

Opening Remarks, Millennium Board

First of all let me give you a warm welcome to Cartagena. I would like to thank you for taking the time to come to Colombia to share with us your advice and expertise. I'm sure this year's meeting is going to be as productive as last year's and that by the end of today all of us will have a better understanding of the true nature of our problems, as well as of the available courses of action that we can follow to solve them.

Before examining the agenda we are going to follow today, let me first explain again why I am convinced that the Millenium Board is very helpful for Colombia. The MB can serve two major purposes:

1. The first is to bring in the ***outsider's point of view***. You might have a lesser knowledge of our country, but you can certainly help us understand in a broad sense how we are perceived overseas and, more importantly, suggest ways in which we can change negative perceptions and benefit from positive ones. Furthermore, your successful entrepreneurial background can bring fresh ideas that can help us adjust our strategies and fine-tune our policies.

Second, you are becoming ***honorary ambassadors*** for Colombia. By this I mean actively helping us both tell the true story of Colombia and build networks of people to work within your countries and business areas. We need to create permanent links in order to exchange ideas and device ways to provide mutual support. We have complete certainty of how

much we have to offer to the world; the establishment of dynamic means for exchange will generate great benefits for us all.

Last year the meeting was focused essentially in the first of these areas. The ideas and suggestions that we got from you were addressed mainly towards the issues of economic management and the achievement of peace and security.

With respect to the economy, your input concentrated upon three basic issues:

1. The need to increase the degree of liberalization of the economy, in order to further integration with world markets and attract new trade and investment partners. On this respect the creation of more special economic zones was suggested as part of the strategy to attract foreign investment.

2. The importance of developing a more balanced export structure was stressed. It was determined that Colombia had to move away from primary resource dependence in its exports' composition. The here before mentioned special zones were acknowledged as one of the mechanisms to foster such change.
3. It was determined, that the State needed to reduce its intervention in business and financial activities in order to boost the private sector.

With respect to security and peace:

1. A clear relationship between economic performance and the external perception of national security was established.

2. It was acknowledged that the confrontation of national security issues implies granting feasibility to legal economic activities, which represent an alternative to coca cultivation. This additionally implies a well structured education reform, so as to guarantee greater job opportunities.

Now, the obvious question is whether this input has been useful in improving our policies and hence our performance.

The answer is definitively yes. Although we are going to cover this in more detail in the first group of sessions, let me expose the results that I find to be the most telling:

- As opposed to our previous gathering, positive economic growth has been regained, reaching a 3% level for year 2000 after the GDP's -4.3% contraction in 1999. Most

importantly growth was driven by the private sector with its production exhibiting a 3.8% growth, while the government exhibited a contraction in its consumption for the first time in almost a decade. The latter displays both the response of private investors to a renewed economic environment and the government's commitment to the fiscal adjustment policy.

- These achievements have resulted from a comprehensive strategy that has additionally involved the promotion of democracy, justice, territorial integrity, employment generation, respect for human rights and the preservation of public order. The strengthening of social capital has been considered crucial in guaranteeing the sustainability of economic growth.

- Nevertheless, the strength and stability of this recovery depends on a continued commitment to the ongoing fiscal adjustment, in addition to the implementation of further measures in order to reestablish the solid foundations that have traditionally characterized the Colombian economy.
- In this sense it is important to highlight the efforts aimed at the recovery of the financial sector, through both capitalization and prudential supervision. The restructuring of this system has been crucial in conceding new dynamism to the granting of credits, through the reestablishment of trust in the system, and in this way promoting private investment.

- Furthermore, economic growth was boosted by the export sector, which exhibited a 17% nominal growth rate. The most dynamic subsector in this sense was the chemical industry with exports growing at a 12% rate. It is comforting to see the entrepreneurial thrive of our business men. As soon as interest rates, and the exchange rate were at reasonable levels, non traditional exports grew over 15% in real terms becoming the main force of the recovery. Our potential as an exporting nation is undeniable, and we are committed to realize this potential
- The latter is also proof of a development strategy which aims for the industrial sector to become the engine of economic growth.

- Additionally, my government has sustained a commitment to promote our insertion in international markets, enhancing foreign trade and investment. This is revealed in significant changes which have been introduced to the regulatory system, aiming towards the promotion of liberalization.
- Currently, foreign investors have equal opportunity to invest in Colombia as national investors, being free to invest in practically every economic sector (except for national defense and security and processing and disposal of toxic wastes), without requiring prior government authorization for foreign capital entrance.

- Investors are free to remit capital and profits to foreign countries and, in order to reduce uncertainty, a constitutional amendment has guaranteed full compensation in case of expropriation.
- In terms of the oil sector in particular, a new policy has been implemented granting greater profitability to investment. The State share in associative contracts was reduced from 50% to 30%, while royalties are now proportional to the size of the discovery.
- Additionally, trade policy aims towards further integration to international markets. A strategic export plan is being implemented, searching to exploit Colombia's possibilities as an export platform.

- In particular, the country has special regulations for 12 free trade zones, where exports are exempted from income tax and import duties on their imports.
- Besides, our country has created Special Economic Export Zones in certain economically depressed regions, aiming to attract investment through incentives such as tax exemptions on exports, duty free access to inputs and capital equipment, and a special labor regime.
- Colombia has preferential access to over 845 million consumers in all five continents as a result of trade agreements and unilateral trade preferences.

- Nevertheless, we are still faced with important challenges in various areas.
- Regarding our peace strategy, we are aware of the need to develop opportunities that can displace the illegal drug business. For this purpose, it is not only necessary to reduce the feasibility of such industry, but to promote the enhancement of other economic activities.
- Despite the fact that 1 million jobs were created this year, unemployment remains to be one of the fundamental issues to be dealt with. High unemployment rates are being sustained by the migration of conflict area refugees in addition to an increase in labor demand as more family members are entering the job market. Economic prosperity needs to be translated into more jobs for

Colombians. We need to devise new strategies to confront this situation. Thus, we invite you to give thought to this severe problem with us. It is most challenging to design a system that can guarantee structural solutions to unemployment.

- In this respect, my government has the commitment to implement development projects that not only generate alternative employment opportunities to the illicit crops, but also provide health, education, and infrastructure in large areas of the country where historically there has been little state presence. Nevertheless we need your help in promoting these new economic activities, and nothing would be more effective than better access to your markets. This means that in addition to the support for our counter drug efforts, we need trade preferences.

As I have stated repeatedly, Colombia could join the United States, Mexico and Canada in the North American Free Trade Agreement or, alternatively, Colombia and the U.S. could enter into a special trade relationship. Meanwhile, trade parity with the countries that benefit from the Caribbean Basin Initiative is essential for our exports. More exports mean alternatives to illicit crops, lower unemployment, and a renewed economic activity that will be essential if we are to find a solution to our conflict and bring peace to our country.

- The world has to gain awareness of the fact that tolerance with respect to drug consumption will make coca plant's eradication a wasted effort. It will be grown some where else

Now, let me briefly turn to today's agenda. The following presentations shall describe what we have done along the past year to confront those issues that have been identified as crucial in order to promote economic development and place Colombia upon a sustainable long term economic growth path.

- The first presentation will be led by the Minister of Finance and Public Credit, Mr. Juan Manuel Santos. He will present you with our achievements in terms of the reestablishment of macroeconomic stability, displaying the results of our commitment to fiscal adjustment and rationalization. Such results are what we consider to be the foundations upon which economic prosperity can be built. Subsequently, Mr. Santos shall share with you our economic agenda towards

the future, comprising the ongoing policy reform for the accomplishment of long term targets.

- Following this, Mr. Luis Fernando Ramirez, Minister of National Defense, will expose Colombia's progress, with respect to 1999, regarding national security. This has entailed the strengthening of the Colombian armed forces in terms of an enhancement of our men, equipment and institutional capital. Furthermore, you will be able to witness the accomplishment of the targets set for year 2000 in terms of illicit crop eradication and struggle against paramilitary forces, subversive groups and narco-trafficking.
- My government's commitment to the achievement of peace can be displayed through Plan Colombia. Hence, Mr. Gonzalo de Francisco, Advisor to the Presidency, will present this comprehensive strategy to you describing our objectives and achievements in terms of the fundamental pillars upon

which the strategy is based, namely: the political negotiation of the armed conflict, economic and social recovery, the confrontation of drug dealing and institutional strengthening and social development.

- Subsequently, Camilo Gómez, Chief Peace Negotiator, will describe to you the advances in the peace process as such. The State's Peace policy is consummated in this process, which is founded upon a dialogue to which my government is committed and I am personally leading.
- In last year's meeting, there was consensus regarding the significance of enhancing communication systems as means to promote globalization and deepen Colombia's insertion to international markets. The targets that have been established in this direction are contained in a comprehensive strategy titled the Connectivity Agenda. The communications advisor to the Presidency, Mrs. Claudia de Francisco will show you in

detail the plan we have devised so as to make Colombia a leader in usage, access and production of information technology.

- The possibilities of investment in Colombia will subsequently be presented to you by Mr. Pedro Medina, Mc Donalds's CEO for Colombia. He will be able to share with you this company's successful experience in the country, letting you know why this investment has been worth it.
- Considering the importance that my government has given to exports, as a key element in our strategy to place Colombia upon a sustainable economic growth path, the Minister of Foreign Trade, Mrs. Martha Lucia Ramirez, will be presenting our export promotion program. A consistent Commercial and Investment Policy has been designed and implemented by means of our Strategic Export Plan and The Productivity and Competitiveness Policy. Such policies have led to very

positive outcomes during the last year, as is proved by the remarkable performance of exports and an outstanding improvement in competitiveness indicators. Thereby, it can be said we have performed well in providing the means for exports to stimulate the recovery in economic activity.

Colombia is a country with enormous growth potential. But in order to boost economic activity we need to develop opportunities that can displace the illegal drug business that is nourishing the armed conflict we are facing. The growth of illicit crops is destroying our bio-diversity and eroding the foundations of our institutions. The cost of this conflict is additionally magnified in the 200,000 Colombians that have resultantly lost their lives between 1984 and the present. The world has to understand that drug trafficking is not independent from the other problems that Colombia faces. Therefore, in order to build the

foundations for peace, it is not only necessary to reduce the feasibility of the illicit drug industry, but to promote the enhancement of other economic activities.

We cannot do this alone. Colombia and our peers in the Andean region have so far been left alone in this struggle, but we do not have the resources to carry the burden of the drug eradication programs and endure the perverse effects of drug trade. I have proposed an alliance between producer and consumer nations, based on the principles of co-responsibility and equity. This means that consumer countries have to do much more to control their citizens' appetite for drugs, to control money laundering, to control the sale of chemical precursors, and, of course, to halt illegal arms trade. Furthermore, the establishment of export incentives and preferential access to international problems can grant feasibility to legal economic activities.

What do we have to do for the world to realize that this is their problem as well? This is a global problem that demands a global solution. Drug trafficking is not an isolated phenomenon.

Let me conclude by saying that the road ahead is not free of risks and difficulties. But the map is clear and focused. We are confident that the economic program, combined with international support for the Plan Colombia, will lay the basis for sustained growth. In that way together we can create prosperity with justice, paving the way for a lasting peace.

As you can see a long day lays ahead. However I'm sure its going to be productive, challenging and, most of all, creative.

I now declare the second meeting of the MB formally open.

Thank you.