COLOMBIA

Colombia’s economic freedom score is 65.1, making its economy the 60th freest in the 2022 Index. Colombia is ranked 12th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Economic growth turned seriously negative in Colombia in 2020 but rebounded in 2021. The five-year average growth rate was only 0.5 percent. A five-year trend of gradually declining economic freedom has intensified. Dragged down by score decreases in property rights and fiscal health, Colombia has recorded a 4.6-point overall loss of economic freedom since 2017 and has fallen from the top of the “Moderately Free” category to the middle. Trade freedom, monetary freedom, and investment freedom are strong, but government integrity and labor freedom exhibit weaknesses.

IMPACT OF COVID-19: As of December 1, 2021, 128,586 deaths had been attributed to the pandemic in Colombia, and the government’s response to the crisis ranked 43rd among the countries included in this Index in terms of its stringency. The economy contracted by 6.8 percent in 2020.

BACKGROUND: Colombia is South America’s oldest democracy and fourth-largest economy. Center-right President Iván Duque will finish his single four-year term after the presidential election in May 2022. His administration has been characterized by declining approval ratings, fractious relations with Congress, and mass social unrest accompanied by sometimes deadly violence and looting and fomented by domestic and foreign narco-terrorist groups. Colombia remains the world’s top producer and exporter of cocaine. Although Colombia did not join Beijing’s Belt and Road Initiative, China has expanded its investments in natural resources and infrastructure projects. Colombia is a founding member of the Pacific Alliance and has free-trade agreements with the U.S. and many other nations.
Secured interests in real property and, to a lesser degree, movable property are recognized and generally enforced after the property is properly registered. The judicial system is generally regarded as competent, fair, and reliable, although corruption, bribery, influence peddling, and abuse of privileged information persist. Violence fomented by domestic and hostile foreign actors and corruption engendered by drug trafficking continue to erode institutions and political stability.

The top individual income tax rate is 39 percent, and the top corporate tax rate has been cut to 31 percent. Other taxes include value-added and financial transactions taxes. The overall tax burden equals 19.7 percent of total domestic income. Government spending has amounted to 33.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.7 percent of GDP. Public debt is equivalent to 62.8 percent of GDP.

Narco-criminal groups threaten many businesses, and the country is losing competitiveness. About half of the Colombian workforce in cities and four-fifths in rural areas work in the informal economy. The unemployment rate was 17.3 percent at the end of 2020. Amid months of violent and deadly leftist protests, the government was forced to increase many subsidies in 2021 despite fiscal weakness.

Colombia has 15 preferential trade agreements in force. The trade-weighted average tariff rate is 6.8 percent, and 153 nontariff measures are in effect. In general, government policies do not interfere significantly with foreign investment. The financial sector remains resilient. Reforms continue to focus on and promote the development of capital markets by enhancing flexibility and competition.