

RPTB1

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

90/91 TRADE AND ECONOMIC OVERVIEW

Mission: BOGOTA

Country: COLOMBIA

SINCE AUGUST 1989 THE COLOMBIAN POLITICAL SCENE HAS BEEN DOMINATED BY AN OFTEN VIOLENT CONFRONTATION BETWEEN THE COLOMBIAN GOVERNMENT AND THE DRUG TRAFFICKERS BASED IN THE COUNTRY. THIS HAS AFFECTED NEGATIVELY THE OUTLOOK FOR INVESTMENT, TOURISM, CONSTRUCTION AND GENERAL CONSUMPTION AND PRODUCTION. THE COLOMBIAN ECONOMY HAS ALSO BEEN BUFFETTED BY THE COLLAPSE OF THE INTERNATIONAL COFFEE AGREEMENT AND THE CONSEQUENT LOWER THAN PROJECTED COFFEE EXPORT REVENUES.

NEVERTHELESS, DESPITE THESE UNFORTUNATE REVERSES, THE COLOMBIAN ECONOMY REMAINS ONE OF THE MOST SOUND AND PRUDENTLY MANAGED IN LATIN AMERICA. IT IS A CREDIT TO THE STRENGTH AND DIVERSITY OF THE COLOMBIAN ECONOMY THAT IT IS EXPECTED TO WEATHER THESE BLOWS WITH A MINIMAL IMPACT UPON ITS GROWTH, ESPECIALLY IF SUPPORT AND COOPERATION IS MAINTAINED AND EXPANDED BY THE INTERNATIONAL COMMUNITY, PARTICULARLY MULTILATERAL FINANCIAL INSTITUTIONS AND THE INTERNATIONAL BANKING COMMUNITY.

ALTHOUGH THE OUTLOOK FOR THE ECONOMY AS A WHOLE IN 1989 IS NO LONGER AS BRIGHT AS ORIGINALLY PREDICTED AT THE BEGINNING OF THE YEAR BY THE COLOMBIAN GOVERNMENT, REAL GDP IS STILL ANTICIPATED TO REACH A HEALTHY THREE PERCENT (REVISED DOWNWARDS FROM AN ESTIMATED FOUR PERCENT AND BELOW THE 3.7 PERCENT ACHIEVED IN 1988). INFLATION WILL BE HELD BELOW 30 PERCENT AGAIN IN 1989 AND MAY ACTUALLY DECREASE IN 1990.

FOREIGN EXCHANGE RESERVES, IN THE ORDER OF US \$3.5 BILLION, ARE SUBSTANTIAL AS ANNUAL IMPORTS ARE APPROXIMATELY US \$4.5 TO \$5.0 BILLION. IT IS STILL UNCLEAR IF RECENT DEVELOPMENTS WILL PUSH UP COLOMBIA'S FOREIGN BORROWING REQUIREMENT. TOTAL COLOMBIAN EXTERNAL DEBT, ABOUT US \$16 BILLION, IS MODEST BY LATIN AMERICAN STANDARDS AND COLOMBIA CONTINUES TO TREASURE ITS STATUS AS THE ONLY MAJOR COUNTRY IN THE REGION TO HAVE CONSISTENTLY MET ITS DEBT SERVICING OBLIGATIONS. A DEBT RESCHEDULING WOULD APPEAR UNLIKELY IN THE NEAR FUTURE, BARRING A REFUSAL BY THE INTERNATIONAL BANKING COMMUNITY TO PARTICIPATE IN FURTHER SYNDICATED LOANS SUCH AS THE US \$1.7 BILLION "CHALLENGER" LOAN NEGOTIATED IN EARLY 1989.