

A tale of two states: Colombia and Jamaica

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Economist explores the parallels at PSOJ Economic Forum.

Visionary leadership and private sector involvement in strategy formulation catalysed the dramatic turnaround of Colombia, a state one crippled by social and economic crisis. This according to Invest in Bogota executive director Virgilio Barco, who was the keynote speaker at the Private Sector Organisation of Jamaica (PSOJ) Annual Economic Forum, held Friday at the Hilton Kingston Hotel.

Barco spearheaded the overseas investment initiative which resulted in a dramatic turnaround in the Colombian economy following a sustained period of civil unrest and high levels of crime which damaged the country's reputation with investors and travellers and caused its worse economic crisis in history.

Drawing close comparisons between the situation in Jamaica and a pre 2002 Colombia, the lesson was, if Colombia can do it, so can Jamaica.

Among the key measures taken by the Government of Colombia in the effort to uncurl the hold of organised crime and criminal gangs on the country were aggressive and sustained military action aimed at destabilising gang activities, followed by social intervention programmes and economic measures.

The social measures included providing alternative crops for small farmers to get them out of the farming of coca, the plant that makes cocaine, and restoring legitimate leadership to municipalities abandoned by the state.

Barco explained that gangs had taken control of municipalities within Colombia, effectively making them states within the state. Of the over 1000 municipalities, many did not have a police station and the mayor and other representatives could not operate from these communities, out of fear for their safety.

In 2002, Colombia's unemployment rate was 18 per cent of the 49 million population, with approximately 60 per cent living in poverty. There was corruption among state officials, limited social services, poor representation, and drug lords filled the void created by these absences.

"This is a key reference point for Jamaica. If you have an aggressive military strategy, we believe you have to follow it up with social intervention," Jermaine

Burrell, economist and sovereign research manager at JMMB noted during his comparative analysis on Jamaica and Colombia. Burrell contextualised the Colombian situation before and after the massive action that was taken by the government.

Other intervention measures were economic and legal, including regulatory reform, the opening up of the economy, investment promotion, investment in infrastructure and partnerships between the public and private sector.

The latter move was stressed by Barco as among the most critical in ensuring the success of the efforts. He said the short term view of the government, combined with the long term, strategic view of the private sector created the right balance for a paradigm shift for Colombia, which in three years attracted investments totalling US\$300 million for Greater Bogota.

Barco said the private sector, led by the Bogota Chamber of Commerce, now provides half the annual budget of US\$1.5 million for the investment promotion activities of 'Invest Bogota'.

"It was important that a series of different political parties constructed on what their predecessors had built over the years," Barco said. This included the combined military and democratic social strategies, putting pressure on the entire value chain of the drug cartels and strengthening the judicial system with appropriate legal amendments.

Colombia, because of its illicit drug trade -- an estimated 525 metric tons of pure cocaine produced in 2007- had one of the highest murder rates in the world, and an alarming record of terrorist attacks on the state, the government and civil society by drug cartels. There were bombings in Bogota, indiscriminate acts of violence and kidnappings, killings, the expansion of the war from rural to urban areas, and the assassination of three presidential candidates during Colombia's election campaign of 1990.

In 2000, Colombia had one of the highest murder rates in the world, with 63 homicides per 100,000 people in Bogota. Today, that number is down to 20 people per 100,000, less than Washington DC in the United States, according to Barco. In contrast, Jamaica's murder rate has grown from 34 per 100,000 people in 2000, to 58 per 100,000 in 2009, a tie with Honduras for the top spot.

Barco said Colombia's turnaround had to come because of the despair caused by the crime. "It was a matter of survival. It was a moment when things got so bad that everyone started working together," he said.

During President Alvaro Uribe's tenure (2002-2010), the number of international visitors to Colombia grew from 541,000 in 2002 to 1.35 million in 2009. Inflation

has fallen from 18 per cent to 12 per cent, foreign trade has tripled, GDP growth has been above average, the unemployment rate has fallen from 18 to 13 per cent and the number of persons living in poverty has declined from 53.7 per cent to 46 per cent in 2009. Uribe came to power with a no-nonsense focus on crime. He aligned Colombian security policy with that in the US and reasserted the state's presence in troubled areas. The government negotiated peaceful settlements with the paramilitaries and guerillas and encouraged them to lay down their arms. Those who refused to do so felt the brunt of an all out military offensive.

In a very detailed presentation, Barco explicated the Colombian situation and provided practical examples of actions that were taken to stem the high crime rate and put the country, and particular Bogota, the nation's capital, on a path towards economic prosperity. One such, is the strategic sector focus on areas that would grow the economy. He said this approach was a way to "rationalize resources". For example, 70 per cent of the focus was placed on foreign direct investment that promoted value added, export oriented sectors. He said this strategy took into consideration what the world wants, what the location has to offer and the policy objectives of the government and private sector.

"You can't expect to attract investment if things are fundamentally bad, however you can attract investment when there is a gap in perception," he noted. This gap occurs when the situation in the country is better than the 'perception' of the situation in the country. "Investors want to see that things are improving, that things are going in the right direction," said Barco.

Barco said this gap between perception and reality can be bridged for potential investors by grounding the strategy within a clear economic logic, focusing on specific sectors where there is a compelling story, clearly defining the companies, aiming at decision makers in the companies in the markets from which the country wants investment and ensuring there is professional execution of the actions.

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