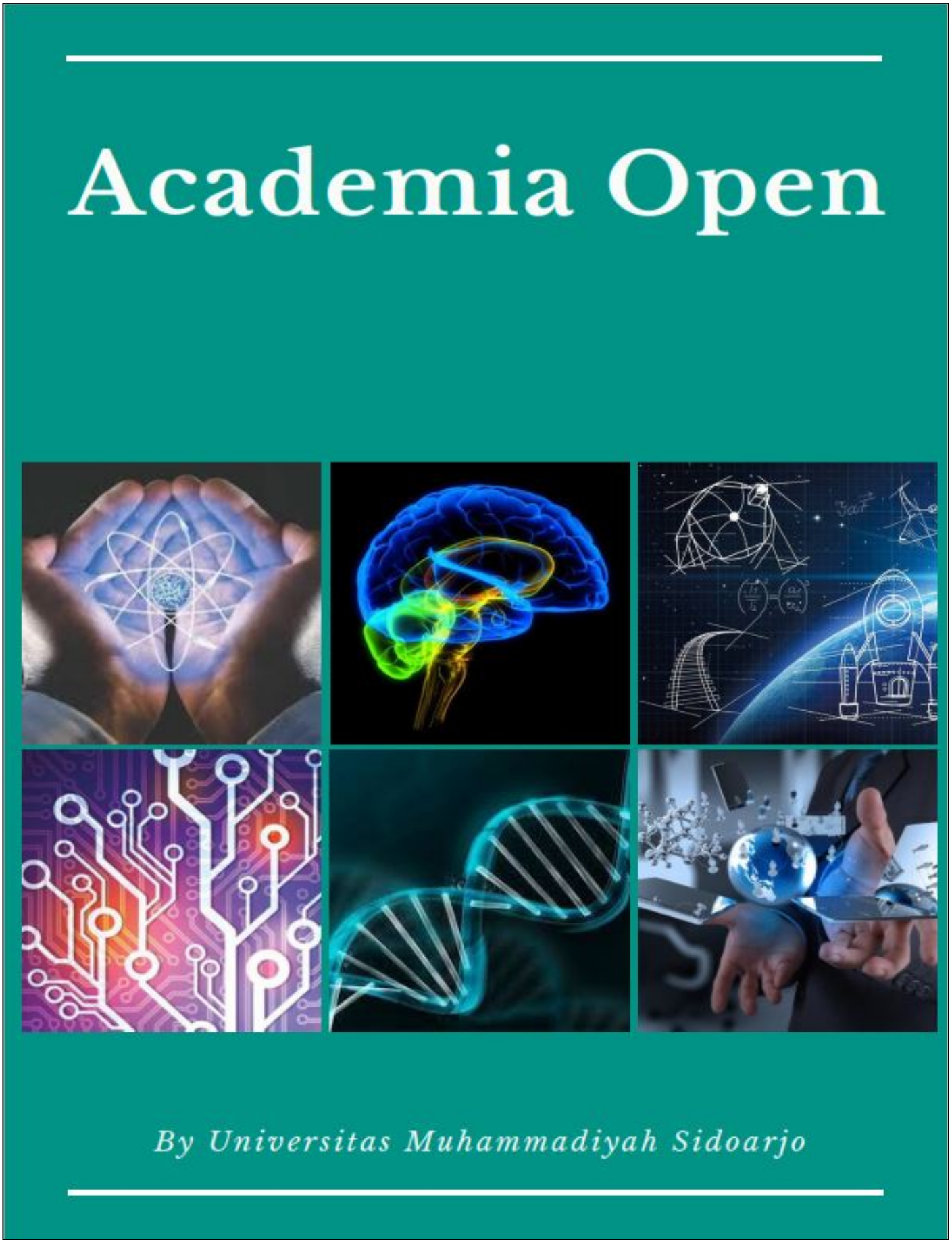
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Green Energy and Tourism Drive Colombia's Economic Growth and Stability

Energi Hijau dan Pariwisata Mendorong Pertumbuhan dan Stabilitas Ekonomi Kolombia

Shavqiyev Erkin, erkinshavqiyev@sies.uz, (1)
Department of Digital Economy of SIES, Uzbekistan

Ulugmurodov Farkhod Fakhriddinovich, ulugmurodovfarxod@sies.uz, (0)
Department of Digital Economy of SIES, Uzbekistan

Ulmasov Diyorjon, ulmasov@gmail.com, (0)
Samarkand Institute of Economics and Service, Uzbekistan

(1) Corresponding author

Abstract

General Background: Colombia's economy has undergone significant transformations, influenced by global and domestic factors. **Specific Background:** While historically reliant on agriculture and energy resources, recent shifts emphasize services, infrastructure, and trade diversification. **Knowledge Gap:** Despite sustained economic growth, challenges persist in employment generation, economic equity, and macroeconomic stability. **Aims:** This study analyzes Colombia's economic transition, assessing policy changes, GDP fluctuations, and structural composition to identify key drivers of economic recovery. **Results:** Findings indicate that economic growth prospects are strongly linked to investments in green energy and tourism expansion. Inflation reached 9.7% in 2023, negatively affecting consumer spending, while rising public debt necessitates careful fiscal management. **Novelty:** This research provides a comprehensive evaluation of Colombia's evolving economic model, highlighting the role of sustainable investments and technological modernization in fostering long-term stability. **Implications:** The study offers critical insights for policymakers in designing strategies to enhance economic resilience through green technology investments, service sector expansion, and global market adaptation.

Highlights:

1. Economic Shift – From agriculture to services and trade diversification.
2. Key Drivers – Green energy and tourism boost economic growth.
3. Policy Focus – Manage inflation, public debt, and macroeconomic stability.

Keywords: Colombian economy, economic transition, green energy, GDP fluctuations, policy planning

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Introduction

The Colombian economy faces several challenges, particularly concerning high public debt, income distribution, and employment. However, ongoing reforms in these areas, along with external trade transactions, are creating opportunities for the country to achieve significant progress in integrating into the global economy [1]. This article focuses on Colombia's economic development, examining key economic sectors, emerging challenges, and potential solutions. Additionally, the study discusses Colombia's position in the global economy and explores its future economic prospects [2].

Figure 1 illustrates Colombia's exports and imports from 2019 to 2022. Exports primarily rely on natural resources, including oil, coffee, coal, gold, and agricultural products such as bananas and sugar. The volume of exports steadily increased, reaching $47 billion in 2022, driven by the recovery of Colombia's export sectors and rising global demand [3].

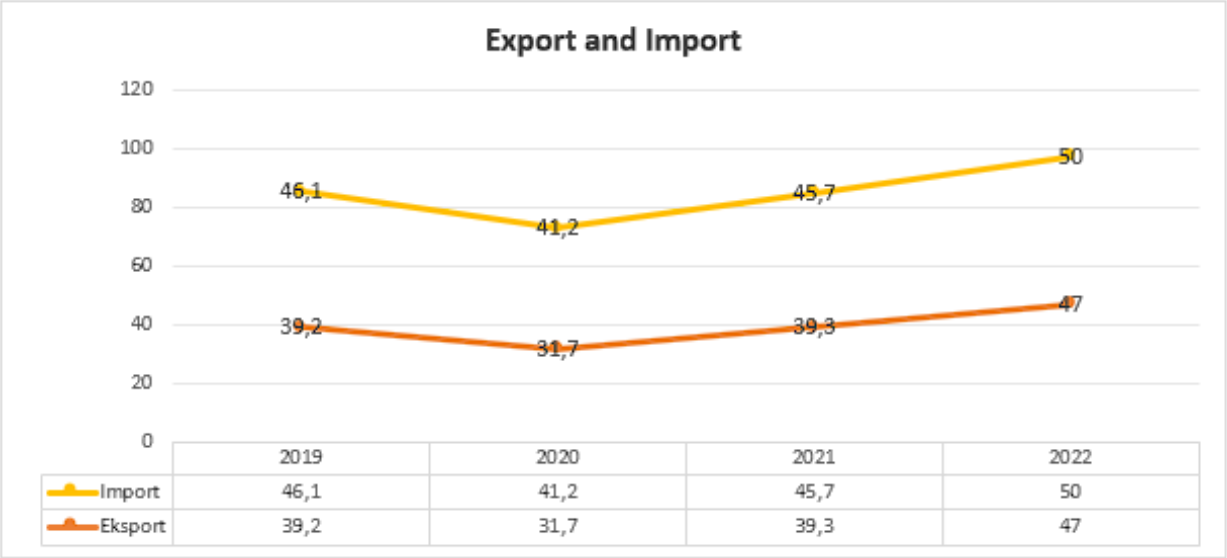


Figure 1. *Exports and Imports in Colombia*

Exports

Colombia's exports are primarily reliant on natural resources, including oil, coffee, coal, gold, and agricultural products such as bananas and sugar. Between 2019 and 2022, the volume of exports steadily increased, reaching $47 billion in 2022. This growth was driven by the recovery of Colombia's export sectors and the rising demand in global markets [3].

Imports

Colombia's imports mainly consist of technological products, including machinery, vehicles, electronics, chemical products, and pharmaceuticals. The volume of imports has remained relatively stable over the years, with import expenditures reaching $50 billion in 2022. This reflects the country's consistent demand for advanced industrial and consumer goods to support its domestic economy [4].

The pie chart represents the distribution of various economic sectors. However, there is a spelling mistake: "services" should be "services." Let me know if you need further analysis or corrections.

Figure 2 presents a pie chart depicting the distribution of various economic sectors in Colombia for the year 2022. The services sector accounts for the largest share of GDP, followed by industry and oil & energy. The agriculture and construction sectors, though smaller in proportion, remain essential for economic stability and national development.

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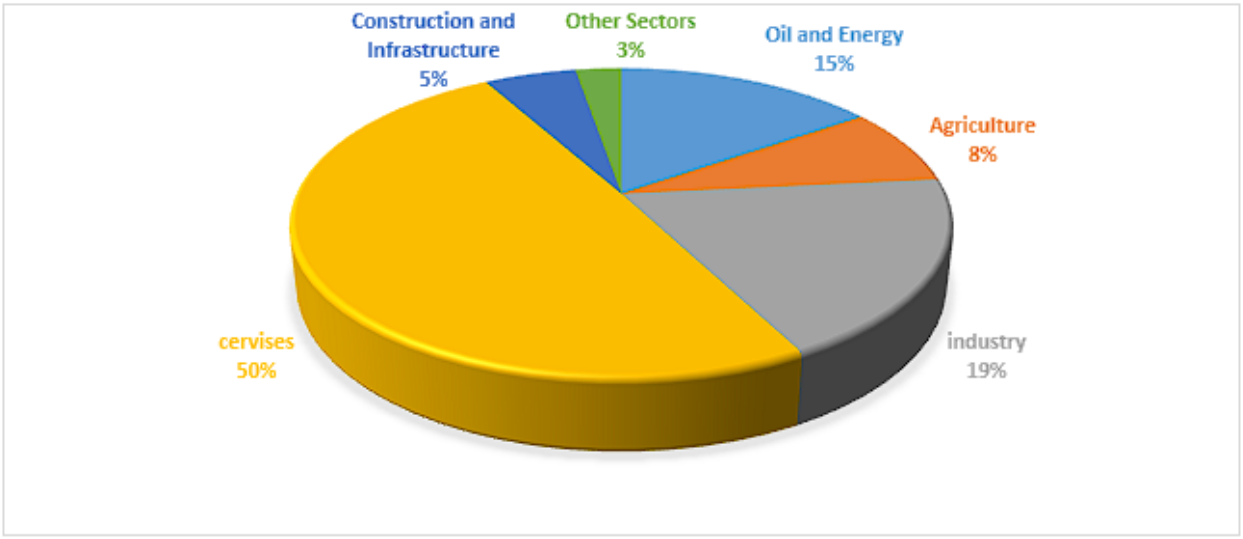


Figure 2. ***Composition of Colombia's Economy in 2022***

Oil and Energy

The oil and energy sector plays a significant role in Colombia's economic activities, contributing approximately 15-17% of GDP in 2022. Oil exports remain one of the country's primary sources of revenue, highlighting the sector's importance in national income generation [4].

Agriculture

The agricultural sector is vital to Colombia's economy; however, its share in GDP has been gradually declining over the years. In 2022, the sector accounted for approximately 6-9% of GDP. The main agricultural products include coffee, bananas, coal, palm oil, and cocoa, which remain key commodities in both domestic consumption and international trade [5], [6], [7].

Industry

The industrial sector constitutes approximately 20-23% of Colombia's GDP, primarily focusing on manufacturing industries, including textiles, chemical production, food processing, and construction materials. This sector plays a crucial role in economic diversification and employment generation [8].

Services

The services sector represents the largest portion of Colombia's economy, contributing 54-57% of GDP in 2022. It includes a wide range of activities, such as financial services, tourism, retail trade, and transportation. The dominance of the services sector underscores Colombia's transition towards a more service-oriented economy [9].

Construction and Infrastructure

The construction sector accounted for approximately 5-6% of GDP in 2022. Its growth is closely linked to inflation trends and overall economic expansion. Infrastructure projects are a critical component of Colombia's economic development, facilitating improvements in transportation, housing, and urban planning [10].

Other Sectors

Other sectors, such as information technology, scientific research, and innovation, contribute a smaller share, approximately 2-3% of GDP. While their contribution is relatively minor, these sectors are essential for fostering economic modernization and technological advancement [6], [11].

Overall, the largest share of Colombia's economy is held by the services sector, followed by industry and oil & energy [11]. The agriculture and construction sectors, though smaller in proportion, remain essential for economic stability and national development. Changes in the composition of these sectors are influenced by Colombia's economic policies, shifts in market demand, and global economic conditions [12], [3].

Methods

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The methodology for this study is based on a comprehensive analysis of Colombia's economic development, utilizing both quantitative and qualitative research methods. The study employs macroeconomic data analysis, drawing from sources such as the International Monetary Fund (IMF), the World Bank, and national financial reports to assess economic growth trends. Gross Domestic Product (GDP) fluctuations, sectoral contributions, and employment statistics are examined to provide a holistic understanding of Colombia's economic landscape. Historical economic trends are analyzed through a longitudinal study approach, tracking changes in exports, imports, and industrial output over multiple decades. The study also applies comparative analysis to evaluate Colombia's economic performance about other South American economies, identifying key areas of strength and potential vulnerabilities. Additionally, regression models are utilized to determine the impact of sectoral transformations on economic growth, particularly in areas such as oil and energy, agriculture, services, and infrastructure development. The study integrates insights from structuralist economic theories, assessing how shifts in industrial policy and market dynamics have shaped economic expansion. Policy evaluations are conducted to measure the effectiveness of government interventions, including investments in green energy, digital transformation, and trade diversification. By synthesizing statistical findings with theoretical frameworks, this methodology ensures a multifaceted examination of Colombia's economic trajectory, allowing for a nuanced discussion on future growth prospects and policy recommendations [13].

Results and Discussion

Result

A projection of economic growth trends from 2023 to 2030 highlights expected transformations in key sectors. The forecasted trends reflect Colombia's anticipated progress in economic expansion, diversification, industrial growth, and the transition towards green energy.

The Future of Colombia's Economy: Key Changes by Year (Table 1)

Y ear	Oil and Energy Sector	Agriculture and Agrarian Products	Industry and Light Manufa cturing	Services Sector	Green Energy and Sustainable Development	Construction and Infrastructue	T ouri s m
2023	11%	8%	15%	49%	5%	6%	6%
2024	9%	7%	18%	51%	4%	5%	6%
2025	8%	5%	20%	53%	5%	4%	5%
2026	7%	4%	20%	54%	4%	5%	6%
2027	8%	5%	21%	50%	5%	5%	6%
2028	5%	3%	20%	53%	6%	6%	7%
2029	6%	4%	22%	50%	5%	5%	8%
2030	6%	5%	20%	51%	4%	4%	9%

Table 1. ***provides a breakdown of various economic sectors from 2023 to 2030, showing percentage distributions.***

Oil and Energy Sector

Colombia's oil sector is expected to undergo significant transformations in the coming years, as the country increases investments in green and renewable energy sources. The share of this sector in GDP is anticipated to gradually decline due to the transition to sustainable energy and energy diversification. By 2030, the oil sector is projected to constitute approximately 11% of GDP.

Agriculture and Agrarian Products

The agricultural sector will remain a crucial component of the Colombian economy. The production and export of key agricultural commodities such as coffee, bananas, sugar, and cocoa are expected to continue growing. By 2030, the sector's share in GDP may decrease to around 5%, reflecting a shift towards technological innovation and increased efficiency in agricultural production [14].

Industry and Light Manufacturing

Colombia's industrial sector, including manufacturing and processing industries, is expected to experience steady growth. The country aims to enhance its economic competitiveness by diversifying its industrial base. Light manufacturing industries, such as textile production and food processing, have strong growth potential. By 2030, this sector is forecasted to account for 20% of GDP [15].

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Services Sector

The services sector has significant growth potential in Colombia's economy. Investments in job creation, tourism, financial services, and the digital economy are expected to drive its expansion. By 2030, the sector's share in GDP is projected to reach 49%, reinforcing its dominant role in the national economy.

Green Energy and Sustainable Development

The green energy and sustainable development sector will be a key driver of Colombia's economic future. Although this sector currently accounts for only 5-6% of GDP, by 2030, its share is projected to reach approximately 4%. The country is increasingly focusing on renewable energy projects, including wind and solar energy, as part of its sustainability agenda.

Construction and Infrastructure

The construction and infrastructure sector will continue to grow, particularly in response to urbanization and large-scale infrastructure projects. Colombia is investing heavily in the modernization and expansion of transportation networks, roads, bridges, and other key infrastructure developments. By 2030, this sector is expected to contribute around 4% of GDP.

Tourism

Colombia's tourism industry is set to expand as the country leverages its natural landscapes, cultural heritage, and historical sites to attract international visitors. By 2030, the tourism sector is expected to account for 9% of GDP, reflecting the increasing importance of tourism as a pillar of economic growth.

Colombian Labor Market (Table 2)

Indicator	Value	Description
Unemployment rate (2023)	9,50%	In 2023, the unemployment rate in Colombia was 9.5%.
Labor force (2023)	25,6 million	The Colombian labor force reached 25.6 million individuals in 2023.
Youth unemployment (2023)	18%	The youth unemployment rate in Colombia stood at 18%.

Table 2. *presents key labour market indicators for Colombia in 2023, including the unemployment rate, labour force size, and youth unemployment rate.*

For the year 2023, the estimated unemployment rate in Colombia was approximately 9.50%. This rate is influenced by the country's economic growth trends, labor market demand and supply, as well as the distribution of the workforce. Reducing this rate and improving employment opportunities remain critical economic objectives.

The Colombian workforce—which includes all individuals who are either employed or actively seeking employment—constitutes a significant portion of the country's population in 2023. As a fundamental element of the national economy, the workforce reflects the availability of labour resources and their efficient utilization.

High-Technology Sector in the Colombian Economy

The high-technology or "high-tech" industries play a crucial role in the Colombian economy. With a growing and evolving economic structure, Colombia is positioning itself among the countries experiencing sustained growth, particularly in the fields of technology and innovation.

In 2023, Colombia achieved significant advancements in technological development and digital transformation, making this sector a key foundation for the country's future economic progress. Alongside its traditional industries, Colombia's economic landscape has seen the emergence of a digital economy and technological innovations. As part of its economic diversification strategy, the country has prioritized the expansion of high-tech industries.

This sector is primarily advancing in the following areas:

1. Information Technology (IT) and the Digital Industry – Colombia has demonstrated notable progress in the IT sector, particularly in Information and Communication Technology (ICT). The country is witnessing rapid development in modern ICT industries, with the emergence of numerous startups and innovative companies.

2. Digital Transformation – In 2023, Colombia placed significant emphasis on implementing digital transformation strategies, fostering new economic opportunities within the country.

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Table 3 outlines the GDP distribution by sector, categorizing them into three groups:

1. First sector (6.3%): Agriculture, including coffee, sugarcane, bananas, and livestock.

2. Second sector (25.9%): Oil production, mining (coal, emerald), car collection, construction, and energy.

3. Third sector (67.8%): Transport, trade, financial services (banking, insurance), health, public services, and rental services.

sector	GDP (%)	Main Activities
First	6.3%	Agriculture (growing coffee, sugarcane, bananas), livestock.
Second	25.9%	Oil production, mining industry (coal, Emerald), car collection, construction, energy.
Third	67.8%	Transport, Trade, Financial Services (Banking, Insurance), Health, public services, rental services.

Table 3. ***Gross Domestic Product (GDP)***

The primary sector is based on a country's natural resources, focusing on the extraction and production of raw materials, which are primarily directed towards domestic consumption or export.

The secondary sector involves the processing of raw materials and the manufacturing of industrial products.

The tertiary sector encompasses the service industry and is considered the key driver of economic growth.

Discussion

Figure 3 showcases the evolution of urban housing provision in Colombia from 1951 to 2011. This figure highlights how economic policies, demographic trends, and urban development efforts have influenced housing accessibility and quality in major cities.

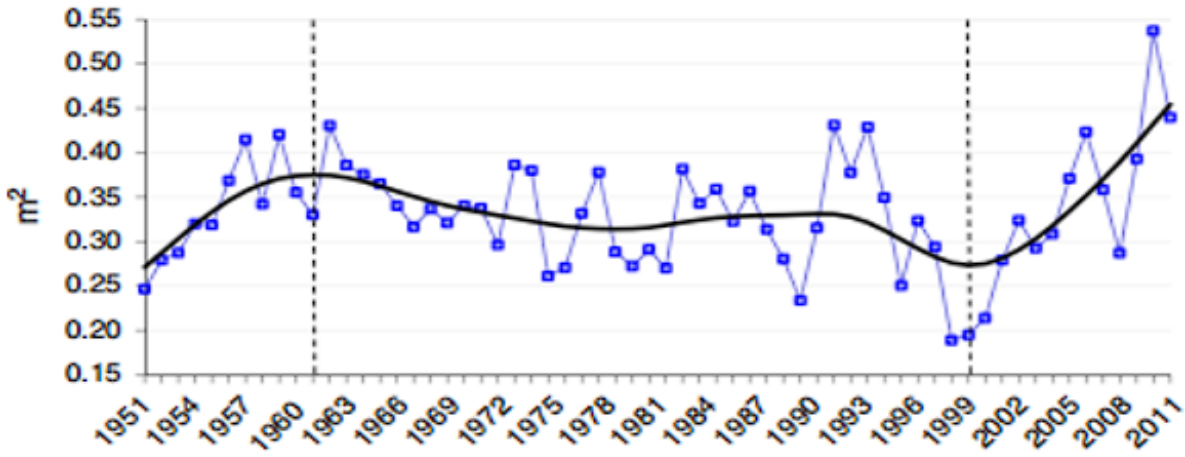


Figure 3. ***Urban Housing Provision for the Population: Colombia (1951–2011)***

Until 1961, the economic model of state-supported industrialization exhibited high dynamism. During this period, Colombia’s urbanization process was accompanied by the growth of quality employment opportunities and increased income levels. Consequently, in the 1950s, urban purchasing power significantly improved.

From 1961 to 1970, the model began to show signs of fatigue. Protectionist tariffs, credit subsidies, and state investments were implemented, yet there was no mandatory technological advancement or export-oriented strategies imposed on industrial entrepreneurs. Additionally, the demographic transition reached its peak, with annual population growth rates of approximately 3%, sustaining the rapid urbanization process. However, the rapid expansion of the urban population, coupled with the economy’s dependence on coffee exports for foreign currency, ultimately led to a crisis. As a result, urban purchasing power declined for the first time in the 1960s.

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Since 1971, Colombia has undergone economic transformations, shifting towards an increasingly open economic model. This transition included the diversification of industrial assets, but it also resulted in an economic slowdown. By the end of the 20th century, the economic structure had stagnated, failing to generate high-quality employment as it had in the past. Nevertheless, between 1972 and 1991, the Indexed Financial Scheme (UPAC) helped mitigate the declining growth trend by promoting savings-driven financial mechanisms, particularly within the construction sector. As a result, urban purchasing power remained relatively stable during this period.

However, during the 1990s, the economic landscape changed drastically. The "La Apertura" (economic liberalization) policy deepened the deindustrialization process, leading to a substantial increase in imports of manufactured goods and an economic downturn. Furthermore, by the mid-1990s, the Central Bank of Colombia linked the UPAC scheme to interest rates, causing rising financial costs that significantly disrupted mortgage users. By the late 1990s, urban purchasing power deteriorated sharply.

Table 4 presents the results of GDP growth regressions, including different independent variables across three models. Key observations:

a. The C (constant) value significantly decreases from 16.77 in (1) to 0.85 in (2), with a standard error in parentheses.

b. GK (Capital Growth) has a positive impact across all models.

c. D91–00 and D01–12 indicate negative GDP growth effects for those periods.

d. VIVOS (-50.73) and AGROIND (-18.89) suggest negative contributions from population growth and the agricultural industry.

e. MATPRIM and BK (likely raw materials and capital stock) show strong positive effects.

f. TRANSP (-158.03) and PUB (-241.14) indicate negative impacts from transportation and public sector spending.

g. GPIB(-2) (0.14) and GPIB(-3) (-0.13) reflect lagged GDP effects.

h. The R-squared values (0.764, 0.735, 0.678) suggest a good model fit.

Variable/regression	(1)	(2)	(3)
C	16.77	0,85 (1.760)	
GK	0,5	0,69	0,7
D71–79	-0.42		
D80–90	0,69		
D91–00	-2,04	-1,74	-1,53
D01–12	-1,07		
VIVOS	-50.73		
AGROIND	-18.89		
MATPRIM	118.83	100.17	109.46
BK	71.63		
CONST	-68.25		
TRANSP	-158.03	-106.75	-102.97
PUB	-241.14	-71.92	-74.97
GOB	47.74		
FIN	-71.54	57.03	
M2PC	20.93	3.16)	(2.38)
GPIB(−2)	0,14		
GPIB(−3)	-0,13		
Obs	58	58	58
R	0.764214	0.734590	0.678238
Adjusted R	0.626672	0.691258	0.617908
Akaike	3605 494	3275 568	
Schwarz	4387 041	3595 292	

Table 4. ***GDP Growth Regressions***

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As observed, in the regression of Colombia's economic growth, urban purchasing power is considered an unaccounted variable (2013). To manage the economic growth regression (GPIB), it is necessary to assess the growth of fixed capital, the growth rates of human capital and fixed capital shares, as well as the role of entrepreneurial factors in production costs, particularly the contribution of human capital to entrepreneurship. Consequently, the weighted growth rate of entrepreneurial factors (GK) is derived.

Since productivity growth remains unknown, a regression model is applied to examine its determinants. The growth regression explains the long-term growth rate, and therefore, a dummy variable (R) is introduced to represent crisis years between 1955 and 2012. This variable takes the value 1 for the years 1999 and 2009, and 0 otherwise. Furthermore, the growth regression assumes that not all components are included and that they change over time.

To account for time variation, dummy variables are introduced for different decades:

a. D71–79 (for the 1970s),

b. D80–90 (for the 1980s),

c. D91–00 (for the 1990s), and

d. D01–12 (for the early 21st century).

Following the structuralist perspective on economic development, the growth rate of productivity is assumed to be determined by the productive composition of the economy. Consequently, the growth regression model incorporates the composition of GDP across 12 economic sectors, categorized as follows:

1. Primary sector: Includes agriculture, fisheries, hunting, forestry (VIVOS), and mining.

2. Manufacturing sector: Encompasses agribusiness activities (AGROIND), raw material production (MATPRIM), and capital goods production (BK).

3. Tertiary sector: Covers construction (CONST), transportation services (TRANSP), public utilities (PUB), government services (GOB), commercial services, and financial services (FIN) such as banking, insurance, and other financial activities. It also includes rental services, other business services, and personal services.

Since the sum of these sectoral components equals one, the final component is excluded from the growth regression to prevent multicollinearity.

Figure 4 illustrates Colombia’s GDP growth over 40 years, from 1989 to projected values in 2029. The figure highlights sustained economic expansion, driven by industrial, agricultural, and service-sector development. Projections from international financial institutions indicate continued moderate growth, reinforcing Colombia’s economic resilience.

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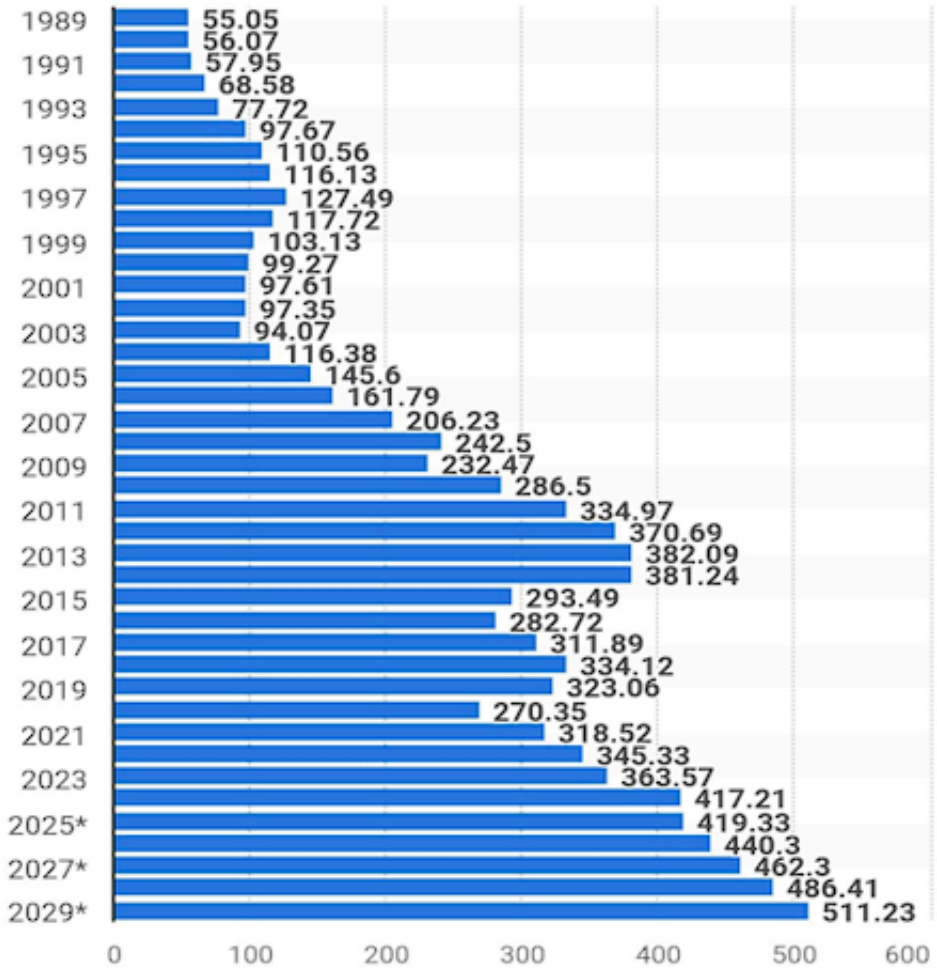


Figure 4. ***Gross Domestic Product (GDP) in Millions of US Dollars (1989-2029)***

Historical data indicates a pattern of sustained growth, with GDP increasing from a much lower level in 1989, primarily driven by economic expansion in key sectors such as mining, agriculture, and services.

Future projections from international financial institutions, including the International Monetary Fund (IMF) and the World Bank, suggest that growth rates will continue at a moderate pace. Specifically, GDP is expected to grow by 2.8% in 2026, and by 2029, the annual real growth rate is projected to reach 3.0%.

Conclusion

Although Colombia's economic success has historically been based on agriculture and energy resources, the services sector has emerged as the primary driver of economic growth. To maintain economic stability and enhance competitiveness, the country is focusing on infrastructure development, employment generation, and trade diversification.

As one of the leading economies in South America, Colombia continues to achieve sustainable growth through its abundant natural resources, the expansion of the services sector, and diversification in agriculture. The country's economic development has been shaped by the complex interplay of global and domestic factors. However, challenges such as job creation and economic equity remain pressing issues.

In 2023, inflation reached 9.7%, negatively impacting consumer spending. Additionally, public debt levels require careful policy management to ensure long-term macroeconomic stability. Colombia’s economic model is centered on efficient utilization of natural resources, expansion of the services sector, and strengthening international trade relations.

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Through infrastructure projects and technological modernization, the country aims to sustain long-term economic growth. Future success will depend on addressing internal economic challenges and adapting to shifts in global markets.

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