

COLOMBIA

Business Conditions Snapshot

- Colombia has the fourth largest economy in Latin America. Before COVID-19, Colombia's economic growth was accelerating, up from 1.4 per cent in 2017 to 3.4 per cent in 2019.
- With a sustained record of sound macroeconomic and fiscal management, an inflation targeting strategy and a flexible exchange rate, Colombia has maintained its investment grade credit rating since 2013 (current Baa2-Moodys; BBB-Fitch; BBB-S&P). Poverty has halved over the past 10 years.
- While the pandemic has caused Colombia's first recession in two decades, President Duque's government reacted quickly with a broad economic response package. It builds on major tax reforms introduced in 2020, and aims to generate jobs, reduce poverty, promote green growth and support rural development by implementing the historic 2016 peace agreement. The package includes business-friendly measures to stimulate investment, accelerate key infrastructure projects, grow the digital economy, increase renewable energy production and build transmission capacity.
- In 2019 Colombia recorded its highest position (57/141) ever in the World Economic Forum's Global Competitiveness Report, scoring fourth in Latin America. However major challenges remain, including corruption, poor infrastructure, legal uncertainty (especially within the extractive industries), insecurity in some areas left by the ex-Revolutionary Armed Forces of Colombia (ex-FARC guerrillas), income inequality, and the recent influx of some 1.8 million Venezuelan migrants.
- Colombia is a member of the Cairns Group of agricultural exporting countries and the Pacific Alliance trade bloc, with which Australia is negotiating a free trade agreement. Colombia also became a full member of the Organisation for Economic Co-operation and Development (OECD) in April 2020, which will promote better public policies and an improved business environment.

Key facts and figures

- Population: 49.8 million (2018)
- GDP growth: 3.4 per cent (2019)
- GDP per capita: US\$6,508.1 (2019)
- Political system: Presidential democracy
- Two-way trade: A\$992 million (2019)
- Key goods and services traded: education services, coffee, coal, crude vegetable matter, electrical circuits equipment, civil engineering equipment and parts
- Two-way investment: A\$489 million (2018)
Major investments: mining and mining equipment, infrastructure, technology and services, manufacturing





Trade and Investment Opportunities

- The historic 2016 agreement between the government and the former FARC guerrilla movement has opened previously off-limits areas to investment in mining, renewable energy, agribusiness, water treatment, infrastructure and tourism.
- Education is Australia's most recognised services export to Colombia, valued at A\$820 million in 2019 (up 27.7 per cent from the previous year).
 - In 2019, there were 20,718 Colombian students enrolled in Australia, up 22 per cent from 2018.
 - Colombia is Australia's fifth largest market by enrolments overall, and second largest for English Language Intensive Courses for Overseas Students (ELICOS), behind China.
- Colombia's infrastructure investment gap is estimated at US\$100 billion, with major investments needed in roads, rail, ports and energy (including renewables and transmission).
- Colombia's extractives sector includes high-quality thermal coal, nickel, emeralds, copper, gold, silver and platinum. Much of Colombia's mining potential remains unexplored.
- The government's economic response package includes a plan to boost traditional agricultural exports.
 - This will likely increase the demand for sophisticated agro-technologies and machinery, such as GPS, irrigation systems and IT solutions.
 - There are also opportunities for Australia in basin and on-farm water management.
- Colombia has a global reputation in health care services and is a popular destination for medical tourism.
 - It is home to world-renowned tropical medicine research institutions and universities.
 - It also features high-quality soils and a strong legal framework for medical cannabis investment.
- Australia and Colombia signed an Air Service Agreement in February 2019 on the back of increased passengers travelling in both directions.
 - Australian tourists to Colombia increased 66 per cent to 17,172 between 2012 and 2019.

Trade Policy Focus

- Australia is currently negotiating a Free Trade Agreement with the Pacific Alliance (Colombia, Chile, Mexico and Peru).



MARKET INSIGHTS

CONNECTING AUSTRALIAN BUSINESS TO THE WORLD

- Australia will seek a comprehensive, high quality agreement.
- Areas of interest for better goods market access include agricultural products, aluminium products, mining equipment, pharmaceuticals and paper.
- By addressing existing tariff barriers and customs procedures, we aim to ensure that goods trade with Pacific Alliance countries operate as smoothly and simply as possible.
- Australia will seek further opportunities for Australian service suppliers in sectors such as education, mining-related services, financial services, telecommunications, tourism, environmental services and other professional services such as legal services, architectural design and accounting.
- Australia will also seek to address a range of issues impacting on trade, including digital trade (e.g. e-commerce) and competition policy.

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Insight current as at December 2020.



Australian Government

Department of Foreign Affairs and Trade