reaching $13.4 billion in 1986.

Table 2.22 and Figure 2.18 show the increase of the debts by the electric power and energy sectors in the public debt, indicating a large share of the debt (47.2% in 1987) by the two sectors.

Figure 2.19 shows the ratio of the debt to exports, indicating that there was an increase in the public debt while the private debt decreased, reaching 45 - 50% of exports in total.

Figure 2.20 shows the foreign currency reserve from 1970 to 1987. It increased sharply in the latter part of the 1970s due to favorable exports of coffee and miscellaneous commodities. It shows how immediately after this, the foreign currency holding was reduced on account of the deterioration of the foreign currency balance. In 1990, the foreign currency reserve is equivalent to 7.1 months of imported goods and 4.5 months of imported goods and services.

Figure 2.21 shows the net and total debts and Figure 2.22 shows them as ratios to the GDP.

2.3.5 Government Budget

Table 2.23 and Figure 2.23 show changes in budgeted revenues and expenditures of the central government.

Up to 1978, the revenues were in balance with the expenditures, but since 1978, the budget for capital formation increased while the revenues decreased, turning the balance into a deficit. Subsequently the revenues started to increase after 1985 and the capital expenditures were cut back, the deficit being held down to 1.4% of the GDP in 1986, followed by 1.45% in 1988, 1.73% in 1989, and 1.39% in 1990. The deficit level is expected to be controlled bellow 1.0% in the future.

Table 2.24 shows the breakdown of the public capital investment for the 1980 - 1986 period, indicating investments in agriculture and mining in the production sector and major investments were made in mining in 1982 - 1986.

It shows that investments were made in power, transportation, and telecommunication in the infrastructure sector and in water mains, education, and health in the social and welfare sectors.

The changes in the investments in production, infrastructure, and social sectors are shown in Table 2.25 and Figure 2.24, indicating that the infrastructure sector was in the range of 50 to 60%, except for 1982, accounting for a large share.

The revenues and expenditures in the public sector are shown in Table 2.26 and Figure 2.25. In terms of current account expenditures, there is a surplus but when the investments are added, there is a deficit, which is supplemented by external and internal debts.

Table 2.2 TRANSPORTER'S TRANSPORTATION COST BY TRUCK MINIMUM TARIFF (FOR CLIENT)

Unit: Ton General Cargo

Destination	Origin															
	B/QUILLA	BOGOTA	B/MANGA	B/VENTURA	CALI	C/TAGENA	CUCUTA	IBAGUE	IPIALES	M/ZALES	M/LLIN	NEIVA	PASTO	PEREIRA	POPAYAN	V/CENCIO
ARMERIA	8,200	4,700	7,000	4,000	3,000	8,200	9,000	3,000	8,000	2,500	4,000	4,000	7,000	1,700	4,000	7,000
BARRANQUILA	-	11,000	5,700	11,000	11,300	2,700	8,300	11,000	14,500	11,300	9,600	12,300	13,200	11,300	11,700	12,000
B/BERMEJA	6,200	7,500	3,000	9,600	9,000	7,300	6,000	7,700	12,600	8,500	10,000	7,500	12,400	9,000	9,800	8,000
BOGOTA	8,500	-	6,000	6,000	5,500	9,000	8,000	3,700	9,800	5,000	5,500	4,000	9,600	4,600	6,400	4,000
BUCARAMANGA	5,000	5,800	-	8,000	9,000	6,000	4,000	7,000	12,000	7,000	8,700	7,000	11,300	7,300	9,600	7,000
BUENAVENTURA	11,000	7,000	11,000	-	2,700	11,000	13,000	5,400	8,000	4,800	5,800	6,200	7,000	4,000	3,700	8,600
CALI	8,900	6,400	9,000	2,700	-	8,300	11,000	4,600	6,200	4,000	6,000	5,500	5,300	3,000	2,800	8,000
CARTAGENA	2,700	11,300	7,000	11,000	11,000	-	8,800	11,500	13,400	11,000	9,200	12,500	13,000	11,300	11,000	12,200
CARTAGO	8,000	4,800	7,500	3,200	2,600	7,600	10,100	3,700	7,500	2,800	3,600	4,300	6,600	1,600	3,600	7,500
CUCUTA	8,500	8,800	4,000	11,400	11,000	7,500	-	9,300	15,000	10,100	11,200	10,200	14,500	10,200	11,500	10,000
DUITAMA	7,500	3,000	4,500	6,400	6,600	7,700	7,000	4,400	11,200	5,800	7,000	5,000	10,500	5,800	7,000	5,400
IBAGUE	9,000	3,600	6,000	4,700	4,000	8,000	8,000	-	8,800	3,600	5,200	2,800	8,000	3,600	5,000	6,000
IPIALES	14,000	10,000	12,000	8,000	6,200	13,000	15,000	8,800	-	8,350	10,000	8,000	2,450	8,000	5,350	12,200
MANIZALES	7,800	4,300	7,000	4,200	3,600	7,500	8,800	3,600	8,350	-	4,000	5,200	7,500	2,000	4,500	6,500
MEDELLIN	6,000	5,300	8,500	4,700	4,400	5,000	10,400	5,000	9,000	3,850	-	5,900	8,200	4,100	5,680	7,700
NEIVA	9,700	4,000	7,000	6,100	4,600	9,400	8,900	2,800	7,000	5,200	6,700	-	7,000	4,600	4,300	5,500
PASTO	12,000	9,000	11,300	7,000	5,400	11,300	14,500	8,000	2,250	7,500	9,000	7,500	-	7,000	3,700	11,200
PEREIRA	7,700	4,500	7,300	3,500	3,000	7,600	9,200	3,000	8,000	2,000	3,600	4,600	7,000	-	4,000	7,000
POPAYAN	10,000	7,500	9,000	3,800	2,250	9,200	11,450	5,000	5,350	4,500	6,500	4,300	4,300	4,000	-	9,000
SANTA MARTA	2,800	12,800	7,000	11,800	11,200	3,750	8,000	13,000	14,600	11,200	10,000	12,500	14,000	11,200	12,400	14,000
VILLAVICENCIO	9,500	3,700	7,100	8,600	7,500	10,600	9,700	6,000	12,200	6,500	7,600	5,600	11,200	7,000	9,000	-

Source: COLFECAR

Table 2.3 GROWTH RATE OF GDP AND MANUFACTURING INDUSTRY (CONSTANT PRICE IN 1975)

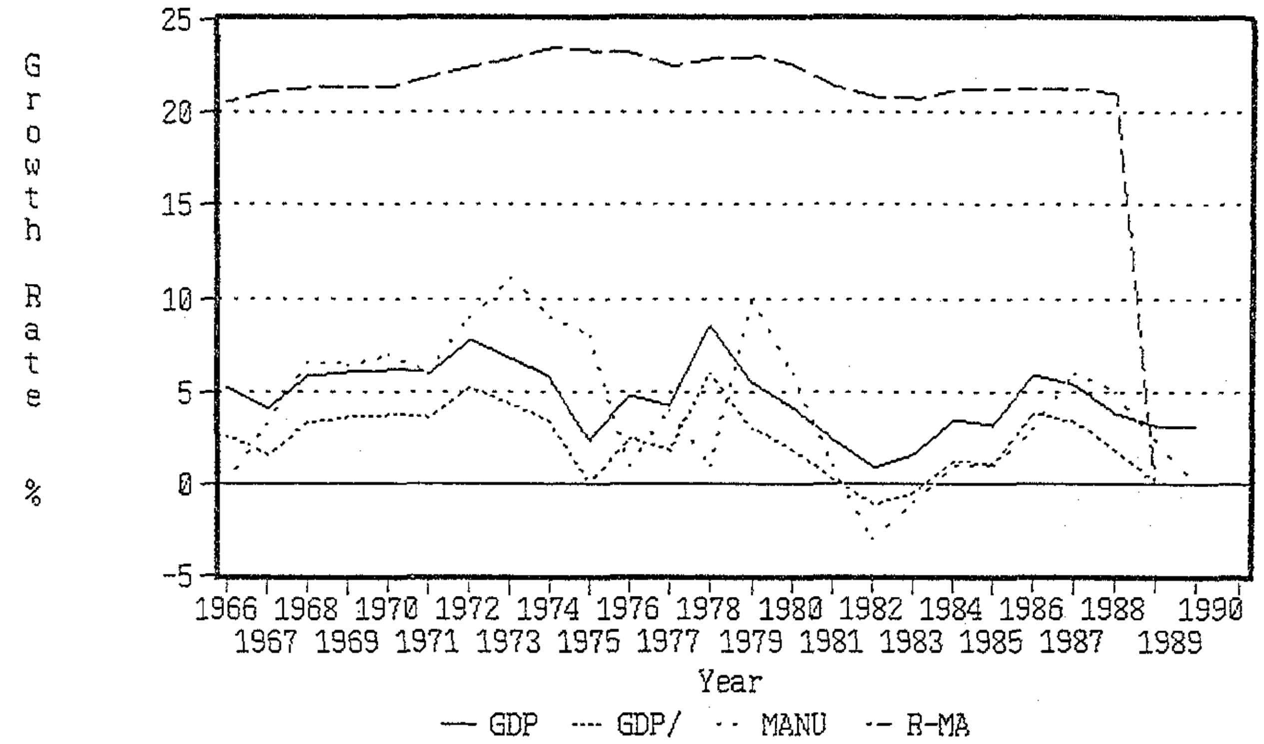
Unit: %

	GDP	GDP/	MANU	R-MA	CONS	INTE	CAPI
1965	-	-	-	21.0	-	-	-
1966	5.2	2.5	3.2	20.6	-	-	-
1967	4.1	1.5	6.5	21.1	-	-	-
1968	5.9	3.3	6.4	21.4	-	-	-
1969	6.1	3.6	7.0	21.4	-	-	-
1970	6.2	3.8	6.0	21.4	56.5	30.0	13.6
1971	6.0	3.5	9.0	21.9	-	-	-
1972	7.7	5.2	11.0	22.5	-	-	-
1973	6.7	4.3	9.0	22.9	-	-	-
1974	5.7	3.3	8.0	23.5	-	-	-
1975	2.3	0.0	1.0	23.2	53.4	32.4	14.1
1976	4.7	2.4	4.0	23.1	-	-	-
1977	4.2	1.8	1.0	22.5	-	-	-
1978	8.5	6.0	10.0	22.9	-	-	-
1979	5.4	3.0	6.0	23.0	-	-	-
1980	4.1	1.7	1.0	22.4	50.4	35.4	14.2
1981	2.3	0.2	-3.0	21.3	-	-	-
1982	0.9	-1.1	-1.0	20.8	-	-	-
1983	1.6	-0.5	1.0	20.7	-	-	-
1984	3.4	1.2	1.0	21.2	-	-	-
1985	3.1	1.0	3.0	21.2	50.1	37.6	12.3
1986	5.8	3.8	6.0	21.2	51.2	35.9	12.9
1987	5.3	3.3	5.0	21.2	50.0	36.3	13.7
1988	3.7	1.7	2.3	20.9	-	-	-
1989(p)	3.1	-	-	-	-	-	-
1990(e)	3.0	-	-	-	-	-	-

Notes: GDP/ - GDP/Capita
MANU - Manufacturing
R-MA - Ratio of Manufacturing
INTE - Intermediate
CAPI - Capital Goods
(p) - Projection
(e) - Estimation

Source: COLOMBIA ESTADISTICA 1989
PROGRAMACION MACROECONOMICA 1990

Figure 2.3 GROWTH RATE OF GDP AND MANUFACTURING INDUSTRY



Notes: GDP/ - GDP/Capita
R-MA - Ratio of Manufacturing
INTE - Intermediate
CAPI - Capital Goods

Source: COLOMBIA ESTADISTICA 1989
PROGRAMACION MACROECONOMICA 1990
(FIGURE OF EXPENDITURE IN PLAN DE ECONOMICA SOCIAL DIFFER DNP)

Table 2.3-2 GDP AND GDP PER CAPITA (IN 1973 CONSTANT PRICE)

	Bolivia		Colombia		Ecuader		Peru		Venezuela		Grand Total	
	Total (Million US$)	Per Capita (US$)	Total	Pre Capita	Total	Pre Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita
1975	2,603	532	22,430	968	5,298	753	17,143	1,131	21,349	1,686	68,823	1,094
1980	3,034	545	29,111	1,129	7,259	894	19,451	1,126	25,141	1,673	83,996	1,170
1986	2,615	399	33,971	1,159	8,310	862	20,806	1,030	24,776	1,394	90,478	1,084

Source: COLOMBIA ESTADISTICA 1989

Table 2.4 SECTORAL COMPOSITION OF ECONOMIC ACTIVITIES 1950 - 1987

Unit: %

	1950-1954	1955-1959	1961-1964	1965-1969	1970-1974	1975-1979	1980-1982	1983-1986	1987	1988
Agriculture	33.6	31.3	28.9	26.6	23.9	23.4	22.6	21.9	20.7	21.3
Mining	3.2	3.2	3.1	3.0	2.3	1.4	1.3	2.0	3.1	4.5
Manufacturing Industry	17.4	19.4	20.6	21.1	22.5	22.9	21.5	21.2	21.7	20.9
Construction	2.8	3.4	2.9	3.2	3.6	3.3	3.5	4.0	3.7	3.8
Public Service	0.6	0.8	1.1	1.4	1.6	1.9	2.4	2.8	2.8	-
Commerce	10.5	9.8	9.8	10.0	10.4	10.4	10.5	10.1	10.5	11.9
Financial Service	3.5	4.0	5.0	5.6	6.5	6.8	7.6	7.4	7.1	8.8
Transportation	6.6	6.9	6.9	7.0	7.3	7.9	8.1	7.9	7.9	-
Governmental Service	7.3	6.9	7.1	7.0	7.2	7.3	8.0	8.0	8.0	-
Personal Service	7.8	7.6	7.3	7.3	7.2	7.7	7.6	7.5	7.3	-
House Lending	6.7	6.7	7.3	7.9	7.5	7.0	6.9	7.2	7.2	-
	100.0	100.0	100.0	100.1	100.0	100.0	100.0	100.0	100.0	71.2

Source: PLAN DE ECONOMIA SOCIAL
1950 - 1970 BANCO DE LA REPUBLICA
1970 - 1986 DANE
1987 DNP
COLOMBIA ESTADISTICA 1988

Table 2.5 GROWTH RATE OF GDP AND OTHERS

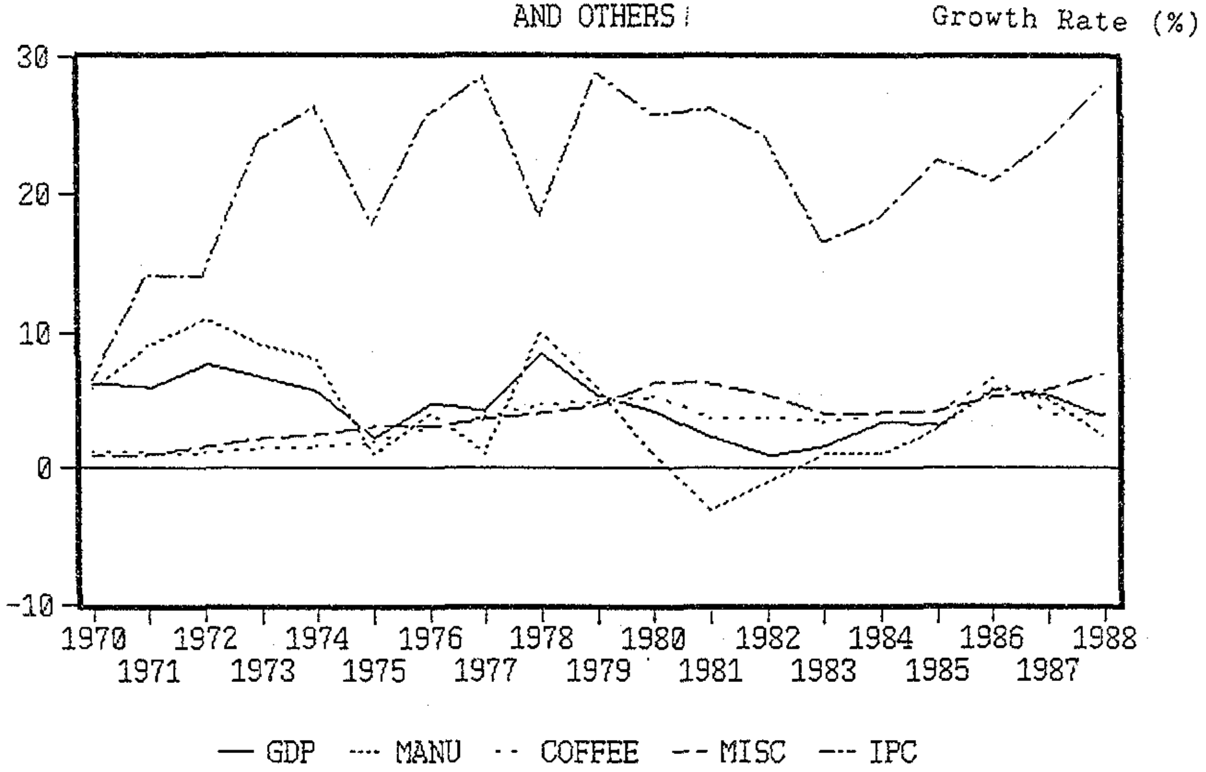
Unit: %

	GDP	MANU	COFF	MISC	IPC
1970	6.2	6.0	1.2	0.9	6.6
1971	6.0	9.0	1.0	1.0	14.0
1972	7.7	11.0	1.2	1.6	14.0
1973	6.7	9.0	1.5	2.2	24.1
1974	5.7	8.0	1.7	2.6	26.4
1975	2.3	1.0	1.9	3.1	17.8
1976	4.7	4.0	3.2	3.2	25.8
1977	4.2	1.0	3.9	3.8	28.7
1978	8.5	10.0	4.7	4.2	18.4
1979	5.4	6.0	5.1	4.7	28.8
1980	4.1	1.0	5.4	6.4	25.9
1981	2.3	-3.0	3.7	6.2	26.3
1982	0.9	-1.0	3.7	5.3	24.1
1983	1.6	1.0	3.5	4.0	16.6
1984	3.4	1.0	4.2	4.2	18.3
1985	3.1	3.0	4.2	4.3	22.4
1986	5.8	6.0	6.7	5.3	21.0
1987	5.3	5.0	4.0	6.0	24.0
1988	3.7	2.3	4.0	7.1	28.1

Notes: MANU - Manufacturing
DOFF - Coffee
MISC - Miscellaneous
IPC - Consumer price index

Source: COLOMBIA EXTADISTICA 1989

Figure 2.4 GROWTH RATE OF GDP
AND OTHERS



Notes: MANU - Manufacturing
COFF - Coffee
MISC - Miscellaneous
IPC - Consumer Price Index
Source: COLOMBIA ESTADISTICA 1989

Table 2.6 GROWTH RATES OF GDP

Unit: %

		Colombia	Venezuela	Mexico	Thailand	Korea
Population, 1986 Million		29.0	17.8	80.2	52.6	41.5
Per Capita GNP, US$		1,230	2,920	1,860	810	2,370
Growth Rate of GNP	1965 - 1980	5.7	5.2	6.5	7.4	9.5
	1980 - 1986	2.4	-0.9	0.4	4.8	8.2
Growth Rate of Manufacturing	1965 - 1980	6.2	5.8	7.6	10.9	18.7
	1980 - 1986	2.5	2.0	-0.1	5.2	9.8
Ratio, Manufacturing to GNP	1965	18	-	21	14	18
	1986	18	23	26	21	30
Ratio, Personal Consumption to GNP	1965	75	54	72	71	83
	1986	68	66	64	62	55

Source: World Bank's Report

Table 2.7 INDUSTRIAL PRODUCT'S STRUCTURE

Unit: %

	1970	1974	1980	1985
Consumer Goods	49.0	45.3	47.8	52.9
Food	23.5	21.5	21.4	25.1
Drink	8.3	8.0	9.7	10.0
Tobacco	2.1	1.9	1.1	1.4
Cloth	3.4	2.8	3.7	3.4
Shoe	0.6	0.5	0.8	0.9
Furniture	0.6	0.5	0.4	0.4
Printing	2.3	2.1	1.5	1.1
Other Chemicals	6.8	6.5	6.8	8.0
Ceramics	0.4	0.4	0.4	0.4
Scientific Equipment	0.2	0.2	0.6	0.7
Other Industries	1.0	1.0	1.4	1.5
Intermediate Goods	37.4	38.3	34.5	34.2
Textile	14.3	10.8	9.3	7.0
Leather	1.2	0.7	0.8	0.7
Wood	1.0	0.7	0.6	0.6
Paper	3.6	4.6	4.1	4.5
Industrial Chemical	3.4	6.7	6.5	7.7
Refinery of Petroleum	3.1	2.9	2.2	1.5
Deliveries from Petro and Coal	0.0	0.2	0.1	0.1
Rubber	2.1	2.6	2.2	2.1
Plastic	1.3	2.3	3.0	3.7
Glass	0.6	0.8	0.8	0.8
Other Non-metallic Material	3.4	3.1	2.5	2.6
Iron and Steel	2.7	2.3	2.1	2.4
Non-ferrous Metal	0.6	0.6	0.4	0.5
Capital Goods	13.6	16.4	17.7	13.0
Metal Product	4.3	4.5	4.0	3.4
Non-electrical Machine	2.7	3.1	3.5	2.2
Electrical Machine	2.5	2.7	4.0	3.4
Transportation Equipment	4.1	6.2	6.3	4.0
Total	100.0	100.0	100.0	100.0

Source: PLAN DE ECONOMIA SOCIAL

Table 2.8 PROGRESS OF INDUSTRIAL PRODUCTION BY SECTOR 1970 - 1985

Unit: Million Pesos in 1970

Sector of Industry	Production 1970	1974	1980	1985	Increasing Rate* (%) 1970-74	1974-80	1980-85	1970-85
Consumer Goods	29,070	36,760	52,534	67,544	6.04	6.13	5.15	5.78
Food	13,931	17,440	23,514	32,074	5.78	5.11	6.41	5.72
Drink	4,926	6,477	10,703	12,814	7.08	8.73	3.67	6.58
Tobacco	1,225	1,528	1,217	1,812	5.69	-3.73	8.29	2.65
Cloth	2,004	2,262	4,027	4,377	3.07	10.09	1.68	5.35
Shoe	331	395	861	1,114	4.49	13.88	5.30	8.43
Furniture	365	413	460	458	3.20	1.78	-0.06	1.54
Printing	1,353	1,691	1,667	1,363	5.72	-0.24	-3.95	0.05
Other Chemicals	4,021	5,271	7,517	10,157	7.00	6.10	6.21	6.37
Ceramics	234	314	429	521	7.71	5.32	3.95	5.49
Scientific Equipment	104	191	629	895	16.33	21.94	7.32	15.40
Other Industries	576	779	1,511	1,959	7.83	11.67	5.33	8.50
Intermediate Goods	22,183	31,122	37,952	43,633	8.83	3.36	2.83	4.61
Textile	8,483	8,746	10,221	8,879	0.77	2.63	-2.78	0.30
Leather	688	583	865	868	-4.09	6.82	0.06	1.56
Wood	606	569	620	735	-1.57	1.43	3.48	1.30
Paper	2,135	3,698	4,467	5,765	14.73	3.20	5.23	6.85
Industrial Chemical	2,009	5,477	7,098	9,888	28.49	4.42	6.85	11.21
Refinery of Petroleum	1,850	2,366	2,426	1,958	6.34	0.42	-4.19	0.38
Deliveries from Petro and Coal	21	129	137	178	57.73	1.03	5.45	15.41
Rubber	1,274	2,099	2,444	2,680	13.29	2.57	1.85	5.08
Plastic	769	1,849	3,313	4,703	24.53	10.21	7.26	12.83
Glass	346	680	884	982	18.38	4.46	2.13	7.20
Other Non-metallic Material	2,022	2,523	2,742	3,306	5.69	1.40	3.81	3.33
Iron and Steel	1,615	1,893	2,256	3,044	4.04	2.97	6.18	4.31
Non-ferrous Metal	364	510	479	647	8.81	-1.04	6.21	3.92
Capital Goods	8,063	13,309	19,516	16,560	13.35	6.59	-3.23	4.92
Metal Product	2,570	3,641	4,351	4,340	9.10	3.01	-0.05	3.56
Non-electrical Machine	1,578	2,492	3,815	2,814	12.10	7.36	-5.91	3.93
Electrical Machine	1,512	2,177	4,438	4,289	9.54	12.60	-0.68	7.20
Transportation Equipment	2,403	5,000	6,912	5,117	20.10	5.55	-5.84	5.17
Total	59,316	81,192	110,002	127,737	8.16	5.19	3.03	5.25

Note : * Annual Average
Source: DANE Annual Questionnaire Survey of Manufacture (PLAN DE ECONOMIA SOCIAL)

Table 2.9 INDICATOR OF DEVELOPMENT OF INDUSTRIAL PRODUCTION

Unit: %

	Export Ratio (1)			Import Substitution (2)		
	1974	1980	1985	1974	1980	1985
Consumer Goods	6.1	5.0	2.5	94.8	94.3	96.3
Food	6.4	5.1	2.3	96.7	95.8	98.0
Drink	0.0	0.0	0.1	98.8	99.0	99.3
Tobacco	0.1	0.3	0.2	99.8	93.2	99.0
Cloth	17.8	12.5	6.1	97.2	98.4	98.4
Shoe	19.0	6.8	5.3	99.7	99.4	99.3
Furniture	33.0	2.8	3.6	99.6	98.9	99.8
Printing	5.3	6.6	7.5	89.2	91.2	93.7
Other Chemicals	2.2	1.8	1.8	88.0	89.4	90.9
Ceramics	7.4	6.4	2.9	96.5	94.5	98.9
Scientific Equipment	16.4	10.0	5.2	43.1	49.1	59.3
Other Industries	32.8	34.4	11.7	88.0	87.7	96.5
Intermediate Goods	7.6	4.0	4.6	84.7	84.8	86.8
Textile	6.7	4.9	3.3	98.4	97.7	98.8
Leather	13.5	8.9	15.0	99.5	98.7	99.3
Wood	18.5	6.9	8.0	96.6	94.5	98.1
Paper	0.6	3.2	1.9	87.0	87.6	90.9
Industrial Chemical	8.9	4.4	4.5	63.4	67.0	74.0
Refinery of Petroleum	30.4	4.9	26.7	98.3	80.6	80.1
Deliveries from Petro and Coal	19.6	5.8	2.9	97.8	95.7	98.0
Rubber	3.0	1.2	0.9	96.2	91.8	95.5
Plastic	1.2	1.7	1.2	99.0	98.6	98.9
Glass	8.6	6.3	2.6	93.2	92.8	96.8
Other Non-metallic Material	5.8	5.5	2.9	95.6	97.4	98.4
Iron and Steel	2.5	0.2	6.2	67.5	69.7	68.2
Non-ferrous Metal	2.0	1.6	9.4	53.3	57.5	62.8
Capital Goods	3.8	3.6	2.0	69.6	60.1	74.1
Metal Product	4.2	4.5	2.3	93.8	88.5	91.9
Non-electrical Machine	9.5	8.1	4.0	45.0	34.3	48.7
Electrical Machine	2.4	1.8	2.0	75.2	69.3	79.7
Transportation Equipment	1.3	1.8	0.7	72.2	67.3	78.6
Total	6.3	4.4	3.2	85.7	82.7	89.5

Notes : (1) Export/Production
(2) Production minus Export/Domestic Demand

Source: PLAN DE ECONOMIA SOCIAL

Table 2.10 GROSS INVESTMENT OF MANUFACTURE 1970 (1)

Unit: Million Pesos

	1970	1980	1981	1982	1983	1984
Food	513	1,039	874	1,075	1,419	892
Drink	205	585	485	311	349	305
Textile	554	670	722	555	748	469
Cloth	59	147	112	111	46	71
Leather	28	42	33	27	20	25
Shoe	13	38	33	36	26	41
Wood	174	34	78	131	133	100
Furniture	13	2	11	29	17	23
Paper	76	130	311	230	321	190
Printing	94	205	164	289	359	233
Chemical Industry	103	316	1,120	276	456	445
Other Chemical	170	213	260	219	74	153
Rubber	55	76	58	52	71	32
Plastics	49	220	205	219	208	188
Ceramics	23	44	46	26	61	58
Glass	23	93	24	21	213	34
Other Non-metal Product	163	309	245	424	923	661
Iron & Steel	419	192	239	2,156	1,167	560
Metal Product	173	236	256	191	146	189
Non-electric Machine	99	64	90	57	63	61
Electric Machine	54	137	144	156	99	94
Transportation Equipment	84	209	352	273	190	136
Scientific Equipment	6	26	17	14	11	9
Other Industrial Product	32	54	33	130	19	48
Total	3,201	5,131	5,963	7,117	7,074	5,118

Note : (1) Excluding Petroleum and deliveries
Source: PLAN DE ECONOMIA SOCIAL

Table 2.11 EXPORT OF MISCELLANEOUS GOODS IN 1987

Unit: Thousand US$

Sector and Product	1986	1987	Variation(%)
1. Agriculture Sector	567,664	630,625	11.1
Banana	220,923	252,092	14.1
Flower	154,767	174,076	12.5
Crude Sugar	34,838	17,715	-49.1
Cotton Short Fiber	29,456	25,819	-12.3
Cotton Long Fiber	17,453	26,222	50.2
Black Tobacco	20,465	15,792	-22.8
Cacao Grain	5,300	16,514	211.6
Lobster	36,527	43,253	18.4
Beef	20,157	32,766	62.6
Fish	1,384	1,679	21.4
Vegitable and Fruit	9,125	12,046	32.0
Sugar Cane	2,228	1,076	-51.7
Other Product	15,041	11,569	-23.1
2. Mining Sector	285,717	434,671	52.1
Bituminous Coal	224,182	351,931	56.0
Cokes and Semi-cokes	10,278	7,670	-25.4
Platinum	7,538	1,034	-86.3
Precious Stone	36,032	62,432	73.3
Other Product	7,687	11,602	50.9
3. Industrial Sector	912,304	1,098,672	20.4
Food and Drink	59,613	69,743	16.0
Spinning Yarn and Cloth	93,884	104,712	11.5
Clothing	114,961	134,208	16.7
Wood and its Product	30,211	25,639	-15.1
Leather and its Product	98,211	111,296	13.3
Handicraft	80,760	114,021	41.2
Chemical Product	181,812	213,801	17.6
Non-metal Mineral	63,722	87,584	37.4
Metal-Machine	161,077	188,538	17.0
Other Manufacturing Industry	28,053	49,126	75.0
Total sectores	1,765,685	2,163,968	22.6

Source: INCOMEX approved register provincial figure

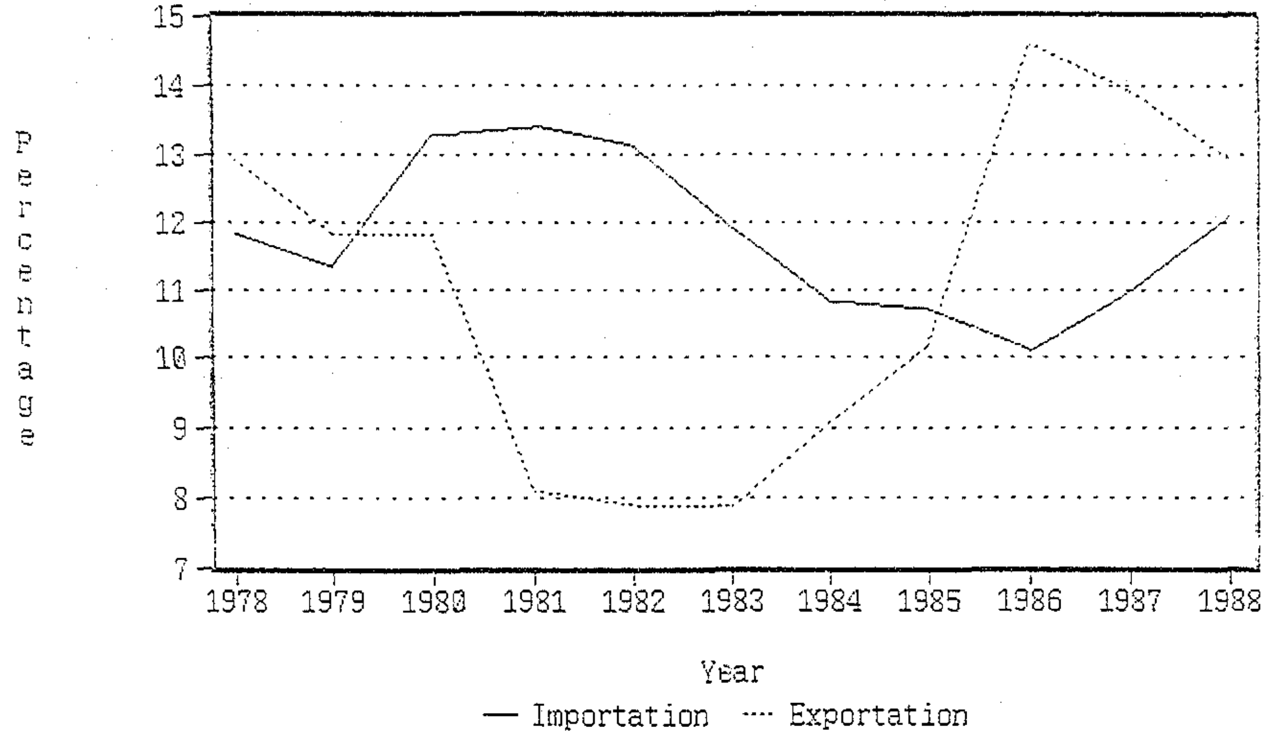
Table 2.12 DESTINATION OF MISCELLANEOUS EXPORT IN 1985

Unit: Million US$

Conutry	Value	Share (%)
United States	664.655	43.92
Venezuela	170.159	11.28
Peru	126.45	8.4
Panama	99.931	6.6
Japan	83.215	5.5
Argentina	80.02	5.2
Ecuador	63.495	4.2
West Germany	62.693	4.1
Netherlands	57.164	3.8
France	46.222	3.1
Dominica	33.243	2.19
Chile	31.997	2.1
Italy	30.667	2
Spain	23.464	1.6
Canada	20.702	1.4
United Kingdom	19.595	1.3
Brazil	12.033	0.7
Mexico	10.336	0.6
Sweden	6.383	0.4
Swiss	4.012	0.3

Source : INCOMEX, approved register

Figure 2.5 IMPORTATIONS AND EXPORTATIONS/GDP



Source: COLOMBIA ESTADISTICA 1989

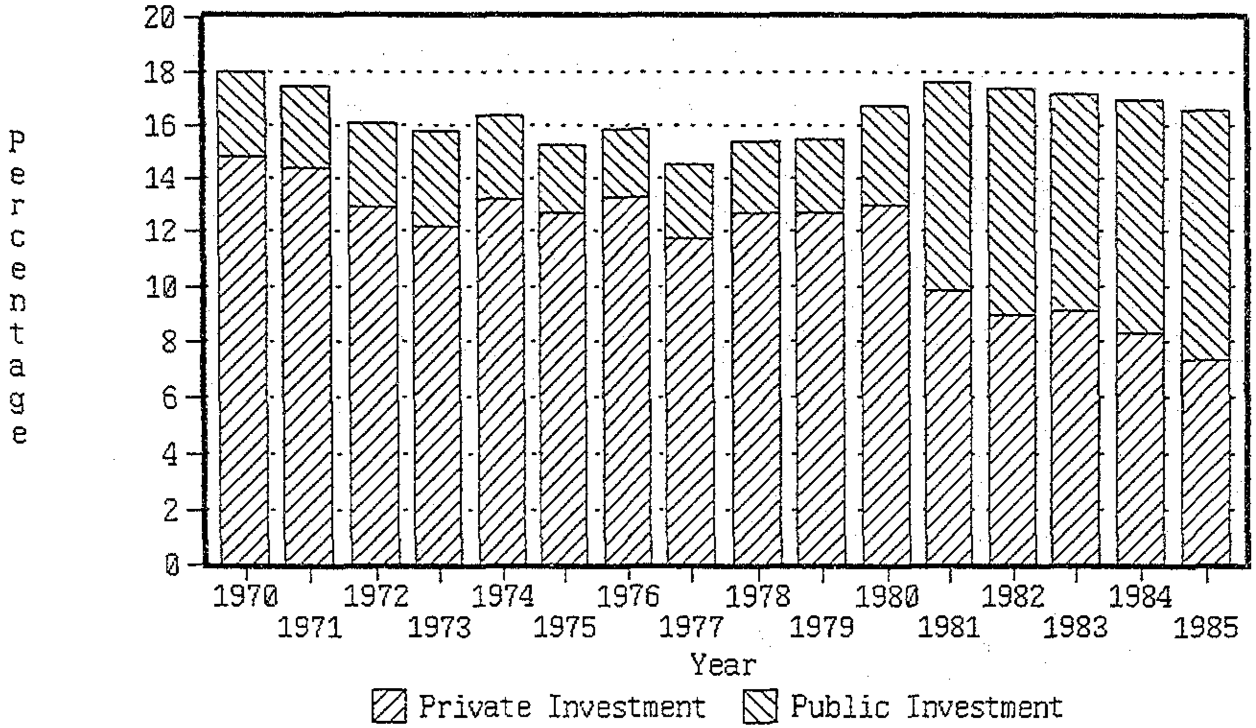
Table 2.13 FIXED CAPITAL (GDP EXPENDITURE SHARE IN GDP)

Unit: %

Year	Consumption			Fixed Capital			Resources			Saving	
	TOT1	PRIV	PUB	TOT1	PRIV	PUB	TOT1	EXPO	IMPO	DOM	NATO
1970	81.6	72.4	9.3	18.0	14.8	3.2	-1.9	14.0	15.9	18.4	16.2
1971	84.6	73.7	11.0	17.5	14.4	3.1	-4.0	12.7	16.7	15.4	13.5
1972	82.3	72.8	9.6	16.1	12.9	3.2	-0.5	14.2	14.6	17.7	15.8
1973	80.7	71.3	9.5	15.8	12.2	3.6	1.0	15.2	14.2	19.3	17.5
1974	80.8	72.0	8.7	16.4	13.2	3.2	-2.2	15.7	17.9	19.2	18.1
1975	82.3	73.4	8.9	15.3	12.7	2.6	0.7	16.7	16.1	17.7	16.0
1976	79.5	71.3	8.2	15.9	13.3	2.6	3.0	18.5	15.5	20.5	18.8
1977	78.1	70.4	7.7	14.5	11.7	2.8	3.2	17.7	14.5	21.9	20.8
1978	79.3	70.8	8.6	15.4	12.7	2.7	2.4	17.5	15.1	20.7	19.7
1979	79.5	70.2	9.3	15.4	12.7	2.8	2.4	16.7	14.4	20.5	20.0
1980	80.5	70.4	10.1	16.8	13.0	3.8	0.4	17.2	16.8	19.5	19.4
1981	84.0	73.5	10.4	17.7	9.8	7.8	-4.6	12.9	17.5	16.0	15.4
1982	95.7	71.4	10.9	17.5	8.9	8.5	-4.2	12.3	18.5	14.3	13.1
1983	85.9	75.0	11.0	17.2	9.1	8.1	-5.8	10.5	16.3	14.1	12.6
1984	84.4	73.4	11.0	17.0	8.3	8.7	-3.4	12.0	15.4	15.6	13.6
1985	83.6	72.9	10.7	16.6	7.3	9.3	-1.3	14.7	16.1	16.4	14.1
1986	81.1	70.5	13.8	16.4	-	-	1.3	17.2	15.9	-	-
1987	80.0	69.4	10.6	15.4	-	-	2.5	15.9	13.4	-	-
1988	80.9	69.3	11.6	15.8	-	-	1.0	15.3	14.3	-	-

Source : COLOMBIA ESTADISTICA 1988

Figure 2.6 FIXED CAPITAL/GDP



Source: COLOMBIA ESTADISTICA 1989

Table 2.14 TRADE BALANCE

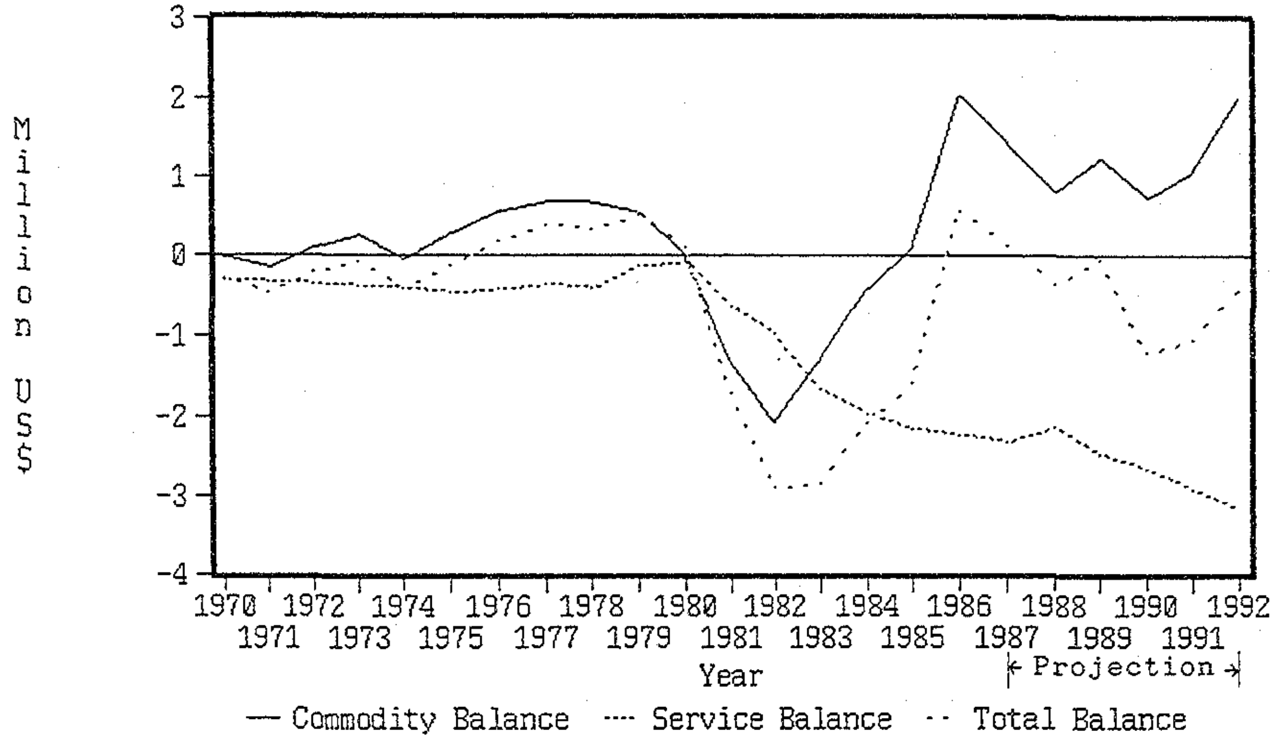
Unit: Million US$

Year	Commodity			Service				
Year	EXPOR	IMPOR	BALANCE	FINAC	OTHER	BALANCE	TRANS	TOTAL
1970	776	796	-20	-181	-116	-297	26	-291
1971	742	892	-150	-176	-164	-340	34	-456
1972	959	843	116	-196	-156	-352	35	-201
1973	1,236	976	260	-215	-157	-372	35	-77
1974	1,455	1,502	-47	-193	-220	-413	55	-405
1975	1,712	1,415	297	-263	-209	-472	48	-127
1976	2,214	1,654	560	-313	-109	-422	51	189
1977	2,674	1,969	705	-272	-89	-361	46	390
1978	3,219	2,552	667	-301	-109	-410	73	330
1979	3,515	2,978	537	-255	128	-127	102	512
1980	4,296	4,283	13	-211	137	-74	165	104
1981	3,397	4,730	-1,333	-427	-204	-631	242	-1,722
1982	3,282	5,358	-2,076	-787	-191	-978	169	-2,885
1983	3,147	4,464	-1,317	-918	-755	-1,673	164	-2,826
1984	3,623	4,027	-404	-1,240	-743	-1,983	299	-2,088
1985	3,782	3,673	109	-1,384	-772	-2,156	461	-1,586
1986	5,433	3,409	2,024	-1,538	-706	-2,244	785	565
1987	5,254	3,794	1,461	-1,698	-635	-2,333	1,001	128
1988	5,340	4,515	824	-1,591	-548	-2,139	965	-349
1989	5,976	4,741	1,235	-1,767	-700	-2,468	1,173	-60
1990	6,257	5,510	746	-1,904	-749	-2,653	700	-1,207
1991	6,982	5,885	1,097	-2,221	-686	-2,907	750	-1,060
1992	8,147	6,133	2,014	-2,469	-705	-3,174	750	-410
1993	9,157	6,803	2,356	-2,561	-725	-3,286	750	-180
1994	9,967	7,576	2,391	-2,630	-696	-3,326	750	-185

Source : COLOMBIA ESTADISTICA 1988
PROGRAMA DE MODERNIZACION DE LA ECONOMIA COLOMBIANA

Figure 2.7 COLOMBIA BALANCE OF PAYMENT

1970 - 1992 AS GDP PERCENTAGE



* Excluding Transportation

Source: COLOMBIA ESTADISTICA 1989

PROGRAMA DE MODERNIZACION DE LA ECONOMIA COLOMBIANA

Table 2.15 GOODS AND SERVICES EXPORTAIONS - PERCENTAGE COMPOSITION, 1980 - 1988

Unit: %

	COFFEE	MISCELA-NEOUS	PETROLEUM	COAL	OTHER	GOODS EXPORTATION TOTAL	INCOMES SERVICE CONCEPT
1980	38	29	2	0	5	74	26
1981	32	34	1	0	5	72	28
1982	32	29	4	0	4	68	32
1983	36	25	11	0	5	78	22
1984	38	24	10	1	7	78	22
1985	36	24	9	3	9	79	21
1986	42	21	9	3	6	81	19
1987	24	26	20	4	7	81	19
1988	23	29	13	5	9	79	21

Source : COLOMBIA ESTADISTICA 1988

Table 2.16 CRUDE COFFEE EXPORT AND PRICE

Year	Export Volume (Mil.Bag @60kg/bag	(International Market Price) FOB val Mil$	Price ¢/LB	Value as '71=1.00	Price as '71=1.00
1970	6,560.5	466.7	54.0	1.18	1.14
1971	6,550.6	395.4	47.2	1.00	1.00
1972	6,567.8	429.6	52.3	1.09	1.11
1973	6,807.4	596.9	64.3	1.51	1.36
1974	6,918.0	622.3	67.8	1.57	1.44
1975	8,205.7	671.8	67.4	1.70	1.43
1976	6,235.4	967.2	144.8	2.45	3.07
1977	5,153.1	1,497.7	236.7	3.79	5.01
1978	8,987.7	1,978.7	164.8	5.00	3.49
1979	11,035.1	2,005.1	175.5	5.07	3.72
1980	11,092.3	2,360.4	156.2	5.97	3.31
1981	9,005.9	1,423.3	130.1	3.60	2.76
1982	8,826.0	1,561.5	141.9	3.95	3.01
1983	9,065.8	1,506.2	133.7	3.81	2.83
1984	9,981.6	1,764.6	146.3	4.46	3.10
1985	9,754.7	1,745.5	147.7	4.41	3.13
1986	11,110.7	2,988.3	220.0	7.56	4.66
1987	11,027.2	1,650.7	122.0	4.17	2.56
1988	9,462.1	1,640.7	142.0	4.15	3.02
1989	10,840.0	-	108.0	-	2.30
1990	12,510.0	-	72.0	-	1.64

Note : FOB val - FOB Value
Source: COLOMBIA ESTADISTICA 1989
PROGRAMA DE MODERNIZACION DE LA ECONOMIA COLOMBIANA

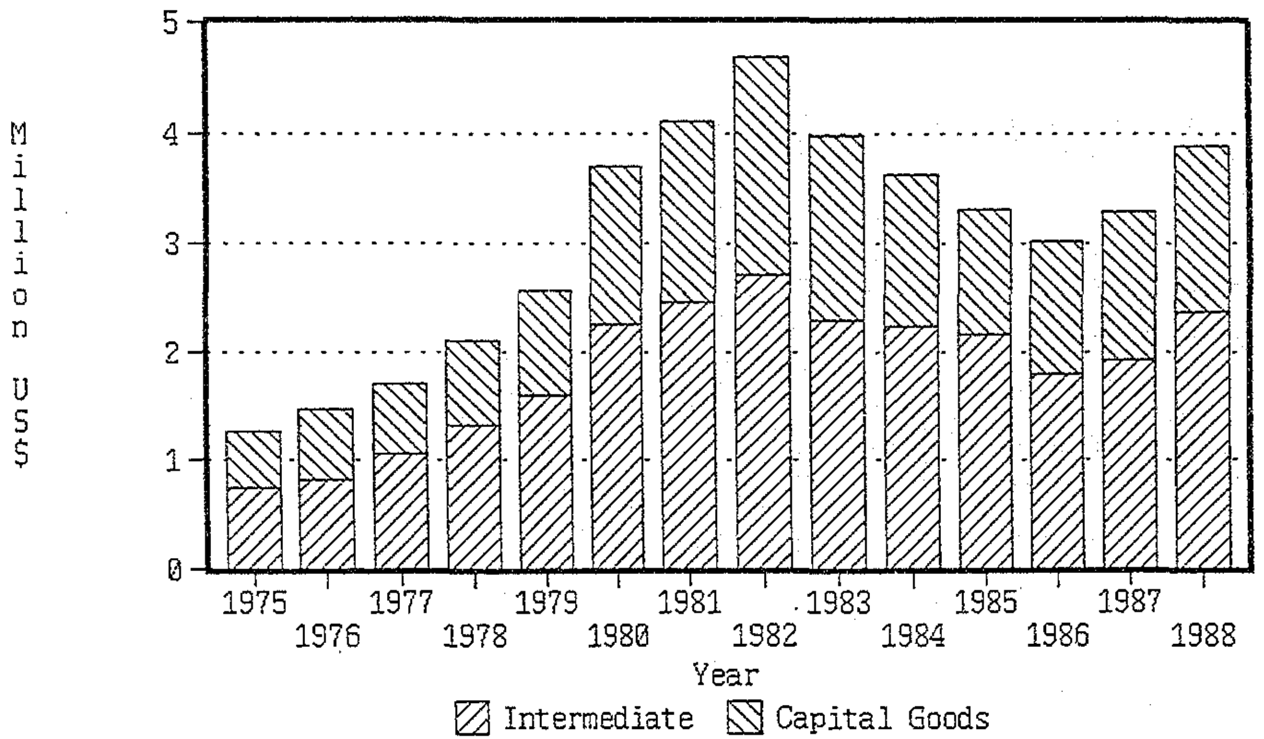
Table 2.17 IMPORT BALANCE

Unit : Million US$

Year	Total	Capi	Inte	Capi/Total	Inte/Total
1975	1,415	509	730	0.360	0.516
1976	1,654	645	810	0.390	0.490
1977	1,969	650	1,044	0.330	0.530
1978	2,552	791	1,302	0.310	0.510
1979	2,978	983	1,578	0.330	0.530
1980	4,283	1,456	2,257	0.340	0.527
1981	4,730	1,665	2,460	0.352	0.520
1982	5,358	1,972	2,711	0.368	0.506
1983	4,464	1,691	2,286	0.379	0.512
1984	4,027	1,409	2,231	0.350	0.554
1985	3,673	1,165	2,163	0.317	0.589
1986	3,409	1,245	1,784	0.365	0.523
1987	3,794	1,381	1,925	0.364	0.507
1988	4,426	1,523	2,355	0.344	0.532

Notes: Capi - Capital Goods
Inte - Intermediate Goods
Source: DNP

Figure 2.8 IMPORT BALANCE



Source: DNP

Table 2.18 IMPORT LICENSE

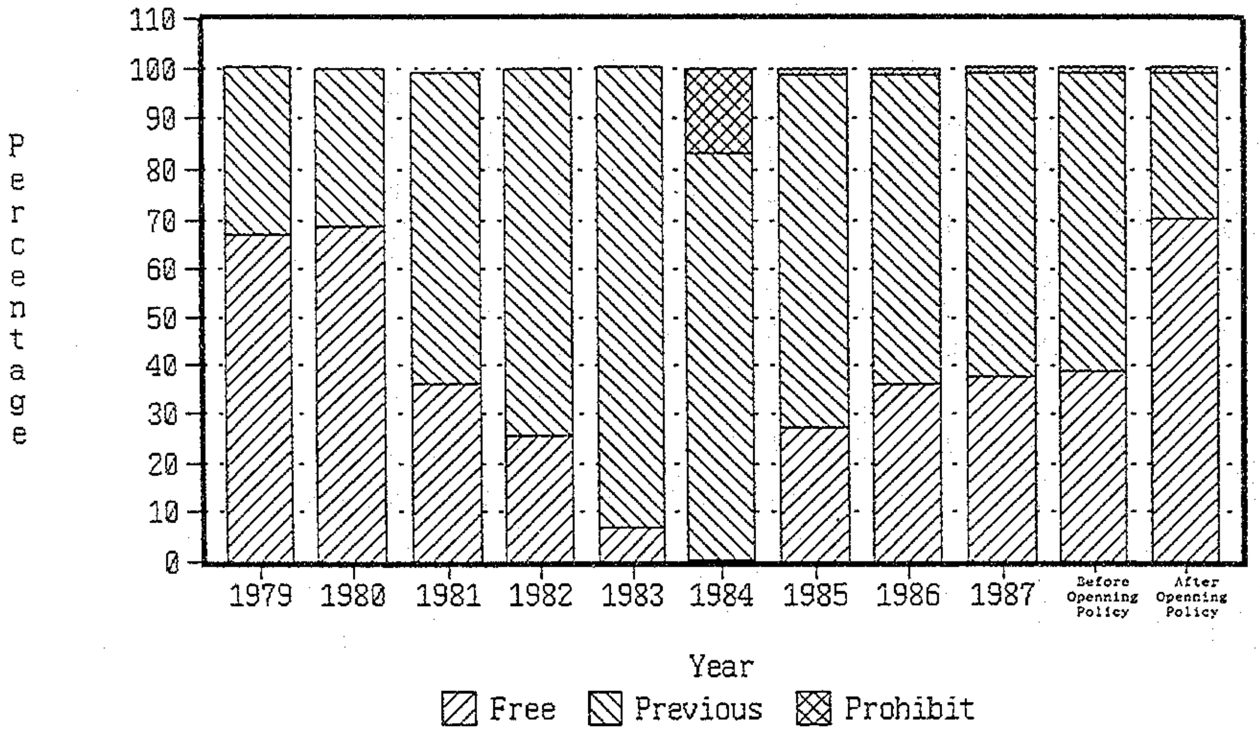
Unit: %

Year	FREE	PREV	PROH	IMPORT
1979	66.9	33.3	0.0	2,978
1980	68.6	31.4	0.0	4,283
1981	36.3	63.0	0.0	4,730
1982	25.7	74.3	0.0	5,358
1983	6.8	93.2	0.0	4,464
1984	0.5	83.0	16.5	4,027
1985	27.0	71.6	1.4	3,673
1986	36.2	62.7	1.1	3,409
1987	37.7	61.2	1.1	3,794
Befere openning policy	38.9	60.1	1.1	-
After openning policy	70.1	28.9	1.1	-

Notes: PREV - Previous
PROH - Prohibit

Source: INCOMEX

Figure 2.9 IMPORT LICENSE



Source: INCOMEX

Table 2.19 CPI & EXCHANGE RATE

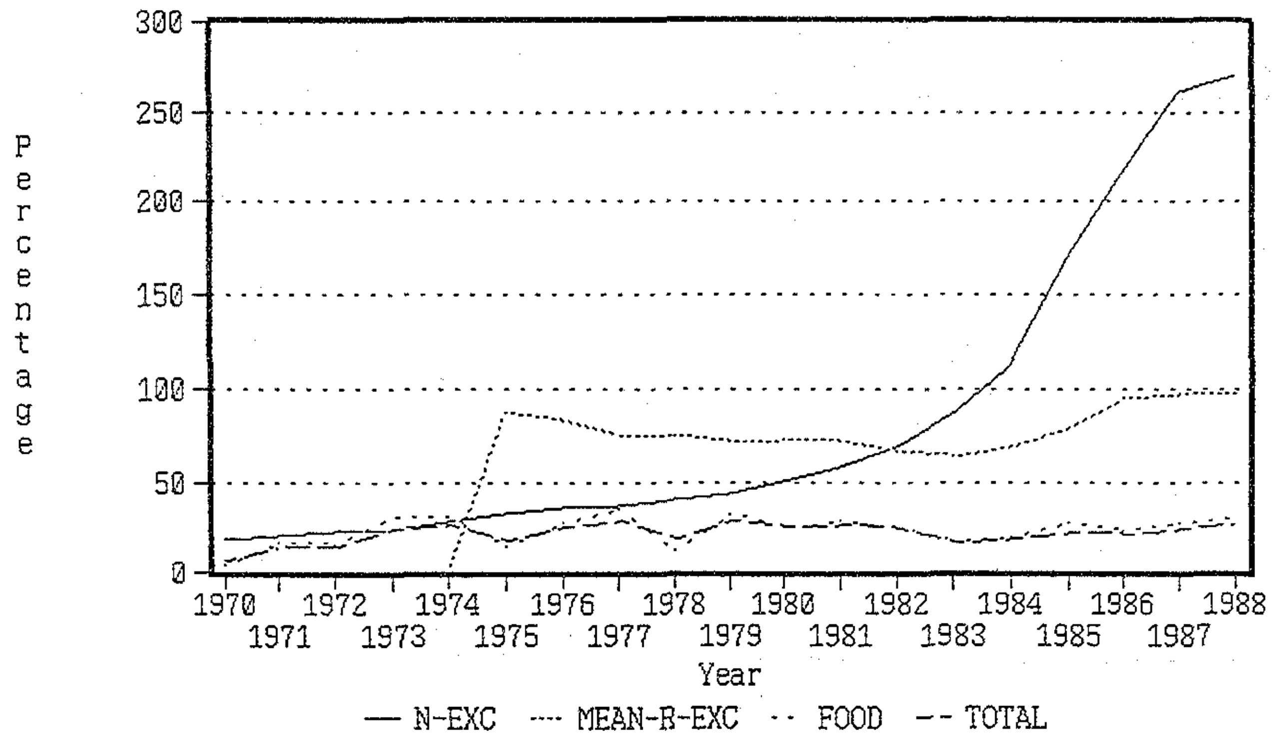
Unit : %

Year	Total CPI	Food CPI	N-EXC	86 BASE MEAN-R-EXC INDEX	MEAN R-DEV %	CPI at 1975	REAL at 1975
1970	6.58	3.94	19.05	-	-	-	0
1971	14.04	16.65	20.51	-	-	-	0
1972	14.01	15.99	22.75	-	-	-	0
1973	24.11	31.24	24.75	-	-	-	0
1974	26.36	30.67	28.63	-	-	-	0
1975	17.79	14.33	32.96	87.54	-	-	
1976	25.76	27.79	36.32	83.51	-4.60	125.8	95.4
1977	28.73	35.00	37.96	75.06	-10.12	161.9	85.7
1978	18.40	11.94	41.00	74.85	-0.28	191.7	85.5
1979	28.80	32.00	44.00	71.53	-4.44	246.9	81.7
1980	25.85	25.83	50.92	73.10	2.19	310.9	83.5
1981	26.36	28.48	59.07	71.42	-2.30	392.8	81.6
1982	24.03	24.41	69.59	66.21	-7.29	487.2	75.6
1983	16.64	17.22	87.83	64.41	-2.72	568.3	73.6
1984	18.28	19.64	112.76	69.91	8.54	672.1	79.9
1985	22.45	27.71	169.19	80.01	14.45	822.9	91.4
1986	20.95	23.70	216.97	94.95	18.67	995.3	108.5
1987	24.02	27.17	262.08	97.13	2.30	1,234.4	111.0
1988	28.12	30.85	270.91	97.24	0.11	1,581.6	111.1
1989	15.16	14.35	-	-	-	-	-

Notes: N-EXC - Nominal Exchange Rate
R-EXC - Real Exchange Rate
R-DEV - Real Devaluation
CPI in 1989 is at end of June 1989
CPI - Consumer's Price Index

Source: COLOMBIA ESTADISTICA 1989

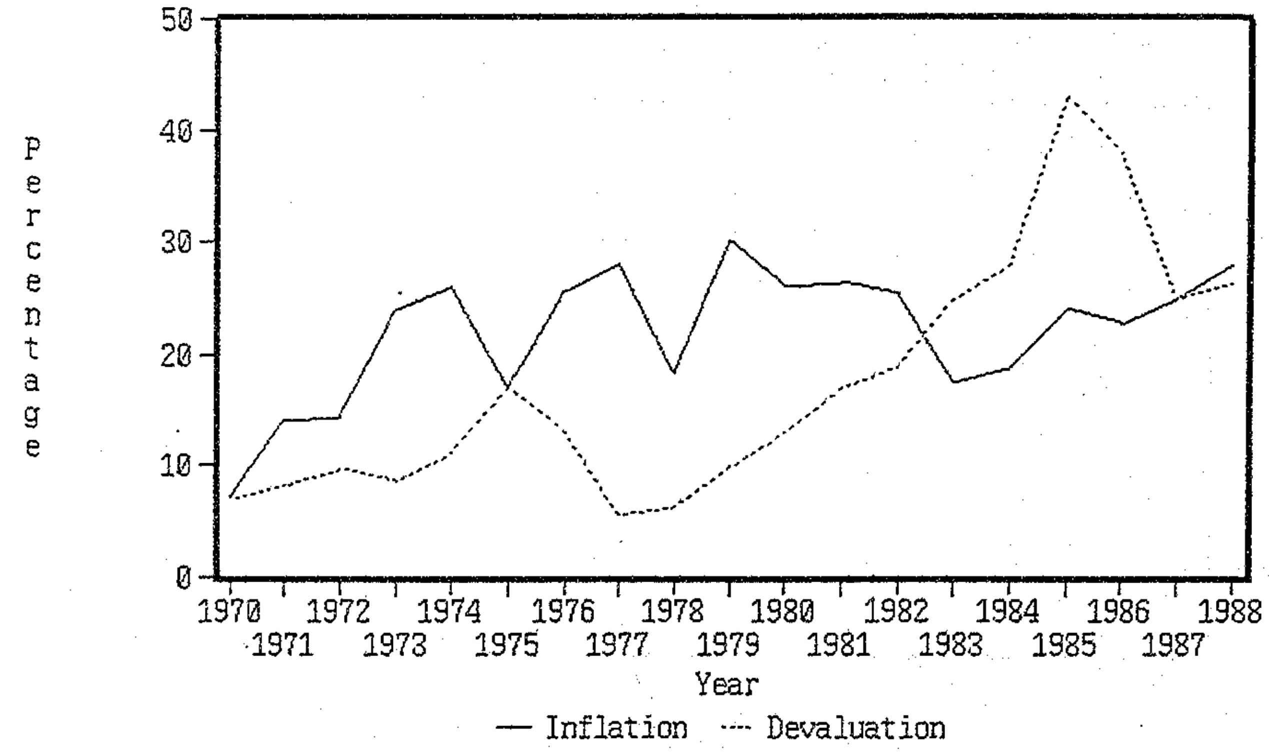
Figure 2.10 CPI & EXCHANGE RATE



Notes: N-EXC - Nominal Exchange Rate
R-EXC - Real Exchange Rate
R-DEV - Real Devaluation
CPI in 1989 is at end of June 1989.

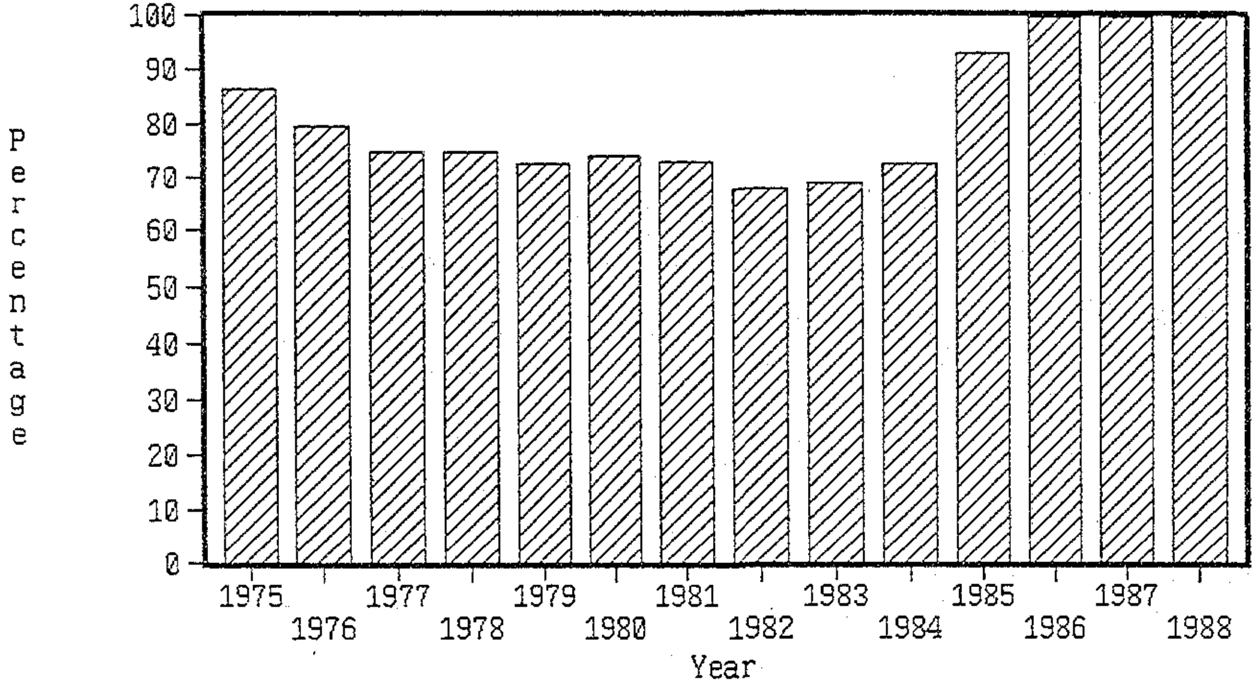
Source: COLOMBIA ESTADISTICA 1989

Figure 2.11 INFLATION AND DEVALUATION RATE



Source: COLOMBIA ESTADISTICA 1989

Figure 2.12 REAL CHANGE OF
THE PRICE INDEX 1975 - 1988



Source: COLOMBIA ESTADISTICA 1989

Table 2.20 REAL EFFECTIVE EXCHANGE RATES FOR EXPORTS

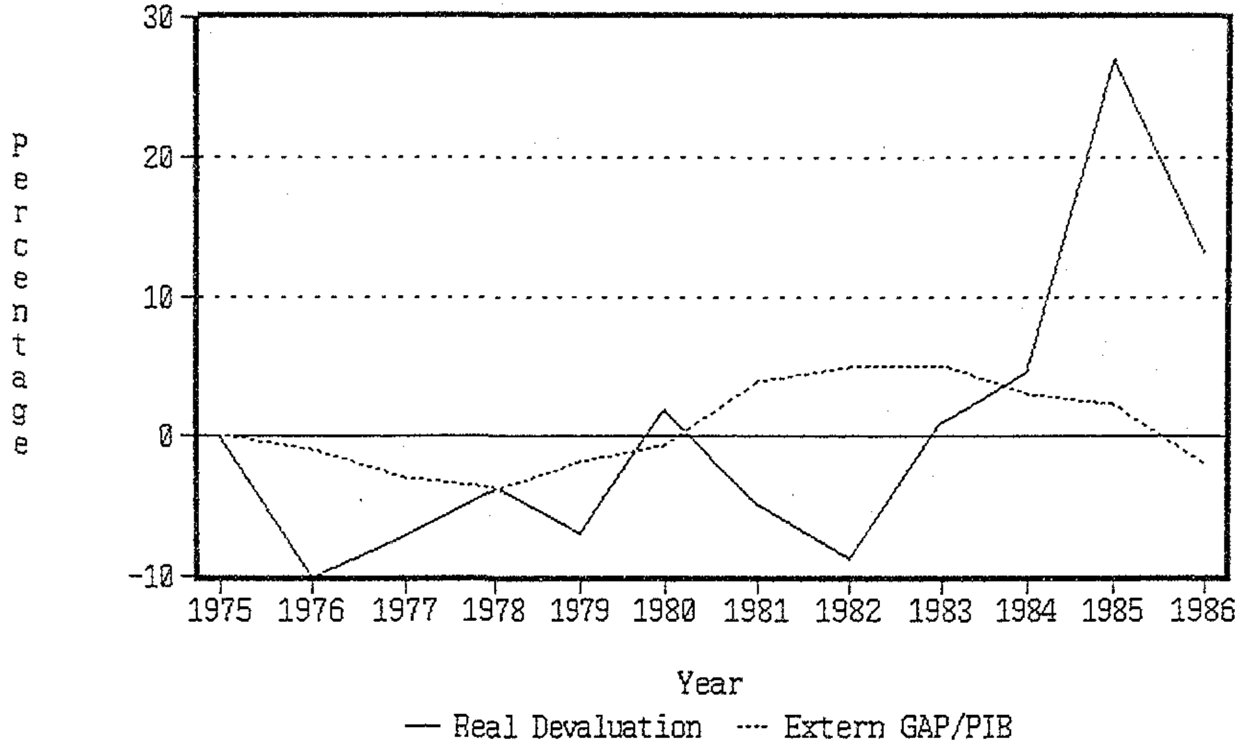
Unit: %

	Real Exchange Rate *	Weighted Export Incentives (%)	Real Effective Exchange Rate
1981	77.3	7.2	82.9
1982	71.7	7.7	77.2
1983	69.7	12.3	78.4
1984	75.7	14.5	86.7
1985	86.6	14.4	99.1
1986	99.4	8.7	108

Note: * December 1985 = 100

Source: BANCO DE LA REPUBLICA

Figure 2.13 VARIATION OF THE RATE OF REAL CHANGE AND THE EXTERNAL GAP



Source: PLAN DE ECONOMIA SOCIAL

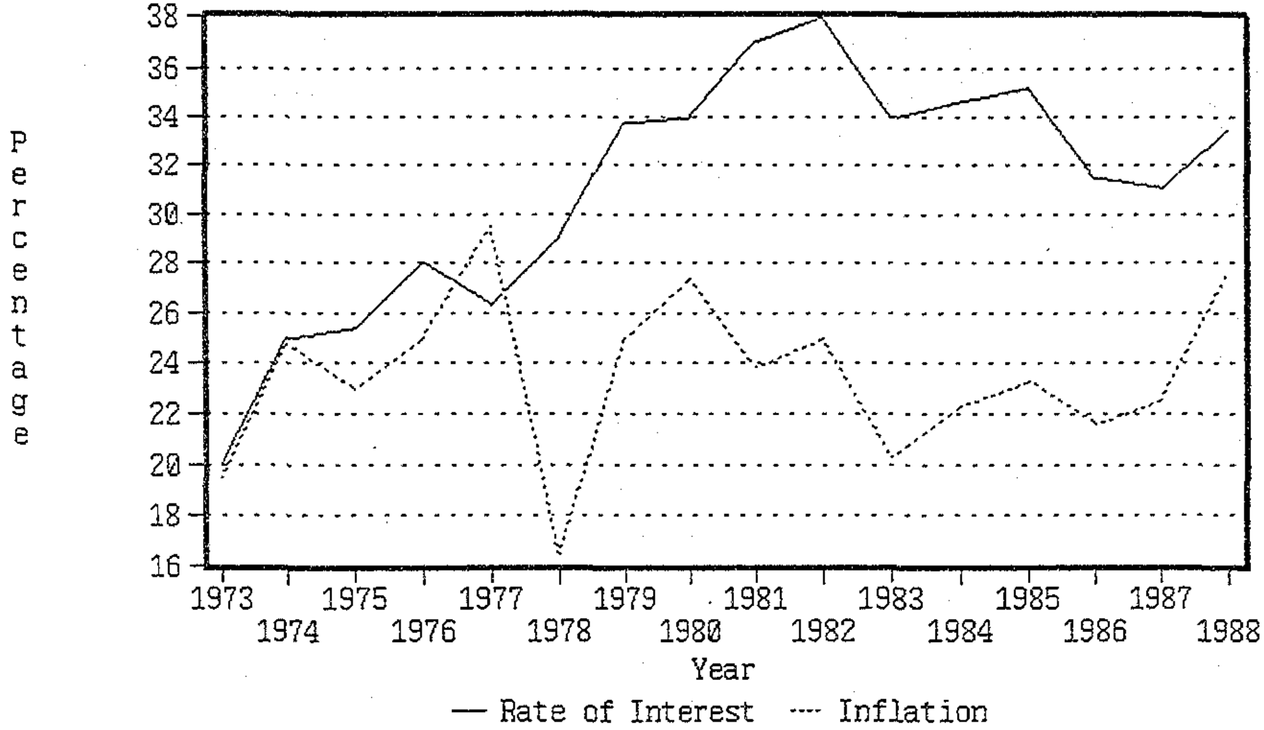
Table 2.20-2 INTEREST RATE

Unit: %

Year		Nominal Achive.	Nominal Passive.	Real Achive.	Real Passive
1986	I	40.4	31.0	16.8	8.9
	II	41.1	31.7	19.6	11.5
Average		40.8	31.4	18.2	10.2
1987	I	41.4	30.3	15.3	6.3
	II	41.6	31.7	13.5	5.4
Average		41.5	31.0	14.4	5.9
1988	I	43.4	34.2	12.3	5.2
	II	42.4	32.7	10.7	3.4
Average		42.9	33.5	11.5	4.3
1989	I	42.7	33.5	13.5	6.1
	II	43.2	34.3	13.6	6.5
Average		43.0	33.9	13.5	6.3

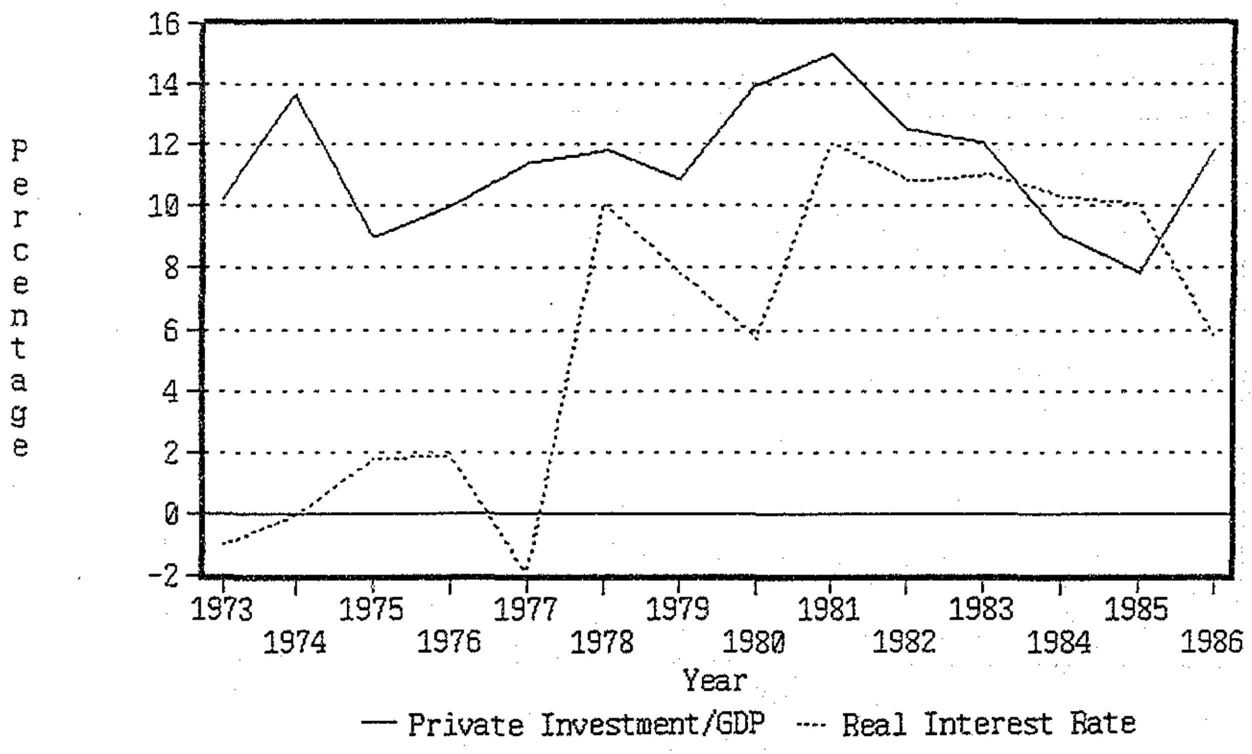
Source: BALANCE ECONOMICO 1989;
RESULTADOS PROVISIONALES

Figure 2.14 INFLATION AND RATE OF INTEREST



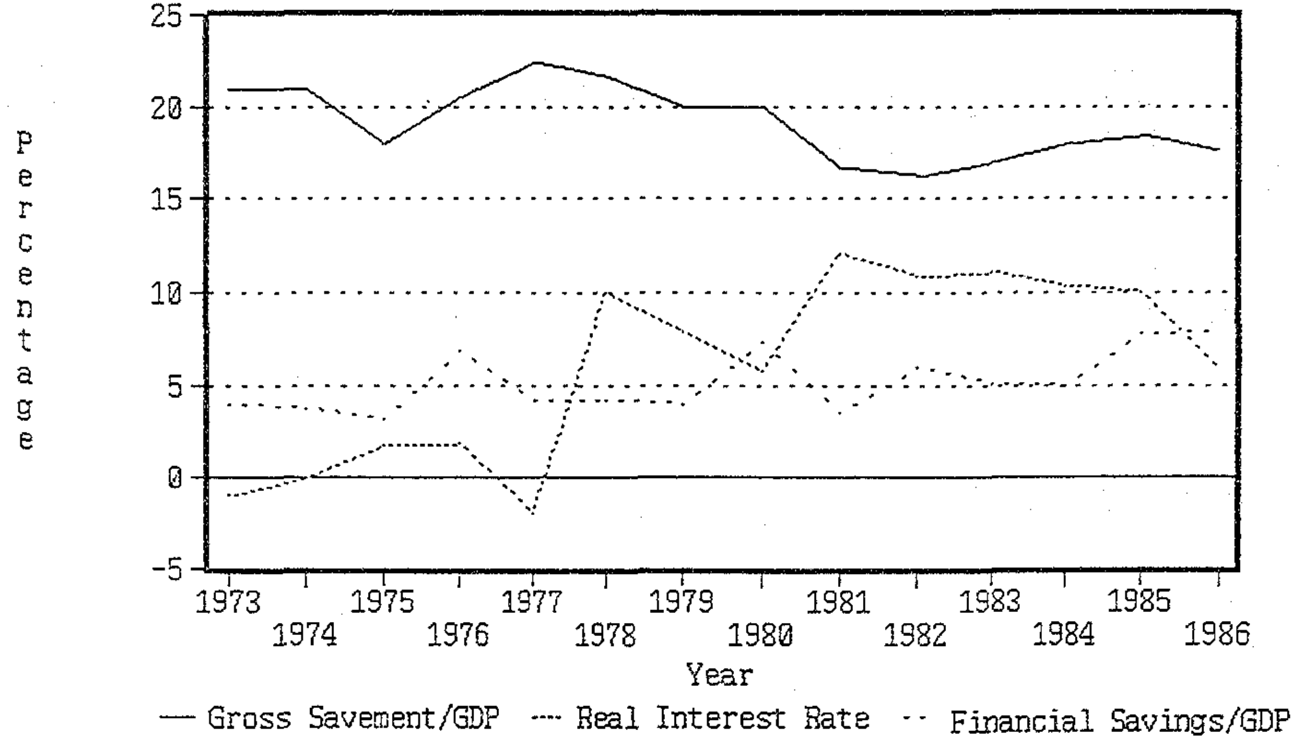
Source: DNP - UPG with base in DANE and The Central Bank

Figure 2.15 REAL INTEREST RATE AND COEFFICIENT OF PRIVATE



Source: DNP - UPG with base in DANE and The Central Bank

Figure 2.16 REAL INTEREST RATE AND COEFFICIENT OF SAVINGS



Source: DNP - UPG with base in DANE and The Central Bank

Table 2.21 EXTERNAL DEBT

Unit: Million US$

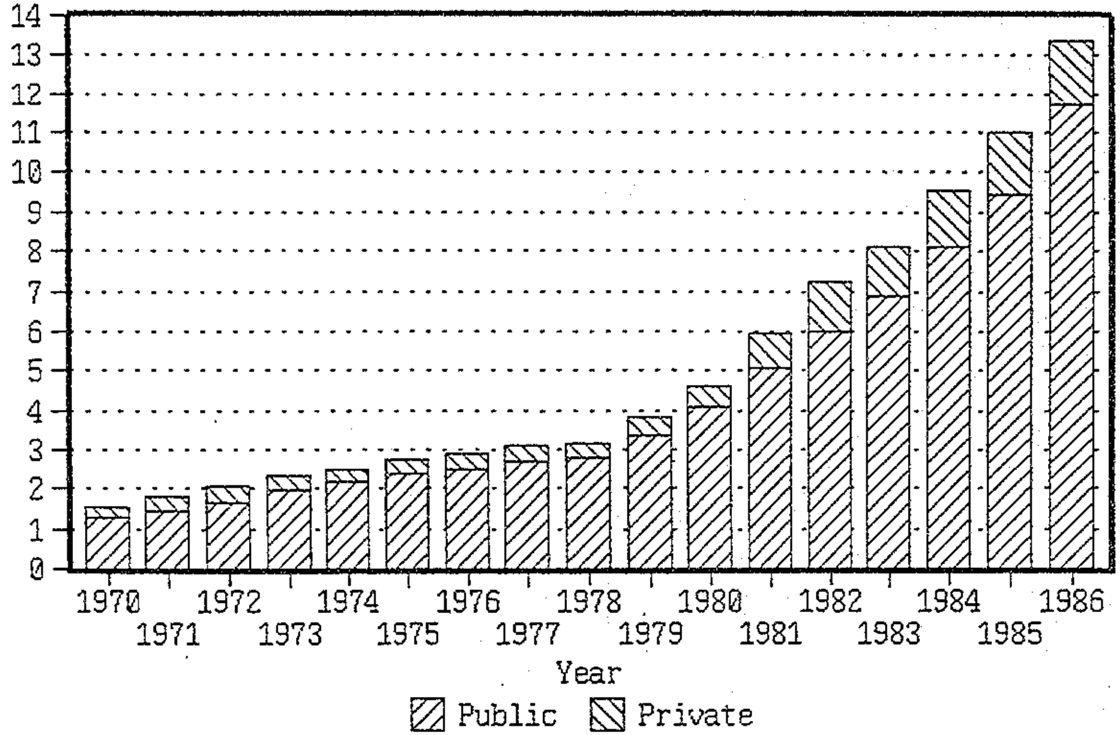
	Public	Private	Total
1970	1,299	283	1,582
1971	1,439	351	1,790
1972	1,678	401	2,079
1973	1,957	372	2,329
1974	2,144	318	2,462
1975	2,377	375	2,752
1976	2,476	402	2,879
1977	2,697	390	3,087
1978	2,807	359	3,166
1979	3,379	460	3,839
1980	4,084	525	4,609
1981	5,073	902	5,975
1982	5,987	1,216	7,202
1983	6,885	1,248	8,133
1984	8,090	1,437	9,527
1985	9,441	1,567	11,008
1986	11,752	1,640	13,392
1987	12,375	50 *	-
1988	12,851	42 *	-

Note: * Debts of private in 1987 and 1988 are limited to one with public sector guarantee.

Source: COLOMBIA COUNTRY ECONOMIC MEMORANDAM

Figure 2.17 EXTERNAL DEBT

Unit: Million US$



Source: BANCO DE LA REPUBLICA

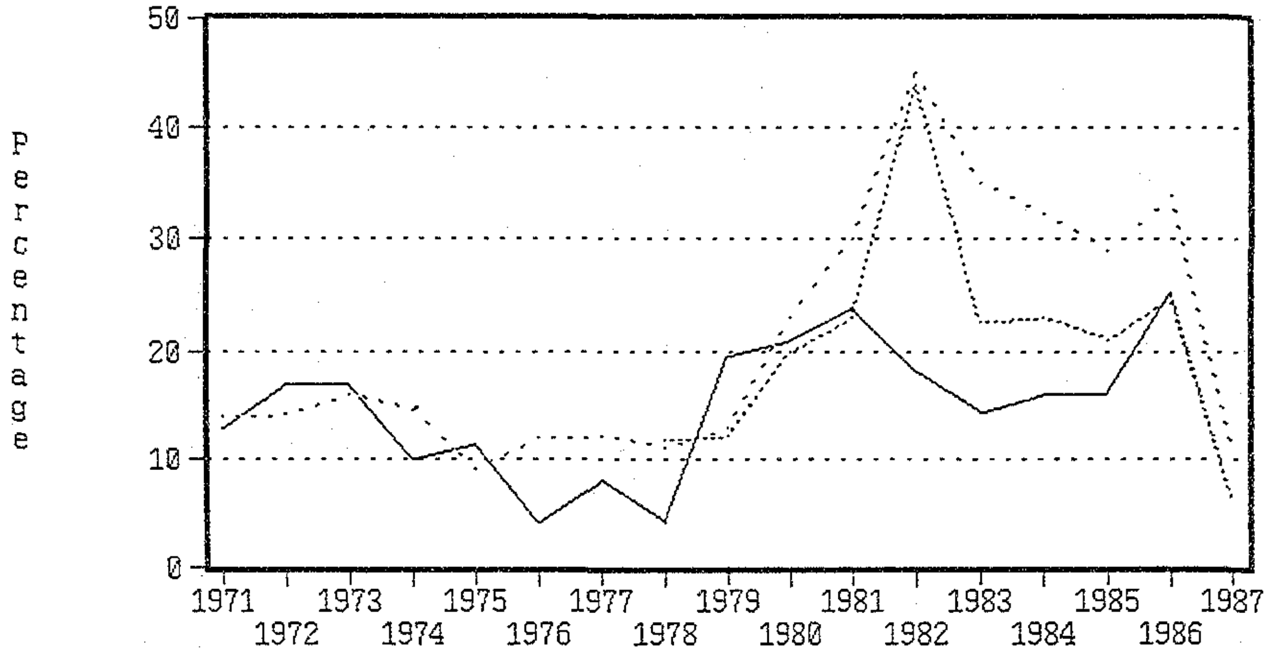
Table 2.22 COLOMBIA EXTERNAL DEBT 1970-1987

Unit:Million US$

Years	Public debt		Energy Sector			Participation	
	Contract	Balance	Electric	Mining	Total	Energy Sector	Ratio(%)
	1	2	3	4	5	3/2	5/2
1970	412	1,319	246	0	246	18.6	18.6
1971	395	1,472	281	0	281	19.1	19.1
1972	336	1,726	321	0	321	18.6	18.6
1973	551	2,022	373	0	373	18.4	18.4
1974	213	2,220	426	0	426	19.2	19.2
1975	383	2,470	463	0	463	18.8	18.8
1976	525	2,562	518	0	518	20.2	20.2
1977	526	2,779	579	0	579	20.8	20.8
1978	786	2,896	641	0	641	22.1	22.1
1979	1,377	3,456	715	6	721	20.7	20.9
1980	1,586	4,179	861	52	913	20.6	21.8
1981	1,656	5,168	1,057	131	1,188	20.5	23.0
1982	2,353	6,078	1,525	200	1,725	25.1	28.4
1983	1,458	6,958	1,934	394	2,328	27.8	33.5
1984	2,736	8,090	2,457	611	3,068	30.4	37.9
1985	2,327	9,432	2,972	977	3,949	31.5	41.9
1986	1,681	11,754	3,516	1,765	5,281	29.9	44.9
1987	1,838	12,425	3,974	1,893	5,867	32.0	47.2
1988	2,380	12,850	-	-	-	-	-

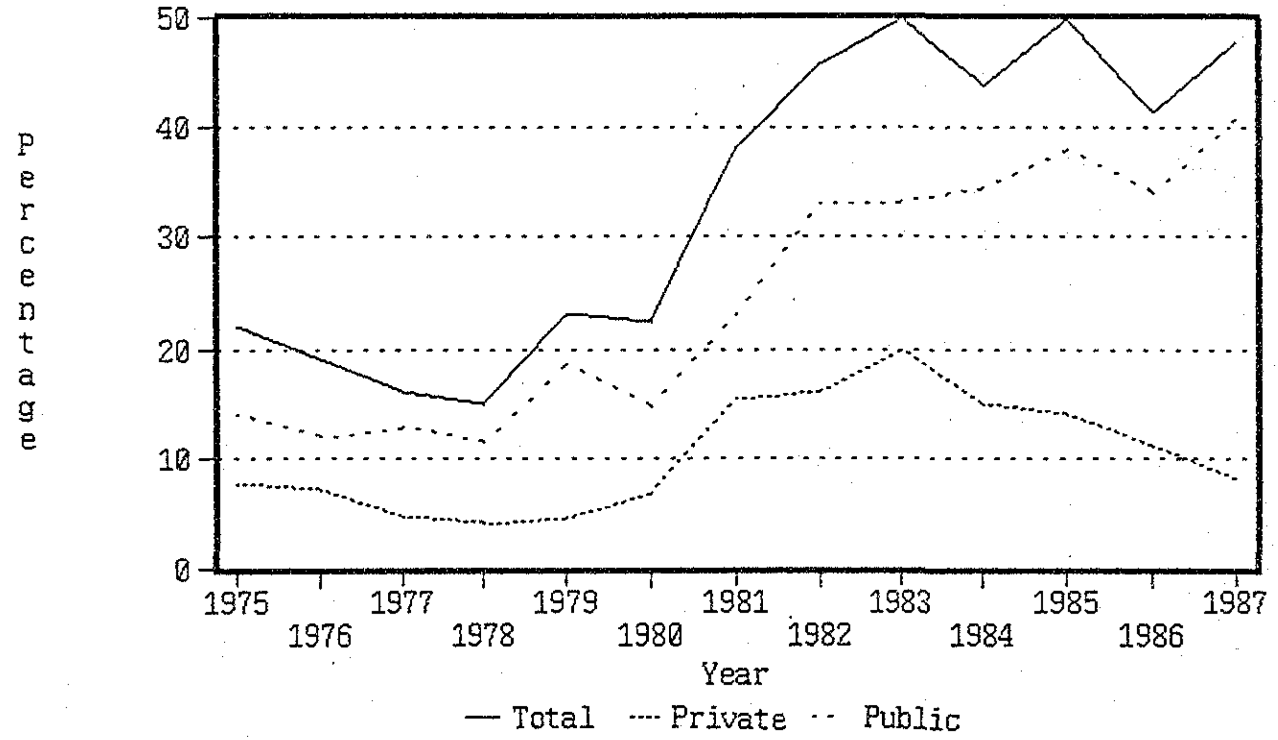
Source: BANCO DE LA REPUBLICA COLOMBIA ESTADISTICA 1989

Figure 2.18 EXTERNAL DEBT
(Increasing Rate) 1971 - 1987



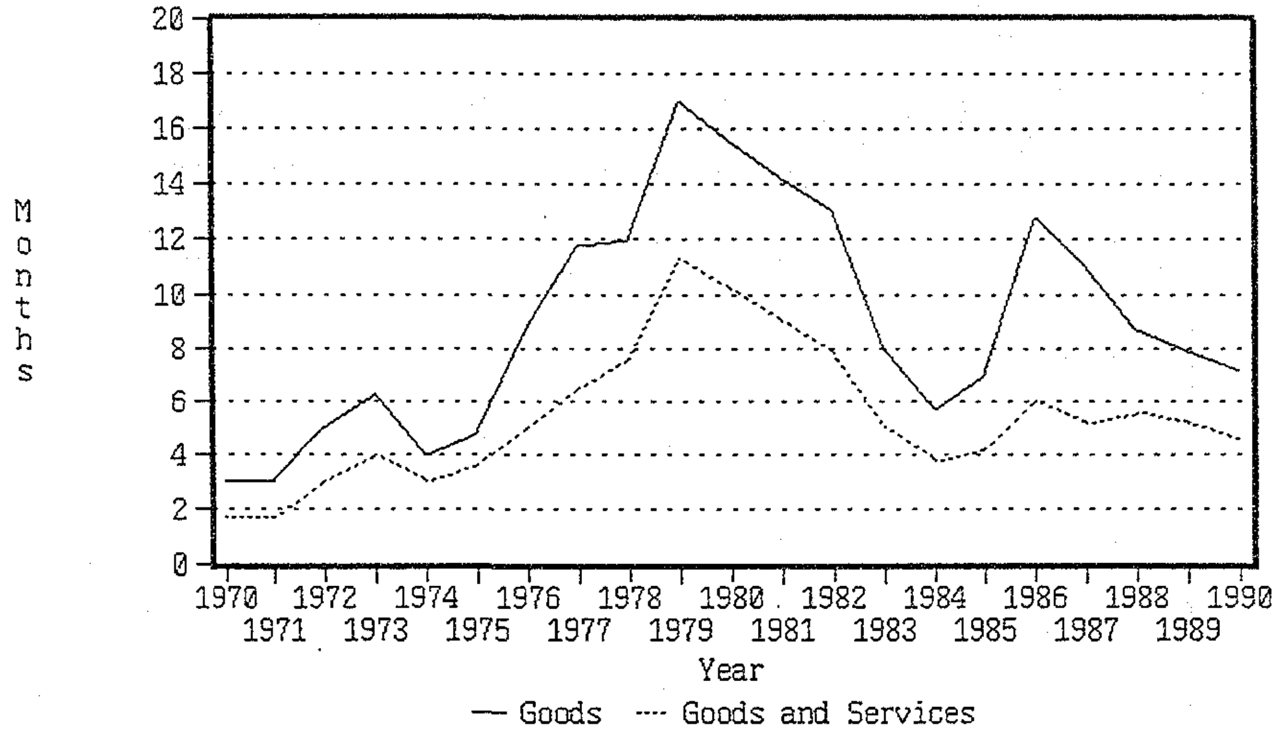
Source: BANCO DE LA REPUBLICA

Figure 2.19 SERVICE DEBT/EXPORTATIONS



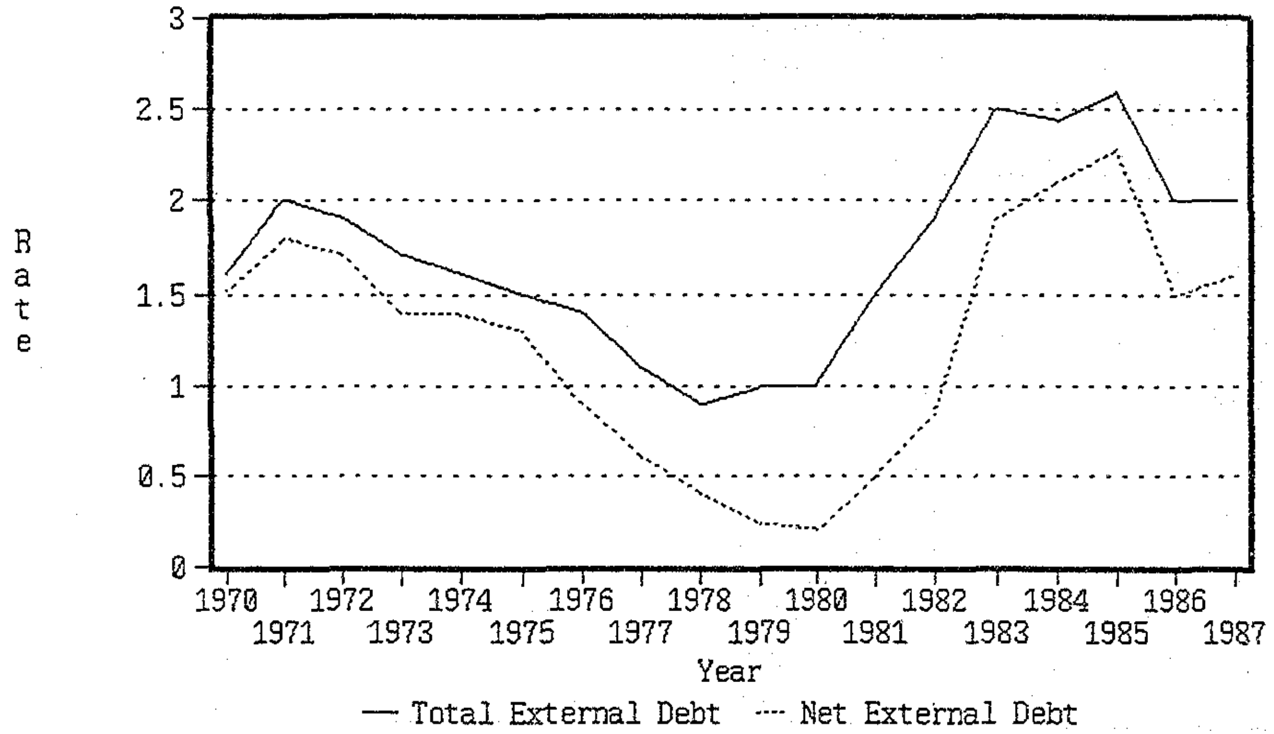
Source: BANCO DE LA REPUBLICA

Figure 2.20 NET FOREIGN CURRENCY RESERVES (As Months of Importation)



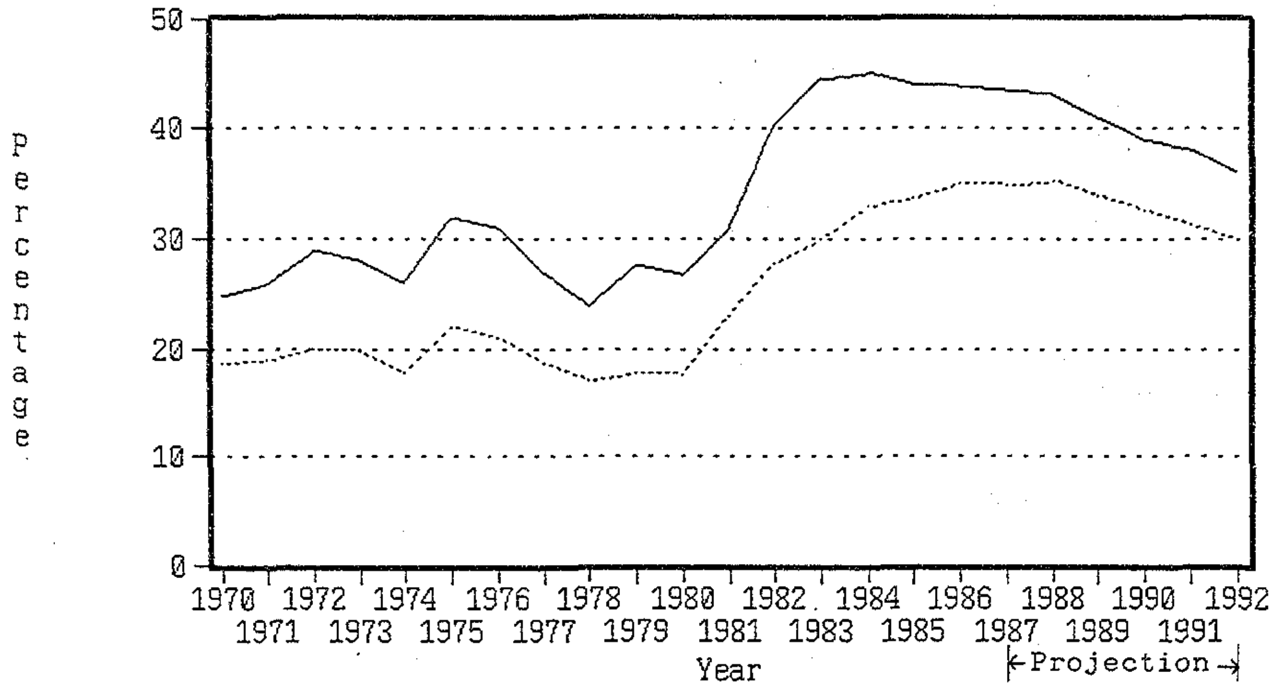
Source: BANCO DE LA REPUBLICA

Figure 2.21 TOTAL DEBT/NET DEBT OF THE PAYMENT BALANCE



* Total External Debt/The Net Foreign Currency Reserves
Source: BANCO DE LA REPUBLICA

Figure 2.22 TOTAL DEBT/PUBLIC DEBT



Source: PLAN DE ECONOMIA SOCIAL

Table 2.23 CENTRAL ADMINISTRATION ACCOUNT AS PERCENTAGE TO GDP

A

Unit: %

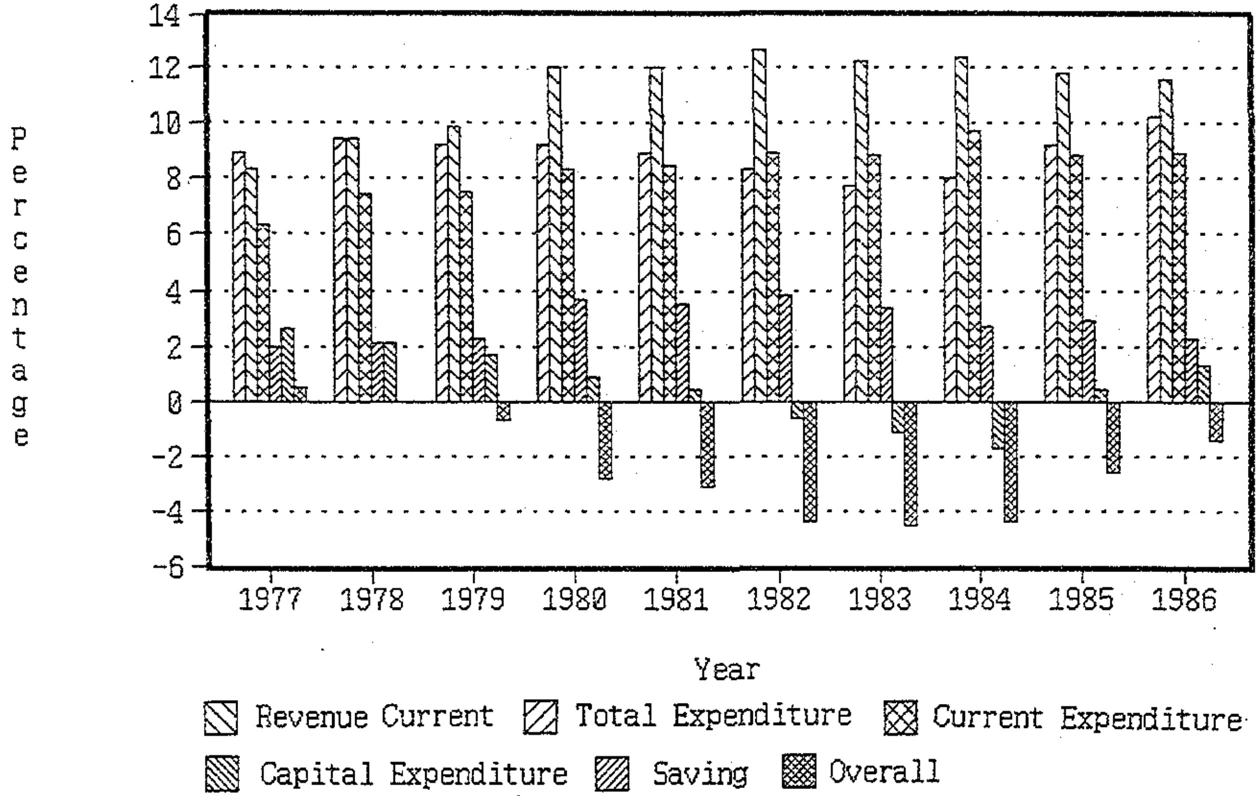
Years	Revenue Current	Expenditure Total	Expenditure Current	Expenditure Capital	Saving	Overall
1977	8.9	8.3	6.3	2.0	2.6	0.5
1978	9.4	9.4	7.4	2.1	2.1	0.0
1979	9.2	9.9	7.5	2.3	1.7	-0.7
1980	9.2	12.0	8.3	3.7	0.9	-2.8
1981	8.9	12.0	8.5	3.5	0.4	-3.1
1982	8.3	12.7	8.9	3.8	-0.6	-4.4
1983	7.7	12.2	8.8	3.4	-1.1	-4.5
1984	8.0	12.4	9.7	2.7	-1.7	-4.4
1985	9.2	11.8	8.8	2.9	0.4	-2.6
1986	10.2	11.6	8.9	2.3	1.3	-1.4

B

Years	Revenue Current	Expenditure Total	Expenditure Current	Expenditure Capital	Saving	Overall
1988	10.36	11.81	9.10	2.32	1.25	-1.45
1989	10.11	11.84	9.32	2.13	0.79	-1.73
1990	10.91	12.30	9.51	2.40	1.40	-1.39
1991	11.65	12.38	9.57	2.42	2.08	-0.72
1992	11.93	12.61	9.82	2.43	2.11	-0.68
1993	12.26	12.59	9.81	2.43	2.45	-0.33
1994	12.14	12.60	9.83	2.44	2.30	-0.46

Source: BANCO DE LA REPUBLICA PROGRAME DE MODERNIZACION DE LA ECONOMIA COLOMBIANA

Figure 2.23 CENTRAL ADMINISTRATION
ACCOUNT AS PERCENTAGE TO GDP



Source: BANCO DE LA REPUBLICA
PROGRAMA DE MODERNIZACION DE LA ECONOMICA COLOMBIANA

Table 2.24 PUBLIC SECTOR INVESTMENT BY SECTOR

Share of Total
Unit: %

A

Years	Productive Total	AGRI	MINI	Infrastructure Total	Power	TRANS	COMUN	Social Infrastructure Total	Water	EDUCT	HEALT	Other
1980	8.6	5.1	3.5	54.5	29.9	18.3	8.3	13.2	8.1	4.4	0.7	23.7
1981	10.2	5.5	4.7	55.3	29.3	19.8	6.2	12.8	8.2	3.7	0.9	21.7
1982	25.6	2.3	23.4	43.2	25.2	14.9	3.1	12.2	4.3	7.0	0.9	18.9
1983	8.8	2.8	6.0	57.1	33.0	18.1	6.0	9.3	5.5	2.8	1.0	24.8
1984	10.1	2.6	7.5	59.0	33.5	18.5	7.0	6.9	3.6	2.7	0.6	24.0
1985	11.0	2.4	8.7	57.1	35.0	16.4	5.7	12.3	4.0	7.7	0.5	19.6
1986	23.8	3.1	20.7	54.1	34.0	14.0	6.1	7.4	4.5	2.4	0.5	14.7

Notes: AGRI: Agriculture
MINI: Mining
TRANS: Transportation
COMUN: Communication
EDUC: Education
HEALT: Health

B

Years	Productive AGRI	Productive MINI	Infrastructure Power	Infrastructure TRANS	Infrastructure COMUN	Social Infrastructure EDUCT
1986	2.6	26.0	24.7	16.3	3.2	2.8
1987	4.7	19.0	22.1	17.6	5.8	2.4
1988	5.1	18.7	15.1	16.8	8.8	2.4
1989	4.3	16.7	12.1	18.5	10.3	2.9

Source: PROGRAMACION MACRO ECONOMICA 1990

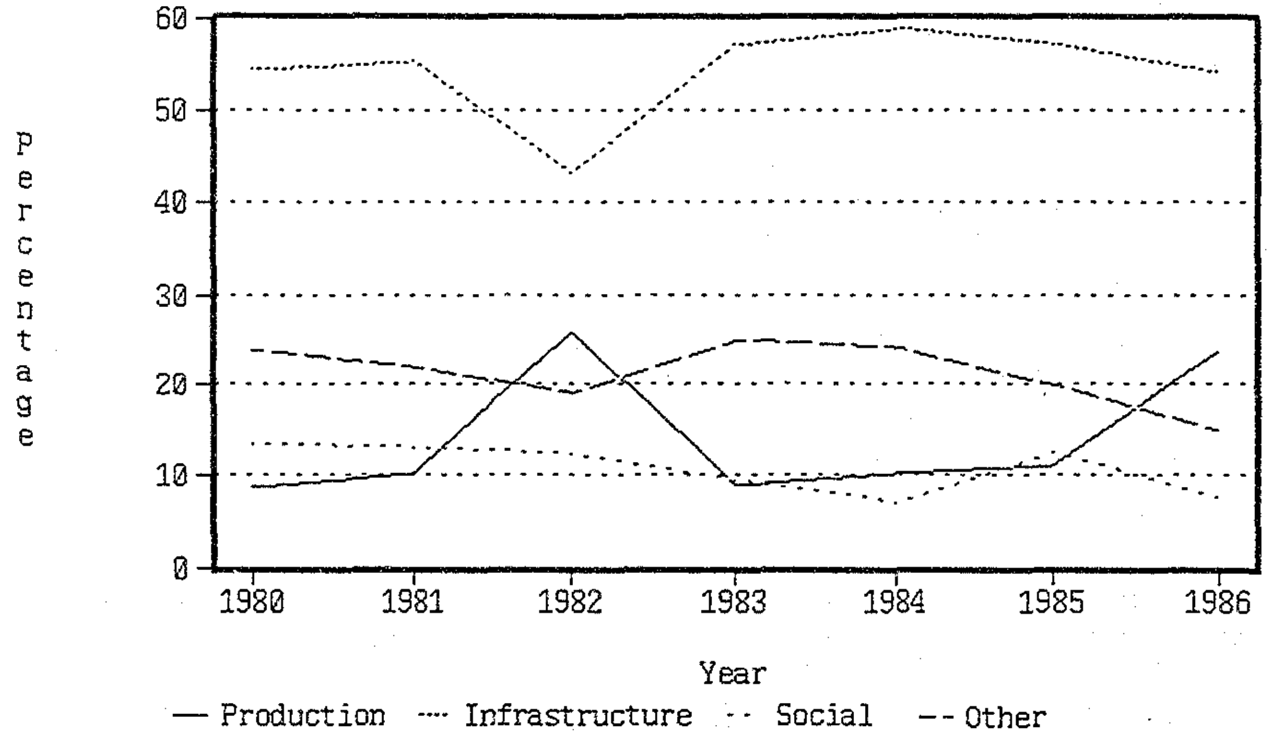
Table 2.25 PUBLIC INVESTMENT BY SECTOR

Share of Total
Unit: %

Years	Production	Infrastructure	Social Infrastructure	Other
1980	8.6	54.5	13.2	23.7
1981	10.2	55.3	12.8	21.7
1982	25.6	43.2	12.2	18.9
1983	8.8	57.1	9.3	24.8
1984	10.1	59.0	6.9	24.0
1985	11.0	57.1	12.3	19.6
1986	23.8	54.1	7.4	14.7

Source: COLOMBIA COUNTRY ECONOMIC MEMORANDUM

Figure 2.24 PUBLIC INVESTMENT
BY SECTOR



Source: COLOMBIA COUNTRY ECONOMIC MEMORANDUM

Table 2.26 DECENTRALIZED SECTOR BALANCE 1987 BASE

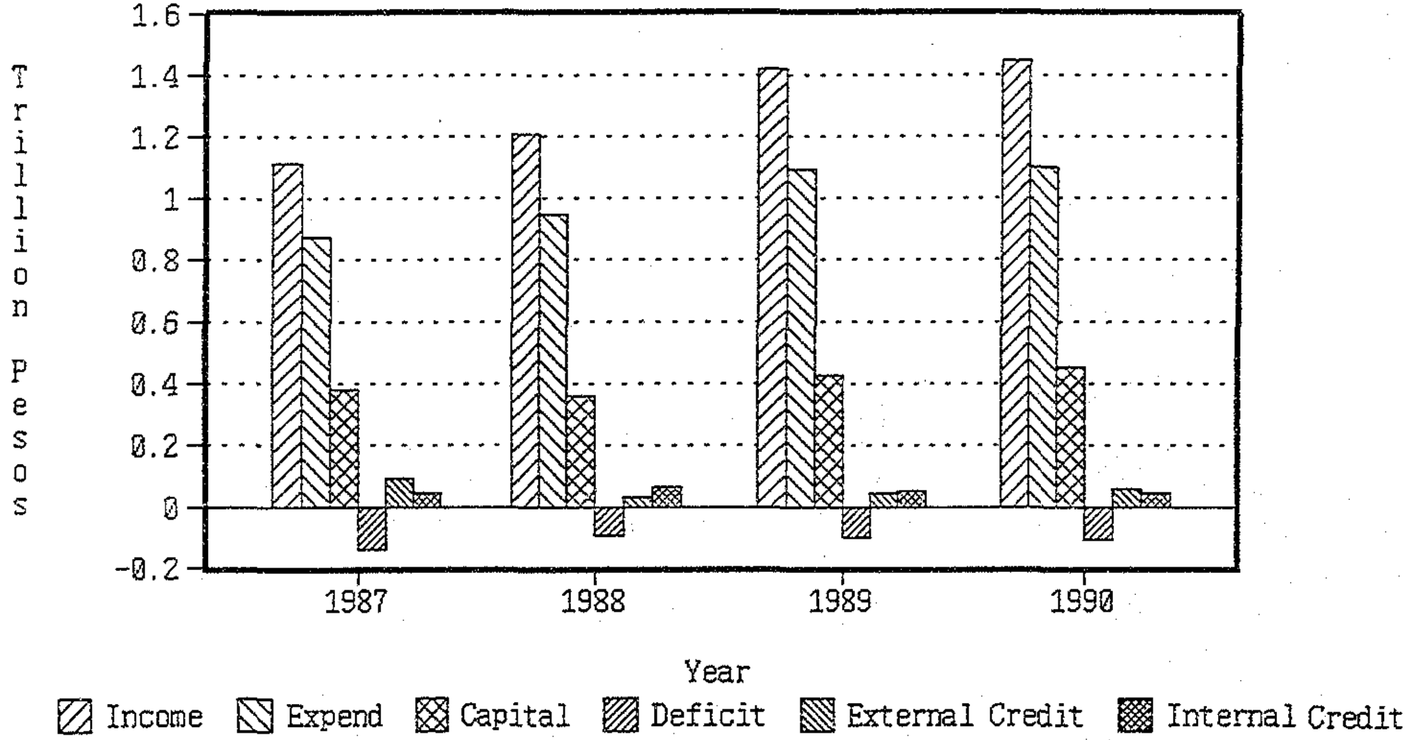
Unit: Trillion pesos

					Credit	
Years	Income	Expend	Capital	Defict	External	Internal
1987	1,116	878	378	-140	92	48
1988	1,207	947	355	-95	31	64
1989	1,421	1,095	424	-98	47	51
1990	1,446	1,104	448	-107	62	44

Notes: Expend - Expenditure
Defict - Deficit

Source: BALANCE ECONOMICO 1989;
RESULTADOS PROVISIONALES

Figure 2.25 DECENTRALIZED SECTOR BALANCE



Note: Expend - Expenditure

Source: PLAN DE ECONOMIA SOCIAL

2.4 The Economy and Policies of the 1980s

The previous section discussed the issue of the exchange rate, the intensified control and liberalization of imports, the international balance of payments, the control of inflation and the real interest rate, the increase of public investment, and the financial conditions of the central government. In the discussion on the long term economic trends, the fact that the growths of the GDP and manufacturing at around the first half of the 1970s when exports of coffee and miscellaneous commodities were not substantial were high was also touched on.

Here, the economy of the 1980s during which period the economy of Colombia declined into a difficult situation and then moved toward recovery will be summarized and the economic policies of the period will be described.

The 1980s may be divided into three periods, namely, the 1981 - 1983 period when the growth declined (the first period), the 1983 - 1985 period when the economic adjustments were made (the second period), and the 1986 - 1987 period when the economy recovered (the third period). The 1988 - 1989 period is somewhat lower than the third period.

During the first period, the foreign currency reserve increased affected by the coffee boom of the 1970s, while the external debt increased from the latter half of the 1970s to the first part of the 1980s. During this period, the restriction on imports was lenient and the exchange rate was over-evaluated, and the financial deficit of the central government also increased due to the decline of tax revenues and the expansion of public investment.

In the second period, adjustments were made in both government finances and trade, tax revenues were increased by reform of the taxation system, and control over trade was strengthened. The devaluation rate surpassed the inflation rate in 1985 and the real exchange rate regained the 1975 level in 1986. The public investments in oil and mining were continued and the GDP also recovered to a growth of 3.4% in 1984.

In the third period, the growth of the GDP recovered to a level over 5%. The coffee boom and the start-ups of the regular operation of the sectors where heavy investments were made, such as oil and coal, also contributed to such growth. The control over imports was relaxed by increasing the free import items, the structure of taxes was simplified, and the real exchange rate was maintained at the 1975 level. After 1988, the growth declined somewhat caused by such factors as the attack on the pipelines by terrorists and the restriction on housing investment.

Some of the government policies that were implemented shall be described.

2.4.1 Taxation Measures

There are the following taxes which affect industry:

Enterprise Income Tax
Value-added Tax
Tariff
Local Taxes (levied mainly on property and economic activity)

The Enterprise Income Tax is 30% on profits. (There is no difference by sectors, except for oil development, the eastern mountain region, forest development, several types of grains, education, external incomes of air and sea transportation, free zones, etc.) Since 1986, however, there was no need for the owner of an enterprise to pay this tax on the income from the enterprises.

Accompanying the Enterprise Income Tax, there is a net property tax called Impuesto de Patrimonio, but there is a possibility that this tax will be abolished in the near future.

The Value-added Tax has increased its importance over the past ten years. In addition, a portion of this tax is returned to the regions and is important in the development of the regional economy. As the Value-added Tax is not levied on purchases, the cost structure is not affected, but being levied on the final product, the consumption pattern is affected.

The Value-added Tax is generally 10%, but there are numerous exemptions and as shown in Table 2.27, there are discrepancies, such as approximately 9% on industrial products in general and 16% on fabricated metal products. The Value-added Tax is levied uniformly on both domestic and imported products.

Tariffs, as shown in Table 2.28 are complicated in that the rates vary with products and there are numerous exceptions.

There is a draw-back system regarding imports of raw materials for products that are exported.

There are measures for partial exemptions within ALADI and the ANDES group.

In some cases, low tariffs are levied on imports of capital goods in order to encourage investment.

Exceptions are at times permitted under several laws for certain public and private importers.

As indicated by the above description, the actual tariff rate differ from the standard tariff rates and there is also a difference between the nominal and the actual tariff rates as viewed from the effect of protection. For agricultural machinery (3822), the nominal rate is 23.41% but the actual amount paid is 6.46% and as to the protective rate, the nominal tariff of 43.6% turns out to be actually a negative tariff of -8.18%.

In addition to above, special import duties of 18% has been levied under Law 75 since 1986. Of this charge 6% is allocated to PROEXPO, 0.8% to IFI, 0.8% to Caja Agrari, and 10.4% to the general account budget. There are exceptions here too, such as newsprint, machinery of the agricultural sector, several imported items prescribed by the ANDES regulation are not subject to the special import duties.

With respect to local taxes, a real estate tax called Impuesto Predial and a tax on economic activity called Impuesto de Industria y Comercio are implemented. Such local taxes are enacted respectively by 1,000 or more localities, the latter tax accounting for 0.2% - 1.0% of the total revenue, and the industry accounting for as much as 0.7%. Here also are fields exempted such as agriculture, livestock, exports, mining, cultural activity, sports, professional associations, hospital schools, and labor unions.

With respect to fabrication of metals, Manizales accounts for 0.2%, Bogota for 0.4%, Medillin for 0.66% and Cali for 0.7%.

2.4.2 Monetary Policies

Colombia has been controlling money supply in relation to GDP for the purpose of controlling inflation. As a result, the country has been keeping inflation in check at relatively low levels among Latin American countries. Aslo, to rescue private financial institutions which have defaulted loans as a result of economic recession dut to sluggish coffee prices after 1982, the government lowered the legal reserve ration in mid-1985.

At the same time, the government liberalized lending and time deposit rates in early 1980. However this resulted in much higher lending rates than demand deposit rates.

The nominal interest rates of each of the financial institutions are shown in Table 2.29.

2.4.3 Labor Policy

The regulations relating to labor were enacted 20 or more years ago in Colombia, and has not changed much since that time.

The minimum wage is stipulated, but it is applied to about 15% of the total industrial workers. Assuming four years of service and an inflation rate of 24%, the social benefits will account for about 55% of the base pay.

Other than above, benefits other than mandatory by law increased since 1980 as follows:

	Total	200 persons or more	500 persons or more
1980	0.66	0.78	
1981	0.69	0.81	
1982	0.78	0.92	
1983	0.79	0.93	1.02
1984	0.80	0.95	1.03
1985	0.80	0.94	1.02
1986	0.83	0.99	1.10

2.4.4 Industrial Policies

As industrial policies, the macro-economic policies such as the foreign exchange policy, the inflation policy, the monetary policy including interest rates and the fiscal policy are important and have been discussed in section 2.3.
Also, other policy factors such as taxes and labor problems have been discussed in sections 2.4.1 - 2.4.3. Here, various policies relating to promotion of import substitution, export promotion, industrial restructuring, etc. will mainly be discussed.

The share of the manufacturing industry in GDP in Colombia was around 22 - 23% in the 1970s, but subsequently declined to 20% in the 1980s.
This is in sharp contrast to the growth of the share of the manufacturing industry in Korea from 18% in 1965 to 30% in 1986 under a high growth rate of the GDP. It was said in Colombia that they wanted to achieve a share of 30% by the manufacturing industry by 2000.

(1) Industrial promotion policies

Here, the industrial policies stated in the Socio-economic Plan (Plan de Economia) announced in August, 1987 will be outlined.

The above report, upon pointing out the extreme importance of the development of the manufacturing industry to the increase of the value added, the increase of employment, the increase of savings and investments, the innovation of technology, etc., proposes the following policies in addition to such economic policies as the use of public investments directed to the domestic market, the foreign exchange policies and foreign trade policies for the protection of the domestic production and the promotion of exports, and appropriate financial policies.

1) Expansion of the production capacity

Fundamentally, free entry by enterprises into any field is assured and the government will not obstruct that. And the government will support such by the tariffs (adjustment to realize real protection), taxes, financing (provide funds of long repayment terms and long grace periods to match the modernization, financing of export related funds through PROEXPO, assuring ample short term funds at appropriate interest rates), etc., will eliminate the problems which had negative effects on investments (double taxation, import regulations that restrict exports, tariffs that are disadvantageous to domestic production), and will furthermore induct foreign investments.
Foreign investment is promoted through the overseas offices of PROEXPO and the domestic investments are promoted by IFI in connection with the promotion of the regional development.

2) Improvement of production structure

The objective is to develop the industries that utilize comparative advantages of Colombia into competitive industries, for which the policies for financing, tariffs, taxes, etc. are applicable.

At present, Colombia has weakness in production of capital goods, and there is need for development of such production. Consideration is given to support the domestic manufacturing companies from the financial aspect too, so that the state enterprises are encouraged to purchase from the domestic manufacturing companies and to meet the regulations for purchase by state enterprises and to foster the domestic enterprises including the differentiation of the specifications in order to enable the participation by the domestic enterprises in the tenders of international organizations. By Decree 222 of 1983 and Decree 780 of 1987, the linkages between the public enterprises and the producer groups were strengthened in the fields of oil, energy, mining, public and communication. By this regulation, the differentiation of the specifications of the investments of the public enterprises, the enhancement of the awareness of the domestic enterprises, and the technology transfer to the domestic enterprices are contemplated. And in the Capital Goods Program, the products that can be produced domestically are prescribed for each field to promote such production. The coordination with relevant industries particularly those related to capital goods production such as agriculture and agricultural products processing industries are also important and contributions to such industries are contemplated.

Also, experiences are provided to assure appropriate supply with respect to volume consumer goods production.

3) Technological innovation

Technical development including the improvement of quality and product design is necessary to improve productivity and to strengthen competitiveness. It is necessary in this case for improvement of productivity to provide elasticity to meet the changes in the market.

In inducting foreign technology, support will be given to obtain information on foreign technology, foster the private activity by shortening the commercial negotiation for technology induction and financial support will be extended to universities and research institutes.

The post-graduate education of the engineering majors will be enhanced, the number of specialists of the high level will be increased, SENA will be strengthened and consultants will be strengthened to extend the new technology.

The technology in the fields of data processing, capital goods, electronics, and communication will be adapted and developed, international cooperation strengthened and the technology transferred.

Technical improvement is necessary for the main consumer goods production in order to enhance the possible consumption by the low-income people.

The manufacturing industry is expected to improve their design and quality, and for the improvement of quality control, it is necessary to respond to consumer protection and to the expansion of the market within and without the country, and the strengthening of the activities of the National Council of Regulations and Qualities is necessary.

4) Development of the micro, small and medium scale industries

Institutional financing will be improved on account of the important position held by the small and medium scale industries in employment and adoption of new technology. The Popular Financial Corporation will be strengthened and the National Guarantee Fund will be decentralized. Also, the diagnosis, training and dissemination of information for the improvement of the technology of the small and medium scale enterprises will be strengthened. SENA will strengthen the education of manpower and support of management and form technical centers by sectors.

The quality and productivity of the small and medium scale enterprises will be enhanced and the environment of production will be improved by developing the sub-contracting system.

In order to support the microenterprises, the National Plan for the Development of Microenterprises (PNDM) will be advanced and more detailed programs, evaluation, commercialization, technical support methods will be organized. The efficiency of the microenterprises will be increased and the workers and the quality will be upgraded by recommendations for creation of work and management, improvement of funds, etc. The planning and coordinating of this Plan will be undertaken by DNP, and the enforcement by SENA, the Popular Financial Corporation and Private Foundations will participate in it.

5) Involvement of the government

In order to improve the efficiency of government involvement to develop manufacturing, it is a requisite to formulate definite and long term rules. In this case, the coordination among the various ministers and agencies will be carried out

by the DNP and the Ministry of Economic Development.
Also, the Ministry of Economic Development will strengthen the dialogue with the private enterprises, discuss their industrial development policies, and the National Regulation and Quality Council will establish the technical standards. Also, the activity of the Industry and Commerce Superintendence will be strengthened. Also, so as to make the activity of organizations of science and technology more rational, Colciencias should be functioned as Data Bank and approvement of science and technology to meet the current situation of the country.
Also, the Technological Investigations Institute will be restricted to research on the production of basic goods.

The rationalization of the existing organizations will be conducted according to the method of the Efficient Colombia Commission.

Furthermore, the production cost will be reduced by rationalizing the services that the government renders to the industry.

(2) Policies by objectives

The industrial policies in the Socio-economic Development Plan were discussed in section (1), and they will be reorganized on the basis of the activities of the relevant organizations by objectives.

1) Import substitution

As the metalwork products were discussed in terms of domestic production, exports, imports, nationalization rates by individual sectors in Chapter 3, the nationalization of production is advanced for some products, but the nationalization rate is low in many sectors, which depend heavily on imports.
In this reason, the Colombia Government exerts

major efforts in the promotion of import substitution. In addition to the financial support centered around IFI and the technical support centered around SENA, the following supporting policies are implemented.

a) Import approval and import tariffs

As for the imports license, there are three classes, namely, free, prior approval and prohibit (Refer to 2.3.2), and the judgment on the selection of free or prior approval depends mainly on the availability of products of domestic production.
For this approval, an enterprise that can produce the product domestically will apply with the INCOMEX under the control of the Economic Development Ministry for certification. In this case, the examination are whether the product meets the industrial standards of INCONTEC, how much domestic parts and components are used, how does it compare to the imported product in terms of quality and prices, etc.

Moreover, with respect to the assembling industry, it will be designated as the assembling industry if upon application to the Industry and Commerce Superintendence under the control of the Ministry of Economic Development and is examined as to its domestic production possibility by INCOMEX and then is approved by COMPES. The details of the work is conducted by the Industry and Commerce Superintendence. At the present time, automobiles, motor cycles, automobile parts, household electric appliances, industrial electric equipment, small motors, elevators, and communication equipment are approved. When such are approved, the imports of complete products are restricted, the imports of the necessary parts and the necessary equipment are considered with priority and the import tariffs are also advantageous.

Another protection is the import tariff. The import tariff is 55% at most, except for the high tariff for automobiles. When the assembly industry is approved, the tariff rate for the complete product is set higher than the import tariff rate of parts. For many products there is special import duties of 18% levied. (There is a value added tax also, but as this is levied on the domestic product too, it does not serve as a protection). However, these protection measures were considered to stagnate the domestic economy and were shifted to the open economic policy in 1990 so as to stimulate domestic industries to attain international competitiveness. The policy is discussed in detail in 2.5.

b) Government procurement

The state enterprises form a large market for capital goods. Thus efforts are made to replace imported equipment and imported parts of the governments procurement with the domestic products. The promotion of capital goods will be discussed later.

Specifically, GII and CCS are organized in the state enterprises according to the Decree of 1987 and products that can be produced domestically are examined from the technical aspect. Also, the procurement items are differentiated so as to make it easier for the domestic products to participate in the government procurement, and consideration is given so as the domestic enterprises are not at a disadvantage.

2) Development of export industries

The development of the export industries comprises support for investment funds and operating capital through PROEXPO in addition to the financial and technical supports of IFI and

SENA.

a) Support by PROEXPO

   PROEXPO is an organization established in 1967 which belongs to the Ministry of Economic Development and is under the control of the Central Bank. It has a staff of about 400 persons and is a large organization with the head office in Bogota, 14 local offices in the country and 18 offices overseas.
   They conduct market surveys overseas and introduce domestic products overseas to promote exports, and in addition, they conduct equipment financing for investment for exports and working capital financing for exports. There are no restrictions in this case to the effects that the equipment financing has to be for new equipment or that the total production has to be exported. Even an export ratio of 5% is acceptable. In the case of the metalworking industry, almost all of the equipment financing is for modification work and there are 10 - 15 such cases a year.
   A part of the 18% special import duties is appropriated to the fund of PROEXPO and is more favorable than the loans of the general financial institutions. (Note: Preferential interest rates will be abolished under the open economy policy starting in 1990.)
   Moreover, PROEXPO has the role also of promoting induction of foreign investment.

b) Import permit is easily obtained for materials that are imported for export and such materials are not subject to import tariffs.

c) There are established free trade zones in which all production is exempted from all taxes.

3) Industrial estates were established as a part of the improvement of the infrastructure. They are not necessarily functioning as expected. Industrial estates are discussed in Chapter 7.

4) Development of the capital goods industry

The Capital Goods Program was established jointly with the United Nations in 1985 because the import substitution of capital goods did not make progress. The counterpart is the Ministry of Economic Development and the selection of the prospective subsectors and the feasibility studies are conducted, rendering guidance to induce investment in the feasible ones. In the selection of the subsectors such criteria as large domestic consumption, high import ratio, and technical possibility to produce are set forth. Recently growth potential was added as an additional factor.
It has already been discussed that the utilization of domestic products by the state enterprises is promoted to encourage domestic production.
In addition, the production of spare parts is studied. An international textile company in Colombia moved a part of the production of the parts of the textile equipment into Colombia, using them in Colombia and acting as their international production bases. Information on such activities is disseminated within Colombia to instigate similar activities.
The Capital Goods Program will expire in October 1990 and is expected to continue in a certain form as its active roles have been highly evaluated.

5) Development of the subcontracting industry

The subcontracting exchange was established in 1987 with the objective of developing the subcontracting industry in order to support the horizontal cooperation among industries, to bring the large enterprises and the small and medium scale enterprises closer together, to promote the technology transfer from the large scale enterprises to the small and medium scale enterprises and to make maximum utilization of the investment in equipment in the industry. The organizations of the United Nations are supporting such development, and the associations of enterprises such as the Chamber of Commerce and Industry, FEDEMETAL, ANDI, ACOPI, etc. are participating and receiving technical support from COLCIENCIAS, etc. At the present time, subcontracting is being promoted in metalworking and plastic processing in Bogota and Medellin as the first step. It will be established in Cali. The method comprises registration of enterprises that want to do subcontracting work, the introduction of such enterprises when there are enterprises seeking subcontracting enterprises. A number of negotiations have been carried out, out of which a considerable number have entered contracts. The microenterprises, however, are not likely to be potential subcontractors, because of low technical levels.

6) Inducement of foreign investment

Colombia has in the past been negative to induction of foreign investments, and enforced strong regulations on the operations by foreign enterprises and the remittance of profits, but these have been relaxed recently and positive inducement is being conducted by improving the environment for investment.

7) Restructuring of the industry

Protection policies have been adopted in the past from the standpoint of developing domestic industry, but upon the recognition that the decline of international competitiveness brought about by the stagnation of industry caused by protectionism has been obstructing the development of industries in Colombia, policies to generate international competitiveness by the modernization of industries caused by liberalization of the market were enacted in February 1990.

There are such industry-based associations as FEDEMETAL and such scale-based associations as ACOPI, and the Ministry of Economic Development has the organization to confer with such private groups and reflect the private views in the administration.

And studies on restructuring and reorganization of the industry have been carried out in the iron and steel industry, the textile industry, the automobile industry, the agricultural products processing industry, and the hide and leather industry.

8) Financial support

The import substitution, the export promotion, the induction of foreign capital, and the modernization of industry will require vast amount of funds. Financing will be discussed in Chapter 6, but in the promotion of investment, IFI will play a role of corporation; IFI will make equity participation during the inception or difficult period, and it will transfer stocks (capital) to the private when the business is on stream. IFI invests normally in the large enerprises, and there have already been 7 cases of investments in agriculture and fishery, 8 cases in the metalworking industry including automobiles, 5 cases in mining and 12 cases in the chemical industry.

9) Technical support

Technical support will be discussed in Chapter 7, but training centered on SENA and standardization by INCONTEC, etc. are promoted. Also, SENA is considering structural improvement and intends to provide technical support for manufacturing companies in addition to training and education.

Table 2.27 EFFECTIVE RATES OF VALUE ADDED TAX 1986

Unit: %

Sector	Rate
311	1.26
312	0.94
313	6.56
314	11.19
321	14.48
322	16.33
323	16.68
324	17.01
331	10.91
332	15.49
341	13.83
342	8.02
351	8.92
352	11.39
353	4.70
354	10.36
355	14.66
356	17.13
361	12.75
362	13.37
369	4.23
371	13.52
372	1.13
381	15.25
382	15.48
383	15.47
384	15.47
385	14.08
390	14.40
Total Industry	9.29

Source: DANE. ANUARIO DE LA INDUSTRIA MANUFACTURERA 1986

Table 2.28 TARIFFS AND EFFECTIVE PROTECTION RATES METALMECHANICAL INDUSTRY 1987

Unit: %

Sector	Tariff Rates		Effective Protection	
	Nominal	Paid	Nominal	Paid
3811	37.42	31.42	66.44	47.81
3812	50.00	35.72	131.79	74.25
3813	28.33	29.61	46.07	9.59
3819	36.94	30.36	72.35	60.02
3821	12.50	14.73	5.30	9.59
3822	23.41	6.46	43.60	-8.18
3823	14.93	17.04	14.52	16.69
3824	15.83	18.31	14.08	19.56
3825	26.24	26.21	35.21	37.42
3829	25.60	25.54	35.58	34.93
3831	25.78	30.30	32.72	42.93
3832	22.66	17.64	29.68	19.95
3833	50.00	17.34	122.63	15.42
3939	38.06	35.01	63.39	57.68
3941	20.15	13.77	21.67	4.52
3842	20.00	36.95	23.60	69.83
3943	42.46	34.18	106.26	76.24
3944	46.36	18.68	117.55	29.11
3845	8.27	8.60	-0.50	0.63
3849	18.56	13.44	20.50	-0.85
3851	20.90	23.25	22.95	32.62
3852	22.40	23.55	30.26	35.46
3853	34.14	27.60	56.22	44.88
Total	30.02	21.97	51.78	32.87

Source: National Planning Department

Table 2.29 NOMINAL INTEREST RATES

Unit: %

Source	1981	1982	1983	1984	1985	1986	1987
FIP	28.3	28.3	28.3	28.3	28.3	28.3	30.3
FFI	27.0	27.0	25.0	25.0	25.0	25.0	27.8
FCE	-	-	25.0	19.0	21.7	21.7	29.9
BID/BIRF	26.4	26.4	26.4	31.5	32.5	29.6	29.2
IFI	25.8	26.0	25.5	28.1	28.1	28.3	29.9
CFP	24.0	24.0	24.7	24.7	25.8	26.3	27.3
PROEXPO	20.0	20.0	20.0	19.0	20.0	23.0	23.0
COMMERCIAL BANKS	37.4	36.2	36.0	36.0	36.0	33.4	33.7
SUBSIDY RATE	14.6	13.2	13.1	13.3	13.2	8.4	7.7

Source: BANCO DE LA REPUBLICA

2.5 Open Economy Policy and Restructuring of Industry

Colombia has been showing good performance in terms of economic growth and inflation control compared to other Latin American countries. However, after a temporary recovery in 1986 from economic stagnation in the early 1980s, the GDP growth rate has remained at low 3% levels between 1988 and 1990. As for the metalworking industry for which local production is not feasible due to small domestic market, the government has been taking a protection policy in the form of import restriction and tariff. Consequently, this has resulted in stagnation of domestic technologies to hinder import substitution for capital goods as planned. At the same time, exports did not grow in quantities due to lack of international competitiveness in price, quality, and delivery time, despite various promotion measures, and the industry failed to secure stable export business. This situation has been observed in many other industry sectors.
Under these circumstances, the government has been contemplating to move out of technological stagnation by shifting from the protection policy to the opening policy, which would encourage domestic products to directly compete with foreign products.

In February 22, 1990, a report on open economy and industrial restructuring prepared jointly by the Ministry of Finance, the Ministry of Economic Development, the National Planning Department, the central bank, and INCOMEX, was submitted to the Economic and Social Policy Council (CONPES).
The report addressed the importance of proper foreign exchange and financial policies and intended to enable domestic industries to attain international competitiveness through temporary increase in tariff rates, as well as the improvement of transport systems including ports and harbors, and the provision of favorable loan terms, rather than an immediate opening policy to expose them to intense competition. The report also set forth industrial restructuring policies for the steel, leather, textile, automobile, and food processing industries.
In addition, the Study Team considers it necessary to include support measures conducive to technological improvement and more aggressive policy to attract foreign investment, which are proposed in Chapter 8 as a recommended promotion policy for the metalworking industry.

The following is the summary of the report, submitted to CONPES.

2.5.1 Economic Modernization Policy

The present administration has been implementing an economic modernization program which includes the strengthening of production and financial systems, the encouragement of investments related to production, the provision of public projects, the improvement of infrastructure for production, and the rationalization of external trade. And the economic liberalization policy is intended to bolster the program.

The previous economic policy has brought about successful results, including relatively stable economic growth, control of inflation rates lower than those in other Latin American countries, diversification of export items, the securing of the US$4,000 million foreign currency reserve, control of external debt below the economic growth rate, and the improvement of trade balance. Particularly effective were the devaluation of the peso against other currencies (the total devaluation of 52% was carried out between 1984 and 1985, and despite various confusions and problems, it enabled domestic industries to regain international competitiveness), the encouragement of exports (short-term credit for exporters by PROEXPO, export subsidies, and liberalization of imports of materials and machinery for production of export products), and import restriction.

However, these policies were implemented with emphasis on protection of domestic products and caused economic stagnation in the recent few years. The protection policy has rather discouraged domestic industries to proceed with technological improvement. As a result, they failed to attain international competitiveness and were unable to compete in both domestic and export markets. In the recent two decades, capital investment by the manufacturing industry leveled off or declined in terms of its share of GDP.

Thus, the economic liberalization policy is designed to promote a gradual and stepwise increase in international competitiveness among domestic industries.

2.5.2 Rationalization of External Trade

Rationalization of external trade, namely liberalization, is implemented under four basic perspectives; spontaneity, generality, gradualness, and maintainability.

The liberalization policy is implemented in two stages. At the first stage, many of import items subject to prior approval for protection of domestic industries will be reclassified to free import items to increase spontaneity; the protection will be made by means of foreign exchange rates and tariff rates so as to expose domestic industries to competition with foreign products in a stepwise manner. Also, the new policy focuses on generality to expose all industries to competition without exceptions. Thirdly, the liberalization policy entails gradualness. At the first stage, protection will maintained by increasing tariff rates. Then, at the second stage, the raised tariff rates will be gradually lowered within three years to achieve the proposed degree of competition. Finally, the liberalization policy gives consideration to maintainability; it is implemented while maintaining the desirable balance of foreign currency reserves and the harmonious economic condition, in order to avoid adverse effects on domestic industries and foreign currency reserves, which would delay modernization,

At present, Colombia maintains a foreign currency reserve at the previous year's level despite a 50% drop in coffee prices. It is anticipated that the liberalization policy would induce investments in 1990 and 1991, US$500 million each at maximum, which would reduce the foreign currency reserve by US$150 million. Then, in 1992, the rationalization of external trade is expected to increase the reserve by US$360 million.

Figure 2.26 summarizes these changes in the import system. At present, there are 5,143 import items, of which 1,999 are free import items, 3,093 subject to previous approval, and 54 prohibited from import. Under the liberalization policy, 861 items subject to previous approval will be reclassified to free import items under category A, and 744 to the inquiries system under category B (a tariff rate is specified by an exporter, with the granting of a right to use a specific amount of foreign currency). Remaining 1,485 items (category C) will continue to be classified as those subject to previous approval; 781 items will be reclassified as previous free items (automatic approval) under category C1, 350 items as previous with quota items under category C2, and 354 items as previous license items under category C3, which are subject to almost the same treatment as previous approval items.

In the future, 861 items under category A and 744 items under category B will be reclassified to free import items to increase the total to 3,604 items. No import prohibited items will be reclassified. 393 items among 861 items under category A are capital goods or raw materials for capital goods (A01) which are not locally manufactured. Other items are divided into goods which are locally produced with some competitiveness (A021) and those which are locally produced with little competitiveness (A022). Of the total, tariff rates for 71 items will be lowered and those for 122 items will be raised, while no change will be made for 668 items.

Note: The Colombian government liberalized imports of 861 items on February 22, 1990. As a result, the previous approval items will decrease from 60% to 46% of the total.)

On the other hand, 744 items under category B include textile products and tools which are locally produced and their imports have not been approved in many cases. As mentioned earlier, these items will be imported under the inquiries system to bring competition for domestic products. However, US$150 million will be allocated to imports of these items in 1990, so that it will not bring serious impacts on domestic industries. Category B includes food and drink (B01), textile products and raw materials (B02), apparel (B03), automobiles (B04), household goods (B05), consumer electric appliance, watches and jewelry (B06), woods, tools, construction materials (B07), and miscellaneous goods (B08). Table 2.30 lists these 744 items.

As for import items under category C1, which is one step before the free import item, tariff rates for 80 items among 781 will be raised while those for 701 items will remain unchanged. Of 350 items under category C2 (previous with quota), tariff rates for 62 items will be lowered while those for 288 items will not changed. Items under category C1 include intermediate goods and parts and components for capital goods. Finally, 354 items under category C3 are mainly agriculture-related products and are under protection similar to the previous policy.

2.5.3 Import Control and Export Incentive Measures

Smuggling and damping will be strictly controlled through an improved custom inspection system. Exports continue to be promoted through PROEXPO's short-term funding, export subsidy and incentives on imports of raw materials and equipment for production of exported products.

2.5.4 Financing and Financial Policy

As new loans are expected as a result of stable economy, including healthy macroeconomic management, reduced government budget deficit, and increased foreign currency reserves by favorable balance of payments, there will be a sufficient financial source for industrial restructuring. Furthermore, in contrast to previous emphasizes the purchase of fixed assets, financing for working capital, technological innovation, market development, manpower training, and other non-capital aspects will be available. At the same time, the government will decrease the legal reserve ratio and the forced investment for financial institutions in order to facilitate them to provide loans

at relatively low commissions and profit margins.
At the same time, the government is encouraging the issuance of convertible bonds and abolished double taxation on business owners in 1986. Also, the government plans to effectuate a new law to authorize companies to issue non-voting stocks, which would allow fund raising without a risk of takeover.

2.5.5 Industrial Modernization

As part of industrial restructuring program, the government selected automobiles, leather and shoes, textile, steel and iron, and food processing industries to examine possible approaches to modernization.
Possible measures to promote modernization of these industries include the provision of credit for modernization of machinery and equipment, and the modification of import tariff rates. Also, a system related to payment of license fees by foreign currencies will be improved under consultation with the private sector.
To encourage technological development, including new products and processes, a joint promotion center for improvement of related infrastructure and utilization of human resources will be established.
Finally, technical assistance on academic R&D and manpower re-training and education will be provided to supplement human resource development as well as improvement of quality of vocational training.

2.5.6 Modernization of Transportation System

Modernization of a transportation system will be promoted to decrease present high transportation costs which erode competitiveness of manufacturing industries.
To stimulate modernization of ports and facilities, the government has recently authorized construction of two privately operated ports which are specialized in handling bulk cargo. Also, construction of a container port in Cartagena has been approved. In addition, the government intends to terminate the regulation on ocean freight

charges which has been criticized as an impediment to trade.

To improve a land transport system, US$300 million will be invested on reconstruction of a highway between Cali, Buena Ventura over the next five years. Imports of materials and parts for assembly of trucks are expected to increase for improvement of transportation facilities using large trucks.

For rehabilitation of a national railway system, two companies were newly established; Ferrovias responsible for improvement of facilities and equipment, and Ferroviario S.A.S.T.F responsible for operation and management aspects. US$12 million were spent on immediate rehabilitation, and US$323 million will be invested in 1991 for full-scale modernization. These investments will be financed by external borrowing.

As for airport facilities, US$38 million will be invested to expand existing capacity to meet increasing freight demand.

Custom inspection on container cargo will be modified to eliminate a need for opening inspection between the shipping point and the final destination.

Plan Vallejo system (exemption of import duties on materials and equipment used for production of products which an export agreement is concluded) will be improved to encourage the use by establishing INCOMEX offices in areas with large demand and by accepting personal guarantee in place of bank guarantee.

2.5.7 Macroeconomic Impacts

Although the previous economic policies have brought many successful results, including diversification of export items. Nevertheless, primary commodities still account for 60% of the total exports, and Colombian economy is vulnerable to the following factors:

1. Primary commodities including coffee are subject to fluctuation of international market prices.

2. As other products other than primary commodities are

exported to Latin American countries which have relatively small domestic markets, susceptible to economic and political changes.

3. Among non-traditional export products, handicraft products once regained markets but lost them again due to low productivity.
4. Production of natural resources, oil in particular, is still at a low level.

Under these conditions, even if GDP regains a 4.3% growth rate in 1992 as expected, it will slow down to a 3% level in due course, so far as the present policies are maintained. To achieve the higher economic growth and increase employment, it is necessary for effective measures to increase productivity, domestic saving, and high-return investment, thereby increasing international competitiveness and exports.
If these are accomplished, Colombia can expect a 5% or more GDP growth and a 15% increase in exports of non-traditional products.

Economic forecast in Table 2.31 shows that the GDP will grow at 4.2% in 1992, 4.7% in 1993, and 5.5% in 1994 by modernization of industries, compared to 4.3%, 3.5%, and 3.4% in the same years without modernization.
At the same time, modernization will cause exports and imports to growth significantly in terms of their shares of GDP, becoming major contributors to economic vitalization. Table 2.32 compares shares of exports and imports in the GDP with and without the modernization. With modernization, exports will increase by two point and imports by one point.
Table 2.33 summarizes forecast for Colombia's balance of payments. In 1990 and 1991, imports will grow on account of modernization investments to reduce the foreign currency reserve by US$150 million. Then, exports are expected to increase after 1992, and the foreign currency reserve will increase. (exports of non-traditional products will grow at an annual 19% and exports will represent 16.7% of the GDP in 1994) As a result, the foreign currency reserve equivalent to 4 months of imports can be maintained.

In addition, export growth is expected from decrease in tariff rates after 1992.

2.5.8 Government Finance

Without economic liberalization, a budget deficit of the central government is expected to go down to 1.6% of the GNP in 1990 and less than 1% in 1991, thanks to recent efforts of the central and local government. With liberalization, the ratio will drop to 1.4% in 1990 and 0.7% in 1991. At the initial stage of economic liberalization in 1990 and 1991, import duties will increase temporarily to increase government revenues.

At present, while the average tariff rate is 26%, actual tax revenues are equivalent to 9% of the tariff rate because of various exceptions and exemptions, which will be abolished in 1995. On the other hand, the special import duties which were introduced in 1986 will be lowered from present 18% to 16% in 1990 and 1991, and to 14% later.

Table 2.30 DISTRIBUTION OF 744 POSITIONS SUBJECT TO INQUIRY

	(1) Number of Positions	(2) National Production Value us million dollars	(3) Participation (%)	(4) Import DANE 1988 US million dollars	(5) Additional quote of distribution 150 millions US dollars	(6) Total import with additional 150 millions US dollars	(7) Penetration without opening(%)	(8) Penetration with opening(%)
Foods and Beverages	139	1,398.7	27.81	30.2	41.7	71.9	2.16	5.14
Textiles and Other Materials for Confections	93	622.7	12.38	10.0	18.6	28.6	1.61	4.59
Clothes and Other Confections	78	749.0	14.89	19.9	22.3	42.2	2.66	5.63
Automobiles(a)	32	361.4	7.19	97.7	10.8	108.5	27.03	30.02
Home Articles	113	401.8	7.99	17.3	12.0	29.3	4.31	7.20
Electric Consumption Goods, Watch and Jewelry	72	56.5	1.12	17.9	1.7	19.6	31.68	34.69
Woods, Tools and Materials for Construction	57	328.3	6.53	3.9	9.8	13.7	1.19	4.17
Miscellaneous	160	1,110.5	22.08	17.1	33.1	50.2	1.54	4.52
Total	744	5,028.9	100.00	214.0	150.0	364.0	4.26	7.24

(1) Source: PROGRAMA DE MODERNIZACION DE LA ECONOMIA COLOMBIA
(2) Estimated value based on domestic production in 1988 and growth rates
(3) Proportion to total domestic production value
(4) Source: DANE
(5) 150 million US dollars x (3)/100
(6) = (4)+(5)
(7) = (4)/(2)
(8) = (6)/(2)
(a) Includes Import of CKD

Table 2.31 GROSS DOMESTIC PRODUCT (in accordance with expenditure components)

(Growth Rates)

	'88/'87	'89/'88	'90/'89	'91/90	'92/'91	'93/'92	'94/'93
Final Consumption in National Territory	4.0	3.1	2.5	2.1	3.4	3.4	3.7
Home Consumption	3.5	2.5	2.1	2.2	2.8	3.1	3.8
Public Administration Consumption	7.9	6.6	5.2	1.2	7.3	5.2	3.4
Gross Domestic Capital Formation	9.9	-2.7	6.3	6.2	2.1	4.9	7.4
Gross Fixed Capital Formation	9.2	-4.0	6.7	6.2	1.5	4.9	7.6
Variation of Stock	14.8	5.6	4.0	6.0	5.4	5.0	6.0
Domestic Final Demand Subtotal	5.1	2.0	3.2	2.8	3.2	3.7	4.4
Exports<FOB>	-0.4	7.9	10.3	6.5	9.7	9.4	9.5
Full: Imports<CIF>	7.7	1.6	12.5	2.0	5.0	4.6	5.0
Gross Domestic Product	3.7	3.1	3.0	3.7	4.2	4.7	5.5
GDP without internationalization	3.7	3.1	3.2	3.6	4.3	3.5	3.4
Other indicators							
Private Investment as % of Nominal GDP	-	12.3	12.1	12.1	12.3	12.4	12.4
Gain of Productivity	-	0.0	0.2	0.2	0.8	2.0	2.2
Indicator of Cost Factors	-	100.0	93.0	93.1	92.5	88.3	84.6

Source: PROGRAM DE MODERNIZACION DE LA ECONOMIA COLOMBIANA

Table 2.32 INDICATOR OF PAYMENT BALANCE (% of GDP)

Years	Without Rationalization External Trade			With Rationalization External Trade		
	Import of Goods	Export of Goods	Export of Traditional Goods	Import of Goods	Export of Goods	Export. of Traditional Goods
1990	11.9	14.3	5.5	12.8	14.5	5.6
1991	11.6	14.7	5.7	12.7	15.1	5.9
1992	11.3	15.2	5.7	12.3	16.3	6.6
1993	11.4	14.8	5.7	12.5	16.8	7.4
1994	11.6	14.4	5.7	12.7	16.7	7.8

Source: PROGRAM DE MODERNIZACION DE LA ECONOMIA COLOMBIANA

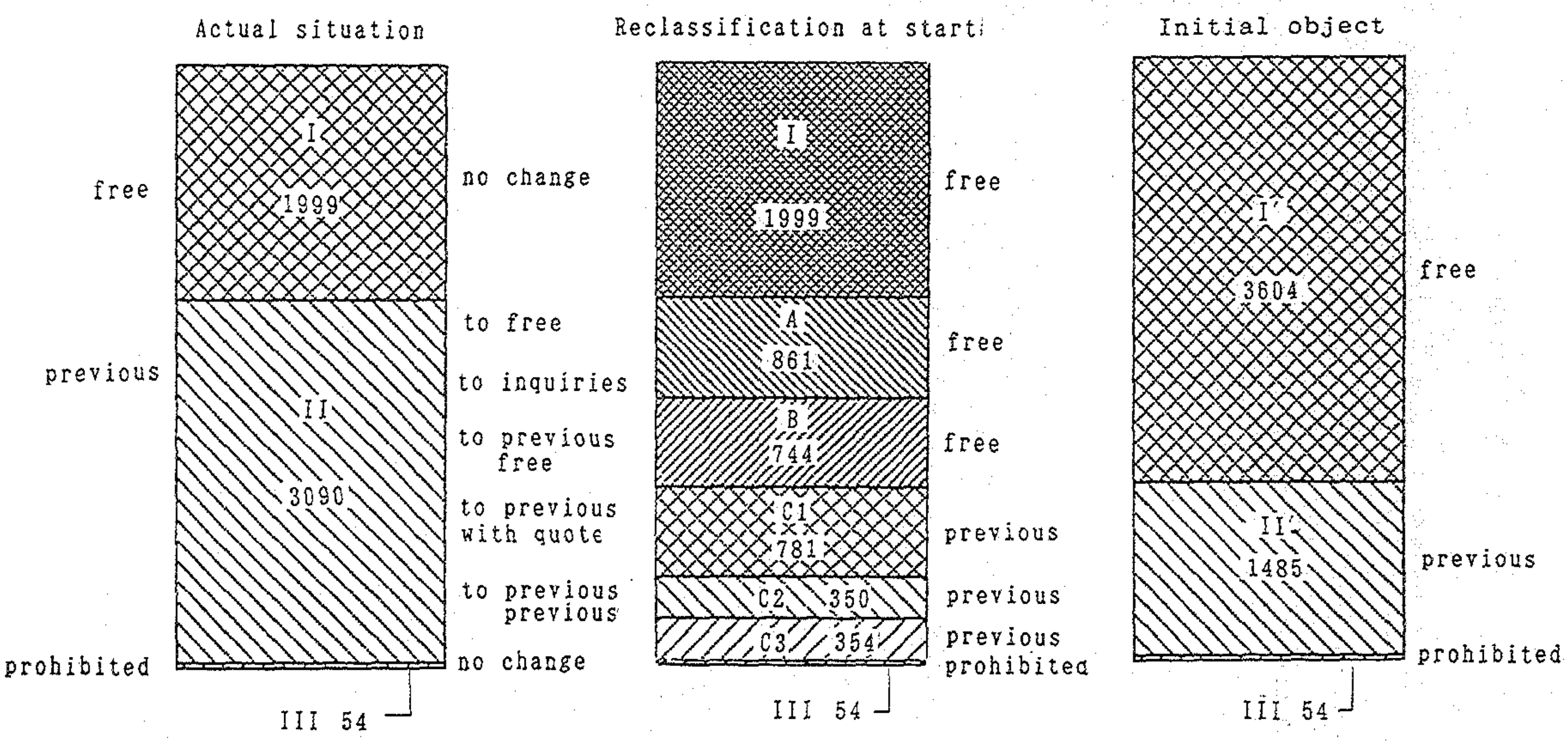
Table 2.33 BALANCE OF PAYMENT

Unit: %

	Variations						
	'88/'87	'89/'88	'90/'89	'91/'90	'92/'91	'93/'92	'94/'93
I. Current Account							
A. Commercial Balance	-43.6	49.9	-39.6	47.0	83.6	16.9	1.5
1. Exportation	1.6	11.9	4.7	11.6	16.7	12.4	8.8
Non Traditional	19.3	15.0	12.6	13.7	20.0	23.0	15.0
Hydrocarbon	-26.6	41.4	18.1	17.1	25.6	1.7	-0.4
Coffee	-0.7	-11.9	-21.4	2.5	5.1	3.4	3.9
Coal	15.7	62.7	13.5	12.8	8.8	21.1	16.1
Ferronickel	111.5	0.2	-12.9	-7.9	-10.9	0.0	0.0
Ore	7.3	-11.6	5.6	6.6	6.6	6.6	6.6
2. Importation	19.0	5.0	16.2	6.8	4.2	10.9	11.4
Petroleum	45.9	35.3	-7.7	13.1	4.2	28.3	15.2
Non Petroleum	18.3	4.0	17.3	6.6	4.2	10.3	11.2
B. Service Balance							
1. Non Financial Service	30.7	-27.9	7.0	-8.5	2.8	2.9	-4.0
Income	15.2	3.0	7.4	5.1	7.5	7.1	7.6
Expense	-3.3	10.2	7.3	0.5	6.1	5.9	4.2
2. Financial Service	9.1	-11.1	-7.7	-16.7	-11.2	-3.7	-2.7
Income	28.4	10.0	3.0	-11.5	-6.3	6.4	9.3
Expense	-5.4	11.0	7.1	13.1	9.4	3.9	3.3
Interest	0.7	3.9	6.2	6.3	3.9	2.7	3.3
Official Service	-1.1	5.1	7.5	5.9	4.0	2.6	2.8
Private Service	9.7	-1.5	0.2	8.1	3.7	3.5	6.2
Profit and Dividents	-20.9	34.0	9.2	29.9	20.5	6.0	3.2
C. Transference	-3.5	21.5	-40.3	7.1	0.0	0.0	0.0
II.Capital Account							
A. Long Term Capital							
1. Foreign Investment	-35.1	215.8	-24.0	-22.5	40.8	-42.6	-2.9
2. Debt of Long-Term							
Official Sector							
Payment	95.0	-4.3	23.0	0.6	-17.5	9.2	1.4
Amortization	31.5	15.6	-0.5	-1.7	-6.0	13.1	0.6
Private Sector							
B. Short Term Capital							
III.Correction							
IV.Others	-271.7	24.0	36.5	22.6	-54.8	-21.6	3.6
Change of Reserve							
International Reserve	10.2	1.5	-3.9	-4.0	5.2	10.8	12.4
Months for Importation	2.9	-5.6	-14.2	-10.1	-0.6	2.5	4.1

Source: PROGRAMA DE MODERNIZACION DE LA ECONOMIA COLOMBIA

Figure 2.26 DISTRIBUTION FOR REGIME OF IMPORT



2.6 Administrative Organization of the Colombian Government

Figure 2.27 shows the organization of the Colombian government.

The organization is divided into ministries which participate in the specific administration and departments which are engaged in planning. The counterpart of this survey is Departmento National de Planeaction which is a department and the Ministerio de Desarrollo Economica is a ministry. The departments and ministries form the central organization with peripheral organizations (Public corporations) called decentralized organizations which are attached to the central organization and engage in active duties.
The Petroleum Corporation and the Power Company are under the control of the Ministry of Mining and Energy and IFI which is dedicated to development of industry and PROEXPORT which is active in promoting exports as discussed in the preceding chapter, are under the control of the Ministry of Economic Development.

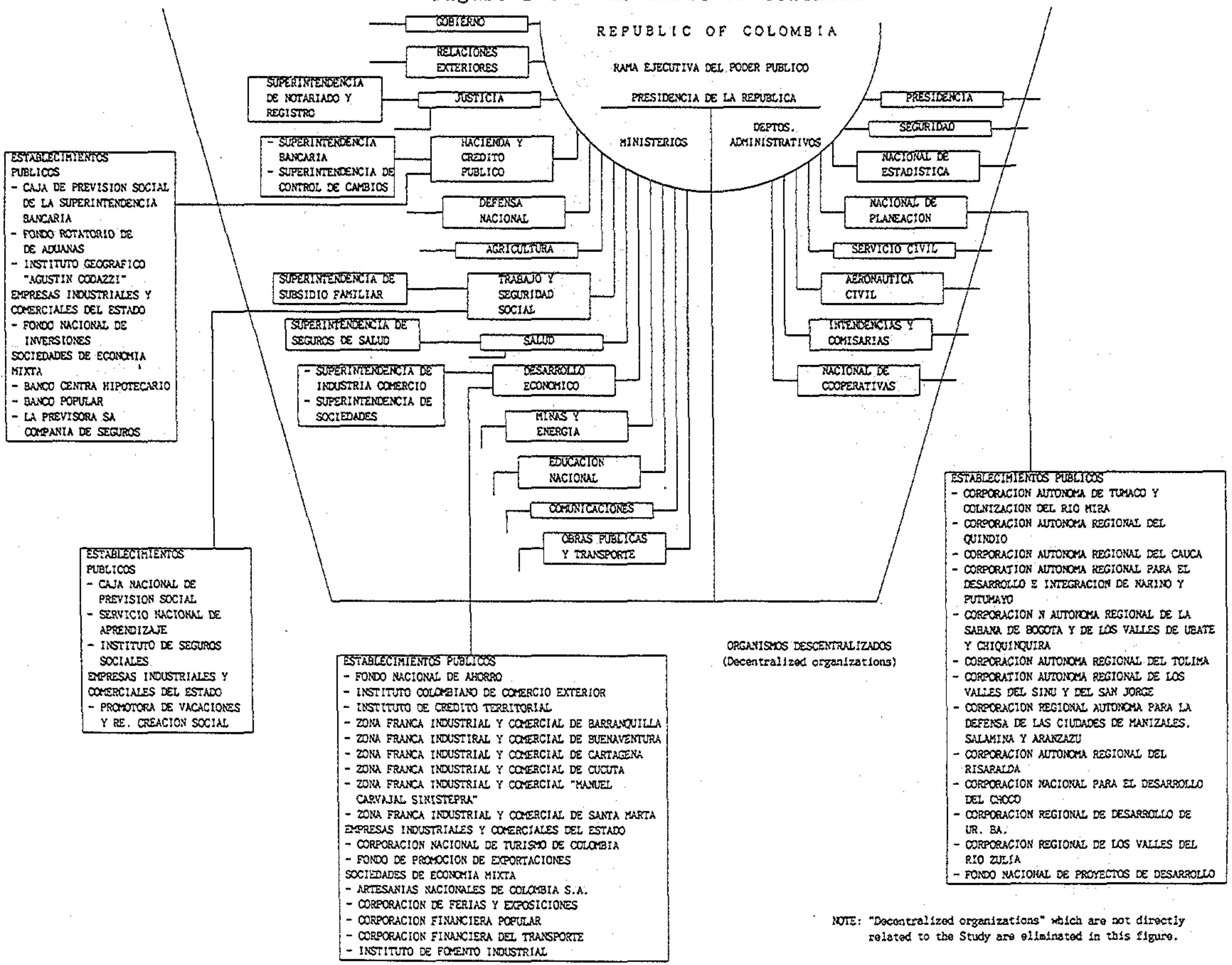
The Department of National Planning is the planning section of the government with a large staff of experts and a broad authority, and it has under its control a section to deal with macroeconomics, a section to deal with sectorial development such as industrial development, a section for infrastructure, and a section for regional planning in addition to the Social Development Section (Figure 2.28) which is the counterpart in this survey and deals with the micro-enterprises. Externally, it has under its control autonomous corporations of each region.

It is the Ministry of Economic Development that is involved in the direct administration of metalworking, small scale enterprises and microenterprises, etc., and their organization is as explained in Figure 2.29. The Ministry of Economic Development is being upgraded recently, and is tried to be expanded to an organization of about 150 people in the near future.
There are the sections in charge of micro- enterprises, handicraft, and informal sector and small and medium industries. Externally, the ministry has under control the free zones to provide industrial infrastructure, etc. in addition to IFI in charge of development financing, INCOMEX which promotes import

substitution, and PROEXPO which promotes exports, as mentioned earlier. Other than above, there is an organization that is engaged in administration by collecting opinions from private associations such as FEDEMETAL (metals), ANDI (small scale enterprises), etc. (Organismos Asesores y Coopoinaicres) and reflecting in the administration the results of the conferences and opinions of the private associations.
In addition, two other ministries are involved in indutrial development. These are the Ministry of Labor and Social Security and the Ministry of Education.
The Ministry of Labor and Social Security supervises SENA which conducts vocational training.
The Ministry of Education supervises COLCIENCIENCIAS which promotes science and technology.

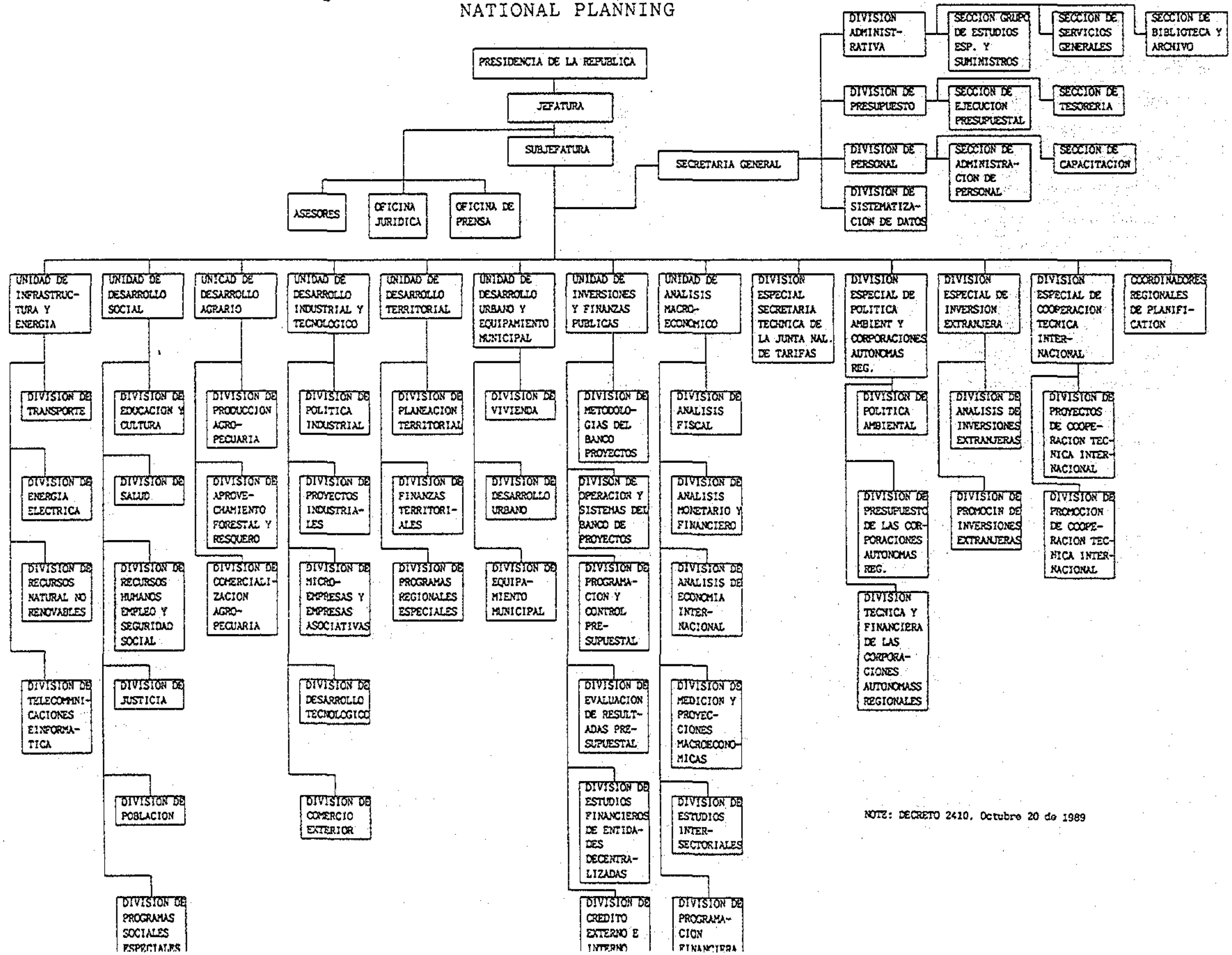
That there are various organizations to develop industry is as described above. There are many aspects that require complements such as strengthening of the inspection functions, improvement of the certification system, operation of model factories in addition to upgrading the capability of the existing facilities. It is desirable that the functions of the various ministries are operated systematically.

Figure 2.27 REPUBLIC OF COLOMBIA



NOTE: "Decentralized organizations" which are not directly related to the Study are eliminated in this figure.

Figure 2.28 ORGANIZATION OF DEPARTMENT OF NATIONAL PLANNING



NOTE: DECRETO 2410, Octubre 20 de 1989

Figure 2.29 ORGANIZATION OF MINISTRY OF ECONOMIC DEVELOPMENT