Colombia


Bogotá



7.1 School years (2012)
9.3 Unemployment (%, July 2014)
33.2 Homicides (per 100,000 inhabitants, 2008-2011)

Population
48
million

98th
Human Development Index
UNDP

43th
Doing Business
World Bank

69th
Global Competitiveness
World Economic Forum

2008	3.5
2009	1.7
2010	4.0
2011	6.6
2012	4.1
2013	4.3
2014(e)	4.6
2015(e)	4.5

GDP
growth(%)

23.6 Fixed investment (% of GDP)

3.0 Inflation (Consumer price index, August 2004, % annualized)

24.4 External debt (% GDP)



"The relationship between Brazil and Colombia is in a particularly dynamic phase. Exponential growth of bilateral trade in the past decade resulted in flows of more than US$4 billion in 2013. Brazilian companies have played an important role in the expansion and modernization of Colombian infrastructure, with Brazilian building companies at the head of construction of roads, power facilities, and river navigation, among other areas. Brazil has cooperated with Colombia in such strategic areas as the development of family agriculture, scholarships for college students, and the training of platoons specialized in removing land mines. Repeatedly we have demonstrated our support for the peace process and will continue to work with Colombia to develop the country post-conflict. "

Maria Elisa Berenguer
Brazilian Ambassador to Colombia



"Natura has been operating in Colombia for seven years. The country is now one of our key markets in Latin America after Argentina and Mexico. Steady growth of the local economy, averaging 4.7% for the past four years, strengthens the prospects for our company there. Currently we have 50,000 consultants in Colombia and 15% of the products we sell in the country are produced locally. We continue investing in expansion of our network of consultants and in activities to enhance our brand preference and profitability. Natura's international operations in Latin America and France now represent 18% of the company's overall net income, which has grown on average 40% a year since 2009."

Erasmo Toledo
Vice President of International Operations, Natura

(e) World bank estimates.
Sources: United Nations Economic Commission for Latin America and the Caribbean (ECLAC), United Nations Development Programme (UNDP), Central Bank of Colombia, United Nations Conference on Trade and Development (UNCTAD), World bank, World Economic Forum.



Colombia: The oil illusion

Solange Monteiro

COLOMBIA HAS BEEN benefitting from high prices for its main export commodities—oil, coal, and coffee—and from favorable financial conditions. But the major concern in the medium term is public finances because the country is dependent on oil revenue, which is expected to decline in the next few years. "Colombia cannot run the risk of continuing this dependency," said Roberto Steiner, director of the Foundation for Higher Education and Development, stressing that the government is already working with an expectation of declining oil revenues. "In the medium term, oil revenues are expected to decrease from 2.5% to 1.7% of GDP," Steiner calculated.

The country has managed to keep inflation on target for more than five years and has a benchmark interest rate of 4.5%, consistent with growth of 4–5%. It has also been successful in gradually reducing high unemployment, thanks in part to a reform in 2012 that reduced payroll taxes by 13.5%, making hiring less costly.

Steiner pointed out that Colombia stands out for attracting foreign direct investment of 5% of GDP, adding "What helped to attract foreign investment was the reduction of the tax on capital inflows in 2012."

On the other hand, the surge of capital coming in caused the peso to appreciate by 7.5% between March and August this year. The question now is the magnitude of the correction when the capital flows decline, and how a possibly large correction will affect inflation. "We can be optimistic, since we managed to curb inflation in other critical situations, as in the months after the fall of Lehman Brothers in 2008, when the peso devalued by 40%," Steiner said. "A less appreciated peso could open up opportunities for industry and the agribusiness sector, which currently suffer from the appreciation."



Roberto Steiner

"Colombia cannot run the risk of continuing its oil dependency."

Steiner believes the two main areas of concern for Colombia are the growing external current account deficit—a clear sign of dependence on traditional exports and an imbalance between what the country produces and what it consumes—and the fiscal stance. "We depend on the quality of public policy to meet our goals," he said. In the medium term, Steiner estimates that demands for spending on pensions, health, and education will require about 2 percentage points of GDP in additional public spending. "The risk is that the solution to financing the additional spending will be a major tax increase, which would threaten the competitiveness of Colombian companies," he warned. "Today we have temporary taxes that have become permanent, an excessive number of tax exemptions, and inefficient tax collection. Instead of increasing taxes, we should focus on improving the tax system."