



**TRADE POLICY REVIEW**

REPORT BY

COLOMBIA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Colombia is attached.

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## 1 COLOMBIA: MACROECONOMIC, TRADE AND INVESTMENT ENVIRONMENT

### 1.1 Overview: creating the conditions to make the most of the peace

1.1. During the previous Trade Policy Review the Government of Colombia shared its four-year plan for 2010–2014 "Prosperity for All" with WTO Members. The Plan sought to bolster security, social cohesion and investor confidence, and to make determined progress in the Government's policy of democratic prosperity.

1.2. For the four-year period from 2014 to 2018, encompassing the bulk of this fifth review, the Colombian Government drew up the National Development Plan "All together for a new country".<sup>1</sup> The plan addresses the task of building a peaceful, equitable, educated Colombia, aligned with international best practice and standards, taking an approach based on long-term planning that encompasses the country's sustainable development goals.

1.3. In addition to the three core pillars (Peace, Equity and Education), the plan incorporates a number of cross-cutting strategies, namely strategic infrastructure and competitiveness; social mobility; rural development; security, justice and democracy for peace-building; good governance; and green growth. In order to promote economic development, it also includes regional strategies to address the priorities of the six areas into which the national territory has been divided.

1.4. Special attention should be drawn to the peace pillar. Thanks to the efforts made by President of the Republic, his iron will, the help of many Colombian citizens, the international community and governments of various nations, following four years of arduous negotiations the Agreement for the Construction of a Lasting, Stable Peace was signed with the Revolutionary Armed Forces (FARC) in November 2016, ending more than 50 years of violence that had resulted in eight million victims and 220,000 deaths.

1.5. The President noted in his speech at the signature of the Peace Agreement that "The areas affected by the conflict are already beginning to reap the dividends of the peace. The homicide rate is at its lowest level for 42 years, the terrorist threat and the numbers of Armed Forces personnel wounded in combat have fallen by half, the country no longer has the world's highest number of kidnappings and there are more instruments guaranteeing the exercise of citizens' rights. Moreover, the economy is taking off and investors' confidence in the country has grown. The world can now enjoy the tourism potential offered by places that were previously off-limits because of the conflict; investment is mushrooming in the areas where there is peace and the projections are for additional average growth of 1.9% in GDP for the 10 years following signature of the agreement".<sup>2</sup>

1.6. During the review period, the Government pursued its drive to attain higher productivity and competitiveness, increase non-mining/energy (NME)<sup>3</sup> exports in order to offset fluctuations in international commodity prices, stimulate sustainable employment, and revitalize tourism – an area that is showing significant potential.

1.7. Specifically, in the foreign trade sector, the major target in the National Development Plan is to increase Colombia's exports of NME goods and services in 2018 to US\$21 billion and US\$9 billion respectively, and to attract US\$16 billion in foreign direct investment. To that end there is a heavy emphasis on making full use of trade and investment agreements.

1.8. Additionally, as part of the strategy to gain effective access for Colombian products and services to markets in countries where there are no trade agreements in force, the Government has worked hard to continue its active participation in the international forums that lay down the rules of the game in world trade. The country plans to achieve best practice in public policy through initiatives such as accession to the Organisation for Economic Co-operation and Development (OECD) and the adoption of its standards in order to secure recognition that

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<sup>1</sup> National Planning Department (DNP) – National Development Plan 2014-2018.

<sup>2</sup> DNP and Policy Monitoring and Evaluation Directorate (DSEPP), President's report to the Congress – 2017.

<sup>3</sup> NME exports are total exports less exports of oil and its derivatives, coal, ferro-nickel, emeralds and other mining products. Classification: Ministry of Trade, Industry and Tourism.

"Colombia has changed hugely, is inspiring confidence and championing its incorporation into the most important international economic and political arenas".

## 2 COLOMBIA'S ECONOMIC PERFORMANCE

### 2.1 Overview

2.1. During the review period, Colombia maintained an orderly macroeconomic policy that responded effectively to the new international environment. As a result the Colombian economy was able to maintain a growth rate above the average for Latin America and the Caribbean despite the fall in commodity prices to their lowest level since 2004. Colombia grew by 2% in 2016 and 1.8% in 2017, achieving the third-highest GDP growth rate in the region behind Peru and Mexico.

2.2. In 2015 the Government adopted the Productivity and Employment Promotion Plan 2.0 (PIPE 2.0)<sup>4</sup> aimed at boosting economic development by increasing investment in infrastructure, education, public works, urban and rural housing, industry, tourism and mining.

2.3. After focusing on consolidating the country's main macroeconomic indicators in 2016, during 2017 the Government built on this foundation with the "Colombia Bounces Back"<sup>5</sup> programme, an economic stimulus plan that granted tax incentives to encourage private-sector investment; increase public investment in the 4G network, the tertiary roads network, house building and greater use of royalties for regional development; and to provide resources for post-conflict projects.

2.4. The Colombian economy has received international recognition for its stability and growth. The World Bank ranked it the fourth best place for doing business in Latin America and the Caribbean while the Inter-American Development Bank noted that it had the highest growth in financial inclusion of all emerging countries, and the magazine *The Economist* named Colombia as "Country of the Year" in 2016.

2.5. By end-2017 inflation stood at 3.99%, five percentage points lower than its 2016 peak, and very close to the target set by the Central Bank of Colombia (Banco de la República (BRC)). The current account deficit fell from 6.4% of GDP to 4.3% between 2015 and 2016, and in December 2017 was 3.3% of GDP. The rating agencies again gave Colombia a sovereign debt credit rating of "adequate", generating a good level of confidence among investors.

2.6. The most noteworthy achievements were in the country's 4G networks, the impetus on social issues, the Peace Process, and tax reform. These are strategic policies that have led to improved economic performance, greater confidence among investors and better coverage of all Colombians' domestic needs.

2.7. Also worthy of note is the country's strong performance in reducing poverty and unemployment. Multidimensional poverty in Colombia has continued to fall since 2010, when it was 30.4%, and in 2016 it stood at 17.8%.<sup>6</sup> Unemployment at end-2017 was 9.4%, one of the lowest levels in the country's history.

2.8. With regard to the external sector, despite the fact that exports of NME goods fell annually by 6.9% between 2014 and 2016, the Government continued to implement strategies to diversify exports as part of its commitment to economic growth and more extensive use of trade agreements. Notable among these are processes to ensure compliance with sanitary requirements for products such as beef, Hass avocado and tropical fruits, and support for national enterprises and foreign buyers through measures including business round-tables and the development of trade agendas, through ProColombia, the national export, investment and tourism promotion agency. These measures have helped Colombia to take advantage of the recent recovery in global external demand and rising international prices.

<sup>4</sup> Ministry of Finance and Public Credit. Press Release 043 Communications Office, May 2015.

<sup>5</sup> Office of the President of the Republic. Presentation on Colombia Bounces Back by Mauricio Cárdenas Santamaría, Minister of Finance and Public Credit, March 2017, available online at [www.presidencia.gov.co](http://www.presidencia.gov.co).

<sup>6</sup> National Administrative Department of Statistics (DANE), available online at: <http://www.dane.gov.co/index.php/estadisticas-por-tema/pobreza-y-condiciones-de-vida/pobreza-y-desigualdad/pobreza-monetaria-y-multidimensional-en-colombia-2016>.

2.9. Exports of services grew by 12% between 2014 and 2016, consolidating the upward trend. Exports rose to US\$8,326 million between January and December 2017, up 8.4% on the previous year.

2.10. In 2016 the deficit in the balance of trade in goods fell by 28% and the services trade deficit with other countries narrowed by 32%. This trend continued in goods and at end-2017 the trade deficit fell by 44% whereas the services deficit rose by 13.9% despite the strong performance of exports, up by 8.4% as mentioned above.

2.11. The Government's efforts to diversify exports and ensure compliance with admissibility requirements began to be reflected in performance at end-2017. NME exports of goods rose 5.3% by value and 9.8% by volume compared to 2016, and the current account deficit as a proportion of GDP shrank from -4.3% to -3.3%.<sup>7</sup> Sales of some products grew in 2017 compared to 2016, for example parts of turbines to the United States (1,400%); edible oils to Ecuador (554%) and Brazil (179%); sugar to Peru (284%); vehicles to Chile (186%); and beauty products to Mexico (164%).

2.12. As part of the policy to attract foreign direct investment, the Government introduced measures to increase foreign business interest in Colombia and took steps to support potential investors from various countries. The results are clear from the fact that FDI recorded in 2017 was US\$14,518 million, or 4.8% greater than the prior year, and accounted for 4.7% of GDP; additionally, that figure is 125.7% higher than that recorded in 2010.<sup>8</sup>

2.13. The policies to attract FDI included the issuance in January 2017 of Decree No. 119 modernizing the foreign investment regime in order to increase the competitiveness of the Colombian market. A major change was the removal of time-limits and formalities for registering investments and the consequent disappearance of the penalties prescribed for failure to comply with those conditions in a timely fashion.

2.14. Apart from growth in inward foreign investment, another notable factor is the strong diversification in the sectors receiving investment. In 2010, 76.5% of FDI inflows went to extractive activities in the mining and energy sector, and only 23.5% to other sectors. In 2017 however, 69.6% of FDI inflows went to sectors such as transportation and storage; manufactures; agriculture; electricity, gas and water; construction; commerce and restaurants; financial establishments and local community services, while only 30.4% went to the oil and mining sectors. The leading sector was transportation, storage and communications, with total investment of US\$3,465 million, representing growth of 131.7% over the previous year. The significant growth in manufacturing FDI, which rose by 23.3% compared to 2016, is also striking.

2.15. In conclusion, the Colombian economy managed to withstand the fall in commodity prices, and embarked on a phase of economic growth just as the region was affected by external shocks. The strength of the economy is the result of responsible macroeconomic policies such as the inflation target set by the Central Bank, the fiscal rule applied since 2012, the two reforms of the General Royalties Scheme, the plans launched to stimulate production in the economy (PIPE 1.0 and 2.0 and Colombia Bounces Back), the structural tax reform at end-2016, and sound management of fiscal and monetary policy.

## 2.2 Competitiveness and productivity growth

2.16. When formulating the current Development Plan 2014-2018, the analysis of outcomes for competitiveness showed that despite the fact that appropriate policies had resulted in a period of sustained economic growth of close to 5% between 2010 and 2014, the average rise in productivity had been only 0.4%. This clearly pointed to a limiting factor preventing the country from achieving higher economic growth rates.<sup>9</sup>

2.17. Accordingly, in order to promote productivity through competitiveness and overcome the lags in capital stock, especially in physical transport infrastructure, a strategy was devised that

<sup>7</sup> Ministry of Trade, Industry and Tourism. Estimates from the Office of Economic Studies using data provided by the BRC.

<sup>8</sup> Data provided by the BRC ([www.banrep.gov.co](http://www.banrep.gov.co)).

<sup>9</sup> DNP. Basis for the National Development Plan 2014-2018.

would: (i) increase the productivity of Colombian businesses by making the production base more sophisticated and diversified, (ii) contribute to productive development and address the country's social challenges through science, technology and innovation, (iii) promote information and communications technologies as a springboard for equity, education and competitiveness; (iv) provide the infrastructure and logistics services for transportation required for regional integration; and (v) consolidate development in mining and energy for equitable regional development.

2.18. One of the targets focused on increasing the productivity of 2,000 businesses. To that end, various programmes and strategies for micro, small and medium enterprises (MSMEs) were developed. Between 2014 and 2016, 784 enterprises, plus a further 100 enterprises in 2017, reported increased productivity, moving them up from the category of underdeveloped production units into that of strengthened enterprises that continuously focus on improving their processes.

2.19. The beneficiary enterprises are chiefly in the fashion system sector (70%), followed by agro-industry (12%) with lesser percentages in other sectors including construction, electricity, services and furniture in various regions of the country. Particularly noteworthy is the increase of over 15% achieved by a Red-i cooperative through its effect on 86 business people who were victims of the armed conflict and 88 production processes in indigenous and African-Colombian communities under the Market Inclusion Programme (PROIM), led by the Ministry of Trade, Industry and Tourism, which seeks to improve production processes and build the commercial capacity of the associated enterprises.

2.20. The Colombian Government views it essential that the policies and programmes on competitiveness should dovetail with the science, technology and innovation system and be supported by the private sector.

2.21. In August 2016, the National Economic and Social Policy Council (CONPES) approved the National Productive Development Policy<sup>10</sup>, defined as a toolkit of sectoral, cross-cutting instruments to correct failures in the market, government and coordination that restrict productivity growth or make it more difficult to upgrade the Colombian production system and make it more innovative. The chief aim of the policy is to increase the productivity and diversification of the production system and focus it on more diversified and sophisticated goods and services.

2.22. Along those lines, it is the Government's intention to make Colombia one of the three most innovative countries in Latin America by 2025. Accordingly, innovation is one of the core pillars of the Productive Development Policy.

2.23. Various activities have been developed as a result, including the launching of the Scientific Colombia Programme (developed in association with the Ministry of Education, Colciencias and the Colombian Institute for Educational Loans and Technical Studies Abroad (Icetex). The programme aims to bolster business innovation by building capacity in managing innovation, knowledge and technology; and by developing new products and services, open innovation, and corporate entrepreneurship. It offers high-level human resource training, co-financing for master's degrees and doctorates, and support for setting up new spaces for interaction to drive programmes addressing the social and economic development challenges that the regions have to overcome.<sup>11</sup>

2.24. Another core strategy has been to improve Colombia's rankings in world competitiveness indices (i.e. *Doing Business*, the *World Economic Forum* (WEF) and the *International Institute for Management Development* (IMD) indices). This has involved prioritizing the types of variables to be targeted in a communications strategy to publicize the progress made in such a way as to impact positively on the country's ranking. The strategy consisted in pinpointing the factors included in competitiveness indicators where Colombia has historically performed weakly but which significantly affected our country's current ranking, namely transport, education, security, and combating corruption.

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<sup>10</sup> DNP ([www.dnp.gov.co](http://www.dnp.gov.co)).

<sup>11</sup> Management Report 2017, Trade, Industry and Tourism Sector.

2.25. In 2017 Colombia's ranking in the World Bank's *Doing Business* was 59<sup>th</sup> out of 190 countries, two places higher than the 61<sup>st</sup> place it was awarded in 2016. It ranks fourth in Latin America behind Mexico, Chile and Peru. In the May 2017 edition of the IMD, Colombia retained its position as the region's third most competitive economy with a ranking of 54<sup>th</sup>.

2.26. In order to combat smuggling more effectively, a new strategy, "Lawfulness and Combatting Smuggling", was put in place in coordination with the corresponding national authorities (the National Tax and Customs Directorate (DIAN), the Customs and Excise Police (Polfa) and the Financial Information and Analysis Division (UIAF)), the private sector and regional entities. Additionally, a special group, the "Anti-Smuggling Monitoring Committee", was established comprising representatives from the Ministry of Trade, Industry and Tourism, the Supervisory Authority for Industry and Trade, DIAN, Polfa, the National Police, the Office of the Public Prosecutor, UIAF, the Colombian Agricultural Institute and the National Food and Drug Surveillance Institute (INVIMA). The group focuses, among other things, on identifying and dismantling structures and organizations involved in smuggling, money laundering and financing illicit activities.

2.27. The Single Window for Business (VUE) was established in November 2017 as a strategy to facilitate business activity by streamlining procedures. Consisting of a web portal, it is gradually centralizing the procedures involved in creating, running and closing companies and is supported by a long-term strategy for public-private sector coordination to promote and facilitate business activity in the country and cut costs and red tape by removing market entry and exit barriers.

### 2.3 Using the regions to develop rural areas and tourism

2.28. The Productive Development Policy comprises seven areas identified as key to achieving the policy objective. One of them is the implementation of a business information system that will: identify businesses, the products they supply and the region where they are based; promote credit lines and co-financing resources to develop suppliers; and develop market studies and surveys in order to generate information geared to the consolidation of production linkages, in other words matching supply to demand.

2.29. Through this initiative and in cooperation with the private sector, regions have built their capacity to identify business segments with potential for growth as well as the measures that will, when implemented, enable them to compete successfully on global markets. Regionalization of supply from the trade, industry and tourism sector is supported by Regional Competitiveness Commissions and all the entities that participate in them (departmental governments, municipal authorities, higher education institutions, chambers of commerce, trade and occupational associations, and others). The strategy is a means of bringing business development services closer to business people, entrepreneurs and the community in general through study days known as Colombia Prospers.

2.30. Additionally, the Productive Transformation Programme (PTP), created by the Ministry of Trade, Industry and Tourism in 2009, was consolidated during the review period as the government agency specializing in the implementation of measures to foster productive development in the agro-industrial, manufacturing and services sectors, while promoting the importance of quality in production processes in gaining access to new markets. In conjunction with INVIMA, the National Institute of Metrology, the Colombian Technical Standards Institute (ICONTEC) and the National Accreditation Organization of Colombia (ONAC) have enhanced certification services and laboratories in line with business needs.

2.31. Together with the public and private sectors and academic circles, since its establishment the PTP has had an impact on 932 companies in 24 departments. In 2017 three long-term roadmaps (business plans) ending in 2032 were drawn up for the software and IT, electricity and cocoa industries in order to promote their productivity and competitiveness, thereby adding these industries to the sectors covered by the programme.<sup>12</sup>

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<sup>12</sup> The PTP supports sectors by producing a detailed analysis of their production processes, identifying their needs and designing improvement plans for aspects such as human capital, sales, production, marketing and logistics. The sectors are: cocoa and its by-products; coffee and its by-products; cosmetics and hygiene products; pharmaceuticals, construction solutions; services (software, IT, BPO, KPO, ITO); clothing and

2.32. The PTP led the process of structuring and delivering the El Agro Exports Alliance between the Ministry of Trade, Industry and Tourism and the Ministry of Agriculture and Rural Development. The programme will allow around 11,000 small and medium producers in the eight agro-industrial sectors (cocoa, beef, avocado, pineapple, palm, dairy products, mango and fisheries) with the greatest export potential in 18 departments to build their knowledge and receive the assistance they need in order to ensure that their crops rise in quality, comply with international requirements, increase their added value, become embedded in value chains, and improve the producers' national and international marketing schemes in order to raise their income.

2.33. Additionally, in 2017 "Productive Colombia" was established as a programme offering comprehensive assistance to SMEs (around 400 businesses) with a view to conducting assessments by specialist staff to increase productivity, optimize energy consumption, reduce production times and costs, implement quality standards, and improve sales strategies and people management skills. The project has the support of the World Bank and the Andean Development Corporation and is being held up as an example to other countries in the region.

2.34. Tourism is one of the chief peace dividends and has become one of the most prominent drivers of international trade because it is an important source of revenue for a developing country like Colombia. Thanks to the "Tourism Sector Plan to Build Peace 2014-2018"<sup>13</sup> the problems faced by the sector are being addressed (inadequate hotel infrastructure, connectivity and competitiveness) and indicators have improved.

2.35. In 2016 real revenue of hotels rose by 4.5% compared to the previous year and the hotel occupancy rate was 56.2%. In respect of 2017, the BRC reports that at year-end the travel and passenger transport account showed earnings of US\$5,787.7 million, the highest in the country's history and a 5.4% rise on the prior year. Foreign exchange earnings from tourism in 2017 rose by 68% compared to the figure for 2010 (US\$3,440 million) and accounted for 78% of all exports of services.

2.36. Investment in roads, ports and airports has made the country more accessible as a destination and, together with renewed international confidence in Colombia, led in 2017 to a record 6.5 million foreign visitors coming to the country (a rise of 27.5% on the figure for 2016). Colombia now has more than 80 international air routes, including direct routes to 29 countries and 44 cities. There are over 151,000 seats available each week on international flights.

2.37. The Colombian Government has promoted other measures to strengthen the sector and encourage responsible tourism, including training staff in issues such as preventing the sexual and commercial exploitation of children and adolescents, formalization of tourism in the form of the National Tourism Register, and certification in sectoral technical standards. Also worthy of note are the tax incentives to invest in the sector such as the 9% income-tax rate and follow-up incentives over a period of 20 years for the construction and refurbishment of hotels in settlements with fewer than 200,000 inhabitants.

### **3 TRADE POLICY AGAINST A BACKGROUND OF PEACE**

#### **3.1 Overview**

3.1. The areas affected by the conflict are already beginning to reap peace dividends. The economy is flourishing and investor confidence in the country has risen. The world is now able to take advantage of the tourism potential offered by places that were previously off-limits because of the conflict; investment is rising in the areas at peace and the projections show additional growth averaging 1.9% of GDP during the ten years following the signature of the Agreement.

3.2. Colombia's trade policy has a prominent role in the National Development Plan. In addition to the programmes and strategies implemented to boost exports both of goods, especially goods with value added, and of services as described above, the Colombian Government has worked hard to facilitate trade and improve compliance with and enforcement of the rights and obligations that

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textiles; fruit and fruit products; movement industries; milling and bakery products; basic chemicals, petrochemicals, plastics and plastics industries.

<sup>13</sup> Ministry of Trade, Industry and Tourism, Management Report 2017.

derive from international trade agreements. Its activities have promoted active participation in multilateral forums as well as fostering synergies with the private sector and national or international public agencies that play an important role in removing trade barriers.

3.3. With a view to meeting the targets set out in the National Development Plan, as described in the first part of this report, trade policy has focused heavily on making the most of Colombia's existing trade agreements. That is to say, there has been a shift away from a focus on negotiating trade agreements towards a focus on deriving the greatest benefit from the agreements already in force.

3.4. Colombia currently has 12 trade agreements in force with 49 countries, and two further agreements have been signed (Israel and Panama). Negotiations are also under way on an Economic Partnership Agreement with Japan, and a trade agreement between the Pacific Alliance countries (Chile, Colombia, Mexico and Peru) and four Associated State candidate countries (Australia, Canada, New Zealand and Singapore). In 2017, exports to countries under a trade agreement accounted for 68% of all Colombia's exports, and of particular note were the shares taken by the United States (29.2%), the European Union (14.4%) and the Andean Community (7.2%). There was also a rise in the number of products exported to the Americas, Europe and Asia between 1995 and 2017.<sup>14</sup>

3.5. In addition, the *Alianza Agroexportadora* (Agro-Exports Alliance) was forged between the trade and agriculture sectors to identify agricultural exports with export potential, and diplomatic efforts addressing sanitary issues were stepped up with a view to achieving genuine access for various products of interest. These measures mark a significant step towards opening up markets that will help to increase exports. At end-2017 there had been a 7.2% growth in value and a 12.1% rise in volume of food and beverages compared to the prior year with strong performances in external sales of palm oil (55.4%), sugar (36.6%), and fresh fruit (27.2%), followed by flowers (6.6%) and bananas (4.5%).

3.6. In the last two years record figures were achieved in the field of compliance with sanitary requirements for agricultural products, with 42 products deemed eligible for admission to 21 international destinations. In 2016 beef was deemed eligible for export to Libya, the United Arab Emirates and Cuba, and confirmation was received of eligibility for beef from three new beef plants to enter Peru. The animal health certificate for entry of dairy products to Canada was also approved; and Peru authorized the entry of pig meat and Hass avocado. Additionally, 255,000 tonnes of flowers were exported, the highest figure for the last nine years.

3.7. In 2017, Colombia had better access for various products of interest to exporters (chicken meat and pig meat, beef genetics, live pigs, pineapple, avocado, roses and green coffee) in various markets (Costa Rica and Peru). The United States authorities approved the Work Plan required for Colombian exports of Hass avocados to the US market, enabling the first export of 34 tonnes to be made in November 2017. Moreover, in May 2017, the European Commission published the decision on the approval of plans for controls on chemical residues introduced by third countries under which Colombia achieved authorization to export composite products to the EU.

3.8. The Colombian Government's focus is on pursuing its work on product preparation, achieving high international technical standards, overcoming barriers, reducing production costs and further facilitating foreign trade transactions. This will make it possible to overcome the lag identified in the contribution by domestic products to local value chains and exports to other countries, especially in Latin America and the Caribbean, an area that presents good opportunities.

3.9. In order to reduce production costs, the Government took measures to complete the tariff reform initiated at the end of 2010 with the aim of supporting the production sector to improve competitiveness, administration and customs controls. To that end, the Productivity and Employment Promotion Plan (PIPE 1.0 and PIPE 2.0) temporarily cut tariffs on raw materials and capital goods not produced in Colombia in more than 3,000 tariff lines between 2011 and 2017. As part of Colombia Bounces Back, launched in February 2017, it was decided to permanently abolish the duty on 3,650 tariff lines, resulting in an average tariff rate of 6.3%.

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<sup>14</sup> Ministry of Trade, Industry and Tourism. Calculations from the Office of Economic Studies – in the Americas the figures rose from 3,661 to 4,724; in Europe from 861 to 1,708, and in Asia from 268 to 1,037.

3.10. Drawing on information from the Economic Complexity Atlas for Colombia (Datlas), the national authorities responsible for economic and trade planning have identified sectors with significant potential to become suppliers of inputs that are currently imported. It is expected that the linkages identified to improve the share of exports in GDP will materialize in the short term and will increase the share of NME exports in the country's export basket.

3.11. Where foreign trade procedures are concerned, Colombia has made particularly significant progress in strengthening its chief trade facilitation instrument, the Single Window for Foreign Trade (VUCE), the tool that enables electronic processing of the authorizations, permits, certifications or prior approvals required by the relevant National Government entities for import and export transactions. The VUCE processes foreign trade procedures for more than 62,000 users with links to 21 State entities. The window has been acknowledged as a model for the region because it can be used to exchange information, eliminate duplication of effort, implement efficient controls and promote transparent administrative action. Since 2005, 4.5 million transactions have been conducted through the VUCE.

3.12. The issuing of the new Customs Statute in 2016 under Decree No. 390, as amended in February 2018 (Decree No. 349), sets out important changes in trade facilitation and revolutionizes the way in which customs operations are conducted in the country; it is a step in the right direction for overcoming bottlenecks in import and export processes. A few of its more noteworthy features include shorter timeframes, smaller use of physical documents, enhancements to the customs authorities' computer system expected to be ready by June 2018, the introduction of advance rulings on origin, value and tariff classification, the extension of benefits for authorized economic operators (AEO) and trusted users, the simplification of the rules on penalties and the optional use of a customs broker to carry out customs operations.

3.13. To supplement this progress, the Ministry of Trade, Industry and Tourism is working with the DIAN on a Cut Red Tape campaign. In a speech delivered on 2 March concerning 48 targeted procedures (4 abolished, 38 simplified and 6 automated), the Minister of Trade, Industry and Tourism described the announcement as "good news for all business people, especially importers and exporters" and noted that "there has been an across-the-board cut in the amount of paperwork that needs to be handed in, resulting in time and cost savings that mean businesses can concentrate on doing business". The Director of the DIAN noted that when added to the entire process of systematization advocated by his directorate, the amendments to the Customs Statute would cut importation from a six- or seven-day process to a 48-hour one.

3.14. The Ministry of Trade, Industry and Tourism<sup>15</sup> has also targeted action to facilitate procedures by enhancing and extending the VUCE, namely: (i) import registration approval times reduced from 30 to three working days; (ii) implementation of the simultaneous inspection system (SIIS) cutting inspection times for exported merchandise from three days to one; and, (iii) implementation of the risk management system (SAR), which can perform controls in three minutes.

3.15. In the services sector, a salient development is the "Colombia Exports Services" strategy launched by the Government in 2015 with a focus on identifying, publicizing and promoting the use of trade-support and promotion instruments provided by trade sector entities to business people in the services sector with a view to driving growth in exports of services and attaining the US\$9 billion target set out in the National Development Plan by 2018.

3.16. Services have frequently been treated similarly to goods, sometimes failing to take account of how regulation and public policy applies to them given their diversity and specificity. This implies either that awareness of the business development tools available has often been lacking because they were obscured by those available for goods, or that the tools themselves fell short because they did not adequately cover the particular needs of the services sector.

3.17. Given the importance of the services sector to the economy – in the second half of 2017 it accounted for 66% of GDP, employed 65% of the country's working population and contributed 4.0% of GDP<sup>16</sup> by way of imports and exports – the decision was taken to bolster the strategy by

<sup>15</sup> Ministry of Trade, Industry and Tourism ([www.mincit.gov.co](http://www.mincit.gov.co)).

<sup>16</sup> DANE. Employment data: Major Integrated Household Survey – DANE, Gross Domestic Product by branch of economic activity – DANE, Balance of Payments – BRC.

streamlining its lines of action and enhancing its areas for action, focusing on three aspects: (i) strengthening business, (ii) promoting trade, and (iii) improving the business climate.

3.18. The strategy aims to inform entrepreneurs in the services sector of the trade-related opportunities that institutions have on offer to improve the quality of their business skills and services and thus enable them to compete on the international market. The entities involved in the strategy cover a broad spectrum of work areas and are led by the Ministry of Trade, Industry and Tourism, in conjunction with the PTP, Bancoldex, iNNpulsa Colombia and ProColombia. Specific functions have been assigned to these entities, which are then made available to business people. They include: financing instruments, training programmes and projects to overcome human capital shortfalls in priority sectors.

### **3.2 Multilateral, regional and bilateral developments**

3.19. One of the National Development Plan targets was that by 2018 Colombia should consolidate and strengthen its multilateral and bilateral foreign policy agendas by concentrating on the sustainable development framework. The Plan also established that the Latin American and Caribbean countries would continue to receive priority treatment and that Colombia's strategic vision on international policy matters would continue to be put forward in regional and global forums.

3.20. Accordingly, trade policy has sought to increase the internationalization of Colombian-produced goods and services by taking advantage of the tariff preferences and disciplines governed by the trade agreements in force, including technical matters, sanitary matters, customs, sustainable development, competition, and trade defence. Stable conditions for foreign investment have remained in place and the channels for international cooperation and exchange of best practice in investment promotion and protection have been enhanced.

3.21. Additionally, Colombia has strengthened its trade relations with Latin America and the Caribbean and Asia-Pacific region and continued to participate actively in multilateral matters, as described below.

#### **3.2.1 Multilateral environment: compliance with and strengthening of WTO rules, and accession to the OECD**

3.22. Colombia is a developing country that is committed to multilateralism and the objectives of trade liberalization; it believes in the role that trade can play as a driver of economic growth. In response to the international trade situation of the last four years, especially the developments and outcomes of work preceding the latest Ministerial Conference in Buenos Aires, Colombia has come to the view that multilateralism should be supplemented by bilateral and regional free-trade strategies.

3.23. Colombia recognizes that the WTO has played a decisive role in addressing the challenges thrown up by globalization. Colombia's trade policy has been guided by the principles of the GATT and is based on compliance with the commitments under the WTO Agreements.

3.24. Accordingly, as it stated at the Eleventh Ministerial Conference, Colombia needs a strong multilateral system that can help consolidate its economic progress, its trade agreements, and the opportunities it now has thanks to the peace agreement that was signed over one year ago, bringing a lengthy period of more than 50 years of conflict to an end.

3.25. Despite the vicissitudes experienced by the Organization, Colombia has always supported its endeavours and most important projects, especially at the last three Ministerial Conferences. It has maintained a constructive position as a developing country and has advocated improvements to conditions of access and the abolition of programmes and subsidies that adversely affect agricultural production and fisheries.

3.26. Colombia was among the countries that supported the negotiations on the Agreement on Trade Facilitation, already approved by the Congress of the Republic<sup>17</sup>, and is waiting for the

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<sup>17</sup> Law No. 1879 of 9 January 2018.

Constitutional Court to give its approval prior to giving notice of ratification to the WTO. Meanwhile, progress has been made in significant reforms to customs and foreign trade processes and procedures, such as the issuance of the new Customs Statute (Decree No. 390 of 2016 and Decree No. 349 of February 2018).

3.27. The new customs legislation is based on multilateral provisions and promotes trade facilitation without undermining customs controls; in addition to simplifying trade procedures, it makes them more flexible, reduces the administrative burden, cuts customs clearance times and generally makes foreign trade less complex and costly, as noted above in paragraphs 3.12 and 3.13.

3.28. Moreover, as part of the strategy to improve the competitiveness and productivity of businesses that produce goods and services, and to expand global value chains, between 2013 and 2015 Colombia participated in the expansion of the Agreement on Trade in Information Technology Products.

3.29. As noted in Buenos Aires, the recovery of rural areas in Colombia is one of our post-conflict commitments, and accordingly we urge other Members to continue working within the WTO framework to complete outstanding tasks such as agricultural reform, a ban on illegal, unregulated and unreported fishing, and a comprehensive agreement on fisheries subsidies – including subsidies that contribute to overfishing and overcapacity, by 2020.

3.30. Colombia has always used the WTO dispute settlement and trade defence mechanisms rationally in order to assert the rights and interests of its nationals and has taken a serious attitude towards those proceedings in which it has been a respondent, which have related essentially to the use of certain measures to protect industry from unconventional practices that adversely affect international trade.

3.31. Colombia firmly believes that the WTO dispute settlement process is an asset to the multilateral trading system and must be safeguarded. Accordingly, it supports maintaining the system and advocates a swift resolution to the deadlock that has prevented progress in the Appellate Body membership selection process.

3.32. Colombia is convinced that trade contributes to the economic development of nations, but for some time it has been tackling the harmful consequences of illicit trading such as smuggling, money laundering and trade in counterfeit goods.

3.33. Colombia is determined to put illicit trade on the WTO Members' radar, to heighten awareness of the magnitude of this growing problem which affects all our economies, and to stimulate discussion on the strategies needed to combat this scourge collectively.

3.34. The Colombian Government is convinced that the trade liberalization process has brought benefits; however, it urges WTO Members to recognize that at the same time, illegal structures have taken advantage of developments in international trade regulation to use trade in legal goods and services for criminal purposes.

#### *Accession to the OECD*

3.35. Since 2013 one of the Government's major goals has been for Colombia to accede to the Organisation for Economic Co-operation and Development (OECD). The central objective is to weigh the country's standards against best international practice and adjust them accordingly to achieve greater integration in a globalized world.

3.36. Specifically, the accession process has enhanced the implementation of good practice to improve Colombians' quality of life, strengthened the rationale for maintaining open and transparent trade policies, consolidated interest in drawing up a responsible and sustainable investment policy, and generally benefitted from the discussion of practices that are conducive to sustained economic growth.

3.37. The Colombian Government believes that accession to the OECD will favour the sustainability of important structural public policy reforms. Moreover, the adoption of public

policies that are compatible with OECD objectives will put Colombia at an advantage on the international economic scene, fuel investor confidence and consolidate inflows of foreign investment.

3.38. Colombia's public policies have been assessed and approved by 20 of the 23 Committees required in the accession process.<sup>18</sup> During the years that have elapsed since that process was set in train, Colombia has approved and implemented various policy reforms that are proving effective at improving the quality and the impact of policy formulation, including: reform to the supervision and regulation of financial conglomerates; the CONPES in corporate governance of State-owned enterprises; the policy freight transport modernization policy; reform of the tax regime for alcohol; the CONPES for policy on regulatory improvement; decrees on the grant of greater autonomy to regulators and on the conduct of public consultations on regulations, and the new Code of Corporate Governance for issuers of securities, among others.

### **3.2.2 Regional and bilateral spheres**

3.39. Colombia is of the view that participation in regional and bilateral frameworks for integration and free trade agreements supplements the multilateral system and neither replaces nor threatens it. During the period covered by this fifth trade policy review, Colombia continued to work in both spheres. A summary of the main progress and achievements is given below.

3.40. At the regional level, the natural integration framework for Colombia is the Andean Community (CAN). Colombia held the Presidency Pro Tempore of the CAN between May 2016 and May 2017. The progress made has resulted in the approval of eight Decisions and 65 Resolutions enabling more profound subregional integration.

3.41. Progress was also made in such areas as the subregional interconnection of electrical systems and intracommunity electricity trade; special customs treatment of measuring instruments or standards; the 6<sup>th</sup> Andean Business Meeting was held in the city of Armenia, generating business expectations worth US\$32.5 million; the Multilateral Action Plan for Mutual Recognition of the Andean Authorized Economic Operator was approved; the NANDINA nomenclature and the additional notes thereto were updated; the short supply mechanism for the textile trade was developed. Advances took place in technical and health fields such as the prohibition on the use of long-chain parabens as materials in cosmetic products and the restriction and prohibition on the use of materials used in cosmetic soaps; the authorized routes and time-limits for community customs transit were updated; a satellite was put into orbit over the Andean Community, and common rules on telecommunication interconnections were updated.

3.42. On other fronts, measures were implemented and progressed in extensive areas of trade (technical, health-related, customs and trade facilitation) and investment, in order to take advantage of the free trade agreements with the United States, the European Union, Canada, the European Free Trade Association (EFTA) countries and the Republic of Korea.

3.43. Additionally, negotiations for a free trade agreement with Israel were launched and concluded as part of the Government's strategy to open new markets. It is Colombia's first agreement with the Middle East, an area that is import-focused and has high purchasing power. The agreement has already been approved by the Congress of the Republic and as soon as it receives the approval of the Constitutional Court it will be brought into force.

3.44. Where the countries of Latin America are concerned, a major development was the signature in July 2017 of Economic Complementarity Agreement No. 72 (ACE No. 72), which will govern Colombia's trade preferences with Argentina, Brazil, Paraguay and Uruguay, replacing ACE No. 59. As a result, Colombian entrepreneurs in the textiles and made-up articles sectors will be able to take advantage of tariff access to Brazil and Argentina for 667 products at a 0% tariff.

3.45. In November 2017, in the LAIA framework Colombia and Cuba signed the Third Additional Protocol to Economic Complementarity Agreement No. 40 (ACE No. 49). Colombia thereby secured

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<sup>18</sup> Still required are clearance from the Trade Committee, the Employment, Labour and Social Affairs Committee and the final agreement of the Economic and Development Review Committee.

preferences for over 4,000 products and deepened disciplines in rules of origin, cooperation, trade facilitation, trade defence, sanitary and phytosanitary measures, and others.

3.46. The Trade Agreement with Costa Rica which entered into force in August 2016 has yielded good results for trade, and consequently in February 2017 the parties set about developing it. A first stage of work ended in November 2017, when products of mutual interest were incorporated and fast-tracked into the tariff elimination programme (tyres, certain ceramic products and made-up articles).

3.47. Special reference should be made to the Pacific Alliance, an area of deep integration that was established to drive economic growth and development, increase the competitiveness of the participating economies and improve quality of life. On 1 May 2016 the Trade Protocol of this important regional initiative entered into force, abolishing tariffs for 92% of the products traded between Chile, Colombia, Mexico and Peru.

3.48. This is one of the more innovative integration strategies that Colombia is involved with, consisting of an open, flexible process with clear, pragmatic targets that are consistent with the national development model and foreign policy. Colombia views the Pacific Alliance as a key part of its internationalization strategy, especially in the Asia-Pacific region.

3.49. The Pacific Alliance totals just over 225 million inhabitants (World Bank, 2018), attracts around 48 million tourists each year (ProColombia, 2018), and accounted for 41% of all FDI in Latin America in 2016 (ProColombia, 2018). The Pacific Alliance is the eighth-largest economy in the world and accounts for 38% of GDP in Latin America and the Caribbean; in 2016 GDP per capita stood at approximately US\$17,266 (World Bank, 2018).

3.50. Colombia has held the Presidency Pro Tempore of the Pacific Alliance since end-June 2017 and will do so until end-July 2018, when it will pass to Mexico. Each year the Presidents of the Alliance meet to set out in declarations the areas and objectives that should be their countries' priorities. Thus, in accordance with the Declaration of the Presidents at the last Summit, held in Cali (Colombia) on 30 June 2017, the priority areas of work are the digital agenda, regulatory cooperation, trade facilitation and customs cooperation, innovation, SMEs and tourism.

3.51. At the last Summit, the Presidents of the Pacific Alliance also announced the start of negotiations with Australia, Canada, New Zealand and Singapore aimed at including them in the integration mechanism as associate States, through agreements setting high trade standards. Three rounds of negotiations have been held so far. This work is the start of a deeper relationship between the Pacific Alliance and the Asia-Pacific region, viewed by the founder countries as one of the major landmarks on the way to developing a closer strategic relationship with the region with the greatest economic dynamism and the highest future growth projection.

### **3.2.3 New issues in the globalized world**

3.52. Colombia is well aware of the difficulties currently affecting the international scene, not only at political level but also in terms of the aim of this exercise in transparency, namely to review developments in sectoral, trade-related economic policies and practices between 2012 and 2017.

3.53. The realization that the multilateral system and the stability of its institutions are facing challenges in the form of protectionism and anti-trade rhetoric in various regions of the world has led Colombia to take a pragmatic position and to act as a facilitator on the "new issues".

3.54. Accordingly it has played a constructive part in technical discussions on matters involving electronic commerce, MSMEs and investment facilitation. As a member of the Group of Friends of MSMEs, which account for 96% of businesses in Colombia, we supported the Ministerial Decision that seeks to open up a forum for discussion and formal analysis within the WTO, convinced that it will help to improve their participation in international trade. Additionally, in view of the integral relationship between trade and investment, we also supported the structured formalization of discussion on how investment facilitation and cooperation between Members in this regard can serve as a lever for development.

3.55. In particular we recognize the role that trade can play in electronic commerce and promoting women's empowerment. Regarding electronic commerce, our support for the technical work within the WTO is based on our firm belief that the WTO is the ideal place for establishing multilateral rules that will ensure a secure business environment and open up new opportunities for goods and services exports, in particular for MSMEs. The Secretariat Report provides a full overview of the country's progress, which has led to the consolidation of a digital connectivity strategy that has had a positive impact on foreign trade and has benefitted MSMEs.

3.56. Colombia supported the Buenos Aires Declaration on Trade and Women's Economic Empowerment signed by 121 Members, and will continue to endorse proposals that will help women achieve their full potential in the world economy.

3.57. In that regard we would like to share the experience of the flower sector, which contributes significantly to Colombia's exports. The sector recognizes the importance of women as the lynchpin of society and the family, because 64% of its labour force are women, many of them mothers who are heads of families, who have found the sector to be a fair employment option that dovetails neatly with their home life and gives them time to support and bring up their children.

3.58. The trade association for flower producers/exporters – ASOCOLFLORES – runs multi-purpose programmes intended to improve the quality of life for families involved in flower growing, and women are the population group that these programmes affect most. As a result, 25% of female workers have been able to find a way out of extreme poverty and have benefited from education and housing projects that are significantly improving their current socio-economic circumstances.

#### **4 CONCLUSIONS**

4.1. Colombia will continue to work for stable and lasting peace in the conviction that its citizens come first. The Colombian Government is ready to take advantage of the opportunities that are opening up in the post-conflict era to drive productive investment, attract capital and knowledge from other countries so as to become more competitive, improve the quantity and quality of employment and create more business opportunities in an environment where there are clear, stable rules.

4.2. Colombia hopes that the work under way on various fronts will be recognized by the rest of the world. In particular, we trust that the economies that are the destinations for the goods that we are once again sowing in the fields and making in industries where production lines are set to restart as we embark on the post-conflict era, understand the difficulties we face in complying with high regulatory standards, and that they will provide us with support and technical assistance in order to meet them.

4.3. This will also allow us to benefit from the recovery in demand in developed countries, the projected 4.5% growth in the emerging markets, the improvement in the developing economies in Latin America, the upswing in commodity prices and the WTO estimate of 3.2% growth in world trade.

4.4. It is hoped that the National Productive Development policy in place since 2016 and the other related strategies such as El Agro Exports Alliance, Productive Colombia, Colombia Exports Services and the Tourism Sector Plan to Build Peace 2014-2018 will expand the supply of exportable goods and services in order to make full use of trade agreements and develop participation in global value chains.

4.5. The challenge therefore is to continue to work steadily on strengthening institutions and improving economic and trade policies in compliance with WTO disciplines and commitments.

4.6. Colombia reiterates its determination to implement the Nairobi Ministerial commitments because they bear upon the system's credibility. It reaffirms its willingness to work, as always, sincerely and pragmatically on the negotiating topics, including the new topics, in the belief that it is imperative to protect and strengthen the multilateral system because of the benefits it brings us all and the role that it plays on the international stage. In particular we would like to express our thanks already for your support for our stated objective to promote an agenda that recognizes illicit trade in the context of the WTO so that we can appropriately address this scourge that is doing so much damage to our economies.

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