

COLOMBIA

A leader in open markets

Posted on Wed, Oct. 17, 2007

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Colombia has been ranked as the top reformer in Latin America for the second time according to the Doing Business 2008 report prepared by the International Finance Corporation, the branch of the World Bank Group that supports private sector. In the report, Colombia ranks sixth among the 10 countries that have made the most reforms to improve their investment climate.

This reflects the efforts and interest of Colombians in facilitating trade and implementing measures to improve efficiency, speed-up trade, and legally protect and expand foreign investments.

One of the most relevant improvements in the country's trade sector includes the streamlining of customs procedures and the reduced time to complete processes in ports and terminals. In addition, Colombia has increased transparency in foreign-trade requirements, making investments more secure. It has also introduced an electronic system for submitting tax returns and is in the process of gradually lowering tax rates for businesses.

Colombia has also taken significant steps towards a reduction in the instability and violence that has plagued the country for decades. The country has not only provided more security for its own citizens but also for foreign investors, with nearly 80 percent fewer kidnappings and 62 percent fewer terrorist attacks in the last four years. This, together with the country's stable macroeconomic indicators, has paved the way for a gradual economic upturn, with growth rates at more than 5 percent.

Great potential

The country has been preparing strongly for integration into the global economy. The Ministry of Commerce, Industry and Tourism aims for Colombia to have nine free trade agreements by 2010. This would allow access to 54 countries with more than one billion consumers, while attracting the foreign investment required for greater industrial development.

In this context, Colombia shows great potential for sustained growth that will surely be encouraged if the country manages to gain access to new markets through free-trade expansion, just as other countries in the region have done or will do soon.

Latin America has taken very important steps in this respect in the last two decades. In 1980, the region's total exports to developed countries amounted to 9 percent of the gross domestic product, while now they account for 16 percent. Imports have also increased in the same period from 9 percent to 18 percent, allowing consumers to choose from a wider range of products and facilitating access to better supplies and technology for businesses to compete more successfully.

As with other Latin American countries, Colombia is prepared to go even further. Last year's negotiations toward a free-trade agreement with the United States are undeniable proof that the country is ready to take advantage of trade liberalization. Furthermore, the country is opening its economy based on the idea that expanded trade will improve the quality of life for its population.

In reality, the main challenge of trade liberalization is to ensure that everyone is benefiting from a more favorable inclusion into globalization. The goal is for all citizens to have the opportunity to adapt to the new rules through increased training, quality education and better social safety nets that protect workers from the inevitable changes resulting from market integration.

It is therefore crucial to invest in education and infrastructure, as well as to rely on policies that help those adversely affected by trade flow changes.

As with other Latin American countries, Colombia also faces the challenge of reducing the social gap. Additionally, it needs to strengthen governmental institutions in order to improve their accountability and responsiveness to citizens' demands.

The World Bank will continue to be a leading partner with Colombia in the quest to build a more prosperous, humane society -- rooted in a lasting peace -- for all of its citizens.

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