

COLOMBIA

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After two years of crisis, and in spite of continued internal insurgency and international recessionary trends, the Colombian economy continued a recovery in 2001 from the deep 1999 recession, with an increase of 1.6% of GDP, versus 2.7% in 2000. This positive, albeit weak, trend was also reflected in foreign investment in mines and quarries, increasing from US\$67 million in 2000 to US\$246 million in 2001, and an increase in total mineral exports, including non metallic minerals, from US\$1,309 million in 2000 to over US\$1,600 million in 2001; coal accounted for the larger part of the increase (from US\$861 million in 2000 to US\$1,103 million in 2001). Production of coal and nickel increased substantially while that of emeralds, gold and silver was somewhat lower.

Inflation continued a downward trend, at 7.6% for CPI and 6.9% for PPI (compared with the 2000 figures of 8.8% and 11%, respectively). International reserves at year end grew close to 12% over 2000, to US\$10.1 billion. In the labour front, unemployment in December 2001 was 16.7%, similar to the situation a year earlier.

Although the scenario of violence continues to impact many parts of the country, an increasing trend of social rejection of this situation is strengthening across the population at large. As for 2000, in 2001 there was no tangible progress in the peace negotiations with guerrilla groups. On a positive note, substantial foreign aid, military as well as social, grew in scope and dimension; a clear end to this decades long and complex struggle is not yet in sight but the firmer political standing of the country in the rejection of violence and the more determined international support after September 11 are steps in the right direction.

Petroleum production in 2001 was 605.000 bbl/d with an export value of US\$2.99 billion,

(US\$4.57 billion for 2000) or a reduction of 34.6%. Production started declining in 1999, and no new discoveries have yet materialised. As a result, the remaining oil reserves decreased to 1,842 Mbbl, from 2,400 Mbbl (- 23.3 %).

Colombian Mineral Output

Commodity	1998	1999	2000	2001
Gold (kg)	18,811	34,600	37,018	21,813
Silver (kg)	5,218	7,009	7,970	7,242
Platinum (kg)	411	437	340	674
Emeralds ('000 cts)	9,360	6,834	8,454	5,499
Iron Ore ('000 t)	526	576	554	637
Nickel (t)	28,100	28,400	27,750	38,457
Coal (Mt)	33.8	32.7	38.1	43.9

Sources: Energy and Mining Planning Unit (UPME), Minercol, CMSA.

Gold production decreased by 38% owing to the lower bullion prices and, to some extent, safety considerations (two thirds of gold production is assessed as informal or illegal). The increase in platinum production is likely to be related to high metal prices in 2001. The fall in emerald production demonstrates the lack of new discoveries. Value of emerald exports was lower at US\$84.2 million (US\$94.3 million in 2000), directly related to output.

The increase in nickel production in 2001 is the result of the second Cerro Matoso production line expansion; the first heat was poured January 1 2001, and production for the year totalled 84.8 Mlb nickel contained, or 77.1% of total expanded capacity. FeNi export value of US\$219.4 million was similar to 2000 (US\$211.0 million); the higher production just

compensated for lower prices. Exploration and development activities were even lower than in 2000; several of the few mining juniors active in the country reduced or suspended activities.

Output from Drummond's La Loma operation increased by 39% to over 12 Mt, in spite of several terrorist attacks to the coal trains. Colombian coal production was 43.4 Mt compared with 38.1 Mt in 2000, or 15% higher than in 2000. A total of 38.3 Mt were exported.

The Ministry of Mines and Energy continued with its efforts of making mining investment attractive, one of which is the new Mining Code (Law N°. 685, August 15, 2001). In other areas, studies have been made to make explicit the major factors needed to improve investment competitiveness compared with other Latin American countries with a mining tradition, and redefine or update government policies and corresponding development plans.

On the new Mining Code, experts recognise a number of clear improvements, although pointing out to a number of 'non competitive'

issues remaining. The improvements the legislator sought are along the following general lines:

- State to facilitate private sector activity, away from the earlier 'operator' role.
- Legal security provisions strengthened and concession period lengthened in practice, to cover the useful life of a deposit.
- Change to one single concession contract, covering both exploration and exploitation periods (from over a dozen types of titles or rights before).
- Confirmation of the principle of 'first in time, first in right'.
- Reduction of discretionary elements in the concession/ mining contract.
- Drive to make compatible the mining and environmental regulations; nonetheless the disadvantage of not having yet a unified mining and environmental licence remains.

Colombian Coal Production ('000 t)

Coal Basin Project	1998	1999	2000	2001	2005 ^e
Guajira - Cerrejon Norte ¹	15,509	17,545	18,400	19,405	21,000
Cerrejon Central ²	1,180	800	800	800	N/A
Cerrejon Central ³ (Comunidad)	N/A	N/A	2,900	3,000	N/A
Cerrejon Centre ³ (Oreganal)	3,160	1,200	N/A	N/A	7,000
Cesar - la Loma ⁴	6,080	6,300	8,874	12,336	13,000
Cesar - Carbones del Caribe	1,400	1,500	2,020	1,916	2,000
Carboandes	1,100	1,100	285	314	1,200
Consorcio Minero Unido	710	750	750	713	800
Small Producers	107	N/A	N/A	106	N/A
Inland - Small producers	4,505	4,505	4,113	4,850	5,000
Total	33,751	33,700	38,142	43,440	50,000

¹ Intercor-Consorcio (Glencore-Amcoal-Billiton)

² Carbones Colombianos

³ Consorcio (Glencore-Amcoal-Billiton)

⁴ Drummond

NA: not available, e: estimated

Sources: UPME, Minercol