

7. U.S.-COLOMBIA TRADE AND INVESTMENT RELATIONS

Patricia Correa*

For most of this century, the United States has played a key role in Colombia's trade and investment patterns. With the exception of a short lapse following the Great Depression, when Europe became its the main supplier of manufactured goods, the United States has been Colombia's main foreign market and its principal source of imports, foreign capital and ideas. From the U.S. point of view, Colombia, the oldest democracy in Latin America and one of the most stable economies in the region, has been one of its most reliable economic and political partners in the Western Hemisphere. During the present decade these ties have been tested by drug policy related issues, while this has made bilateral relations more difficult and complex, it has not weakened their mutual long-term strategic importance.

In this chapter, the economic relationship between the two countries during the last three decades is analyzed, with a focus on the evolution and determinants of bilateral trade flows and investment. Economic and political variables are examined to explain current trends in that relationship and to inform future trade and economic bilateral negotiations. The first section of this chapter provides an overview of United States-Colombian economic relations. Next, *Bilateral Trade Trends*, analyses the composition and trends of bilateral trade flows, while *Economic Determinants of Bilateral Trade* provides a simple econometric analysis of the economic determinants of these flows. The main trade disputes between the two countries are examined in the fourth section. *Bilateral Investment Flows* provides a very brief review of trends in bilateral direct investment flows. An overview of political economy aspects is presented in *Political Economy Aspects* and finally, the last section summarizes the main findings of this chapter.

HISTORICAL CONTEXT: THE EARLY YEARS OF U.S. EXPANSION

Between the two world wars, Colombia's proximity to the Panama Canal and the everlasting promise of unexploited oil resources, granted it permanent vigilance, and sometimes intervention, from the U.S. State Department. U.S. foreign policy objectives in Latin America during the years of the "Good Neighbor Policy,"¹ - were sought principally through economic and political cooperation (Randall, 1977).

During the 1920s, particularly after the Thompson-Urrutia agreement (1922) put an end to the tense diplomatic relations between the two countries that followed the separation of Panama, there was a major influx of U.S. capital to Colombia through foreign direct investment (FDI) and the purchase of government bonds issued to finance infrastructure development. Direct investment was concentrated in the petroleum, energy, coffee, fruit, sugar cane, cattle and mining sectors, and brought about a significant increase in imports of services and new technology. In 1923, the Central Bank of Colombia was created (following the model of the U.S. Federal Reserve System) under the guidance of a technical mission directed by a professor from Princeton University, Edwin W. Kemmerer. U.S. technical advice and capital investment were key elements in producing a boom in the Colombian economy.

North American expansion was not without controversy. A profound debate took place on whether U.S. capital, technology and multinational corporations were good or bad for the country's economic development. This controversy has continued, in varying forms and contexts, and has had significant implications for Colombian political and economic events. A long and bloody strike against the United Fruit Company at the end of 1928 contributed to that division.² From this time, pro- and anti-U.S. policies and attitudes have alternated throughout Colombian history. In contrast with other Andean nations, U.S. presence in Colombia has never

* Patricia Correa is Deputy Director of Monetary and Reserve Affairs in the Central Bank of Colombia. The author wishes to thank Carlos Acevedo for his efficient assistance in gathering data and information from U.S. Agencies, and Barbara Kotschwar, Miguel Rodríguez and Roberto Steiner for their comments. José Tolosa was very helpful providing data from Colombian authorities. She also benefited enormously from conversations with: former U.S. Ambassador to Colombia Myles Frechette; Nicolás Lloreda; Mike Danniels; Norman Bailey; María Mercedes Cuéllar; Roberto Junguito; María Eugenia Mesa; María Isabel Patiño; Nohra Rey de Marulanda; Camilo Salazar and Carmen Suro Bredie.

¹ In place during the Hoover and Roosevelt Administrations, these policies aimed mainly to expand democratic and capitalist ideas and values, protect U.S. interests from the threat of nationalist ideas inspired by right-wing fascist or left-wing socialist ideologies.

² There were also labor problems with the Magdalena Fruit Company, the greatest employer in Colombia by 1928.

been seriously challenged, largely due to effective U.S. diplomacy and the influence of powerful pro-U.S. political sectors in Colombia.

From the U.S. perspective, confidence in the Colombian economy and the capacity of the government to stabilize the economy began to erode at the end of the 1920s. Central and regional government debt had increased to risky levels, fueled by U.S. purchases of Colombian bonds. Severe criticisms of the use and abuse of those resources by the Colombian government emerged by the end of the 1920s, U.S. capital flows had declined substantially and Colombia faced fiscal and international payments problems, ending in the debt moratorium of the 1930s. Strong pressure emerged from Wall Street and Congress to protect the interests of U.S. holders of Colombian bonds, in parallel with pressures from economic advisors to limit and condition further credits to Colombia. At the same time, the State Department feared that the suspension of financial aid or the imposition of too many conditions could exacerbate anti-U.S. sentiments, and damage current negotiations around the “Concesión Barco” in favor of the South American Gulf Oil Company,³ redirecting Colombian trade and investment relations towards Europe.

Only in 1940 did financial negotiations result in an agreement, as Colombia’s negotiating power weakened with the beginning of the Second World War and the consequent collapse of European coffee and financial markets.⁴ Colombia was mandated to pay the debt acquired in the late 1920s,⁵ conditioned upon the income received from taxes on foreign trade, while the U.S. Export-Import (Ex-Im) Bank agreed to lend \$10 million to the Central Bank of Colombia on the grounds that this loan would help stimulate demand for U.S. products.

Colombia’s trade imbalances during the late 1920s stimulated protectionism, which undoubtedly hurt U.S. exports. This situation worried U.S. officials, who promoted and carried out difficult negotiations to sign a bilateral free trade agreement in 1933, which was not ratified. In a Reciprocal Trade Agreement was signed. The United States fought against competition from Japan and Europe (particularly Germany) in the Colombian market. While bananas and oil were the main sources of trade friction between the two countries during the 1920s, air transportation issues started to gain importance. The United States also demanded national treatment for foreign direct investment, as well as the elimination of discriminatory measures that sometimes favored European over U.S. investors. Colombia was interested in guaranteeing duty free access to the U.S. market for Colombian coffee and in protecting its fledgling local industry.

Overall, U.S. interests won the battles. In 1940 the Colombian economy was completely dependent on the United States, as more than 80 percent of its exports (mainly coffee) were sold in the U.S. market and most of its imports and foreign aid came from that country. European competition in the air transportation sector was eliminated and the United States practically held a monopoly in the oil sector.

For many years, until drug issues started to dominate the bilateral relationship, Colombia’s foreign policy was on the whole pro-American, despite trade disputes in specific sectors and differences regarding the promotion of economic development. In the late 1940s, the United States started to decline in importance as a trade and investment partner.

During the Cold War, despite its policies promoting trade with the countries of the Soviet bloc and its relaxed stand towards Cuba, Colombia did not have major political conflicts with the United States. During those years, Colombia actively supported the inter-American institutional structure and promoted subregional trade and investment agreements like the Andean group and ALADI. In the early years, as is widely known, these agreements strengthened barriers to free trade and the inflow of foreign capital into the region, generating opposition from the United States and some multilateral organizations such as the International Monetary Fund (IMF).

During the last two decades, the economic bilateral agenda has focused on two main sets of issues: economic reform (including economic integration) and anti-drug policies. Colombia was the “good guy” - the only Latin American country which avoided formal rescheduling of its debt- during the debt crisis, and undertook significant steps to liberalize its economy in the 1980s and 1990s. However, U. S.-Colombia relations have deteriorated sharply in the 1990s. Since “the war against drugs” has appeared as a key element of U.S. foreign policy in the second half of the 1980s, it has played an increasingly important role, making U. S.-

³ In 1926, the conservative government of Pedro Nel Ospina had taken away from U.S. oil companies the concession to exploit oil resources in the northeastern region of Colombia (the so-called Concesión Barco), and the U.S. government was trying to recover it.

⁴ In 1940 coffee prices dropped to one-third of their value in 1939.

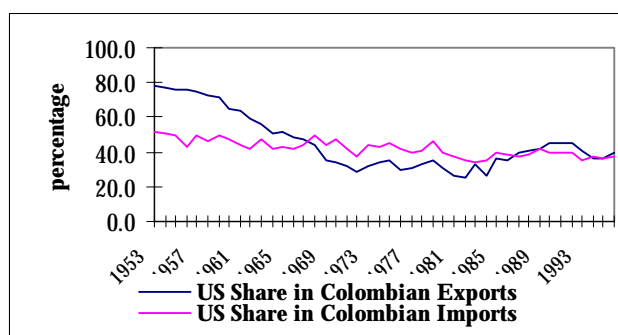
⁵ In 1939, two-thirds of Colombian foreign financial obligations were with the United States.

Colombia relations much more complex, contradictory and tense. It is fair to say that under the administration of President Samper (1994-1998), these relations have been at their worst since the years of the Panama Canal conflict. As will be analyzed further, this situation has by no means weakened the mutual strategic importance of the two countries as economic partners, but has certainly made economic bilateral negotiations more complicated.

BILATERAL TRADE TRENDS

Since World War II, the U.S. market has gradually declined both as a final destination for Colombian exports and as a source of imports. The downward trend in the U.S. share of Colombian total exports was particularly sharp during the 1950s and 1960s, as shown in Figure 7.1. Nearly 80 percent of Colombian exports were sold to the United States during the early 1950s, but by 1982, in the middle of the debt crisis, that percentage had dropped to 26 percent. This has recovered to a share of more than 40 percent during the 1990s. Although the United States continues to be the single most important market for Colombian products, it is half as important as it was three decades ago. Today, imports from the United States represent around 36 percent of total Colombian imports, while in the early 1950s that share was more than 50 percent.

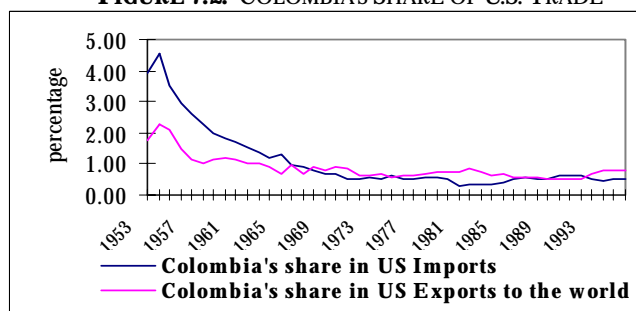
FIGURE 7.1 U.S. SHARE OF COLOMBIA TRADE



Source: U.S. Department of Commerce (1997).

In similar or perhaps even more dramatic fashion, Colombia lost relative importance in U.S. trade activities during the first three decades of the post-war period (Figure 7.2). The fall in Colombia's share is more pronounced if one looks at the geographic composition of U.S. imports. In the early 1950s, 4.5 percent of U.S. imports came from Colombia; today the share is only one-half of one percent.

FIGURE 7.2. COLOMBIA'S SHARE OF U.S. TRADE



Source: US Department of Commerce (1997).

Colombia's share in U.S. total exports, in turn, has dropped from two percent in the mid 1950s to 0.8 percent in the last few years. Since the 1930s, however, Colombia has maintained its relative importance as a market for U.S. products within the region, alternating with Venezuela as the second or third largest market in South America, after Brazil. In 1996 U.S. exports to Colombia accounted for more than 13 percent of U.S. exports to South America; since 1960, that share has been, on average, around 12 percent.

Bilateral Trade Composition

These changes have taken place in parallel with significant shifts in the composition of trade between the two countries, particularly within the Colombian export structure. Since World War I -- when coffee started to become one of the most important primary export products in the world-, and up to the late 1950s, this single product represented on average more than 90 percent of Colombia's exports to the U. S. market. From then, however, coffee started to lose relative importance both in the productive and export structure of the country. In 1925, coffee exports represented 18 percent of Colombia's GDP and 80 percent of total exports. In 1940, this fell to 16 percent of GDP and 59 percent of exports (McGreevey, 1964). By 1985, they had dropped to 4.7 percent and 47 percent (Junguito and Pizano, 1993). Today, coffee exports represent only 16 percent of exports. As shown in Figure 7.1, while in 1970 coffee represented 65 percent of Colombian exports to the United States, in 1996 it comprised only 12 percent. Changes in the Colombian production structure and in worldwide consumption patterns explain this result.

TABLE 7.1 VALUE OF BILATERAL TRADE.

	1960-1970	1970-1975	1976-1980	1981-1985	1986-1990	1991-1995	1996
US millions of dollars (end of period)							
Imports from the U.S.	393.8	637.5	1708.4	1451.1	2038.4	4628.2	4709.0
Exports to the U.S.	269.0	590.0	1241.0	1331.0	3174.7	3755.2	4273.2
Coffee Share (%)	65.8	52.5	62.9	35.1	10.2	14.3	11.9
Petroleum Share (%)	8.7	0.6	0.0	0.03	41.0	34.6	39.0
Other (%)	25.5	46.9	37.1	64.9	48.8	51.1	49.1
Nominal growth of bilateral trade (average annual growth, %)							
Exports to the U.S.	-3.1	17.4	16.4	3.8	19.8	3.7	13.8
Imports from the U.S.	6.3	15.9	22.3	-2.7	7.6	19.6	1.7
Real growth of bilateral trade *(average annual growth, %)							
Exports to the U.S.	-5.3	10.0	7.1	-1.1	15.4	0.7	10.6
Imports from the U.S.	3.8	8.4	12.2	-7.9	3.4	15.5	-1.1
Colombia's share in U.S. Imports (%. avg.) */ deflated by U.S. consumer price index							
Total Imports	1.18	0.56	0.55	0.35	0.54	0.55	0.53
Excl. coffee	-	0.22	0.20	0.22	0.44	0.49	0.47
Excl. coffee, oil	-	0.24	0.25	0.26	0.29	0.34	0.28

Source: IMF, *International Financial Statistics*, U.S. Department of Commerce, calculations by the author

After virtually disappearing from Colombia's export base from 1970 to 1985, crude oil production and exports, mostly to the United States, increased dramatically starting in 1986. In the 1990s petroleum became, for the first time, the principal export product, and by 1996 around 50 percent of Colombian exports to the United States consisted of crude oil (Table 7.2 and 7.3). This share is very likely to increase steadily if exploration efforts continue to provide results and if the investment climate for this sector does not continue its recent deterioration.⁶ Colombia is a potential strategic energy partner for the United States, since it produces the finest crude oil in the world and is closer to the United States and safer for national security reasons than providers in the Middle East.⁷

In 1967 economic policies geared to eliminate the anti-export production bias had dramatic effects on export diversification. Non-traditional exports experienced a boom between 1967 and 1974, a period in which some entrepreneurs found a propitious climate for developing new business opportunities. Particularly remarkable was the spectacular increase in the cut flower industry which today represents the third largest export sector to the United States. Between 1970 and 1975, the dollar value of cut flower exports to the United States rose at annual rates over 100 percent (Mendez, 1991). From this time, the average rate of growth has gradually diminished. Today, flowers account for more than eight percent of Colombian exports to the United States.

Economic reforms during the 1990s further enhanced changes in the composition of trade. Although natural resource-based products continue to be major exports, processed agricultural products and manufactures, particularly apparel (based on textiles and leather) and petrochemicals, have recently gained access to the U.S. market (Table 7. 3). The textiles food sectors increased their shares in total exports to the United States from eight percent and four percent in the late 1970s, to 16 percent and 15 percent in the first half of the 1990s. While still relatively small in magnitude, among the most dynamic manufacturing export items to the United States during the last decade are pneumatic tires, household art and pottery, track suits, women's overcoats,

⁶ Guerrilla attacks on the oil infrastructure and uncertainties regarding foreign contracts and foreign investment regulations explain this phenomenon.

⁷ See Bailey (1997) on the strategic importance of Colombia and other Andean nations as energy suppliers to the United States.

plastic sheets and foil, records and tapes, babies' garments, bras, furniture, fruit juice, books and brooms, among others⁸ (Table 7. 2).

TABLE 7.2 MAIN EXPORT PRODUCTS TO THE US
(Harmonized Tariff System, 4 digit level)

1983		1995		
	Description	Share (%)	Description	Share(%)
1	0901--Coffee; coffee husks etc; coffee substitutes	31	2709--Crude oil from petrol and bituminous minerals	34.6
2	2710--Oil (not crude) from petrol and bituminous minerals	13	0901--Coffee; coffee husks etc; substitutes with coffee	14.0
3	0603--Cut flowers, buds for bouquets etc., prepared	11.5	0603--Cut flowers, buds for bouquets etc., prepared	8.5
4	0803--Bananas and plantains, fresh or dried	9.5	0803--Bananas and plantains, fresh or dried	4.2
5	7103--Precious & semiprecious stones not strung	5.3	7108--Gold (including platinum plated),	3.8
6	9801--Exports of repaired imports, etc.	4.1	2710--Oil (not crude) from petrol & bituminous minerals	3.0
7	1701--Cane or beet sugar & pure sucrose, solid form	3.0	9999--Estimate of low valued import transactions	2.7
8	0306--Crustaceans, live, fresh	1.6	6204--Women's or girls' suits,	2.6
9	2709--Crude oil from petroleum and bituminous minerals	1.3	7103--Precious & semiprecious stones, not strung	2.5
10	6204--Women's or girls' suits, not knit	1.1	2701--Coal; briquettes, ovoids etc. from coal	2.2
11	2701--Coal; briquettes, ovoids etc. from coal	0.9	6203--Men's or boys' suits, not knit	1.9
12	6203--Men's or boys' suits, not knit.	0.9	1701--Cane or beet sugar & pure sucrose, solid form	1.4
13	7202--Ferroalloys	0.8	6115--Pantyhose, socks & other hosiery, knit or crochet	0.9
14	2101--Extracts of coffee, tea or mate; roast chicory	0.8	2523--Portland, aluminous, slag cement etc	0.8
15	6206--Women's or girls' blouses, shirts etc, not knit etc	0.7	3921--Plates, sheets, film, foil & strip, plastics	0.8
16	1703--Molasses from the extraction or refining of sugar	0.7	6108--Women's or girls' slips, pjs, etc, knit or crochet	0.7
17	4202--Travel goods, handbags, wallets, jewelry cases etc	0.5	9801-- Exports of repaired imports, etc.	0.7
18	1804--Cocoa butter, fat and oil	0.4	0306-- Crustaceans, live, fresh etc.	0.7
19	3921--Plates, sheets, film, foil & strip, plastics	0.4	4202--Travel goods, handbags, wallets, jewelry cases etc	0.6
20	2401--Tobacco, unmanufactured; tobacco refuse	0.3	7202--Ferroalloys	0.4

Source: U.S. Department of Commerce and calculations by the author

As a result of changes in the coffee market and the significant growth in mining and manufactures exports, the share of agriculture products in total exports to the United States fell dramatically. In 1996, only 13 of exports to the United States were in the agricultural sector, while in the early 1970s almost 60 percent originated in that sector (Table 7. 3).

⁸ All of the above-mentioned have increased at an average annual rate above 100 percent between 1984 and 1995, according to data provided by the U.S. Department of Commerce.

Table 7.3 Composition of Colombian Exports to the United States (PERCENT OF TOTAL EXPORTS).

[ISIC Classification]	1971-75	1976-80	1981-85	1986-90	1991-95	1996
I. AGRICULTURE, FORESTRY AND FISHING	55.97	61.84	48.16	28.93	16.73	12.96
II. MINING AND QUARRYING	3.30	0.10	0.93	34.41	35.15	48.36
III. MANUFACTURING	13.02	18.08	38.06	32.93	47.89	38.43
Food and Beverages, and Tobacco	0.01	7.77	9.18	5.81	16.08	13.36
Textiles, apparel and luggage and handbags	0.08	3.98	8.04	8.55	14.51	9.35
Wood and wood products	0.00	0.66	0.62	0.35	0.32	0.19
Paper, paper products, publishing, printing	3.30	2.22	2.38	1.98	1.63	0.70
Chemicals, chem. products, rubber, plastic	0.00	1.76	13.42	12.45	7.70	7.44
Other non-metal mineral products	3.28	0.21	0.76	1.18	1.30	1.17
Basic metals	0.02	0.02	0.98	0.99	1.19	3.40
Fabricated metal products, mach., equipment	0.00	0.95	1.37	0.98	1.48	1.05
Other manufacturing	0.00	0.51	1.31	0.63	3.69	1.76
IV. ELECTRICITY, GAS AND WATER	0.00	0.00	0.00	0.00	0.00	0.00
V. OTHER	0.00	0.00	0.00	0.00	0.23	0.26
VI. RESIDUAL	27.71	19.98	12.86	3.73	0.00	0.00

Source: DANE-Colombia (National Statistics Department); based on FOB values

Conversely, nearly 90 percent of U.S. exports to Colombia are manufactured goods (Tables 7. 4 and 7.5). The manufacturing sector has increased its share in total Colombian imports from the United States, while agriculture and mining have diminished in importance. Within the manufacturing sector, the “fabricated metal products, machinery and equipment” and “chemical products” are particularly important (Table 7. 5). Main U.S. exports in 1995 were computers, parts for machinery, TV cameras and apparatus for radiotelephony (Table 7. 4). The latter table shows clearly that there have also been significant changes in the composition of items imported by Colombia -- these have been much more volatile than exports, particularly in food and primary agricultural products. Very few of the 20 main items imported from the United States in 1983 remained on this list in 1995. On average, the most dynamic single import items (4 digit level) from 1984 to 1995 have been cotton, rice, soybeans, corn, women’s and girl’s slips, petroleum gases, aircraft, a-cyclic hydrocarbons, carbonates and electric generating sets.

TABLE 7.4 MAIN IMPORT PRODUCTS FROM THE UNITED STATES.
(Harmonized Tariff Schedule, 4 digit level)

Ranking	1983		1995	
	Description	Share (%)	Description	Share (%)
1	1001—Wheat and meslin	6.1	8471—Automatic data process machines.	4.0
2	1201--Soybeans	1.8	8431—Parts for machinery of headings 8425 to 8430	3.9
3	1502--Fats, bovine, sheep or goat, rendered	1.5	8525—Trans appar for radiotelephony etc; tv cameras	2.5
4	2903--Halogenated derivatives of hydrocarbons	1.5	1005--Corn (maize)	2.4
5	4804--Kraft paper & paperboard,	1.1	2903--Halogenated derivatives of hydrocarbons	2.4
6	3901--Polymers of ethylene, in primary forms	1.1	9880--Est. low value shp; canadian low value and nik	2.2
7	3811--Antiknock preps & other additives for mineral oils	1.0	8708--Parts & access for motor vehicles.	2.1
8	2902--Cyclic hydrocarbons	0.9	8704--Motor vehicles for transport of goods	2.0
9	3815--Reaction initiators, accelerators, prep nesoi	0.8	1001--Wheat and meslin	2.0
10	2710--Oil (not crude) from petrol & bitum mineral etc.	0.8	3901--Polymers of ethylene, in primary forms	1.9
11	2941--Antibiotics	0.7	2902--Cyclic hydrocarbons	1.6
12	3808--Insecticides, rodenticides; fungicides etc, retail	0.7	8517--Electric apparatus for line telephony etc, parts	1.5
13	2402--Cigars, cigarettes etc.	0.7	8473--Parts etc for typewriters & other office machines	1.4
14	2905--Acyclic alcohols & halogenat, sulfonatd etc derivs	0.5	8474--Machinery for sorting screening etc minerals, pts	1.3
15	1005--Corn (maize)	0.5	8429--Self-propelled bulldozers, graders, scrapers etc	1.3
16	2909--Ethers, ether-alcohols, alcohol peroxides etc.	0.4	3100--Fertilizers, exports only incl other crude mat'ls	1.2
17	2921--Amine-function compounds	0.3	9018--Medical, surgical, dental or vet ins.	0.9
18	4002--Synth rubber & factice, inc nat-syn mix, pr fm etc	0.3	8409--Parts for engines of heading 8407 or 8408	0.9
19	2933--Heterocyclic comp, nit hetero-atom; nucleic acids	0.3	8803--Parts of balloons etc, aircraft, spacecraft etc	0.9
20	3920--Plates, sheets, film etc no ad, non-cel etc, plast	0.3	2304--Soybean oilcake & oth solid residue.	0.9

Source: US Department of Commerce (1997) and calculations by the author.

TABLE 7.5 COMPOSITION OF COLOMBIAN IMPORTS FROM THE UNITED STATES
(percent of total imports)

[ISIC Classification]	1972-75	1976-80	1981-85	1986-90	1991-95	1996
I. AGRICULTURE, FORESTRY AND FISHING	11.1	9.3	11.1	8.0	5.6	5.8
II. MINING AND QUARRYING	0.4	1.7	1.4	0.9	0.5	0.5
III. MANUFACTURING	48.7	73.1	83.2	89.7	93.5	93.2
Food and Beverages, and Tobacco	3.4	8.2	7.7	3.5	3.1	3.2
Textiles, apparel and luggage and handbags	1.2	1.4	1.6	1.9	4.4	4.5
Wood and wood products	0.1	0.1	0.4	0.2	0.3	0.3
Paper and paper products, publishing and printing	3.1	3.1	4.0	4.4	3.8	3.5
Chemicals and chem. products, rubber and plastic. others	16.2	21.6	23.9	33.7	26.8	25.1
Other non-metal mineral products	0.5	0.8	0.8	0.8	0.8	0.8
Basic metals	2.2	2.4	2.2	3.1	2.7	2.9
Fabricated metal products, mach. And equipment NEC	21.8	35.1	42.3	41.9	50.8	52.3
Other manufacturing	0.2	0.4	0.4	0.4	0.7	0.7
IV. ELECTRICITY, GAS AND WATER	0.0	0.0	0.0	0.0	0.0	0.0
V. OTHER	0.0	0.0	0.0	0.0	0.4	0.4
VI. RESIDUAL	39.8	15.8	4.3	1.4	0.0	0.0

Source: DANE-Colombia (National Statistics Department); based on CIF values

Colombian exports continue to be much more concentrated than imports: as shown in Tables 7.2, 7.4 and 7.6, the five top import items account for around 16 percent of total imports from the United States, while the top 5 exports account for around 66 percent of total exports. Since 1983 there have not been major changes in the degree of concentration of trade, as shown in Table 7. 6.

TABLE 7.6. BILATERAL TRADE CONCENTRATION INDEX *

Us exports to Colombia (percent of exports)							
	1983	1985	1988	1990	1993	1995	Aug-96
Top 100 items	57.1	62.1	60.9	66.9	65.9	66.7	71.6
Top 50 items	50.5	57.0	54.2	58.9	54.0	53.7	56.7
Top 20 items	35.6	44.2	39.2	44.1	37.3	37.2	39.0
Top 10 items	26.5	32.8	25.9	31.9	25.8	25.4	26.3
Top 5 items	18.39	23.94	15.52	21.16	16.53	15.14	16.90
Us imports from Colombia (percent of imports)							
	1983	1985	1988	1990	1993	1995	Aug-96
Top 100 items	93.0	93.5	94.5	96.5	96.6	97.7	98.3
Top 50 items	92.8	93.2	93.9	95.4	94.3	94.8	95.4
Top 20 items	88.5	88.6	89.2	91.4	87.5	88.0	90.8
Top 10 items	81.6	82.9	82.2	84.3	79.5	78.6	83.0
Top 5 items	70.3	74.5	72.8	72.8	63.1	65.3	69.9

Source: U.S. Department of Commerce and calculations by the author.

* Calculated as the share of main traded goods (items) on total trade, respectively. Items are defined as HTS categories at 4 digit level.

While bilateral trade remains relatively concentrated in a few products, diversification and intra-industry trade has increased significantly, particularly in oil products, women's or girl's suits, and insecticides and rodenticides (Table 7. 7). With the available information, however, it is difficult to identify clear patterns of intra-industry

specialization or to make predictions for the future pattern of overall trade specialization. New preferential trade agreements with the United States and within the Hemisphere will keep changing comparative advantages, making it even more difficult to be able to predict those patterns. What is clear is that the composition of trade will continue to change in the near future, as economic integration continues to accelerate.

TABLE 7.7. SECTORS WITH RELATIVELY SIGNIFICANT INTRA-INDUSTRY TRADE

	Description	US Imports from Colombia		US Exports to Colombia			
		1983	1995	1983	1995	1983	1995
		2710	Oil (not Crude) from petrol & bitum mineral etc.	126,064	114,702	11,642	27,133
2933	Heterocyclic comp, nit hetero-atom; nucleic acids	89	2,016	4,469	34,072	0.01	0.05
3004	Medicaments nesoi, mixed or not, in dosage etc fm	444	2,336	3,247	9,452	0.13	0.24
3808	Insecticides, rodenticides; fungicides etc, retail	1,440	9,012	10,149	16,035	0.14	0.56
3815	Reaction initiators & acceler & catalyt prep nesoi	29	340	11,661	15,386	0.01	0.02
3920	Plates, sheets, film etc no ad, non-cel etc, plast	1,446	2,201	4,281	13,576	0.33	0.16
4011	New pneumatic tires, of rubber	34	1,809	2,858	20,126	0.01	0.08
6204	Women's or girls' suits, ensemb etc, not knit etc	10,890	98,074	3,524	25,626	3.09	3.82
8524	Records, tapes & other recorded sound media etc	363	1,765	3,054	24,753	0.11	0.07
8708	Parts & access for motor vehicles (head 8701-8705)	378	4,294	34,321	97,615	0.01	0.04
9403	Furniture nesoi and parts thereof	762	2,733	2,003	19,772	0.38	0.13
	Subtotal	141,939	239,282	91,209	303,546	1.55	0.78
	Share in Total Imports or Exports (%)	14.64	6.37	6.07	6.56		

Source: U.S. Department of Commerce and calculations by the author

The diversification of Colombia's trade, along both geographical and product lines, has been, to a great extent, a result of the internationalization of production and economic liberalization in Colombia. A more open economic environment has allowed comparative advantages to evolve, changed specialization patterns and, hopefully, led to a more efficient allocation of resources.

As mentioned, an important factor that contributed to the shifts were changes in the international coffee market, that shifted demand for Colombian coffee from the United States to Europe. As well, the emergence of new regional arrangements and the revitalization of old ones (such as the Andean Community) have caused trade between neighbors to pick up, growing much faster than trade with the United States. Colombia's intraregional trade has increased from 10.5 percent in 1970 to more than 25 percent in 1990s.

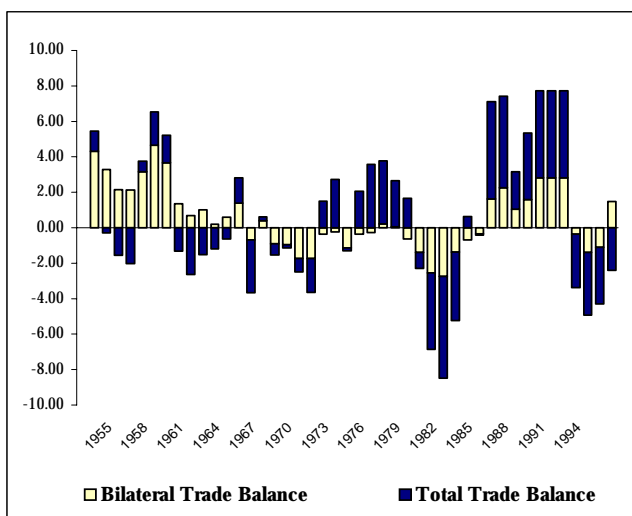
For both countries, but especially for Colombia, the overall result seems to have been positive, since less geographic and export product dependency reduces volatility in the trade and production cycles, and therefore, helps reduce the risk of recurrent economic crisis. Proving this assertion, however, is beyond the scope of this study. It is safe to say, however, that further liberalization must take place in both the United States and Colombia if the goal is to recover the importance of the bilateral trade relationship.

Bilateral Trade Balance

With respect to Colombia's trade balance with the United States, the last thirty years have seen four distinct periods (Figure 7. 3):

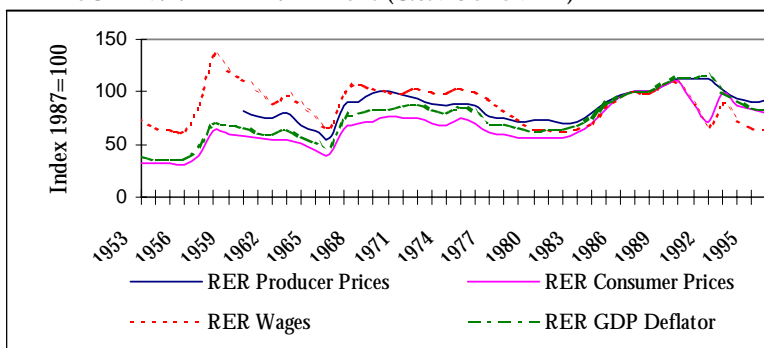
From the late 1940s to 1965 there was a period of continuous surplus for Colombia. Despite recurrent balance of payments crises in the late 1950s and early 1960s, characterized by significant trade deficits and high real exchange volatility (Figure 7. 4), Colombia maintained a trade surplus with the United States, that reached a peak of around five percent of GDP in 1958. These were years of relatively high GDP growth in the United States and high coffee prices, a commodity that represented on average around 60 percent of total Colombian exports, more than 70 percent of which went to the United States.

FIGURE 7. 3. COLOMBIAN TRADE BALANCE 1953-1996 (percent of GDP)



Source: U.S. Department of Commerce

FIGURE 7.4. RELATIVE PRICES (U.S. /COLOMBIA)



Sources: Banco de la Republica, IMF *International Financial Statistics*

This was followed, between 1967 and 1986, by a virtually continuing trade deficit with the United States, which peaked during the oil crisis of the early 1970s and during the debt crisis of the 1980s. In both cases, Colombian GDP grew much faster than U.S. GDP, which helped to accentuate the deficit. Despite Colombia's large overall trade surplus during the coffee boom years - 1976 to 1979- the bilateral trade balance was virtually in equilibrium. This was due to the fact that the United States was no longer Colombia's main market for coffee (its share had dropped to 30 percent of total coffee exports, as Europe had risen to a 60 percent share - Junguito and Pizano [1993]), but more than 40 percent of Colombian imports still came from the United States. From 1986 to 1992, mainly as a result of real exchange rate depreciation in Colombia and new oil resources, exports to the United States grew much faster than imports (Table 7. 1). Colombia's trade balance surplus reached 3 percent of GDP during the early 1990s.

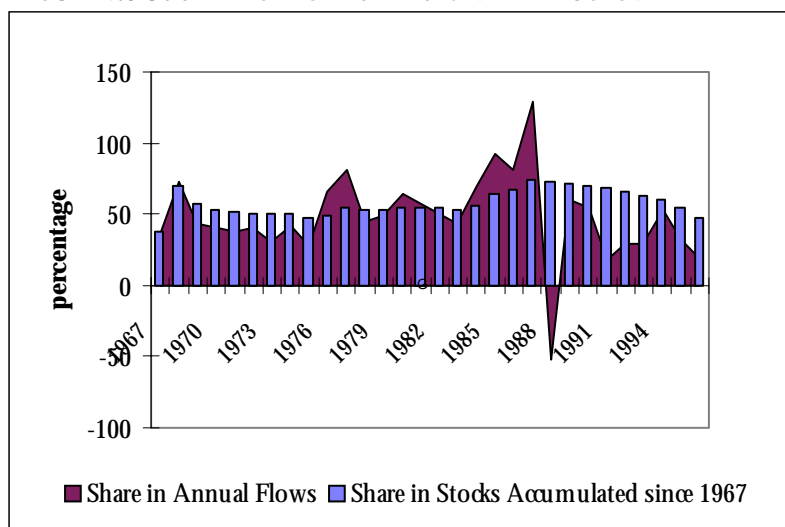
Trade liberalization (Table 7. 8), real exchange rate appreciation and expansion of the Colombian economy, combined with a downturn in U.S. GDP growth at the end of the Bush administration, generated small trade deficits during the mid-1990s.

TABLE 7.8. COLOMBIAN TRADE POLICY, 1967-1996

Year	Nom. Tariff Simple average %	Imports with Quantitative Restrictions (%, total Imports)	Import Quotas Tariff equivalent	Export Incentives
1967	68.6	96.2	36.2	23.1
1968	68.6	83.0	25.0	21.2
1969	68.6	82.8	25.7	19.1
1970	54.9	81.0	20.9	19.8
1971	54.9	71.1	19.9	22.6
1972	54.9	71.9	20.0	26.8
1973	54.9	68.8	17.0	26.6
1974	56.9	56.4	13.3	23.5
1975	39.1	57.2	13.3	13.0
1976	39.1	60.2	14.0	10.2
1977	39.1	58.8	13.7	9.9
1978	37.0	57.2	13.3	14.1
1979	34.7	55.6	12.4	14.1
1980	32.5	56.0	12.6	15.1
1981	32.4	47.8	11.3	16.4
1982	32.4	45.3	14.8	18.8
1983	32.4	58.6	18.9	23.7
1984	48.7	71.9	23.6	27.0
1985	46.4	85.2	31.1	26.4
1986	46.4	57.6	18.6	18.4
1987	49.4	54.7	18.9	15.6
1988	49.4	52.8	17.0	14.1
1989	44.6	55.3	12.7	14.8
1990	34.1	38.3	9.2	13.3
1991	14.1	11.8	n.a.	10.9
1992	11.8	n.a.	n.a.	n.a.
1993	11.5	n.a.	n.a.	n.a.
1994	11.5	n.a.	n.a.	n.a.
1995	11.5	n.a.	n.a.	n.a.
1996	11.6	n.a.	n.a.	n.a.

Source: 1967-1990: Ocampo (1993); 1991-1996: Colombian Trade Ministry.

Three main conclusions can be derived from the previous analysis. First, trade imbalances with the United States have been much smaller than those with the rest of the world, at least since 1960. Second, since 1980, real exchange rate movements have affected bilateral trade more than in previous decades. Third, given that United States and Colombian real GDP growth rates seem to be highly correlated –with a correlation coefficient of 0.55 (Figure 7. 5), there seems to be no clear-cut relationship between the bilateral trade balance and economic growth. Econometric analysis on price and income elasticities of bilateral trade will be presented in the following section.

FIGURE 7.5 US SHARE OF FOREIGN INVESTMENT IN COLOMBIA

Source: U.S. Department of Commerce

ECONOMIC DETERMINANTS OF BILATERAL TRADE

Patterns of bilateral trade specialization can be explained, to a great extent, by comparative advantages based on relative factor abundance. Colombian exports to the United States are intensive in either natural resources or labor, whereas U.S. exports to Colombia are capital intensive. The coffee and cut flower industries, for example, directly employ 300,000 and more than 70,000 (70 percent of which are women) workers, respectively. In the latter case, more than 50,000 jobs are additionally employed in ancillary industries such as packaging and transportation (Mendez, 1991). The following figures are illustrative. In 1970, the average daily wage for production workers in the agricultural sector was \$0.82, in contrast with \$2.25 in the U.S. horticulture services sector. If fuel costs are considered, Colombian costs were forty-nine percent lower than U.S. costs (Mendez, 1991). In 1986 to 1987, one pound of white cane sugar cost 23.8 cents in the United States, compared to a cost of 14 cents in Colombia (Cabal, 1994).

Simple econometric exercises show that the flow of goods between the two countries is very sensitive to changes in both income and in relative prices. Long term income and relative price elasticities were estimated for both import and export demand, using the following model:

$$\begin{aligned}
 \text{[1] Import Equation} & \quad \text{Imp} = a_1 + a_2 * \text{gdpc} + a_3 * \text{rer} + a_4 q \\
 \text{[2] Export Equation} & \quad \text{Exp} = b_1 + b_2 * \text{gdpu} + b_3 * \text{rer}
 \end{aligned}$$

Where:

Imp: value of imports in constant dollars of 1987.

Exp: value of exports in constant dollars of 1987

gdpc, gdpu: real GDP index of Colombia and the United States, respectively

rer: real exchange rate index

q = quantitative restriction index

Both equations were estimated in logarithmic form, having previously checked for the order of integration of all dependent variables and regressors.⁹ The definitions used for the real exchange rate, using consumer price, producer price and nominal wage indexes (rerc, rerp and rerw, respectively in Table 7.9).

⁹ As shown in the econometric appendix, we could not reject the hypothesis that all variables were integrated at the order of one. The results shown in Table 7.9 are for the cointegrating equations, all of which have white noise residuals.

TABLE 7.9. REGRESSION RESULTS

Dep. Var.	Constant	Income	Real Exchange Rate Indicators				Quantitative restrictions	R2	N
Import Demand Equations									
	C	Lgdpc	Lrerw	Lrerp	Lrerc	Lrerfw	q		
Total Imports from the US									
Limp	1	6.14 (5.48***)	0.87 (8.83***)	-3.06 (-3.07***)				0.85	30
	2	7.32 (6.39***)	0.60 (4.19***)	-0.53 (-2.99***)			-0.005 (-2.39*)	0.87	30
	3	7.87 (6.43***)	0.68 (4.91***)	-0.69 (-3.21***)			-0.007 (-3.39**)	0.88	30
	4	5.76 (6.62***)	0.85 (5.29***)	-0.44 (-2.46*)			-0.005 (-2.22*)	0.86	30
	5	5.76 (7.68***)	0.61 (5.06***)			-0.27 (-4.26***)		0.88	30
Export Demand Equations									
	C	Lgdpu	Lrerw	Lrerp	Lrerc				
Total Exports to the US (1967-96)									
Lexpo	1	-5.90 (-4.23***)	2.45 (14.13***)	0.50 (2.60**)				0.89	30
	2	-5.01(-4.23***)	2.14 (12.74***)	0.61 (2.33**)				0.88	30
	3	-3.47 (-3.94***)	2.10 (10.32***)	0.32 (1.45 n.s.)				0.87	30
Exports without Coffee to the US (1970-96)									
Lexp-nc	1	-15.85 (-12.16***)	4.40 (24.50***)	0.64 (3.57***)				0.96	27
	2	-15.68 (-17.68***)	4.40 (24.5***)	1.12 (5.66***)				0.96	27
	3	-13.20 (-16.04***)	3.78 (18.46***)	0.69 (3.6***)				0.96	27
Exports without coffee and petroleum (1970-96)									
Lexp-nc,np	1	-9.09 (-7.99***)	3.32 (21.22***)	n.s.				0.95	27
	2	-9.09 (-9.67***)	3.19 (20.24***)	n.s.				0.95	27
	3	-8.25 (-11.23***)	3.23 (17.67***)	n.s.				0.95	27

The main findings of this econometric analysis can be summarized as follows:

1. The import income elasticities (between 0.6-0.9) are similar to income elasticities found for total Colombian imports by other authors.
2. Export income elasticity is much higher than 1: around 2 for total exports to the United States, more than 4 for exports excluding coffee, and 3 for exports including coffee and oil. These figures are significantly higher than elasticities found for total exports by other authors (around 0.8).
3. When we included an index of non tariff barriers (q) as an explanatory variable in the import equation, the relative price elasticity was between 0.3 and 0.7. The import price elasticity was higher when relative producer prices were chosen as a proxy for real exchange rate than when relative wages or relative consumer prices were used. The same pattern was found in regressions for export demand.
4. Exports excluding coffee and oil were insensitive to changes in relative prices, no matter what definition of RER used. This is particularly true during the last decade. Though real exchange rate appreciation has, without question, hurt the profitability of many export industries, particularly taking into account the evolution of relative wages (Figure 7. 4), this has not had a statistically significant effect on the aggregate value of non-traditional trade with the United States, which is much more dependent on U.S. GDP growth.
5. Quantitative restrictions have been an important factor for explaining import behavior (recall Table 7. 8).

Despite the natural reaction of Colombian exporters to protect preferences given to Colombia by the United States under the Andean Trade Preferences Act (ATPA),¹⁰ these preferences do not seem to have had a great impact on the dynamics of exports to the United States. Though this hypothesis has not been tested here or elsewhere in a rigorous way, as many studies have pointed out, ATPA has not been fully utilized by Colombian exporters, with the exception of the flower industry and some scattered manufactured products (brooms, pneumatic tires and others). Though the ATPA utilization ratio has increased over the years (more than 70 percent in 1995¹¹) and is higher in Colombia than in the other beneficiary countries, it is still much lower than what was expected when ATPA was first launched.

¹⁰ It is worth noting that exporters prefer ATPA over GSP preferences since it does not have competitive need restrictions, it has more liberal rules of origin, among other reasons.

¹¹ This ratio provides a quantitative benchmark to assess the extent to which ATPA provisions actually have been used, and is calculated as the percentage of eligible ATPA imports that actually entered free of duty under the act.

OVERVIEW OF BILATERAL TRADE DISPUTES AND NEGOTIATIONS

Over the last thirty years, trade negotiations with the United States have taken place in three different venues: a) the GATT and/or WTO; b) bilateral negotiations, and more recently, c) the FTAA process, launched the Summit of the Americas in Miami in December, 1994. At the bilateral level, six different sets of topics have dominated the negotiations: drug trafficking; the International Coffee Agreement; the Colombian trade and investment regimes; Colombian intellectual property regime; U.S. tariff and non-tariff barriers against key Colombian export products, and air transportation issues.

The U.S. View

From the U.S. perspective, three periods can be distinguished according to the emphasis given to each of these topics:

1. From 1967 to 1990, but particularly in the aftermath of the debt-crisis, U.S. negotiators focused on trade and market distortions in the Colombian trade and investment regime, which was characterized by heavy state intervention. In the late 1980s, negotiations to dismantle export quotas under the International Coffee Agreement intensified, a process which culminated in the elimination of the agreement in June 1989. Voluntary export control policies were temporarily suspended in 1993. At the end of the 1980s, during the Barco administration, a reforms package to modernize the economy was implemented. Pressure came from the multilateral credit organizations such as The World Bank and the IMF. Credits to rescue heavily indebted firms in the electric power sector, for instance, were conditioned upon unilateral removal of non-tariff trade barriers such as subsidies and to reforms in the financial sector and labor regime pressure to liberalize trade, investment, financial and foreign exchange regimes. These topics were also on the bilateral agenda.

The lack of a bilateral trade agreement or a formal framework within which trade issues and disputes could be discussed openly and resolved in a more transparent way was the cause of many tensions and misunderstanding between the two countries. These problems were lessened when Colombia acceded to the GATT and started to benefit from the Generalized System of Preferences (GSP).

Starting in 1989, important steps were taken to improve the institutional framework within bilateral trade relations. At that time, Colombia's intense effort to fight drug traffickers and to cope with the costs of narco-terrorist activities generated sympathy and solidarity from the international community, and the Bush administration in particular. That, plus the fact that the U.S. government had a special interest in expanding markets for U.S. exports through the promotion of economic integration with Latin America,¹² produced three new important developments for the bilateral trade relationship (USITC [1994], Perry [1991] and Ocampo [1991]). These are:

- a) The "Andean Initiative." On December 1989, President Bush signed the International Narcotics Control Act, section 2 of which outlined an "Andean Drug Initiative" that underscored the need for an antidrug effort to fund crop substitution programs and alternative employment opportunities in the Andean countries. This section called for the United States to consider "initiatives to improve and expand antidrug efforts ...through the use of economic, commercial and other policies." In 1989, president Bush proposed a revision of the trade preferences to the Andean countries that slightly improved market access conditions for some exports, but this did not seem enough to achieve the aforementioned objective.¹³ On the United States-Andean presidential summit meeting in Cartagena (February 15, 1990), President Bush further committed to improving access of Andean products to U.S. markets, and on July 1990 he announced his intention to implement a package of trade measures for the "drug-producing" Andean nations (Bolivia, Colombia and Peru).¹⁴ This was the origin of the Andean Trade Preference Act (ATPA), submitted to the U.S. Congress in October 1990, but which was not passed until one year later. ATPA became effective on July 2, 1992, when President Bush formally designated Bolivia and Colombia as beneficiaries.

¹² Interest which materialized in the launching of the U.S. Enterprise Initiative for the Americas.

¹³ Colombia had requested the inclusion of ninety-three tariff items in the GSP, of which thirty-five were accepted in 1990. Between 1978 and 1989, Colombia had requested preferences for 170 items, of which only twenty-five had been accepted so far (Ocampo, 1991)

¹⁴ This commitment was stated in the "Cartagena Declaration," issued by the presidents of Colombia, Peru, Bolivia and the United States.

Expanding upon the Enterprise for the Americas Initiative, the ATPA extended to the Andean countries the basic preferences under the Caribbean Basin Initiative (CBI), i.e. duty free access to a significant group of products, with the main condition that the beneficiary countries would cooperate fully in the fight against drugs. This program did not affect non-tariff barriers, and excluded what have been called “sensitive products” for Colombia, such as sugar, textiles and apparel, footwear, canned tuna, rum and the key export product; petroleum. Many of the chosen products had already duty-free access to the U.S. market, either through GSP or because the tariff rate was zero (coffee and bananas). The program extends for a ten-year period.

b) Agricultural Assistance Program. Another component of the package announced by President Bush was the expansion of U.S. agriculture development assistance for which an interagency team was created in 1990. This team, headed by Ambassador Edwin Corr, was to find the main impediments facing Andean agricultural production and exports to the United States. It recommended its findings to U.S. Trade Representative Carla Hills: the rationalization of norms issued by the APHIS (Animal and Phytosanitary Inspection Service); the removal of non-trade barriers for export products with potential growth; investment promotion and greater institutional coordination.

c) The creation of the Bilateral Colombo-American Trade and Investment Commission. In July 1990, a framework agreement was signed between the two countries whereby this commission was created as a first step towards preparing negotiations for a future bilateral free trade agreement. Four working groups were created, on the following topics: market access, food and agriculture, intellectual property rights protection and the private sector. The latter was the origin of the *Consejo Empresarial Colombia-Estados Unidos*. From then on, this commission, together with the WTO, has been the main forum under which bilateral trade disputes and negotiations have taken place. Since its creation, the Commission has met almost on a yearly basis.

2. During the second period, between 1991 and mid-1994 (coincides with the Gaviria Administration), pressure to reach bilateral agreements on investment and intellectual property rights started to dominate the U.S. agenda. As Colombia engaged in a relatively fast economic reform process between 1989 and 1993 (Edwards, 1997), U.S. trade policy towards Colombia and the region started to focus on investment issues, intellectual property rights issues and “non-traditional” trade issues such as free trade in services.

Regarding investment, since 1982, the United States had promoted bilateral investment treaties throughout the world (twenty-one of which are in effect), the purpose of which are to guarantee national treatment to U.S. investment, impose limits and remedies to expropriation without compensation, facilitate transfer payments to U.S. company headquarters, avoid performance requirements (such as export quotas and other trade distortions), guarantee freedom to choose investment dispute resolution mechanisms and unrestricted procurement practices. In 1996, the United States had signed five bilateral investment treaties within the region (with Argentina, Panama, Ecuador, Honduras and Nicaragua), and has insisted that this is an essential requirement for any sort of free trade agreement with the United States (either bilateral, NAFTA extension or within the FTAA). Formal negotiations to sign a bilateral treaty, however, did not start until 1994.¹⁵

As far as intellectual property is concerned, prior to 1991 the most controversial issue in the negotiations was the restrictive regime imposed by Decision 85 of The Andean Pact Board, approved in 1974, which was replaced by Decision 311 in November 1991, mainly due to U.S. pressure. Despite the fact that this new framework increased the scope and extent of patent protection, the new regime did not please the United States, for reasons that are explained in detail in another chapter (Salazar, 1997). The United States exerted pressure on Andean countries to reform Andean Pact rules to allow individual countries to implement more ambitious protection schemes. This U.S. goal was achieved in late 1991, and from then, signing a bilateral intellectual property agreement with Colombia has been one of the top priorities for the United States in bilateral negotiations.¹⁶

3. The recent years: 1994-1997. Although investment and intellectual property continue to be high priority issues for the United States, since the end of 1994, soon after President Ernesto Samper took office and was accused of knowingly receiving money from drug traffickers to finance his election campaign, the focus of U.S. trade policy towards Colombia shifted significantly. Foreign trade and investment policies, in the form of economic sanctions -and/or the threat of their imposition- became a key U.S. foreign policy instrument to

¹⁵ A summary of current issues and controversies on these negotiations can be found in Frechette (1996) and Ramírez (1996).

¹⁶ Greater pipeline protection for pharmaceutical products, conditions for trademarks and patents, and licensing requirements are some of the most controversial issues (Frechette, 1996).

achieve goals other than expanding free trade between the two countries. From being a carrot, trade became the stick of U.S. anti-drug foreign policy.

In 1995, 1996 and 1997 the U.S. government did not certify (“decertified”) to Congress that Colombia was cooperating fully or in a satisfactory way in the war against drugs. While in 1995 the requirement to cut off U.S. aid was waived on national interest grounds, in 1996 they were not. Under U.S. Law (mainly the 1967 Foreign Aid Act and the 1974 Foreign Trade Act), “decertification” without waiver implies automatic economic sanctions such as the suspension of any form of financial aid flowing to the signaled country -other than aid to help fight the drug war. It also gives discretionary power to the President of the United States to, among other measures, eliminate current trade preferences (such as ATPA and GSP preferences), to raise import tariffs of up to fifty percent on all imports from that country and to limit air flow transportation between the two countries.

A separate group of sanctions relate to the implementation of the U.S. *International Emergency Economic Powers Act*, IEEPA, which gives special powers to the President to take specific emergency actions when there is a menace to the country’s national and economic security. In October 1995, Colombian narcotraffickers were declared such a menace. An executive order was issued, providing a list of the Colombian individuals and firms (it is assumed that all of them are related to the drug cartels, according to U.S. intelligence services) upon which sanctions can be applied¹⁷ and with whom U.S. nationals are forbidden to have any sort of economic or business relationship. Under these emergency powers, and as part of a global program to combat money laundering, the Clinton administration could suspend electronic transactions with the financial system of a country which is supposedly facilitating or not combating money laundering activities.

So far, of all these potential sanctions, only the suspension of U.S. government financial aid has been implemented. Ex-Im Bank credits, AID financial flows and OPIC investment loans and guarantees have been frozen while Colombia remains “decertified.” The direct effect of these measures has not been very significant, as similar institutions in other countries have taken their place. Additionally, under U.S. Law, the U.S. representative on the board of multilateral credit organizations like The World Bank and the IDB is mandated to vote against approving new loans to finance projects in Colombia. This last measure, however, has not affected the normal flow of credits from these institutions. The main economic effects of “decertification” are indirect: foregone foreign investment opportunities due to changes in country-risk perception, as well as a deterioration in the climate for domestic investment due to the uncertainties regarding potential sanctions¹⁸ and the political instability caused by tensions between the two governments. Most important of all, there have been important changes in attitudes towards the United States, an aspect that will be examined further on in this chapter.

Over the last three years, the U.S. government has faced a difficult dilemma: to be hard on Colombia as a mechanism to combat drug-trafficking and corruption, without affecting legitimate interests and without threatening democratic institutions. This “Catch 22” situation has led to some (at least apparent) contradictions in U.S. trade policy. During the May 1997 meetings of the Bilateral Trade and Investment Commission, the agenda tended to be less “narcotized” and conversations were centered on bilateral trade relations.

A recent report by the U.S. Congressional Research Service summarizes well what continues to be the U.S. position regarding “purely trade” issues: “Despite progress made, Colombia still imposes some trade and investment barriers. The agricultural sector remains heavily protected through import licensing, variable levies, price controls and outright bans...Discriminatory government procurement measures, foreign television programming requirements, and weak intellectual property protection are some of the remaining obstacles to foreign trade and investment” (Ahearn, 1995). Regarding agricultural policies in particular, the United States has argued that Colombia does not comply with WTO rules.

The Colombian View

From the Colombian point of view, pressures on the United States have concentrated in four main areas: a) support to the International Coffee Agreement, b) guaranteeing stable and broader trade preferences, c) elimination of non-tariff barriers to key export products and d) separation of trade and narcotics issues.

¹⁷ This list is prepared by the Office of Foreign Assets Control that reports to the Secretary of the Treasury.

¹⁸ According to a recent study by the Colombian Government Trade Bureau (1996), if ATPA preferences are suspended, 13.3 percent of Colombian exports to the United States would be effectively hurt if sanctions affect GSP as well (approx. \$120 million), and only 3.2 percent would be affected if GSP is maintained.

Non-tariff Barriers to the U.S. market

According to Ocampo (1991), in 1990 more than eighteen percent of Colombian exports, and more than fifty percent of non-traditional exports, were subject to some sort of non-tariff barrier in the U.S. market. Apart from these barriers, Colombian products are permanently subject to customs inspections associated with drug-trafficking control. Products that have been subject to greater non-tariff restrictions are agricultural products, particularly flowers and fruits, food products such as sugar and shrimp, textiles and apparel and leather apparel. Anti-dumping measures have been the most frequent among barriers. Table 7. 10 presents a summary of the principal non-tariff barriers faced by Colombian products in the U.S. market.

TABLE 7. 10. SUMMARY OF NON-TARIFF BARRIERS IMPOSED BY THE US ON COLOMBIAN EXPORT SECTORS.

1.	Import quotas and other quantitative restrictions: Sugar, textiles and Apparel, Tobacco.
2.	Anti-Dumping policies and practices: Carnations, Roses (attempt) and Chrysanthemums
3.	Phytosanitary and environmental controls: Mangoes, Blackberries, current process to import uchucas, Aftose control measures, cut flowers (to control "roya blanca" disease).
4.	Safeguards: Flowers (at the end of the 80s. Section 201 USTR-ITC. The administration makes the final decision. Petition is against the USTR. ITC concept is not obliging), Brooms.
5.	Environmental protection measures: Tuna and dolphin (WTO panel is there backing in case of nonresolved issues), Turtles, Shrimp
6.	Services: Air traffic restrictions (three areas of negotiation: air control, airport security and market access)
7.	Technical Barriers: On a great number of industrial products.
8.	Unilateral measures under Section 301: Bananas investigation on practices that are considered discriminatory by the US; Special regime for Intellectual property rights (Colombia on Watch list), and for Government procurement practices considered discriminatory.

In the last Bilateral Trade and Investment Committee meetings,¹⁹ Colombia has put particular emphasis on the following issues:

1. **Sugar quota.** Since 1934, with the exception of 1975 to 1981, the United States has imposed quotas on sugar imports. Today, Colombia's quota is twenty-five percent less than the 1981 quota, year in which the current system for quota determinations was put in place. Colombia holds that the United States is obligated to modify its current sugar quota system. On one hand, current formulas for determining specific country participation in the global sugar quota were calculated using import data from 1975 to 1981, years during which Colombia was not significantly exporting to the United States. This resulted in an unfairly low quota for Colombia. Since 1981, the world sugar production structure has changed substantially. According to Suárez (1995), "Colombia has displayed strong sugar production growth in the last ten years, underpinned by expanded area, improved yields and increased use of varieties... production jumped from 1.2 million tons raw value in the mid-1980s to a record of 2.04 million tons in 1994-1995." Colombia holds that under GATT articles 11 and 13, the country quota determinations can and should be modified to reflect new production information.

Current quotas do not reflect comparative advantages between countries, as trade shares would do in a free trade environment. Additionally, NAFTA will have further negative effects on Colombia's share in the U.S. sugar market. The preferences given to Mexico could imply that this country will gradually fill in the gap in U.S. demand and thus, the global sugar quota will virtually disappear. This agreement also diminishes the possibilities for Colombia to gain from the Group of Three agreement in that field. The United States will not easily change its current system given the powerful vested interests that benefit from the current program (farmers that provide raw material for the U.S. beet-sugar industry, and the high fructose corn syrup suppliers [HFCS], among others).

2. **Anti-dumping cases against the flower industry.** Colombia has expressed great concern regarding the methodologies employed by the U.S. Department of Commerce to identify dumping in this sector. Among other issues, Colombian officials argue that average prices to be compared with costs should be calculated on a monthly basis, not annually, due to seasonal changes. Additionally, prices in third markets should not be considered in such calculations, due to the particular characteristics of each market.

¹⁹ The last one was held in Bogotá on June 10, 1997.

3. Textile and apparel quotas. Under the framework of the Multifibre Agreement, Colombian exports of these products were subject to quotas until 1986. In 1990 those restrictions were eliminated, but were imposed again in 1992 for those items whose imports from Colombia show significant growth rates. A high priority for Colombia at this moment is to gain access to the Caribbean Basin Initiative preferences so that these sectors will be able to compete under equal conditions with Caribbean and Central American countries. If that goal cannot be achieved, and the U.S. Congress approves the extension of NAFTA preferential treatment to these countries, the Colombian textile sector, one of the most technologically developed in the region, will not be able to compete in the U.S. market with devastating results for the Colombian economy.

Expansion of Trade Preferences and Regional Integration

As mentioned, trade diversion due to NAFTA and existing preferential trade agreements signed by the United States with other nations have undoubtedly hurt key Colombian exports. From this point of view, a FTAA agreement that will expand current U.S. trade preferences throughout the region in those sectors in which Colombia has a comparative advantage and which are currently excluded from ATPA preferences, will be very beneficial for Colombia. The removal of trade barriers in the areas summarized in Figure 7. 1 will (or should) have priority on the Colombian agenda in future market access negotiations within the FTAA negotiation process.

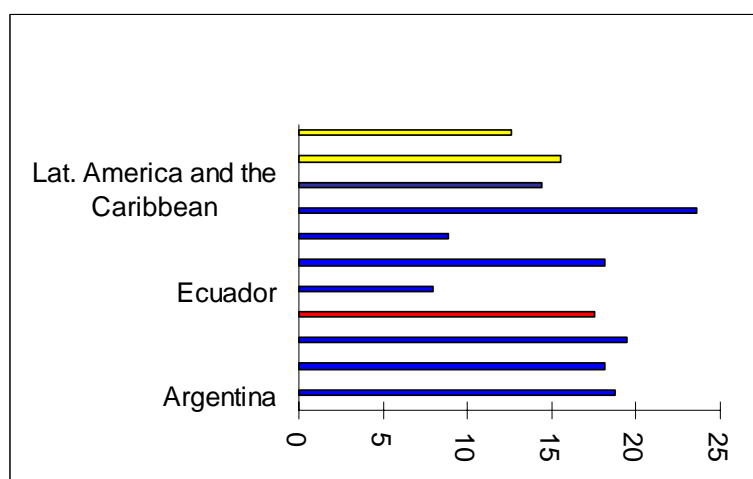
Though it is still too early to anticipate how these negotiations will develop, Colombia may negotiate the FTAA part of the Andean "bloc." This will have both advantages and disadvantages in terms of being able to put forward Colombian interests more effectively. One interest in which the Andean Community will likely be unified is guaranteeing more stable access to the United States (and hemispheric) energy market.

"Denarcotization" of the Trade Agenda

Colombia has requested separation of trade and drug issues in bilateral negotiations and will continue to do so in the context of hemispheric negotiations. Colombia holds that the latter calls for multilateral solutions and multilateral "certification" processes, and should not affect or condition the course of free trade negotiations. Regarding trade and the fight against drugs, Colombia has recently claimed that the United States has not made enough efforts to combat money laundering through merchandise smuggling. Many U.S. multinationals sell merchandise to agents directly linked to drug-traffickers without any type of control or supervision by U.S. authorities, who then illegally introduce these products into Colombia and other drug producing countries in the region and sell them to be able to finance their local illegal activities, an effective money-laundering mechanism (Steiner, 1997).

BILATERAL INVESTMENT FLOWS

The United States is the largest foreign investor in Colombia, with 70 percent of the accumulated stock of foreign direct investment (FDI) in 1990, and 47.5 percent in 1996 (Figure 7. 6 and Table 7. 11). During the 1990s, on average, U.S. FDI accounted for 5.6 percent of total domestic capital stock accumulation. Additionally, during the 1990s, the United States was the most important portfolio investor, with an average share of 67.5 percent (Table 7. 11).

FIGURE 7.6. AVERAGE ANNUAL PROFIT RATE ON US FOREIGN INVESTMENT IN THE REGION 1990-95 (percent)

Source: Banco de la Republica

TABLE 7.11 SECTORAL COMPOSITION OF U.S. FDI IN COLOMBIA

U.S. Share in Total FDI by Sector (percent)			
	1994	1995	1996
Agriculture	2.2	1.5	1.2
Mining	19.9	42.6	10.5
Manufacturing	21.0	41.8	27.0
Electricity	42.6	41.1	5.0
Construction	29.8	42.9	7.7
Commercial	53.6	36.9	19.6
Transportation	9.3	20.8	9.8
Financial	83.1	10.1	19.6
Other Services	10.6	0.0	0.9
Other	16.0	75.9	14.0
Sector Share of U.S. FDI in Colombia (percent)			
	1994	1995	1996
Agriculture	0.0	0.1	0.1
Mining	0.7	11.2	1.3
Manufacturing	10.4	57.9	48.1
Electricity	0.4	0.8	2.0
Construction	1.3	3.3	0.5
Commercial	5.9	11.4	8.1
Transportation	2.0	10.8	4.2
Financial	79.1	4.9	35.6
Other Services	0.0	-2.0	0.0
Other	0.1	1.4	0.0

Source: ECLAC (1997), Banco de la Republica and author's calculations

The most dynamic period of U.S. Foreign Direct Investment (FDI) was the 1980s when a large amount of resources was invested in oil exploration and exploitation projects. Today, U.S. FDI is growing at a much lower rate (9.5 percent per year) than total FDI in the country (27 percent).

In the present decade, the average annual profit rate on U.S. direct investment in Colombia was greater than that of U.S. investments in the world or in developing economies. In 1995, the stock of U.S. investment in Colombia was concentrated in petroleum (51 percent), mining (18 percent), manufacturing (21 percent) and financial institutions (6 percent) (Ahearn, 1995). In the last three years, however, the manufacturing and financial sectors held the largest shares, with 48 percent and 36 percent of total 1996 U.S. FDI flows (Table 7. 10).

TABLE 7.12 FDI IN COLOMBIA: SELECTED INDICATORS

Annual FDI Flows (millions of dollars)								
	1967	1970	1975	1980	1985	1990	1995	1996
Total FDI	16.5	104.9	48.5	103.6	489.5	230.3	1320.9	1880.1
US FDI	6.3	42.3	13.8	67.0	450.9	126.3	417.0	366.4
Average Annual FDI Growth (percent)								
	1970-74	1975-79	1980-84	1985-89	1990-94	1995	1996	
Total FDI	11.06	10.45	12.80	13.82	12.10	23.28	26.88	
US FDI	8.00	12.10	14.26	20.18	8.27	12.17	9.53	
FDI Share of Total Capital Accumulation								
	1990	1991	1992	1993	1994	1995	1996	1990-95
Total FDI	7.12	7.21	9.81	8.73	10.84	9.33		8.84
US FDI	5.03	4.99	6.49	5.48	6.55	5.13		5.61
Portfolio Investment								
			1992	1993	1994	1995	1996	1992-96
Total (millions of dollars)			61.11	43.66	588.11	165.83	292.16	
From U.S. (millions of dollars)			13.02	38.60	553.52	119.76	179.33	
U.S. Share (percent)			21.31	88.41	94.12	72.22	61.38	67.49
Colombian Direct Investment Abroad								
	1991	1992	1993	1994	1995	1996	1991-96	
Total (millions of dollars)	19.88	73.94	94.79	151.64	284.63	68.35		
In U.S. (millions of dollars)	16.60	0.27	2.94	17.88	2.80	2.68		
U.S. Share (%)	83.54	0.37	3.10	11.79	0.98	3.93	17.28	

Source: ECLAC (1997), Banco de la Republica and author's calculations

Colombian (officially reported) investment in the United States, on the other hand, has been minimal. In 1996, it was less than \$3 million, accounting for less than four percent of total Colombian investment abroad.

POLITICAL ECONOMY ASPECTS

Overall support in Colombia for strengthening economic ties with the United States has varied throughout history according to the country's economic and balance of payments situation, the development strategy adopted and other non-economic factors such as U.S. foreign policy towards intervention in other Latin American countries (Panama, Cuba, Nicaragua, Grenada, etc.), and more recently, the U.S. strategy to fight drugs. Within the country, as pointed earlier, attitudes towards the United States vary according to the economic, social, political and even geographical position.²⁰

Until the last decade, pro-U.S. interests were concentrated in the traditional export (coffee, petroleum, mining and bananas) and financial sectors, while the domestically oriented agricultural sector and the manufacturing industry - a significant part of which was born during the years of protectionism, were naturally less inclined to opening trade ties with the United States.

For most of this century, the coffee sector has been perhaps the most influential power group to protect United States-Colombia relations. Due to the dependence of the economy on coffee production and exports, and the fact that the United States was for many years the single most important consumer of Colombian coffee,²¹ it is not surprising that guaranteeing access to the U.S. coffee market was a top priority for Colombia, particularly in periods of balance of payments problems. But protection of coffee interests was not necessarily, or not solely, protection of Colombian interests. Until the late 1960s, not only was the United States aware that limiting coffee imports from Colombia would limit the capacity of Colombians to purchase goods from the United States (and repay financial obligations with the United States), but coffee sales into the U.S. market were controlled to a great extent by U.S. nationals. This was one of the reasons why the Colombian National

²⁰ Nationalist ideas have had traditionally a stronger hold in the Andean and isolated regions of the country, while the Caribbean coast has been more open to the influence of the United States, mainly with respect to imports of U.S. consumption goods. The lack of adequate transportation and communications infrastructure within the country is one of the reasons that explains such difference.

²¹ Since the 1930s and until the mid 1960s the United States was, by far, the main market for this product, with an average share of over eighty percent in total Colombian coffee exports.

Federation of Coffee Growers was created in 1928, to break the U.S. coffee sale monopoly. Though this objective was achieved, the newly born Federation soon realized that it could not operate effectively independently of U.S. companies (Randall, 1977). Since then, closer ties developed between the Colombian coffee industry and the giant U.S. food companies, despite the fact that most, if not all, of the coffee exported to the United States is sold directly by the private sector since the 1960s.

During the trade agreement negotiations of the 1930s, the Colombian-American Chamber of Commerce of New York and the Colombian Federation of Coffee Growers were the most active associations supporting the agreement. These two organizations continued to play a key role in strengthening trade ties between the two countries for many years.

Similarly, interests in the Colombian oil, mining and bananas export industries (the most important export products after coffee, until the 1970s) were to a great extent U.S. interests, since U.S. FDI was concentrated in those sectors. As a result of the export diversification process beginning in the 1970s, the range of economic interests in favor of good United States-Colombia relations has widened considerably. Additionally, U.S. direct investment has scattered in a wide range of sectors such as the financial sector, the food manufacturing industry and the construction sector, among others. In addition to the multinational companies perhaps the sector with the closest ties to the United States is the cut-flower industry. Even though today it is owned mainly by Colombians, the industry was born thanks to the initiative of a team of Americans who founded a very successful company at the end of the 1960s that had a tremendous impact and effective demonstration effect, diffusing technological know-how to other Colombian firms (Mendez, 1991).

On the macroeconomic front, the two countries have been linked by shared ideas. The relationship between the Federal Reserve Board and the Colombian Central Bank (Banco de la República) has already been mentioned, and the relationship was helped by the good reputation enjoyed in the United States by several Colombian macroeconomists, most of which studied at American universities. During the debt crisis of the 1980s, for example (Betancur administration [1982-1986]), the U.S. government exerted great influence to avoid a stand-by agreement with the International Monetary Fund.²²

When examining the forces that have shaped the bilateral economic relationship and trade negotiations, one cannot ignore or understate the role played by culture and ideology. Many American government officials believe Colombians -both government officials and business leaders- are among the least international or outward-looking people in the Hemisphere, despite being very well educated. U.S. trade negotiators often complain that their Colombian counterparts speak different languages when it comes to discussing the mutual benefits of free trade and deregulation. Unlike the macroeconomists, they have been educated mostly in Europe and not in the United States, and have an old-fashioned view of economic development, very much influenced by protectionist ideology. They tend to be seen as passive-aggressive and not straightforward and do not openly discuss their points of view when there are disagreements, and tend to distrust their counterparts. On the other hand, Colombians complain that U.S. negotiators are too hard and arrogant; ignorant and uninterested in understanding the complexities of the Colombian reality. They tend to stick to what they have been ordered to say or do, and many times their rhetoric does not correspond to what they actually do (for example, imposing sugar quotas goes against the principle of free trade).

Paradoxically, one result of the current crisis in United States-Colombian government relations, one of the worst in this century, is that it has strengthened the relationship between the Colombian private sector and the U.S. government and between private sectors in the two countries, in a way never seen before. The fear of economic sanctions and the urge to defend the international image of legitimate Colombian businesses have united a large number of Colombian private sector leaders from all sectors in an unprecedented effort to create ties with the United States independently from the Colombian government. This phenomenon has had dramatic effects on the structure and mentality of Colombian private sector associations, and in the checks and balances system in Colombia. Never before have so many Colombian business delegations visited the U.S. government and Congress as in the last two years.

Never before had the private sector been so active in joining forces to combat corruption and lobby openly for tough anti-drug measures in the Colombian Congress.²³ Also, probably since the days of the United Fruit

²² The Federal Reserve, under the leadership of Paul Volker (at the time, Chairman of the Board), helped to put pressure on the IMF to reach a different type of agreement with Colombia whereby the IMF monitored Colombian indicators on a quarterly basis.

²³ Among the most dynamic sectors promoting this campaign are the flower growers association and the bankers association.

labor conflicts, the country has not been so polarized around the U.S. role in Colombian affairs. Lower income classes, powerful regional political leaders have been the most anti-American.

As a result, old associations gathering interests in favor of protecting United States-Colombia relations were invigorated (such as the Colombian-American Chamber of Commerce, founded in 1931 and now with a membership of over 900 corporations, and the Association of American Businesses in Colombia). Others were revived (the Consejo Empresarial Colombia-Estados Unidos, CECEU, which had gradually died during the Gaviria administration, after its creation in 1990), and new ones were created (the United States-Colombia Business Partnership, association of U.S. corporations with interests in Colombia).

These changes have brought about a growing consciousness among the Colombian public opinion about the importance of the U.S. market for key sectors in the economy and of maintaining good relations with the United States to preserve economic and political stability, and among business leaders, greater consciousness about their international responsibilities. In the past, stability in the bilateral relationship was taken for granted, even more so when Colombia played the role of the good guy during the debt crisis.

CONCLUSIONS

The main findings of this chapter could be summarized as follows:

Colombian economic "dependency" on the United States, measured solely through (legitimate) trade and foreign investment diversification, has declined in the last four decades. In the mid 1950s, the U.S. share of total Colombian exports was more than 80 percent. This share fell systematically through the 1970s to reach 30 percent at the beginning of the 1980s. Similarly, but not as dramatic as the former, there has been a decline in the share of U.S. imports in Colombian total imports: from more than 50 percent in the 1950s to around 40 percent in 1996. Nevertheless, the United States continues to be Colombia's principal market for export goods and the main source of imports from the world.

In even more dramatic fashion, Colombia has lost relative position in total U.S. foreign trade. On the one hand, 4.5 percent of U.S. total imports came from Colombia in the 1950s; this percentage is around 0.8 percent nowadays. On the other, Colombia used to absorb 2 percent of U.S. exports to the world; now it hardly purchases 0.5 percent of the value U.S. sales abroad. However, Colombia continues to be a bigger market for U.S. products than Chile or Argentina. For the last forty years, Colombia has alternated with Venezuela the second or third ranking position in South America, after Brazil, as final destination for U.S. exports.

In parallel, profound change in composition of trade took place. In the 1950s, Coffee represented 85 percent of Colombian exports to the United States while the remaining sales were a short list composed by oil, bananas, emeralds, gold and sugar. Today, coffee represents less than 12 percent of such exports, crude-oil has a share of about 50 percent, textiles and apparel 15 percent and cut-flowers 8 percent.

Colombia's trade balance with the United States has been much more stable than its overall trade balance with the world. To a great extent, this is explained by another finding of this study; that there is a high correlation between GDP growth in both countries and both bilateral exports and imports are highly sensitive to changes in income in the consuming country (econometric studies show that income elasticity of Colombian exports to the United States is much higher than overall export income elasticity). When the U.S. economy grows, Colombian exports and GDP grow, stirring import demand for U.S. products.

Using different definitions of real exchange rate indexes we were able to find that Colombia is nowadays relatively more competitive vis-a-vis de United States than in the 1960s, despite recent real appreciations of the peso. This trend is not as clear when wages (instead of prices) are used to calculate the relative price index. However, econometric results show that Colombian exports to the United States (particularly without coffee and oil) are statistically insensitive to changes in the real exchange rate. Unilateral import liberalization in Colombia during the early 1990s had a very significant effect on imports from the United States, as proven by econometric exercises. During 1990-1995, these grew at a yearly average real rate of 15 percent.

Economic reform has been a constant petition by the United States in bilateral negotiations during the last three decades. As substantial trade, foreign exchange and financial liberalization has taken place in Colombia since the late 1980s, U.S. pressure has focused on intellectual property rights protection, further liberalization of the foreign investment regime and, of course, narcotics issues. Colombia, on the other hand, has fought for years to eliminate tariff and non-tariff barriers for its products in the U.S. market, with very limited results. Key export

products are exempt from ATPA preferences (sugar, petroleum, textiles and apparel, footwear, canned tuna, rum). Perhaps due to these exemptions, the ATPA seems to have had little positive impact on export growth to the United States, with the possible exception of cut flowers. Sugar and the textiles and apparel sectors in particular are one of the most hurt by trade-diversion effects generated by free-trade agreements signed by the United States, such as NAFTA and the Caribbean Basin Initiative (CBI). On the contrary, several studies show that around 20 percent of Colombia's export items (55 percent of non-traditional export items) -- sugar, textiles and apparel, fruit, meat and cut flowers-- are subject to some sort of non-tariff barrier. Regarding sugar, Colombia argues that in a free trade environment it could export to the United States more than four times the current quota, as it is one of the most efficient sugar producer in the world according to several studies worldwide. From this point of view, the reduction of trade distortions and trade diversion effects in a free trade area in the Americas and in a more open global environment will benefit Colombia.

In recent years, "narcotization" of the trade agenda has been perhaps the most important and controversial issue in economic bilateral relations. Trade preferences, as stated in ATPA, were originally meant to be an instrument to help drug producing countries to fight against narcotics by providing incentives to crop substitution. Since President Samper took office in 1994, these preferences stopped being the *carrot* and became the *stick* of U.S. anti-drug policy towards Colombia (this shift in U.S. foreign policy has also affected other countries). Since 1995, the United States has not certified to Congress that Colombia has been cooperating in a fully satisfactory way in the war against narcotics. In 1996 and 1997, under full 'decertification', Colombia was subject to economic sanctions such as the suspension of financial aid from the U.S. government and has been threatened with the elimination of ATPA trade preferences and other trade sanctions. Uncertainty about the rules of the game regarding market access has obviously discouraged investment in U.S. export-oriented sectors in Colombia and has increased costs in sectors such as the cut-flower industry. In both the bilateral arena and in future FTAA and multilateral negotiations, it is most likely that Colombia will continue to strive to separate political from trade issues in a way truly consistent to promoting free trade, trying to strengthen strategic alliances with countries that sympathize with this view.

Judging by the figures presented in this study, despite political instability and insecurity, Colombia continues to be an attractive place to invest U.S. capital. U.S. foreign direct investment in the country has continued to grow in the last decade, though its share in total FDI has decreased. At least until 1996, portfolio investment from the United States grew much faster than FDI, looking for high interest rates.

With ups and downs, throughout this century Colombians have been overall pro-American in the sense of supporting the strengthening of economic ties with the United States. Interests in protecting that relationship have traditionally been concentrated in export sectors. In recent years, a relatively wider group of entrepreneurs, intellectuals and economic professionals (which have played an increasingly important role in policy making) have also supported strong United States-Colombia relations. Despite growing domestic opposition to U.S. pressure and hard-line policies against Colombia, paradoxically, the current crisis seems to have created new ties between the Colombian private sector and the U.S. executive, legislative and private sectors.

REFERENCES

- Ahearn, Raymond J. 1995. *Andean Pact-U.S. Trade Relations: Evolution and Prospects*. Mimeo, Washington, D.C.: Congressional Research Service for Congress, Library of Congress-Foreign Affairs and National Defense Division, (November).
- Bailey, Norman. 1997. *Energy: Blundering into Correct Policy*, Journal of Commerce, May 8.
- Cabal, Juan Pablo. 1994. "La industria colombiana del azúcar," in Ochoa Díaz, Héctor, ed., *Estudio para la negociación de la zona de libre comercio entre Colombia y Estados Unidos*, Cali: Instituto Colombiano de Estudios Superiores de Incolda, ICESI.
- Chen, Lein-Lein. 1994. "Los efectos comerciales y de bienestar del libre comercio entre los Estados Unidos y Colombia en textiles y confecciones," in Ochoa Díaz, Héctor, ed., *Estudio para la negociación de la zona de libre comercio entre Colombia y Estados Unidos*, Cali: Instituto Colombiano de Estudios Superiores de Incolda, ICESI, 187-206.
- CLADEI.1996. *El Tratado Bilateral de Protección a la Inversión: Perspectiva Colombiana y Norteamericana*, Santa Fé de Bogotá: Cladei-Asobancaria, (August).
- Colombian Government Trade Bureau. 1986. Mimeo, *La Descertificación: contexto jurídico y sus efectos*. Washington, D.C.
- ECLAC. 1997. *La Inversión Extranjera en América Latina y el Caribe*, Santiago de Chile: ECLAC.
- Diario La República- Monitor.1997. *Inversión Extranjera*, Informe Especial, August 12-18, Santa Fé de Bogotá: 6-15.
- , 1997. *Colombia perdió el liderazgo de la Economía: entrevista con Myles Frechette*. August 27, 3A.

- Franco, Andrés. 1997. "ALCA y la Comunidad Andina, en busca de una identidad política," Mimeo, Bogotá: Universidad Javeriana.
- Frechette, Myles. 1996. "El Tratado de Inversión Bilateral Estados Unidos-Colombia: Perspectiva Norteamericana," in: CLADEI, *El Tratado Bilateral de Protección a la Inversión: Perspectiva Colombiana y Norteamericana*, Bogotá: Cladei-Asobancaria, August, 25-34.
- Garay, Luis Jorge. 1981. *El Pacto Andino: Creación de un mercado para Colombia?* Bogotá: Fedesarrollo.
- Grosse, Robert. 1994. "El impacto que se espera de libre comercio en los servicios financieros entre Colombia y Estados Unidos," in: Ochoa Díaz, Héctor, ed., *Estudio para la negociación de la zona de libre comercio entre Colombia y Estados Unidos*, Cali: Instituto Colombiano de Estudios Superiores de Incolda, ICESI, 275-292.
- Hufbauer, G. and B. Kotschwar. 1997. "Colombia-U.S. Investment Relations," Mimeo, Report to the *Comisión de Análisis y Recomendaciones sobre las Relaciones entre Colombia y Estados Unidos*, Universidad Nacional de Colombia-Instituto de Estudios Políticos y Relaciones Internacionales, May.
- Junguito, Roberto. 1986. *Memoria de Hacienda*. Ministerio de Hacienda, Bogotá.
- and D. Pizano. 1993. *El Comercio Exterior y la Política Internacional del Café*. Bogotá: Fedesarrollo- Fondo Cultural Cafetero.
- McGreevy W., Paul. 1964. *Statistical Series on the Colombian Economy*. University of Berkeley, Geography Department.
- Mendez, José A. 1991. *The Development of the Colombian Flower Industry*. The World Bank, Policy, Research and External Affairs Working Papers, WPS 660.
- Ocampo, José Antonio. 1994. "El Entorno Económico: Reforma del Estado y Apertura Económica," in: Ochoa Díaz, Héctor, ed., *Estudio para la negociación de la zona de libre comercio entre Colombia y Estados Unidos*, Cali: Instituto Colombiano de Estudios Superiores de Incolda, ICESI, 11-51.
- Ochoa Díaz, Héctor. 1994. ed. *Estudio para la negociación de la zona de libre comercio entre Colombia y Estados Unidos*, Cali: Instituto Colombiano de Estudios Superiores de Incolda, ICESI.
- Palacios, Marco. 1979. *El Café en Colombia, 1850-1970: Una Historia Económica, Social y Política*. Bogotá: Fedesarrollo-Editorial Presencia.
- Perry, Santiago. 1994. "Exportaciones de flores, frutas y hortalizas colombianas a los Estados Unidos en el marco de un convenio de libre comercio," in: Ochoa Díaz, Héctor, ed., *Estudio para la negociación de la zona de libre comercio entre Colombia y Estados Unidos*, Cali: Instituto Colombiano de Estudios Superiores de Incolda, ICESI, 119-133.
- Rajapatirana, Sarath. 1996. *Colombia and the Andean Group: Choices and Challenges*. Mimeo, The World Bank, Operations Policy Department, December.
- Ramírez, Juan Carlos. 1996. "El Tratado de Inversión Bilateral Estados Unidos-Colombia: Perspectiva Colombiana," in: CLADEI, *El Tratado Bilateral de Protección a la Inversión: Perspectiva Colombiana y Norteamericana*, Santa Fé de Bogotá: Cladei-Asobancaria, (August), 35-51.
- Randall, Stephen J. 1977. *The Diplomacy of Modernization: Relations Between the United States and Colombia, 1920-1940*. Toronto: University of Toronto Press.
- Steiner, Roberto. 1997. *Los Dólares del Narcotráfico*, Cuadernos de Fedesarrollo, No.2, Bogotá.
- Suárez, Nydia R. 1995. *Colombia: Growth in Sugar Production and Exports*. USDA Economic Research Service, Sugar and Sweetener S&O/SSSV20N4.
- Tanner, Evan. 1994. "El impacto de un área de libre comercio entre Estados Unidos y Colombia: el caso del azúcar," in: Ochoa Díaz, Héctor, ed., *Estudio para la negociación de la zona de libre comercio entre Colombia y Estados Unidos*, Cali: Instituto Colombiano de Estudios Superiores de Incolda, ICESI, 91-117.
- USITC. 1994, 1995, 1996. Annual Report on the Impact of the Andean Trade Preference Act on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution, Washington, D.C.: U.S. Government Printing Office.