
SUMMARY

1. This is the fifth review of the trade policies and practices of Colombia. During the review period, between the beginning of 2012 and the end of 2017, Colombia's GDP grew at an average annual rate of 3.3%, driven chiefly by domestic demand. Having reached annual rates exceeding 4% in 2012-2014, this growth subsided somewhat starting in 2015. In 2017, GDP is estimated to have grown by 1.8%. This slowdown was the result of a decrease in exports, particularly oil and other raw materials, and a slower growth in domestic demand. Growth is expected to pick up in 2018. In order to stimulate the economy, the authorities have launched an economic reform programme, which includes tax incentives, reductions in tariffs and other taxes, changes in the investment regime, and increased investment in infrastructure. Although the prospects for economic growth and inflation are favourable, a number of structural problems still pose a significant challenge, including the need to continue promoting diversification of the economy and reducing poverty.

2. Although Colombia applies a fiscal rule that seeks to reduce the public sector deficit to below 1% of GDP by 2022, the fiscal deficit hovered between 2% and 4% of GDP during most of the review period and it has proven impossible to initiate a downward trend. In late 2016, Colombia introduced a tax reform law that contained the series of measures to improve revenue collection, and also provided for the gradual lowering of the profits tax to 33% by 2019.

3. Colombia has introduced an inflation-targeting system, which aims to maintain a low and stable rate of inflation and achieve GDP growth close to its long-term potential. During the review period, inflation did remain relatively low and stable, within the range established by the Central Bank (Banco del la República). Colombia has a flexible exchange-rate regime. Partly owing to the fall in oil prices, the Colombian peso depreciated in real terms by almost 30% between 2012 and 2015. This sharp downward trend was followed by a real appreciation of the peso, and then by a spell of stability.

4. Colombia's foreign trade shrank considerably between 2012 and 2016, reacting to a sharp fall in the value of exports of oil and other minerals and the marked contraction in imports. Although Colombia exports over 4,800 different products, it remains heavily dependent on exports of petroleum and petroleum products, which accounted for approximately 40% of total exports in 2017, followed by coal, chemical products, coffee and flowers. Colombia is currently implementing a strategy to diversify its export base in order to reduce its dependency on raw materials. Accordingly, it is trying to promote exports of services and non-traditional manufactured products. Colombia's main trading partners are the United States, the European Union, China, Mexico and Brazil.

5. Colombia's current account balance has traditionally been in deficit, mainly owing to net outflows on the service and income accounts. The income deficit is partly due to remittances abroad in respect of royalties and other payments related to the mining-energy sector. The current account deficit stood at 4.3% of GDP in 2016 and 3.3% in 2017, an improvement due partly to a decrease in goods imports.

6. During the review period, Colombia undertook to simplify and harmonize its regulatory framework by issuing single regulatory decrees containing a compilation of all regulatory decrees in force for each sector. Twenty-four single regulatory decrees have been issued to date, including a compilation of most of the country's trade regulations. But in spite of these efforts, implementation of the legal and regulatory system continues to be complicated by the frequent amendments that are introduced, and owing to certain peculiarities of the Colombian system, the process of implementing such amendments can be lengthy.

7. Colombia's trade policy objectives are set out in the National Development Plan (PND). Since 2012, Colombia has continued to implement a policy of greater integration in the world economy, seeking better market access conditions for its exports and the best suppliers for its imports while endeavouring to reduce its production costs. A number of bodies are involved in monitoring trade policy. In 2017 a new law was promulgated laying down the obligation to monitor implementation of regional trade agreements and their impact on the different sectors of the economy.

8. Colombia is a founding Member of the WTO and has signed the protocols on telecommunications and financial services annexed to the General Agreement on Trade in Services. It has also acceded to the Protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights, and participates in the Information Technology Agreement. On the other hand, it is not a party to any of the WTO plurilateral agreements. As of March 2018, Colombia was in the process of ratifying the Trade Facilitation Agreement, which was then before the Constitutional Court. Since its last Review in 2012, Colombia has notified the WTO of the trade measures it has adopted: for example, it notified its "Category A" commitments which it will implement immediately following the entry into force of the Trade Facilitation Agreement. At March 2018, a number of notifications remained outstanding in areas such as agriculture, services, and import licensing. During the review period, Colombia's trade practices were the subject of two complaints under the dispute settlement system. While Colombia itself did not file any complaints, it participated as a third party in a number of dispute settlement cases.

9. Since 2012, Colombia has implemented new regional trade agreements covering trade in goods and services with the Pacific Alliance, Costa Rica, the Republic of Korea, the United States and the European Union. By opening up trade in the Pacific Alliance framework, Colombia is seeking to deepen its already existing trade relations with Chile, Mexico and Peru. Similarly, it implemented a new LAIA Partial Scope Agreement with the Bolivarian Republic of Venezuela in 2012. The free trade agreement with the countries of the European Free Trade Association (EFTA) that had come into effect for Switzerland and Liechtenstein in 2011, became effective for Iceland and Norway in 2014. Colombia takes part in the negotiations on the Trade in Services Agreement (TISA).

10. Colombia has an open investment regime: foreign private investment is allowed in all sectors, except where prohibited on security grounds. Foreign investors may set up business through commercial companies and may have subsidiaries in the country. Generally speaking, no prior authorization is required to invest in Colombia except in the mining and hydrocarbons sector or in the financial sector. Registration of foreign investments is mandatory. The procedures for registering foreign direct investments made under contractual arrangements was simplified in 2017. While financial stability contracts were eliminated at the end of 2012 owing to their high cost, those that had been signed before then remain in force until their termination.

11. Colombia has essentially been seeking to open up its trade regime, and since its last Review in 2012, it has adopted a number of measures to modernize the legal framework and facilitate trade. For example, it has introduced a number of improvements to the customs system, including the strengthening of the Single Window for Foreign Trade (VUCE) and the introduction of the risk management system, which has meant fewer inspections and reduced clearance time. In 2016 Colombia also adopted a new Customs Statute with a view to modernizing and simplifying its regulations and harmonizing them with best international practices. The main changes include a new risk management system; new categories of foreign exchange operators; the elimination of the obligation to use a customs agent/broker after a transition period; the possibility of requesting early decisions; abbreviated customs clearance; electronic payment; and improvements in the system of guarantees. The new Customs Statute provides for phased implementation, and some measures will only be implemented when the development of the computer systems permits. Colombia continues to use reference prices as control tools in case a dispute arises between the customs authority and the declarant concerning the declared value.

12. During the period under review, Colombia continued to implement the Structural Tariff Reform (REA) initiated in 2011 with a view to reducing tariff dispersion and tackling negative effective protection. In 2017, the Colombian tariff contained 7,708 *ad-valorem* lines at the 2017 HS ten-digit level. The average MFN applied tariff rate in 2017 was 7.1% (7.9% if the average tariffs under the Andean Price Band System are included), and Colombia applied 13 different tariff rates ranging from 0% to 98%. Some 49.7% of lines were zero-rated, while only 6.2% were subject to a rate exceeding 15%. The average tariff for agricultural products (WTO definition) was 15.4% in 2017, whereas the average tariff on non-agricultural products was 5.8%. The highest average duties per WTO category continued to be for dairy products, clothing, and animals and animal products, with average tariffs of 55.1%, 40% and 20.3% respectively. Colombia offers two kinds of tariff concessions: the first type is based on the export or import regime, and the second is designed to promote specific sectors of the Colombian economy, to which end, between 2011 and 2017 concessions were granted to the automotive sector, industry in general, the agriculture and livestock sector, and government.

13. Colombia applies the Andean Price Band System (SAFP), which consists of variable duties calculated on the basis of a reference price that is fixed periodically. The SAFP is used for imports of palm oil, soya oil, white rice, white sugar, raw sugar, pig meat, barley, whole milk, yellow maize, white maize, yellow soya, wheat, and chicken cuts. Colombia temporarily applies the WTO bound tariff to imports of footwear and clothing entering at prices below or equal to certain thresholds established by decree for the corresponding tariff headings. Moreover, Colombia has also adopted measures to prevent and control customs fraud affecting imports of clothing, fibres, yarns and woven fabrics, and footwear, regardless of the country of origin and/or provenance, where the declared f.o.b. price was less than or equal to the threshold established by decree.

14. In addition to tariffs, imports are subject to payment of value added tax (VAT), which is levied at the same rate on domestic and imported goods. Imports of certain types of machinery and equipment not produced in Colombia are excluded from payment of VAT, as are products imported under special import-export programmes and, as from January 2017, goods delivered by express delivery or courier of a value not exceeding US\$200. Certain products, both domestic and imported, are subject to an excise tax. In December 2016 there was a change in the regime governing excise tax on spirits and wines, involving the elimination of the *de facto* discrimination that resulted from the application of a higher tax for beverages with an alcoholic strength of over 35° (mostly imported beverages) than for those with a lower alcoholic strength, such as locally produced aguardiente.

15. For most tariff lines, Colombia has import registration and licensing requirements. It applies an automatic licensing system (free importation) which requires prior import registration for goods subject to permits and authorizations imposed by control entities (more than 6,000 tariff lines). In addition, Colombia applies a non-automatic licensing system for 180 tariff lines under which a licence must be obtained prior to importation. Registration and import licensing takes place online through the VUCE.

16. Colombia's recourse to anti-dumping measures increased during the review period. Between 2012 and 2017, it initiated 45 anti-dumping investigations, as compared to 25 between 2006 and 2011. It applied 29 definitive duties and 13 provisional duties, and carried out 15 sunset reviews, 14 of which resulted in extension of the duties. At the end of December 2017, Colombia maintained 17 definitive anti-dumping duties on imports from five trading partners. The products covered included tableware and kitchenware, products from the steel and aluminium industries, and certain plastics and chemical products. At the same date, 12 proceedings were under way, including new investigations and five-year reviews. Between 2012 and 2017, Colombia opened four safeguard investigations which gave rise to two provisional measures and one definitive measure. No countervailing duties were applied, nor were any subsidy investigations initiated.

17. Generally speaking, there are no export restrictions, except in the case of certain products which, by law or under international agreements, are subject to authorizations, certificates or prior clearance. These requirements are processed by the VUCE. While exports do not give rise to VAT, parafiscal contributions are applied to exports of mild coffee, unset emeralds and coal to help promote the development of those sectors.

18. The export support programmes mentioned in the previous report remain in place, although some of them have not been used. In 2016, the free zone regime was modified in order to unify and simplify the rules and facilitate access to the regime. In order to operate in a free zone, candidates must meet minimum investment, equity and job creation requirements, in exchange for tax concessions and simplified customs formalities. Sale to the national customs territory of goods or services produced in the free zone is permitted subject to payment of the corresponding duties and taxes on the foreign component. At June 2017, the free zones had generated about 175,000 direct and indirect jobs. The regime for International Trading Companies (CI) allows the purchase of goods with exemption from VAT, provided they are exported within six months. There were 265 authorized CIs at the end of 2017. Colombia has no official export insurance programmes.

19. Colombia has a range of tax, credit, and promotion and support incentives used both to attract domestic and foreign investment and to promote the development of specific sectors. As regards credit incentives, Bancoldex, Colombia's business development and foreign trade bank, offers both financial and non-financial products and services to Colombian enterprises, meeting the

credit needs of both exporting and non-exporting countries. During the period under review, the Colombian authorities continued to promote micro, small and medium enterprises (MSMEs), which benefit from special tax regimes and financing by the Colombian Fund for Modernization and Technological Development of MSMEs. The National Support System for MSMEs organizes the mechanisms of financial and non-financial support for such enterprises. Colombia supports scientific and technological development through tax incentives to persons or enterprises that undertake innovation or technological development activities.

20. Colombia continues to use the Plan Vallejo, or Special Import-Export Systems (SEIEX), a mechanism under which goods may be imported temporarily with total or partial exemption from or suspension of customs duties and taxes or deferral or elimination of payment of VAT. The Plan covers inputs, raw materials, intermediate goods, capital goods and spare parts used in the production of goods for export or for the provision of services directly linked to the production or export of such goods or for the export of services. The benefit consists of the allocation of an import quota with export-linked tax benefits. The concessionary nature of the SEIEX has been considerably eroded by the recent decision to reduce permanently to 0% the duty applied to capital goods and raw materials not produced in Colombia.

21. The preparation of technical regulations in Colombia is not centralized, and is the responsibility of various institutions, primarily ministries, regulatory commissions and decentralized bodies. However, in practice similar procedures are adopted: with the introduction of the Integrated Management System (SIG) in 2017, a procedure was agreed for the preparation and issuance of technical regulations which compiles recommendations on good practices in technical regulation. Technical regulations are issued through decrees and resolutions, and exceptionally through laws. During the period from January 2012 to the end of 2017, Colombia submitted 62 substantive notifications to the WTO Information Centre (126 if the addenda and corrections are included). At December 2017, 105 technical regulations were in force in Colombia. The products covered include a range of food products, fuels, medicines, chemical products, containers and fertilizers, and products that have an environmental impact. Also at December 2017, there were 27 bodies accredited for product certification. Since 2015, technical regulations must be reviewed by the regulatory entity in order to determine whether they should be maintained, modified or repealed, at least once every five years, or earlier if there is a change in the circumstances that gave rise to them.

22. The formulation and implementation of sanitary and phytosanitary measures (SPS) in Colombia falls under the remit of various bodies or agencies that make up the sanitary and phytosanitary system, which operates on the principle of harmonizing policies in the various fields. Although SPS measures are adopted by the risk assessment agency in each specific area, the bodies responsible for issuing SPS measures follow certain common guidelines, including harmonization with international guidelines used by reference bodies in the field. Proposed SPS measures must include a technical rationale and be sent for public consultation. During the review period, 47 notifications were made, of which 12 related to animal health, 12 to plants and 23 to other areas, chiefly food, veterinary medicines and fertilizers. At 31 December 2017 there were 496 SPS measures in force in Colombia. Some of the adopted measures had been in force for several years, though in some cases only partially, since portions of them have been repealed.

23. The general competition protection regime in Colombia covers all sectors and economic activities. However, in certain sectors considered to be of fundamental interest such as agriculture, anti-competitive agreements are exceptionally allowed in order to ensure sectoral stability. No such agreements were authorized between 2012 and 2017. During the review period, Colombia issued new regulations on notification and pre-assessment of mergers, notably the setting of a maximum timeframe for assessment decisions and the whistle blowing programme. Between 2012 and 2017, the Supervisory Authority for Industry and Trade (SIC), the national authority designated to apply competition rules, carried out 92 investigations and imposed penalties in 72 cases. During the same period, measures were taken to improve implementation of the competition protection regime: work began on compiling SIC administrative acts, the regulations and jurisprudence, and SIC human resources were increased. Colombia applies price controls to medicines and medical devices, agrochemicals, milk, gasoline, natural gas, liquefied petroleum gas, drinking water, sanitation and electricity.

24. Colombia's territorial subdivisions, known as departments, enjoy autonomy for exercising a monopoly on spirits with discretion to allocate revenue. A law was enacted in 2016 that regulates import/distribution permits for spirits and production contracts through which the departments exercise the monopoly. The law requires that the monopoly be in accordance with the principals of non-discrimination, free competition and market access, and prohibits the establishment of minimum or maximum shares of the quantity of spirits that can be introduced or the setting of minimum sale prices. With regard to State-owned enterprises, Colombia has adopted a policy aimed at improving the relevant regulatory framework and corporate governance to enable them to create value.

25. Government procurement accounts for more than 15% of GDP. Colombia is not a party to the WTO Plurilateral Agreement on Government Procurement, but is an observer in the committee. During the period under review, Colombia pursued its efforts to modernize the government procurement system and make it more efficient and transparent. The principal changes include establishing the National Government Procurement Agency, *Colombia Compra Eficiente*; codifying procurement best practices; implementing framework agreements; computerizing the procurement process; and introducing amendments to the regulatory framework. At the same time, Colombia continues to use the government procurement regime as a tool for boosting domestic industry and employment, chiefly by applying preferences. Moreover, most of the contracts are still awarded by single tendering: the total value of contracts awarded by that method exceeds the total value of contracts awarded by all of the other procurement methods.

26. During the review period, Colombia adopted measures to strengthen its intellectual property regime and adapt it to technological developments and to its international commitments. The changes focused on: adjusting the rules; optimizing the administration of intellectual property rights (IPR); streamlining registration procedures; consolidating inter-institutional coordination; and strengthening enforcement. In this connection, the entities responsible for IPR administration were granted jurisdictional powers to handle first instance civil proceedings relating to IPR infringements. At the same time, enforcement measures relating to trademark rights were strengthened, a general enforcement strategy was developed, and the Customs Authority was empowered to suspend the importation, exportation or transit of goods on grounds of infringement of copyright or trademark rights. But in spite of the progress made, challenges remain, such as creating greater awareness and use of intellectual property rights in the country, beefing up the fight against counterfeiting and piracy (including in the digital sphere) and building institutional capacity and cooperation in order to improve enforcement.

27. In the agricultural sector, Colombia boasts a relatively high degree of food sufficiency, an estimated 85% of internal demand for food being met by domestic production. At the same time, its agricultural export markets continue to be characterized by concentration, given that 68.3% of agricultural exports in 2016 were made up of three products: coffee, flowers and bananas. The review period saw the implementation of the *Colombia Siembra* ("Colombia Sows") plan, whose objectives are to boost agricultural supply in order to guarantee food security in the country; expand production area and yields; improve incomes for producers; and strengthen technological development and services in the agricultural sector. In terms of boosting agricultural supply, *Colombia Siembra* sets annual targets for increasing the planted area, seeking to expand the area devoted to the production of, *inter alia*, modified maize and forestry products, rice, barley, rubber, soya, oil palm and cocoa. Colombia promotes the use of Price Stabilization Funds (FEPs) in order to deal with fluctuations in world prices for certain agricultural products. The resources for these funds come from parafiscal charges, mainly charges levied on producers which remain outside the national budget and are reinvested by the private sector in programmes of benefit to the activity from which they are sourced. In 2017, there were FEPs for cotton, sugar, cocoa, meat, milk and products thereof; and palm oil.

28. The private sector may engage in exploration and extraction activities through mining concession and hydrocarbon exploration and production (E&P) contracts, paying the corresponding royalties and other duties to the State. To stimulate private investment in the exploration and production of hydrocarbons, a new method of awarding E&P contracts was introduced in 2017, the "permanent competition" process, under which the State can offer new areas throughout the year without recourse to the periodic rounds. As of the beginning of 2018, the relevant regulations were not yet in place. Also to stimulate investment, in 2017 the authorities adopted and implemented the Tax Reimbursement Certificate, which may be used to pay taxes. As from 2015, with a view to diversifying the energy matrix, projects using non-conventional sources may receive tax or tariff

concessions. Subsidies continue to be granted for monthly subsistence consumption of gas and electricity, and since 2014, of LPG.

29. In the financial services area, foreign banks and insurance companies may establish branches in Colombia, and since 2013, they may set up subsidiaries. Cross-border trade in insurance has also been allowed since 2013. During the review period, Colombia strengthened the regulatory framework for its financial system. The Law on Financial Conglomerates and Mechanisms for the Resolution of Financial Institutions, promulgated in 2017, strengthens the supervision of financial groups by the Financial Supervisory Authority of Colombia. Further improvements were also made to the prudential rules to ensure that the institutions of the Colombian financial system adopt best international practices; this has led, for example, to the creation of a minimum solvency ratio. Financial inclusion was enhanced and a new type of financial institution created to promote the use of electronic deposits and payments.

30. During the period under review, Colombia strengthened the institutional framework for telecommunications, giving increased autonomy to the Communications Regulatory Commission in the decision making process. Efforts were made to promote greater competition and a better offering on the mobile services market: for example, the operating conditions for virtual mobile operators were streamlined, minimum duration clauses were prohibited and the provision of national roaming services became mandatory. Tariffs continued to be regulated in the sector, particularly in the mobile voice market where one operator still holds a dominant position. With the exception of broadcasting, there are no restrictions on private investment in the sector.

31. Cabotage services are restricted to Colombian vessels or aircraft. In practice, however, exceptions are made and maritime cabotage is provided by vessels under both Colombian and foreign flags. Colombia has continued to liberalize the provision of air transport services. Since 2012, it has signed 13 new agreements and revised 15 agreements to introduce a greater degree of operational flexibility. Airports and ports may be put out on concession to the private sector. Companies wishing to provide tourism services in Colombia have to be listed in the National Tourism Register. Companies in the sector are eligible for tax concessions and may request financing on preferential terms.