

The economic challenges faced by the new Colombian president

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Colombia has elected Iván Duque (Bogotá, 1976) to steer its destiny over the next four years. These elections will be long remembered for their high turnout and their peacefulness in a country used to seeing its elections marred by the guerilla conflict. President Duque now heads an economy that has very effectively weathered the shock it received with the collapse in petrol prices and is now on the road to gradual recovery. The resilience to the shock showed the strength of the institutions, economic policy and social security net that Colombia has built over the last 20 years. But it also laid bare the work that the new president will have to do to increase Colombia's growth potential and reduce inequality.

The new government must solidify its ongoing economic recovery by laying the foundations for better economic performance in the medium term. Growth will no longer depend merely on capital investments and population growth. 48% of the people now working under the table will need to be brought into the formal economy and productivity will have to be increased. In his first speech as president-elect, Duque has already emphasised his goal of reducing tax evasion and simplifying the tax system to help break this cycle.

In terms of investment and productivity, throughout the campaign several of the candidates, including Duque, proposed a tax break for companies. Given how tight the budget is, however, that tax break would have to be preceded by a rise in tax income, preferably by reducing evasion.

Consequently, since such a process is not going to be immediate, the new government will have to work quickly and take advantage of its political capital to commit to reforms that will boost productivity, where Colombia has languished for the last 30 years. Issues like reducing informality will help with this, but it is also necessary to promote the use of new technologies in the way individuals, companies and the State interact with each other to lower the economy's transaction costs. Computerisation and a reduction in the use of cash make relationships transparent, lower the risk of corruption and raise productivity. Reforms should also be undertaken to promote the integration of rural farmland with the rest of the economy, which is essential to reducing inequality. This requires a comprehensive offering of public assets and the promotion of industrial agriculture. Ultimately the challenges are many, and international waters remain choppy. Good sailing, President Duque.