



COLOMBIA

Investment Environment and Business Opportunities in Colombia

December 2012

Proexport is Colombia's entity in charge of the promotion of International Tourism, Foreign Direct Investment, and non-traditional exports

EXPORTS



INVESTMENT



TOURISM



Proexport's network: 28 offices around the world and 8 offices in Colombia



Recent investment projects supported by Proexport



Established one of its two world class R&D centers.

Opened a new Data Center oriented to Systems Integration, Outsourcing and Support Services.



Opened a new global service center in Medellin

Develop a Sugarcane ethanol project on approximately 10,000 hectares.



JW MARRIOTT
HOTELS & RESORTS

Opened a new business hotel offering 264 rooms, located in the heart of Bogota's financial district.

Acquired *ESI de Colombia*, a value added reseller of industrial electrical equipment and engineering services



Exports Portfolio

Colombia	1	Joint working plans with entrepreneurs interested in exports.
	2	Commercial Information and offer adjustment trough different areas such as Zeiky, DEI and Cooperation.
	3	Buyer missions
Colombia and overseas	4	Business Matchmaking
	5	International Fairs
	6	Technical Support and Commercial Missions
	7	Showrooms
	8	Web page for exporters and buyers
Overseas	9	Commercial Agendas
	10	Exporter Missions



Colombia

1 Seminar for investors already installed

2 SIFAI (System to facilitate and Attract Investment)

3 Coordination of regional promotion

Colombia and Overseas

4 Tailor made information requests

5 Coordination of site visits.

6 Contacts with key entities in the public and private sector

Overseas

7 International Events and seminars.



Tourism Portfolio

Colombia	1	Joint working plans – Exporter Plans
	2	Institutional Projects
Colombia and Overseas	3	Special Projects
	4	Business meetings
	5	Promotion Activities
Overseas	6	Joint promotion plans with operators
	7	Workshops, destinations presentations and International Fairs
	8	Familiarization Trips / media
	9	Tourism Portal
	10	Added Value Institutional Presence



The facts behind the headlines



Colombia FTA becoming a reality

After a long journey from conception to gestation, the U.S.-Colombia Free Trade Agreement (FTA) will become a reality on May 15.

The accord will render clear benefits for both sides. Colombia remains the third largest market in Latin America for U.S. exports and the second most important for small- and medium-sized firms. The two sides enjoy a \$35 billion trade merchandise relationship. The FTA will boost U.S. exports by \$1.1 billion and provide access to Colombia's \$180 billion services market.

Impacts on the United States: Although the FTA has a number of phase-out provisions, the United States will gain immediate tariff eliminations on almost 100 percent of aerospace, IT and textiles and apparel exports and half of all U.S. farm exports. Double-digit tariffs on machinery, transport equipment, building and consumer products will drop to zero. For Florida, Colombia's No. 2 trade partner, more than 50 percent of exports include fall into these categories.

Even more beneficial than tariff reductions on U.S. exports are the FTA provisions governing services, investment, government procurement and intellectual-property protection — areas where U.S.

Colombia y Perú: Los "nuevos tigres" latinoamericanos

BOGOTÁ, Colombia —Hasta hace poco, la mayoría de los inversionistas que buscaban invertir dinero en América Latina tenían opciones relativamente simples: Brasil, México o tal vez Chile.

Eso ha cambiado. Un nuevo grupo de países en la región está surgiendo como una alternativa viable. Caracterizados por una población joven, clases medias en crecimiento, una deuda relativamente baja y una dinámica expansión económica, estos países están preparados para quedarse con una participación más grande del crecimiento de la región y atraer más dinero de los inversionistas internacionales.

Colombia y Perú se destacan entre estos "nuevos tigres" latinoamericanos gracias a un crecimiento rígido y continuo. Sus monedas son sólidas y estables, han logrado controlar la inflación, sus calificaciones de crédito son más altas que las de sus vecinos y sus gobiernos han mostrado voluntad de actuar cuando el entorno se deteriora.

"Hasta ahora nos ha ido bien, sorprendentemente bien", dijo Juan José Echavarría, codirector del Banco de la República, el banco central de Colombia.

Los dos países han disfrutado de un auge. El año pasado, Colombia creció 5,9% y Perú 6,9%. Para 2012, se espera que el PIB de Colombia se expanda 4,7% y el de Perú 5,3%, de acuerdo con el Fondo Monetario Internacional.

Los dos países también ganan de grado de inversión según Fitch, Moody's y Standard & Poor's. Únicamente Chile se ubica por encima de ellos en la región y sus calificaciones los ponen a la par de Brasil y México y algunos países europeos como Italia e Irlanda.

Aunque Brasil, Chile y México aún poseen una nota de crédito robusta, un comercio más diverso y mercados de capital más fuertes, ya no muestran muchas de las características de "mercados emergentes" que alguna vez los hicieron los consentidos de los inversionistas internacionales interesados en la región.

Cabe aclarar que Colombia y Perú no están libres de riesgos. El auge de las materias primas ha impulsado las dos economías durante la década más reciente, por lo que los dos países son vulnerables a un potencial declive de los precios de la energía y los metales, lo cual ya ha empezado. Pero ajustamientos positivos en los dos países podrían ayudarlos a resistir un declive de largo plazo en los commodities, si



El presidente colombiano Juan Manuel Santos shakeando con el presidente de Estados Unidos Barack Obama en la Casa Blanca.

Investing in COLOMBIA

Nation shakes off 'nearly failed' status

John Paul Robinson reports on the country's economic growth and the role of the U.S. trade agreement.



TIME

THE COLOMBIAN COMEBACK

From nearly failed state to global player—la leonización

Moving On From BRICs

Are the CIVETS group of countries the next big investment opportunity or nothing?

Colombia

Colombia is emerging as an attractive destination for investors as it works to distance itself from its troubled past. Elected in 2010, President Juan Manuel Santos has continued the center-right policies of former President Alvaro Uribe, prioritizing security and attracting overseas investors.

Improved security measures have led to a 90% fall in kidnappings and a 46% cut in the murder rate over the last decade, which has helped per capita gross domestic product to double since 2002. Meanwhile, Colombia's sovereign debt was promoted to investment grade by all three ratings agencies this year.

With a population of 46 million, Colombia has substantial oil, coal and natural gas deposits. Other industries include textiles, coffee, nickel and emeralds.

Foreign direct investment stood at \$6.8 billion (€4.8 billion) in 2010, with the U.S. its principal partner.

HSBC Global Asset Management sees potential in Barcoombia, the country's largest private bank, which has turned in a return on equity over 19% for each of the last eight years.

General facts



In terms of population, Colombia is twice as populous as Australia and bigger than all Central America

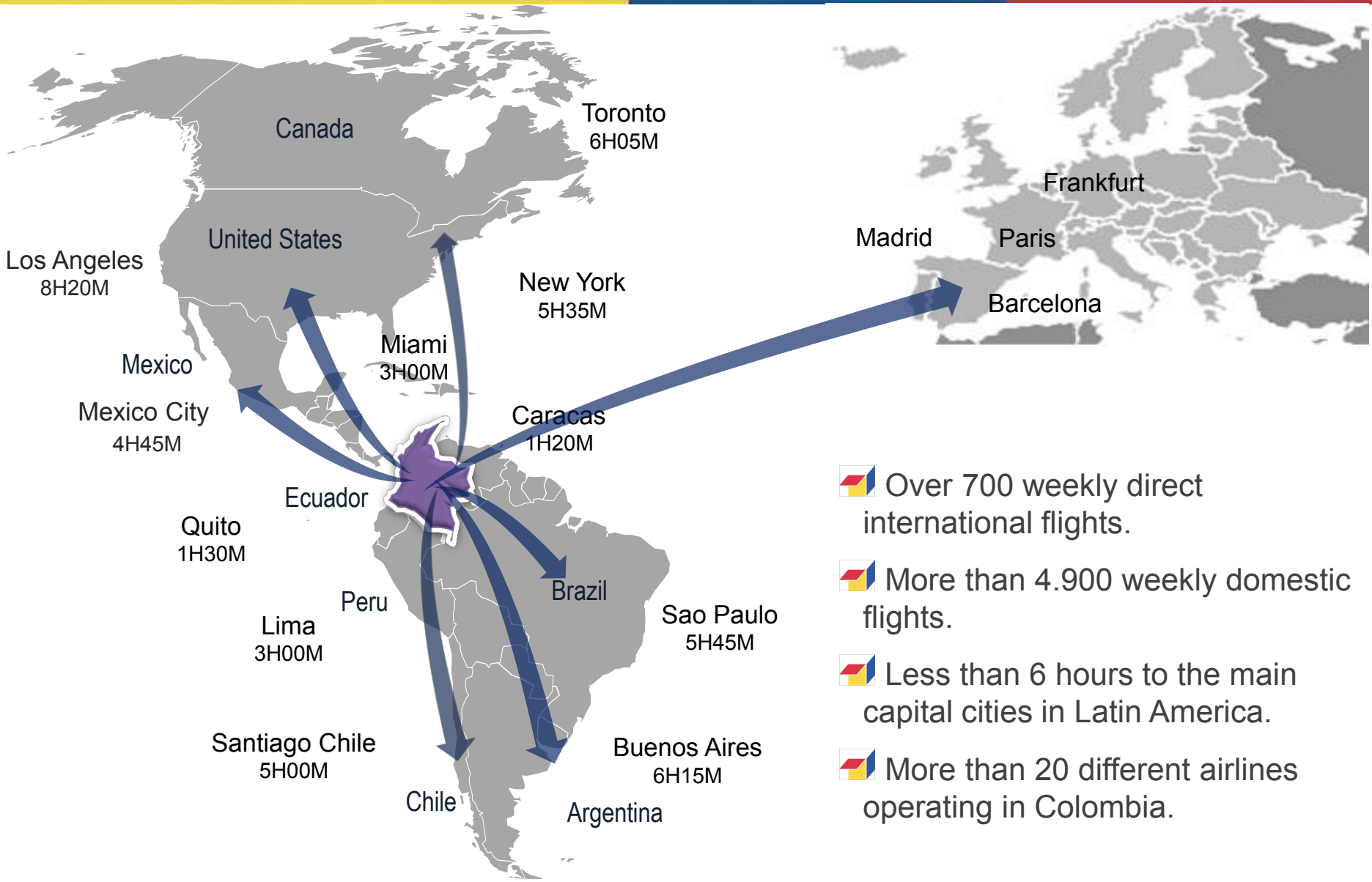
In Colombia 55% of the population is less than 30 years old. There are seven metropolitan areas with over one million people

Colombia is the world's second most biodiverse country and is among the 12 megadiverse countries of the planet

Colombia is the only country in South America with access to both, the Atlantic and the Pacific ocean

Colombia has preferential access to more than 1.5 billion consumers, due to international trade agreements.

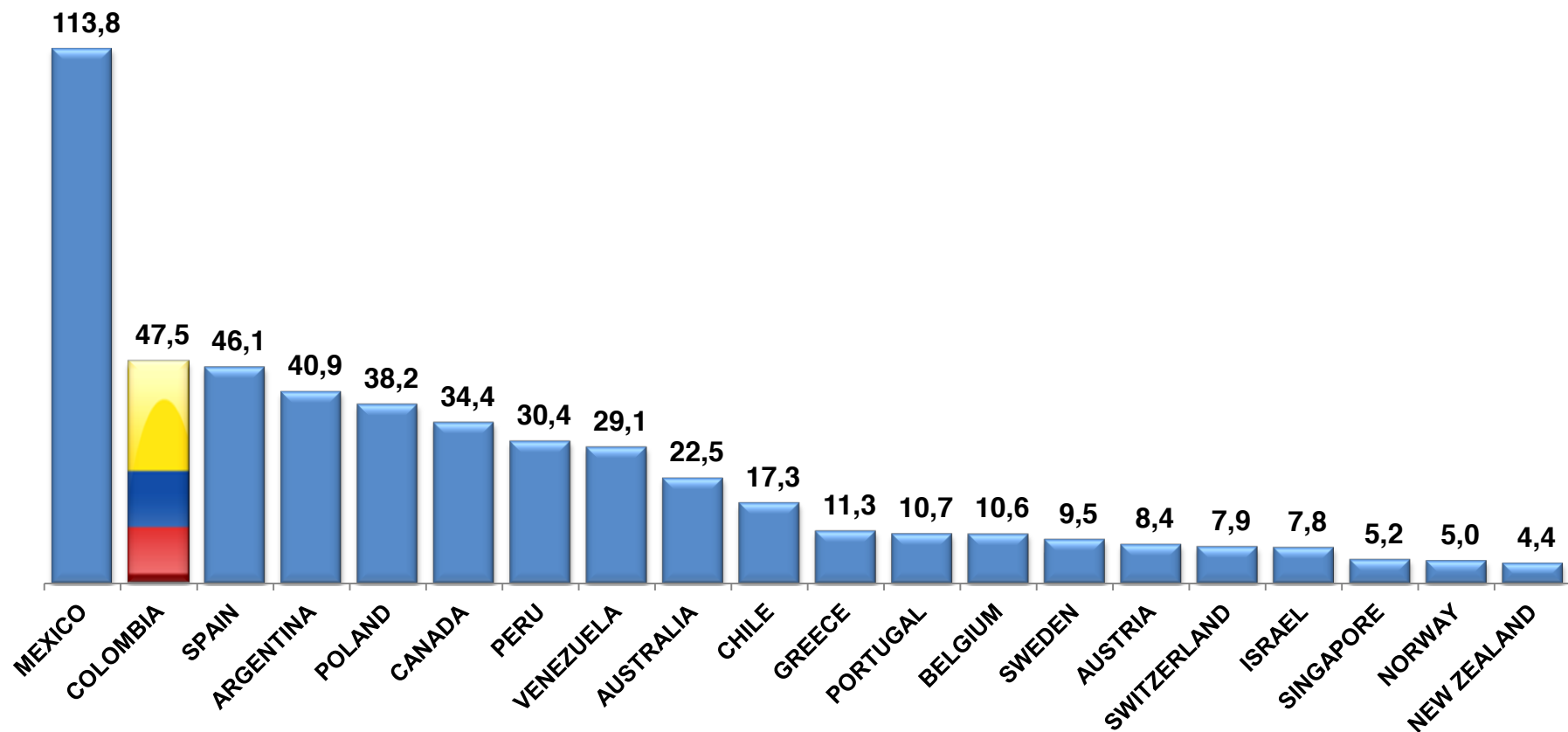
A competitive location with easy access to markets around the globe



-  Over 700 weekly direct international flights.
-  More than 4.900 weekly domestic flights.
-  Less than 6 hours to the main capital cities in Latin America.
-  More than 20 different airlines operating in Colombia.

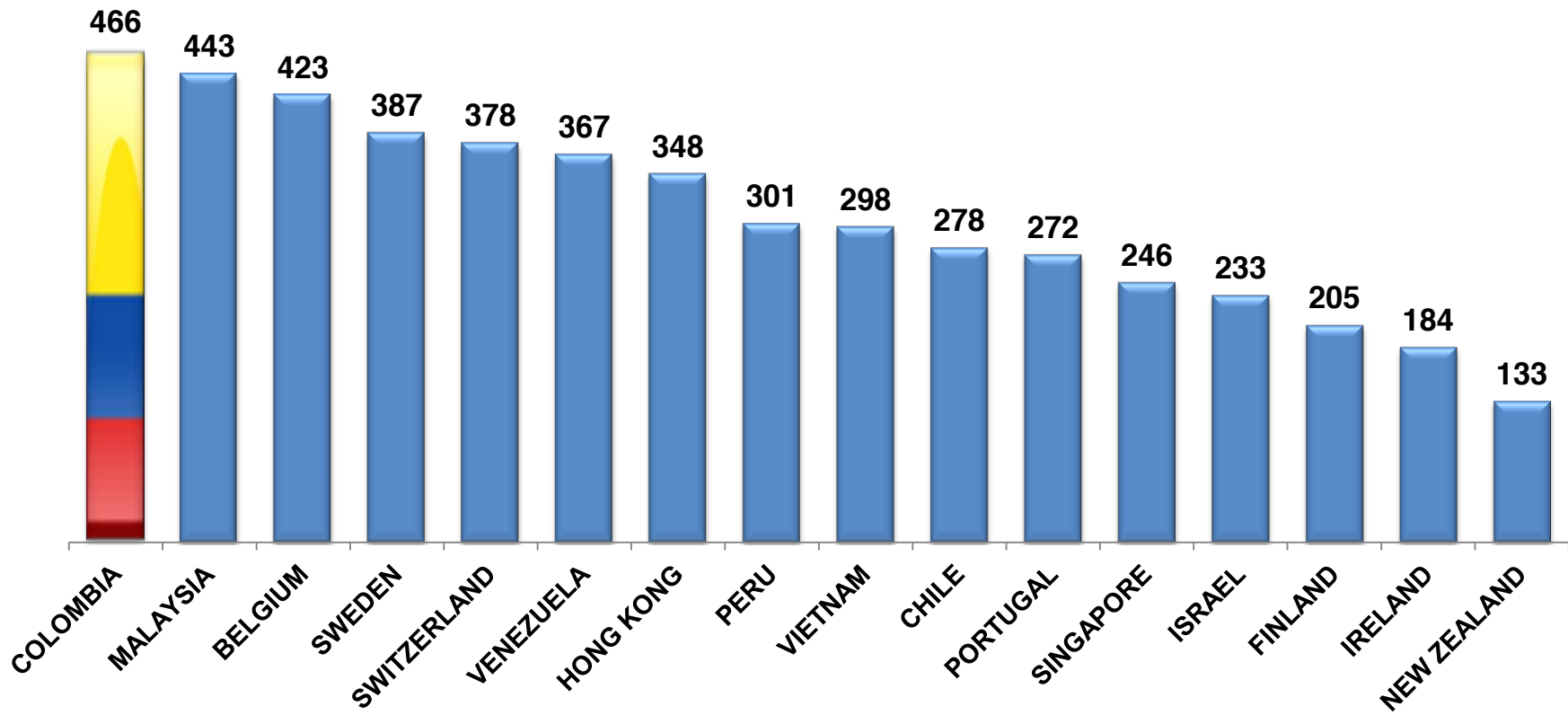
The second largest Spanish speaking country in the world and the 23rd most populated

Population 2011* Million



Colombia is the 28th largest economy in the world and one of the largest non-OECD economies

GDP at PPP - 2011 US\$ Billion



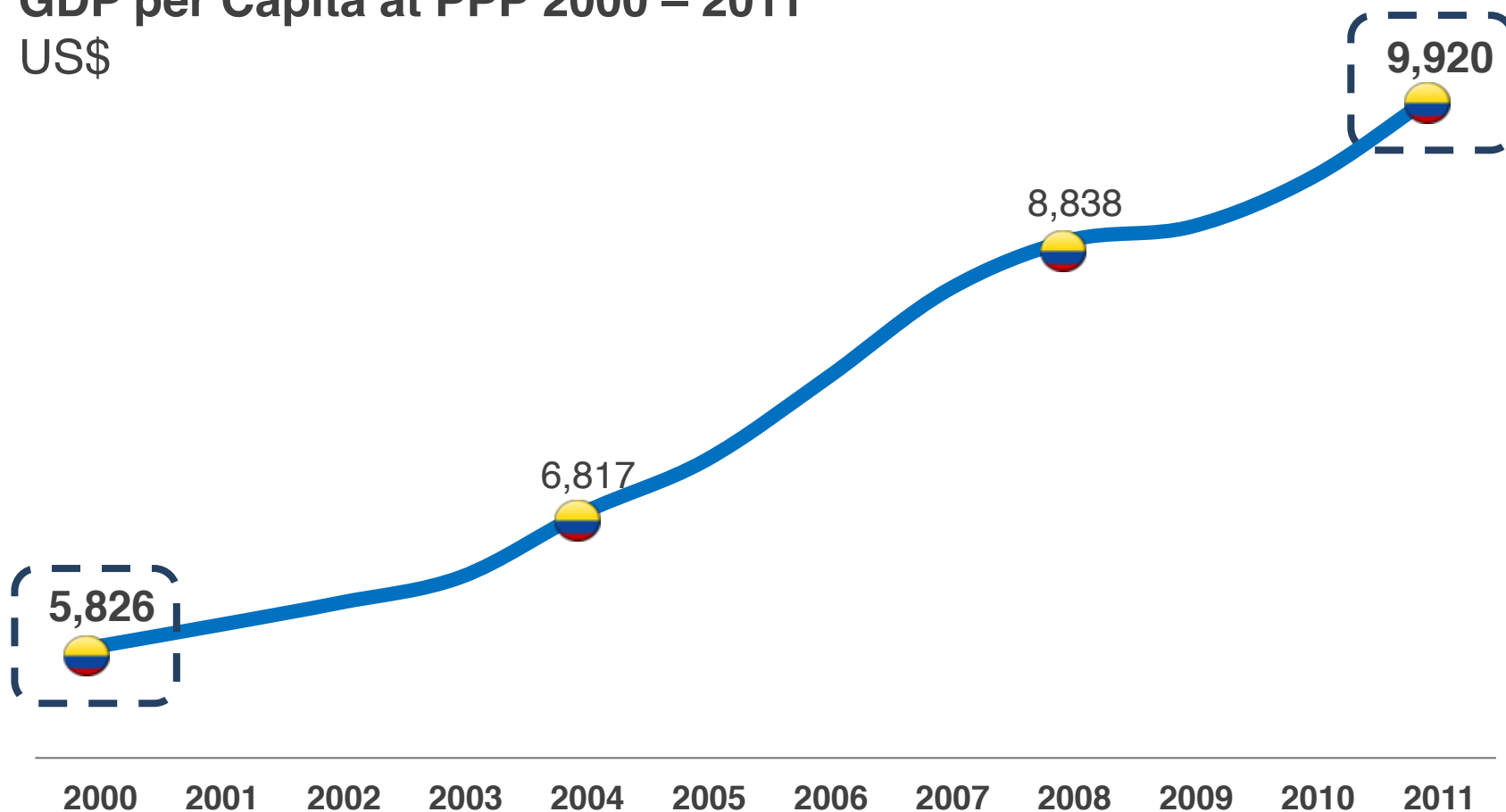
PPP - Purchasing Power Parity.

Source: EIU - Economist Intelligence Unit. 2012.

Colombia's GDP per capita is approaching US\$ 10,000

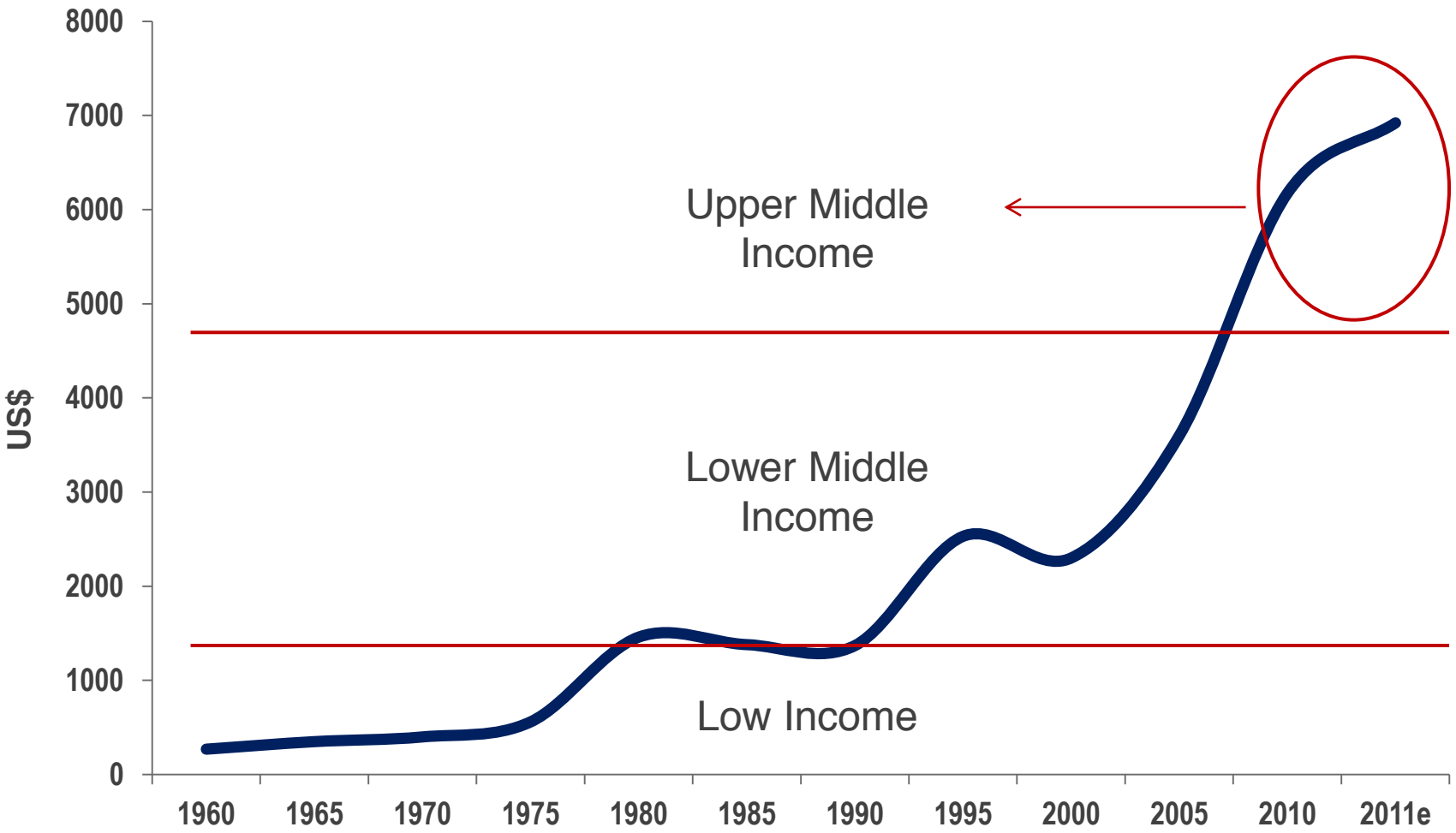
GDP per Capita at PPP 2000 – 2011

US\$



Since 2005 Colombia is part of the group of upper-middle-income countries

Per capita National Income * Current US\$



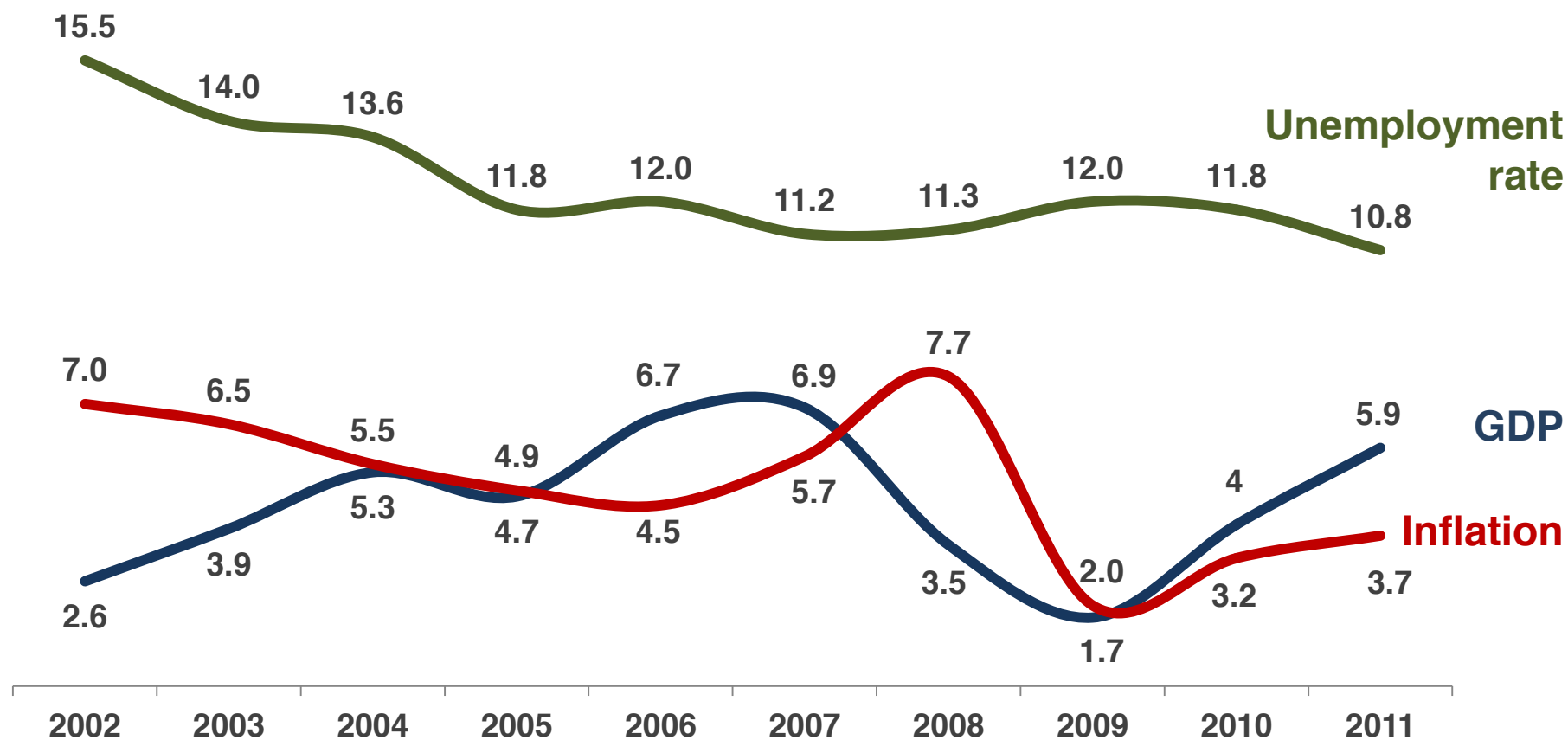
Source: Ministerio de Hacienda y Crédito Público; EIU.
* Classification based on a World Bank methodology

Macroeconomic stability and strong economic performance

GDP, Inflation and Unemployment rate 2002 – 2011

Annual Average

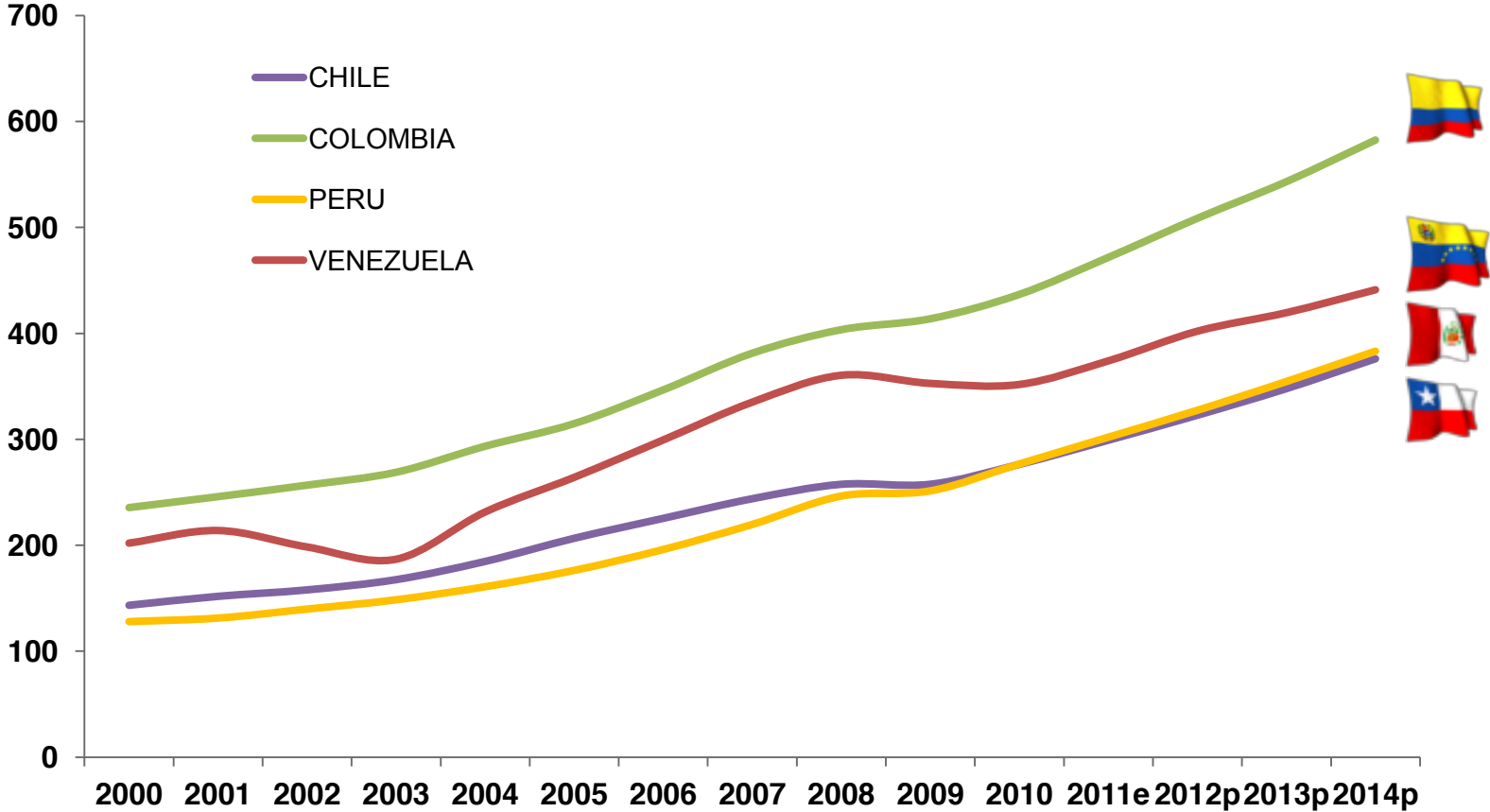
%



Colombia is one of the leading growth economies in the region



GDP at PPP, 2000 – 2014 US\$ Billion

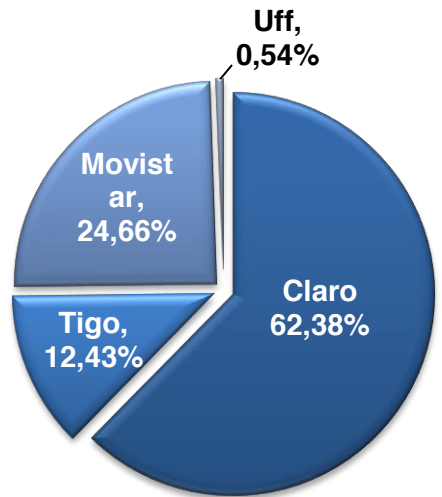


Source: EIU – May 9 2012
P: Projected
E: Estimated

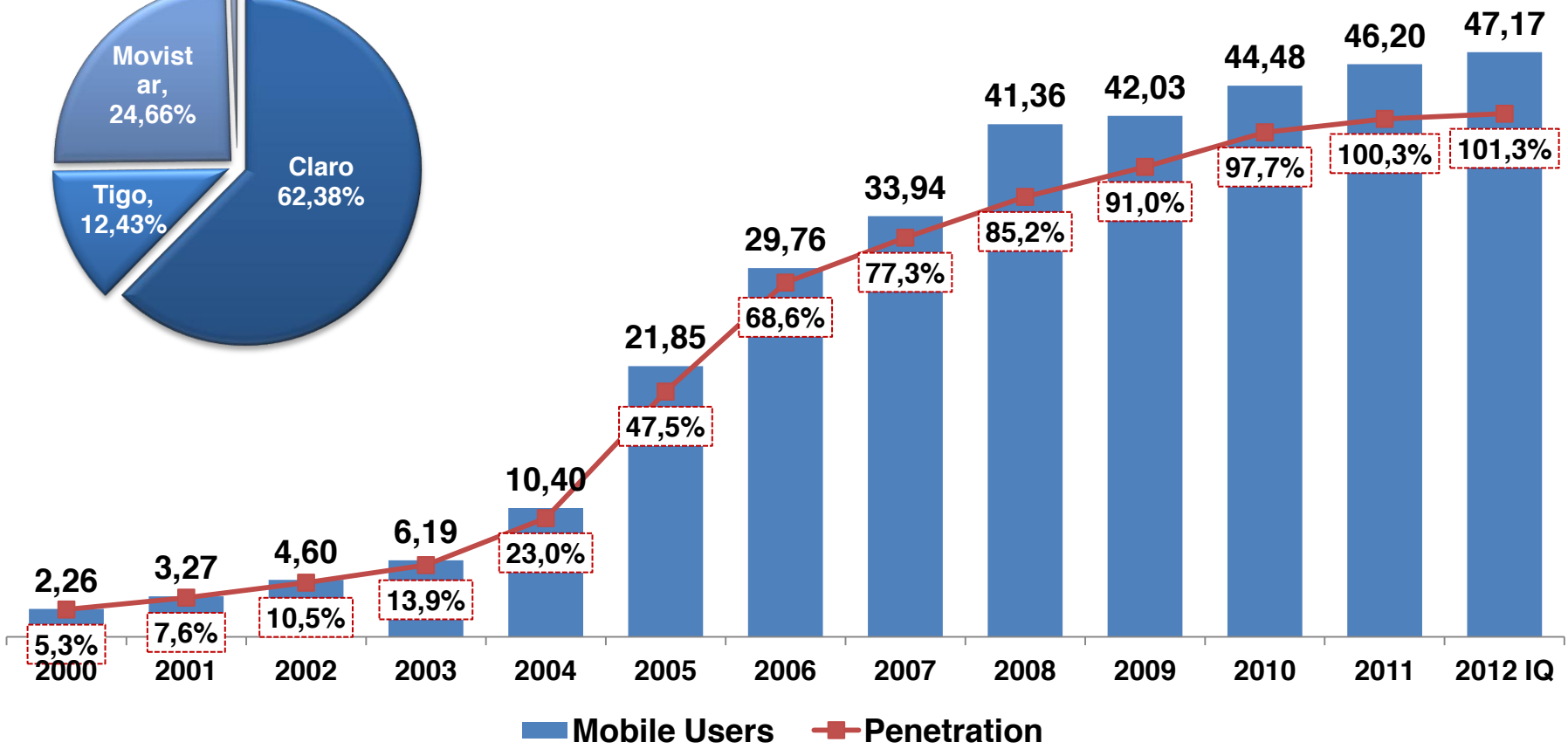
Colombia has a rapidly growing consumer market: More than 47 million mobile telephone lines by 2012



Mobile Subscribers by Operator
2012 Q1. %



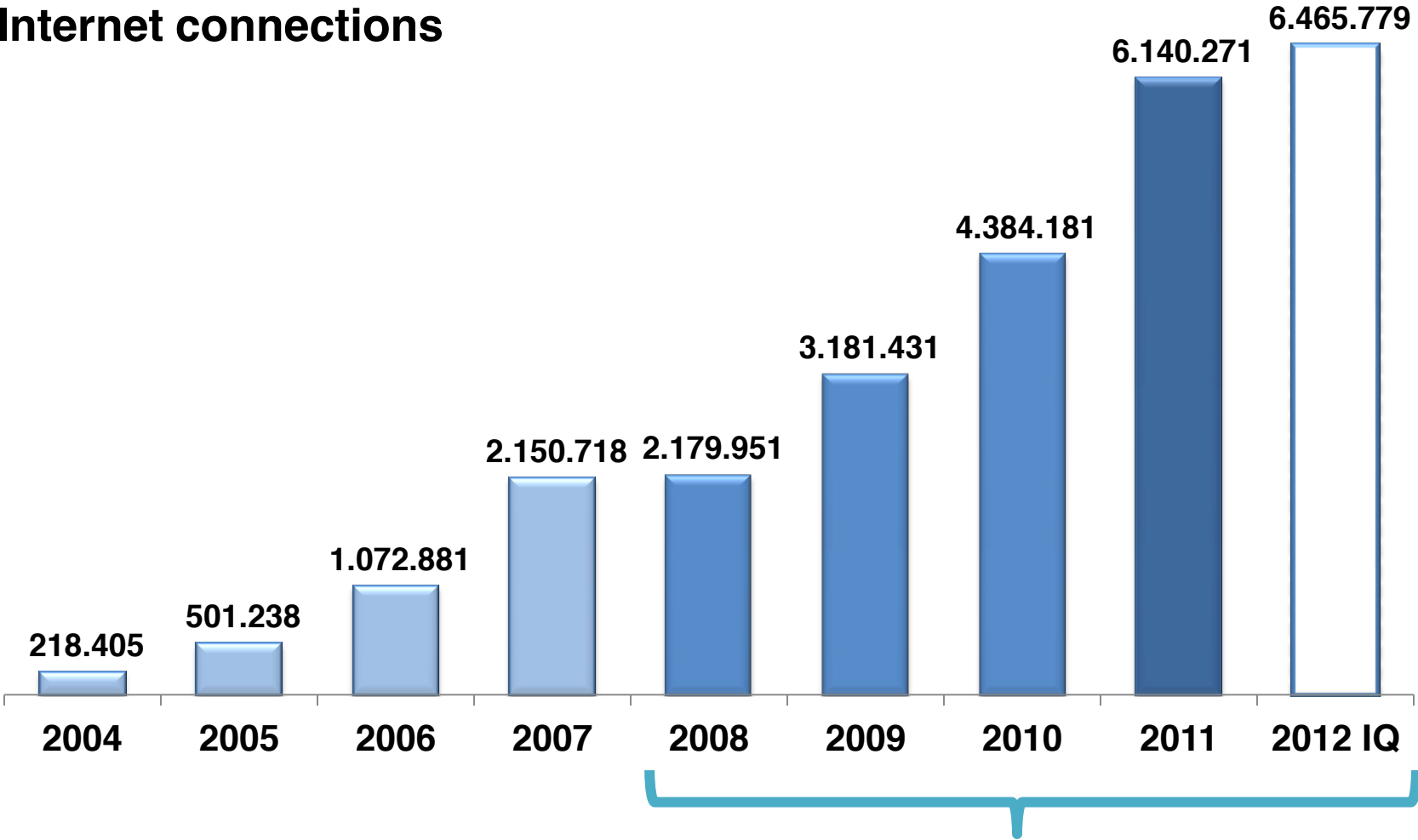
Mobile Subscribers
Million



Source: CRC - Communication Regulation Commission. MinTIC.

Internet access has increase threefold over the past four years

Internet connections



Include mobile networks

Source: Communication Regulation Commission.

The top three risk-rating agencies awarded the investment grade to Colombia in 2011

*August 2012
S&P upgrades
Colombia's
sovereign debt
outlook to positive*

“Effective implementation of recent fiscal reforms could improve its debt and interest burdens”–
S&P



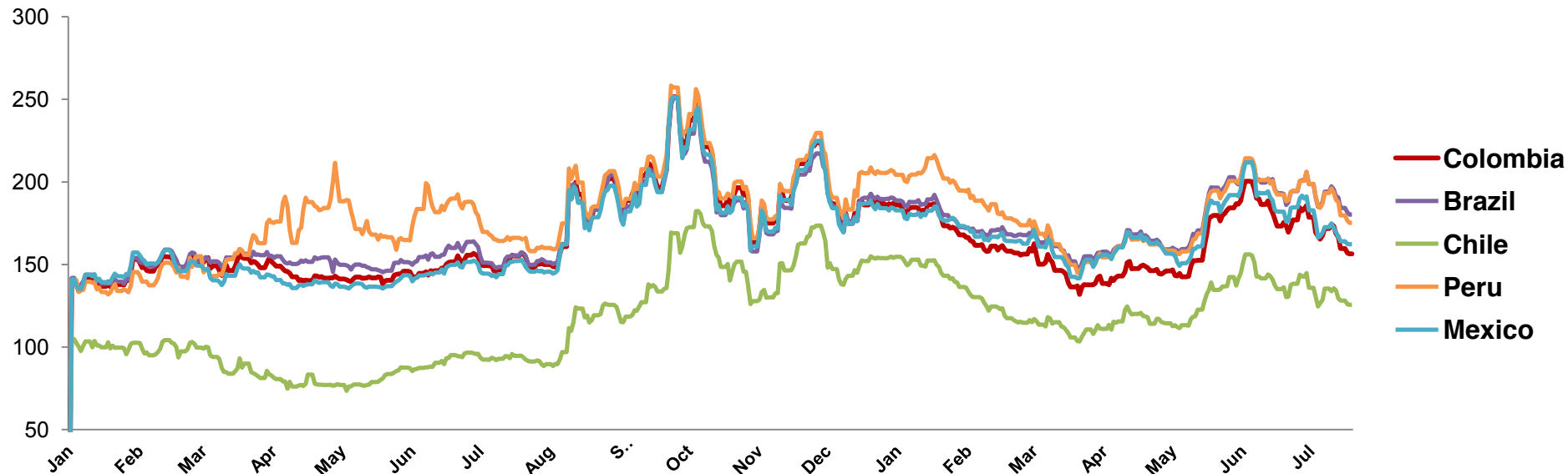
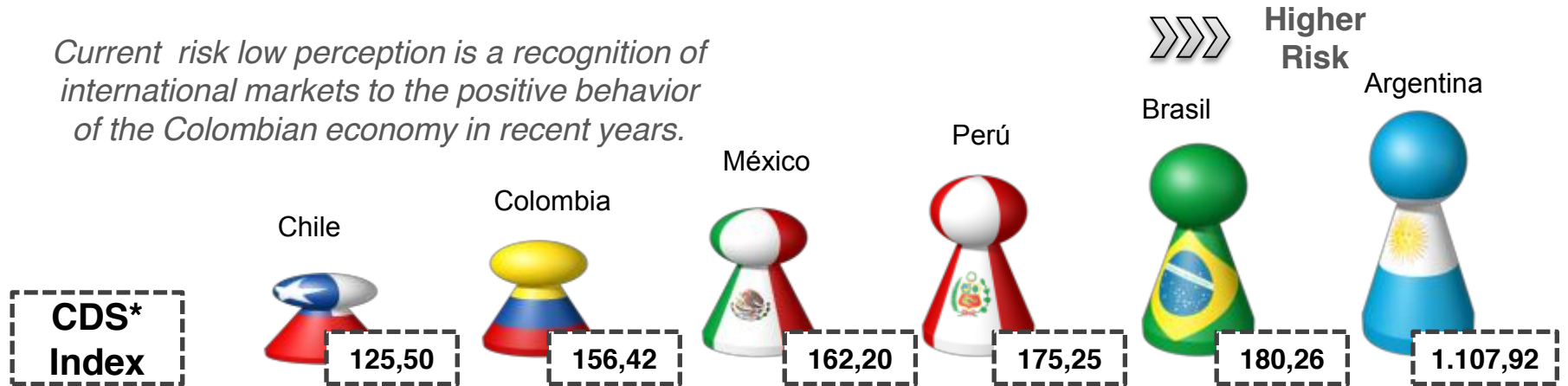
Rating Agency	Term	Rating	Date	Outlook
	Long Term– Foreign Currency	BBB –	16 – Mar - 2011	Positive
	Short Term– Foreign Currency	A – 3	16 – Mar - 2011	
	Long Term– Local Currency	BBB +	5 – Mar - 2007	
	Short Term – Local Currency	A - 2	5 – Mar - 2007	
	Long Term– Foreign Currency	BBB –	22 – Jun - 2011	Stable
	Short Term– Foreign Currency	F – 3	22 – Jun - 2011	
	Long Term – Local Currency	BBB	22 – Jun - 2011	
	Long Term– Foreign Currency	Baa3	7– Feb - 2012	Stable

In 2011, the three top risk-rating agencies lifted Colombia's sovereign debt rating to investment grade, coinciding with the **excellent economic and financial period** that the country was facing:

- ✓ A reduce in its vulnerability to **external shocks**
- ✓ Its historic **fulfillment of obligations**
- ✓ An increase in its **macroeconomic confidence**
- ✓ A true improvement in **security policies**

The risk perception of Colombia continues to improve and is one of the lowest in the region

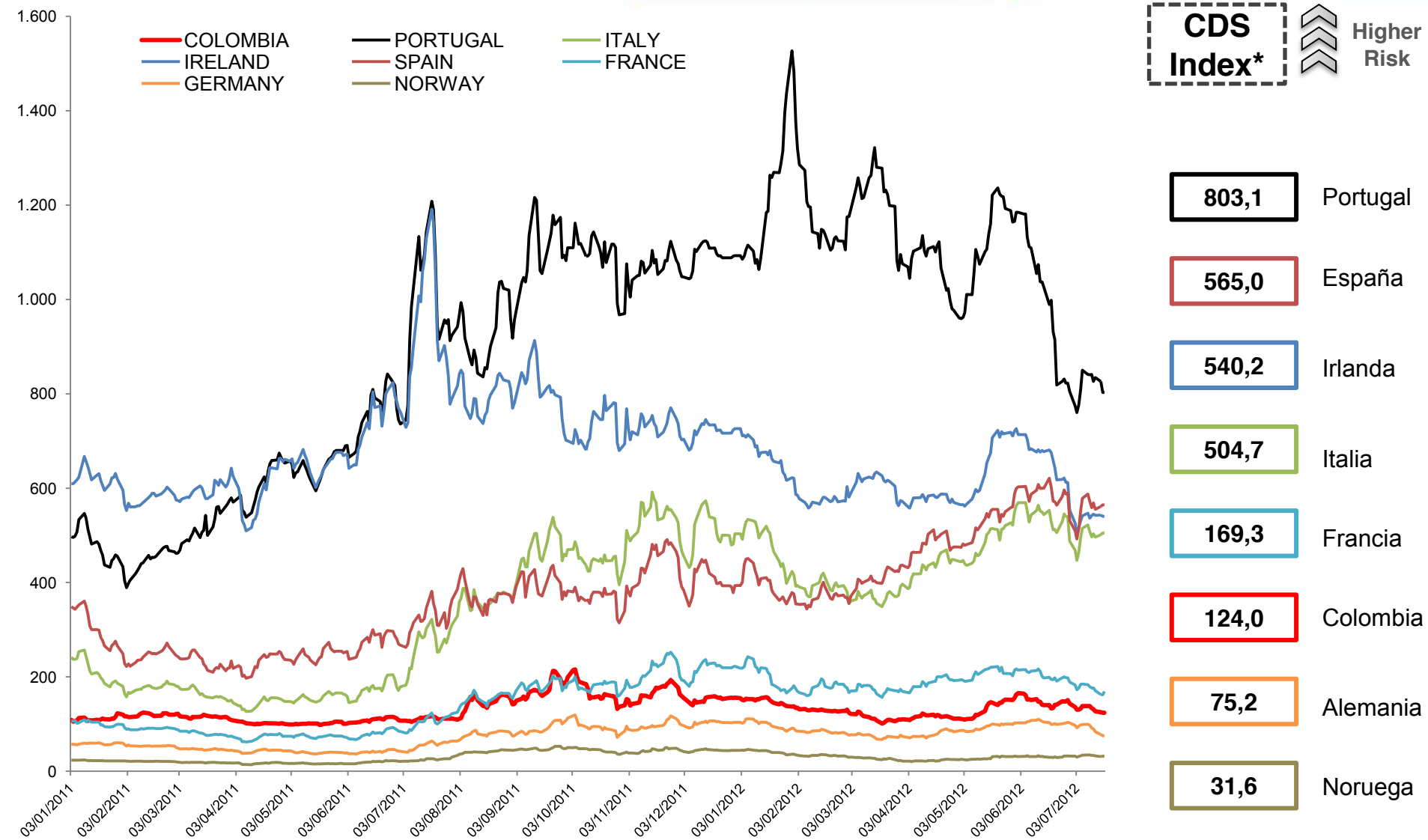
Current risk low perception is a recognition of international markets to the positive behavior of the Colombian economy in recent years.



*Credit Default Swaps Index. Measures the difference between the interest rate paid over a Colombian bond in dollars abroad against the interest rate paid for a US bond. CDSA to July 18, 2012. The smaller the difference the lowest the risk in the country.

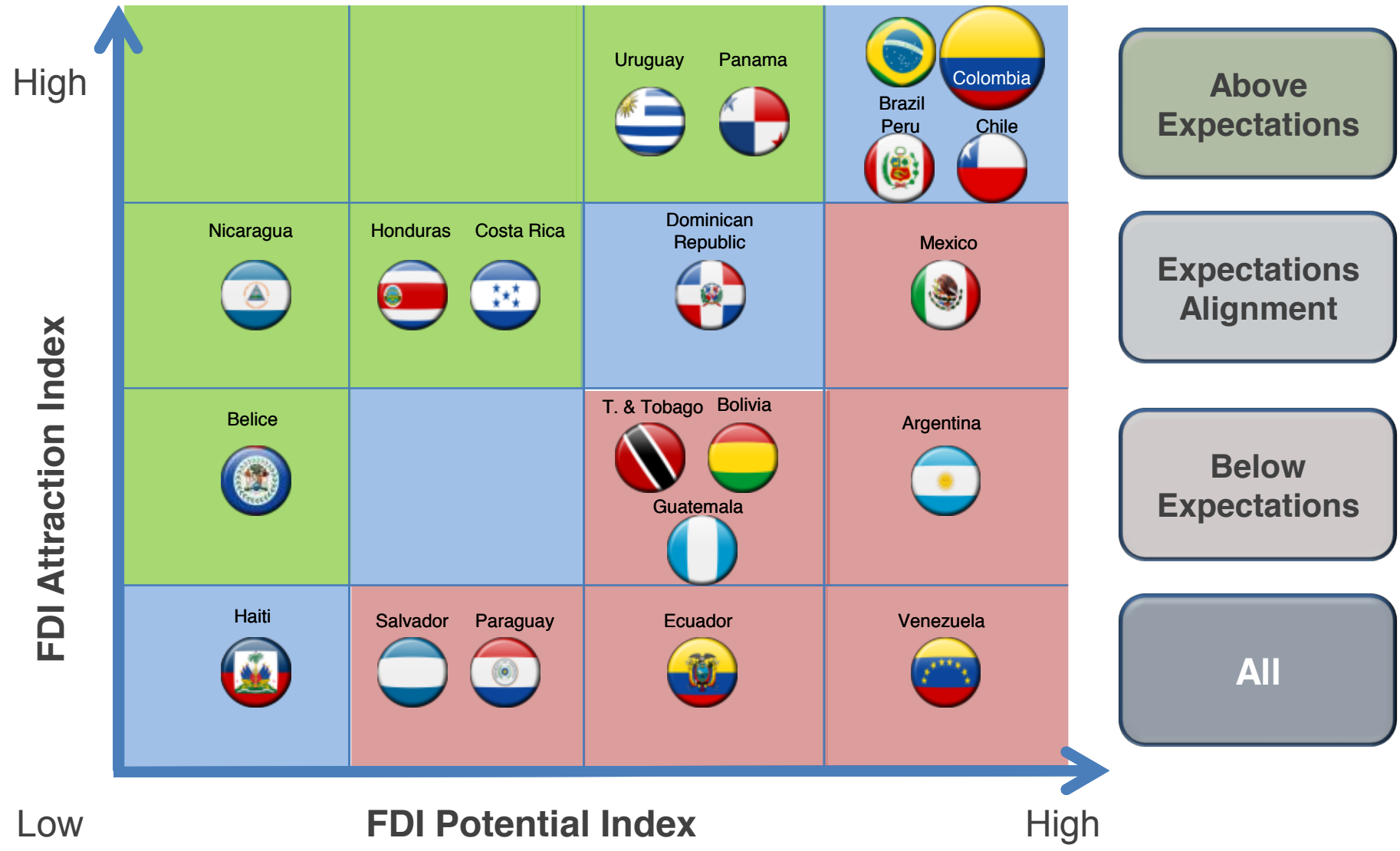
Source: La Republica. Bloomberg.

Whereas in Europe risk perception has increase for the last year due to the crisis, in Colombia the trend is completeley opposite



*Credit Default Swaps Index. Measures the difference between the interest rate paid over a Colombian bond in dollars abroad against the interest rate paid for a US bond. CDSA to July 18, 2012. The smaller the difference the lowest the risk in the country.

“Colombia aligned with attraction and potential expectations”

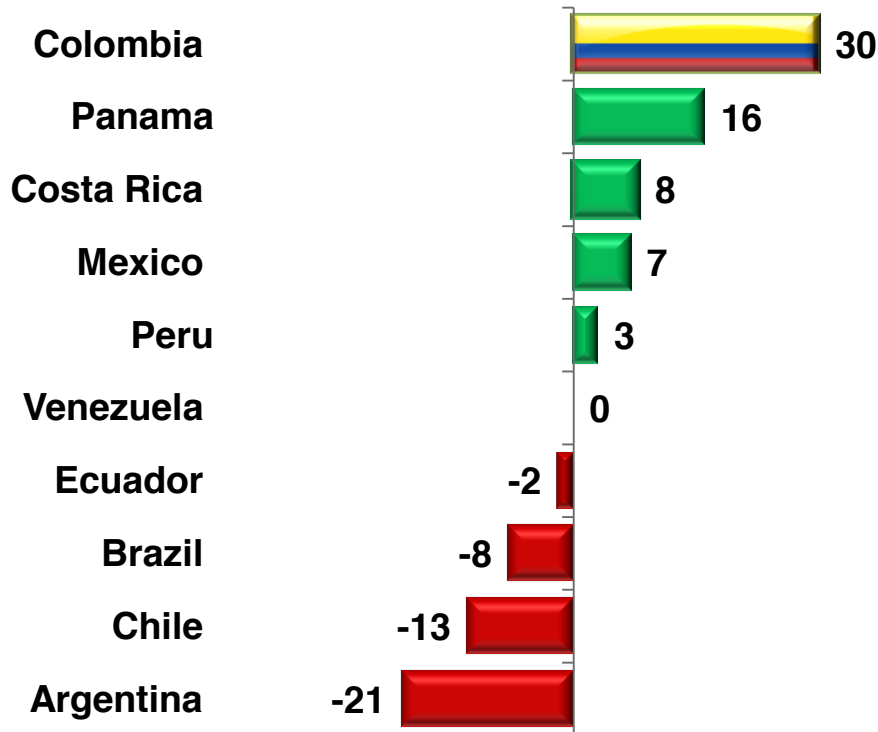


Colombia is the third business friendly country in the region



Doing Business Ranking* 2008-2013

Change in the number of positions



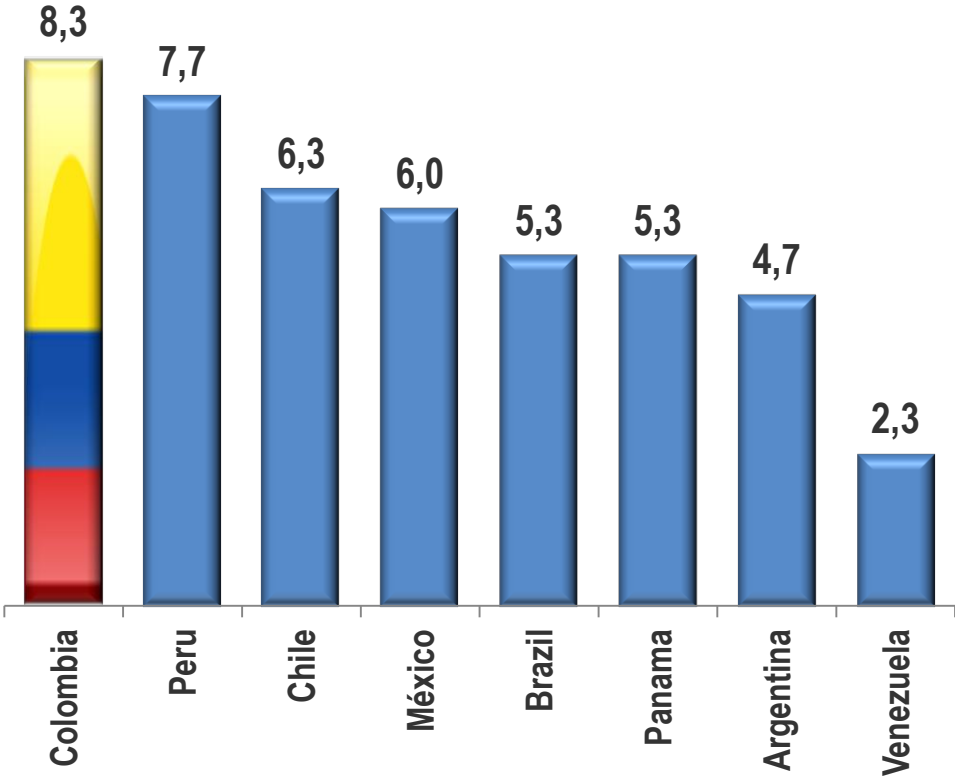
Country	World Ranking 2012	World Ranking 2013
Chile	39	37
Peru	41	43
Colombia	42	45
Mexico	53	48
Panama	61	61
Costa Rica	113	110
Argentina	121	124
Brazil	126	130
Ecuador	130	139
Venezuela	177	180

Source: Doing Business 2013 World Bank Report

*Positive numbers indicate improvements in business environment

Colombia is the leader in terms of Investor Protection in the region

Investor Protection Index Doing Business - 2013

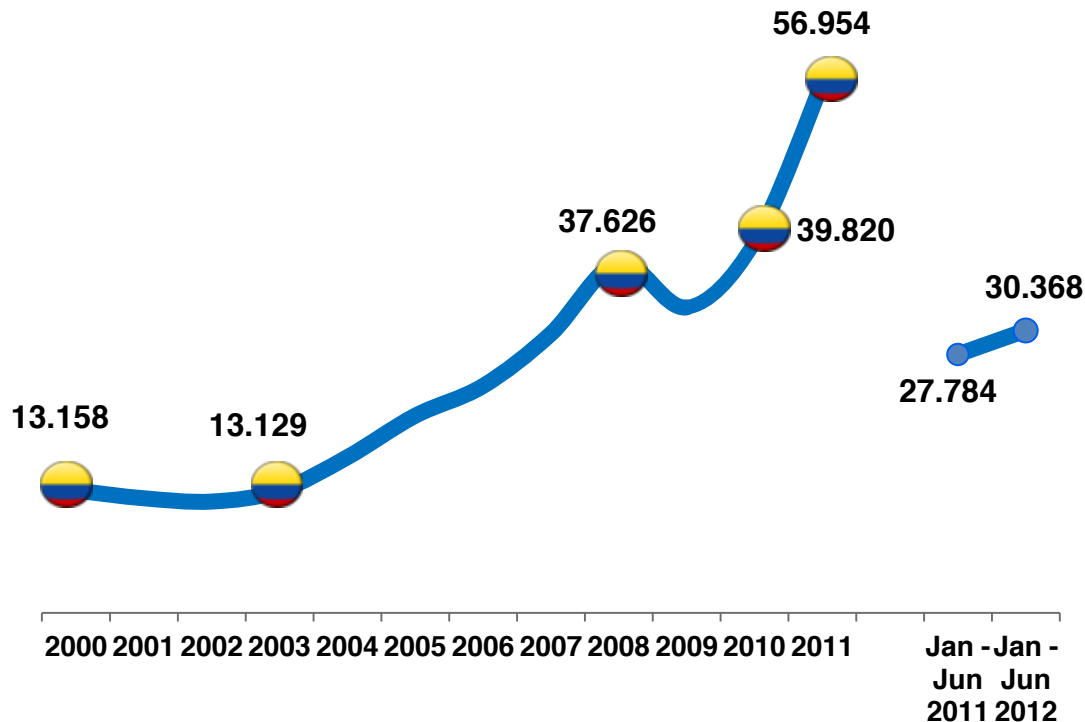


World Ranking	Country
6	Colombia
13	Peru
32	Chile
49	México
82	Brazil
82	Panama
117	Argentina
181	Venezuela

Source: Doing Business Report – World Bank. 2013.

Colombia shows remarkable export growth

Exports, 2000 – Sem. I 2012 US\$ Million



Top Export Destinations 2011



United States

- US \$21,720 million
- 38.1% Share



Netherlands

- US \$2,524 million
- 4.4% Share



Chile

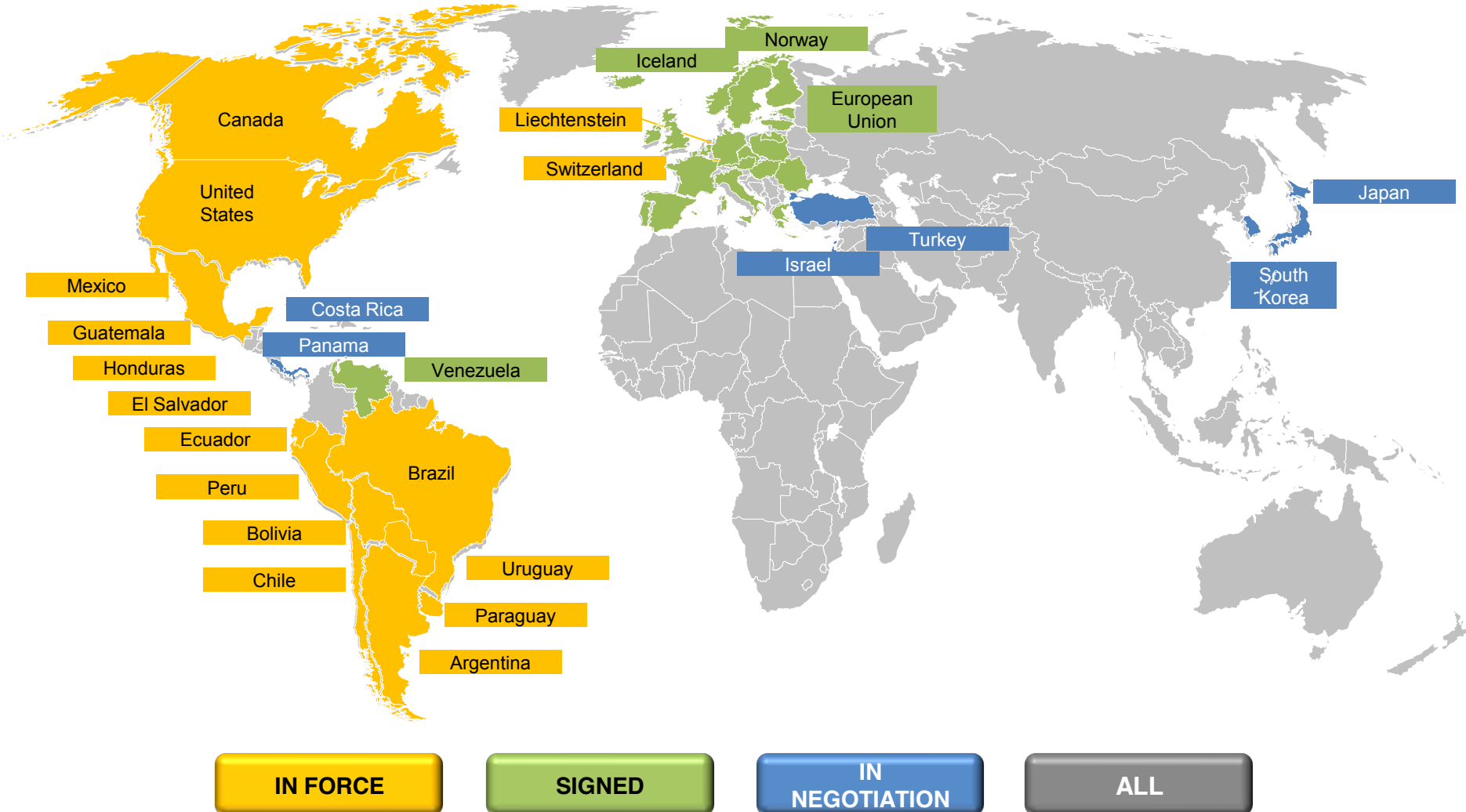
- US \$2,205 million
- 3.9% Share



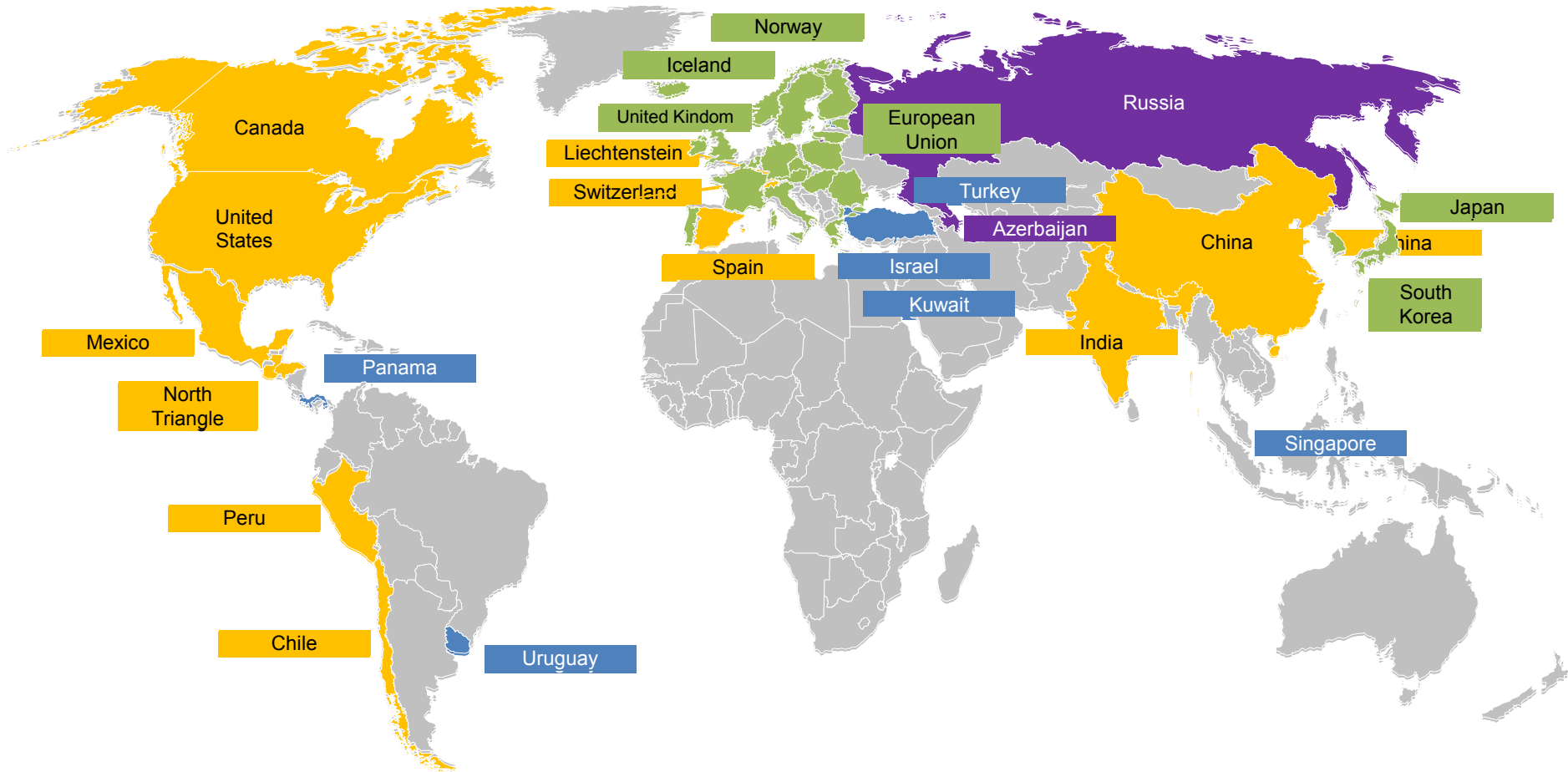
China

- US \$1,989 million
- 3.5% Share

Free Trade Agreements



International Investment Agreements - IIA



IN FORCE

SIGNED

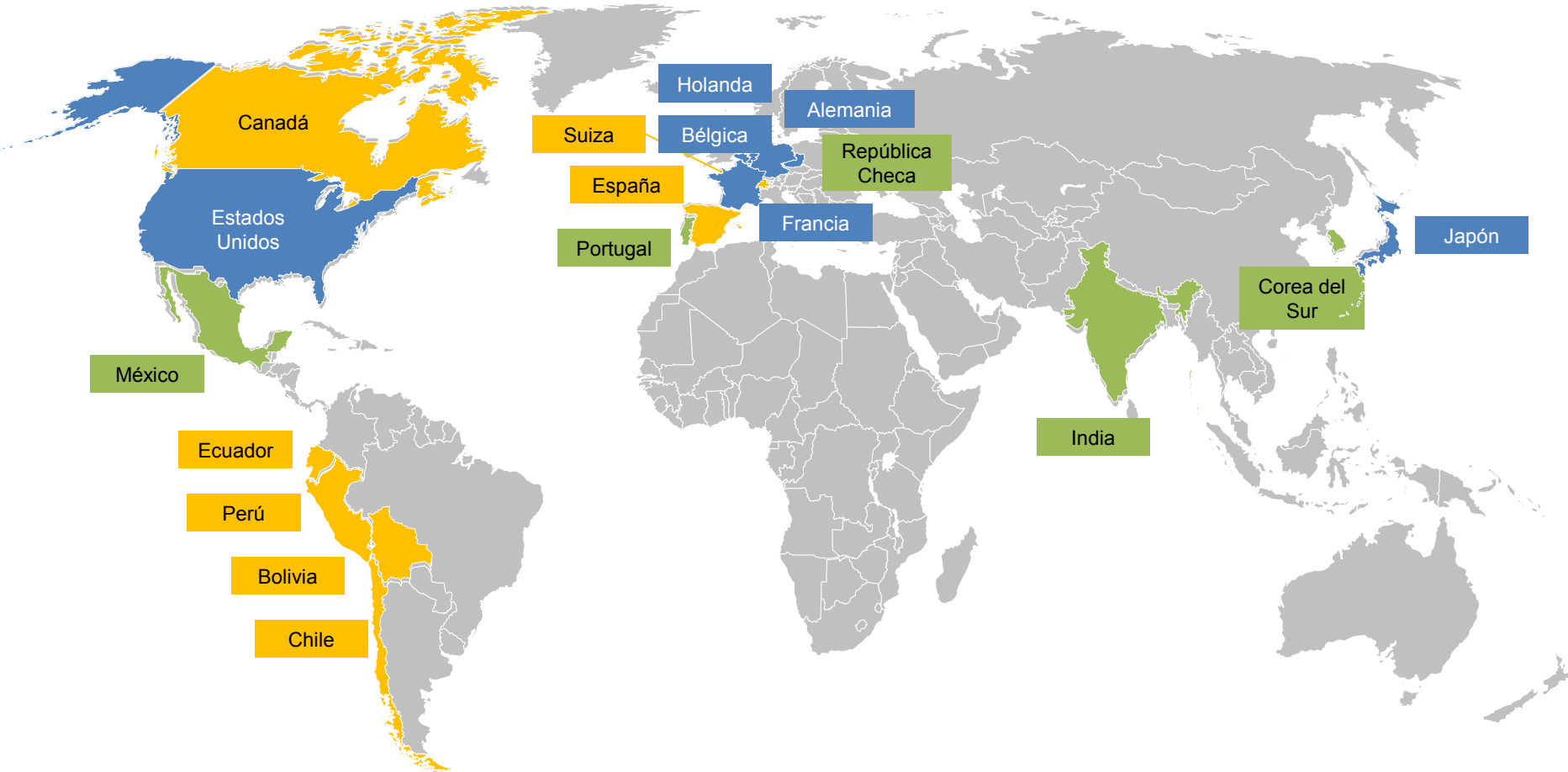
IN NEGOTIATION

FUTURE

ALL

Note: The International investment agreements (IIA) include Agreement Investment Treaties – BIT (agreement) and Free Trade Agreements – FTA- with investment section (chapter).

Double Taxation Agreements - DTA



IN FORCE

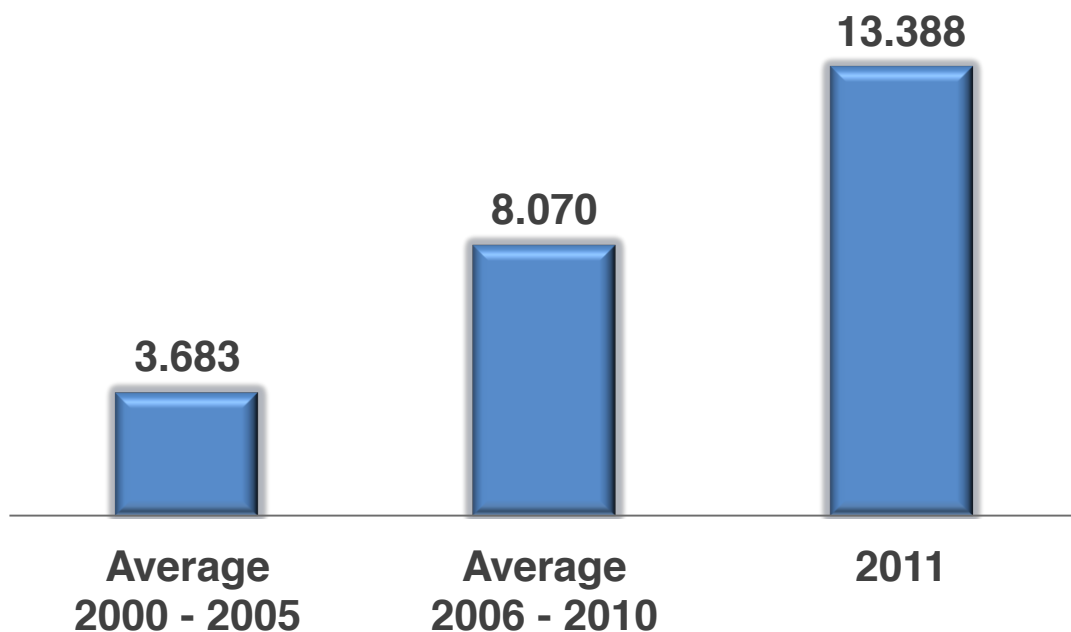
SIGNED

IN NEGOTIATION

ALL

FDI inflows in Colombia reached a record figure in 2011

IED, 2000 –2011 US\$ Million



Main Investing Countries in Colombia 2000 – 2011*



United States

- Accumulated US\$ 9,457 million
- 24.8% share



UK

- Accumulated US\$ 5,614 million
- 14.7% share



Spain

- Accumulated US\$ 3,491 million
- 8.9% share



Canada

- Accumulated US\$ 1,373 million
- 3.6% share

Variation 2010–2011: +92%

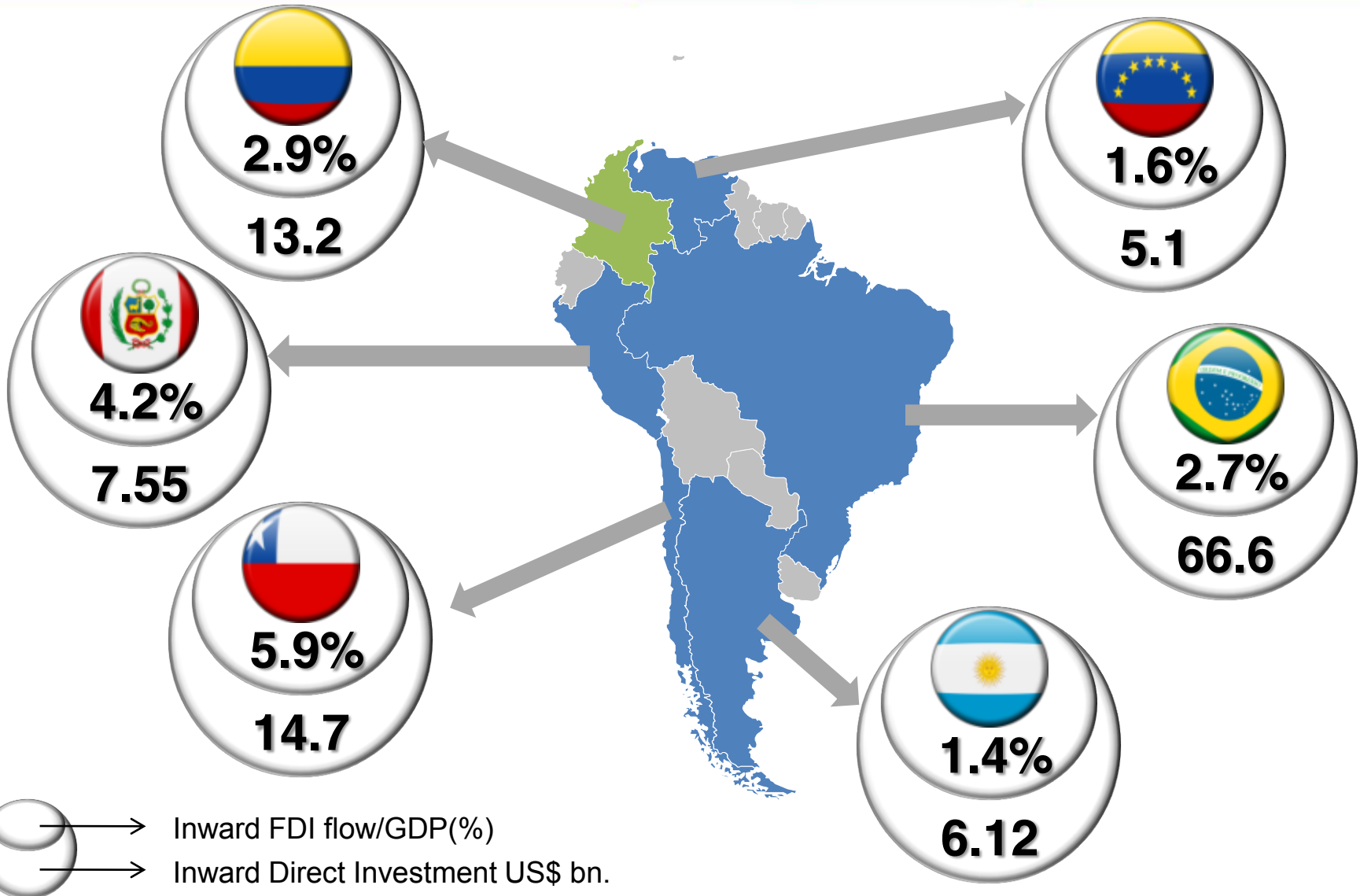
Figures obtained through the foreign currency balance of the central bank – Banco de La Republica.

*Share of all countries with positive cumulative investment, without reinvested profits or investments in the oil sector. Accumulated value 2000 – 2011: US \$38,615 million

Note: the list of the top countries investing in Colombia does not include Anguilla or Panama, in third and fourth place.

Source: Balance of Payments - Banco de La Republica.

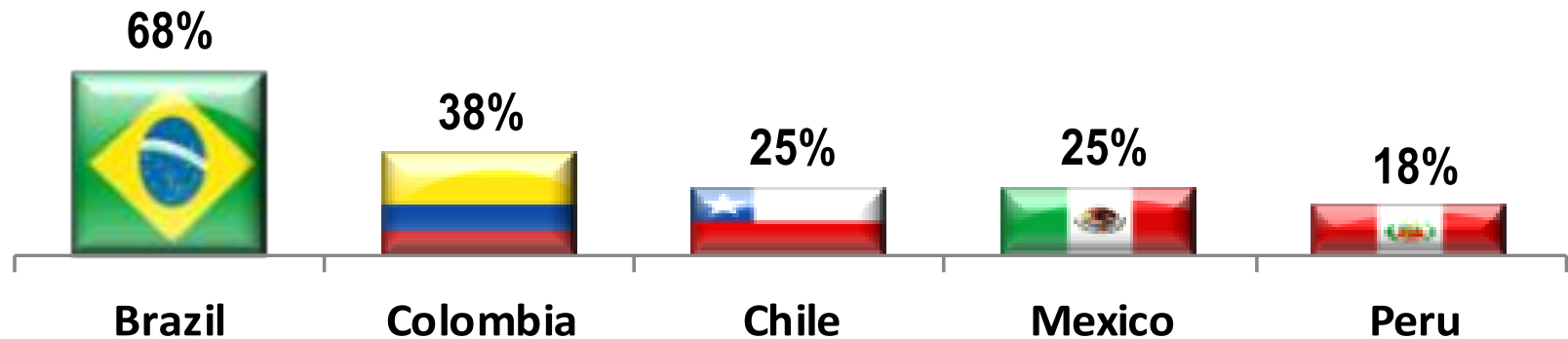
Colombia is the third country in the region in terms of FDI flows as a percentage of GDP



Source: EIU, Banco de la Republica

Colombia is the second most promising market for investment in Latin America over the next three years

If you were to invest in a Latin American country in the next 3 years, where would you invest?



- ✓ ***“Colombia is earlier in its growth cycle and ‘more emerging’ than many other countries in the region”***
- ✓ ***“Colombia’s Government seems pro-business and is taking the right steps toward encouraging investment in the country”***

Colombia adheres to the OECD Declaration on International Investment and Multinational Enterprises.



OECD Investment Policy Review (February, 2012) recognises **Colombia's** progress in pursuing policy reforms to promote investment liberalisation and improving the business climate

As an adherent to the Declaration, Colombia commits to :

- I** As an adherent to the Declaration, Colombia commits to treating foreign investors in the same way as domestic investors and to promoting responsible business conduct, in line with the Guidelines for Multinational Enterprises
- II** In turn, the country benefits from similar assurances from other adherents to treat Colombian investors fairly.
- III** Colombia's adherence provides further international support for the principles of sound investment policy and corporate responsibility laid down in the Declaration.

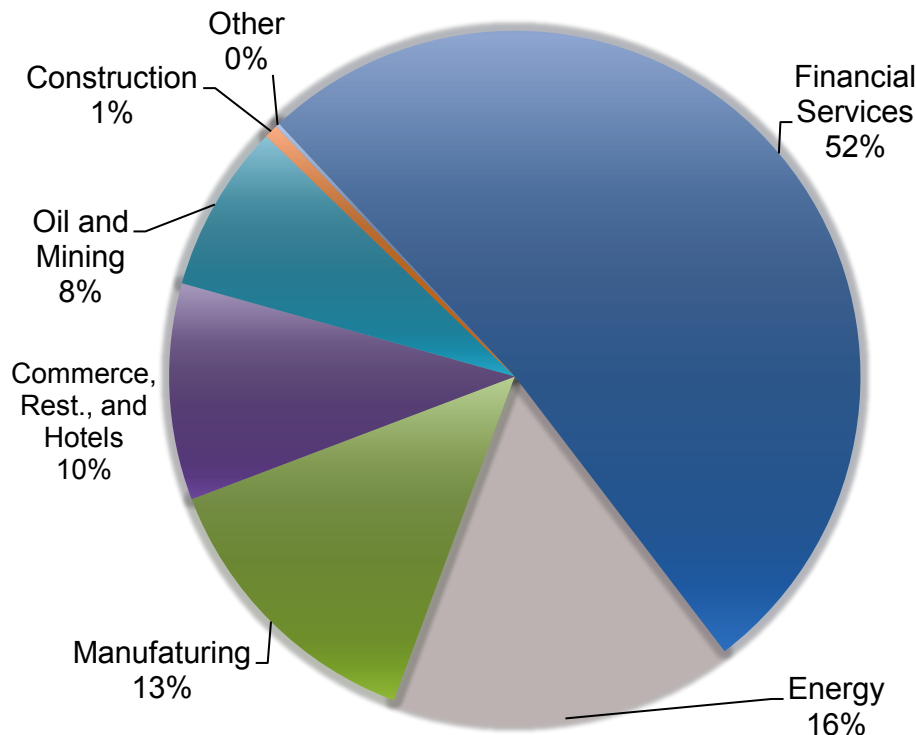
“The review examines Colombia's achievements in developing an open and transparent investment regime and its efforts to reduce restrictions on international investment” *OECD*



Colombia's FDI outflows also set a record in 2011

FDI from Colombia by Sectors 2011

%



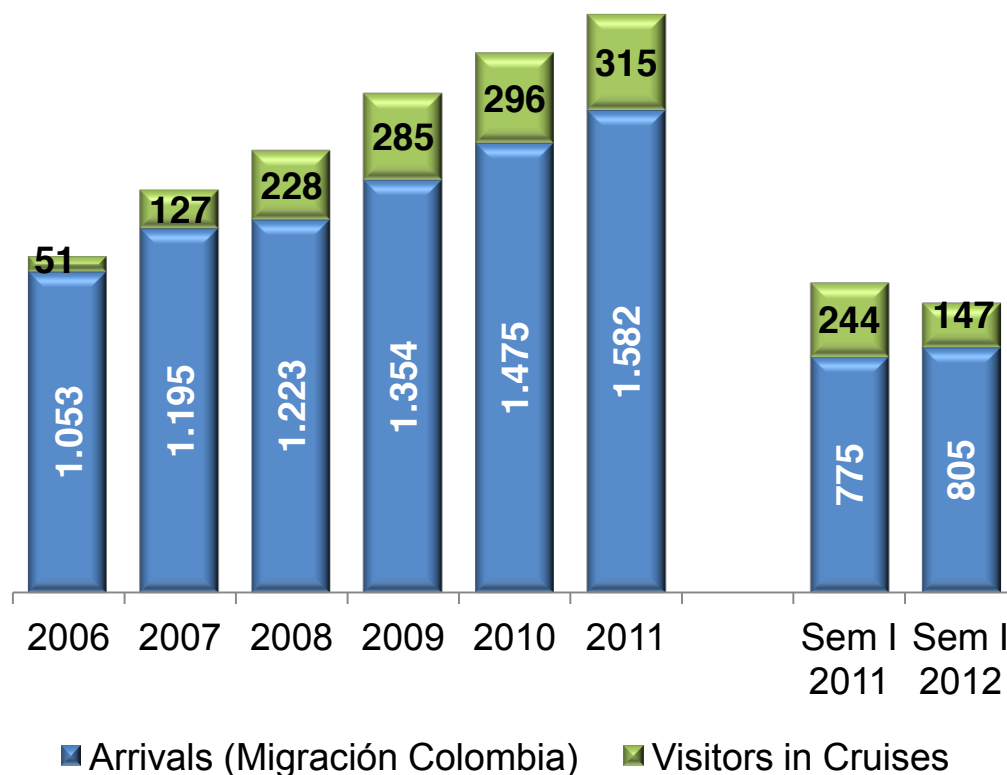
Colombia's FDI receptor countries 2000-2010



Total FDI 2011: US\$ 8,289 Millon

Colombia is increasingly attractive to visitors

Foreign visitors in Colombia 2006 – Sem. I 2012 Thousands



Main nationalities of foreign visitors in Colombia, Sem. I 2012



United States

- 156,394 visitors
- 19.4% share



Venezuela

- 108,365 visitors
- 13.5% share



Argentina

- 57,641 visitors
- 7.2% share



Ecuador

- 50,265 visitors
- 6.2% share

National Development Plan, 2010 - 2014



AGRIBUSINESS



MINING



INNOVATION



INFRASTRUCTURE



HOUSING

INNOVATION



- Allocate 10% of royalties for the strengthening of the Science, Technology, and Innovation System.
- Increase participation of investment in R&D of 0.16% of GDP in 2012 to 0.5% of GDP in 2014.
- Increment the value added exports (non mining & energy) by 31%, from US\$ 14,318 million in 2010 to US\$ 21,000 million in 2014.
- Fund the training for 2,550 new PhD's thru 2014

INFRASTRUCTURE

- Investment in infrastructure between 3% and 4% of GDP, which means Colombia would double the current investments, this combined with mechanisms such as royalties and adaptation fund, will allow the country to have adequate levels of investment in the sector.



MINING



- The Mining and Energy GDP will represent a growth of 16.8% by 2014, reflecting a share above 25% of the GDP in Colombia.
- The mining and energy sector will generate 100,000 new jobs within 2012-2014.
- The sectors total exports will exceed US\$ 35,000 million by 2014.
- By 2014, the goal is to reach 16,234 MW, in hydrocarbon(s) a production of 1,150,000 bpd, in mining a production of coal of 124 million tons, and extend the geological coverage of the country by 80%.

HOUSING



- Government Goal: 1 million social houses
- Colombia is working on a plan to donate 100,000 homes to single mothers, refugees, victims of natural disasters, and those without access to a minimum wage.

AGRICULTURE

- A goal of 600,000 hectare planted in 2014.
- Colombia, third Latin American country with the highest rate of annual precipitation and eleventh worldwide.
- Special Program for Commercial Reforestation: harnessing the potential of forests in the country (17 million hectares) promoting commercial reforestation as a strategic driver of the agricultural sector.
- Single Forest Window: An instrument created to centralize the paperwork and procedures required in commercial forestry.
- Regulated Forest Act
- Agricultural Technology Innovation



Productive Transformation Program: A public - private partnership to strengthen and build *world class sectors*



16 Strategic Sectors

SERVICES

MANUFACTURING

AGRICULTURE



BPO & O



Graphic
Communications



Chocolates and
Candy



Software & IT



Fashion System



Cattle



Health Tourism



Auto parts and
Vehicles Industry



Palm, Vegetable Oils
and Biofuels



Ecotourism



Cosmetics



Shrimp farming



Electric energy and
services



Steel

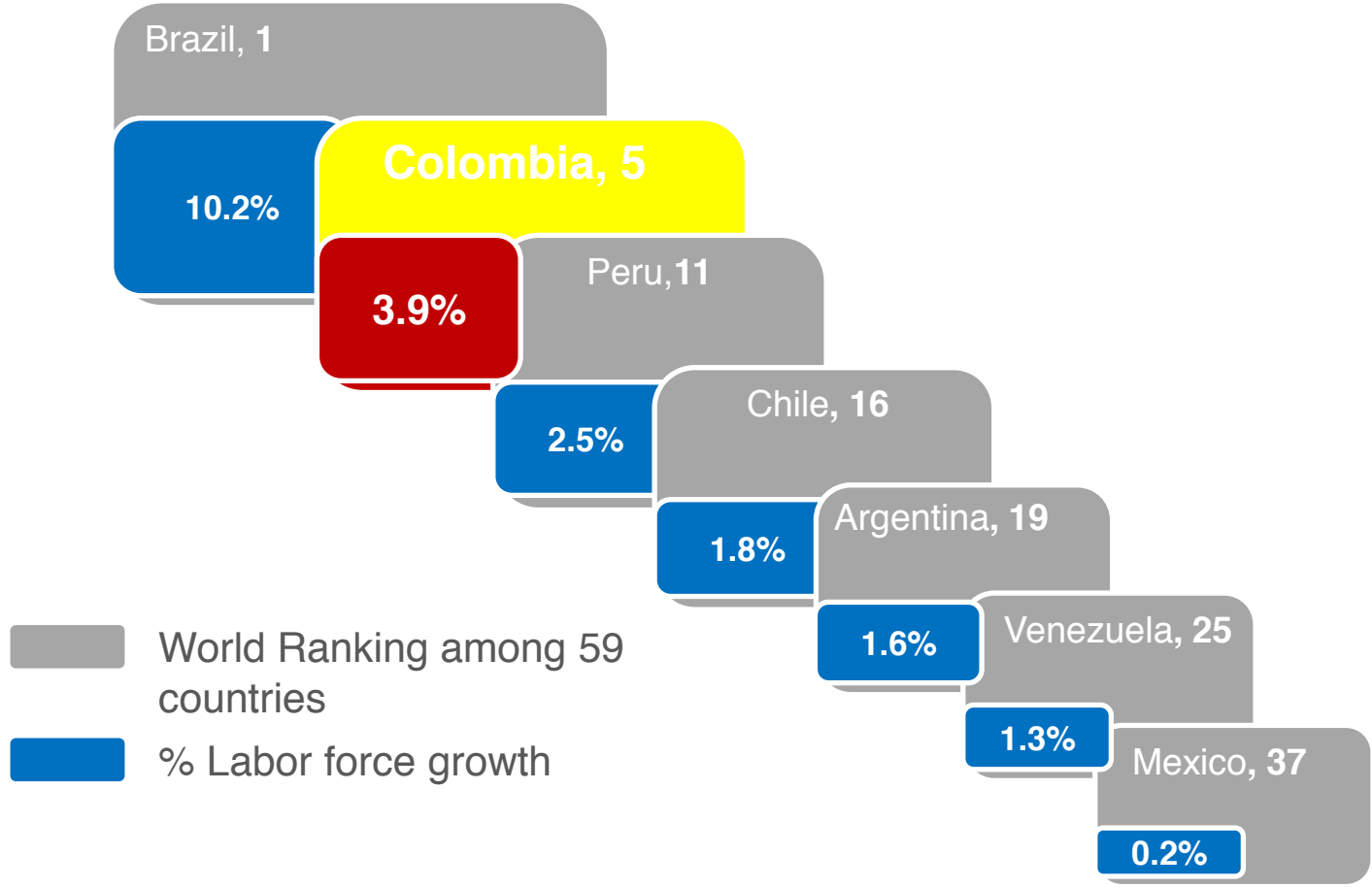


Dairy products



Horticulture

Labor force growth 2011

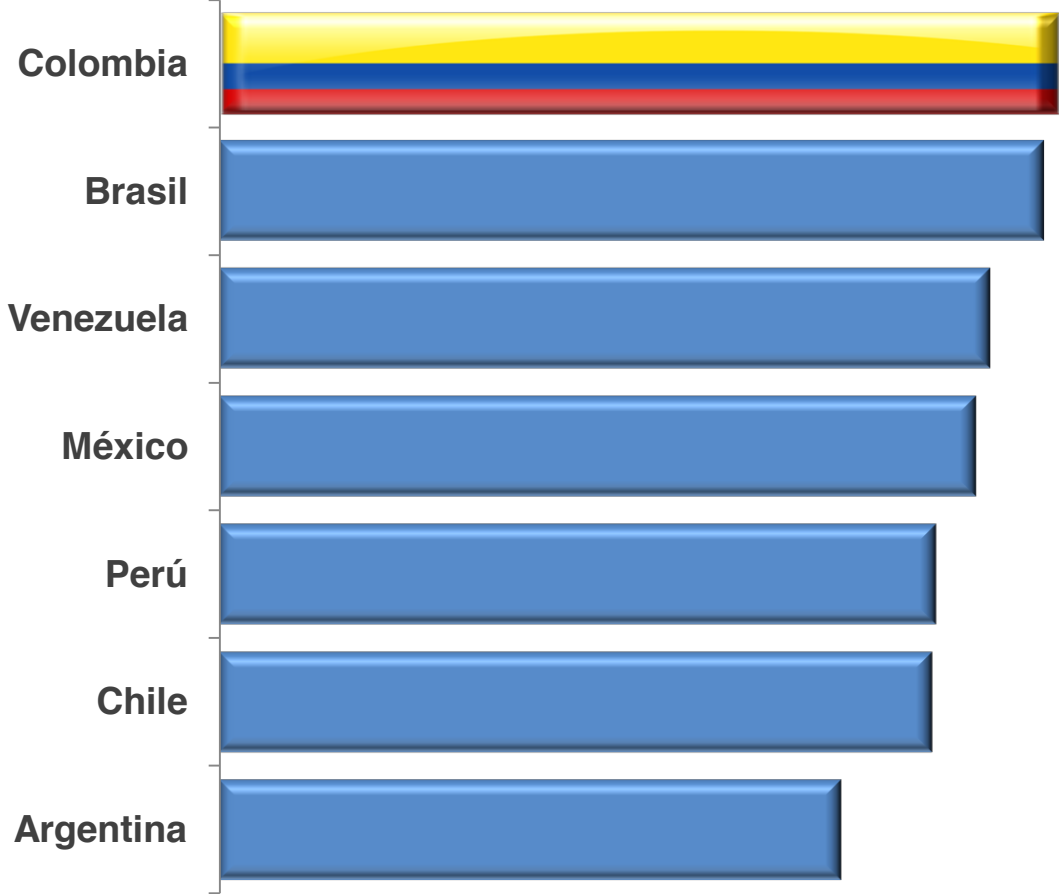


Source: IMD World Competitiveness, 2012.

Colombia's Human Capital: Strong credibility on managers among society



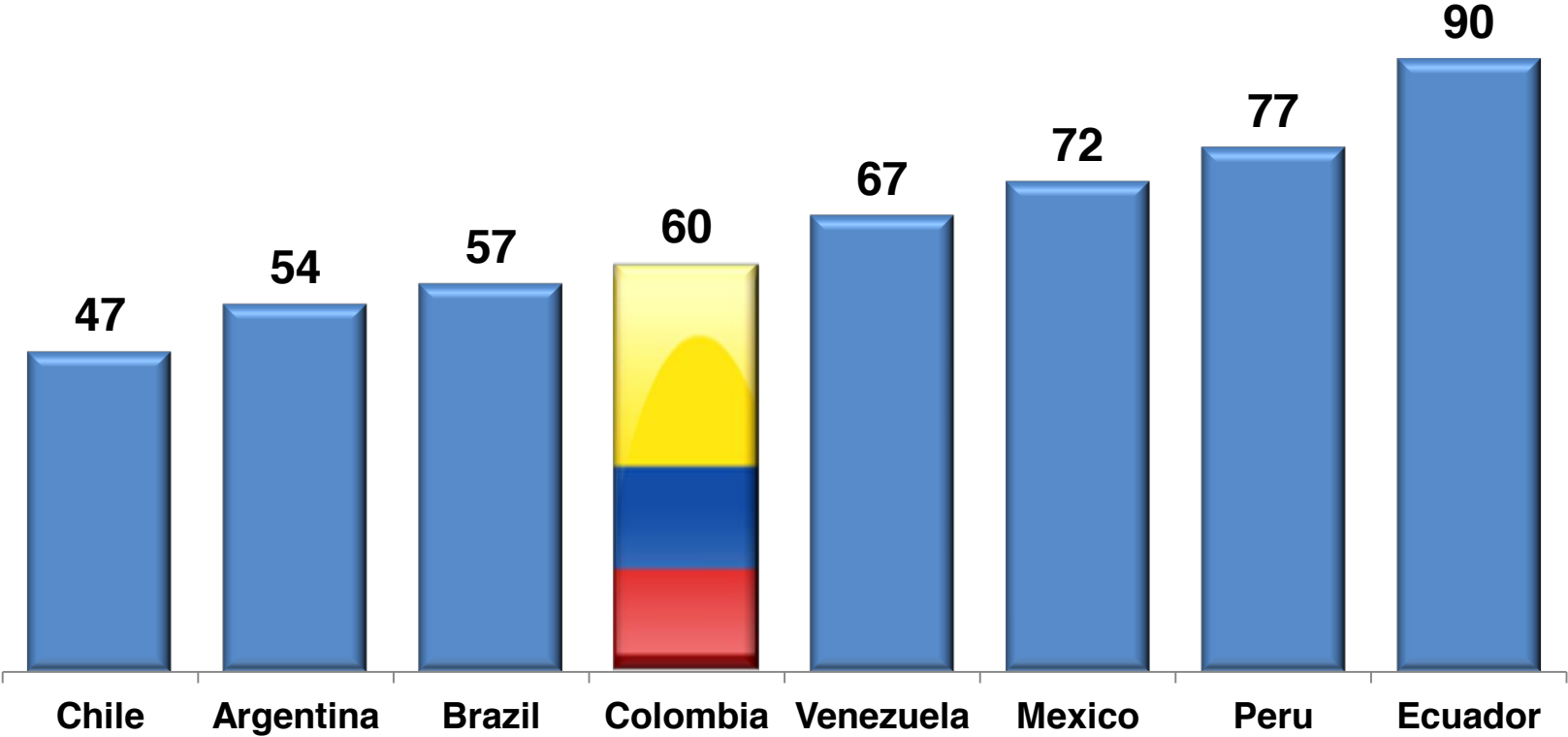
Managers Credibility, 2012
Scale 0-10. 0: weak– 10: strong



Fuente: IMD World Competitiveness, 2011. Ranking among 59 countries.

A competitive workforce

Higher education and training Position among 142 countries



Source: World Economic Forum 2011 - 2012

Discount in the income tax and supplementary contributions, and other contributions from payroll

(Do not include positions generated by mergers or replacements)

1. New employees **under twenty eight** (28) years old. Length of benefit by employee: 2 years.
2. New employees certified in **displacement situation, reintegration or disability**. Length of benefit by employee: 3 years.
3. New women employees **above 40 years old with more than 1 year unemployed**. Length of benefit by employee: 2 years.
4. New employees with incomes **lower than 1.5 Minimum Wages (US\$ 476)**. Length of benefit by employee : 2 years

1. 175% Income Tax Deduction

- Over investments in scientific and technological developments

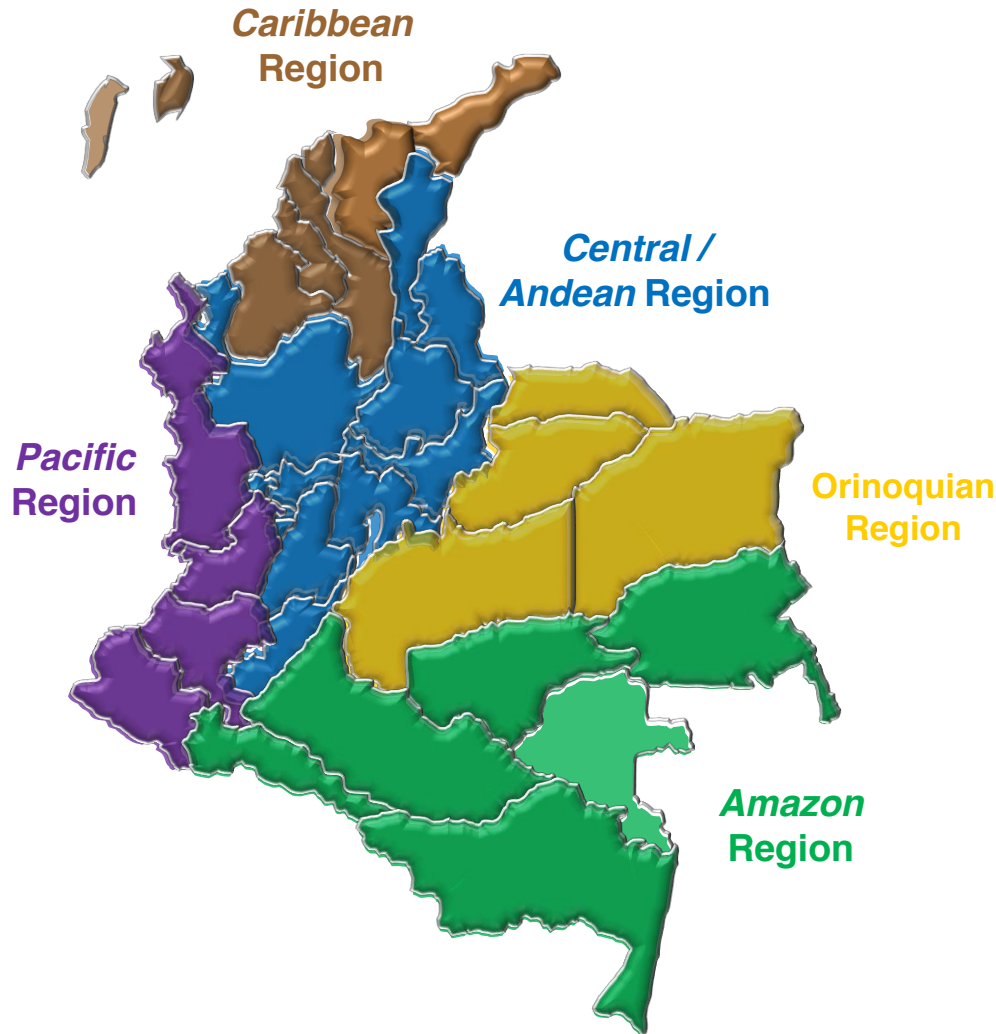
2. Non taxable Income

- Resources received by scientific, technological and innovation projects does not constitute income.

3. Benefits in equipment imports

- Equipment and tools imported by R&D Centers recognized by Colciencias shall be exempt from sales tax (VAT).

A country of regions and differentiated opportunities for investors



- **Caribbean Region:** Tourism, Logistics, Petrochemical, Construction Supplies
Atlantic Export Platform

- **Central/Andean Region:** Outsourcing Services, high value-added manufacturing, hub to cover domestic market, specialized agribusiness

- **Pacific Region:** Manufacturing, Agribusiness, logistics, biotechnology,
Pacific export platform

- **Orinoquía Region:** Agriculture, forestry, biofuels, hydrocarbons

- **Amazon Region:** Conservation, ecotourism (Leticia)

Regions with opportunities by sectors



Research, Development and Innovation
 Opportunities in the oil and gas sector, in the development of new products and services, and in the development of new technologies.
 Opportunities for Outsourcing Companies that provide services to the oil and gas sector.
 Opportunities for the development of new products and services in the oil and gas sector.
 Opportunities for the development of new products and services in the oil and gas sector.

Production and Logistic centers
 Opportunities for the development of new products and services in the oil and gas sector.
 Opportunities for the development of new products and services in the oil and gas sector.
 Opportunities for the development of new products and services in the oil and gas sector.

Warehouses
 Opportunities for the development of new products and services in the oil and gas sector.
 Opportunities for the development of new products and services in the oil and gas sector.
 Opportunities for the development of new products and services in the oil and gas sector.

Automotive

Cosmetics, Toiletries and Cleaning Products

IT and BPO&O

Building & construction Materials

Agribusiness

Oil Products and Services

Textiles

A competitive Free Trade Zone framework



- ✓ 15% Taxes
- ✓ No taxes for imports or VAT
- ✓ Benefits from commercial agreements and FTA's
- ✓ No restrictions for sales in the local market
- ✓ Free trade zones for different investor styles
- ✓ More than 8 million sqr mtrs available for companies willing to locate in Free Trade Zones.

Gracias Спасибоありがとう Merci Danke 감사합
Thank you Teşekkürler Danke **Thank you** Obrigado Спасибо
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