

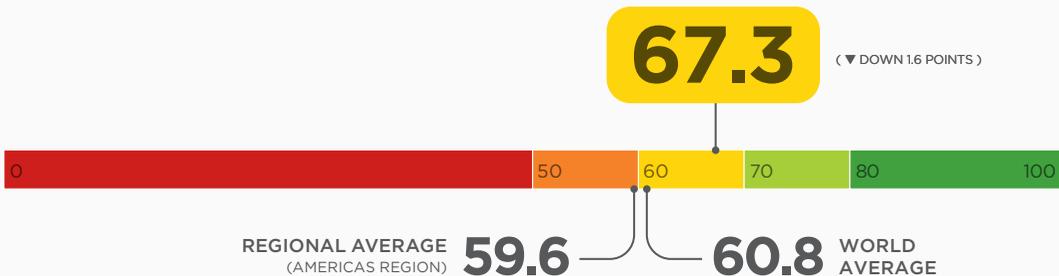
# COLOMBIA

Colombia's economic freedom score is 67.3, making its economy the 49th freest in the 2019 *Index*. Its overall score has decreased by 1.6 points, with worsening **tax burden**, **business freedom**, and **trade freedom** scores overpowering modest improvements in **labor freedom** and **monetary freedom**. Colombia is ranked 8th among 32 countries in the Americas region, and its overall score is above the regional and world averages. Deeper institutional reforms are needed to strengthen the rule of law and reduce corruption.

Deeper institutional reforms are needed to strengthen the rule of law and reduce corruption. Fiscal reform and constitutional and judicial reforms will be among the key policy goals in the government's efforts to promote entrepreneurship. The Duque administration is likely to follow orthodox economic policies, underpinning macroeconomic stability. Its budgetary priorities stress economic reactivation measures and include incentives for minerals and hydrocarbons exploration and for infrastructure projects as well as tax breaks for investments in innovation.



## ECONOMIC FREEDOM SCORE

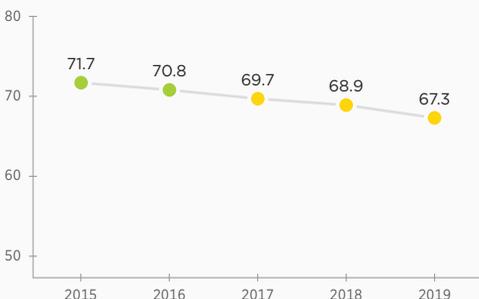


**RELATIVE STRENGTHS:**  
Investment Freedom and  
Fiscal Health

**HISTORICAL INDEX SCORE CHANGE (SINCE 1995):**  
+2.8

**CONCERNS:**  
Government Integrity and  
Judicial Effectiveness

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
49.3 million

**GDP (PPP):**  
\$714.0 billion  
1.8% growth in 2017  
5-year compound  
annual growth 3.2%  
\$14,485 per capita

**UNEMPLOYMENT:**  
8.9%

**INFLATION (CPI):**  
4.3%

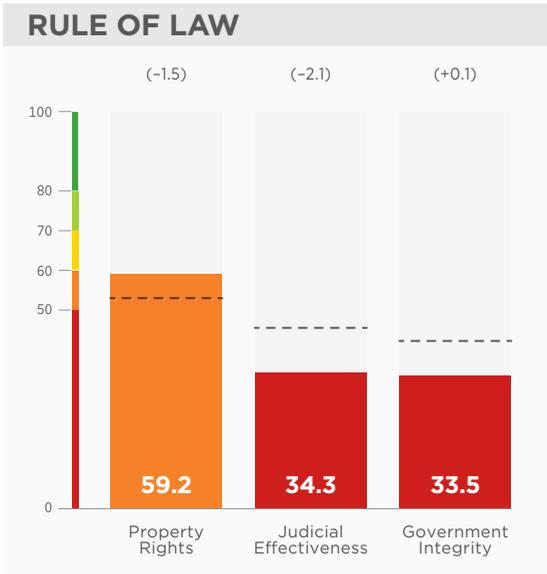
**FDI INFLOW:**  
\$14.5 billion

**PUBLIC DEBT:**  
49.4% of GDP

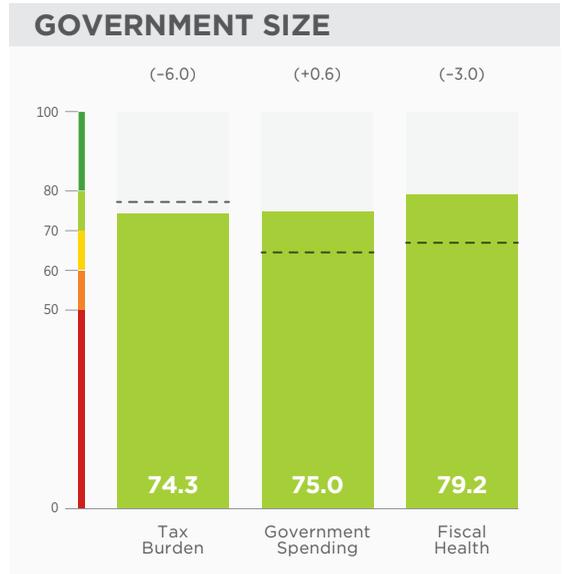
*2017 data unless otherwise noted. Data compiled as of September 2018*

**BACKGROUND:** Colombia is Latin America's oldest democracy and third-largest economy. A five-decade guerrilla insurgency led principally by the narco-funded Revolutionary Armed Forces of Colombia (FARC) caused hundreds of thousands of casualties. Iván Duque, a young center-right protégé of former President Alvaro Uribe, won 54 percent of the vote in the 2018 election on campaign promises of tougher peace negotiations with the FARC, economic growth for job creation, better health care, and anticorruption efforts. Unfortunately, the country Duque inherited is once again the world's largest producer of cocaine. The Colombian economy is heavily dependent on exports of petroleum, coffee, and cut flowers. Colombia is a founding member of the Pacific Alliance and has free-trade agreements with the U.S. and many other nations.

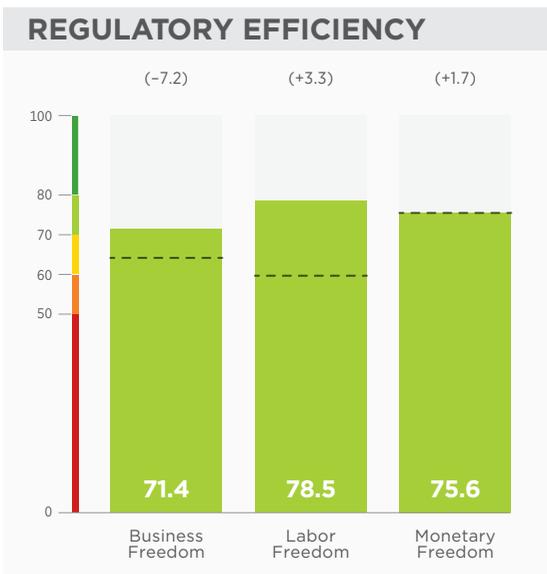
# 12 ECONOMIC FREEDOMS | COLOMBIA



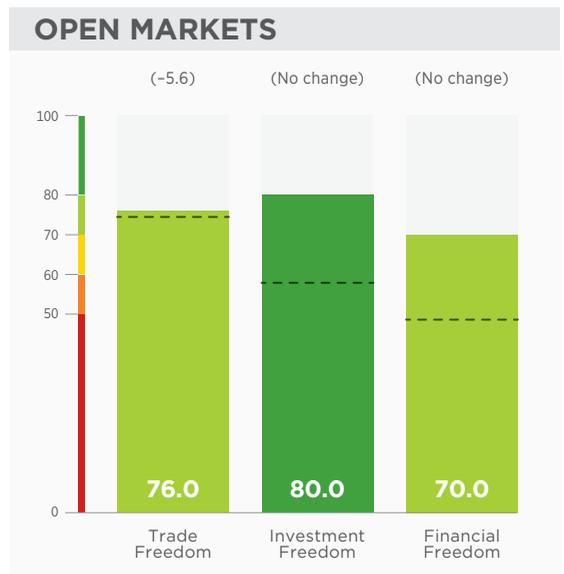
Property rights are generally enforced. The justice system exhibits independence from the executive, but corruption, bribery, influence peddling, and abuse of privileged information persist. Drug trafficking and the violence and corruption that it engenders continue to erode institutions. Colombia was low-ranked on corruption (125th) and security (132nd) in the World Economic Forum's 2017 *Global Competitiveness Index*.



The top individual income and corporate tax rates are 33 percent. Other taxes include value-added and financial transactions taxes. The overall tax burden equals 19.9 percent of total domestic income. Over the past three years, government spending has amounted to 28.9 percent of the country's output (GDP), and budget deficits have averaged 3.2 percent of GDP. Public debt is equivalent to 49.4 percent of GDP.



Simplified procedures for establishing and running a business have improved the efficiency of the overall business environment. The labor regulatory framework is generally conducive to private business activity and job growth, but reforms are needed to lower nonwage costs. In an effort to reduce record levels of cocaine output, the government has offered subsidies to farmers who would agree to shift away from growing coca.



The combined value of exports and imports is equal to 34.9 percent of GDP. The average applied tariff rate is 7.0 percent. As of June 30, 2018, according to the WTO, Colombia had 149 nontariff measures in force. Foreign investment in some sectors is subject to investment registration and concession agreements with the government. Foreign investors may own 100 percent of financial institutions. Credit is generally allocated on market terms.