

THE BROOKINGS INSTITUTION

A CONVERSATION ON COLOMBIA WITH
PRESIDENT ALVARO URIBE VÉLEZ

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Introduction and Moderator:

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Panelists:

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P R O C E E D I N G S

MS. BRAINARD: Good morning. It's really a delight to welcome you all here today to Brookings. It's a very special day for us as well. We are very honored to have with us Alvaro Uribe Vélez, the President of Colombia, and his presence here today couldn't come at a better time. It heralds the launch of the Brookings Latin America Initiative, an initiative whose mission is to inject new energy into the dialogue between the U.S. and its Latin American partners, and to hopefully provide some fresh ideas, some fresh voices, and some fresh perspectives to get our relationships back on a fresh and reenergized track. It is an initiative which happily is led by our new Director Mauricio Cardenas, and we are particularly grateful to Colombia and to President Uribe for loaning us such a phenomenal both scholar and leader.

As all of you who are here today know, it is a special honor to host President Uribe both because of his incredible record of progress in his own country in Colombia, and also because of his good friendship to the United States. During his time in office, the economy has flourished, tremendous progress has been made on the political front, as you know with most recently the dramatic rescue of hostages, and Colombian-U.S. relations really could not be stronger. I'm not going to say much other than that because I think we're all here to listen to his views on the state of the relationship and also what's going on in Latin America more generally I

hope. So I'm going to turn the floor over first to President Uribe and then just to let you know, we're going to go from there to a few minutes of remarks from two other commentators on the region, Moises Naim who we all here know as one of those really fresh voices on Latin America, the editor and publisher of "Foreign Policy" magazine, previously Venezuela's Minister of Trade and Industry, and then our own now Mauricio Cardenas who was head of the Brookings equivalent in some ways in Colombia of Ferez Arroyo which is a really high-quality institution and also head of the Latin American Economics Association and served in his government previous to that. Without anything further, President Uribe, welcome.

PRESIDENT URIBE: -- Dr. Cardenas, Dr. Naim, distinguished ladies and gentlemen, I am very honored to have the opportunity to come this morning to the Brookings Institution. In Colombia we are working one key word for our country, confidence. Confidence for people to live in Colombia, to invest in Colombia, to study in Colombia, to enjoy their lives in our country. And we support confidence upon three pillars, security with democracy, investment confidence with social responsibility, and social cohesion. For us it is very important to create a train of prosperity. This train of prosperity is possible to create with the two first pillars, with security and with investment, and with prosperity it is possible to advance in social cohesion. And finally, social cohesion is a validator for our people to support security and investment in the long term.

Why democratic security? Because 6 years ago when we proposed security we thought that it was very important to distinguish security in any democratic government from security in the times when Latin America was under the doctrine of national security. Security in Latin America was confused with dictators, with restriction of freedoms. Therefore, for us it has been very important to establish the difference between security with and security without democracy.

During the years of our government, we have made progress in security. In homicides Colombia has come down from 68 cases per every 100,000 inhabitants to 36. This year we are working to not go over 30. But I recognize that it is still a very high rate. Colombia has made progress but we need much more. In kidnapping, Colombia had years with more than 3,000 cases. This year we are hopeful that we will get no more than 200. The cases of kidnapping are concentrated in rural, remote areas of our country.

We have put a special emphasis to protect mayors, governors, journalists, city councilors, teachers, and trade unions. Before our administration, Colombia had years with the assassination of more than 250 members of the union organizations. This year so far we have seen the assassination of eight members of union organizations plus teachers. Some teachers are members of the union organizations. Other teachers are not. In total, this year we have suffered 30 cases. The country so far has suffered 11,400 cases of homicides this year. We have

worked with all our energy and determination to fight homicides, to fight violence against what I call expressions of democracy. Journalists. The country had years with the assassination of 15 journalists. This year we have had zero cases. What is much more important is that in the country as a whole, journalists feel much more free because the more are advancing our fight against the terrorist groups, the more the journalists feel they recover their total freedom.

I could speak much more longer about security but I want to leave space for the comments of Dr. Cardenas, for Dr. Naim, and for your questions and comments. Let me refer to some intangibles I consider we have gotten from our policy on democratic security. Colombians have recovered confidence in our state. Many people have overcome their indifference and their willingness to solve problems by themselves. Now they again want to go to the state looking for the state to provide them with security. People have lost the fear to give testimony. It has been very important to overcome impunity. Now the victims have lost their fear to claim for their rights. During our administration we have seen the appearance of almost 150,000 victims and now we are in the process to repair them. These are some of the main intangibles we consider we have gotten because of this policy.

In investment, by the beginning of our administration, Colombia had an investment rate between 12 and 15. In the last year we have had 21, 24.5, 27.5. This year in the middle of the economic

slowdown, during the first quarter we have 27.5. In foreign direct investment, today we have a higher amount and much more constant foreign direct investment. During the last years we have had in one year over 10 billion, in the next year over 6.5. Last year 9.028, and the Minister of Trade who is here with us is very optimistic for this year. He considers that this year we will be close to 12 billion. It will be very important for our country.

In oil and coal, we have 56 percent of this investment, 44 percent is going to several sectors of our economy, but it is very important for our country. To create confidence for investors to come to Colombia, we have worked the following items. First, we reiterate that Colombia gives all the guarantees to private investors. Colombia is a friendly country to investors domestic and international. I have to reiterate this point of my country because, as you know, at this moment there is an important debate within Latin America about the role of the state, about the role that the private sector should play.

Second, the permanent determination to move forward with democratic security. Third, the permanent effort made by the government to have better macroeconomic indicators. We have reduced the deficit in both expressions. The deficit in the central government has been reduced from 7.5 to 3.2, and the consolidated deficit has been reduced from 4.2. It was the level in August 2002 to a rate between 0.8 and 1.4. Public indebtedness has been reduced from 48 percent to 27, and we are

working to keep the country on the track to improving the macroeconomic indicators.

We have introduced special tax incentives. We do not share the idea of lowering taxes for everyone. We believe in the idea to promote investment with special incentives. We consider that the best way to create high-quality jobs is by promoting investment. Therefore, we have introduced specific tax incentives for some sectors and general incentives. Today when you invest in Colombia you have the right to deduct 40 percent from your base tax. We have created new legislation for special economic zones. Before our administration, Colombia had 11 special economic zones. Now the Ministry of Trade has approved 36. These institutions have in Colombia very strict requirements for labor, for high-quality jobs with affiliation to the Social Security system. Congress has approved in Colombia a new law allowing the government to sign pacts on stable rules with investors for 20 years. It is very important.

The other way to promote investment in our country is by trade agreements. We have signed an agreement with Chile, with Peru, to go much more deeper than the framework of the Andean community. With three Central American countries now we have co-negotiations with Canada. We are in negotiations with the European Union. We are negotiating agreements for bilateral protection of investments with China and with India, and we are hopeful that we can at any moment have the approval in the United States Congress of our free-trade agreement.

We consider that in the coming years if the free-grade agreement were approved, we want we would not increase our exports very much to the United States, but the main economic result could be the increase in investments in our country and the more we increase legal investments in our country, the less difficult our task to defeat terrorist groups, to defeat illegal drugs. We have limitations even for Colombia to become a much more competitive country, limitations in infrastructure, limitations in education, in research and development, but we are working. We are beginning to build new roads. We have created the legal framework for the private sector to invest in our ports, in the railroads. Bogota, our capital city, is located with almost 600 kilometers of distance from the Pacific and at 1,000 kilometers from the Caribbean. We are building both two-lane roads to communicate our capital city with the ports in the Pacific and in the Caribbean and there are several projects of infrastructure that are being started in our country. We are working with nine cities in the process to build massive systems. For everyone visiting Colombia, we see a country working the hardest to catch up with infrastructure.

Education is our first and most important point in what we call our policy or social cohesion. In basic education, by the year 2010 we will complete 100 coverage. At the beginning of my administration we had 78. We consider child nutrition as a necessary companion of education. At the beginning of our administration Colombia had 3.3 million children

with state governmental nutrition. Now we have only 10 million. Dr. Cardenas as Director of the Central Planning Office brought to our country one project called Families in Action. Through this project we subsidize the poorest families for them to fulfill their obligations to send their children to school. In our administration we have passed from 220,000 families to 1.7 million, and by the next year we expect to reach 3 million families. We are working for our country to advance in vocational training, in university government. The Governmental Institution for Vocational Training has passed from 1 million students per year, and this year we will be near 6 million, from 5 million hours of vocational teaching to 15 million hours. We are working the best we can to promote English as our second language. Now half a million Colombians study English without pain through the internet. The program is delivered by the State Vocational Training Institution. By the beginning of the next year we hope we will have 1 million Colombians in this program.

University coverage, our administration began with 22 coverage. Now we have 32. By the end of our administration we expect to reach 36. In my micro lending the goal in our second administration is to provide 5 million families with micro lending. So far we have reached almost 3 million. At the beginning of our administration micro lending represented 1.5 in the total balance of loans in our country. Now it represents 5.5. Week by week in our permanent dialogue with our people we promote micro lending as a necessary step for my country to overcome social exclusion.

When our administration began, Colombia had 23 million people with health insurance; now the country has 38. By the end of our administration, we hope to have completed 100 percent of coverage. But it is not all. We need to improve quality and to have the same service for those who are in what we call subsidized system for the poorest people and other system, the system for the former workers who have the possibility to pay the monthly fee.

We are working the best we can in social cohesion. Before finishing this introduction, let me refer to two points, energy and biocombustibles. Our Colombia was drilling ten wells per year. This year my country will explore over 100. Colombia was with a self-sufficiency until the year '08, now we have extended the self-sufficiency until the year 2016.

We expect that with the confidence to invest in Colombia, we will be able to extend even much more the time, the period of self-sufficiency. In coal we have passed 34 million tons of export, and this year we will reach over 80 million tons of exports in coal. In biocombustibles. Colombia has 51 percent of its territory is still in rain forest. In rain forest alone, we have 578,000 square kilometers in rain forest. The main enemy is the cultivation of illegal drugs. We have created a project we call Forest Ranger Families. We have 66,000 rural families who have been engaged in this project. We pay \$2,000 per family a year under the supervision of the United Nations. They have two duties;

one duty, to keep some area with collective action free from illicit drugs; and the second duty, to supervise the jungle recovery.

We need more budget to expand this project to many more families. This project has been very well received in our country. And United Nations has made excellent comments about the results of this project.

Our idea with biocombustible is to preserve our jungle. It not allow anyone to destroy the jungle, to replace it for sources for biocombustibles. Second, the competition between biofuels and food security. Colombia has 43 million hectares of savannahs. Only 5 million hectares in agriculture. We have enough land in savannahs to expand agriculture to guarantee food security and to expand agriculture as a source of biofuels.

My country did introduce biofuels. This year, at the end, we will produce two million liters per day, one million in ethanol from sugar cane, and one million in biodiesel from palm oil. My country has great opportunities to expand the production of biofuels without destroying the jungle and without restricting the area for food security. Due to the confidence in our country, this year we have signed contracts for independent generators to generate in Colombia for million kilowatts of new energy.

In the past, the public sector had to get debts to promote the construction of generators. The electric sector, energy sector,

represented 27 percent of the total public indebtedness in our country.

Today it represents three percent.

We have created a framework for investors to come to our country, to install new plants for generating energy, without compromising the national budget and without creating problems to the public indebtedness. It has been a great achievement of our Minister of Energy during this year.

If I were asked are you satisfied with the accomplishment of your government, no, and with the problems of Colombia, we can never be satisfied. We have to work every day the best we can. I recognize all the problems we still face, but at the same time, we express our determination to work the best we can to overcome these problems. I am a Latin American speaker, I don't know how to speak short but this is the time for your comments and your questions. Thank you very much.

MS. BRAINARD: Okay, I want to start – is this working back in the back? Great. I want to start with a little bit of broadening out by turning to Moises. President Uribe said that his first pillar is security and talked a little bit about some of the changes in the security environment in Colombia. And, Moises, you've written and are recognized as a world expert on the issue of elicit trade. Can you just reflect more broadly on just how – what changes have been required in government and society to make the progress that has been undertaken and what lies ahead?

MR. NAIM: Thank you Lael. And I wanted to start by celebrating the fact that Brookings now has a program of Latin America and that you managed to recruit one of the most respected economists in the region. And I think for those of us in Washington that follow and care about Latin America, having Brookings now plunge into this conversation is very important, and doing it under the leadership of Mauricio Cardenas is something that we all here have to celebrate and thank you. And welcome, Mauricio.

MR. CARDENAS: Thank you.

MR. NAIM: The security – I was last week in Colombia, and in Cali and in Bogota, and the security issue came clearly in all of its facets in a conversation I had with an exporter. This was a person that about ten years ago was just an employee of another company, and then decided to set up his own activities and started working in a small company.

And one of those miracles, he managed to start exporting. To be an exporter in today's economy requires – I mean all of people that are managed to export anything because it's a very competitive, very difficult market that requires capital and technology and access and brands and everything, and this person was able to do it and was growing, and then all of a sudden, because of the new security developments, he discovered that he could get huge efficiencies by improving his logistics, and logistics that were impossible to capture, economies of scale that

were impossible to capture because of the difficulties of essentially transiting the country.

Once he was able to connect one of his manufacturing plants with another, would lower costs of transportation, his costs became even more competitive, and his exports grew, and he's now providing more jobs and all that. This is a microcosm of an unintended very good surprise of this new security reality. It is a security reality that has not been solved, it is rooted in the tragedies that Colombia has lived now for decades, it will take a while to heal all of the problems that linger, and this is just a beginning, and President Uribe has repeated that, that there is much more to be done.

But it is quite amazing, for example. The World Bank just released its study, Governance Matters, that I recommend to all of you. And it measures in a very quantitative, a very rigorous, respected methodology, it measures governance indicators.

And Colombia has, according to the measures, 1998, 2003, 2007, and see changes. And Colombia has improved in all of the indicators, what they call voice and accountability, government effectiveness, regulatory quality, rule of law, control of corruption.

In all of those between '98 and 2007, Colombia has made progress. In some instances it has made so much progress that now it's one of the top in the list of Latin American countries in terms of how much progress it has made. So, obviously, you know, in the social sciences, we

don't have the luxury of having controlled laboratory experiments when we can check and control all the variables to measure, so we have to live with the situations and just observe very carefully when you have very profound changes, and then study the changes to see what we can learn.

And that brings me then to my question, President Uribe, recognizing there is much to be done yet. But you have done quite a bit, and the Colombians have learned quite a bit. You must have some insights and some lessons on how to do it, and I'm thinking; I was just also in Mexico, and Mexico is now a different story, and we all read what's going on in Mexico and the tragedies.

If President Calderon, and I'm sure he has done it, I hope he has done it, if President Calderon calls you and says, President Uribe, give me three or four ideas that have worked for you to help me, if you were me, what would you do, what have you learned from doing this in Colombia? And by the way, President Uribe, are you going to run again? That's Calderon, that's not me.

PRESIDENT URIBE: Did you want I answer to President Calderon?

MR. NAIM: Yes.

PRESIDENT URIBE: Being the President of Colombia, with the problems inside the country we have to face every day, we have not space in our mind to think and advise to other countries. Maybe I would ask President Calderon to advise me. It is possible that I try to give advice

to other presidents in the region, not to President Calderon. But I admire determination President Calderon has to fight narco-traffic. It is very convenient for the region as a whole. And he fighting, going to the possibility of the private sector and energy sector. We consider it could be very convenient for the continent.

Colombia, we have restructured for 111 state agencies. One of the leading corporations in the state, we have changed is Ecopetrol the state agency for oil. First, we introduce the labor reform within Ecopetrol second, the pension fund, and last year we capitalized with private investors by 10.5 percent, 465 thousand Colombians came to become stockholders in Ecopetrol Yesterday Ecopetrol appeared for first time appear in the New York Stock Market at this very difficult moment. What is the result?

With the labor and with the pension reform, we have created possibilities for Ecopetrol to be much more visual in the long term. And with the private investment Ecopetrol, Ecopetrol has expanded its capacity to invest from \$700 million per year to over four billion, without affected the national budget and without creating problems in the public indebtedness. Therefore, the efforts, the political efforts President Calderon makes to bring the private sector to the – to investment in management could be very convenient for the region as a whole. And I think not only in Mexico, I think in the necessity, that Mexico could help more effectively the Central American countries.

MS. BRAINARD: So no advice for President Calderon, but some lessons that he might learn from. Mauricio, I wanted to turn to the second pillar that President Uribe was talking about, which is really the investment pillar, and here we are in Washington, our financial markets are melting down, we seem to be bailing out the financial system, and Mauricio, just reflect a little bit, tremendous progress in Colombia; are there going to be repercussions especially given the current account deficit, given the non-investment grade credit rating? I know there's some challenges on the competitiveness front. Can you expand out a little bit that economic picture and then we'll come back to you, President Uribe?

MR. CARDENAS: Thank you, thank you for your kind words, your introductory remarks, and thanks, Moises, also for your welcoming to Washington. I'm delighted to be here today. It's a great coincidence that this first event of the Latin America initiative at Brookings is precisely on Colombia, and with the presence of my much admired President Uribe. Turning to your question on the implications of the current turmoil in the world financial markets for the Colombian economy, I think the Colombian economy is relatively well prepared, it's a resilient economy.

And the reason why Colombia is well prepared is that a significant part of the acceleration in growth in Colombia is the result of the improvements in security, and the improvements in security have been, to a large extent, the result of domestic voices.

Of course, the help that Colombia has received from the U.S. has been very important, but it's, to a large extent, the effort of Colombia itself. So that's going to remain, and that explains why Colombia is moving from a relatively mediocre growth rate of three percent per year during 20 years, between 1980 and 2000, to now a situation that looks more like, on average, in the long term, five percent, so that – I think is a sign of resilience. However, we've had, you know, faster growth in the past three years, we've had growth rates of over seven percent, and I don't think that's going to stay, precisely because of the situation in the international markets have changed. And at this point in time, I think the best advice we could give a country, any country in Latin America, but Colombia in particular is to prepare well, to prepare well for what's coming ahead, because a year ago we heard a lot about decoupling, that one thing was happening in the U.S. and international financial markets, and a different thing was Latin America.

No one gives a cent today about the coupling. The world is going in the same direction, and we've seen that in the past few weeks, depreciation of the currencies in Latin America, many reductions in the stock prices in most of the markets, so we have to prepare well.

What does that mean for Colombia in particular? I think it means that Colombia has had this ambitious and very set goal of recovering investment grade. You know, we lost investment grade in 1999, and we've tried to recover it, and it has been very hard, and it has

been harder than, I think, we Colombians expected, and I think part of the reason has to do with fiscal management. Colombia has done a lot in terms of reducing the deficit. But to the eyes of the people in Wall Street, not enough, not enough. Colombia needs to do more. And I think that's when the leadership becomes the decisive factor. Because, of course, our President will always have the temptation to solve the problems of the people, and there are many problems in a country like Colombia, in the social sectors, in infrastructure, but then, at the same time, the dividend of having an investment grade is very important, especially because it's a way of protecting Colombia from a major collapse.

So that's – I think no matter how much effort was made in the past on the fiscal accounts, we need to do more, and I think it's the leadership of the President that can actually achieve that.

Let me finish by saying a word on free trade, because I know the President is here to talk about that, and this is an item that cannot be ignored in the agenda. Colombia needs to develop its export sector. We need more exports successes. You know, we've had quite a few in the history, but not really major and significant ones in the recent past, and we need to do more. And, of course, having free trade with the U.S. is – it's a vehicle that will allow that. However, I've been in Washington only for two weeks, so I can see the sentiment here in Washington about these things. And I don't see any enthusiasm on free trade agreements, not with Colombia or Panama or Peru, in general, I don't see that. And I don't

think I see that because the electorate does not have a good perception about free trade. There is a recent poll that says that 46 percent of Americans consider that free trade hurts them, and only 26 percent of Americans think that free trade is beneficial.

So that's the context in which the electoral campaigns are taking place, the context of negative perceptions towards trade. People in Washington also say, well, the Colombia trade is going to pass, it's going to pass after the election, there is no reason why Colombia will not ratify – the U.S. will not ratify its free trade with Colombia, but they say that reluctantly.

I think people are thinking more that these bilateral free trades are not really the solution, are not really the way to go about development, and I think we will have to wait until a new President is inaugurated, a new Congress begins in '09, to move the agenda in a different direction, perhaps towards hemispheric integration.

I don't know if it's going to take place through putting together all the FTA's that currently exist, or by going the way of a large negotiation between the U.S. and Brazil and then, you know, other countries joining, but I think that's what's going to happen in the future. And I will just close there.

MS. BRAINARD: President Uribe, did you want to remark on either of those fronts, either how you're thinking about the financial

turmoil here, how it may effect you, and how you're preparing for it, and also the diagnosis of the political prospects here on the FTA?

PRESIDENT URIBE: Because of the problems in Bolivia, President Bachelet by the weekend will call the South American Presidents to meet in Santiago to make decisions regarding Bolivia. And someone in that meeting said, how can the people of Wall Street pretend to teach us, on how to lead the economy, if they have the worst failure in the history of the --.

This is a very concerning question that you hear now in South America, against the idea to lead the economy with the same rules of Wall Street. I have already -- that there are limitations, we have or we need to overcome for our country to become much more competitive. Limitations in infrastructure we need to advance much more faster.

In -- and we have a external problems. The problem of appreciation, only during the last three weeks our money has begun to recover that competitive level. We are not friends of -- , we are not friends of -- . What we need is a stable competitive exchange right. Volatility is quite dangerous for countries such as Colombia.

Second, inflation, the basic inflation in Colombia, I consider it is check its level is 3.9. Our -- has been -- force, and our imports for our country. -- have almost increased their prices by 13 percent. The general inflation in Colombia could be the GR around 7 percent. But we are doing

our best and the Central Bank, to -- that is independent in our country, is doing the best to reduce inflation again.

We are promoting agriculture, with long-term incentives, and with specific incentives for each year. I want to refer to two specific incentives. We're having to do for the year. We have united tariffs for the import of inputs of fertilizers. And we have created a system of bonuses to produce car, to produce beans and to start milk to start rice, in order to -- the supply for -- .

We are hopeful that we will be able to overcome this challenge of food inflation.

In the case of the financial sector, where Mauricio Cardenas was minister, Colombia began making the decisions to have better protection for the financial sector. Our administration has introduced many of these issues. One idea for our administration is to calculate risks with implicit ideas regarding every economic sector.

Going to introduce these decisions at the right time. And now the bad loans are protected. Protection in the financial sector has passed in Colombia for around 39 percent of the balance, to 112 percent. The country seems in better condition to confront financial risks. Public spending, and its relation with the investment grade.

I don't understand why the international rating agencies haven't returned to Colombia the investment grade. We have restructured 411 state agencies. Confronting immense political difficulties. You don't

imagine how difficult it is in Latin America, to bring the private sector to the oil industry. We have to confront ideologies with a very radical principles against the presence of the private sector in some sectors of the economy.

Therefore what makes even much more valuable our reforms is the fight against radical ideologists opposing the reforms and I cannot understand why the reform have not been received. With all the significance by the international rating agencies. At this moment we have a discussion, the level of our public spending in the social sector. There could be one country with excellent microeconomic indicators, but when on this table political landscape.

To create a political -- a stable political landscape for the future, we consider that it is possible to postpone the day to reach this fiscal equilibrium, but to anticipate the solution to social problems.

I consider it is much more better for political stability in the long term, to advance faster in social solutions. Because social cohesionists, they value the final and more determinate validator or policies, such as security, such as policies to create much more investment. Therefore this is our debate.

Mauricio said to me some weeks ago, and said to Minister President, and I asked ministering through -- families inaction. But you have moved quite fast. Please throw down your estate, and my answer no, Mr. Minister, I am very happy with your project. I have to speed it up,

because our country needs social cohesion as a guarantee for a political stability.

Therefore from here I call attention for our agencies, for the necessity to consider how to — Colombia the investment grade. We have some problems because they were opposed to the decision we made to impose some restrictions on short-term foreign capitals. But we have already lifted almost all of the restrictions. We have donated the moment our money turn to recover the competitive exchange rate.

Let me refer to the free trade agreement. When you look our bilateral balance with the United States in trade. At first glance you see that it has a surplus for Colombia, but when you deduct oil, even without deducting coal, it is positive. It has surpluses for the United States. From our economic standpoint the free trade agreement with Colombia is totally a first step, and of course from the political standpoint.

I have no answer in Latin America to respond to that question. President — ally of the United States. Colombia has a long tradition of loyal alliance with the United States. Colombia is a country in Colombia; the universal democratic values prevail over the concept of sovereignty and the concept of power. It is very important to be considered here. We are pro-universal democratic values; we consider that sovereignty and power should be restricted with total respect for universal democratic values.

Therefore in Latin America, people do not understand, neither do we in Colombia. For Colombia – not to have the right to get this agreement approved. I am not -- I am not optimistic about our possibility to increase exports to the United States, in the short-term. But with approval of the free trade agreement, we could get much more investment in our country. And with much more investment amenities -- difficult to fight, for eastern illicit drugs.

But I cannot omit in this area the necessity to express my gratitude to the United States for the policy of -- Colombia. It had been a very important bipartisan approach to our country. We have – we need to continue with this cooperation.

Some people think that unilateral preferences could be the option to the approval of the free trade agreement. And their unilateral preferences, investors do not come, because they have no certainty about the future. They said unilateral preferences -- . Are we sure that unilateral presence – preferences will be a standard. The time either for our investments to be recovered, therefore for investors the assurance is the free trade agreement.

Finally let me make a point on democratic security. The main point in any estate of law and order is the level of public opinion participation. We call our system of government a common -- system of government, because we recognize the highest level of public opinion

participation. We recognize a necessary equilibrium between representation and participation.

The more the people participate, with their government to make decisions, to execute decisions, and to supervise how the nation is going on, the better for the transparency and for the effectiveness. Any policy, such as the policy on democratic security needs to be sustainable in the long-term. And for sustainability, this policy needs public opinion support. And for the public opinion to give support to this policy, or to the other, the policy for creating investment confidence, we need credibility.

And in security there are two pillars for credibility, effectiveness and transparency. And transparency is equal to human rights. I want to reinstate here our commitment with human rights. We'll discuss in the international area, but we are totally open to international vigilance, to international supervision.

MS. HILLS: Let's do the -- let's turn and open it to the audience. What I'd ask you to do is just wait for the microphone, and also identify yourself if you would. And we're going to start with a question right over here.

MR. SHORT: Thank you, President Uribe my name is Hani Short, I am with the German News Agency, DPA. You mention at the beginning of your remarks that Latin America's in the middle of a debate, between how much of the role of the state, and how much of the private

sector. I would like to know what is the position of your administration?

Thank you.

PRESIDENT URIBE: We want Colombia to continue being a friendly country, with investors, domestic and international. And the one condition social responsibility. And for us social responsibility has three meanings: Transparency in the relationship between investors and the state. In taxes in taxation, in the way to assign -- to solve disputes. Transparency it is very important for democratic sustainability in the region.

Second solidarity with communities, especially in very tough issues; such as environmental issues. We cannot allow -- to extract coal without respecting the highest of standards for environment protection.

And third fraternity in the relationships. Fraternity as opposed to social hatred, as opposed to white capitalist for eternity. Therefore under these condition we are totally friendly with the private sector. We fear that instead of monopolizing the -- could create hostility against the private sector. And instead of increasing competitiveness, you could -- competitiveness in the region.

MS. HILLS: Let's see right over here.

SPEAKER: -- President, thank you for coming. Question for the new administration. What advice would you give to the new administration for promoting democratic values in South America, for undemocratic South American countries?

PRESIDENT URIBE: Yesterday before leaving Colombia, I was warned please the United States is selling links for election day. Be very prudent. I have to advice; I have to follow my fellow country citizen's advice.

MS. HILLS: Let me refrain that question for a second and maybe let Moises also help. We are, I think not reflecting on the election, but as a country we're trying to figure out how to be more constructive. You live in a very complicated political neighborhood at the moment. No advice, no lessons, but if you can deepen our insights, into the complexity of the political developments in the surrounding neighborhood, it would be very helpful.

SPEAKER: And maybe -- well if I could just add. It's probably because it was in the newspapers that the President had a private conversation yesterday with Senator Obama.

PRESIDENT URIBE: Without any comment.

SPEAKER: Without any comment, so to the extent that you can make a comment on how you see that relationship evolving between you and Senator Obama.

PRESIDENT URIBE: No, we need -- we need to be lectured in relationships with all political -- in the United States. Our long traditional royal alliance with the United States has had in the United States a bipartisan approach to our country. And the Colombian opinion,

public opinion is the more friendly in the region regarding the United States, historically speaking.

Therefore, what we need in the future is to preserve that bipartisan approach in the United States to us our country. And regarding the neighbors, we need to respect diversity; you know there is debate in the world. There are some countries referring sovereignty and power, and there are other countries where universal democratic values prevail. Colombia's a part of this second group of countries.

If I were asked for a specific claims, I would request from our neighbors. I would -- request this help much more to Colombia in fighting illicit drugs. Please help much more to Colombia in defeating terrorist groups.

MS. HILL: Moises, did you want to comment also, on this?

MR. NAIM: President, what happened in Chile? In your meeting in Chile, it is obvious and you just said it that Latin America is very divided. There is a group of countries that has a different view than the others, in terms of the economy and the relationship with the United States, and the role of the private sector and so on.

And there is a big division in Latin America you know that. And you had to meet on an emergency basis in Santiago Chile to see if there was a regional way of helping solve the problems of Bolivia.

Some information has come out of that meeting, your meeting in Santiago. But share with us, some of your reflections about

what happened there, and is that a model for future interventions? Is that a model of a way of working out and solving some of the differences that are beginning to appear? Would you like to have had something like that, when you had your differences with Venezuela?

PRESIDENT URIBE: In Chile, we agree on supporting the democratically elected government of Bolivia. I want to make some precisions in accordance with Colombia's point of view, the union of South American states, cannot be in contradiction with organization of American states.

It is very important point. We agree with the union of the South American states, but under the strictures of the organization of American states.

Second there are countries opposing violence in Bolivia for ideological reasons. Colombia opposes violence in Bolivia, for democratic values. When you oppose violence for ideological reasons, it is possible that you oppose violence in one country, and at the same time you support violence in our country. I cannot accept that someone opposes violence in Bolivia, because he or she agrees with President Morales, and at the same time supports violence in Colombia, because he or she does not agree with President --, and the Colombian fight against terrorists.

MR. NAIM: Have anyone in mind?

PRESIDENT URIBE: No, no, no. I am speaking about theoretic hypothesis. It is very important to be considered for the near

future in the region. We oppose any kind of violence. We support the government of Bolivia, because it has been democratically elected, because we need to support only competition under the constitution of our every country. This is the reason Colombia approved the resolution in Chile. A position for violence, for the reason of democratic value not for ideological agreement or disagreements, or the incumbent government.

SPEAKER: Thank you. One of the pillars that you have discussed in your introductory remarks was social cohesion. And as you have addressed the issues of education, basic nourishments and health care within your country -- that your country is currently facing. I would first like to commend you, your administration, your country for the advances that have been made.

So recognizing your determination to improve the social conditions within your country, how much would you say that your country places on the value of cooperation with civil service organizations --

PRESIDENT URIBE: Cooperation weight?

SPEAKER: How deeply are you willing to work with or promote the efforts of civil society organizations, and international non-profits within your country?

PRESIDENT URIBE: I have already spoken about one of the leading -- in our chapter of social cohesion, education at a basic level at university level and vocational training.

In nutrition for children under five, we have advanced not, and in health. But we lack massive coverage of education for children under five. This is the problem now we have to overcome. We are beginning to expand coverage for this age of children in a location.

In health we have advanced a lot in affiliation to the system. We will reach full coverage by the end of the administration. But we still face problems in quality, especially in the remote rural areas of the country, and in the scope of the insurance.

Therefore, we have to complete full coverage, to increase quality and to add many items to the coverage of the insurance. We work with many NGOs. For instance, we have a project we call bank of opportunities. To provide the poorest with – we have advanced a lot.

In the case of the political -- sometimes I have discussions, and I have argued with some in -- in human rights argue. Colombia's a country with the doors open to them. Remember that there were many Latin American countries that closed their doors to the supervision of international -- in the name of their fight against the terrorists. Colombia is fighting the wealthiest terrorist groups in the world. They are very wealthy because they have illicit drugs. And Colombia is open to the international supervision. I'll only risk any of your -- in Colombia is to have discussions with the President.

This is the only risk they do in Colombia. We are a country open for vigilance for the Presidency of all expressions of an international community.

MS. HILLS: Okay, we have time for maybe one or two --

PRESIDENT URIBE: Maybe you are not updated in news?

MS. HILLS: One right over here.

MS. PENO: Thank you. Maria Peno with FNU Services.

One, without getting into your personal call with Senator Obama yesterday, he has been very vocal in his opposition to the free trade agreement. Did you get any sense from him that it will be voted this year before -- on a -- session for instance?

And number two, if you could answer his earlier question about your re-election bid. A lot of people are concerned about that possibility, because of the long-term consequences to democracy. Thank you.

PRESIDENT URIBE: Your second question. I won the President of Colombia, not -- but Colombia needs the long-term duration vision for three policies: Democratic security, investment confidence and the consequence of both, social cohesion.

Every government, every candidate speaks about social cohesion, some of them fulfill their promises, others do not. During my long life, my generation has not lived one single day of complete peace. This is one of the reasons for me to request from my fellow country

citizens the necessity to persevere in our policy on democratic security. For the new generation of Colombia to have the possibility to live happily in our country.

I remember many political moments in my country. I saw two presidents committed with security, but they couldn't fulfill their goals. For instead of speaking of the new relation of the president, I am requesting the necessity to re-elect the policies. I have seen all the governments of Colombia, without hostility regarding private investors, but I haven't seen governments in Colombia with a strong determination to promote investment in our country.

What makes the difference between our government and the past, is the determination, the strong determination our government has put through to attract investments in Columbia.

Your first point question, yesterday I was asked about this task, this conversation. The only gave was it was a constructive telephone conversation. I asked for your comprehension to know 100 percent interest of 45 million Colombians, and I have to be very prudent. I know how difficult it is to talk about politics in times of hot politics.

MS. HILLS: Let's see, let's take one more over here, and then we're going to wrap it up.

SPEAKER: Mr. Uribe, do you think the Central Bank of Colombia --

PRESIDENT URIBE: Do I --

SPEAKER: Sorry, I'm -- from Bloomberg news, and do you think the Central Bank of Colombia would be irresponsible, if it keeps the interest rates unchanged today?

PRESIDENT URIBE: Do you know my answer? First I respect the independence of our Central Bank. Second, I admire the decisions our Central Bank made at the right time. The Central Bank in Colombia made a decision at the right time, to prevent Colombian's from going to what we -- what we could call a spree in a lending. The Central Bank avoided the risk of a spree, of any excess of confidence in lending. Therefore Colombia had had this in check. And the -- positive point is that the Central Bank prevented Colombia from getting in what we could call inflationary -- .

I recognize these two positive decisions. I have fears for -- of high interest rates in the future. Because it could -- the level of consumption. It could tell our country to destroy jobs. We still have a high level of poverty, therefore for that remember the prevalence of universal democratic values, needs, political stability. And to get political stability, you need high quality jobs, as one essential step to reduce poverty.

MS. HILLS: I think we're -- we ran out of time.

PRESIDENT URIBE: Could I --

MS. HILLS: Yes.

PRESIDENT URIBE: To someone else?

MS. HILLS: You are, it is your schedule.

PRESIDENT URIBE: --

SPEAKER: MR. President, two days ago, the Washington Post published an article, linking the commander of the army, General Mario Montoya with the Paramilitaries. What do you think about that article of the Washington Post?

PRESIDENT URIBE: I have already spoken to you about that, intangible good resource of our policy, on democratic security. In the past the majority of Colombian's didn't want to recruit to the state for protection. They were in the middle of indifference or they wanted to solve the problem by themselves.

Now the majority of the Colombian's have recovered confidence and the possibility to find protection in their state. And they have abandoned the fear to give testimony, and they have left behind the fear to claim for the rights as victims.

What I have said is that Colombia cannot pass from the only state of fear to give testimony, to a new state of manipulation of -- . General Montoya is a transparent effective General. He fire a soldier some years ago, the General persecuted in Colombia knows the case very well, and the soldier has accused General Montoya without supporting on the facts.

I want to remember that General Montoya has been a key leader, one of the key leaders in our policy on democratic security. He's

one of the members of the team -- how to rescue -- and the three American hostages. -- no violent rescue.

SPEAKER: Non-violent, non-cruel.

PRESIDENT URIBE: Non-cruel rescue.

MS. HILLS: Mr. President it is your floor, you're welcome to stay with us as long as you wish, but I have a feeling your Ambassador would like you to go.

SPEAKER: (Spanish)

PRESIDENT URIBE: The more the questions for me, the risk to part the line of prudence.

SPEAKER: Sorry, President my name is Carlos Valera from Lima, Peru. I have a question regarding --

PRESIDENT URIBE: That roll off --

MR. VALERA: And for towards the creation of instability in the war against terrorism in Colombia, and the efforts to bring foreign investment to your country. Thank you.

PRESIDENT URIBE: -- we considered that it is very important to have an -- because an -- gives us the floor to discuss openly our problems, and to learn how to live in the middle of diversity. For me it is very important for instance to have one equilibrium -- . The necessity to respect all the multilateral institutions.

Second the necessity to oppose violence, and third the necessity to respect the principle of no intervention. For this equilibrium is

very important challenge for -- or for any other multilateral institution as well.

Referring to investment, I have already given my main points on how Colombia is making decisions to become much more attractive for investments, one final question, the lady.

MS. HOOVER: Thank you, I'm Sutandra Hoover, I work for the International Organization for Migration. I just returned two years from --

PRESIDENT URIBE: Please speak up.

MS. HOOVER: I'm sorry, the International Organization for Migration -- I just returned from two years in Colombia working on the reinsertion of the demobilized ex-combatants. And I was wondering, you spoke significantly about social cohesion and what the possibility would be, or the advancement for the reintegration of the ex-combatants into Colombia.

PRESIDENT URIBE: When our administration began Colombia had roughly speaking 60,000 members of the terrorist groups. We have seen the demobilization of 48,000, if it has no comparison in the world 48,000. We have offered to already one of them the program of the -
- It's a very costly project, but we are working to move forward, and successfully with this project, we have to invest a lot of money in this project day by day.

3,000 of them happily relapse in crimes; against those relapsing in crimes we apply all the force of our democratic institutions. We give opportunity for those wanting to demobilize, but we have to proceed with all the force against those who reoccur in crimes. 3,000 of them have reoccurring crimes. For those wanting to fulfill their obligations of demobilized people, we have all the positive space or the constructive willingness.

SPEAKER: Thank you Mr. President, Sam Gilston with Washington Tariff and Trade Letter. I had the privilege of being in your country in Colombia, and traveling with you to Bahia.

Two questions, one what is your assessment of what you've heard in Washington this week, on the chances of getting a vote on the free trade agreement, either in a lame duck session or next year sometime? And also, some of the democrats in Congress have suggested that even though you've made impressive gains in many of these measures of security, and that there is still more to be done. Are you talking to anybody about specific changes, additional changes that might need to be made to satisfy those demands?

PRESIDENT URIBE: We work everyday we dislike complacency. We work everyday to get better results, but one with questions could be what is better for Colombia? To give a tool for Colombia? To get better results or to deny the tool to Colombia?

The free trade agreement is a tool for us, to get better results. Because the free trade agreement give opportunity to have more investments for our country. Let me refer to the case of the trade unions. We're still have cases of assassination, but we cannot remember that why? So far this year we have had 11,400 cases of homicides in Colombia; at the same time we have suffered the assassination of 30 people, included trade unions, unionized teachers, and independent teachers.

If you compare a specific group, with the country as a whole, you see that the rate is much more big and dangerous for the country as a whole. But we are working with all the determination for my country to reach one day, when we can say zero cases of trade unions assassinated.

Protection, my government has under -- protection, almost 10,000 Colombians. Almost 2,000 are trade unions. We pay for a million dollars from our -- to sustain this project. Impunity, we have almost doubled the -- for the justice administration. We are working under the umbrella of the International Labor Organization, with a three-part type agreement, to overcome impunity.

Our agreement involving the government, excuse me the state, the government and the justice administration, that is independent in our country, employers and workers.

So far we have produced 123 sentences, during our administration, 122 sentences, only one sentence before our

administration. So far, we have taken to jail 134 people convicted as having been perpetrators of crimes against the trade unions. Therefore we are working to protect trade unions, we are working to -- violence in Colombia, and we are working to overcome impunity. And we are not satisfied.

And we speak about the Colombian advances; we recognize that we need much more resources. Thank you very much.

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/s/Carleton J. Anderson, III

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