**2000 Country Reports on Economic Policy and Trade Practices**
Released by the Bureau of Economic and Business Affairs
U.S. Department of State, March 2001

# COLOMBIA

## Key Economic Indicators

(Billions of U.S. dollars unless otherwise indicated)

| | 1998 | 1999 | 2000 1/ |
|---|---|---|---|
| *Income, Production and Employment*: 2/ 3/ | | | |
| Nominal GDP | 89.7 | 85.3 | 87.9 |
| Real GDP Growth (pct) | 0.6 | -4.8 | 3.0 |
| GDP by Sector: | | | |
| Agriculture | 17.4 | 12.5 | 12.9 |
| Manufacturing | 17.5 | 11.1 | 11.9 |
| Services (includes financial) | 29.5 | 34.2 | 34.8 |
| Commerce | 11.2 | 9.7 | 10.2 |
| Government 4/ | 27.5 | 25.7 | 25.4 |
| Per Capita GDP (US$) | 2,243 | 2,097 | 2,118 |
| Labor Force (000s) 5/ | 17,212 | 17,521 | 17,836 |
| Unemployment Rate (pct) | 15.9 | 18.1 | 20.2 |
| *Money and Prices (annual percentage growth)*: 6/ | | | |
| Money Supply Growth (M2) | 20.5 | 22.1 | 30.0 |
| Consumer Price Inflation | 16.7 | 9.2 | 10.0 |
| Exchange Rate (Peso/US$ annual average) | | | |
| Official | 1,425.9 | 1,756.8 | 2080.0 |
| *Balance of Payments and Trade*: 7/ | | | |
| Total Exports FOB | 10.8 | 11.5 | 13.2 |
| Exports to U.S. | 4.0 | 5.6 | 6.2 |
| Total Imports CIF | 14.6 | 10.6 | 12.2 |
| Imports from U.S. | 4.6 | 3.8 | 5.5 |
| Trade Balance | -3.8 | 0.9 | 1.0 |
| Balance with U.S. | -0.6 | 1.8 | 0.7 |
| Current Account Deficit/GDP (pct) | -5.9 | -2.4 | -2.0 |
| External Public Debt | 18.4 | 19.7 | 20.5 |
| Debt Service Payments/GDP (pct) | 3.7 | 3.2 | 3.5 |
| Fiscal Deficit/GDP (pct) | -4.5 | -5.8 | -3.6 |
| Gold and Foreign Exchange Reserves | 8.7 | 8.1 | 8.5 |
| Development Aid from U.S. (US$ millions) 8/ | 11.0 | 18.8 | 129.1 |
| Aid from All Other Sources | N/A | N/A | N/A |

1/ 2000 figures are estimates based on available monthly data in October.

2/ Percentage changes calculated in local currency.
3/ Sources for all figures in section except government spending are National Department of Statistics (DANE). For government spending: Ministry of Finance.
4/ Approved national budget. Source: Ministry of Finance.
5/ Economically active population for the whole country.
6/ Source: Banco de la Republica (BDR).
7/ Source: Ministry of Foreign Trade.
8/ Aid reflects USAID program only.

*1. General Policy Framework*

Until recently, the Colombian economy had performed well in the last two decades, showing average annual growth rates of 4.5 percent. Transition from a highly regulated economic regime led to economic liberalization, initiated by the administration of President Cesar Gaviria (1990-94). Liberalization consisted of tariff reductions, financial deregulation, privatization of state-owned enterprises, and adoption of a more liberal foreign exchange regime. Almost all sectors became open to foreign investment although agricultural products remained protected. A price-band system to determine tariffs for agricultural products excluded them from the liberalization process. Import license requirements were eliminated for most products though some agricultural products still require licenses.

By the mid-1990s, fiscal and current account deficits started to increase. The Samper administration (1994-98) increased government spending and the fiscal deficit and public sector debt. The financing of larger deficits had contractionary effects on the private sector by pushing interest rates higher. Economic growth slowed beginning in 1996, until the first recession since 1931 began in late 1998. Colombia grew at 0.6 percent in 1998 and faced negative growth of 4.8 percent in 1999. Such a steep fall in GDP growth was caused by a contraction of aggregate demand (consumption and investment decreased to unprecedented levels in recent history) due to a generalized and significant fall in prices and a crisis in the financial system. The construction industry, one of the largest employment sectors in Colombia, was particularly hard-hit by tight credit conditions. Unemployment increased dramatically reaching over 18 percent by year-end in 1999, and stood at 20.1 percent as of September 2000. The manufacturing and trade sectors were also greatly affected by what has been called the “worst recession in the last century.”

The Pastrana administration (1998-2002) has implemented a series of measures aimed at promoting trade and investment, reducing the fiscal deficit, and achieving peace with the guerrilla insurgency. In September 1999 Colombia reached an agreement with the International Monetary Fund for a $2.7 billion Extended Funds Facility. The IMF accord entailed commitments to achieve specific macro-economic targets and to seek structural reform legislation. The fiscal deficit is scheduled to decline to 3.6 percent of GDP in 2000 under the IMF program, and to 2.5 percent in 2001. As of July 2000, the fiscal deficit had already reached 3.6 percent of GDP.

The fall in economic growth was less dramatic in the second half of 1999, due to measures taken by the Colombian government to lower inflation and interest rates, and increase the real exchange rate. Economic indicators as of October 2000 are beginning to show generally positive trends; the business climate shows signs of modest improvement. The National Planning Department (DNP) has estimated growth for 2000 at between two and three percent as a modest recovery takes hold. The Colombian Government is now predicting GDP growth of 4.1 percent for 2001.

Colombia has major commercial and investment links to the United States. The United States received 48.5 percent of Colombia’s exports and provided 35.9 percent of Colombia’s imports in 1999. More than 70 percent of Colombian exports to the United States are primary products such as food (mainly coffee, bananas, flowers, tuna, shrimp, and sugar), and fuel (petroleum and coal). Other important export products are textiles and apparel. The United States also holds the largest country share of foreign direct investment: $5.1 billion, or 26.5 percent of the estimated total direct foreign investment of $19.4 billion.

Between 1990 and 1999 the government privatized a number of state-owned banks, ports, railroads, and mining companies. It also sold concessions to private providers of telecommunications and broadcasting services that began using the government-owned spectra. The 50 percent government-owned share of the Carbocol coal mining company was privatized on October 3, 2000. Carbocol was sold to a consortium of multinational companies (Billington, Glencor, and Anglo-American) for $474 million. The Pastrana administration also has plans to privatize the remaining profitable public enterprises, including the Bogota Telephone Company (ETB), the electricity transmission company, ISA and the electricity generating company, ISAGEN, plus 14 electric distributors. However, the process was recently postponed after the Constitutional Court suspended the privatization of ISAGEN, and after all possible bidders at the auction of ETB abstained from participating. Passage of contemplated economic reforms and privatization in the energy and telecommunications sectors is important if growth is to be sustained.

Rising fiscal deficits forced the authorities to adopt several tax reforms over the last years. Law 488, approved in December 1998, lowered the value-added tax (VAT) from 16 to 15 percent, while widening coverage. A unified tax regime for small taxpayers was also created to simplify the tax collection process. In December 1998 the government decreed an economic emergency under which it instituted a tax on all transactions in the financial system at a rate of 0.2 percent. The government is currently seeking to make the tax permanent in its next tax reform proposal to Congress. Other major taxation issues include the future of the 35 percent income tax and a requirement that all corporations invest 0.6 percent of their liquid assets in seven-year term “peace bonds,” which are freely negotiable and bear a return equivalent to inflation plus 10 points.

The Central Bank recently changed its monetary policy from tracking growth rates of monetary aggregates to setting inflation targets. The Central Bank intervenes in the money market to reduce the volatility of interest rates, and it had been actively intervening in the foreign exchange market to maintain the foreign exchange rate within a band system, until September 1999, when the exchange band was removed. Colombia enjoyed single digit inflation in 1999 (inflation dropped from 26.8 percent in 1991 to 9.2 percent in 1999), though this in large measure was a result of the low level of economic activity. As of September 2000 inflation reached 7.3 percent, which is consistent with the official target for 2000 of 10 percent.

*2. Exchange Rate Policy*

On September 25, 1999 Colombia abandoned its crawling band exchange regime and adopted measures that permitted the peso to float freely against the dollar and other currencies. Before the elimination of the band, the Central Bank intervened in the market by buying or selling dollars to keep the dollar's price in pesos within the band, which it was forced to adjust twice in the previous year (September 1998 and June 1999) in response to exchange market pressure. The exchange rate stabilized soon after abolition of the band, subsequently responding to economic and political developments. As of October 2000, the peso had depreciated 20 percent from the beginning of the year. The peso's depreciation has reduced the price competitiveness of U.S. exports to Colombia, while boosting the competitiveness of Colombian exports to the United States. Currency depreciation together with import compression due to recession produced a dramatic turnaround in Colombia's overall trade balance, as well as its bilateral balance with the United States. Between 1998 and 1999 Colombia's overall trade balance swung from a $3.8 billion deficit to a $910 million surplus, while the U.S.-Colombia trade balance swung from a $627 million U.S. surplus to a $1.7 billion deficit. As of July 2000, the U.S.-Colombia trade balance had registered a $1 billion deficit.

*3. Structural Policies*

As a member of the Andean Community, Colombia has had a Common External Tariff (CET) in effect since 1995. The CET has different duty levels that vary from zero to 20 percent for most non-agricultural products. A special Andean price-band system (based on domestic and international prices) is applied to calculate variable tariffs of agricultural imports. Tariff rates for agricultural products subject to the price-band system vary between 27 and 107 percent. Thirteen basic agricultural commodities including wheat, sorghum, corn, rice, barley, milk, and chicken parts, and an additional 150 commodities considered substitute or related products are subject to tariffs calculated under the price-band system. The government also regulates prices of electricity, water, sewage, and telephone services, public transportation, rents, education tuition, and pharmaceuticals. Colombia's special import-export system for machinery and its free trade zones constitute export subsidies. Colombia's tax rebate certificate program (CERT) also contains a subsidy component which the Colombian government has stated it will replace with an equitable drawback system, although it has not yet done so.

Colombia has implemented six tax reforms over the last 10 years. In December 1998 the Colombian Congress passed Law 488, which lowered the value-added tax (VAT) from 16 to 15 percent effective November 1, 1999, and increased the number of goods and services subject to the VAT. Law 488 established a common tax regime for small taxpayers and increased the stamp tax paid on all written contracts from one to one-and-a-half percent. In November 1998 the government decreed an economic emergency in the country to address a crisis in the financial system. One of the measures decreed was a 0.2 percent emergency tax on financial transactions, known as the "two per thousand," which was to be used to capitalize public banks and financial cooperatives, which were the most affected by the crisis. The "two per thousand" tax was initially to remain in effect until December 31, 1999. However, in January 1999 an earthquake in Colombia's coffee region frustrated the government's hope of meeting its lower spending targets and the tax was extended until 2001. In August 2000 a new tax reform bill was presented to Congress. This new reform seeks additional resources of approximately $1.7 billion by making permanent the "two per thousand" tax, increasing further the number of goods and services subject to the VAT, and eliminating current tax exemptions mainly provided to regions which have been affected by natural disasters (Cauca, Risaralda and Quindio departments). Congress has not yet approved this bill.

Colombia also assesses a discriminatory VAT of 35 percent on whiskey aged for less than 12 years, which is more characteristic of U.S. whiskey, versus a rate of 20 percent for whiskey aged for 12 or more years, most of which comes from Europe. This tax regime on distilled spirits appears to violate Colombia's WTO obligation to provide Most Favored Nation (MFN) treatment equally to all WTO members.

All foreign investment in petroleum exploration and development in Colombia must be carried out under an association contract between the investor and the state petroleum company, "Ecopetrol." The terms of the standard association contract were modified in 1994, 1995, 1997, 1998, and again in 1999. The Pastrana administration has acknowledged Colombia's need for new oil reserve discoveries and implemented a new hydrocarbon policy designed to attract foreign investment. The new policy, which went into effect in the first quarter of 2000, represents one of the most comprehensive reforms of the last 30 years, and has the long-term goal of producing 1.5 million barrels per day by the year 2010. These changes will hopefully enhance the attractiveness of Colombia's oil investment climate. There has already been an increase in the number of exploration contracts signed.

Colombia adopted a harmonized automotive policy with Venezuela and Ecuador, which went into effect in January 1994. Automotive parts and accessories, and motor vehicles imported from any of the three signatory countries have a zero import duty, while those imported from third countries are covered with CET rates varying between 3 and 35 percent depending on the type of vehicle and automotive part. A new Andean auto regime was adopted in November 1999, in which common external tariff rates remained unchanged, but regional content requirements were gradually increased from the current average of 23 percent to a maximum of 34 percent by the year 2009.

The Pastrana administration has taken concrete steps to promote trade and investment. An agreement with the U.S. government establishing periodic Trade and Investment Council meetings with the Andean Community was signed in October 1998. Efforts have also been made to improve oversight of the television sector and reduce cable and satellite signal piracy. A Presidential Directive was issued in early 1999, requiring all Colombian public entities to respect international copyrights. The Pastrana administration amended an article in the 1991 Constitution, repealing the previously allowed expropriation of foreign investment without compensation.

*4. Debt Management Policies*

Colombia's foreign debt has increased significantly over the last years. Total foreign debt went from representing 27.4 percent of the GDP in 1994 to 40.6 percent of the GDP in

1999; of this, public sector debt grew more modestly, from 17 to 23.8 percent of GDP across the same span. In 1999 international financial institutions supported the Colombian government's fiscal adjustment and development programs through 2002: a $2.7 billion guarantee (Extended Funds Facility) from the International Monetary Fund, and loans at concessionary rates in the amount of $1.7 billion from the Inter-American Development Bank, $1.4 billion from the World Bank, $600 million from the Andean Development Corporation, and $500 million from the Latin American Reserve Fund. As of September 2000, Colombia's total (public and private) foreign debt amounted to $33.6 billion.

Colombia's history of continuous timely servicing of its international debt obligations and, at least until recently, modest external debt burden earned the country one of the few "investment" grade credit ratings from the major rating companies. However, in 1999 Standard & Poors, Moody's, and Duff & Phelps downgraded Colombia's debt, citing Colombia's faltering peace process, increased security concerns, and insufficient progress in fiscal consolidation. The rating downgrades had little impact on the secondary market prices of Colombian debt, as the move had largely been priced into the market already. Colombian debt had traded at significantly wider spreads than would be indicated by its "investment grade" rating for some time.

In September 1998 the Central Bank reduced its deposit requirement imposed on foreign borrowing from 25 to 10 percent (the term of the deposit was also reduced from 12 to 6 months). In January 1999 the Central Bank completely removed the deposit requirement for import-related borrowing while maintaining a 10 percent deposit requirement on export-related foreign borrowing operations. In April 2000 the Central Bank completely removed the deposit requirement on all foreign borrowing operations.

*5. Aid*

The Narcotics Affairs Section (NAS) in Bogota coordinates U.S. aid and assistance to the Colombian National Police and other counternarcotics programs. Total narcotics-related aid amounted to approximately $315 million in 1999, making this country the largest recipient of U.S. counternarcotics aid in the world. In the second half of 2000, the U.S. Congress approved an additional provision of $1.3 billion through the year 2002, for Colombian Government's "Plan Colombia" to eradicate illicit crops, provide alternative development opportunities, strengthen human rights, and increase the state presence in coca-growing areas. The Colombian government is seeking additional assistance from Europe and Japan for "Plan Colombia".

The U.S. Agency for International Development (USAID) office in Bogota coordinates the provision of resources for development programs in Colombia. Its Operating Year Budget (OYB) for FY1999 was $18.8 million and OYB for FY2000 is $129.5 million. These funds will be used to support activities in democracy, alternative development and support to internally displaced persons.

*6. Significant Barriers to U.S. Exports*

Import Licenses: Colombia requires import licenses for less than two percent of all products, which include various commodities, narcotics-precursor chemicals, armaments and munitions, donations, and some imports by government entities. Though the government abolished most import licensing requirements in 1991, it has continued to use prior import licensing to restrict importation of certain agricultural products such as chicken parts and other preserved chicken and turkey products. In addition, since the promulgation of Decree 2439 in November 1994, Ministry of Agriculture approval has been required for import licenses for products which, if imported, would compete with domestic products. Some of these products, which include important U.S. exports to Colombia, are wheat, malt barley, corn, rice, sorghum, and wheat flour. Prior to its termination in the first quarter of 2000, the Colombian Institute of Foreign Trade (INCOMEX) excluded powdered milk from the licensing regime, which had previously restricted milk imports during Colombia's high milk production season. The majority of used goods—cars, manufactured auto parts, tires and clothing—are prohibited from import, and those that are allowed, such as machinery, are subject to licensing.

Services Barriers: Colombia maintains barriers in a number of service areas. Colombian television broadcast laws (Law 182/95 and Law 375/96) impose several restrictions on foreign investment. For example, foreign investors must be actively engaged in television operation in their home country. Their investments are limited to 15 percent of the total capital of local television production companies and must involve an implicit transfer of technology. At least 50 percent of programmed advertising broadcast on television must have local content. Foreign talent may be used in locally produced programming, but limits are set by the National Television Commission. The Colombian Congress is seeking a reform to the television broadcast laws, but the reform bill does not eliminate current restrictions to foreign participation. The provision of legal services is limited to law firms licensed under Colombian law. Foreign law firms can operate in Colombia only by forming a joint venture with a Colombian law firm and operating under the licenses of the Colombian lawyers in the firm. Colombia permits 100 percent foreign ownership of insurance firm subsidiaries. It does not, however, allow foreign insurance companies to establish local branch offices. Insurance companies must maintain a commercial presence in order to sell policies other than those for international travel or reinsurance. Colombia denies market access to foreign maritime insurers. A commercial presence is required to provide information-processing services. All tourism service providers must be registered with the Ministry of Economic Development and must be licensed by the Government's National Tourism Corporation. Health service providers must be registered with the various supervisory entities (the Ministry of Health, the National Council of Social Security and Health, and the Superintendency of Health) which impose strict parameters pertaining to cost accounting structures and the quality of the service provided. Foreign educational institutions must have resident status in Colombia in order to receive operational authority from the Ministry of Education.

Investment Barriers: Colombian foreign investment statutes provide for national treatment for foreign investment. One hundred percent foreign ownership is permitted in most sectors of the Colombian economy. Exceptions include activities related to national security and the disposal of hazardous waste. All foreign investors (acting as individuals or investment funds) must receive prior approval from the Banking Superintendency to acquire an equity participation of five percent or more in a Colombian financial entity. As a measure against money laundering, Foreign Direct Investment (FDI) in real estate was prohibited until February

8, 1999, when prohibitions on foreign investment in real estate companies were abolished by Decree 241. Colombian law requires that at least 80 percent of employees of companies in the mining and hydrocarbons sector be Colombian nationals. It also requires that foreign employees in financial institutions be limited to managers, legal representatives and technicians. Colombia limits foreign ownership of telecommunication companies to 70 percent. An economic needs test determines market access and national treatment for cellular, PCS, long distance, and international telecommunications services. The government retains the right to identify other sectors in which to limit or forbid foreign investment.

All foreign investment must be registered with the Central Bank's foreign exchange office within three months in order to insure the right to repatriate profits and remittances. All foreign investors, like domestic investors, must obtain a license from the Superintendent of Companies and register with the local chamber of commerce.

Standards, Testing, Labeling, and Certification: The Colombian Foreign Trade Institute (INCOMEX) requires specific technical standards for a variety of products. The particular specifications are established by the Colombian Institute of Technical Standards (ICONTEC), or under ISO-9000. Certificates of conformity must be obtained from the Superintendency of Industry and Commerce before importing products that are subject to technical standards.

Government Procurement Practices: Law 80 of 1993 is Colombia's government procurement and contracting law. It grants equal treatment to foreign companies on a reciprocal basis and eliminates the 20 percent surcharge previously added to foreign bids. In implementing Law 80, the Colombian government instituted a requirement that companies without local headquarters must certify government procurement reciprocity in the home country. A local agent or legal representative is required for all government contracts. When foreign firms bid under equal conditions, the contract is usually awarded to the one that incorporates a greater number of domestic workers, involves more domestic content, or provides better conditions for transfer of new technology. Some U.S. companies have complained of corruption and lack of transparency in bidding and contracting processes. Colombia is not a party to the WTO agreement on government procurement.

In July 2000 the Colombian government submitted to Congress a bill reforming Law 80. Successful passage of the bill would prohibit donors to political campaigns from participating in contracts or bidding processes offered by their beneficiaries. It would require that privatized companies maintain the same bidding regime (same rules and regulations) as public companies. The bill would also eliminate non-bid contracts and would provide the same treatment to foreign and domestic bidders. This means that foreign bidders in public contracts would receive the same treatment as in their own countries, and contracting parties would not be allowed to demand transfer of goods and services from abroad.

Customs Procedures: In 1996 Colombia incorporated the GATT's customs valuation code into its legislation. Additionally, all importers of goods with a value of $5,000 and above must present the "Andean Customs Valuation Declaration" in which the importer states the real value of the merchandise. In December 1999 the Ministries of Finance and Foreign Trade abolished a pre-shipment certification requirement for exports to Colombia. Thus, the pre-shipment inspection certificate is no longer required to clear goods through Colombian customs. A new Customs Code, Decree 2685, was approved on December 28, 1999 and simplified export procedures. The new code entered into force on July 1, 2000.

*7. Export Subsidies Policies*

Although Colombia has made commitments to abide by the provisions of the GATT Subsidies Code, by phasing out any export subsidies inconsistent with that code, it still maintains certain export subsidies. Colombia's tax rebate certificate program (CERT) contains a subsidy component, which the Government of Colombia has stated it will replace with an equitable drawback system, although it has not yet done so. The other export subsidy, known as the "Plan Vallejo," allows for duty exemptions on the import of capital goods and raw materials used to manufacture goods that are subsequently exported. Colombia's "special machinery import-export system" also constitutes an export subsidy through the mechanism of tax exemptions on imported machinery. Other than the above, Colombia's subsidy practices are generally compatible with WTO standards.

*8. Protection of U.S. Intellectual Property*

Colombia does not yet provide adequate and effective intellectual property protection. As a result, Colombia has been on the "Watch List" under the Special 301 provision of the 1988 Trade Act every year since 1991, and an out-of-cycle review in mid-1999 placed Colombia once again in the same "Watch List" category. Colombia has ratified, but not yet fully implemented, the provisions of the World Trade Organization (WTO) agreement on Trade Related Aspects of Intellectual Property (TRIPS). A major intellectual property rights issue has been the Colombian Government's failure to license legitimate pay television operators and to pursue pirate operators. Colombia's Television Broadcast Law increased legal protection for all copyrighted programming by regulating satellite dishes, but enforcement has only recently begun through a licensing process designed to make illegal operators responsible for paying copyright fees. The licensing process, if effective, should reduce the widespread piracy by legitimizing non-royalty paying service providers. As of October 2000, the Colombian National Television Commission (CNTV) had completed licensing for 117 cable television operators on 56 municipalities all over the country. CNTV also made efforts to pursue pirate operators by initiating investigations of 282 suspected pirate operators, eight of which have so far incurred sanctions. Colombia has also created a Special Investigative Unit within the Prosecutor General's Office dedicated to intellectual property rights issues. This unit began functioning in November 1999.

Colombia, which is a WTO member, has ratified its Uruguay Round implementing legislation. It is a member of the World Intellectual Property Organization (WIPO) and has negotiated to join the Paris Convention for the Protection of Industrial Property, the Patent Cooperation Treaty and the Union for the Protection of New Plant Varieties. Colombia belongs to the Bern and Universal Copyright Conventions, the Buenos Aires and Washington Conventions, the Rome Convention on Copyrights, and the Geneva Convention for Phonograms. It is not a member of the Brussels Convention on Satellite Signals.

Patent and Trademarks: Colombia is a member of the Inter-American Convention for

Trademark and Commercial Protection. Colombia requires registration and use of a trademark in Colombia to exercise trademark protection. Trademark registration has a 10-year duration and may be renewed for successive 10-year periods. Thus, the Colombian law provides 20-year protection for patents and reversal of burden of proof in cases of alleged patent infringement. Andean Community Decision 486 was approved on September 14, 2000, after the pharmaceutical industry, which has been particularly affected by inadequate protection of confidential data, requested that Decision 344 be amended to ensure compliance with WTO requirements. Decision 486, which will come into force on December 1, 2000, provides improved protection to patents, trademarks, industrial inventions, rules of origin and unlawful competition related to industrial property. This decision eliminates previous restrictions on biotechnology inventions, increases protection of industrial designs from eight to ten years, and protects integrated circuits (microchips) designs. However, Decision 486 appears to have shortcomings with respect to protection of data confidentiality and protection for second-use patents. Enforcement of trademark legislation in Colombia is showing some progress, but contraband and counterfeiting are widespread. U.S. pharmaceutical firms continue to press for a range of legislative and administrative reforms. The Superintendency of Industry and Commerce acts as the local patent and trademark office in Colombia. This agency suffers greatly from inadequate financing and a backlog of trademark and patent applications exceeding 25,000, although new applications are now generally received within nine months.

Copyrights: Colombia's 1993 Copyright Law increased penalties for copyright piracy. In April 1999 President Pastrana issued a directive to all government and educational institutions to respect copyrights and avoid the use or purchase of pirated printed works, software and audio/video material. The most recent available data from the International Intellectual Property Alliance (IIPA) suggests that U.S. industries continue to lose substantial revenue from piracy: $163.2 million in 1999. Enforcement problems consistently arise not only with inadequate police activity, but also in the judicial system, where there have been complaints about the lack of respect for preservation of evidence and frequent perjury. The IIPA estimates that in Colombia videocassette piracy represents approximately 55 percent of the video market; sound recording piracy 60 percent of the market; business software piracy 56 percent of the market; and entertainment software piracy 75 percent of the market.

New Technologies: Colombia has a modern copyright law which gives protection for computer software for 50 years and defines computer software as copyrightable subject matter but does not classify it as a literary work. Semiconductor design layouts are not protected under Colombian law.

*9. Worker Rights*

a. *The Right of Association:* Colombian law recognizes the rights of workers to organize unions and to strike. The labor code provides for automatic recognition of unions that obtain at least 25 signatures from potential members and that comply with a simple registration process at the Labor Ministry. The law penalizes interference with freedom of association. It allows unions to freely determine internal rules, elect officials and manage activities, and forbids the dissolution of trade unions by administrative fiat. Unions are free to join international confederations without government restrictions. In 1999 President Pastrana approved Law 584, which limits government interference in a union's right to free association.

b. *The Right to Organize and Bargain Collectively:* The constitution protects the right of workers to organize and engage in collective bargaining. Workers in larger firms and public services have been the most successful in organizing, but these organized workers represent only a small portion of the economically active population. According to estimates by the Ministry of Labor and various unions, approximately five percent of the Colombian work force is organized into over 2,500 registered unions, 87 to 95 percent of which are organized in one of three confederations (CTC, CGTD, and CUT). However, accurate estimates are difficult to obtain due to the high rate at which new unions are created and old ones disappear. High unemployment (20.2 percent as of June 2000), traditional anti-union attitudes, union disorganization and weak leadership limit workers' bargaining power in all sectors.

In May 1998 the International Labor Organization (ILO) expressed serious concern at allegations of murders, forced disappearances, death threats, and other acts of violence against trade union officials and members. The ILO documented more than 300 murders of trade union members during 1995-98. In June 2000 the ILO governing body considered recommendations from a November 1999 Direct Contact Mission, which included an urgent inquiry into the participation of public officials in the creation of paramilitary groups, an increase in government budgetary allocations to protect trade union officials, and an increase in efforts to combat impunity. The ILO compromised to appoint a Special Representative to follow up on the conclusions of the Direct Contact Mission. This representative was expected to begin work in Colombia in October 2000.

Labor leaders throughout the country continued to be targets of attacks by paramilitary groups, guerrillas, narcotics traffickers, and their own union rivals. Labor federation members reported 30 union members killed during the first eight months of 2000. According to the National Labor School, more than 2,000 union members have been murdered since 1986.

c. *Prohibition of Forced or Compulsory Labor:* The constitution forbids slavery and any form of forced or compulsory labor, and this prohibition is respected in practice in the formal sector. However, women were trafficked for the purpose of forced prostitution, paramilitary forces and guerrilla groups forcibly conscripted indigenous people, and several thousands of children were forced to serve as paramilitary or guerrilla combatants, to work as prostitutes, or in some instances as coca pickers.

d. *Minimum Age for Employment of Children:* The constitution bans the employment of children under the age of 14 in most jobs. The Minors' Code, established in 1989 under Decree 2737, prohibits the employment of children under the age of 12, and stipulates exceptional authorization by Labor Ministry inspectors for the employment of children between the ages of 12 and 17. These provisions are respected in large enterprises and in major cities. Nevertheless, Colombia's extensive and expanding informal economy remains effectively outside government control. Statistics vary; according to different studies (Los Andes University, and the Catholic Church are among the most reliable), there are between 1.6 and 2.7 million working children between the ages of 12 and 17, 80 percent of which were employed in the informal sector. Approximately 25 percent of working children were employed in potentially dangerous activities. According to official estimates, there are 1.6 million working children in Colombia, but this figure does not include children in the informal sectors of the economy and child guerrilla fighters. Child labor in urban centers typically involves children no more than five or six years old selling sweets on the streets or on buses or, sometimes, simply begging. Other work activities include cleaning car windshields at traffic lights. Child prostitution is also a problem. In rural areas, children also work, often under substandard conditions, in agriculture, in leather tanning, and in small family-operated mines.

e. *Acceptable Conditions of Work:* The government sets a uniform minimum wage for workers every January to serve as a benchmark for wage bargaining. The minimum wage for 2000 is approximately $125 (260,106 pesos) per month. Although the minimum wage annual increase is based on the government's target inflation rate, the minimum wage has not kept up with inflation. By government estimates, the price of the low-income family shopping basket ("canasta familiar") is 2.4 times the minimum wage. For medium-income families, the price of the shopping basket is 6.1 times the minimum wage. Seventy-seven percent of the Colombian workers earn twice the minimum wage or less. The law provides for a standard 8-hour workday and 48-hour workweek, but does not specifically require a weekly rest period of at least 24 hours. Legislation provides comprehensive protection for workers' occupational safety and health, but these standards are difficult to enforce, in part due to the small number of Labor Ministry inspectors.

f. *Rights in Sectors with U.S. Investment:* U.S. foreign direct investment is concentrated principally in the petroleum, coal mining, chemicals and manufacturing industries. Worker rights conditions in those sectors tend to be superior to those prevailing elsewhere in the economy, owing to the large size and high degree of organization of the enterprises.

**Extent of U.S. Investment in Selected Industries**—U.S. Direct Investment Position Abroad on an Historical Cost Basis—1999

(Millions of U.S. dollars)

| Category | | Amount |
|---|---|---|
| Petroleum | | 973 |
| Total Manufacturing | | 1,212 |
| Food & Kindred Products | 305 | |
| Chemicals & Allied Products | 304 | |
| Primary & Fabricated Metals | (1) | |
| Industrial Machinery and Equipment | -7 | |
| Electric & Electronic Equipment | (1) | |
| Transportation Equipment | (1) | |
| Other Manufacturing | (1) | |
| Wholesale Trade | | 130 |
| Banking | | (1) |
| Finance/Insurance/Real Estate | | 929 |
| Services | | 62 |

| | |
|---|---|
| Other Industries | (1) |
| TOTAL ALL INDUSTRIES | 4,029 |

(1) Suppressed to avoid disclosing data of individual companies.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.