Colombia

1. General trends

In 2003 the Colombian economy turned in its best performance in recent memory: GDP rose by 3.9% and per capita output, by 2.2%. These are the highest figures posted in the last five years. Macroeconomic stability improved in 2003, and growth was driven mainly by private investment. Fiscal policy was a subject of considerable controversy, while monetary policy was geared to keeping interest rates low and stable to help spur aggregate demand and growth. Inflation continued to decline, closing the year at 6.5%. Unemployment, however, remained high.

The economic recovery has gained a firmer footing in 2004 and is expected to result in GDP growth of 3.7%, combined with inflation of 5.5%. In the first quarter of 2004 the economy grew at an annual rate of 4.1%. The private sector continues to lead the recovery, and external demand has gained momentum thanks to an upturn in exports to Venezuela and the economic expansion in the United States. In addition, household consumption has begun to play a bigger role in reviving the economy. The economic policy debate will continue to focus on fiscal affairs (given that further reforms are on the horizon) and on trade policy. In May negotiations were opened on a free trade agreement between Colombia, Ecuador, Peru and the United States.

2. Economic policy

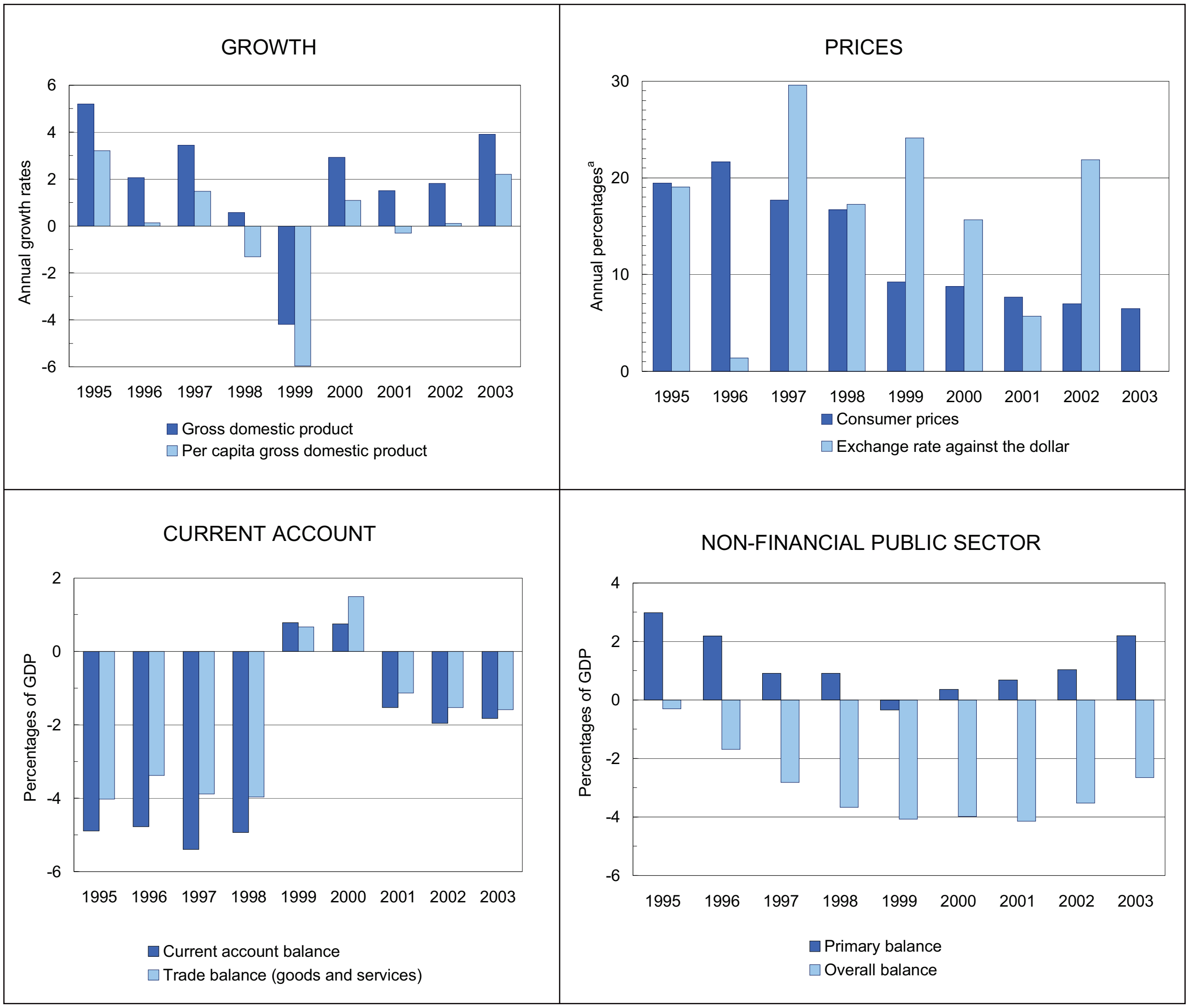
(a) Fiscal policy

The 2003 fiscal agenda was geared to reducing the deficit. Accordingly, the administration proposed a wage freeze, administrative budget controls and public pension system reforms, particularly in relation to special regimes (for teachers and State-owned firms) and the social security treatment of individuals in the top income brackets.

As these proposals were rejected in a constitutional referendum held to sound out public opinion on matters such as certain cutbacks in public spending, the administration submitted a tax reform bill to the Congress. Out of all the measures proposed, the ones that were adopted and implemented were an increase in the financial transactions tax (from 3 per thousand to 4 per thousand), the levy of a tax on assets for three years, the imposition of a surcharge on income tax, an income-tax deduction for investments in productive assets and the rebate of two percentage points of VAT for purchases made with credit or debit cards. The government also pursued its agenda for revamping public administration.

By the end of 2003 the consolidated public sector had met the fiscal deficit target (2.7% of GDP) agreed

Figure 1
COLOMBIA: MAIN ECONOMIC INDICATORS



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] December-December variation.

upon with the International Monetary Fund (IMF). This represents an improvement over the deficit of 3.5% of GDP posted in 2002. The change reflected both a decline in the central government's deficit (from 6.1% to 5.4% of GDP) and an increase in the decentralized sector's surplus (from 2.3% to 2.5% of GDP).

The fiscal deficit was coupled with mounting public debt, which reached 57.3% of GDP in 2003, with external debt accounting for 53% of the total. In the course of the year the authorities undertook a number of operations to improve the debt's maturity profile. It is estimated that the consolidated public sector's deficit will subside from 2.7% of GDP in 2003 to 2.5% in 2004, that the decentralized sector's surplus will swell from 2% to 3.1% and that the central government's deficit will stand at about 5.6%.

In the first quarter of 2004 the consolidated public-sector deficit was equivalent to 0.3% of GDP. This was smaller than both the year-earlier figure (0.5% of GDP) and the IMF target (0.5%). This consolidated public-sector balance reflected better results in the decentralized sector and the reduction of the central-government deficit from 1.8% to 1.7% of GDP. The national government's total revenues were up by 7.7% because of a 7.6% increase in tax receipts; this, in turn, was attributable to the rise in income tax and VAT receipts brought about by the tax reform and the economy's stronger performance. Total expenditure rose by 7.5%;

investment plunged by 35% and interest payments dipped by 0.2%, while operating expenditure increased by 9.6%.

In 2004 the government will submit a number of key draft laws to Congress with a view to introducing structural economic reforms. The measures envisaged would reform the social security system, with a change in the retirement age and the elimination of special regimes; streamline and strengthen the territorial tax system; reform the basic budget law; and modernize the rules governing the stock market.

Meanwhile, the central bank will allow the government to use up to US$ 500 million in international reserves to pay off part of the external debt. Considering that a large amount of external debt will fall due in 2005, the government has embarked on a strategy of restructuring its external obligations to lengthen maturities and alleviate its debt-servicing burden, particularly in the coming year.

(b) Monetary policy

The main feature of monetary policy in 2003 was the stability of the central bank's benchmark rates throughout the year. The reverse repo rate averaged about 11%. The faster pace of inflation and devaluation in the initial months of 2003 prompted the issuing authority to raise intervention rates on two occasions (in January and April), by a total of 200 basis points, and to intervene in the foreign-exchange market by selling dollar call options. These pressures began to subside after April, and by mid-year devaluation and inflation had started to slow down. The central bank kept intervention rates unchanged for the rest of the year and, despite the prevailing uncertainty in fiscal affairs, the exchange rate stayed relatively stable until the end of the year, when capital inflows picked up.

In 2003 real interest rates continued to be low in historical terms. The nominal rate on 90-day fixed-term deposits stood at 7.7% at the end of the year, after having reached 8.9% a year earlier, and in real terms rose from 0.7% to 1.4%. Lending rates have held steady since mid-2002. The nominal lending rate (the average of the consumer, prime, ordinary and treasury lending rates) remained at 15%, although in real terms the rate rose by six tenths of a percentage point and ended the year at 8%.

The rates at which public debt instruments were traded on the secondary market tended to slip in the course of 2003, reflecting the positive perceptions generated by the downturn in the fiscal deficit, the upturn in economic activity, the decline in inflation and the favourable international environment. The government's treasury bills performed well in the initial months of 2004. Since May, however, these instruments have lost value as a result of an increase in demand for dollar assets and the prospect of interest-rate movements in the United States.

The percentage growth rate of the monetary aggregate M1 (means of payment) slowed down between September 2002 and September 2003, then sped up towards the end of the year. Thus, annualized month-on-month growth in M1 averaged 16% in 2003, as compared to 21% in 2002.

Liquidity (M3) expanded faster that it had in 2002, as its average annual growth rose from 9% to 11%. In the first few months of 2004 M1 and M3 grew at rates similar to those observed in 2003.

Thanks to the slowdown in inflation since the beginning of 2004, the central bank was able to lower its benchmark rates on two occasions (in February and March), by a total of 50 basis points. This action was intended to offset the downturn in the price of the dollar during that period.

The financial sector was characterized by the faster growth and better quality of loan portfolios, especially with respect to business and consumer loans. All types of financial entities saw a continued upturn in profits. Credit, which had shown positive growth since the second half of 2002, recovered further in the course of the year, and this trend continued into 2004.

(c) Exchange-rate policy

By mid-June 2004 the nominal exchange rate had fallen by nearly 3% in relation to its December 2003 level. This revaluation of the peso, which began in the final months of 2003, reflects a decline in demand for dollar assets and an increased inflow of capital, in the context of a worldwide depreciation of the dollar. The monetary authorities and the government stepped up their purchases of foreign exchange in the domestic market, slowed down the monetization of external credit resources and required banks to provide more backing in dollars for their liabilities in that currency. In addition, the government bought dollar futures and the central bank lowered its intervention rates by 50 basis points. In May the dollar stopped depreciating in response to expectations that the United States Federal Reserve would raise its benchmark interest rate. The price of the dollar levelled off at about 2,720 pesos in May 2004.

Table 1
COLOMBIA: MAIN ECONOMIC INDICATORS

	1995	1996	1997	1998	1999	2000	2001	2002	2003 [a]
	Annual growth rates [b]								
Gross domestic product	5.2	2.1	3.4	0.6	-4.2	2.9	1.5	1.8	3.9
Per capita gross domestic product	3.2	0.1	1.5	-1.3	-6.0	1.1	-0.3	0.1	2.2
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	3.7	-1.2	0.7	0.0	0.0	3.8	-0.4	0.6	3.1
Mining	14.6	7.3	3.7	15.6	18.5	-10.3	-6.1	-4.3	12.1
Manufacturing	5.9	-1.8	0.4	-0.3	-8.4	11.7	1.3	1.1	4.2
Electricity, gas and water	2.6	4.9	1.0	1.8	-4.2	0.9	3.1	3.0	3.3
Construction	1.9	-12.9	2.2	-7.2	-27.0	-3.9	3.9	12.7	12.4
Wholesale and retail commerce, restaurants and hotels	3.4	-0.3	1.8	-1.5	-15.7	7.5	3.1	1.4	5.1
Transport, storage and communications	6.5	3.8	5.8	2.5	-1.9	1.5	4.1	3.0	4.5
Financial institutions, insurance, real estate and business services	8.6	5.2	4.9	-1.3	-4.9	-1.0	2.2	2.4	4.6
Community, social and personal services	9.0	16.2	7.2	1.8	3.3	0.6	0.7	0.9	1.2
Gross domestic product, by type of expenditure									
Consumption	5.8	5.2	5.3	-0.1	-3.2	1.4	2.3	1.7	2.1
General government	9.0	23.1	15.6	2.1	3.7	-0.2	1.1	0.6	1.2
Private	5.1	1.1	2.4	-0.9	-5.5	2.0	2.7	2.0	2.3
Gross domestic investment	6.1	-12.0	-0.6	-6.3	-38.7	12.3	1.9	9.4	19.4
Exports (goods and services)	3.6	9.6	3.2	7.4	5.9	6.1	2.4	-4.6	5.6
Imports (goods and services)	7.3	2.3	6.2	-3.9	-24.7	6.0	6.8	0.3	9.7
	Percentages of GDP								
Investment and saving [c]									
Gross domestic investment	25.8	22.2	20.9	19.7	12.9	13.7	15.1	14.8	15.3
National saving	20.9	17.4	15.5	14.8	13.7	14.4	13.6	12.9	13.5
External saving	4.9	4.8	5.4	4.9	-0.8	-0.7	1.5	2.0	1.8
	Millions of dollars								
Balance of payments									
Current account balance	-4 527	-4 642	-5 751	-4 858	671	626	-1 251	-1 580	-1 417
Merchandise trade balance	-2 545	-2 092	-2 638	-2 450	1 775	2 531	503	225	265
Exports, f.o.b.	10 593	10 966	12 065	11 480	12 037	13 620	12 772	12 302	13 523
Imports, f.o.b.	13 139	13 058	14 703	13 930	10 262	11 090	12 269	12 077	13 258
Services trade balance	-1 184	-1 193	-1 501	-1 462	-1 204	-1 276	-1 424	-1 458	-1 499
Income balance	-1 596	-2 062	-2 326	-1 697	-1 355	-2 298	-2 593	-2 820	-3 361
Net current transfers	799	706	713	750	1 455	1 669	2 263	2 473	3 178
Capital and financial balance [d]	4 523	6 371	6 029	3 460	-983	236	2 468	1 719	1 234
Net foreign direct investment	712	2 784	4 753	2 033	1 392	1 973	2 493	1 186	837
Financial capital [e]	3 811	3 587	1 276	1 427	-2 375	-1 738	-25	351	397
Overall balance	-4	1 729	278	-1 398	-312	862	1 217	138	-184
Variation in reserve assets [f]	4	-1 729	-278	1 398	312	-862	-1 217	-138	184
Other external-sector indicators									
Real effective exchange rate (index: 2000=100) [g]	87.9	82.9	77.8	83.5	92.2	100.0	104.3	107.5	121.6
Terms of trade for goods (index: 1997=100)	95.8	99.4	100.0	91.7	98.3	111.0	104.6	102.7	105.6
Net resource transfer (% of GDP)	3.2	4.4	3.5	1.8	-2.7	-2.5	-0.2	-1.4	-2.7
Total gross external debt (millions of dollars)	26 340	31 116	34 409	36 681	36 733	36 131	39 109	37 336	38 193
Total gross external debt (% of GDP)	28.5	32.0	32.3	37.2	42.6	43.1	47.9	46.3	49.2
Net profits and interest (% of exports) [h]	-13.0	-15.7	-16.4	-12.7	-9.7	-14.7	-17.4	-19.9	-22.0

Table 1 (concluded)

	1995	1996	1997	1998	1999	2000	2001	2002	2003 [a]
				Average annual rates					
Employment									
Labour force participation rate [i]	59.9	59.7	59.9	62.2	63.1	63.5	64.2	64.2	64.5
Unemployment rate [j]	8.8	11.2	12.4	15.3	19.4	17.2	18.2	17.6	16.7
Visible underemployment rate [k]	…	…	…	…	…	11.7	13.4	14.0	12.7
				Annual percentages					
Prices									
Variation in consumer prices (December-December)	19.5	21.6	17.7	16.7	9.2	8.8	7.6	7.0	6.5
Variation in producer prices	15.4	14.5	17.5	13.5	12.7	11.0	6.9	9.3	5.7
Variation in nominal exchange rate (December-December)	19.1	1.4	29.6	17.3	24.1	15.7	5.7	21.9	-0.3
Variation in average real wage	3.0	2.3	4.1	0.2	4.4	3.9	-0.3	2.8	-0.1
Nominal deposit rate [l]	…	…	23.8	26.2	20.8	11.9	12.3	8.9	7.7
Nominal lending rate [m]	…	…	…	36.3	29.4	18.8	20.7	16.3	15.2
				Percentages of GDP					
Non-financial public sector									
Current income	25.9	28.6	28.8	28.3	32.9	33.2	35.2	35.0	36.2
Current expenditure	18.9	21.5	22.5	24.8	29.6	29.4	30.7	30.2	30.7
Current balance	7.0	7.2	6.2	3.5	3.3	3.9	4.4	4.7	5.5
Net capital expenditure	7.3	8.8	9.0	7.2	7.3	7.7	8.5	8.2	8.1
Primary balance	3.0	2.2	0.9	0.9	-0.3	0.4	0.7	1.0	2.2
Overall balance	-0.3	-1.7	-2.8	-3.7	-4.1	-4.0	-4.1	-3.5	-2.7
Public debt	…	23.6	23.6	27.7	36.3	42.3	48.6	49.9	57.3
Domestic	…	10.4	10.9	11.6	16.0	19.9	21.5	23.0	26.6
External	…	13.2	12.7	16.1	20.3	22.5	27.1	26.8	30.6
Interest payments (% of current income)	12.7	13.5	12.9	16.2	11.3	13.0	13.7	13.0	13.4
Money and credit [n]									
Domestic credit [o]	18.3	19.5	21.1	24.8	26.9	23.9	25.8	27.7	28.3
To the public sector	2.8	3.0	3.6	4.1	5.7	5.8	7.3	8.4	9.1
To the private sector	15.4	16.5	17.5	20.7	21.2	18.1	18.5	19.2	19.2
Liquidity (M3)	29.8	30.0	30.3	31.5	32.4	30.0	29.8	29.6	29.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures. [b] Based on figures in local currency at constant 1994 prices. [c] Based on figures in local currency at current prices. [d] Includes errors and omissions. [e] Refers to the capital and financial balance (including errors and omissions) minus net foreign direct investment. [f] A minus sign (-) denotes an increase in reserves. [g] Annual average, weighted by the value of merchandise exports and imports. [h] Refers to net investment income as a percentage of exports of goods and services as shown on the balance of payments. [i] Economically active population as a percentage of the working-age population, 13 cities; up to 1999, seven cities. [j] Unemployed population as a percentage of the economically active population, 13 cities; up to 1999, seven cities. Includes hidden unemployment. [k] Underemployed population as a percentage of the economically active population, 13 cities; up to 1999, seven cities. [l] 90-day fixed-term certificates of deposit for banks and corporations. [m] Actual total system-wide rate. [n] The monetary figures are annual averages. [o] Refers to net credit extended to the public and private sectors by commercial banks and other financial and banking institutions.

Table 2
COLOMBIA: MAIN QUARTERLY INDICATORS

	2002				2003 [a]				2004 [a]	
	I	II	III	IV	I	II	III	IV	I	II
Gross domestic product (variation from same quarter of preceding year) [b]	0.1	2.3	2.2	2.5	4.2	2.5	4.2	4.9	4.1	...
Merchandise exports, f.o.b. (millions of dollars)	2 747	3 121	3 008	3 032	2 961	3 282	3 405	3 341	3 258	...
Merchandise imports, c.i.f. (millions of dollars)	2 728	3 334	3 265	3 372	3 331	3 306	3 611	3 642	3 598	...
International reserves (millions of dollars)	10 229	10 817	10 727	10 841	10 616	10 500	10 863	10 916	11 330	11 588
Real effective exchange rate (index: 2000=100) [c]	99.9	99.8	112.2	118.1	123.6	120.8	120.4	121.5	115.2	111.9
Urban unemployment rate	19.0	17.9	17.9	15.8	17.9	17.2	17.0	14.7	17.1	15.8
Consumer prices (12-month percentage variation)	5.9	6.2	6.0	7.0	7.6	7.2	7.1	6.5	6.2	6.1
Average nominal exchange rate (pesos per dollar)	2 282	2 311	2 633	2 792	2 941	2 868	2 854	2 841	2 713	2 694
Average real wage (variation from same quarter of preceding year)	2.1	3.9	3.5	1.8	0.6	-1.3	-0.5	1.0	1.2	...
Nominal interest rates (annualized percentages)										
Deposit rate [d]	10.8	9.1	7.8	7.8	7.7	7.7	7.7	7.8	7.8	7.7
Lending rate [e]	17.6	16.8	15.5	15.4	14.9	15.2	15.2	15.4	15.1	15.5
Interbank interest rate [f]	8.0	6.1	5.3	5.3	6.1	7.0	7.3	7.3	7.2	6.8
Sovereign bond spread (basis points)	370	412	1 080	553	560	460	479	418	384	487
Stock price index (in dollars, June 1997=100)	32.7	28.1	34.1	33.2	38.7	37.9	43.4	62.7	58.2	38.7
Domestic credit (variation from same quarter of preceding year) [g]	9.6	16.2	23.4	16.3	15.6	8.0	4.6	10.7	11.8	12.4 [h]
Non-performing loans as a percentage of total loans [i]	10.6	10.1	9.4	8.7	8.6	8.1	7.9	6.8	6.7	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures. [b] Based on figures in local currency at constant 1994 prices. [c] Quarterly average, weighted by the value of merchandise exports and imports. [d] 90-day fixed-term certificates of deposit for banks and corporations. [e] Actual total system-wide rate. [f] Reverse repo rate. [g] Refers to net credit extended to the public and private sectors by commercial banks and other financial and banking institutions. [h] Data for April. [i] Refers to total credit extended by lending institutions.

3. The main variables

(a) Economic activity

Domestic demand, which was the primary source of growth, was driven by a large jump in investment (19.4%), led by the expansion of construction and of investment in other branches of industry. Household consumption, which had shown only feeble growth up until mid-2003, started to gain momentum late in the year. The revival of domestic demand was stimulated by low real interest rates and renewed confidence in the country. Conditions were also propitious in the external environment, especially in the second half of the year, when external demand strengthened and the terms of trade improved significantly.

All the major sectors grew at high or acceptable rates and, with few exceptions, posted faster growth in 2003 than in 2002. In 2003 the upturn was particularly strong in construction (12.4%, owing mainly to the building subsector), mining (12.1%, thanks mostly to coal, gold, ferronickel and construction-related minerals), finance (4.6%), industry (4.2%), transport (4.5%) and commerce (5.1%).

The economy continued to perform well in the first quarter of 2004, buoyed by strong growth in construction

(12%), particularly in the building subsector (56%), although engineering works dropped off considerably (-42%). There was also robust expansion in financial services (from 5.6% to 7.5%) and in transport, storage and communications (from 5.1% to 6.4%). Private investment and consumption are propelling domestic demand, but exports are barely growing (1.1%). In the first few months of 2004 there were positive developments in a number of leading indicators: energy demand maintained a 3% growth rate in the first four months of 2004, and surveys indicate that industrial output is picking up, as are trade prospects.

(b) Prices, wages and employment

Consumer prices were on the rise as 2003 began, but inflation started to subside in May thanks to a bigger food supply and slower currency devaluation. By the end of 2003 inflation was down to 6.5%, which was half a percentage point lower than the 2002 figure (7%) but higher than the target range of 5% to 6%. The strongest upward pressure was on prices of regulated goods and services (fuels and utilities).

For 2004 the central bank set a range of 5% to 6% as the annual inflation target. Between January and May the consumer price index tended to decline, but in June a rise in fuel prices pushed the index up by 6.1%. In any event, this is lower than the 7.2% posted in the same month of 2003.

Producer prices went up by 5.7% in 2003, showing a decline of more than three percentage points in relation to their 2002 growth rate (9.3%). In June 2004 producer prices posted a 12-month inflation rate of 5.9%, which was five points lower than the 12-month rate posted a year earlier.

Despite the acceleration of GDP growth, unemployment remained high. Unemployment in 13 metropolitan areas reached an annual average of 16.7%, down from 17.6% a year earlier. Employment (53.8%) was up by eight tenths of a percentage point and labour-force participation (64.5%), by three tenths of a point, while underemployment (32%) was down by six tenths of a point. Nationwide, unemployment dipped from 15.7% to 14.2% and underemployment, from 34.4% to 31.9%, while employment (53.3%) rose by more than one point and labour-force participation (62%), by six tenths of a point. These changes were influenced by stronger economic performance in rural areas and small cities.

In the first third of 2004 urban unemployment was one percentage point lower than it had been in 2003 and the number of employed people grew by an annual rate of 3%. At the national level, the unemployment index remained unchanged.

The real basic minimum wage (US$ 115) went up by a mere 0.1% in 2003, while the real wages of industrial workers with permanent contracts dipped by 0.1%.

(c) The external sector

In 2003 Colombia's exports benefited from the recovery of the United States economy and from a rise in commodity prices attributable to vigorous growth in the Chinese economy.

Total exports rose by 10% in 2003. The brisk growth of traditional exports (13%) was due largely to an increase in external sales of coal and, to a lesser extent, of ferronickel, as a result of both higher international prices and a rise in export volume. Petroleum revenues increased, despite a decline in output, because of higher prices on the international market.

Non-traditional exports grew by 5.5% in response to the renewal and extension of tariff preferences in the United States; this helped to offset the slump in sales to Venezuela (-39%). The United States was once again the main destination for Colombian exports (44% of the total), followed by the countries of the Andean Community (15%) and the European Union (14%). Increases in sales of gold and apparel helped to push up exports of non-traditional products towards the end of the year. Excluding gold and emeralds, non-traditional exports fell by 1.6% in 2003 in relation to their 2002 level.

Imports were up by 10% in 2003; the biggest increases were in capital goods, raw materials and intermediate goods for industry. Imports of consumer goods, however, slipped by 1%.

Export growth sped up in early 2004, thanks to high commodity prices and burgeoning global demand. In the first four months of the year merchandise exports rose by 13%, reflecting both the continued strength of traditional exports (13%) and the increased momentum of non-traditional exports (12%). Imports went up by 8% in the first quarter, owing mainly to higher purchases of raw materials and intermediate goods for industry (19%) and, to a lesser extent, of capital goods for industry (13%).

The 2003 balance of payments showed a current-account deficit of US$ 1.417 billion (1.8% of GDP), a capital-account surplus of US$ 833 million (1.1% of GDP) and a surplus of US$ 400 million in the errors and omissions account. As a result of these changes, international reserves declined by US$ 184 million.

The merchandise balance in 2003 exhibited a surplus of US$ 265 million (0.3% of GDP), which was similar to the 2002 figure. The deficit on the factor income account deepened because of an increase in profit transfers; this was partially offset by a larger volume of incoming transfers, especially family remittances, which are now equivalent to some 4% of GDP.

Capital inflows were down by US$ 476 million in 2003. An increase in long-term liabilities, of just over US$ 2.5 billion, helped to make up for a downturn in inflows of short-term capital, of more than US$ 2.9 billion. These trends changed the structure of Colombia's external debt, shifting it towards more long-term liabilities.

Foreign direct investment inflows totalled US$ 1.762 billion, which was US$ 352 million less than the 2002 figure. The decline essentially reflected dwindling external investment in the petroleum, communications and electricity sectors. In net terms, foreign investment fell to US$ 837 million. On the other hand, the hotel and commerce sectors received larger inflows of capital, and direct investment abroad increased.

In the first quarter of 2004 the current-account deficit reached US$ 722 million (3.3% of quarterly GDP), despite the surpluses on the capital account and the errors and omissions account (of US$ 948 million and US$ 196 million, respectively). The overall outcome was a US$ 424-million increase in international reserves. The US$ 64-million trade deficit in the first quarter of 2004 was similar to the deficit posted in the year-earlier period.

The capital and financial account posted a large inflow of capital, especially short-term, as a result of a reduction in assets abroad, both public and private. In the first quarter of 2004 foreign direct investment inflows reached US$ 546 million –more than twice the amount received in the first quarter of 2003– thanks to increased investment in mining and quarrying. Total external debt rose from 46.3% of GDP in 2002 to 49.2% in 2003, although the private sector's external debt decreased from 18.1% to 17.6% of GDP between those two years. Consolidated public external debt rose from 28.3% to 31.4% of GDP.

In late 2002 the United States decided to extend its system of trade preferences for the Andean countries by passing the Andean Trade Promotion and Drug Eradication Act. In early April 2004 Colombia, Ecuador, Venezuela and the MERCOSUR countries concluded their negotiations on a free trade agreement. Shortly thereafter, on 18 May, negotiations were opened with a view to concluding a similar free trade agreement between the United States, Colombia, Ecuador and Peru.