

The economic development of colombia

Business



History, trade strategies, aid, and investment all play a role in a country's economic development.

But how does a country really develop? By examining Colombia, this book explores the issues of causes and effects of development as well as the pros and cons of various development strategies, as well as posing the question: What is development? The book explores Colombia's dependence on coffee and oil, its violent past including left-wing guerrillas and right-wing paramilitaries, and Colombia's current extreme inequality. However, in the end the picture it paints of Colombia is not one of failure but of hope for the future—assuming that some policy adjustments are feasible. Chapter 1: The Difference Between Economic Growth and Economic Development Economic growth is the increase in income in a country. This involves increased production and consumption leading to an increase in national income. Economic development is difficult to achieve without economic growth because, without growth, the country will not have money to develop further. However, economic growth can involve all of the money in the country going to a small percentage of the population, and this is not development because the vast majority of the country does not benefit.

Development has been defined in many ways. Martha Nussbaum's definition calls development the presence of " the conditions necessary for human flourishing." Such conditions involve not only health and income but also freedom from oppression, ignorance, and want. Meanwhile, economists have tried to develop a model that quantifies development, most recently with the Human Development Index (HDI), which measures education, life expectancy, and GNI per capita. The HDI is a well-developed quantifier of <https://assignbuster.com/the-economic-development-of-colombia/>

development because it measures multiple indicators and because education, health, and money are all important for any kind of development or human flourishing.

However, indicators such as equity in income distribution, sanitation, distribution of freedoms by gender, press freedom, and the structure of the economy are all also important and are not included in the HDI. Colombia's HDI is 0.710, placing it in the low end of the "High Development" category (Tragakis). The life expectancy at birth is currently 74 years (World Bank), only about 7 years behind the most developed countries and 4.5 years behind the United States (Tragakis). Currently, 74% of Colombia's water supplies are improved, up from 72% in 2005 (World Bank), but that includes only 55% of water supplies in rural areas (CIA), indicating that much of the rural population has not yet benefitted from life-saving water treatment techniques that come with development.

Colombia's economy has succeeded in diversifying. Today, only 6.8% of its GDP comes from the primary sector, which employs 18% of the population (CIA). The secondary sector is responsible for 38.1% of its GDP and 13% of employment (CIA). The remaining 55.

1% of GDP comes from the tertiary sector, which employs 68% of the workforce (CIA). Since many developing countries are stuck largely or entirely with primary-level production, the fact that more than half of Colombia's GDP and over two-thirds of its workforce are employed in the tertiary sector is good news for Colombia's development. On the other hand, inequality is a huge problem in Colombia. The country has a Gini coefficient

of 56, up from 53.8 in 1996, making Colombia one of the most unequal countries in the world (CIA). The lowest 10% of the population receives only 0.

9% of the total national income, while the highest 10% receives 44.4% (CIA). Additionally, 1% of the population owns 80% of the land (insightsonconflict), making it hard for those in lower quintiles to get ahead. Colombia has made progress regarding its inequality, however. In 2005, 45% of the Colombian population lived in poverty; in 2011, that percentage was down to 34%. That is still unacceptably high, but Colombia is certainly moving in the right direction.

The mean years of schooling in Colombia are only 7.3 (Tragakis), meaning that the average Colombian has only had formal education through middle school. However, the school life expectancy is 13.6 (Tragakis), indicating that those who start school today in Colombia can be expected to finish high school and obtain some post-secondary education. The difference between these two indicators means that Colombian children today have many more educational opportunities than did their parents and grandparents, which indicates that development is currently taking place and Colombia is much more developed than it was a few decades ago. Likewise, Colombia's Total fertility rate is currently 2.

12, meaning that the average Colombian woman bears 2.12 children during her lifetime. This has decreased from about 6 children per woman during the 1960s, thanks to increased urbanization, education, and family planning. This, too, indicates that development has been occurring and that women

are now more empowered to make their own reproductive decisions.

Meanwhile, Colombia's economy has certainly been growing, as shown on the chart above.

Although the global economic downturn slowed the economy's growth to 2% of GDP in 2009 (World Bank), otherwise economic growth has been between 4% and 7% of GDP every year for the past decade. This indicates that, regardless of development or lack thereof, Colombia is certainly experiencing economic growth. All in all, Colombia is in the process of developing. Many social and economic gains have been made, and many remain to be made. Inequality is a challenge Colombia must face if it wishes to develop more fully; meanwhile, its economic diversification, low total fertility rate, and high educational life expectancy indicate that the country is getting several things right. Chapter 2: Relevant History Colombia has been struggling with a Marxist revolutionary group called the FARC (Fuerzas Armadas Revolucionarias de Colombia, or the Revolutionary Armed Forces of Colombia) since its founding in 1964 (Reuters).

The FARC's major professed concern is a reform of land distribution (Reuters); in Colombia, one percent of the population owns 80% of the land (insightonconflict). The FARC is funded largely by the drug trade (Reuters). Colombia is the world's largest producer of coca derivatives and is the primary supplier to the United States cocaine market (CIA), giving the FARC a nearly limitless source of funds. Fighting between the FARC and the government is strongest in regions of coca growing, and the issue of the drug trade is one of the most difficult issues in the peace process (New York Times). The drug wars surged in the 1980s and 1990s, when various rounds <https://assignbuster.com/the-economic-development-of-colombia/>

of peace talks were attempted and failed, but the conflict is ongoing (New York Times).

Bombs, bunkers, and gun fighting are common sights in rural areas and have been for decades (New York Times). The conflict between FARC guerrillas and government troops is blamed for the displacement of as many as 5.5 million people since 1985 (CIA). In 2006, various Colombian right-wing paramilitary groups demobilized, leading to the formation of other criminal organizations (CIA). These groups, along with the FARC, continue attacking civilians (CIA), as well as attacking one another (New York Times). The Colombian government began formal peace negotiations with the FARC in fall of 2012 (CIA), and these negotiations are still ongoing (Reuters).

Meanwhile, the FARC continues to kidnap and attack civilians (Reuters). However, the Colombian government has re-established some degree of control in each of its administrative departments, and elections are free and fair (CIA). The FARC and other paramilitary groups have obviously been huge impediments to Colombian development because the government has been forced to focus on the safety of its citizens and the containment of the FARC and paramilitary powers rather than focusing on development. Furthermore, the violence destroys houses, clinics, infrastructure, and human capital, leading Colombia to backslide when it attempts to develop (New York Times). However, the country has still made significant development progress in the past decade. Since 2003, the GNI PPP per capita has increased from \$6,200 to \$9,560 in current international dollars (World Bank).

Likewise, the percentage of the population living in poverty has decreased from 45% in 2005 to 34.1% in 2011 (World Bank). Chapter 3: The Role of Domestic Factors in Economic Development Health is an important factor in terms of economic development. A country that has poor health care and a sickly population generally has trouble developing because its country is sickly and unproductive; with this lack of development, the country will continue to be unable to fund health care to improve the health of its citizenry. Luckily, with relatively small amounts of government investment or foreign aid, many contagious diseases can be reduced or eradicated in developing countries, increasing the productivity and quality of life of the citizens.

However, more pernicious health problems such as AIDS can infect and devastate a country, wiping out large amounts of the adult population, decimating productivity, and at times leaving entire villages inhabited only by children. Better health outcomes lead to demographic trends characterizing economic development. When immunization and sanitation become widespread, for instance, and child mortality rates fall, over time women begin to have fewer children because each child has a much better chance of living to adulthood. When birth rates fall, the population growth of the country stabilizes. Generally, low total fertility rates (the number of births per woman) are associated with highly developed countries and high total fertility rates are associated with developing countries. This is because, usually, empowered women who can make their own reproductive choices and who are confident in their children's survival have fewer children than

women whose reproductive choices are controlled by their husbands or who fear for their children's survival.

In Colombia, the total fertility rate has fallen from 6 children per women in the 1960s to barely above replacement level today, indicating access to family planning and other health care (CIA). This suggests that Colombia is now fairly developed; its population growth rate of 1.128% in 2012 (CIA) provides further evidence that this is the case. However, only 72% of the rural population has access to improved water sources, which indicates that a substantial part of the rural population is at risk for waterborne diseases (World Bank); this suggests that rural areas in Colombia are still in the process of development. Additionally, the percentage of the rural population with access to improved water sources increased only one percentage point between 2006 and 2010 (World Bank), indicating that progress is slow in the effort to improve health in rural areas.

The life expectancy in Colombia is currently 74 years (World Bank), only 4.5 years below the life expectancy in the United States (hdr.undp.org). This, like Colombia's total fertility rate, suggests that Colombia is fairly developed.

Education is an important part of development. The more educated a population, the more productive it is, the more capable it is to diversify its industries, the more free the people are to make their own choices, and the more able the country is to add value to products before exporting them, thus earning more income. When a country develops, it invests in education to first ensure that its citizens are literate and have the opportunity to attend primary school, and then it invests further to ensure that everyone gets the

opportunity to attend secondary school as well. Eventually, a goal is to enable everyone who wishes to obtain post-secondary education to attain it. Educated populations can govern themselves and are at much less risk than uneducated populations of being duped by dictators or held captive to the ideas and policies of corporations who refuse to act in the interests of the people. Thus education is necessary for development to be fully realized.

Colombia has only a 90.4% literacy rate (CIA), indicating that there have been problems with education in the past. Nearly 10% of Colombians have not even had the opportunity to learn to read, let alone obtain a meaningful degree allowing for personal economic advancement. However, the current school life expectancy is 14 years (CIA), indicating that a Colombian child entering school today can expect on average to graduate high school and attend two years' worth of college. This indicates that improvements have been made in Colombia's education system and that the vast majority of young Colombians have attended school at least through the secondary level.

The combination of such a relatively low literacy rate and relatively high school life expectancy suggests that there have been problems with Colombia's education system in the past, such as high fees or major disruptions due to unrest. Income distribution is both an indicator of development and a determinant of future development. Many developing countries start out with fairly equal income distribution because everyone is so poor that there is very little difference between the incomes of different individuals. As development occurs, some sectors and some individuals often

benefit at first where much of the economy remains undeveloped. This is a period of extreme inequality.

Ideally, this changes as the economy develops further and more people benefit from development. Eventually, in an ideal situation, everyone should benefit from development, and, while some inequality will remain for myriad reasons, it should be reduced to a more acceptable level and opportunity should be spread fairly equally among the population. Highly unequal income distributions can create social unrest in a country. This is a threat to countries whose periods of extreme inequality are not short and persist despite seemingly high levels of development. Communist uprisings, coups, and riots can result from feelings of neglect and injustice stemming from unequal income distribution.

This unrest can become a challenge to those promoting development. A Gini coefficient measures inequality; when graphing the percentage of national income held by the lowest N% of the country's population, the Gini coefficient measures the extent to which the income distribution deviates from perfectly equal. A Gini coefficient of 0 indicates perfect equality, with everyone in the society earning exactly the same amount of money, while a Gini coefficient of 100 indicates that one person in the country has all of the national income and everyone else earns no money whatsoever. Colombia has a Gini coefficient of 56, up from 53.8 in 1996, indicating that inequality is extreme and growing (CIA).

This is, in fact, one of the worst Gini coefficients in the world (CIA). The lowest 10% of income earners have just 0.9% of the country's income, while

the highest 10% have 44. 4% of it (CIA). Additionally, 1% of the population owns 80% of the land, which has led to widespread Communist sentiments because people feel that this distribution is unfair and they want to change it (insightonconflict).

These Communist uprisings have come in the form of the FARC, whose negative consequences in Colombia are detailed in “ Relevant History.”

Chapter 4: Trade Strategies for Growth and Development

Developing countries have tried a variety of trade strategies to promote economic growth and development. The three most popular have been import substitution, export promotion, and trade liberalization. Import substitution involves importing less by producing more domestically. This encourages growth of domestic industries and may help with the balance of payments because countries import less, thus having fewer debits in the current account. Imports are discouraged through trade barriers such as tariffs and quotas.

There are many arguments in favor of import substitution. For instance, domestic production was thought to help developing countries modernize; this has worked during the development of some countries that are now developed. During the 1950s and 1960s, when import substitution was most popular, many countries were unenthusiastic about their chances of making money by exporting and hoped to save money through not importing. The protectionism inherent in import substitution allowed for the formation of new industries, the classic “ infant industry” case. This was a part of the modernization and diversification anticipated under import substitution

policies. However, import substitution came with many problems and unintended consequences.

Protectionism led to inefficiency, corruption, and resource misallocation, all of which raised prices for consumers. Many countries overvalued their exchange rates to enable the import of factors of production and discourage firms from exporting to ensure that they would continue to supply to the local market. However, cheap imports of factors of production led to the import of inappropriate technologies; many countries used capital-intensive methods of production even though labor-intensive methods would have been cheaper and eased unemployment. Meanwhile, rural areas of these developing countries tried to export agricultural products, but the overvalued exchange rates made these exports less competitive, worsening poverty in rural areas and worsening the balance of payments by necessitating food imports. Domestic firms were encouraged to import capital to speed their production, leading to inappropriate technologies and a worsened balance of payments.

The focus on capital-intensive industries also led to a neglect of smaller producers, negatively impacting income distribution. The classic failure of the infant industries often occurred, with these firms never maturing due to their high costs and inefficiencies. All of these limited economic growth in countries experimenting with import substitution. Colombia experimented with import substitution from the end of World War II until 1967 (Thoumi). This led to growth in Colombia's manufacturing sector (Thoumi), but exports were not emphasized and a balance of payments crisis occurred (Thoumi).

Therefore, in 1967, Colombia switched from import substitution to export promotion (Thoumi).

During the import substitution phase, Colombia had mainly exported primary products, with coffee making up 72% of its total exports and all manufacturing put together making up only 2% (Thoumi). Export promotion is a trade strategy involving government intervention that promotes and supports exports. Export promotion evolved as a backlash against what was seen as the failure of import substitution. Typical export promotion policies include government ownership of financial services, support of specific industries thought to be good candidates for large-scale exporting, industrial policies (grants, subsidies, tax exemptions, etc.) that support export industries, limited protection of domestic industries, rules for multinational corporations, government investment in areas such as human capital and infrastructure, and incentives for private sector research and development. Export promotion has been a successful development plan in many countries that have experimented with it.

Some reasons for this may include economies of scale that can be achieved when a firm expands beyond the domestic market, the benefits of economic diversification, the investments in human capital involved in export promotion, the emphasis on appropriate technologies, the increase in employment thanks to appropriate technologies (not using too much capital where labor is cheaper than machinery), and the virtue of export earnings to avoid balance of payment problems. After 10 years of export promotion, Colombia's extreme imbalance of primary exports to secondary exports had begun to balance out, with coffee below 50% of exports and manufacturing

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having risen to 21% (Thoumi). The beginning of the 1970s was a period of major economic expansion for Colombia thanks to its export-oriented policies (Juarez). By the end of the 1980s, no single product accounted for more than 30% of exports (Juarez); this is the diversification associated with export promotion. However, starting in the 1980s and accelerating in the early 1990s, Colombia changed trade strategies again and experimented with trade liberalization (Goldberg and Pavcnik). Trade liberalization is a trade strategy involving lessening government intervention in order to free market forces.

The United States has advocated strongly for trade liberalization through an agreement known as the Washington Consensus. The United Nations Development Program, however, questions the effectiveness of trade liberalization in most cases, however, because many countries' industries cannot survive market forces without government intervention. Trade liberalization is now considered a good idea primarily in cases where the country has already developed significantly and has an export base.

Colombia liberalized its trade gradually; it began implementing trade liberalization policies in 1985 and concluded the policy change in 1991 (Goldberg and Pavcnik) with a revision of the constitution occurring during that year (Juarez). Colombia joined the General Agreement on Tariffs and Trade, abbreviated GATT, in 1981 but was exempted from tariff reductions at the time due to its status as a developing country (Goldberg and Pavcnik). Much of Colombia's trade liberalization policy therefore consisted of reducing tariffs to levels similar to those of other members of the GATT and its successor, the World Trade Organization or WTO (Goldberg and Pavcnik).

Industries that had been highly protected saw their tariffs slashed, while industries whose protection had been more modest to begin with saw smaller tariff reductions (Goldberg and Pavcnik). Absolute urban poverty in Colombia decreased from 1986 to 1994 as trade liberalization went into effect; however, these reductions in urban poverty came almost exclusively from increases in wages in jobs that already existed, rather than stemming from job creation (Goldberg and Pavcnik). Furthermore, the trend of urban poverty reduction then reversed, and poverty increased from 1995 to 1998, ending at nearly the same level it had been in 1984 (Goldberg and Pavcnik). However, this may be attributable to the global recession in the second half of the 1990s (Goldberg and Pavcnik); poverty overall in Colombia has been declining since at least 2005 (World Bank). Colombia is still rather highly protected; in 2008, it was ranked 108th out of 125 countries in terms of trade restrictiveness (World Bank).

It frequently pursues anti-dumping claims in order to ensure that it is not being cheated; Colombia investigated 43 anti-dumping allegations from 1995-2008, making it the 17th largest investigator out of 44 countries surveyed (World Bank). However, Colombia ranks highly in its commitments to reducing trade barriers (World Bank). Colombia's economic growth rate has been in the mid-single digits since 2004, indicating that Colombia's current trade liberalization strategy is beneficial or at least benign toward Colombia's economic growth and success. Colombia currently allows foreigners to buy national firms that are being privatized (OECD). This represents a departure from protectionism and a move toward free-market policies.

Additionally, Colombia's free trade agreement (FTA) with the United States just went into effect in 2012 (CIA). Colombia also has FTAs with Canada, Chile, Mexico, Switzerland, the EU, Venezuela, South Korea, Turkey, Japan, and Israel (CIA). These, too, represent a political shift toward free-market policies and trade liberalization.

Chapter 5: Price Volatility Many developing countries face an economic quandary: The country has a comparative advantage in the production of exactly one product, and so trade theory suggest that it ought to specialize in just that product. However, that leaves the country extremely vulnerable to even slight changes in the price of that product. If the product's price plummets, the country's export earnings likewise tank.

The prices of primary products are particularly volatile—more so than the prices of manufactured goods or services—so a developing country that mainly exports one particular natural resource is at great risk of being hurt by a price drop that leaves the country virtually without access to foreign exchange. Therefore, each country ought to specialize in a variety of products in order to avoid being so heavily impacted in changes in price. However, this can be very difficult to do because it involves expanding beyond the country's comparative advantage, which means that the areas into which they are trying to diversify may be dominated already by countries that can make the product very cheaply and efficiently. Hence, a country with just one specialty is stuck: the easier path involves continuing to produce that in which it has a comparative advantage, yet this leads to vulnerability. The harder but more economically sound path involves

diversifying the economy. Colombia is heavily reliant on two primary products: coffee and oil.

In 2003, about 18% of Colombian households depend on coffee for their income (Giovannucci). However, Colombian market share has been declining since then; just between 2007 and 2011, Colombian coffee output fell from 12.5 million 60-kilogram bags to 7.8 million 60-kilogram bags (Terazono). Still, as of 2012, coffee production still represented 16% of Colombia's GDP (Andrade, et al.

). Coffee has a history of being a commodity whose price changes frequently and dramatically (Andrade, et al.), so Colombia's reliance on coffee for income is potentially bad for the country's macroeconomic stability. Oil, likewise, is a major part of Colombia's economy, accounting for 22% of Colombia's export earnings (Cooper). Despite oil's large share of exports, however, oil makes up only 4.9% of total GDP (Perry, et al.

). During the oil price slump of 2003-2007, Colombia's growth remained strong, indicating a diversified economy in which oil prices were far from the only determinant of economic performance (Perry, et al.). Variation in oil sector variables also has not affected Colombia's non-oil exports, lessening the effects of oil price shocks (Perry, et al.).

In all, Colombia has managed to keep annual economic growth in the mid-single digits every year for the past decade with the exception of 2009, during the global economic downturn (World Bank). This indicates a fairly diversified macroeconomy in which no single price shock can destabilize everything. Chapter 6: The Role of Foreign Direct Investment Foreign direct
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investment (FDI) occurs when a corporation has its headquarters in one country and does some or all of its production process in another country (Tragakis). The corporation is called a multinational corporation and the country in which the production takes place is the country receiving the FDI (Tragakis). Several factors can attract multinational corporations to invest in developing countries. One factor is the access to new markets (Tragakis).

It is easier to begin selling in a new market if a corporation does production there, and therefore countries at middle stages of development, sometimes called “ emerging markets,” can attract large amounts of FDI from multinational corporations hoping to gain access to the new consumption power in the country (Tragakis). Additionally, some developing countries have many trade barriers to discourage imports (Tragakis). If a multinational corporation begins producing in this developing country, it can access the market without jumping through the hoops normally presented to imported goods, because the goods it produces are no longer considered imports (Tragakis). Other factors that encourage multinational corporations to expand production into developing countries is the lower costs of production (Tragakis). Developing countries are much less likely than developed countries to have restrictive worker protections, minimum wage laws, and environmental regulations, making it much cheaper to produce goods in developing countries than in developed ones (Tragakis).

Furthermore, many multinational corporations produce goods that use natural resources in their production, and many of these natural resources are found in developing countries (Tragakis). Therefore, multinational corporations move their production to these countries in order to gain more

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direct access to these natural resources (Tragakis). Colombia struggled until 2005 to obtain FDI because investors were afraid of the terrorism, FARC-related violence, and drug trafficking that threatened to destroy the production facilities of any multinational corporation foolish enough to stray into the country (OECD). Through the year 2004, FDI totalled below USD 3 billion annually (OECD). Since then, however, conditions have stabilized sufficiently—with the demobilization of the paramilitaries, among other factors—that multinational corporations have begun investing in earnest; by 2008, FDI had reached USD 10.

6 billion (OECD). FDI faltered during the global financial crisis, bottoming out slightly below USD 7 billion in 2010, but has been on an upward trajectory since then (OECD). The three economic sectors that attract the most FDI are manufacturing and financial services, with 33% of total FDI; oil and natural gas, with 24%; and mining and quarrying, with 21% (OECD). However, FDI in manufacturing and financial services has been declining, from 39% of all FDI in 2005 to 33% in 2011 (OECD). Meanwhile, FDI in the oil industry has been increasing, from only USD 278 million in 2003 to USD 4.

3 billion in 2011 (Economist). Privatization of formerly publicly owned firms accounts for much of Colombia's FDI earnings (OECD); this is a part of Colombia's trade liberalization strategy discussed previously. One problem with FDI in Colombia is that the FARC continues to attack oil infrastructure because it wants a cut of the oil profits (Economist). Another problem is that Colombia offers tax breaks and lax regulations to oil companies in order to attract their investment (Economist). Hence, Colombia experiences negative externalities of production when oil companies pollute or wear out

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infrastructure. Additionally, the Colombian government does not capture much of the oil companies' revenue because of the tax breaks it offers to the multinational corporations that are involved in oil production.

In Colombia, FDI has indeed led to spillover of imported skills and technologies brought in by multinational corporations (Kaler). Additionally, FDI has helped the Colombian economy diversify (Kaler). However, Colombia continues to struggle to attract as much FDI as possible because of its security issues with the FARC and other groups (Kaler). Improvements in infrastructure, science, and technology would also help attract more FDI (Kaler). However, FDI has already had a positive impact in the country.

Chapter 7: The Role of Foreign Aid Foreign aid comes to developing countries in a variety of ways. The largest source of foreign aid is official development aid (ODA), which is money donated from one government—usually the government of a relatively rich country—to another government, usually of a poor country (Tragakis). There are a number of reasons that governments in developed countries give money to less developed countries. The developed country may have strategic or political reasons to support another country, such as to express support of its political ideology or to keep it from moving to a different ideological position (Tragakis). The developed country may wish to advance the economic condition of the less developed country for its own economic reasons (Tragakis). Humanitarian and moral motives also play a role in these decisions (Tragakis).

Some foreign aid is called tied aid. Tied aid is aid that is given with stipulations that a certain percentage of the aid be put toward a specific

purpose (Tragakis). Often, this purpose involves buying some supply or product from a corporation based in the country that is giving the aid (Tragakis). Tied aid reduces aid efficiency because comparable products are often available locally at much lower prices, and sometimes the product is not needed by the developing country at the time the aid is given (Tragakis). Non-governmental organizations (NGOs) also give aid to developing countries. NGOs are sometimes more trusted in developing countries than bringers of ODA because ODA is associated with governments and governments are not to be trusted in many developing countries (Tragakis).

There are currently hundreds of thousands of NGOs active in developing countries (Tragakis). However, many of these NGOs are too small to make as much of a difference as ODA does (Tragakis). However, NGOs have the advantage that they can effectively and efficiently achieve goals that are harder for foreign governments to achieve through more local contacts, flexibility, and grassroots involvement (Tragakis). Two major types of aid, differentiated by purpose rather than by source, are humanitarian aid and development aid. Humanitarian aid attempts to alleviate suffering due to some sort of humanitarian crisis: a flood, drought, civil war, tsunami, etc. (Tragakis).

Humanitarian aid does not focus on long-term development. Development aid, on the other hand, focuses on achieving progress and development in the longer term (Tragakis). Development aid therefore involves building infrastructure, improving sanitation, furthering education, and so forth (Tragakis). Colombia receives hundreds of billions of dollars in ODA annually from the United States, mostly to combat terrorism and the drug trade

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(Meyer and Sullivan). In the year 2000, US President Clinton launched “ Plan Colombia,” an initiative designed to radically reduce the amount of cocaine being produced in Colombia (Meyer and Sullivan). The initiative has been criticized for its lack of oversight; the Colombian military, which is supposed to be eradicating cocaine production, has often joined with right-wing paramilitaries and engaged in human rights abuses (Meyer and Sullivan).

Since 2002, US aid to Colombia has been tied to efforts by the Colombian military to distance themselves from the paramilitaries and end human rights abuses, at least within their own ranks (Meyer and Sullivan). One strategy employed by givers of ODA in Colombia is to financially incentivize other agricultural activities so that cocaine farmers have alternative livelihoods available to them (McFarland Sanchez-Moreno). For instance, USAID sets up palm oil cooperatives for former cocaine growers (McFarland Sanchez-Moreno). Unfortunately, many drug-running paramilitaries have established militias that use murder, torture, and threats to steal this land from the farmers to which it was given (McFarland Sanchez-Moreno). Insufficient oversight means that the US government does not notice when the land changes hands; support for the palm-oil cooperatives continues flowing when the cooperatives are in the hands of the paramilitaries, running exactly counter to US goals of fighting Colombia’s drug trade (McFarland Sanchez-Moreno).

Despite these issues, however, the security situation in Colombia has been improving in recent years (Meyer and Sullivan). Therefore, aid to Colombia is declining steadily; Colombia is in fact requesting less aid than it has received in years previous (Meyer and Sullivan). This indicates an improvement in <https://assignbuster.com/the-economic-development-of-colombia/>

Colombia's situation and perhaps even an overall success of the aid mission.

Chapter 8: Looking to the Future If the current round of talks with the FARC goes well, improvements can be achieved. Colombia is doing quite well for a developing country but is held back by all of its violence and the uncertainty that violence brings. The talks with the FARC would probably go better if the problems with income and land distribution were solved, because, while the FARC is addressing these problems in an inappropriate manner (kidnapping, killing, and bombing do not promote equality), the problems are real and severe.

I would advise that Colombia focus on a progressive tax code and use the money to improve the quality of life in rural areas and urban slums. This will be somewhat redistributive. If some land has to be confiscated and redistributed, that would be a reasonable price to pay for the eventual stability and equity gained by reducing inequality. After having made progress in these areas, Colombia's government should resume talks with the FARC and emphasize that the FARC's legitimate concerns have been addressed. At that point, the government should be able to de-arm and disperse the FARC, something that it did successfully with many paramilitary groups in 2006.

Once the violence is reduced to that extent, it will be easier to promote more development. Colombia's current development struggles include rural sanitation, infrastructure, and uses of appropriate technologies. Colombia would have sufficient resources to deal with these problems were it not so focused on violence reduction. With a furthering of sanitation, infrastructure,

and research and development issues, Colombia should be prepared to become a powerful emerging market. Chapter 9: Works Cited