

CO-VE  
BORDER

COUNTRY SECTION

INTER-AMERICAN AFFAIRS

VENEZUELA, COLOMBIA REACH AGREEMENT ON BORDER TRADE

Measures Outlined

Bogota EL ESPECTADOR in Spanish 26 Jul 83 p 10-A

[Text] ~~A new exchange agreement has been reached by Colombia and Venezuela in an attempt to normalize border trade between the two countries.~~ At the same time, the neighboring country officially lifted restrictions it had imposed on products from the Andean area.

The bases of the exchange agreement, which was signed in Caracas by the managers of the Central Banks of the two nations, establishes a rate amounting to 9.9 bolivars to the dollar for transactions in foreign exchange in the border zone and sets a monthly quota of \$3 million for the purchase of Venezuelan currency.

Upon returning from Caracas yesterday, President Belisario Betancur said that the manager of the National Bank, Hugo Palacios Mejia, was making important progress with his colleague from the Central Bank of Venezuela in solving border problems having to do with the exchange aspect. The terms of the agreement will be revealed in the coming hours.

He said that such contacts ~~constitute the first step toward the solution of the entire border problem stemming from Venezuela's exchange crisis and the devaluation of its money with respect to the dollar.~~

The president preferred for the manager of the National Bank himself to give detailed information about the terms of the bilateral agreement.

Sources close to the delegation accompanying the president which returned yesterday said that the basis of the exchange agreement is the establishment of a rate of exchange of 9.9 bolivars to the dollar. This rate of exchange will govern the free currency market between the two countries. There are also other rates of exchange which the Venezuelan Government applies in its commercial trade and financial relations, depending on what is advantageous to the country.

The exchange agreement makes official a devaluation of the bolivar compared with the Colombian peso amounting to over 50 percent. The 9.9 bolivars to the dollar mean that every bolivar will be worth 8.04 pesos. Up until the crisis in the Venezuelan economy, every bolivar was worth over 17 pesos.

In order to facilitate the purchase of bolivars entering Colombia, the Central Bank of Venezuela will create a special quota of \$3 million a month for the purchase of such bolivars in the city of Cucuta especially.

The agreements reached by the two countries are the result of contacts on the presidential level in Caracas recently, on the occasion of the summit conference of Andean chiefs of state and the Contadora Group. In addition to the multilateral action, presidents Belisario Betancur and Herrera Campins exchanged views on specific bilateral problems which the two countries have in the economic and commercial fields.

~~Colombia had suspended all exchange negotiations with the Venezuelan currency at the beginning of this year, following the Venezuelan crisis which led the government of that country to establish exchange controls, devalue the bolivar and set differential rates. Since that time, negotiations had been conducted through the Central Banks, but without any success.~~

With the normalization of the currency exchange rate, the situation in the border zone should clear up. ~~Economic and commercial movement in the area has been almost paralyzed for months.~~

#### Restrictions Lifted

Regarding the restrictions that Venezuela had imposed on trade from other nations in the Andean Group, President Belisario Betancur said that they had just been lifted.

For his part, the director of INCOMEX [Mexican Foreign Trade Institute], Gustavo Tobon Londono, who was a member of the Colombian delegation in Venezuela, said that the products on which restrictions had been placed were transferred to a system similar to what in Colombia is a previous authorization.

The decision is considered to be an important first step toward the future restoration of trading facilities with the Venezuelan market. Tobon Londono said that it is hoped that this will occur as soon as possible and that in the meantime, foreign trade officials from both countries will continue to hold periodic meetings.

Venezuela's restrictive measures hurt the integrationist spirit of the Andean Group and gave rise to serious criticism in other countries in the subregion.

As part of the integrationist effort made by the five Andean presidents at their Caracas meeting, the unilateral measures violating the Cartagena Accord were done away with.

In addition to what was accomplished on the exchange and commercial fronts, President Betancur said that an agreement had been reached to strengthen the binational sugar complex Azurca, in which both countries are shareholders. The president added that the project will generate many jobs in the border zone and permit the production, marketing and exportation of large quantities of sugar.

## Agreement

The representatives of the Andean Pact countries also established an agreement to protect against any risk encountered by the food supply, seeking ways of increasing agricultural production and productivity, especially with respect to grain, oil-yielding products, meat and other basic items.

The project, named after Jose Celestino Mutis (director of the first botanical exposition), states that the food crisis in member countries has meant demand outstripping production, which forces nations to import ever larger quantities of products. It is therefore indispensable to outline preventive policies and policies of mutual support, stimulating the intraregional market for basic products.

At the same time, the agreement contemplates an environmental protection program.

### Businessmen, Exporters Praise Agreement

Bogota EL ESPECTADOR in Spanish 27 Jul 83 p 9-A

[Article by Juan Alvaro Castellanos]

[Text] Colombia could recover nearly \$60 million of its weakened trade balance if it partially restores negotiations with Venezuela.

Private enterprise and PROEXPO [Export Promotion Fund] are confident that the mechanisms of the preliminary license system will be immediately adapted because they are two markets that complement one another and are nerve centers of the Andean subregion.

Industrialists and exporters, along with national businessmen, celebrated the exchange agreement and the lifting of trade restrictions adopted by Venezuela and stated that the efforts of Colombian producers and exporters would have to be doubled in order to achieve the figure of \$100 million, which ~~was the level registered last year in Colombia's sales to Venezuela.~~

### Exports

During the first four months of the year, trade between the two countries show experienced a sharp drop which, compared with figures for last year, amounted to 66 percent.

~~Colombian exports between January and April covered the basic markets of the neighboring nation, especially with respect to meat, men and women's clothing, industrial gloves, nylon, plastic packing, automobile batteries, electrical components and printing materials.~~

The volume exported by the country represented the sum of \$45 million, compared with a similar period in 1982, when sales amounted to \$136 million.

In 1983, 52,000 tons were shipped, a heavy blow to the truck and air transport system, according to exporters, a system that customarily covers special routes to Caracas, Maracaibo and San Cristobal. However, incentives for the second half of the year could push figures beyond estimates of normal marketing between the two countries as a result of sales of motors which SOFASA [expansion unknown] began at the close of the first half of the year. These results will not be reflected until the end of the year.

#### Negotiations

~~Manufactured goods and food products are the two most important areas of commercial trade between Colombia and Venezuela.~~ Different agricultural products and raw materials will benefit from the system of previous licensing announced by Venezuelan foreign trade officials. It is estimated that over \$3 million worth of agricultural products have gone to Venezuela since last year to cover the needs of the first six months of 1983.

"That volume could be sold on the principal Venezuelan markets over the next three months, along with other industrial products," explained Alfonso Rojas Llorente, president of the Exporters Association.

~~Colombian purchases during the first part of the year basically involved oil, fuel and diesel fuel, worth \$153 million.~~

The director of PROEXPO, Jose Vicente Mogollon, noted that the government is drawing up a project for the establishment of a foreign trade bank, as it had announced at the beginning of this term, based on the Export Promotion Fund and requiring the country's presence on American and European markets. He was optimistic over the two agreements made with Venezuela because they will make it possible to recover income for the nation and establish acceptable levels for industrialists and merchants.

Based on export figures, the trade balance compared with other Andean countries involves figures which Rojas Llorente labeled as "tragic with respect to foreign trade."

The balance was negative for the first four months of the year, with a deficit of \$185 million. Analyzed in terms of the circumstances of each Andean country, Colombia was practically out of touch commercially speaking. The limited market included sales worth \$630,000 to Bolivia, \$16,000 to Ecuador, \$11,000 to Peru and \$45 million to Venezuela, based on contracts made before the crisis with the bolivar and payment on which became effective once the goods were shipped at the beginning of the year.

PROEXPO and the Exporters Association admitted that the country will have to promote its foreign trade to other sectors, even though figures for the Caribbean and Central America, while showing an increase, are not encouraging for the time being. Some \$350,000 worth of products were sold to Cuba; \$180,000 to Jamaica and Haiti; nearly \$2 million to Nicaragua, El Salvador and Costa Rica. These were isolated operations between private and official sectors, with payment in dollars scheduled for the coming months.

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