



Spreading Peace and Prosperity Through Trade and Teamwork

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Let me first thank the Los Angeles World Affairs Council for providing a forum for frank and open discussion (about) what is critical in this world: better knowledge about what countries are doing; about how important those relations are; about how critical trade has become and about how we can confront these issues together. We will have to face the future together so that we will not make mistakes that have historically been made and... join together to solve this critical economic juncture and look into the future with a perspective in which free markets and the historic alliance between the United States and Colombia is strengthened. The view that Colombia has of the U.S., which is quite positive, can also be strengthened (so that) we have a relationship that is consolidated.

Colombia has undergone a dramatic change in the last seven years – a change that if you had told me seven years ago that I would be telling you the story that I’m going to portray – I would have said that was impossible. That’s how dramatically things have changed for the better in Colombia. I think it’s important to put it into perspective so that you know where we were, where we are now and what we want to do for the near future.

In 1997, GE had two high-level executives kidnapped by the FARC rebels. They (GE) paid (the ransom) and FARC killed them. At that point in time – GE President Jack Welsh said in a board meeting that they were never going to go back to Colombia again – “We’re divesting, we don’t want to know anything about Colombia.”

Well, they’re back. As a matter of fact, I had lunch with Jeffrey Immelt, president of GE, about a year and a half ago, with his vice president and his cabinet. Not only do they have productions of TeleMundo filmed in Colombia with a Colombian production company, they bought a bank. They are in the bidding process for construction of an oil refinery in Cartagena – a six billion

dollar project. So, they have seen the possibilities of Colombia and how they can profit in a country like ours. He (Immelt) related to me a very interesting anecdote. He had come from Sao Paulo, and the night before he had dinner with some captains of industry of Brazil, and he asked them, “If you have money to invest in Latin America, other than Brazil, where would you invest it?” They very clearly said unanimously, “Colombia.”

How can a country change that fast – a country that had exposed GE because of its situation; a country which had expelled many of its citizens – and there are some of them here in this place – because of the violence, change so dramatically; change so quickly? I think part of it has to do with the history – the history of Colombia which is not well known. Colombia is the least known country in the region. There are experts in Mexico. There are academic experts in the southern zone. There are experts in Brazil, there are experts in Central America but there are very few experts on Colombia. There’s a lack of knowledge of Colombia that allows misconceptions to become part of the debate; that allows a misinterpretation of what Colombia is.

What I intend to do in this speech is to try to get you to know a little bit more about Colombia, because Colombia is a unique country in the region. It is a very different country from the rest of the countries of Latin America. In 1837, General Santander handed power democratically to José Ignacio de Márquez. From then on, we have had a succession of democratic governments until today. We have not had dictatorships in Colombia. We had a couple of flings – one was four years in the early 1900s – it was the same party which allowed a democratically elected government – he tried to extend his mandate. They kicked him out. In the mid-‘50s they did exactly the same thing, but it was the same political party that expelled them.

The rights of man which came out of the French Revolution were translated and disseminated first in Colombia and then the rest of Latin America. The first newspaper in Latin America was printed in Bogotá. When you look at the history of Colombia you will find the first NGOs in the region – a very vocal and very functional society. You see a press that historically has been strong; a separation of power that is very consolidated.

You see institutions that are very, very strong and I think that’s very different. That is the product of over 170 years of democracy. That’s what democracy brings to the table: institutions that you can’t construct in one day. That’s something that people don’t understand (about Colombia) and

don't see, that has produced a country that is stable and has been stable and maybe because of that, we're not well known. Maybe because we've never had dictatorships, maybe that's why we're not well known. We've never had (moments of) gigantic economic growth, but we've grown slowly every year, and nobody knows that. Maybe that's why we're not an interesting country – but we're stable, we're serious and that's a product of our history.

When President Uribe picked me to be his running mate, he said to me, "There's one job we have to do. There's one issue that is critical. If we do that, we change the country." I asked if he had the magic formula and he said, "No. It's trust." I said, "What?" He said, "Trust. We need to get Colombians to trust in the future again; to trust their institutions."

We had lost trust in them. People were flying out of Colombia in 2002. You'd ask students from universities, "Where do you see yourselves in five, ten years?" The answer you would get was, "Living outside Colombia." It was genuine. We had lost the ability to see Colombia as a viable country. A lot of people were right to see it that way.

It was a country that was split in three. It was a country with a weak state. It was a country that was split between the terrorists of the FARC and the ELN and the third from the extreme right, paramilitary groups that were fighting and killing Colombians, and the state was weaker and weaker. It was a country that was split in three.

You would read the journals on foreign policy and they were saying that Colombia was becoming very quickly a failed state. We had 30,000 murders – 30,000 murders! One of the highest rates in the world. We had 3,000 kidnappings. Imagine: 3,000. It wasn't anymore an issue of the newspapers, there were so many kidnappings that in a room like this you would have five or six persons who were either kidnapped or knew somebody who was kidnapped. That's how bad the situation was.

We had 400,000 people being displaced every year. Imagine a city of 400,000 persons moving from one side to the other and the impact it had on that society and the community where they arrived. We had five attacks on towns; five towns were destroyed every month. We couldn't drive outside our cities. If you'd drive from here to San Diego you would be kidnapped. That's how bad the situation was.

Well, six and one-half years later we have reduced the crime rate, the murder rate, by half, and it continues to go down. Cities like Bogotá, Cartagena, Medellín, Barranquilla, have murder rates lower than Detroit or Atlanta and kidnappings have been reduced by 90 percent. I was reading in the *New York Times* that Phoenix, the city of Phoenix, now has more kidnappings than all of Colombia. Of those people who are kidnapped in Colombia – and there still are fewer and fewer – 90 percent of those cases are solved by the military or the police and we rescue them – alive and well – and we don't have to pay.

I can see a country with no kidnappings in the future and no one would have thought that was possible six years ago. The roads are open again and on the contrary we're getting beat up by the public because the roads have too many cars and there are long delays, but they're open again.

Displacement has been reduced between 70 and 80 percent, depending on the year. All types of crime rates have been reduced. Colombia is living a classic post-conflict situation in most of the areas where the population lives. Colombia has recuperated the monopoly in the use of force in most of the country. The government is now in control of most of its territory. The leaders of the paramilitary terrorists are in jail here in the United States, having been extradited.

Some of the main leaders of the terrorist organizations have been killed, are dead, or are extradited and in jail. The situation of security has changed so much that a couple of weeks ago there was a study (conducted) by the Agency for International Development, which asked all of Latin America, all over America, for victimization rates, by asking: "Do you feel you have you been a victim of crime in the past year?" Number one with the lowest rate was Canada. The second lowest rate was the U.S. The third lowest was Jamaica and the fourth lowest was Colombia. That's how the situation has changed.

How can you do that? Believe me, it's almost miraculous and I never would have foreseen that in such a short time span. Obviously we made a huge investment. We increased the number of policemen by almost fifty percent. We increased the amount of members of the military by almost fifty percent. We doubled the budgets of the judicial system and obviously the leadership of President Uribe has been fantastic.

Most of those increases, by the way, were paid for by the richest Colombians. There was an over-tax on anybody who had more than half a million or a million dollars: a three percent overcharge in his taxes. That generated more than \$2½ billion for the first government and when we were re-elected that figure almost doubled.

But what was really important and really allowed us to change was the President's leadership with the institutions. How do you put on the streets 40,000 policemen in six years if you don't have a strong institution? If you don't have the good schools to put them out? Institutionally – and this is the point that I want to put forward – that's what allowed us to grow in size: professionals who knew what they had to do to start reducing the levels of violence.

Without those institutions, we could have spent a large amount of money and never get those results. I've seen the police institutions all over Latin America. I have no doubt that Colombia has the best police, and we have constructed it for many years. When I was kidnapped in 1990, Pablo Escobar was putting car bombs all over the cities. He put a car bomb on Mothers' Day in a mall that killed many, many persons who were shopping.

At a certain point in time he killed more than 500 policemen in a three-month period, and we strengthened the institutions; we got help from the Americans – from the FBI, from the DEA, from the CIA, from the Secret Service – and we built up the police the past twenty-five years. So now we're ready to meet that challenge. Exactly the same thing happened with the military, with the air force and with the judicial system.

With our efforts we were able to strengthen both institutions and produce the results – dramatic results – and with that security people immediately started coming in. Capital started coming back in. You could see it, and finally the statistics of people who left Colombia and never returned – finally that flow began changing. People began to trust in the future again. We were defeated here {hand over heart – ed.}, and if you're defeated here you've lost the battle.

When people understood and felt trust in their institutions and their futures, things began to change and that immediately had an impact on economic growth and tourism. We had no tourism. Last week there was a report by the World Tourism Organization saying that Colombia was

becoming a hot spot for tourism – more than 1.8 million tourists after (a time when) nobody would go to Colombia.

So, with security, we also put forward our policy to create confidence on investors in the private sector. I know that in Latin America sometimes to say this sounds anathema and it was not politically correct sometimes to say this, but we love the private sector. We need the private sector. We need a strong private sector in Colombia. A strong private sector that makes money – because with a strong private sector you get more taxes; you get better employment; you get general economic growth, and we created the conditions to do that.

We lowered taxes. We generated many incentives. For example, for tourism: to build a new hotel you get thirty years without paying taxes. To remodel a hotel, you get fifteen years without paying taxes. We created special free-trade zones. You could build a free-trade zone in the third floor of a building; it didn't have to be concentrated in areas. You could do an individual free-trade zone with all the benefits of a free trade-zone and immediately capital would start flowing in. In 2007 *Business Week* said, "This is the hottest emerging market in the world, Colombia." So, from failed state to promising state, the institutions did it.

All the economic incentives, which are very, very aggressive, and all that we're doing to create that investment, produces results. Colombia used to lure only about 1.52 billion dollars in very specific industries in foreign investments. The last two years it was over 10 billion dollars. As a percentage of GDP it's one of the highest in Latin America. Everything we're doing is creating incentive to promote investing. When you're investing, you create the jobs of the future.

Everything we did was to promote investment at the level of 25% of GDP. It was around 12% in 2002 and last year it was over 25% percent. We need to maintain that, obviously. Colombia grew 7% in 2007 and around 6½% in 2006. The first two trimesters of 2008, growth was over 7% and we don't know how much we will grow (this year) because of the global recession, but all the indicators and tax receipts increased even though we reduced taxes.

The increase was quite significant. Between 2005 and 2008 (tax revenue) increased 52% in real terms. That just shows what security and good incentives can do within a big country. Big country: 44 million persons – the third largest country in Latin America. We're the fifth largest

country in all America, with a huge internal market; with great conditions for investment, with competitive conditions for doing business. If you look at the indicators of doing business which monitor the competitiveness of countries, Colombia in Latin America is in the top three in all indicators. For example, in technical training and technical workers, Colombia is number one. In quality of managers we're number two. In general competitiveness, we're number three.

It's a country that has grown the most in the last five years. It's a country that is quite dynamic, and investors came; investors in many, many areas. If you invest 40% of your profits on equipment – capital investment in the future – you get a rebate of 40% of that in a reduction of your taxes.

So we set up all the right conditions with the security to be able to generate the possibilities of investment. The best business model for Telefonica in the world right now is Colombia, and everybody working at Telefonica is Colombian. We're seeing a lot of companies coming in and we're working very, very strongly (with them) and part of the reason why I'm here is because we want to do new business with California. I'll give you some example's: In the financial services sector, a company wants to invest between \$25 and \$50 million in creating small- and medium-size companies to help them export goods.

In bio-fuels, a company Green Line Industries is investing \$70 million in a bio-diesel plant in Casanare. In manufacturing, there's an alliance – a really interesting alliance – that is a \$25 million alliance for a company designing manufacturing equipment for the oil industry in the U.S. There are a couple of hotels in the range of investing between \$5 and \$50 million that are looking at Colombia. In IPOs and BPOs and I.T. – a lot of things are happening.

Sony just bought a television studio in Colombia. As I said, Telemundo productions are now taking place in Colombia. Fox just bought a company in Colombia and for the first time an American series was filmed in Colombia. The only Americans were the producer, the cameraman, the director and the actors. The rest were all Colombians and they were able to film the series under budget, on time, and for 70% less than it would have cost them to do it here.

There are a lot of opportunities – a lot of opportunities. Visual effects – there’s a big industry growing. Animation, there’s an industry growing. So there are many opportunities that you have in Colombia.

The last thing that I want to tell you that, yes, we have the security which is critical, and we have (improved) those conditions, but there’s another thing that you need to work on and that’s social investment. This is a really good moment for you to invest in our people, especially the poorest of the poor. We’re almost there with universal health coverage; we were at 30% six years ago. We’re almost there with being able to offer universal education; it was 85% six years ago. By next year, we’re going to have three million Colombian families receiving conditional cash subsidies so that they keep attending school, are well-fed and have all the vaccines.

Unemployment went down; we have more than 400,000 elderly who are really poor who are receiving tax subsidies. It’s a very aggressive social policy that has finally generated a safety net for the poorest of the poorest. We’re investing more than \$500 million for the displaced population; we don’t know how many displaced population we have – between 2.5 million and 4 million. It’s a lot, but we have a very aggressive policy of relocation and stabilization.

For the first time victims of the violence are receiving a payment whenever one of their loved ones is killed. We reconstruct their houses. We have a huge \$3 billion program of reparations – to repair victims of the conflict. All of that was done because Colombia is serious about this commitment. Colombia is serious about this economic policy. Colombia is a stable country. You see Colombia moving very steadily. If you look at the growth of Latin America in the last fifty years, most of the growth is like this – all over the continent. Colombia is steady. We don’t grow too much – two, three, four percent. But every year we grow. There was only one year when Colombia had a negative growth: 1999.

Good policies, good leadership and institutions are the formula for success – a success that is now an example of stability in Colombia – a success that is able to show the way that Latin America has to go so that it can solve its political, economic and security problems. Latin America is undergoing violent and dramatic changes. Violence is really hindering development and it’s growing to a point where it can become a threat to democracy and its institutions. The only way to get back on track is to have good institutions and good policies. We’ve been there.

We know how that is done. We are helping different countries in the region but it takes years. There is no magic solution. It takes a very clear sense of purpose and having a strong state that protects its citizens in the first instance, a strong private sector that generates full employment and growth, and aggressive social policies within countries that are leading the way in terms of self-development, growth and social justice, with good results for its citizens.

Colombia has become that possibility. Colombia has always been one of the strongest allies the U.S. has in the region. Colombia is the only country in Latin America where public opinion has a favorable view of the U.S., the only country. Colombia is a country that has fought many wars alongside the U.S., starting with the Korean War. The only Latin American country that had troops in Korean was Colombia. More than 250 soldiers from Colombia died in that war.

We had troops in the Suez Canal. We still have troops in the Sinai Peninsula. It's a long-term relationship that unfortunately now, due to the Free Trade Agreement, has been put on freeze due to ideological consideration more than anything else. We think that Colombia, as an ally of the U.S., should get better treatment. Colombia, as an ally of the U.S., should have the Free Trade Agreement approved.

And Colombia, as a beacon of stability, should be looked upon in a better light than certain sectors of the Democratic Party are looking at it now. We think it's unfair treatment; we think it's an unjust treatment, and we think that the relationship that we have had for many years is something that has to be taken care. The U.S. has very few friends in the region to start playing around with its most loyal strategic ally in Latin America.

Thank you very much.

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