

I. SUMMARY

Colombia, a country of some 35 million people, occupies a strategic position at the gateway to South America, with port facilities on both oceans. It also enjoys preferred access to neighbouring country markets through a number of existing free trade agreements such as the Andean Pact, as well as bilateral agreements with Chile and Mexico.

Its enviable record of uninterrupted economic growth has continued for nearly 40 years, averaging a strong 5% over the past several years. Political uncertainty and a monetary "over adjustment" led to a slowdown in growth for 1996, with GDP growth coming in at just over 2% and the government is hopeful of a recovery to previous levels in 1997.

The policy of "apertura" (or liberalization of the economy), initiated in the early 1990s, has continued to unfold. This has meant significant reductions in import duties, leading to increases in imports of consumer goods and, more importantly, technology and equipment for the modernization of industry.

Colombia's economy is one of the most stable and dynamic in Latin America. This is the only South American country that has not had to reschedule its international debt, has no balance of payments problems and an excellent credit rating. Indeed, Colombia and Chile are the only two countries in Latin America to enjoy an investment grade rating. Canada's Export Development Corporation also rates Colombia very highly and has extended a number of lines of credit through Colombian banks.

The growth of the hydrocarbon related industry has been instrumental in the consolidation of the national economy. Crude oil exports in 1996 exceeded 400,000 barrels per day, totalling US\$2.2 billion over the year and replacing coffee as the number one Colombian export commodity. Exports of crude oil should reach 1 million barrels per day in the year 2000.

Significant economic resources are being invested in exploration and exploitation projects in the foothills of the Andes, the expansion of the pipelines system, the design and construction of a natural gas transportation and distribution infrastructure and the modernization of the country's two refinery complexes.

Canadian participation in exploration contracts, to date, is rather small compared with the large investment of multi-nationals that traditionally have operated in this country. We are however beginning to see some expanding Canadian interest, led by the recent entry of Canadian Occidental Petroleum Ltd., currently operating in the province of Putumayo (south-western part of Colombia).