

Colombia

Favourable Business Climate for Canadian Companies

Colombia, a market 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.

Colombia's 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 under 3%. However, indications point to recovery in 1997.

Colombia's policy of "apertura" (or opening of the economy), initiated in the early 1990s, has continued to unfold. This has meant falling import duties, leading to increases in imports of consumer goods and, more importantly, plant and equipment for the modernization of industry.

Colombia's economy is one of the most stable and dynamic in Latin America. Colombia 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 from Standard and Poors. Canada's Export Development Corporation rates Colombia very highly and has extended a number of lines of credit through Colombian banks.

Huge amounts are being spent in telecommunications, aviation, agri-food and consumer products; as well as in the petroleum sector, both in the development of new fields and in pipeline construction. Current petroleum exports exceed half a million barrels per day; this is expected to reach 1 million b/d by the year 2000. Canadian companies have taken a major lead in this area. Canadian Occidental Petroleum Ltd., TransCanada PipeLines Ltd. and Interprovincial Pipe Line Ltd. are all major investors in the Colombian oil & gas sector.

The on-going "decertification" of Colombia by the United States, which has frozen export credits from the US Eximbank, has opened opportunities for Canadian financial entities such as the EDC and Canada's private banks, as well as for Canadian subsidiaries of US companies that no longer have access to Eximbank credits.