

Colombia: strengths, challenges & opportunities

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A large and dynamic economy

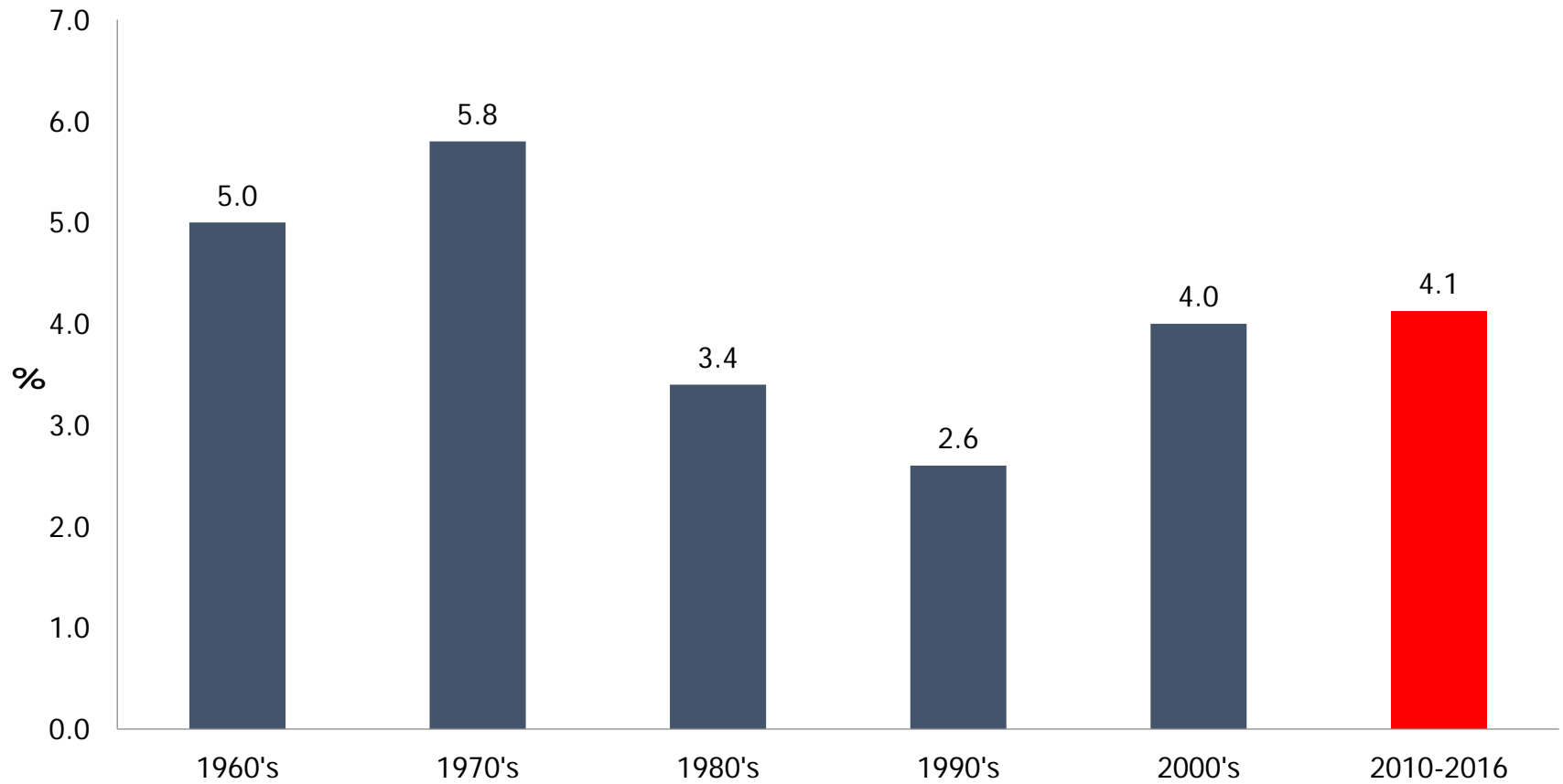
Country	Population (millions, 2015)	GDP (USD billions 2015)	Average GDP growth (2005-2015)
Argentina	43	585	3,8
Colombia*	48	292	4,6
Chile	18	243	4,0
Brazil	206	1.804	2,9
Mexico	126	1.151	2,5
Peru	31	189	5,9
Venezuela	31	371**	4,5

* Upper-middle income in IMF-Weo since 2005; ** In 2013

Source: World Bank

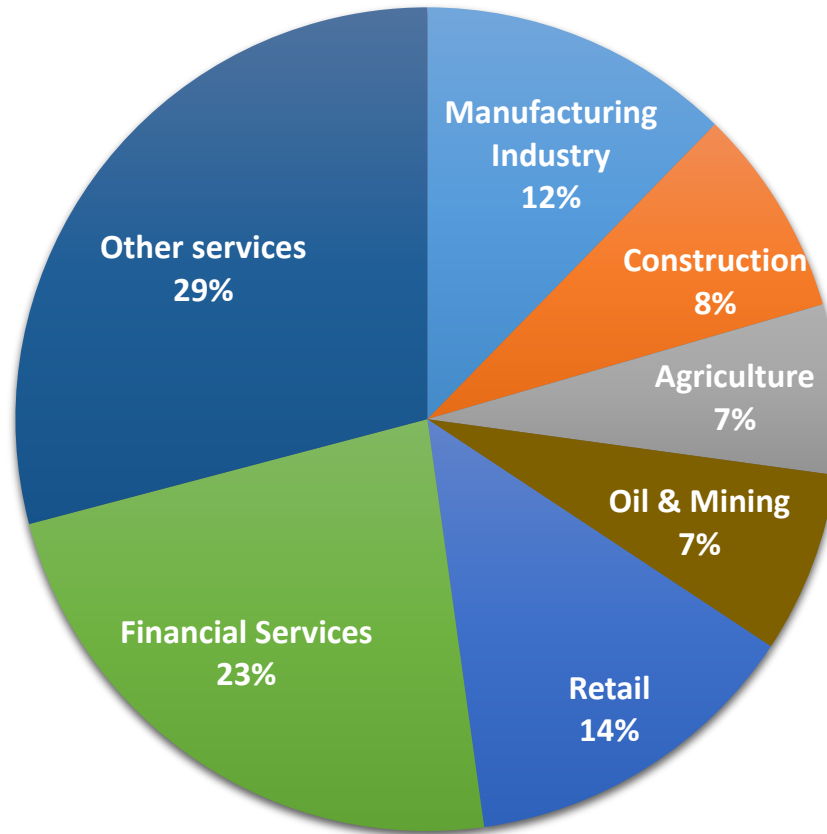
Growth has been sustained

Average GDP growth



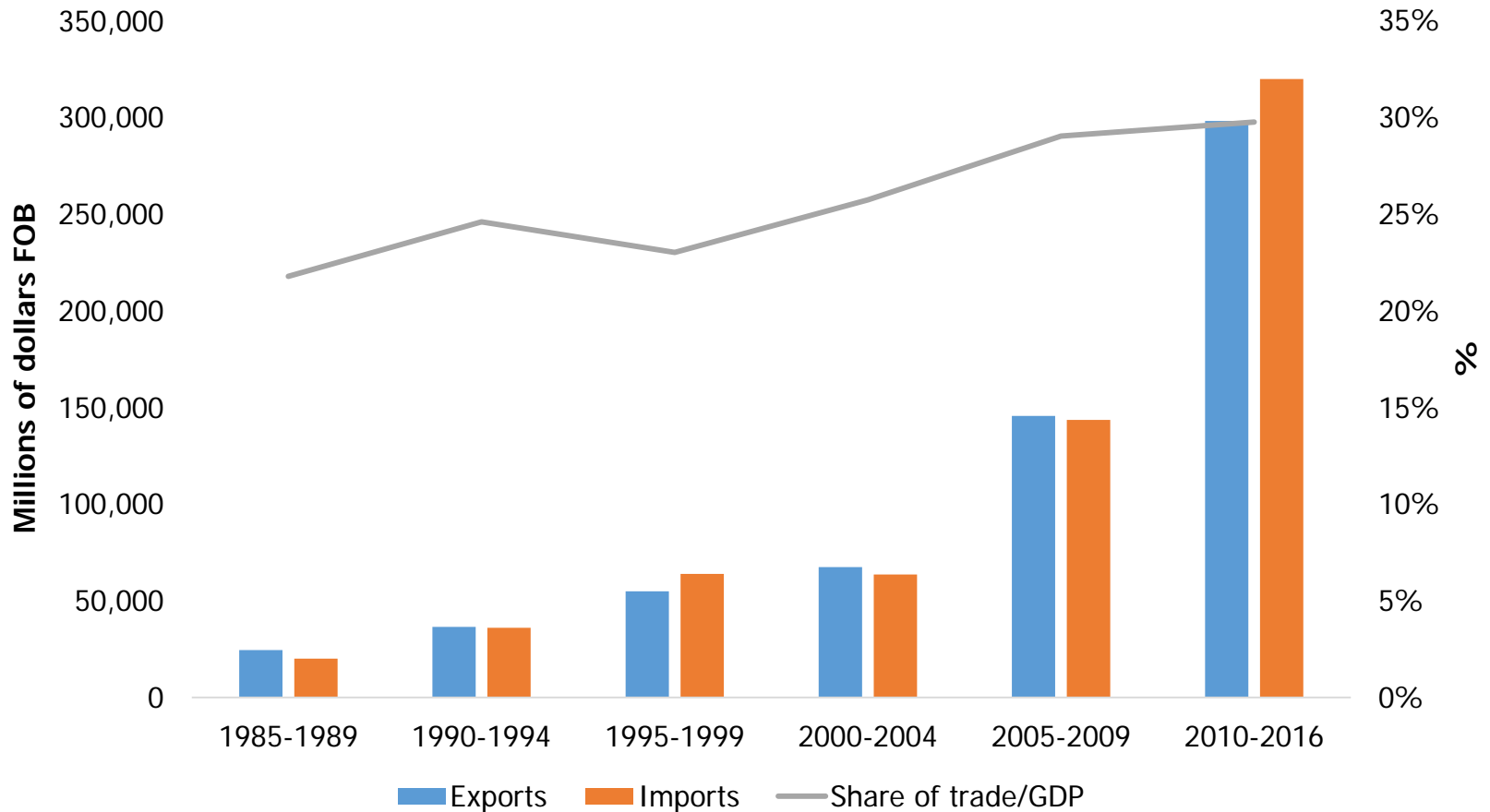
Source: DANE

Diversified output (GDP in 2016)



Source: DANE and Fedesarrollo

International trade has grown, albeit still a rather closed economy



Source: DANE and Fedesarrollo

Main trading partners

Exports

Country	USD Millions	Participation (%)
United States	10.023	31,9
European Union	4.971	18,5
Panama	1.989	6,3
China	1.161	3,7

Imports

Country	USD Millions	Participation (%)
United States	13.116	26,5
China	6.631	19,2
Mexico	3.410	7,6
Brazil	2.117	4,7

Main exports & imports

Exports	Imports
Mineral products (48%)	Machines (22%)
Vegetable products (16%)	Chemical products (16%)
Chemical products (6,3%)	Transport (10%)
Precious metals (4,6%)	Mineral products (8,9)
Metals (3,3%)	Metals (6,8)
Plastics and rubbers (4,2%)	Plastics and rubbers (6,7%)
Food products (4,1%)	Vegetable products (5,5%)
Machines (2,9%)	Food products (5,3%)
Textiles (2,3%)	Textiles (4,3%)
Transport (1,9%)	Instruments (3,4%)
Paper products (1,3%)	Bi-products (1,4%)

Some salient features

- ❑ 52% of the population is under 30 and 10 metropolitan areas have at least 1 million inhabitants
- ❑ Only country in South America with coasts on both the Atlantic and the Pacific
- ❑ Ssecond most biodiverse country in the world, after Brazil
- ❑ 1.141.748 km²; terrestrial borders with 5 countries and maritime borders with 11

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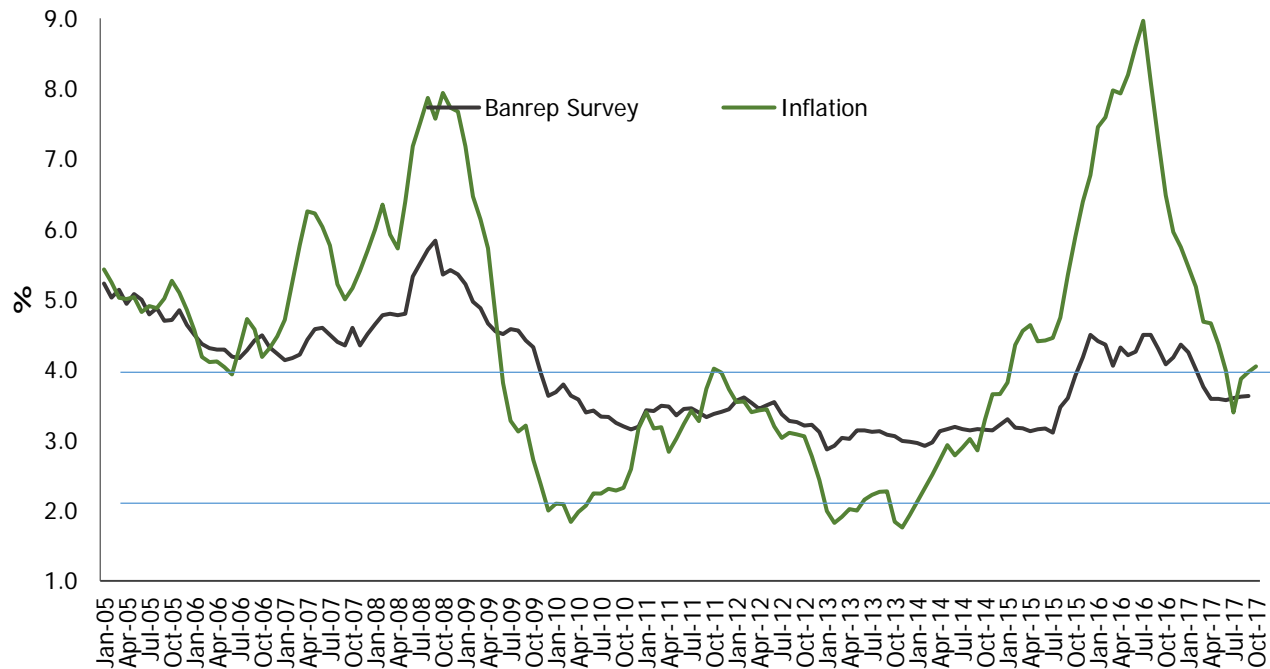
Colombia – Turkey (Trade & Investment)

Strong macroeconomic framework

- Inflation targeting under a floating exchange rate regime
- Adherence to a reasonably well-conceived fiscal rule

A successful Inflation Targeting framework

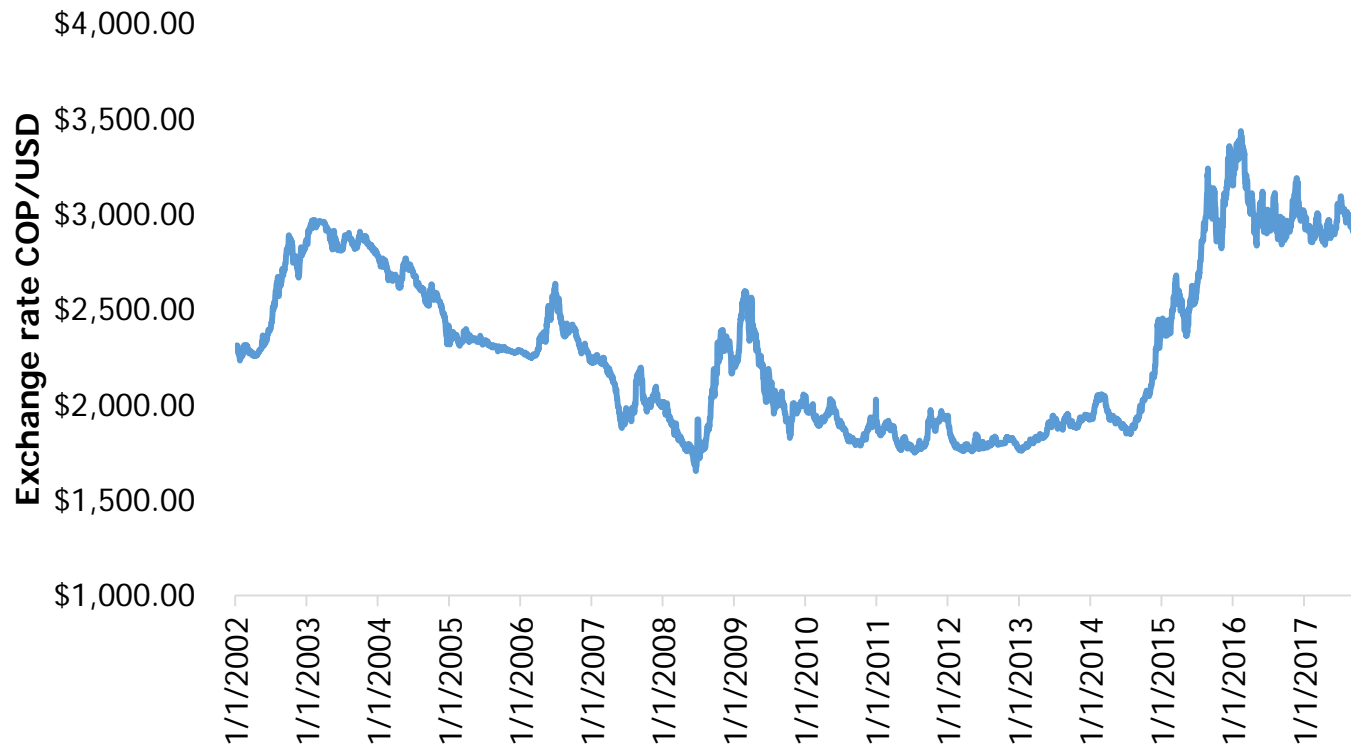
Inflation and 12-months inflation expectations



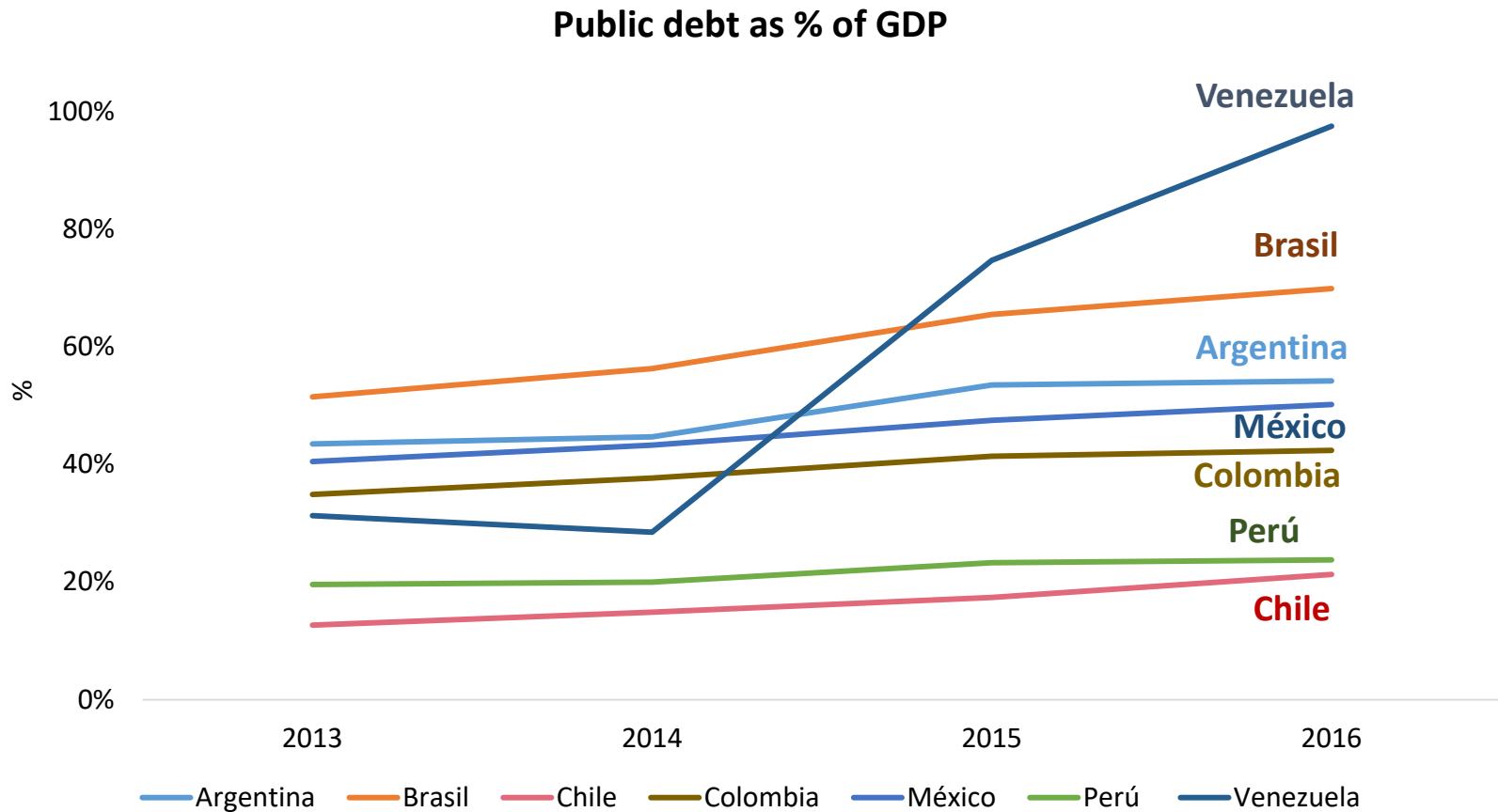
Note: Inflation expectations are from a Banco de la República survey and are 12 months ahead.

Source: Banco de la República

A truly floating exchange rate regime



A “fiscal rule” supports a moderate and sustainable public debt



Good credit standing and ample access to foreign financing

- Investment grade since 2011
- Currently BBB with stable outlook for Standard & Poor's
- One of three countries (with Mexico and Poland) with access to the IMF's Flexible Credit Line, available only to "strong performers"
- Currently, Colombia's FCL is a US\$11.35 billion dollar line of credit

Succes not withstanding, there are challenges in the macroeconomic front

- Corporate taxes are very high
- The Oil Stabilization Fund is very small

Consistent reductions in poverty & improvements in key social indicators

Head	2002	2015
Poverty	49,7%	27,8%
Middle class	16,3%	30,50%
Health insurance coverage	61,8%	94,6%
Years of education (5-19 years of age)	4,4	7,0

Source: Poverty: National Administrative Department of Statistics – DANE

Middle class: The gained decade: the evolution of the middle class in Colombia

between 2002 and 2011. Document CEDE # 50. Universidad de los Andes. And RADDAR for 2013 data.

Middle class 2015: DNP

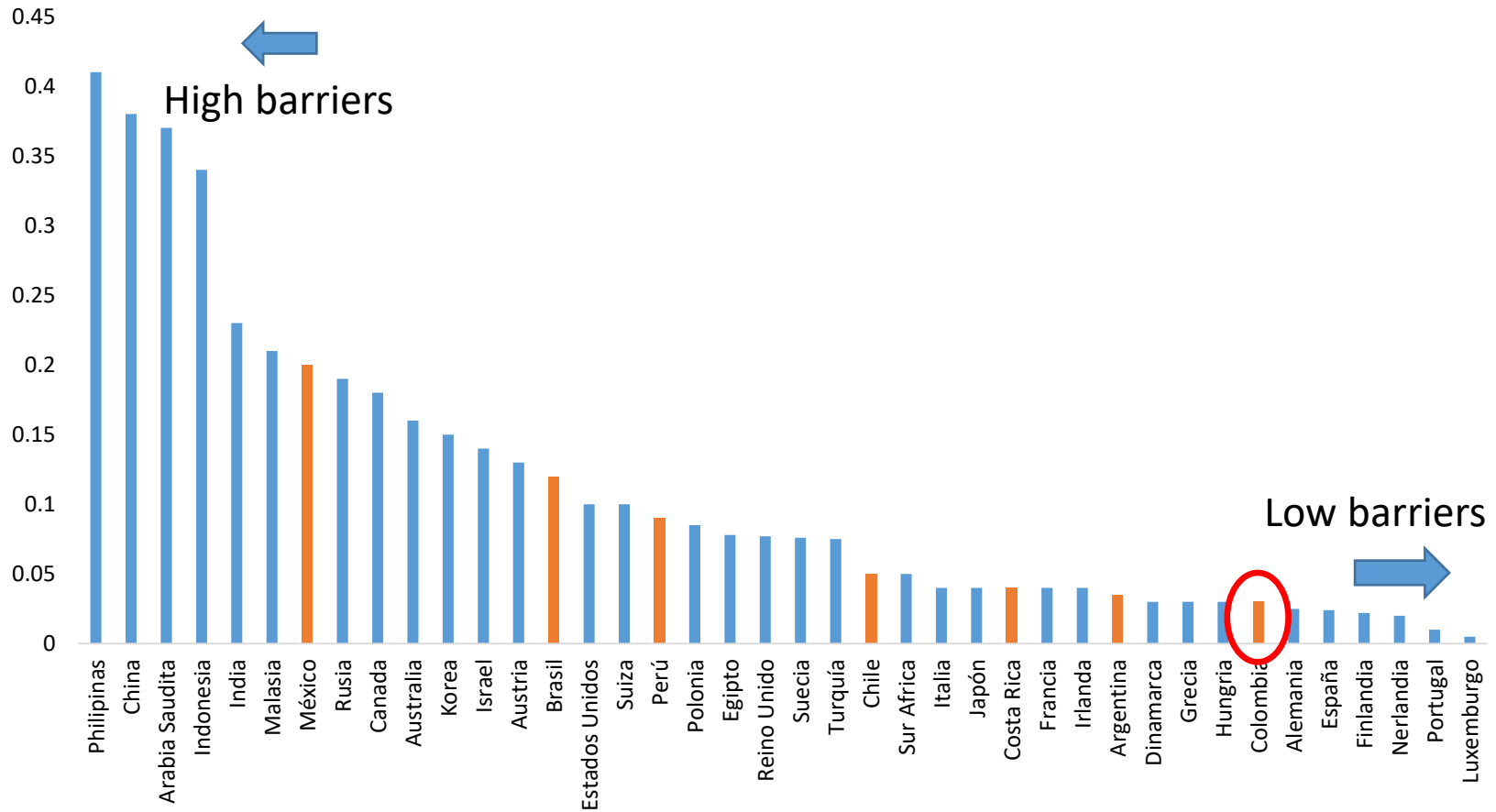
Cobertura en salud: ECV DANE

A good business environment

According to the 2017 World Bank's Doing Business, within the Latin American and Caribbean region, Colombia is:

- # 1 In obtaining credit
- #1 In protecting minority shareholders
- #2 In dealing with construction permits
- #2 In ease of doing business
- #3 In registering property
- #5 In starting a business

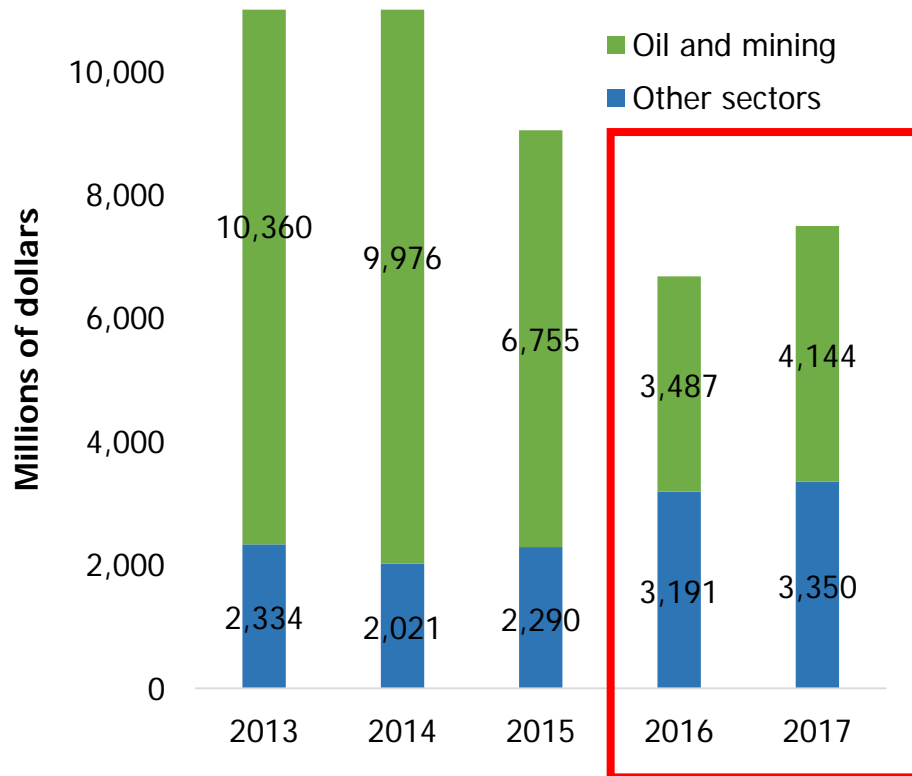
According to the OECD, Colombia has the lowest barriers to Foreign Direct Investment in Latin America



Source: OECD, 2015

Foreign Investment

Foreign Direct investment
(Accumulated January-September)



Foreign Direct investment
%GDP

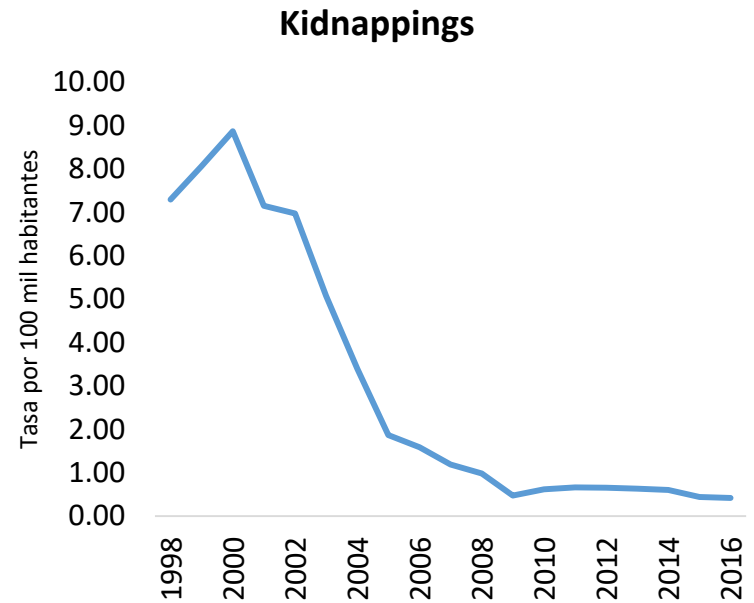
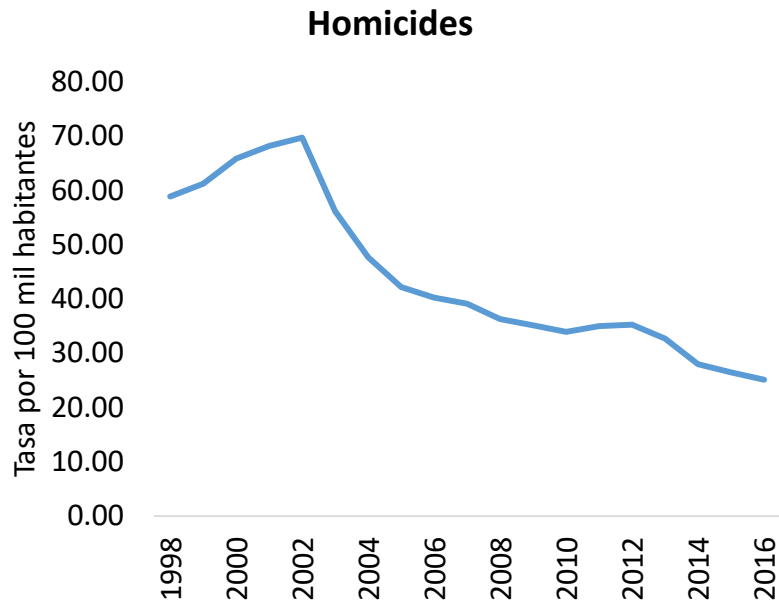
Average 2004-2016	
Chile	7,90%
Peru	4,50%
Colombia	4,10%
Brazil	3,10%
Mexico	2,60%
Argentina	2,10%

* Monthly average to September

Source: Balanza Cambiaria - Banco de la República. World Bank

Impressive progress in terms of security

- 2016 Peace Agreement with FARC
- Negotiations with ELN



Source: Ministerio de Defensa

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Challenges and weakness bring about opportunities

Significant lags in infrastructure

País	Score (1-7)	Ranking (140)
Chile	4,66	44
Mexico	4,26	57
Ecuador	3,99	71
Brazil	3,98	72
Colombia	3,67	84
Argentina	3,66	85
Peru	3,57	89
Venezuela	2,57	121

The needs in terms of infrastructure are particularly pressing with regard to transportation

A new era has begun...

Infrastructure	84	3.7
Quality of overall infrastructure	113	3.0
Quality of roads	120	2.8
Quality of railroad infrastructure	104	1.4
Quality of port infrastructure	83	3.7
Quality of air transport infrastructure	76	4.2
Available airline seat kilometers millions/week	35	693.7
Quality of electricity supply	70	4.8
Mobile-cellular telephone subscriptions /100 pop	70	115.7
Fixed-telephone lines /100 pop	71	14.4

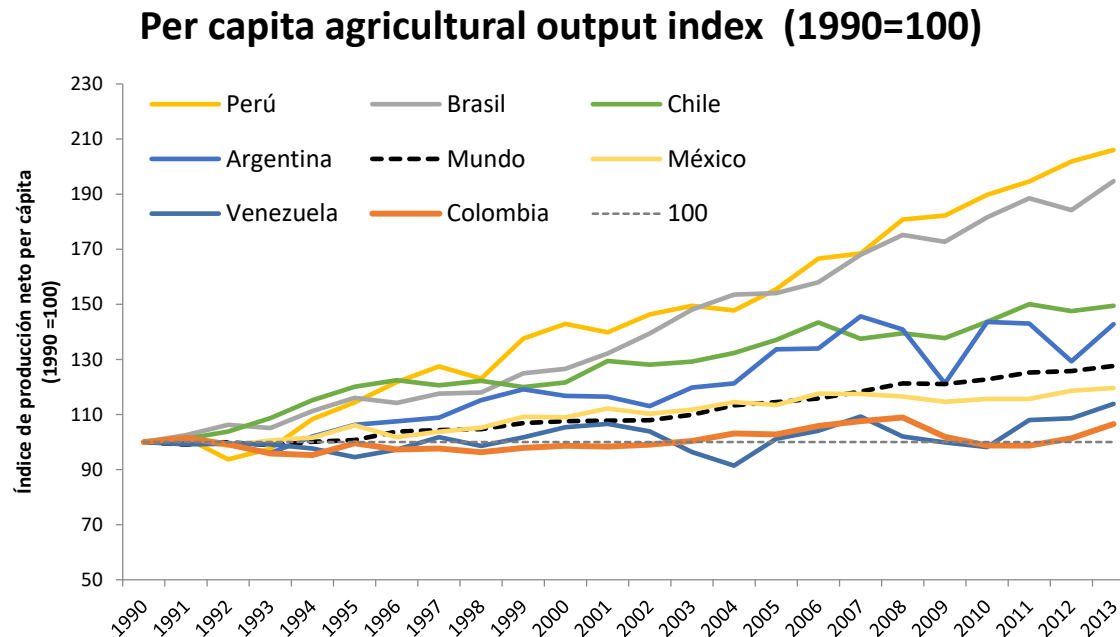
Planned investments of USD\$70 billion between 2015-2035

- ✓ Roads (4G)
- ✓ Rail
- ✓ Upgrading 31 airports
- ✓ Metro de Bogotá
- ✓ Tertiary roads

Source: World Economic Forum

Worrisome lack of dynamism in agriculture

- Since 1990 agricultural output increased 55%, whereas in Peru, Brazil, Argentina and Chile it more than doubled
- Between 1990 and 2013, agricultural output per person grew 6,6%, in sharp contrast to Peru and Brazil (106% and 95%, respectively)



Source: Fedesarrollo. Based on FAO

Land is not the issue

Sub-sector	Vocation		Current use	
	area (has)	%	area (has)	%
Agriculture	22.077.625	19,3	5.315.705	4,7
Cattle raising	15.192.738	13,3	34.898.456	30,6
Forestry	64.204.294	56,2	60.703.476	53,2
Conservation	6.303.503	5,5	4.332.133	3,8
Other	6.396.640	5,6	8.925.031	7,8

Source: IGAC (2012)

Energy

- Oil reserves have been declining
- First steps in non-conventional oil & gas
- Significant natural gas discoveries in shallow and in deep waters in the Caribbean
- Huge potential in renewables (high levels of solar radiation, velocity of winds, huge tax breaks)

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Trade agreements with 47 countries and 1,5 billion consumers...

Already operative

Alianza del Pacífico (Mexico, Colombia, Peru, Chile)
Triángulo del Norte (El Salvador, Guatemala, Honduras)
CAN (Bolivia, Colombia, Ecuador, Peru)
CARICOM (15 Caribbean nations)
MERCOSUR (Argentina, Brazil, Paraguay, Uruguay)
EFTA (Switzerland, Liechtenstein, Norway, Island)
Chile
Mexico
Canada
USA
Partial agreements with
Cuba
EU
Venezuela
Nicaragua

Under negotiation

Australia
Pakistan
Turkey
Japan

Signed, not yet operative

Israel
Panama

And 11 Investment Treaties are already operative

Operative

Mexico
Chile
Triángulo del Norte
EFTA
Canada
USA
Spain
Switzerland
Peru
China
India

Signed, not yet operative

EU
Singapour
France
Turkey
Japan

Under negotiation

Russian Fed

Alianza del Pacífico



- ✓ Four countries, 38% of LATAM's GDP
- ✓ 50% of regional trade and 47% of regional FDI

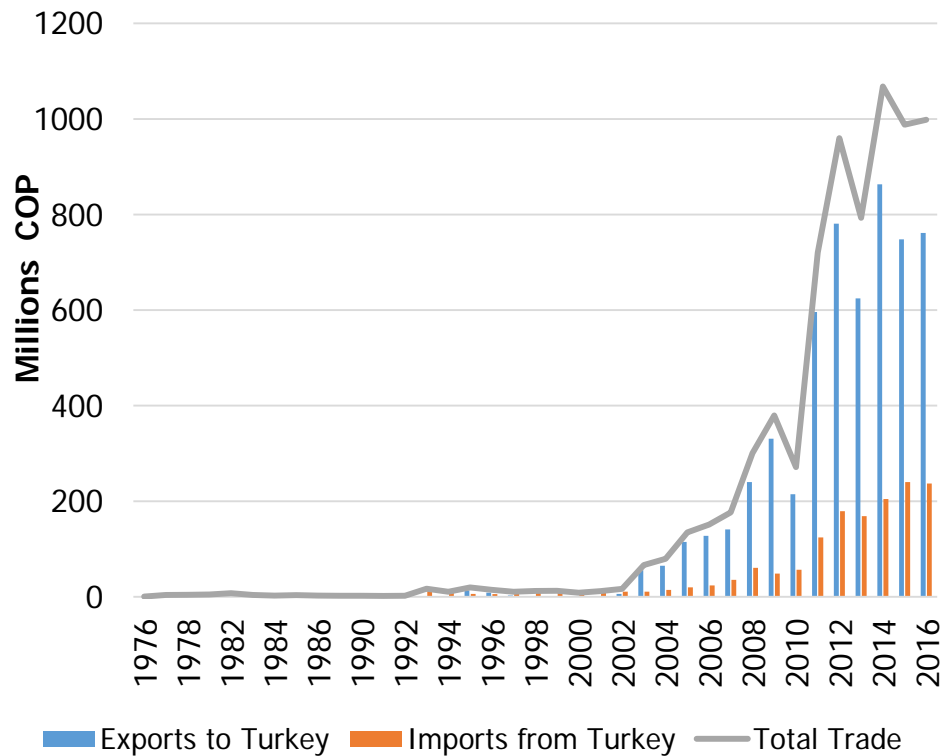
	Alianza del Pacífico	Brazil
Per capita GDP (USD)	14.226	12.026
Population (millions)	216.112	204.213

Source: World Bank, 2014

Global Competitiveness Index

Country	Ranking (140)
Chile	35
Mexico	57
Turkey	51
Colombia	61
Peru	69
Ecuador	76
Brazil	75
Argentina	106
Venezuela	132

Colombia – Turkey FTA negotiations began in 2011



Source: DANE

Colombian exports to Turkey, growing from a very low base

Sector	USD FOB 2016	Part %
Mining - Energy	753.241.442	98,90%
Non mining	8.084.377	1,10%
Agriculture	1.711.473	21,20%
Agro Industry	1.591.569	19,70%
Packaging & containers	1.264.594	15,60%
Plastic & rubber	995.314	12,30%
Chemicals	766.528	9,50%
Otros	1.753.900	21,70%
Total	761.325.820	100%

Source: Procolombia

Opportunities for Colombian exporters in Turkey

- **Agriculture and food**

Cocoa, coffee, animal feed, confectionery (candy)

- **Other manufacturing**

Crafts and household items

- **Chemicals**

Cosmetics and grooming products (aseo)

- **Apparel**

Leather manufactures, textiles (swimwear)

Opportunities for Turkey in Colombia

Investment

- **Agro industry**

Rubber

- **Manufacturing**

Auto-parts, Metallurgy, Apparel

- **Services**

Infrastructure and logistics

Exports

- **Textile**

Algodón y confecciones

- **Manufacturing**

Artillery

- **Agriculture**

Grains, nuts