Foreign direct investment can be made in all sectors of industry, agriculture and mining. The only activities reserved for national capital are a few non-tradeable service sectors. These are public utilities, housing construction, internal transport of passengers, and the communications media.

The legal regime for foreign direct investment is part of an integral exchange control system which has been in place in Colombia since 1967. This system, established by the Decree-Law 444, has allowed the country to avoid major balance of payments difficulties. It has also given foreign investors uninterrupted convertibility of earnings and repatriation of capital within the limits established by law. The main elements of the Colombian foreign investment regime are:

a) Foreign investment requires previous authorization from the Department of National Planning (DNP). Investment in the exploration and development of hydrocarbons and in firms located in industrial free zones does not require this authorization and is subject to special rules. Other investments in the mining sector must be authorized by the Ministry of Mines as well as by the DNP. In the evaluation of foreign investment applications, the DNP takes into account factors such as the impact on balance of payments, the contribution to employment, production and export growth, and technology transfer. This evaluation is based on the identification of areas of common interest for the investor and the host country.

b) Once it is authorized, foreign investment can be made in convertible currencies and/or in goods, such as industrial plants, machinery, spare parts, parts for assembly, raw materials and intermediate goods. Foreign investment can apply to new or existing firms.

c) Foreign investments are registered with the Foreign Exchange Control Office (Oficina de Cambios) in the convertible currency chosen by the investor.

Foreign investors have the right to send abroad, in freely convertible currency, their annual profits up to an amount equivalent to 25 per cent of the registered investment. This percentage is determined after taxes have been paid. For projects of special importance for the Colombian economy, a higher percentage may be authorized.

Profits exceeding this limit may be registered as foreign investment with repatriation and profit remittance rights if