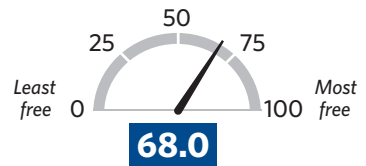


COLOMBIA

Economic Freedom Score



World Rank: **45** Regional Rank: **8**

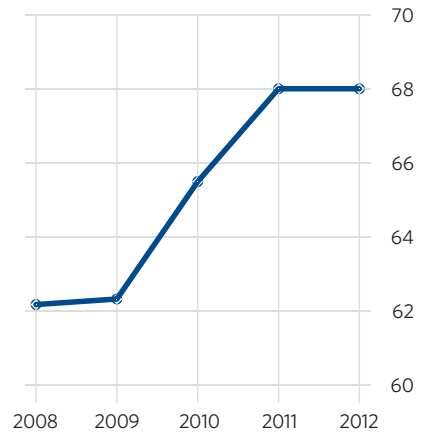
Colombia's economic freedom score is 68, making its economy the 45th freest in the 2012 *Index*. Its overall score is the same as last year, with improvements in business, labor, and monetary freedom offset by worsened scores in government spending and freedom from corruption. Colombia is ranked 8th out of 29 countries in the South and Central America/Caribbean region.

The Colombian economy has shown a moderate degree of resilience in the face of a challenging economic environment, and reform efforts have continued in many of the four pillars of economic freedom. The overall regulatory framework has become more efficient, and business procedures have been streamlined. Policies that support open markets and a strong private sector are being implemented, enhancing flows of investment and the vitality of entrepreneurship. Government spending has been expanding in recent years.

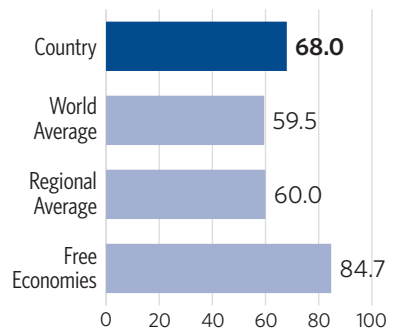
In contrast to its performance in other economic freedom pillars, Colombia has lagged in promoting the effective rule of law. The judicial system remains vulnerable to political interference, and property rights are not strongly protected. Lingering corruption further undermines freedom and hampers the emergence of more vibrant economic activity.

BACKGROUND: Colombia is one of South America's oldest continuous democracies. President Alvaro Uribe (2002–2010) fought left-wing revolutionaries and right-wing paramilitary forces to restore internal security. He also waged war on cocaine production. Security was restored to large areas of the country, and unemployment dropped significantly. Former Defense Minister Juan Manuel Santos won a presidential runoff election in June 2010. His program includes preserving "democratic security," advancing economic growth, and rectifying injustices resulting from decades of internal conflict. The economy depends heavily on exports of petroleum, coffee, and cut flowers. A long-delayed Colombia–U.S. free trade agreement is being implemented. Colombia has also concluded free trade agreements with Canada and the European Union and is pursuing stronger economic relations with China.

Freedom Trend



Country Comparisons



Quick Facts

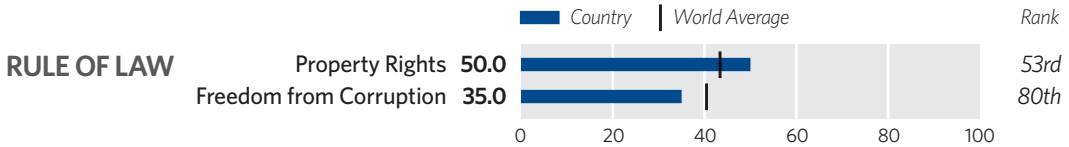
Population: 45.5 million
GDP (PPP): \$435.4 billion
 4.3% growth in 2010
 5-year compound annual growth 4.6%
 \$9,566 per capita
Unemployment: 11.8%
Inflation (CPI): 2.3%
FDI Inflow: \$6.7 billion
Public Debt: 36% of GDP

How Do We Measure Economic Freedom?

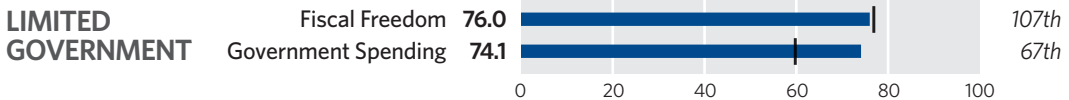
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

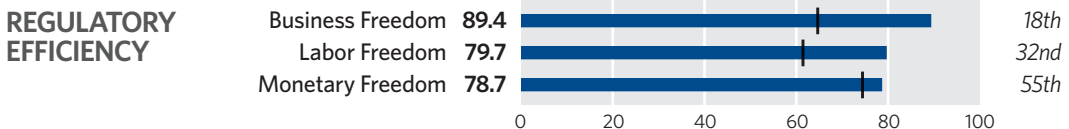
THE TEN ECONOMIC FREEDOMS



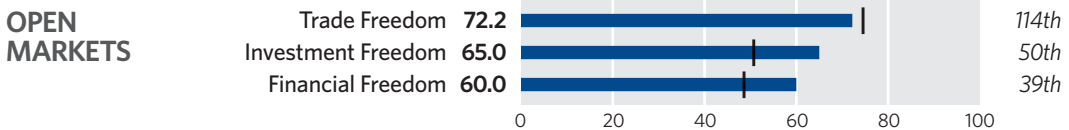
Property rights are generally respected, but infringements of intellectual property rights are common. The Inter-Sectoral Commission for Intellectual Property was created to coordinate agencies responsible for formulating and enforcing intellectual property laws. Despite improvements in fighting corruption and narcotics trafficking, concerns remain over criminal influence on the police, the military, and lower levels of the judiciary and civil service.



The top income and corporate tax rates are 33 percent. Other taxes include a value-added tax (VAT) and a financial transactions tax, and the overall tax burden is equal to 15 percent of total domestic income. Government spending has increased to 29.4 percent of total domestic output, with the budget deficit widening to 3 percent of GDP. Public debt remains below 40 percent of GDP.



Colombia has reduced the costs associated with starting a business and the time and number of procedures required for licensing. Its performance on these indicators is now better than world averages. The non-salary cost of employing a worker remains somewhat burdensome, but the severance payment system is not a significant constraint on employment growth. Inflation has been modest, but the government regulates prices of certain products.



The trade weighted tariff rate is 8.9 percent, and statutory tariff rates for over 4,000 products have recently been lowered. The investment regime can be cumbersome but is generally transparent. Foreign investment receives national treatment, and 100 percent foreign ownership is allowed in most sectors. Private institutions dominate the financial sector, which remains well capitalized. Of the 12 domestic banks in operation, one is state-owned.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+1.5	Business Freedom	+3.3	Trade Freedom	-1.0
Freedom from Corruption	-2.0	Government Spending	-4.8	Labor Freedom	+0.4	Investment Freedom	0
				Monetary Freedom	+2.9	Financial Freedom	0