



COLOMBIA AND LATIN AMERICA

THE NEXT CHALLENGES

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TOPICS FOR DISCUSSION

1. The trends that will define our future
2. Latin America in a multi-polar world
3. The 2013 outlook
4. The Colombian case



1. THE TRENDS THAT WILL DEFINE OUR FUTURE

There are 4 trends that will shape the global future in the next 20 years...

The global middle class expansion

The rise and flight of the emerging powers

Demography will determine destiny

The pressure for natural resources



1. THE TRENDS THAT WILL DEFINE OUR FUTURE

Source: U.S National Intelligence Council

The global middle class expansion

By 2030 a majority of the world's population will not be impoverished, and the growing middle class will determine global consumption patterns.

The rise and flight of the emerging powers

Asia will have surpassed North America and Europe combined in terms of global power, based upon GDP, population size, military spending, and technological investment.

China alone will probably have the largest economy, surpassing that of the United States a few years before 2030.

Demography will determine destiny

In 2013 the world will have reached 8.1 billion inhabitants.

Aging population, shrinking young population, migration and urbanization will impact world social and economic performance

The pressure for natural resources

Demand for food, water, and energy will grow by approximately 35, 40, and 50 percent respectively owing to an increase in the global population and the consumption patterns of an expanding middle class.

1. THE TRENDS THAT WILL DEFINE OUR FUTURE

By 2050 19 of the top 30 economies by GDP will be countries that we currently describe as 'emerging'

China and India will be the largest and third-largest economies in the world.

Eight countries – India, China, Brazil, Russia, Indonesia, Korea, Mexico and Turkey – will be responsible for most of global growth up to 2025

Emerging economies will account for 68% of global growth by 2030.

In 1980, 5% of goods were sourced globally. By 2000, this was 20%. By 2025, it will be 50%.

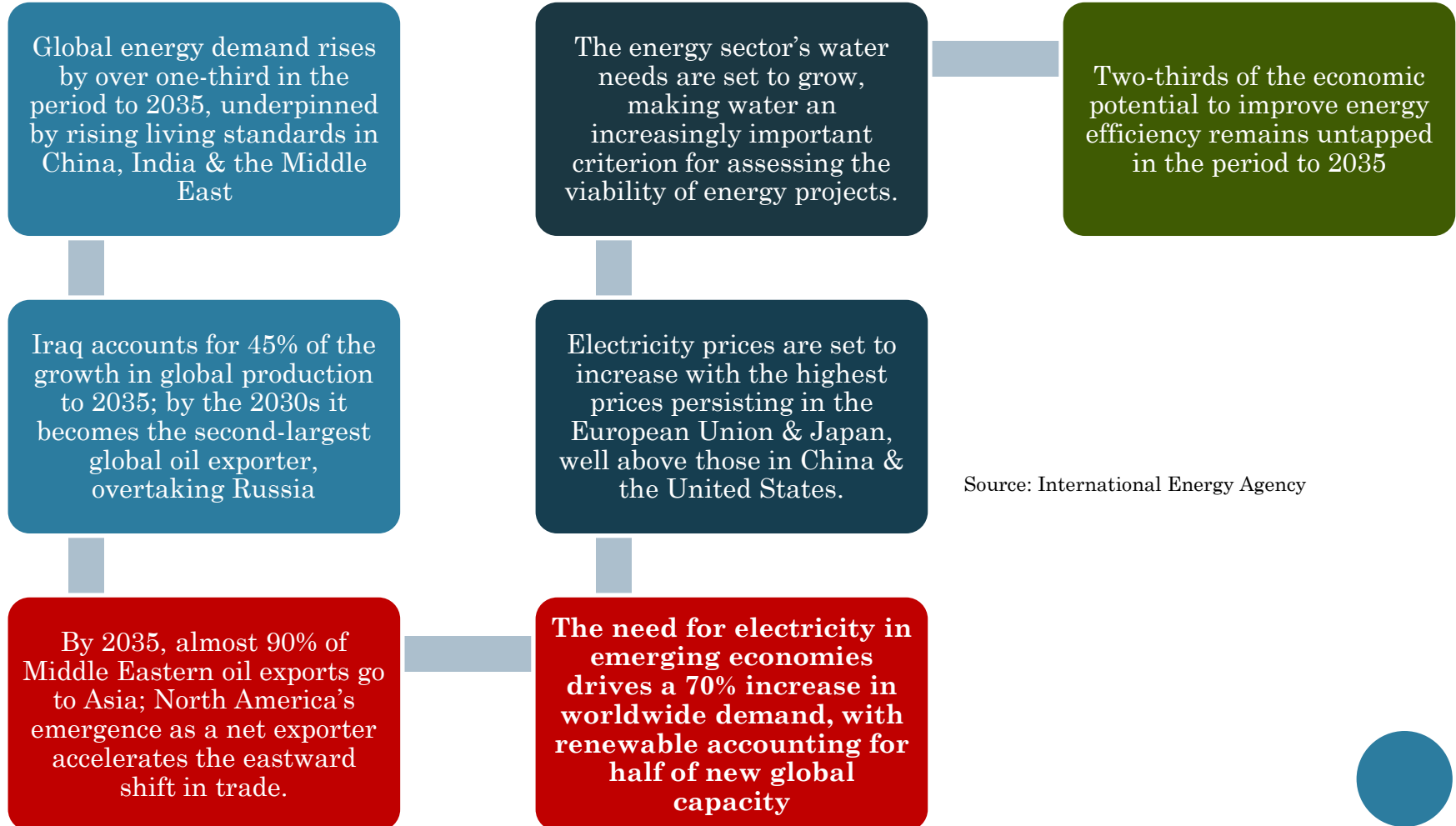
In 1980, world exports accounted for one-sixth of global GDP. Today it is a quarter. By 2030, it will have risen to a third.

By 2030 the urban middle class will rise to 42% of the global population. The number of people with daily income of \$10 to \$100 a day will rise from 1.8 billion today to 4.9 billion by 2030.



1. THE TRENDS THAT WILL DEFINE OUR FUTURE

Global energy trends in the next 25 years...



2. LATIN AMERICA IN A MULTI-POLAR WORLD

Policy Changes since 1980 match four range of opportunities

Population

Close to 600 million people

Average age between 24 and 28

Per Capita Income in PPP close to US\$10.000

Poverty reduction

64% of our population is a expanding middle class.

During the last decade 40 million people have left the poverty line

Life expectancy has increased from 65 to 75 years.

Child mortality has been reduced by 50 per cent.

Literacy rates are above 94%.

Mobile phone penetration has increased by 78 per cent.

Internet access has increased by 33%

Healthcare coverage has increased by 50 percent.

water and sanitation coverage has reached 80%.

Commodities in time of Demand

10 percent of the World oil reserves.

6 percent of the World Gas reserves

Almost 50 percent of the World cooper reserves.

50 per cent of the World silver reserves.

13% of the World iron reserves

26% of the World fertile land.

24% of the World beef supply.

Bio Reserves

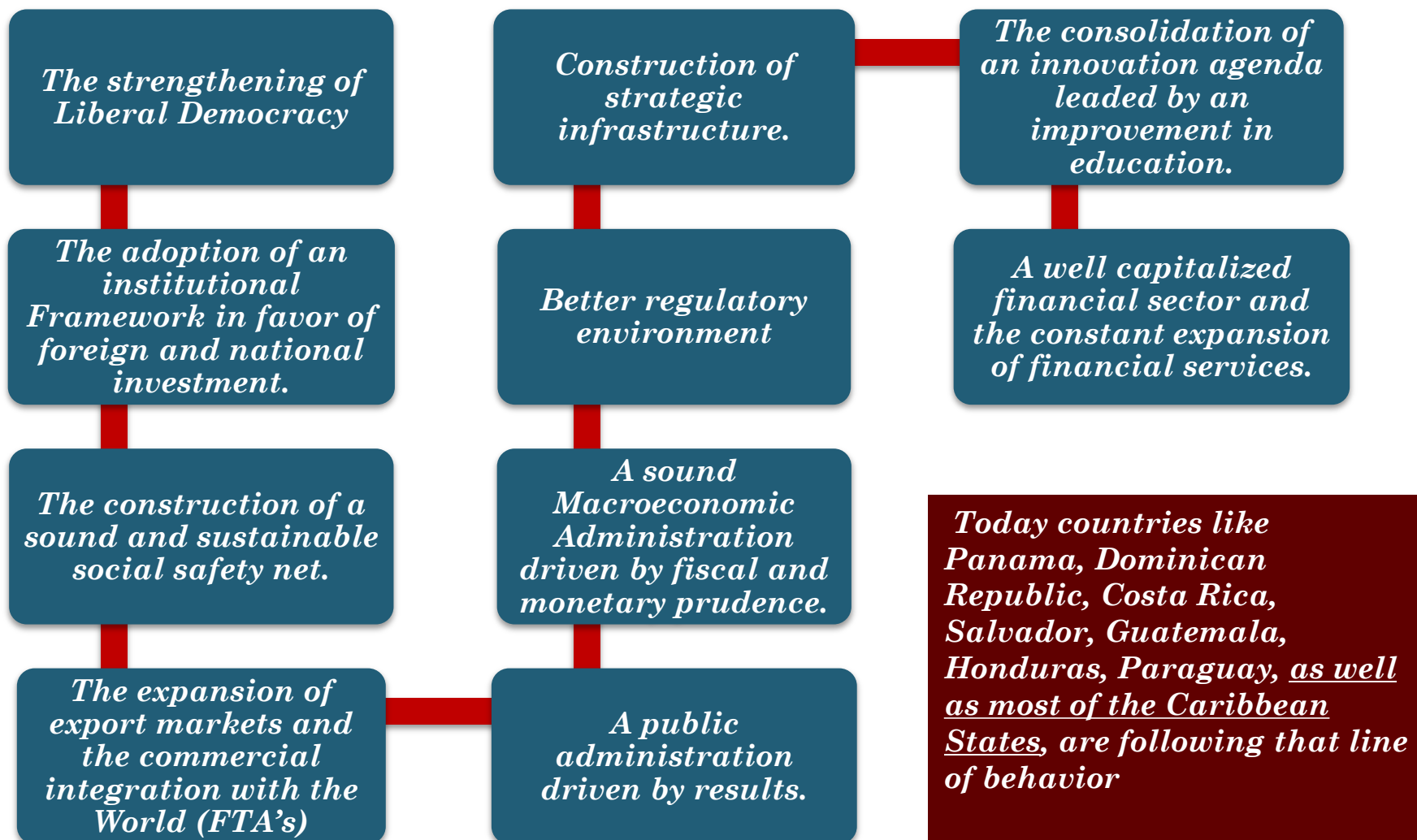
20 per cent of the World Biodiversity is concentrated in the Amazon ring.

Almost 50% of the World potable water supply.

57% of the world primary forest

2. LATIN AMERICA IN A MULTI-POLAR WORLD

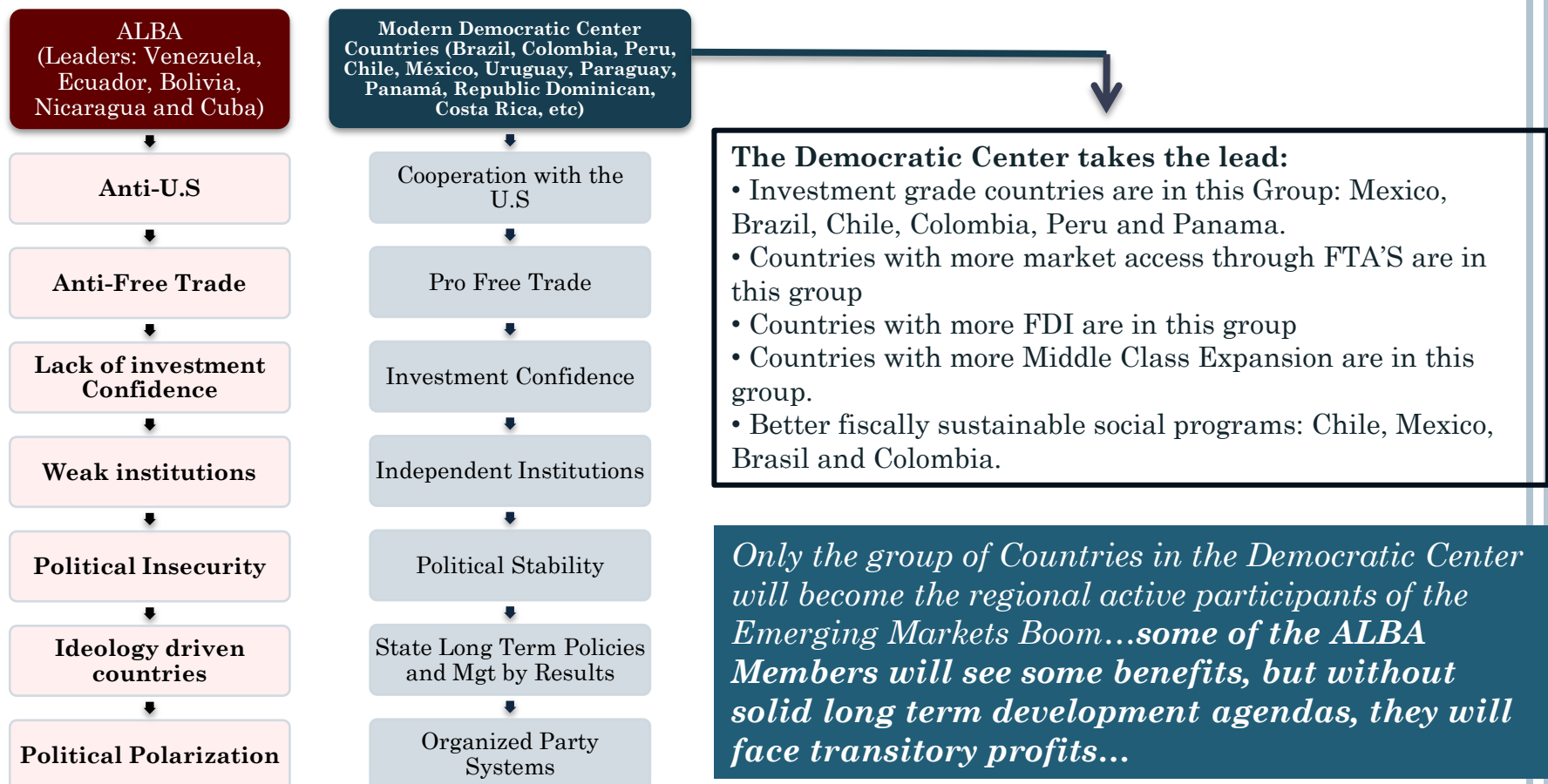
The change process is a consequence of the consistency, congruence and sense of urgency that a group of countries have adopted as their policy cornerstone. *Brazil, Mexico, Colombia, Chile, Peru and Uruguay represent 70 per cent of the region's population and 75% of the regional GDP.*



2. LATIN AMERICA IN A MULTI-POLAR WORLD

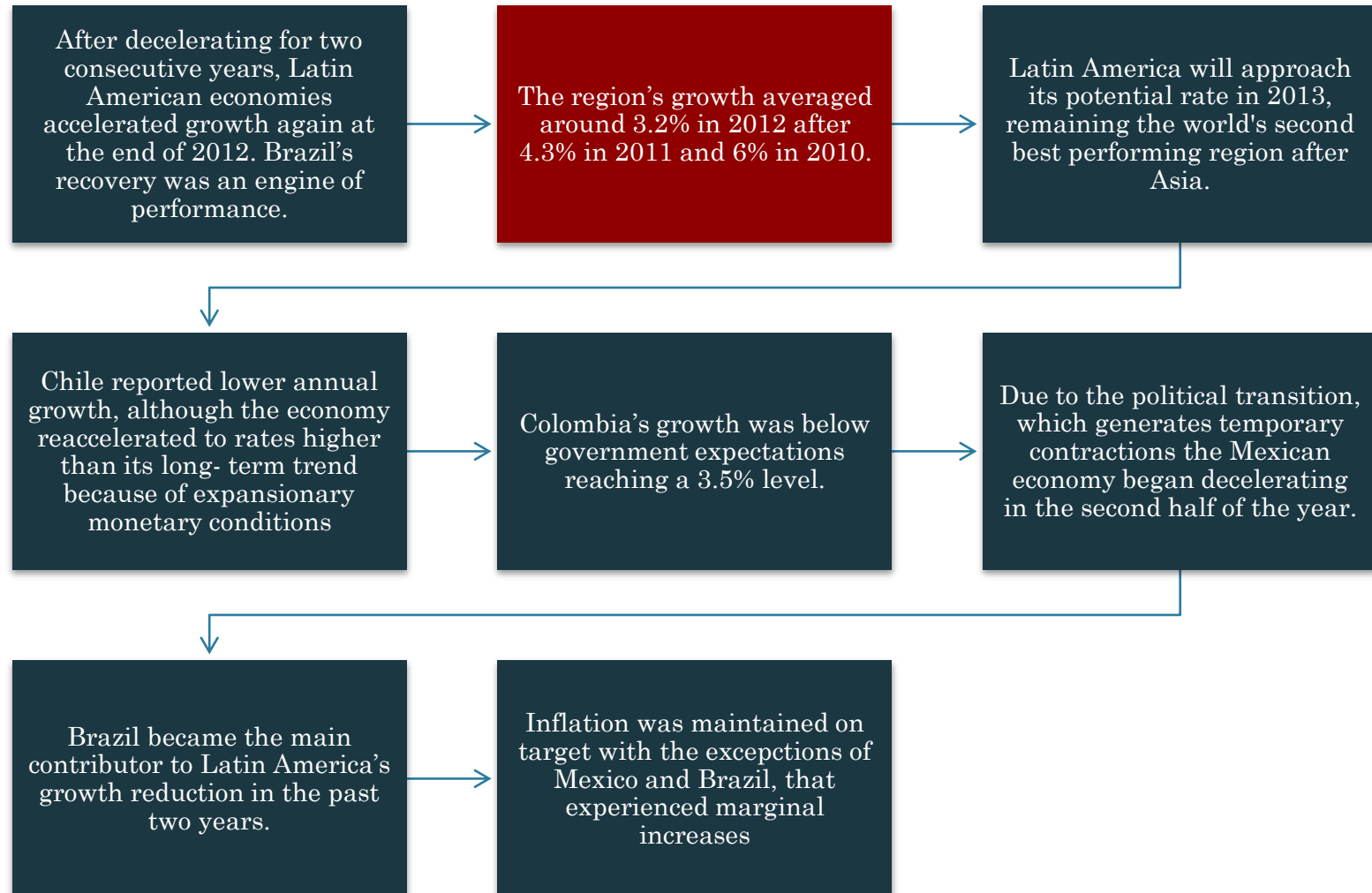
But not all the socio-economic models are a success story...

- The regional current Political Map is a “Tale of two cities” like the Charles Dickens Book... (The ALBA and the non Alba Model)



3. THE 2013 OUTLOOK

The 2012 experience....



3. THE 2013 OUTLOOK

Argentina

The country will face risks in 2013, although growth will improve in comparison with 2012.

Uncertainty will increase

Inflation will be around 25%

Public expenditure will be the driver of economic growth

Central Bank will continue to be the main source of funding for the Central Government.

Economy will grow 3.4% in 2013

Brazil

The economy experienced a small scale recovery at the end of 2012.

The recovery will strengthen in 2013, boosted by investment for the 2014 World Cup, as well as the fiscal and monetary stimulus package in place.

The economy will grow 5% in 2013

Chile

Monetary conditions need to be stabilized before excess demand threatens economic stability.

Growth in 2013 will be around 4.3%.

Inflation will remain on target

3. THE 2013 OUTLOOK

Mexico

The deceleration initiated at the end of 2012 will extend over the first half of 2013, as a change in political administration usually introduces a delay in the federal budget and private decisions on investment

The economy will grow only 3.5% in 2013 after 3.8% in 2012.

Inflation is rising

Monetary tightening could affect growth performance.

Great expectations are based on the new government reform agenda

Peru

The best performer with strong fundamentals and a well managed mining boom.

Growth will reach 5.8% in 2013.

Inflation will be between 1% and 3%

Venezuela

The fiscal deficit in 2012 reached troublesome levels, that will require cuts in 2013.

Growth will be around 1.5% and 2%.

Declines in the oil price could trigger a recession

Inflation will reach 30%

3. THE 2013 OUTLOOK

Regional Financial Flows

	2009	2010	2011	2012e	2013f	2014f	2015f
Financial Flows							
Capital Inflows	179.6	328.5	303.9	322.4	326.2	327.1	342.3
Private inflows, net	161.6	306.1	299.1	320.5	327.1	327.8	344.7
Equity Inflows, net	126.5	166.6	165.6	179.5	198.0	200.8	214.5
FDI inflows	84.9	125.3	158.3	167.3	182.4	176.3	184.2
Portfolio equity inflows	41.6	41.3	7.4	12.2	15.6	24.5	30.3
Private creditors, net	35.1	139.5	133.4	141.0	129.1	127.0	130.2
Bonds	45.9	72.9	85.2	95.1	72.2	57.7	60.2
Banks	-1.7	21.7	51.7	41.4	42.7	45.2	51.4
Short-term debt flows	-8.6	43.8	-3.0	4.3	12.7	23.4	16.5
Other private	-0.5	1.1	-0.4	0.2	1.5	0.7	2.1
Official inflows, net	18.0	22.5	4.8	1.9	-0.9	-0.7	-2.4
World Bank	6.6	8.3	-2.9	0.4
IMF	0.4	1.3	0.2	0.1
Other official	11.0	12.9	7.5	1.4



3. THE 2013 OUTLOOK

Bad policies are deteriorating the political and economic context in the ALBA Countries....

Venezuela

Inflation

Reduction in oil production

Brain drain

Social conflict

Insecurity

Private initiative in Jeopardy

Bolivia

Loss of citizen support

Quality of live deterioration

Lack of private initiative.

Loss in private investment

Ecuador

Press Liberties in danger

Lack of long term private investment.

Political stability at the expense of higher tensions.

Oil driven political power

Nicaragua

**Institutional deterioration
(Reelection without constitutional authority)**

Corruption

**Private initiative:
Uncertainty**

Shameful Chavistas

3. THE 2013 OUTLOOK

The region top challenges

Despite the changes that have been achieved some important challenges remain...

Building Modern Democracies (5 parameters)

Security

Freedoms and Private
Initiative

Independent Institutions

Social Cohesion

People Participation

A dynamic Economic transformation

Investment Target Policies

Maintaining Fiscal and
Monetary transformation

Integrate commodity and
knowledge based economies.

Expand export markets

Create an Entrepreneurship
culture (Innovation agenda)

Closing Social Gaps

Improve education (quality,
coverage, vocational)

Insure Universal
Healthcare

Formal Job creation

Access to Finance

Climate Change, Environment and Energy Sustainability

Expand renewable sources

Install an energy efficiency
conscience

Improve waste management

Protect the Amazon Ring

Reduce Co2 Emissions

4. THE COLOMBIAN CASE: NO LOST CAUSES

Eleven years ago Colombia was a fragile state...

The Colombian Paradox: a long and stable democracy in a permanent threat from terrorist groups, drug dealers and organized crime...

Security

28.837 homicides

2882 kidnappings

69 homicides per 100.000 habitants

1645 terrorist attacks

350 mayors out of their municipalities

158 municipalities without police

Economy

Average Economic Growth 1994-2001: 2.1%

GDP per Capita: US\$2377

Investment as % of GDP: 16.5%

Exports: US\$11.975 million

FDI: US\$2.100 million

Inflation: 6.99%

Fiscal balance: -3.2%

Social

Unemployment: 16.2%

Health Coverage: 25 million Colombians.

Pension affiliates: 4.5 million

Poverty: 57%

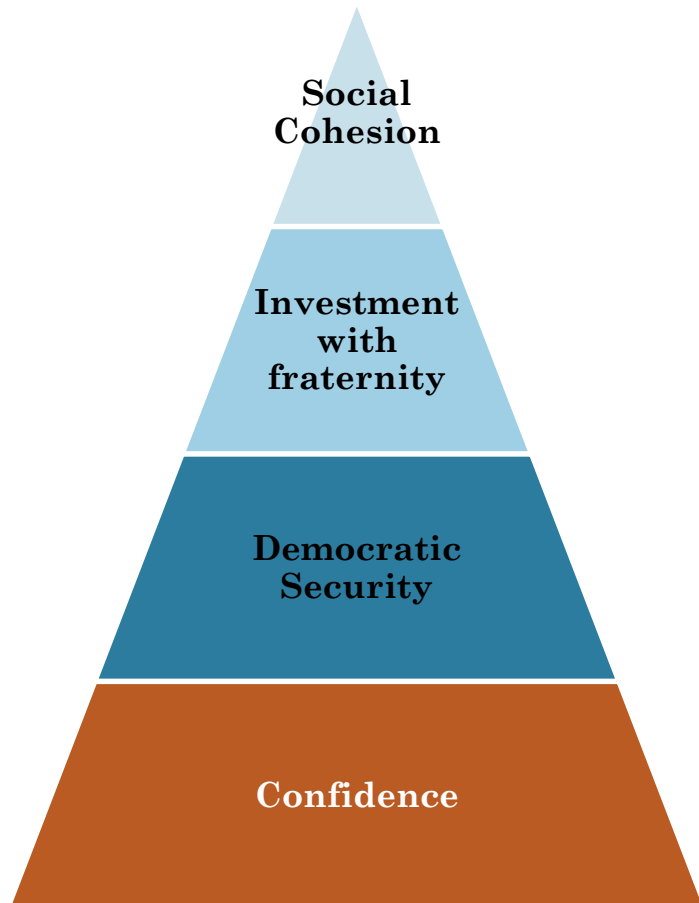
Education Coverage: Primary 97%, High school: 57%, University: 24%.

Mobil Phone Lines: 4.6 million

Internet coverage: 1.9 million

4. THE COLOMBIAN CASE: NO LOST CAUSES

WE INTRODUCED A COMPREHENSIVE POLICY FRAMEWORK...



Social Cohesion				
Highest quality in education	Universal healthcare	Access to Finance	Stable Jobs and entrepreneurial spirit	Connectivity

Investment Target				
Security: Human Legal Political	Sound Macroeconomics	Incentives	Access to markets	Competitiveness factors: • Infrastructure • Regulation • Connectivity • Logistical chain

Security as a Democratic Value				
Security for all	Confront all criminal organizations	Security without martial law	Security with freedoms and human rights protection	Security in coordination with the people

4. THE COLOMBIAN CASE: NO LOST CAUSES

OUR POLICY ACHIEVEMENTS GENERATED A TURNING POINT

- Reached the highest economic growth in more than 20 years.
- The largest education, health and connectivity coverage in its history.
- The largest poverty reduction in Colombian history
- The biggest FDI rates in history
- The lowest violence records in 30 years
- Expanded the middle class
- Highest exports in Colombian History.
- Paramilitary groups dismantled
- FARC structure severely dismantled
- Per Capita income more than doubled

Indicator	2002	2010	Indicator	2002	2010	Indicator	2002	2010
Homicides	28838	7400	Average Economic Growth	2.1%	4.3%	Unemployment	16.2%	11.6%
Kidnappings	2882	123	GDP per Capita	2377	5300	Health Coverage	25.1 million	43.1 million
Homicides per 100K Habitants	69	16.3	Invest % GDP	16.5%	24.6%	Pension affiliates	4.5 million	7.1 million
Terrorist attacks	1645	250	Exports	US\$11.000	US\$39.000	Poverty	57%	38%
Municipalities without mayors presence	350	0	FDI	US\$2.100	US\$7.000	Education coverage (Primary, Hs, University)	97% 57% 24%	100% 79.4% 35.5%
Municipalities without police	158	0	Inflation	6.9%	2.5%	Mobile phone users	4.6 million lines	41 million lines

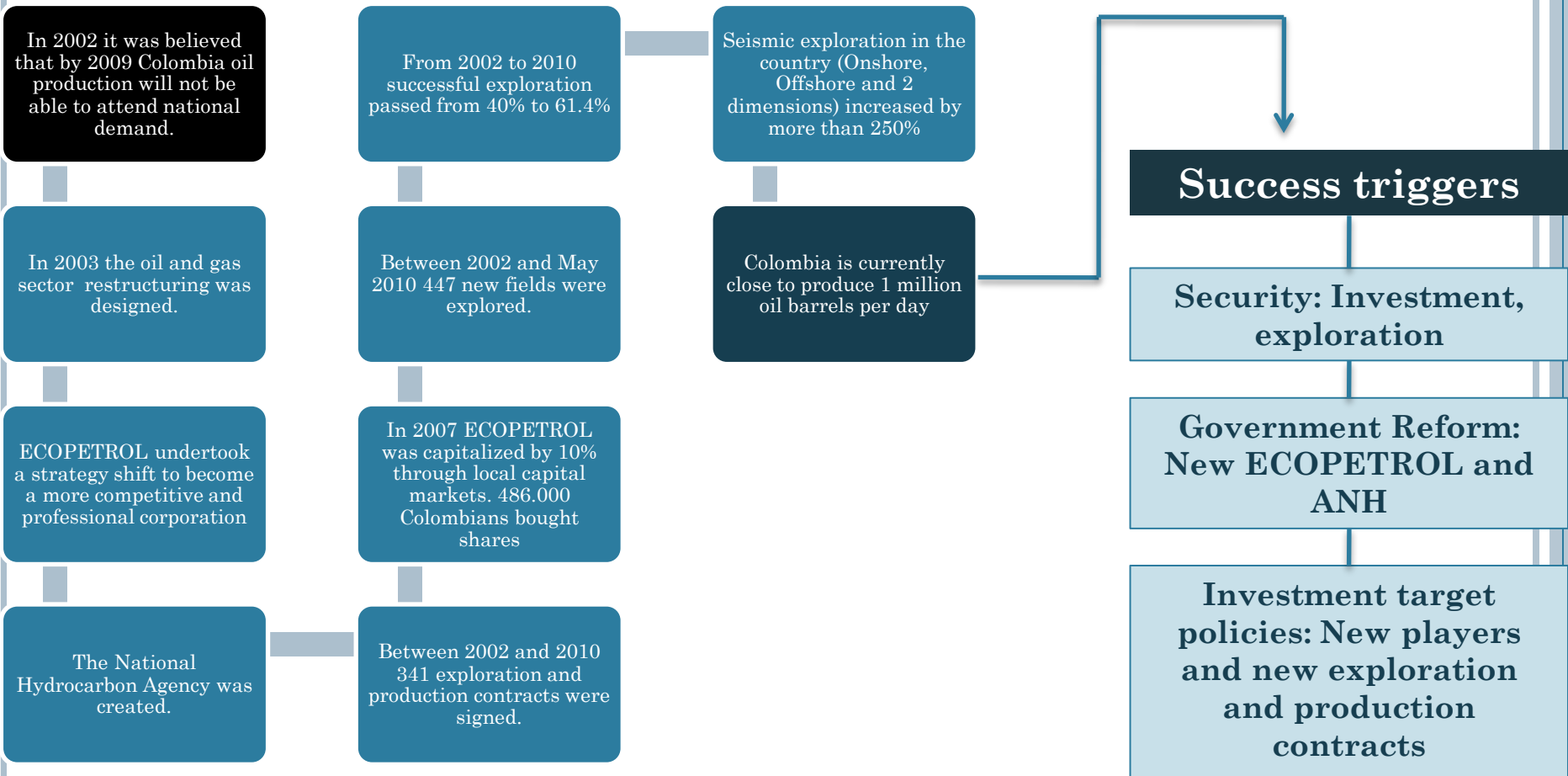
4. THE COLOMBIAN CASE: NO LOST CAUSES

We made Colombia a viable country for FDI due to a multiplicity of factors...



4. THE COLOMBIAN CASE: NO LOST CAUSES

The case of the oil sector in Colombia: Change is possible



4. THE COLOMBIAN CASE: NO LOST CAUSES

Colombia current challenges

Security

Maintain Macro-Vision and Micro-Management

Continue dismantling all terrorist organizations

Continue dismantling drug cartels apparatus.

Strengthen Citizen Security agendas with local authorities

Economic

Face new trends of currency appreciation

Maintain and increase FDI flows (Security, incentives and stability rules)

Fiscal Policy to face new countercyclical challenges

Increase tax collections

Expand new trade markets through FTA's

Social Cohesion

Fight labor informality and create quality jobs

Improve education and health quality

Expand vocational training coverage

Create Entrepreneurial Family Transfers program

Political

Judicial reform.

Strengthen Democratic Center

Improve local institutional capacity

New law implementation (Victims and land)

Prevent the emergence of populist movements

5. THE COLOMBIAN CASE: NO LOST CAUSES

Colombia current challenges: The peace talks with FARC

○ The Peace process that I would support:





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