Leading Sectors for U.S. Export and Investment

INDUSTRIAL CHEMICALS

Overview

	2004	2005	2006 (estimated)
Total Market Size	6,365.70	6,637.76	6,940.18
Total Local Production	4,860.51	4,950.02	5,073.77
Total Exports	991.90	998.69	1,023.66
Total Imports	2,497.10	2,686.43	2,890.06
Imports from the U.S.	827.83	886.52	953.72

(In millions of USD)

The overall chemical products market in Colombia is estimated at $6.94 billion. This sector is one of the largest and most complex in Colombia. The chemical sector accounts for approximately 10.1 percent of industrial employment. It also represents 3.5 percent of all facilities and 15.1 percent of gross manufacturing production.

Demand for basic chemicals for all industries, and especially active ingredients for the pharmaceutical, cosmetics, and food and beverage processing industries is expected to maintain steady growth of about two percent yearly. The chemical sector grew an average of three percent annually between 1995 – 2005. However, during this year, it is expected that the sector will grow at a rate of 4.5 percent.

The entire chemical sector was particularly favored by the open economy measures of 1991 with free licensing and minimum import requirements for about 85 percent of chemical product tariff classifications. Furthermore, Andean Community provisions provide patent protection for basic chemicals, active ingredients and several substances ordinarily imported by the majority of industry sectors. Industries most favored by these measures are those in the agricultural chemical, pharmaceutical, veterinarian, cosmetics and food processing sectors, which could then lead to new product development and investments in sectors with high consumption of industrial chemicals.

Industrial investment and research and development will enhance future prospects in this sector despite current low economic, financial and trade indicators. The Colombian market should easily reach $7.0 billion if market conditions improve in 2007. Colombia's ability to compete in a global economy will depend on its ability to modernize and automate its industrial infrastructure. To increase sales of industrial chemicals, industrial investment is required in the food and beverage industry, the pulp and paper industry, the chemical industry and the majority of processing industries. Investment is also required in the areas of energy, oil & gas, coal, water supply, water and wastewater treatment, and the application of environmental technologies.

Best Products/Services

Industrial chemicals are used in a range of industries such as chemical processing, pulp and paper products, water treatment, oil drilling, textiles, synthetic fibers, soaps and detergents, primary metallurgy, electronics, plastics, pharmaceuticals, cosmetics, fertilizers, explosives, paints and coatings, and food and beverage production. A growing demand for industrial chemicals should result from more serious implementation of Colombian environmental legislation on water treatment. Other positive signs for increased demand in the short term are steady growth rates in the soap, detergent, edible oil and margarine industries; intensive oil and gas exploration and exploitation; and the expansion and modernization of refineries and other petrochemical facilities.

The agricultural sector has maintained healthy growth due to greater efficiency in cattle and poultry raising, as well as in the production of oil palm, sugar, rice, corn, flowers and fish/seafood products. Agricultural chemical consumption has declined recently, however, due to heavy rains that have destroyed several crops and due to an international coffee price collapse (with lower production and exports).

Opportunities

U.S. suppliers have good opportunities to maintain their average share of the market for industrial chemicals if moderate expansion levels by some private firms in the petrochemical and chemical sectors are maintained. The two major refineries in Barrancabermeja and Cartagena will continue to be modernized, and there are plans for constructing at least one new refinery on Colombia's Caribbean coast.

Also contributing to opportunities for market growth in this sector are projects in the areas of water and wastewater treatment, pulp and paper, electric and gas utilities, petroleum refining, plastics production, metalworking, automotive assembly, food and beverage processing, water supply, and environmental technologies.

Resources

CS Bogota contact: Adriana Ariza, Commercial Assistant (adriana.ariza@mail.doc.gov)
DANE: www.dane.gov.co
Departamento Nacional de Planeación: www.dnp.gov.co
Revista Producción Manufacturera

SAFETY AND SECURITY

Overview

	2004	2005	2006 (estimated)
Total Market Size	94.9	99.6	105.58
Total Local Production	28.0	29.7	31.48
Total Exports	26.0	27.6	29.26
Total Imports	92.8	97.5	103.35
Imports from the U.S.	53.1	55.6	60.00

(In millions of USD)

During 2006, the Bogota Commercial Service provided Gold Key and Counseling Services to many U.S. companies seeking opportunities in this sector. This steady activity only re-affirms that the Safety and Security Sector is among the brightest of the best prospects in Colombia.

Due to the ongoing security concerns throughout the country, the security business in Colombia attracts many multinational companies that see Colombia as a promising and highly profitable market. End-users in Colombia have begun to understand the benefits involved in purchasing protection technologies both at a personal and corporate level. Companies have also recognized that managing a business implies conducting surveillance and keeping control of people, information, and property. Managers are also seeing the benefits of implementing security systems to reduce costs while helping to generate a sense of discipline and security awareness among employees.

Best Prospects/Services

Colombia offers good prospects for U.S. exporters security equipment and services. Due to ongoing security problems in the country, Colombian firms continue allocating a significant amount of their budget to protect their facilities from internal and external attacks. Most local companies express their preference for U.S. products over any others due to quality, state of the art technology and after-sales service.

U.S. companies interested in pursuing opportunities in the safety and security field must take into consideration that Colombian law states that foreign security companies may not participate directly in security or security-related companies or enterprises. Joint-venture agreements with local companies are a requirement.

The security products that present the most demand are:

Alarm Systems and Security-System Integration:
- Intrusion Detection

- Panic-buttons
- Closed Circuit TV (CCTV)
- Perimeter Security
- Guard Tour Administration Systems
- Software Integration Platforms

Access Control:
- Proximity Cards
- Biometrics
- Automated Vehicle Parking Control

Information Security:
- Anti-virus Solutions
- Perimeter Protection
- Intrusion Detection
- Firewalls
- Forensic Tools
- Laptop Security
- Authentication Devices (smart cards and biometrics)

Automatic Vehicle Location (AVL):
- GPS Receivers
- Communication Modems
- GIS (Geographical Information Systems) Software

Ionization Detection Devices:
- Explosives
- Narcotics
- Fixed and Portable

Armoring:
- Personal Protection Garments
- Vehicle Armoring
- Architectural Armoring (doors and windows)
- Security Film (for windows of vehicles and facilities)

Safety Equipment:
- Breathing Masks and Apparatus
- Safety Accessories
- Fire Protection (Detection and Extinction Systems)

Surveillance and Counter-surveillance equipment:
- Digital Cameras
- Zoom Lenses
- High-sensitivity Microphones
- Communications Monitoring Equipment
- Investigations Software and Tools

Polygraph Equipment:
"Lie detectors"

Opportunities

The demand for perimeter protection, intrusion detection, and panic button systems has grown to the point of becoming a priority for middle to upper class families, and also for a wide range of businesses.

Biometrics are being used increasingly. Silent panic-button systems in residences and offices have also become more common as they provide the option of discretely connecting to an emergency response service that will deploy a trained reaction team to the victim's location in coordination with the local police force.

Thefts at banks and commercial institutions remain a problem. This situation accounts for the fact that electronic surveillance systems such as Closed Circuit Television (CCTV) are among the most sought-after solutions for preventing and recording criminal actions against personnel and property in Colombia.

The other major threat faced by companies in Colombia is the possibility of a fire starting at or near a facility or installation. Consequently, fire alarm/protection systems appear as the logical complement to a perimeter-protection and intrusion-detection system. The ongoing trend seeks the integration of all of the above-mentioned systems under common platforms provided by PCs and associated operating systems that allow for the centralization and optimization of security administration.

With the Internet reaching a larger segment of the population on a daily basis, companies and individuals have also become focused on protecting their information. This sub-sector is promising, as there exists a continually increasing demand for information security. Companies dedicated to this special niche of the security industry offer solutions that range from software programs (firewalls and anti-virus) to intelligent cards and devices that offer physical and logic protection for laptops and PCs, which preclude their unauthorized removal from company installations.

Also in the mid-1990s, satellite location technology (GPS - Global Positioning System) emerged as the principal tool for managing and securing vehicle fleets. Several companies in Colombia began to develop different types of solutions with the same purpose--providing automatic vehicle location. Transportation companies gradually became more and more interested, particularly as highway piracy became a serious threat. Independent users have also become interested in this technology since some insurance companies offer discounts if vehicles are equipped with some type of vehicle location system.

Another sub-sector that has been traditionally productive and prosperous is that of vehicle and architectural armoring. Personal protection items such as armored vests also have a high demand in the Colombian market. This sub-sector relies extensively on the importation of materials such as “Kevlar,” but once the materials arrive in country, the production process is handled almost entirely by Colombian personnel. There are also good business opportunities for law enforcement equipment and accessories as indicated by recent visits from U.S. company representatives.

Resources

CS Bogota contact: Adriana Ariza, Commercial Assistant (adriana.ariza@mail.doc.gov)

Superintendencia de Vigilancia y Seguridad Privada
www.supervigilanciaprivada.gov.co

Instituto Colombiano de Normas Técnicas – ICONTEC
www.icontec.gov.co

TELECOMMUNICATIONS SERVICES

Overview

(Service figures are not available)

In Colombia, the telecommunications sector has grown at a higher rate than the overall economy. Still this sector needs to develop more to compete globally. Greater broadband access must be the major focus to drive technological development in communications and connectivity. This telecommunications area provides attractive opportunities for U.S. telecommunications companies.

In Colombia, 70 percent of the population lives around a few big cities, mainly Bogota, Medellin, Cali and Barranquilla, and most of Internet users in the country access the web through telephone lines. Approximately 4.5 percent of Colombians have access to broadband. Cable and xDSL technologies have been adopted mostly by corporate clients and are available mostly in major cities.

Colombia had approximately 6.9 million main lines in service at the end of third quarter of 2006, a decrease of 7.24% from 2004, equating to a penetration rate of just over 15.46%. Currently, Colombia has over 7 million fixed lines in service, for a fixed line teledensity rate of about 17% and approximately 28 million mobile subscribers, for a mobile penetration rate of 64%. There are 4.4 million public phone lines, or a penetration rate of 1.5%. The personal computer rate is 41 per 100 inhabitants, and Internet user density is about 8.2%.

In mobile telephony, the preferred technology has migrated to GSM, and there will be only three cellular telephone companies and one trunking company by the end of 2006. To generate new sources of revenue, these carriers must introduce enhanced services to compete for attractive business and consumer customers. Companies must offer differentiating, value added services such as text messages and access to the Internet to compete for the largest portion of the market. The number of mobile phone subscribers has increased 3.93 percent with respect to 2005, reaching 29.1 million subscribers, a penetration of 64.49 percent. Comcel still has the most subscribers at 17.36 million and a 62 percent share of the market, Movistar accounts for 7.84 million of users and Colombia Movil only has 2.8 million subscribers.

Latin America is considered one of the world's fastest growing regions in terms of broadband uptake. However, it still accounts for only 3.9% of the world's broadband pie. In Colombia, broadband grew at an annual rate of around 100% in 2005.

Despite the significant growth in broadband subscriptions across Colombia, broadband penetration rates are extremely low as a result of low per-capita incomes, relatively high broadband prices and poor availability of broadband services. The Colombian broadband customer base is expected to increase over 100% in 2006.

Best Prospects/Services

The telecommunications industries that will benefit most from expansion of broadband access in Colombia will be: cable operators, long distance companies, local exchange carriers, TV broadcasters, satellite companies, software developers, and Internet service providers. Broadband deployment is a top priority because it will increase revenues for telecom carriers, as well as other industries, which should translate in significant investment in and growth of the Colombian economy.

Opportunities

New regulations for the television industry are under consideration. Depending on the decisions the government makes, this sector will be either a favorable or unfavorable area for future investments. Although the telecommunications authorities have debated digital TV, it is still a very undeveloped area in Colombia. U.S. investors should be aware of whether the technology to be adopted in Colombia will be that used in the U.S. (ATSC) or that used in Europe (DVB).

Among the top exports if Colombia adopts the U.S. standard are broadcast transmission equipment; components for digital television consumer products; and programming and other content.

Resources

CS Bogota contact: Adriana Ariza, Commercial Assistant (adriana.ariza@mail.doc.gov)
DANE: www.dane.gov.co
Ministerio de Comunicaciones: www.mincomunicaciones.goc.co
Comisión Reguladora de Telecomunicaciones: www.crt.gov.co

PLASTIC MATERIALS AND RESINS

Overview

	2004	2005	2006 (Estimated)
Total Market Size	1,109.1	1,148.0	1,239.1
Total Local Production	769.0	805.6	853.9
Total Exports	449.6	471.0	485.1
Total Imports	789.7	813.4	870.3
Imports from the U.S.	710.7	732.0	761.2

(In millions of USD)

The plastics industry played a very active role in the Colombian economy in 2006, boosted by significant growth in the construction, food processing and automotive sectors, which are major end-users of locally produced plastic products. The continuous development of the petrochemical industry and the expansion of the Cartagena Refinery are positive factors influencing the future growth of this sector. 2007 has created great expectations among local importers of plastics materials and resins and plastic processors, as the possibility of a U.S./Colombia Trade Promotion Agreement will bring new opportunities for their product. According to the National Plastics Association (Acoplasticos), the growth in the plastics sector averaged six percent annually during the 2005-2006 period. As the Colombian economy and local demand for plastic products grow, the increased market created by international trade agreements will attract new investment to the region and lead to greater imports of plastic materials.

Best Prospects/Services

The local demand for plastic materials and resins is estimated at 623,000 tons per year, assuming a consumption of 14.6 kilos of plastic products per capita.

Polyethylene of 0.94 weight or more, polyethylene of less than 0.94 weight, linear low-density, polypropylene, polyvinyl chloride emulsions and suspensions, and polyesters are the best prospects for imports into Colombia.

Opportunities

The bottling and packaging industries serving the food processing, health, cosmetics, home cleaning, industrial products, and lubricating products markets are the major clients for plastics materials and resins, followed by the construction and automotive sectors.

Manufacturing, another important plastic products' end-user, grew by six percent in 2006. The above industries use approximately seventy-two percent of the total imported and locally manufactured plastics materials and resins. Extrusion has the largest demand accounting for 63 percent of the market. Injection accounts for 16 percent, blowing 11 percent, and calendaring, thermoforming, and molding accounting for ten percent.

Resources

CS Bogota contact : Soledad Salguero, Commercial Specialist. Email : soledad.salguero@mail.doc.gov
National Statistics Department-Dane: www.dane.gov.co
Plastics Industries Association: www.acoplasticos.org
Banco de Comercio Exterior de Colombia – Bancoldex: Bancoldex.com

AUTOMOTIVE PARTS AND ACCESSORIES

Overview

	2004	2005	2006 (estimated)
Total Market Size	1,056.1	1,334.4	1.418.4
Total Local Production	378.2	832.1	869.5
Total Exports	169.6	591.6	621.6
Total Imports	847.5	1,093.9	1.170.5
Imports from the U.S.	305.1	393.8	421.3

(In millions of USD)

In 2006, the Colombian automotive sector experienced a second record year of significant growth. This sector continues to be strong and solid. As a result of the modernization of the economy and the new challenges imposed by the global economy, the automotive sector has become more dynamic. It is the fourth most important industry in Colombia. In the 2004-2006 period, imports of automotive parts and accessories grew approximately 20 percent and local production approximately 54 percent due to the large demand created by the local manufacturing plants (GM, Mazda, and Renault which have doubled their yearly manufacturing capacity) and the aftermarket that also showed significant signs of recovery in the 2004-2006 period. Local carmakers have ambitious plans and have captured the market by increasing the variety of models produced in country and for export to Venezuela, Ecuador and other Andean countries.

The United States has traditionally been Colombia's major supplier of automotive parts and accessories, accounting for approximately 36 percent of total imports in the 2005-2006 period. According to local trade sources, the U.S.-Colombia Trade Promotion Agreement pending ratification from both U.S. and Colombian congresses will likely result in a measurable increase in U.S. exports of motor-vehicles, parts and accessories to Colombia. The possible elimination of the 5-15 percent Colombian tariff on U.S. imports with the free trade agreement will be a major catalyst to this anticipated increase in exports.

The development and growth of the automotive parts and accessories sector depends directly on the sale of motor vehicles in Colombia. The large quantity of old vehicles in circulation and the public's long-term use of them are driving a growing demand for automotive parts and accessories. Currently, Colombia has about 3.4 million motor vehicles in circulation; many are more than 15 years old and require a broad range of replacement parts. Another factor favoring the automotive parts and accessories market is that approximately 80 percent of cargo and passengers' transportation in Colombia is performed by land. Thus, transportation companies need to keep their vehicles in optimum condition to perform efficiently.

Motor vehicles imports increased 37.2 percent during 2006. Therefore, imports of automotive parts and accessories and maintenance equipment are expected to grow as a result of the large number of vehicles imported and produced during the last five years, which are beginning to demand replacement parts and maintenance. Additionally, the Bogota mass transportation system "Transmilenio," and similar systems that are being developed for Cali, Barranquilla, Medellin, and other major cities will also create a permanent demand for parts and accessories and maintenance and repair equipment.

Best Prospects/Services

Best sales prospects over the short and medium term will be determined very much by the continued demand of the aftermarket and by the demand for parts generated by the equipment already in operation. According to industry and trade sources, local manufacturers plan to manufacture those automotive parts and accessories that will have the largest demand in the local market. Demand for imported equipment will continue the same trend, but the growth brought on by expanded markets created by international trade agreements (such as the CAN-Mercosur, G-3, ALADI, and the U.S. etc.) could mean more opportunities for U.S. imports.

Opportunities

U.S. product opportunities include tires for small vehicles, trucks and buses, gasoline and diesel engines, piston rings, cast-iron engine parts, carburetors, engine valves, other cast-iron engine parts, fuel-injection pumps, parts of fans, ventilating hoods, air conditioning and parts for motor vehicles, filters, ball bearings, tapered roller bearings, roller bearings, gaskets and similar joints of metal sheeting, electric storage, batteries, nickel-cadmium storage batteries, electrical distribution parts, terminals, electrical splices and electrical couplings, boards, panels, consoles, cabinets for motor vehicles, bodies for passenger automobiles, body stampings, gear boxes, drive axles with differential, suspension shock absorbers, radiators, clutches, suspension systems, parts for power trains, and brake parts.

Resources

CS Bogota contact : Soledad Salguero, Commercial Specialist. Email : soledad.salguero@mail.doc.gov
National Statistics Department-Dane: www.dane.gov.co
Colombian Association of Automotive Parts Manufacturers-Acolfa: www.acolfa.com.co

AIR CARGO SERVICES (AVS)

Overview

	2004	2005	2006 Est
Total Market Size	631.9	678.3	732.5
Total Local Air Cargo	130.0	134.7	141.4
Total Outbound Air Cargo	331.8	345.1	372.7
Total Inbound Air Cargo	170.1	198.5	218.2
Air Cargo from the U.S.A.	85.7	110.0	123.2

Data Table (in thousand of tons)

After the slide experienced by the Colombian economy during 1998-2001, the Colombian air cargo market started to recover along with the economy and total cargo moved by air (local and international) increased from 506,618 tons in 2002 to 678,335 tons in 2005 (a 34 percent increase in three years). This recovery was especially significant in the outbound international air cargo that grew from 257,292 tons transported in 2002 to 345,118 tons moved in 2005 as a result of the growth in Colombian exports that increased by 76 percent (from US$12 billion in 2002 to US$21.2 billion in 2005).
Ninety-nine percent of international air cargo transported in 2005 was handled through the country's four main airports as follows: Bogota, 75.0%; Medellin (Rionegro), 19.0%; Cali, 4.0% and Barranquilla, 1.3%.

Best Products/Services

Airport security and safety equipment
Material handling equipment
Inspection equipment security devices
Forklifts
Cold storage facilities for flowers and perishable products
Telecommunications equipment and airport related software
Aircraft for expanded air cargo operations
Leasing, insurance and finance
Information technology and related products
Cargo Services (brokers, customs, etc.)

Opportunities

Based on preliminary statistics published by the Colombian Civil Aeronautics, the total Colombian market for air cargo is expected to expand by 8 percent during 2006. At the same time, inbound air cargo from the United States would grow by 12 percent, while outbound cargo would increase by 8 percent. The expectations for growth of air cargo services in Colombia rely on: (a) favorable local economic growth that has been predicted to reach a six percent increase at the end of 2006 after having attained a 5.2

growth during 2005; (b) increase in demand for international transport of local goods (flowers, fruits, textiles, etc.); (c) the open skies policy, which allows airlines to enter the country and provides freedom in routes and timetables; (d) other trade agreements that are being negotiated with the European Community, Mercosur, and various Central American countries; and (f) the security and economic plans of the government that have fostered investor confidence. Also, on November 22, 2006 Colombia and the United States signed a Trade Promotion Agreement that will be implemented if it is ratified by U.S. and Colombian Congresses. This will foster a very significant expansion of trade between the two countries.

There are numerous opportunities for products and services of U.S. companies in the air cargo sector over the next few years. This includes everything from strategic alliances between airlines to equipment sales, such as that mentioned above. U.S. service firms can also offer strategic planning and consulting services, technical advice, technology-transfer services, solutions and hardware for merging and consolidating airfreight operations. Financial firms can offer services for security/risk management.

Resources

Rebeca Rueda, Commercial Assistant: rebeca.rueda@mail.doc.gov

-Colombian Association Of Air Transportation: www.atac.aero
-Colombian Association Of Flower Growers – ASOCOLFLORES: www.colombianflowers.com
-National Industrialists Association – ANDI: www.andi.com.co
-Association Of International Airlines In Colombia – ALAICO: www.alaico.org
-Colombian Special Administrative Unit For Civil Aeronautics – UAEAC: www.aerocivil.gov.co
-National Association Of Exporters – ANALDEX: www.analdex.org
-Colombian Freight Forwarders, Customs Brokers And Warehousing Federation – FITAC: www.fitac.net

TRAVEL AND TOURISM (TRA)

Overview

Expenditures of Colombian Travelers to Other Countries

	2004	2005	2006 Est
Total Market Size	1,977	2,163	2,487
Expenditures of Colombian travelers in the USA	818	911	1,002
Expenditures of Colombian travelers in the rest of the world	1,159	1,252	1,485

(In millions of USD)

During 2005 the total number of Colombians traveling by air to foreign destinations (1.94 million) increased by 15 percent when compared with 2004 while passengers going to the United States (757,000) increased by 13 percent. One of the main reasons for this significant increase was the devaluation of the dollar vis-à-vis the Colombian peso that continued to depreciate during 2005 and by year-end reached its lowest level in several years.

The U.S. share of the 1.94 million passengers traveling abroad from Colombia was approximately 39 percent, followed by South America with a 28 percent share, Central America (including Mexico and the Caribbean) with 17 percent, Europe with 13 percent, and other destinations with 3 percent.

Around 757,000 passengers traveled from Colombia to the United States, of which an estimated 80 percent (605,600) were Colombians. In 2005, these 605,600 Colombian visitors spent an estimated $911 million in the U.S., excluding airfares. The average expenditure of a Colombian who travels to the United States is $215 per person/day (excluding airfare), and the traveler spends an average of seven nights in the U.S.

Currently, 80% of Colombians travel to the U.S. on a repeated basis. Colombia ranks 17th in the world on the list of top arrival-generating countries for the United States, and third among Latin American countries after Brazil and Venezuela.

Partial available statistics for 2006 show that the market has maintained its growing tendency and that the total number of passengers to all outbound destinations will most likely increase by 15 percent while the number of air travelers to North America will show a total 10 percent growth.

Best Products/Services

Air Transportation Services
Hotels, Motels, Lodging facilities
Passenger Car Rental
Restaurants
Sightseeing tours
Amusement: theme parks, natural parks and natural wonders
Shopping
Special interest (like sports, arts, entertainment)
Major beaches
Cruises
Health insurance cards

Opportunities

The Colombian market offers excellent opportunities for promoting travel to the United States. During the last twelve years the total number of Colombian travelers to foreign countries showed a marked turnaround, increasing from 785,000 in 1992 to 1.3 million in 1997, 1.4 million in 2002, 1.7 million in 2004, 1.9 million in 2005, and an estimated 2.4 million in 2006. Although the United States is the main overseas destination of the Colombian tourist traveler, many of them, however, are selecting other countries for their vacation plans. South America, specially Argentina and Brazil, have become increasingly popular destinations for Colombians. The fact that no visa is required and promotions with very good rates offering all-inclusive packages are readily available, make these areas an attractive alternative.

Resources

Rebeca Rueda, Commercial Assistant: rebeca.rueda@mail.doc.gov
Colombian Association Of Airlines – ALAICO: www.alaico.org
Colombian Association Of Travel And Tourism AgenciES – ANATO: www.anato.com.co
Colombian Hotels Association – COTELCO: www.cotelco.co
Colombian Special Administrative Unit For Civil Aeronautics – UAEAC: www.aerocivil.gov.co
Ministry Of Trade, Industry And Tourism: www.mincomex.gov.co
Visit Usa Committee Colombia: www.visit@epm.net.co

SOFTWARE SERVICES

Overview

Overview (Figures not available)

As the fourth largest information technology (IT) market in Latin America, Colombia offers significant opportunities for U.S. suppliers of software products and services.
In Colombia, the total number of companies in the software sector is approximately 570 of which there are approximately 20 international companies with sales of US$190 million and 550 local software developer companies with sales of US$150 million. The software market was valued at around US$340 million at the end of 2005 and it is estimated that the sector grew at a 16% rate to be valued at approximately US$395 during 2006. Estimated trade losses due to business software piracy are over US$100 million in 2006, with an estimated 57% piracy level.

The software industry is one of the most rapidly growing information technology sectors in Colombia. Growth in this sector is estimated at 16% annually.

The software industry in Colombia is fiercely competitive. While most American companies target key accounts with government bids and the biggest local companies, the rest of the companies satisfy internal demand and also export to neighboring countries.

One advantage for American software companies is that they have the needed capital and know-how to reach mature targets.

Best Products/Services

There is a growing demand for software products and the most promising sectors are government, financial and oil. Computer and network products for these sectors tend to be imported. There is no local production for software in these sectors, except for the customization of software to fit local requirements.
Colombia presents a mixture of first and third world technology, depending on the industry. Innovative software developments have been identified as one of the key drivers for the improvement of Colombian industries. Furthermore, local and foreign software companies are focused mainly on financial, billing, business resource plan, inventory and human resources applications.

Colombia has a well-developed communications and banking system in urban areas but there is still plenty of room to implement new software developments in most rural areas.

U.S. suppliers of software should keep in mind that local companies expect foreign software companies to be able to work with their specific needs and requirements in a solution-driven rather than product-driven environment. Most Colombian manufacturing companies will need software solutions to improve their existing procedures leading to higher efficiency and therefore increasing their revenues.

Opportunities

The Colombian software and computer industry is a strong market for U.S. firms because of its importance to the Colombian economy, the large number of industries the sector can serve, the interest in these sectors to keep up-to-date with the technical developments in the sector, and the considerable number of executives that attend the most important international software and computer events.
Also, significant opportunities exist in the Colombian market, due in part to the government’s efforts to enforce software copyrights. This enforcement has stimulated sales of legitimate software and will create opportunities in the following niches:

- Software for data security solutions for transactions over the Internet
- Software that improves internal communications throughout company’s networks
- Software tailor-made for communicating different platform languages
- Software for data mining and data conversion
- Software for financial and management solutions
- Software for transportation logistics

Resources

CS Bogota contact: Adriana Ariza, Commercial Assistant (adriana.ariza@mail.doc.gov)

FEDESOFT (Software Federation)

www.fedesoft.org

ACIEM (Colombian Engineers Association)
www.aciem.org

OIL AND GAS MACHINERY AND SERVICES

Overview

	2004	2005	2006 (estimated)
Total Market Size	846.0	902.9	978.0
Total Local Production	65.2	70.0	100.0
Total Exports	69.2	72.8	80.0
Total Imports	850.0	900.1	958.0
Imports from the U.S.	600.0	650.0	670.0

(In millions of USD)

Colombia has estimated reserves of between 12 to 47 billion barrels of crude and natural gas distributed in eighteen sedimentary basins covering over 1,036,400 square kilometers. Seven of these basins have ongoing commercial production activity. The total area under exploration and production is estimated at 30 percent of the territory, leaving most of the country available for exploration activities. The prospectivity index in Colombia is approximately two wells per 1,000 square kilometers, one of the lowest in the world.

As of the end of 2005, Colombia had some 1.5 billion barrels in remaining oil reserves, and with an annual oil production rate of about 198 million barrels per year, reserves could last for seven years, at which time Colombia would be a net importer of crude. Total natural gas reserves at the end of 2005 were 6.5 tera cubic feet and could last more than 20 years given the country’s annual consumption of 209 giga cubic feet, and there are indications that demand is expected to increase above these levels. The government estimates that by the end of 2006, reserves could reach 1.4 billion barrels in remaining oil reserves, and 6.7 TCF of natural gas reserves.

As a result, the Colombian government has made oil & gas exploration a top priority, and one of the main challenges of the country is to achieve an average production level of around 900,000 barrels per day by the end of the decade. To reach this target, upstream investment levels should reach US $2 to 4 billion, which should translate into the drilling of approximately 190 exploratory wells (most of them between 5,000 to 10,000 feet deep), in order to discover net reserves of approximately 2,400 million barrels of oil by 2010.

On December 14, 2006, the Colombian Congress approved a stock capitalization program for up to 20 percent of Colombia’s national oil company, Ecopetrol. With these funds the company will embark on an ambitious investment campaign for up to US $12.5 billion (until 2011) to develop new exploration and production projects, improve liquid fuels quality (reducing sulfur content by modernizing the Cartagena and Barrancabermeja refineries), build a biodiesel facility to produce some 2,000 barrels per day, increase efforts for compressed natural gas in vehicles, and implement plans for natural gas export to Panama and eventually Central America, among other projects.

Ecopetrol is also looking for potential exploration and production opportunities in Brazil, Ecuador, and Peru as well as increase production of heavy crude (to 160,000 barrels per day in 2011) to locate new sources of crude oil reserves while reducing its exploration risk in Colombia.

Large independent and major oil & gas companies such as ConocoPhillips, ExxonMobil, BHP Billiton, Shell, Apache, Petrobras, among others have been approaching Ecopetrol and ANH to explore business opportunities in Colombia, while others are expanding their exploration and production activities.

The National Hydrocarbons Agency (ANH) has signed a record 54 exploration and production, and technical evaluation contracts that are expected to increase the country's crude and natural gas reserves. With the contracts, industry specialists project a need for new exploration and production drilling rigs (including offshore exploration and production platforms and ancillary equipment) that are currently unavailable in the Colombian market.

To attract needed investment, the ANH is developing new incentives, and is improving a comprehensive data bank that interested firms can consult to determine the best areas for conducting exploration activities. Regulatory modifications introduced include reduction of royalty payments from a flat 20 percent of total production to a percentage that varies according to the volume of production and current international oil/gas prices. Other changes aim to reduce the government's current 50 percent participation in profits after deducting royalties and costs. This participation now fluctuates according to the size of the reserves discovered.

In 2005, the government approved the elimination of import duties for equipment, spare parts and accessories destined for various oil & gas activities (exploration, production, transportation, and refining). The measure also covers minerals exploration, production, processing, transformation and transportation. This benefit will expire on October 2010, and will allow for enhanced market access for U.S. exporters given a favorable exchange rate, better product quality and relative proximity to Colombia.

Best Products/Services

The best oil and gas equipment and service prospects for U.S. firms lie in seismic activity services (both two- or three dimensional); improved analytical seismic computer codes; drilling equipment (including directional drilling); drilling fluids; wellhead equipment (such as Christmas trees, valves, compressors, pumps, piping equipment, safety equipment, well completion, casing and cementing equipment); improved production stimulation, and enhanced oil recovery for selected fields in which production is dwindling. There are several fields with crude oil with less than 15 degrees API, which could require thermal recovery to pump it out. Eventually, if offshore exploration proves successful, Colombia would need offshore oil and gas production equipment (floating or fixed drilling rigs), particularly if the ongoing Caribbean-basin exploration contracts yields results.

Opportunities

Any U.S. company interested in pursuing oil & gas exploration and production contracts must approach the ANH. If interested in providing services or supplying equipment, then the companies must approach Ecopetrol or local petroleum companies directly. U.S. suppliers must contact relevant U.S. petroleum companies directly in their respective headquarters.

Other potential opportunities involve petrochemical projects estimated at US $2 billion that could be very attractive to U.S. firms. These projects include a US $1 billion expansion of the Cartagena Refinery to increase daily capacity to 140,000 barrels, a US $730 to US $1.2 billion Olefins Cracking Plant, and the US $350 million for the Barrancabermeja refinery products hydrotreatment plant. Other investments include ethanol producing plants to comply with Colombian law which requires a 10 percent mixture with gasoline to improve air pollution conditions in the country.

Resources

CS Bogota contact: Julio Carbó, Commercial Specialist (Julio.Carbo@mail.doc.gov)
National Hydrocarbons Agency (ANH): www.anh.gov.co
Ministry of Mines and Energy: www.minminas.gov.co
Coinvertir (Invest in Colombia Corporation): www.coinvertir.org
Colombian Oil Company (Ecopetrol): www.ecopetrol.com.co
Colombian Government: www.gobiernoenlinea.gov.co
Inter-American Development Bank (IDB):
http://www.iadb.org/exr/country/eng/colombia/
National Planning Department: www.dnp.gov.co
The World Bank: www.worldbank.org

POLLUTION CONTROL EQUIPMENT

Overview

	2004	2005	2006 (estimated)
Total Market Size	108.5	130.9	138.0
Total Local Production	12.0	12.0	13.0
Total Exports	13.0	11.7	15.0
Total Imports	109.5	128.9	140.0
Imports from the U.S.	71.3	75.9	82.0

(In millions of USD)

It is anticipated that with the possible approval of the U.S.-Colombia Trade Promotion Agreement, compliance with the country's environmental regulations will be enforced, and industries will need to invest more in pollution control equipment and reduce current pollution levels.

Nearly 25 percent of Colombia’s population (10.5 million) lacks aqueduct services, and 40 percent lacks sewerage (16 million), especially in the rural areas. 97.4 percent of the urban population has potable water and 90.2 percent of the population has sewerage. For the country’s rural areas the situation is different: aqueduct service coverage reaches 66.0 percent and sewerage coverage only reaches 57.9 percent. Colombia’s Water Regulatory Agency (CRA) estimates that nearly 45 percent of the treated water (by the country’s 1,800 water utilities) is not accounted for; it is produced but not paid for by the users or through losses in piping systems, therefore creating a large problem for utilities and users, hurting future investments.

Government sources estimate that the country needs to make environmental investments in the range of US $3.3 to US $3.4 billion per year to maintain an adequate level. The World Bank estimates annual investment needs in aqueduct and sewerage systems to be US $700 million, or about US $1.0 billion if wastewater treatment plant needs are included.

The Ministry of Environment, Housing and Territorial Development (MMA) considers that close to 80 percent of Colombian municipalities dispose of untreated wastewater into rivers or lakes. Colombia is a regional leader in the development and implementation of a wastewater pollution charge (tasa retributiva) but only a few environmental agencies have established regional funds to finance wastewater treatment facilities. Cities such as Bogota and Medellin own wastewater treatment plants, and other cities such as Cartagena are developing an underwater outfall system with World Bank funding or are developing plans for other treatment systems, but funding remains a central concern. Medellin is developing plans for a new wastewater treatment plant that could cost some US $300 million.

A major obstacle to the sector’s growth is the current fiscal deficit that affects the availability of resources from the government budget and smaller investments from private entities. Most public sector funds are expected to come from transfers from the electric power sector, and the collection of royalties, taxes, and other contributions from the so-called “green markets”. New financing arrangements for the private sector include new credit and tax incentives such as sales and income tax exemptions for environmentally sound technologies, new economic instruments and pollution charges, carbon dioxide sequestration options, and other stock market alternatives.

Best Products/Services

Best prospects include water and wastewater treatment plants, water pollution monitoring and control equipment, pumps, valves, solid waste hauling and disposal equipment, air pollution monitoring and control equipment, and environmental services (consulting). The operation and management of municipal services such as providing potable water and collecting, hauling and disposing of solid waste also offer good market opportunities for U.S firms.

Opportunities

The CRA is developing new regulatory methodologies to incorporate the cost of “unaccounted for” water, and the cost of sewage collection into end-user fees to allow for financing of large infrastructure developments needed throughout the country. In addition, the MMA is working on the incorporation of pollution charges to fund the cost of wastewater treatment plants. There are several projects with partial multi-lateral banks funding. Regulations regarding air pollution and solid and hazardous wastes are being developed at a time when public financing is almost non-existent, and enforcement has traditionally been lacking.

Resources

CS Bogota contact: Julio Carbó, Commercial Specialist (Julio.Carbo@mail.doc.gov)
Ministry of Environment, Housing, and Territorial Development:
www.minambiente.gov.co
Coinvertir (Invest in Colombia Corporation): www.coinvertir.org
Colombian Hydrology, Meteorology and Environmental Research Institute:
www.ideam.gov.co
Colombian Government: www.gobiernoenlinea.gov.co
Water and Basic Sanitation Regulatory Comission (CRA): www.cra.gov.co
Inter-American Development Bank (IDB):
http://www.iadb.org/exr/country/eng/colombia/
National Planning Department: www.dnp.gov.co
The World Bank: www.worldbank.org

CONSTRUCTION AND MINING EQUIPMENT

Overview

	2004	2005	2006 (estimated)
Total Market Size	259.6	350.2	380.0
Total Local Production	13.0	13.5	15.0
Total Exports	8.2	4.4	10.0
Total Imports	254.8	341.1	375.0
Imports from the U.S.	163.0	226.0	240.0

(In millions of USD)

The Colombian government continues its efforts to improve the condition of its road network, facing challenges such as a high degree of deterioration, a lack of maintenance, and insufficient geographic coverage. Major investments in this area are needed to reduce the current excess costs in transportation expenses and vehicle deterioration, since roads are used to transport the vast majority of the country’s cargo. At the same time, the government intends to develop an important program to promote navigation on the 1,600-kilometer Magdalena River running through the heart of the country.
During 2005, President Uribe continued his efforts to reduce the critical highway system’s deterioration by bringing in new private sector investment and by allocating collected tolls to highway maintenance and rehabilitation efforts.

The National Highway Institute expects to accelerate the development of several concession projects (affected by corruption problems, lack of adequate funding, and lower-than-expected toll collections) to maintain its 16,500-kilometer road network. The Ministry of Transportation estimates that Colombia has more than 70,400 kilometer of roads that fall under the jurisdiction of state and municipal entities, many of which have not met their required maintenance and rehabilitation investment levels.

Additional construction projects involve state and city road networks, especially for mass-transportation networks with the use of articulated-buses such as the internationally-acclaimed Bogota Transmilenio mass-transport system. This innovative bus system will soon reach the industrial area of Soacha and additional new routes within the city. Other Colombian cities that are implementing mass-transport systems include Cali, Barranquilla, Cartagena, and the urban areas of Pereira and Dos Quebradas. The government announced investment plans for US $2.9 billion (including private sector investment) up to 2010 to improve the country's infrastructure towards the U.S.-Colombia Free Trade Agreement, and reduce existing transportation bottlenecks that impact exporter's competitiveness.

The government is also developing measures to reactivate the housing sector. The priority is to enhance buyer credit rating to allow them easier access to credit lines (with lower interest rates), thus attracting new investment in this key industry sector, and helping reduce current levels of unemployment. Announcement of these government measures has resulted in improved market conditions, such as the revaluation of existing housing units, an increase in construction activity in large urban areas, and favorable conditions to acquire new or used housing, among others.

Coal reserves in Colombia are estimated at 6.6 billion metric tons (about 40 percent of Latin American coal reserves) making the country the fourth largest coal exporter in the world with 42 million tons in 2005, and by 2010 the government expects to produce some 70 million tons. Coal continues to the second most exported product after crude oil. The country also produces large amounts of nickel, gold, platinum, silver, emeralds, nickel and other resources.

The Colombian mining sector continues to be an attractive investment market and companies are undergoing major production expansions (especially coal and nickel), and several large foreign firms are setting up their branches in Colombia and are applying for exploration rights to develop new coal, gold and copper mines. This investment is also attracting new smaller firms into the country.

The national mining code and the revision of the national mining development plan (PNDM) are leading to faster development of new mining projects and helping the government achieve its goal to increase Colombian exports. The government is developing an exploration plan to cover more than 120,000 square kilometers of promising areas, including geophysical and geo-chemical prospecting that could allow a better understanding of mineral potential and attract private partners.

In 2005, the government approved the elimination of import duties for equipment, spare parts, and accessories destined for various mining activities (production, processing, transformation and transportation). This benefit will expire in October 2010, and will allow for enhanced market access for U.S. exporters given a favorable exchange rate, better product quality and relative proximity to Colombia.

Best Products/Services

Most Colombian mines are open-pit mines, although there are some smaller underground mining operations. Best prospects for mining equipment include shovels, excavators, front loaders, tracked tractors, off-road hauling trucks, and related equipment and parts.

Best opportunities for construction equipment include excavators, backhoes, concrete pumping equipment, pavement equipment, pavement recycling equipment, tamping and compacting equipment, and other public works equipment and spare parts.

Opportunities

Coal Expansion Projects: Drummond Ltd., Carbones del Cerrejon, and Glencore International are involved in major expansion projects that involve equipment fleet upgrades (mainly shovels, loaders, hauling trucks), and infrastructure development (including the construction of new railroad tracks, locomotives and other transportation equipment).

Resources

CS Bogota contact: Julio Carbó, Commercial Specialist (Julio.Carbo@mail.doc.gov)
National Highway Institute (Invias): www.invias.gov.co
Coinvertir (Invest in Colombia Corporation): www.coinvertir.org
Colombian Government: www.gobiernoenlinea.gov.co
Ministry of Transportation: www.mintransporte.gov.co
Ministry of Mines and Energy: www.minminas.gov.co
Mining and Energy Planning Unit: www.upme.gov.co
National Concessions Institute (INCO): www.mintransporte.gov.co/inco
National Planning Department: www.dnp.gov.co
Drummond Ltd.: www.drummondltd.com
Carbones del Cerrejon: www.cerrejoncoal.com
Colombian Geological and Mining Service: www.ingeominas.gov.co
Inter-American Development Bank (IDB):
http://www.iadb.org/exr/country/eng/colombia/
The World Bank (WB): www.worldbank.org

ELECTRICAL POWER SYSTEMS

Overview

	2004	2005	2006 (estimated)
Total Market Size	368.5	448.3	492.0
Total Local Production	122.4	120.1	132.0
Total Exports	85.3	134.2	140.0

Total Imports	331.4	462.4	500.0
Imports from the U.S.	142.5	217.9	240.0

(In millions of USD)

The current Colombian electric power market is a direct result of the provisions set forth in various laws and decrees enacted since 1994. Public utilities and private generators are developing projects to accommodate the increasing power demand and are investing more in thermal and wind power generation than in hydro power plants, to reduce the power availability uncertainty related to potential droughts.

Electric power generation is a mixed public and private activity, with most of the assets owned by private firms. At the end of 2005, Colombia's installed electric power capacity reached 13,399 MW, with 63.7 percent hydro-based, and the remaining thermal-based (gas and coal-fueled). Power generation has been growing at more than 4.1 percent due to internal demand growth and electricity exports to Ecuador, creating incentives for the construction of new power plants.

Several large utilities and transmission companies, including Interconexión Eléctrica (ISA), Empresas Públicas de Medellín (EPM), ISAGEN, and Empresa de Energía de Bogotá (EEB) are evaluating expansion projects to other Andean (Bolivia, Ecuador, Perú) and Central American countries, especially the power interconnection with Panama, which could lead to other projects in Central America.

The government is also promoting the use of renewable energy sources, especially for non-grid, isolated areas. Efforts are underway to promote private ventures in the areas of solar, wind, and small-hydro systems. If successful, this would allow the use of energy in sustainable community projects. EPM owns the country's sole wind power plant (Jepírachi), a 19.5 MW facility, with financial support from the World Bank's Prototype Carbon Fund's greenhouse gas reduction credits. Other electric utilities are interested in pursuing renewable energy projects (mainly wind). Another non-traditional project is the Amoyá run-of-river hydro project which is expected to produce some 80 MW of electricity and additional environmental benefits aimed at protecting the surrounding paramo areas.

Also, the government is looking to develop a regulatory framework to expand the use of energy efficient systems and create awareness for the rational use of energy, including more cogeneration facilities.

Best Products/Services

The electric power market is transitioning from large-scale infrastructure project construction to the optimization of power systems already in place. However, the government's projected demand scenarios call for new generation projects. Market potential depends largely on the increase of public and private sector industrial power demand, which would lead to the final implementation of some of the projects planned through the end of the decade.

Electrical power equipment opportunities primarily include power, distribution, and specialty transformers; switchgears; motors and generators; industrial controls; and steam, gas, and hydraulic turbines and turbine generator sets.

Opportunities

The outlook for the Colombian electricity sector is promising since the government is planning the development of several new generation projects to accommodate the expanded demand (over the estimated demand growth rates), as well as the prospects of becoming a major exporter of electricity (including goods and services) to the Andean region and Central America.
Some solid business prospects exist as a result of the trend in the market to continue complementing hydroelectric plants with gas-fueled thermal energy generators, including cogeneration systems. Also, trade and distribution companies are focusing on reducing losses by acquiring leading-edge management and control systems technologies.
Another promising business perspective is the Rural Energy Program aimed at providing electrical power to off-grid areas using renewable energy systems such as solar, wind and small & medium hydro plants. This program calls for new generation systems and the recovering of existing ones. The government has taken steps to secure funding for the program. This consolidation trend will also take place in the energy power systems sector.

Resources

CS Bogota contact: Julio Carbó, Commercial Specialist (Julio.Carbo@mail.doc.gov)
ACOLGEN (Association of Power Generation Companies): www.acolgen.org.co
CREG (Energy and Gas Regulatory Commission): www.creg.gov.co
Empresas Públicas de Medellín (EPM): www.eeppm.com
Interconexión Eléctrica S.A. (ISA): www.isa.com.co
ISAGEN: www.isagen.com.co
Mining and Energy Planning Unit (UPME): www.upme.gov.co
National Planning Department (DNP): www.dnp.gov.co
Superintendent of Public Services: www.superservicios.gov.co
The Ministry of Mines and Energy (MME): www.minminas.gov.co
Transelca: www.transelca.com.co

FINANCIAL SERVICES

Overview

(Service figures are not available)

During the period 1993-1997, the Colombian financial system registered a credit boom despite the fact that a deviant speculative bubble was in evolution. This resulted in the financial crisis of 1998-1999. Emergency measures and capitalization were implemented to cope with the crisis and stabilize the financial system. A significant number of financial institutions were closed, forced to merge or taken over. The major characteristics of the period 2005-2006 were the multiple mergers and acquisitions of financial institutions lead by local as well as foreign investors. All of the banks taken by the Government as result of the crisis were re-structured and have been successfully privatized in public auctions.

The presence of foreign banks has stimulated healthy competition in the financial sector. The restored national economic growth and stability, low inflation, high liquidity, and the industry's drive toward greater efficiency and competitiveness have contributed to minimize the crisis after-effects. This consolidation has led to the strengthening of the domestic banking system, creating the corresponding need for credit and investment, low interest rates, a decline in non-performing loans, and an increase in provisions.   All these factors have resulted in the consolidation of the Colombian financial sector and a remarkable performance during 2005-2006. Additional consolidation is expected during 2007, most likely among existing niche players or specialized non-banking financial institutions. The Colombian banking sector's major players are Bancolombia, Banco de Bogotá, Davivienda, and BBVA Colombia, the largest foreign-owned bank.

Currently, the government is in the process of studying and drafting a general reform of the Colombian financial system. Affected institutions are expressing their opinions on which are the most important issues to be included, such as the elimination of the four per thousand tax levied on all financial transactions paid by the end-users (a tax that restrains savings growth and increases cash transactions in detriment of banking operations), or the liberalization of interest rates to encourage free competition.

One of the major governmental short and medium term goals is the expansion of financial services to cover the entire Colombian population. Currently, only 29 percent of the population is part of the financial system, leaving about 12 million people who do not use it at all, specially those in the low income segment who do not meet the banking requirements and are forced to use informal credit services at very high costs.

Best Products/Services

Colombia has made serious efforts to become competitive in the area of financial services. The quality of the country's technological resources and the infrastructure of public services have improved significantly, including mass use of computers, expanded Internet access, and the capacity of telecommunication channels. Corporate Internet transactions, as well as the payment of utilities, taxes, and payroll through the banking system has increased significantly, forcing employees, even in the low economic segments to enter or expand their participation in the financial system. However, the use of cash is still high mainly as a result of the four per thousand tax levied on banking transactions.

Personal banking transactions represent aproximately 70 percent of total transactions while about 80 percent of the total value corresponds to corporate banking. The outlook is very positive for financial services beyond traditional operations. The acceptance of credit/debit cards is growing. American Express, Diners, Master Card, and Visa are the most widely accepted cards in Colombia. American Express and Diners operate independently, but Visa and Master Card operate through banks, which manage the cards issuance and clients' payments. Debit cards are part of the portfolio offered by banks to accounts' holders and are the ones with higher market penetration; 24 percent of the population has one or more, while only six percent has a credit card. In general terms, debit cards are used more to access cash and credit cards for payment of expensive products such as hotels, airline tickets, jewelry, etc. High commissions and interests charged by the banking system for the use of credit cards has been an issue among banks, retailers and clients that has tampered the growth of credit card end-users.

The trend is for local companies, particularly wholesale and retail hypermarket and supermarket chains, to issue their own credit cards to avoid the high margins charged by the credit/debit cards, and also because fierce competition among hyper and supermarkets has forced them to offer additional incentives to clients. A good example is the Chilean CMR credit card, which attracted 128,000 clients in less than a year and is accepted by Falabella, Homecenter (Sodimac Colombia) and Carrefour.

The Automatic Clearinghouse (ACH), an electronic network of financial entities with credit/debit operations, is growing continuously. Transactions mostly include payroll payments, government payments, and suppliers operations, among others. The sector's goal is to expand its financial services to turn the market into a more efficient and competitive industry that will offer better and cheaper products to the final consumer.

Opportunities

The Colombian financial sector has become stronger over the last four years and the sector's entities have experienced a remarkable recovery.

Currently, Colombia has not reached the banking standards of developed countries, but its progress is noteworthy. Almost all of the financial entities are implementing plans to expand the infrastructure and coverage of their e-banking products/services, and access to financial services through virtual banking. The outlook for sophisticated financial services is very positive as these programs are completed and end-users become more familiar with the new systems.

Market demand calls for locally chartered full-service commercial banks able to operate through a network of branches around the country. These banks should have a flexible approach to supply custom-made solutions to the diverse needs of domestic and international customers, and should be able to offer them a wide variety of products and services in private, correspondent and corporate banking as well as in investment banking.

Colombian banks need a range of information technology and expertise, electronic banking equipment to support new products, and e-banking solutions & hardware. Security and risk management solutions & hardware are a must.

The Manufacturing and transportation sectors have been the main users of leasing services. Leasing has taken a number of forms, including temporary importation of assets, cross-border leasing and sale and leaseback operations. Leasing companies have been gradually converting into finance companies.

Factoring and international credit insurance also offer opportunities. Transactional financing is more associated with consumer goods trade, while equity-based financing is more related to project financing.

The prospective Trade Promotion Agreement between the United States and Colombia may open new opportunities, especially in the insurance sector, where the most successful products are life and automotive insurance policies.

Resources

Superintendencia Financiera de Colombia: www.superfinanciera.gov.co
Asociacion Nacional de Instituciones Financieras (ANIF): www.anif.com.co
Asociacion Bancaria: www.asobancaria.com
Bancoldex: www.bancoldex.com.co
Banco de la Republica: www.banrep.gov.co
Bancolombia: www.bancolombia.com.co
Grupo Aval: www.grupoaval.com
Davivicenda: www.davivienda.com

FOOD & BEVERAGE PROCESSING & PACKAGING EQUIPMENT

Overview

	2004	2005	2006 (estimated)
Total Market Size	131.4	141.9	153.3
Total Local Production	43.7	49.0	55.0
Total Exports	18.2	24.9	29.2
Total Imports	105.9	117.8	127.5
Imports from the U.S.	20.0	25.5	31.3

(In millions of USD)

In Colombia, the food and beverage processing and packaging equipment industry is privately owned, except for a few government distilleries. Sector companies range from small family-owned enterprises to large Colombian, U.S. and third country multinationals such as Kelloggs, Nestle, Compania Nacional de Chocolates, Noel, etc. The sector is an important component of the national economy that contributes approximately 10 percent to the GDP, and generates about 120,000 direct jobs. The sector is ranked as one of Colombia's lowest risk sectors.

National and international competition has influenced the sector, which is recognized by its high dynamism, permanent efforts to maintain state-of-the-art technology, continuous product innovation and their retail presentation. The most developed sub-sectors are those that process: dairy; sugar; poultry; edible oils and greases; cacao, chocolate and confectionary; and non-alcoholic beverages.

Company mergers to improve the efficient use of installed capacity are common, and many companies are investing in expansion plans. Investing and expansion plans along with the sector's dynamism and the cyclic equipment update of every industry will result in an increase of at least eight percent in the imports of industrial food processing and packaging equipment.

In 2006, imports from the United States are expected to grow around 22 percent as a result of good positioning of equipment in the market, but could be higher if U.S. manufacturers become active in an almost unexplored niche. Colombian processed food exports are showing a growth trend and, to some extent, this growth is the result of the governmental support programs for the technological advancement and export preparedness of small and medium companies, known in Colombia as PYMES (by their acronym in Spanish). These companies, with the support of the Colombian Government offer good opportunities for U.S. exports of equipment with small/medium production capacity.

Best Products/Services

Food and Beverage Processing:
- Vegetable processing machinery
- Dairy processing equipment
- Brewery equipment
- Mixing and grading apparatus
- Filtering apparatus
- Heat exchangers

Packaging machinery:
- Feeling, sealing, capping machinery

Opportunities

As globalization and free trade agreements force companies to be more internationally competitive, the purchase of advanced technology and equipment becomes a priority.

The Colombian Food and Beverages Processing and Packaging sector is highly diversified. The end-users of equipment and technology in most of the sub-sectors have a wide range of sizes. Market opportunities for U.S. manufacturers present a similar variety in terms of equipment production capacity. The significant number of large food processors demand large production capacity, but the largest segment of the sector's companies are small and medium sized that require less installed capacity.

There is little competition from local producers of industrial Food and Beverage Processing and Packaging equipment. The quality of local technology has improved from basic equipment and spare parts manufacturing, but it still has to go a long way before comparing with the latest technologies and electronic/robotics based equipment and production/packaging lines.

Project financing is not a major problem because major market players generate project funding through their own successful operations and/or strategic alliances. During the last decade, in an effort to encourage higher technical and competitiveness levels, the medium and small companies known in Colombia as PYMEs (Spanish acronym for Small and Medium Enterprises) have been the target for special credit programs. The prospective free trade agreement with the United States will only re-inforce the importance of improving competitiveness of these firms and the sales opportunities for U.S. manufacturers of equipment for this sector.

Resources

CS Bogotá Contact: Maria Teresa Pena: maria.teresa.pen@mail.doc.gov
InterBev: www.interbev.com
International Exposition for Food Processors (IEFP): http://www.processfood.com
PackExpo: www.packexpo.com
XXIV Bogotá International Industrial Trade Fair and Alimentec: www.corferias.com
The VII ANDINAPACK International Trade Fair: www.andinapack.com
ANDI (National Industries Association): www.andi.com.co
Bancoldex (Foreign Trade Bank): www.bancoldex.com/general/index.php
Byington Colombia S.A. (D&B correspondent): www.byington.net
Colombian Customs and Income Tax Offices: www.dian.gov.co
Colombian Government : www.gobiernoenlinea.gov.co
FENALCO (Merchants Association): www.fenalco.com.co
National Planning Department: www.dnp.gov.co
Presidencia de la Republica and/or Palacio de Nariño (President's Office): www.sne.gov.co and www.presidencia.gov.co