

# GENERAL AGREEMENT ON

RESTRICTED

BOP/W/106

17 June 1987

## TARIFFS AND TRADE

Limited Distribution

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### Committee on Balance-of-Payments Restrictions

#### 1987 CONSULTATION WITH COLOMBIA UNDER ARTICLE XVIII:12(b)

#### Background paper by the Secretariat

1. This paper has been prepared in accordance with paragraph 7 of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205) to assist the Committee in taking the decision referred to in paragraph 8 of that Declaration.

#### I. Colombia's full consultation in 1985

2. The Committee held a full consultation with Colombia on 3 December 1985 under the provisions of Article XVIII:12(a). This was the first consultation since Colombia acceded to the General Agreement in 1981.

3. At the December 1985 meeting, the Committee noted that Colombia's domestic economic situation, as well as its trade and current account balances, had deteriorated sharply in the period 1981-83. This deterioration was due to a number of internal and external factors, including, as regards the former, the budgetary deficit and the level of exchange rate, and as regards the latter, unfavourable world markets for Colombia's principal exports, stagnation of import demand in its regional trading partners and restrictive import measures affecting products of export interest to Colombia in a number of markets. The Committee, while noting the concurrent application of a number of import restrictions, which might be a source of uncertainty for traders, welcomed the clarifications given by Colombia in this regard, which alleviated some of its concerns regarding the complexity of the system. The Committee appreciated the efforts being made by Colombia to restore internal and external equilibrium through fiscal, monetary and exchange rate policies as well as its efforts to stimulate the growth and diversification of exports. It recognized that the success of these policies would depend partly on the evolution of world commodity markets and of the economic and commercial situation in Colombia's trading partners. The Committee welcomed the announcement by Colombia that the process of import liberalization initiated in 1985 would be continued and strengthened.

## II. Measures taken by Colombia since the last consultation

### (a) Import licensing and prohibitions

4. In the Secretariat's previous background paper (BOP/W/90), it was noted that, following a tightening-up of import licensing policy in 1983-84 when import licensing was introduced on some 3,300 tariff lines and temporary prohibitions placed on 834 lines, some relaxation had taken place in the period up to October 1985. At end-October 1985, 916 tariff lines (18 per cent of the total) were importable freely, 89 lines (1.8 per cent) prohibited and 4,006 lines (80 per cent) were subject to prior licensing. Lists of the prohibited and freely importable goods at that time were annexed to the Colombian basic document for the 1985 full consultations (BOP/256).<sup>1</sup>

5. During the latter part of 1985, further liberalization was made under Resolutions Nos. 42 and 46 of the Foreign Trade Council. The former moved some 30 additional tariff headings, relating to preserved fish products, fruit juices, leather goods and toys from prohibited to prior licensing status. The latter liberalized imports of 203 tariff headings, including animal hair, vanilla, chalk and asbestos, a variety of chemicals including hydrocarbon derivatives, certain acids and compounds, antibiotics, essential oils, photographic film, carbon, certain plastic and rubber materials, cork, paper, silk and articles, certain classes of yarn of manmade fibres, some glass products, lead bars, certain hand tools, internal combustion and other engines, pumps, agricultural machinery of various types, taps and valves, bearings and transmissions, certain types of electrical and electronic equipment and switchgear, tractors, certain aircraft parts, weighing machines and drawing instruments. (See L/5542/Add.8). According to the Colombian statement for these consultations, 467 items of machinery and equipment were again transferred to "free import" in 1986 under Foreign Trade Council Resolutions Nos. 1, 5 and 12: leaving at present 3,163 tariff headings or 62.7 per cent of the total under prior licensing, 56 headings (1.1 per cent) prohibited and 1,823 headings freely importable. Under Resolution 37, 13 positions relating to alcohol have been moved from prohibited to prior licensing status. Lists of products freely importable and those subject to prohibitions are annexed to the Colombian statement: Table 6 of the same document shows the number of tariff items subject to the various licensing régimes.

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<sup>1</sup>For a description of the system of import licensing in force in Colombia, see BOP/W/90, paragraphs 6 and 7, and Colombia's own background paper for the 1985 consultations (BOP/256), section I.B.1.

(b) Allocation of foreign exchange

6. On 1 April 1986, the annual foreign exchange quota was increased from US\$3.6 billion to US\$4.14 billion (L/6087): the ratios for the distribution of the foreign exchange budget were changed to allow up to 50 per cent of the monthly distribution to be allocated to "free list" products, and not less than 50 per cent to products under prior licensing. On 27 May 1987 the foreign exchange quota was raised further to US\$4.29 billion. On 3 June 1987, the monthly distribution of foreign exchange was raised to 53 per cent for the free list and 47 per cent for prior licensing items. (Foreign Trade Council Resolution No. 12.)

(c) Import deposits and exchange deposits

7. (i) The rate of consignación, or refundable deposit in local currency which must be lodged before applying for a foreign-exchange licence for the payment of imports, remained at 95 per cent. The list of products exempted from this requirement also remained in effect; it comprises medicines, consumption foodstuffs, books, gasoline, subscriptions to technical publications and imports financed with special credit lines from the Central Bank or the national budget.

8. (ii) In December 1984 the Monetary Board established an additional advance deposit for the obtention of an exchange licence for the payment of imports of a limited number of current consumption products and capital equipment and goods. This deposit, which was the equivalent of 100 per cent of the value of the licence, was completely abolished in June 1986.

(d) "Special trade" arrangements, including barter

9. Under Decree No. 1459 of 6 May 1986, the systems of special trade (barter, clearing trade and triangular trade) established in 1984 and suspended in July 1985 (BOP/W/90) were abolished.

III. Economic trends and foreign trade developments

10. Last year, Colombia had its fastest economic expansion in the 1980s, with real GDP rising by an estimated 5<sup>1</sup>/<sub>2</sub> per cent. Output in mining and manufacturing was strongly up, and moderate growth was registered in agricultural production. A near doubling of revenue from coffee shipments triggered off the expansionary process.

11. In 1986, there was a rapid increase of domestic demand, primarily due to the sharp recovery of private fixed investment in machinery and equipment. Domestic consumption spending grew moderately and Colombia's inflation rate remained among the lowest in Latin America: consumer prices rose on average 19 per cent, slightly less than in 1985.

particularly marked last year. The depreciation of the peso in real effective terms (a trade-weighted measure corrected for wholesale price differentials) has been estimated at nearly 21 per cent in 1986.

13. Colombian exports, on a balance-of-payments basis, are estimated to have reached some \$5.1/2 billion in 1986, over 40 per cent more than in the previous year. Higher prices and a 13 per cent rise in shipments pushed earnings from coffee exports up to a record level of near to \$3 billion, and the share of coffee in the total was over 50 per cent. Fuels also substantially increased their share in total exports, despite the stagnation of earnings from fuel oil shipments at some \$0.4 billion. As a number of investments came to maturity in 1986, Colombia was back on the international market as a supplier of crude petroleum, which may have brought an additional income of about \$0.2 billion, and increased its earnings from coal shipments strongly to around \$200 million. Gold sales also increased in value again to reach nearly \$460 million. The value of most other primary commodity exports declined in 1986, while export revenue from textiles and clothing, Colombia's major manufactured exports, is thought to have moderately expanded, partly in response to the prevailing more favourable exchange rate.

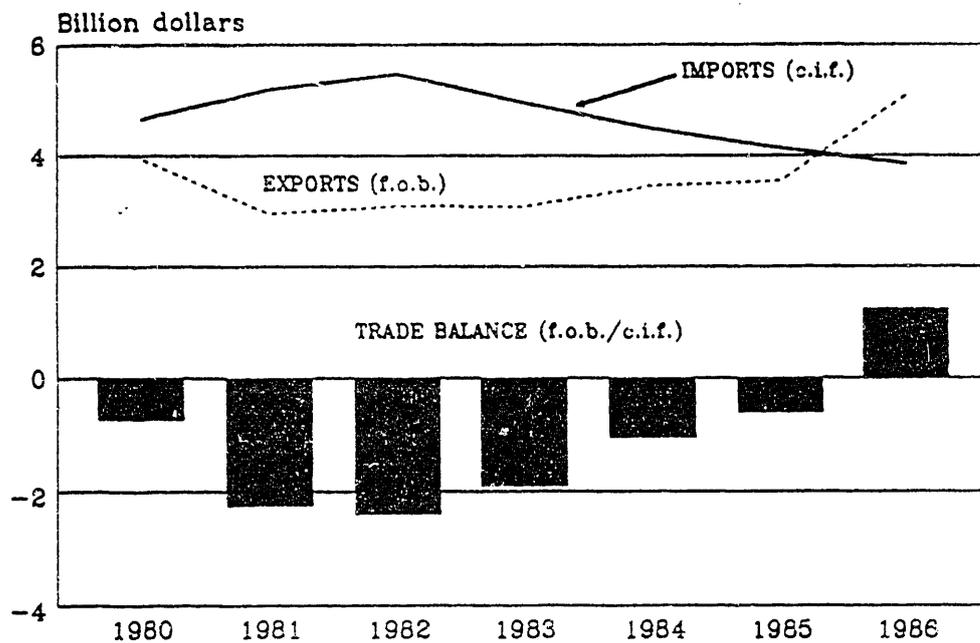
14. Both in value and in volume terms, imports reached a peak in 1982 but declined in the following three years, with imports of investment goods down sharply. Though total imports (balance-of-payments basis) were still somewhat down in 1986, to a level estimated at some \$3.85 billion (c.i.f.), increased domestic production of crude petroleum represented a saving of about \$0.3 billion of imports, while there was a relatively strong recovery of imports of capital goods to fuel the renewed domestic investment effort.<sup>2</sup>

15. 1986 can be considered quite an exceptional year for Colombia's foreign merchandise trade results so far in this decade. The large trade surplus obtained last year (a record in absolute terms) is not expected to be maintained in 1987. International coffee prices are presently running at levels less than half the 1986 average.

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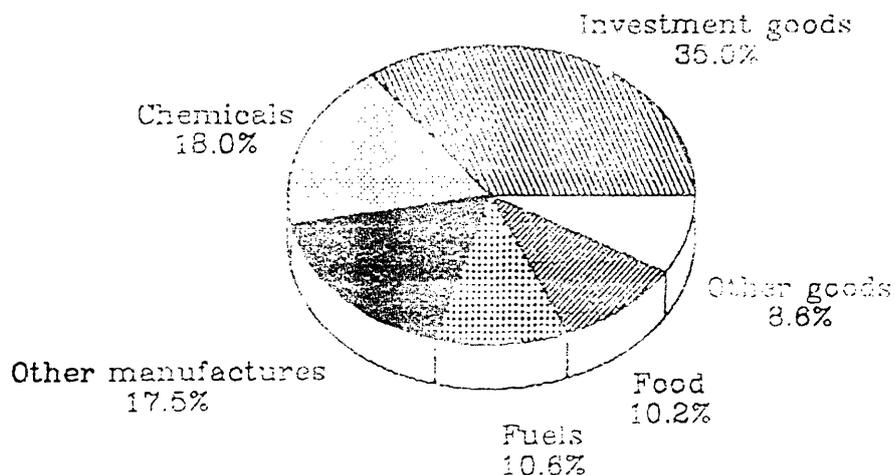
<sup>2</sup>Colombian data on import permit requests (registros de importaciones) show imports rising from US\$3,982 million in 1984 to an estimated US\$4,874 million in 1986, approaching the level of 1983.

### The value of Colombia's merchandise trade, 1980-1986



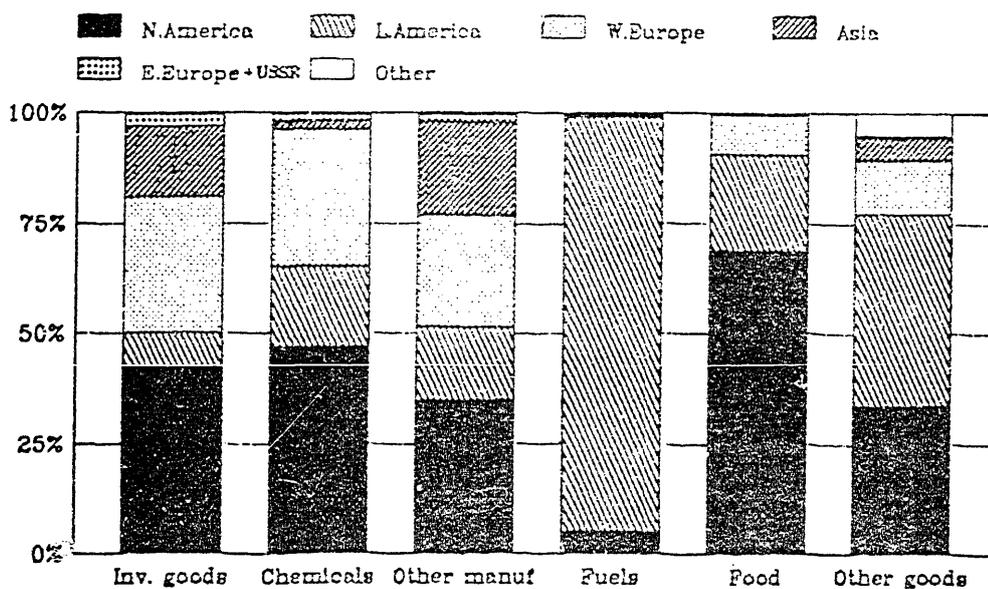
Source: IMF, Int. Financial Statistics.

### Product pattern of Colombia's merchandise imports 1984



Source: UN, Commodity Trade Statistics.

### Colombia's merchandise imports, by main product groups and regions of origin 1984



Source: UN, Commodity Trade Statistics.