# Doing Business in Colombia: 2008 Country Commercial Guide for U.S. Companies





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# Chapter 1: Doing Business In Colombia



## Market Overview Return to top

Colombia ranks solidly with the group of progressive, industrializing countries worldwide that have well-diversified agriculture, resources, and productive capacities. Currently, Colombia is the fifth largest market for U.S. exports in the region, after Mexico, Brazil, Venezuela, and Chile, and is ranked 29th as a market for U.S. exports globally. Since the election of President Alvaro Uribe in May 2002 (and subsequent re-election in 2006), Colombia has become one of the most stable economies in the region. Improved security, good government policies, steady growth, controlled inflation and a wide range of opportunities combined with a relatively stable political environment vis-à-vis neighboring Andean countries, make it worthwhile for U.S. exporters and investors to take a serious look at Colombia. Colombians are passionate about furthering economic growth in their country and committed to increasing trade and U.S. exports between the U.S. and Colombia.

Facts to consider:

- Economic growth for 2006 was a healthy 6.8 percent with expected 2007 economic growth to reach seven percent. GDP per capita has increased significantly (estimated at five percent) to over $3,260 US aided by the appreciation of the Colombian peso (COP) in the last year (approximately 11.5 percent).
- For 2007, the exchange rate closed at COP 2014.76 per $1 US.
- Net Foreign Direct Investment (FDI) in Colombia for 2007 is projected to reach $8 billion US. U.S. FDI in 2006 was $1.5 billion US and for the period January-June 2007 U.S. FDI in Colombia reached $878 million US. U.S. investment is particularly strong in the mining, oil, and gas sectors.
- Construction industry activity increased 14.5 percent particularly in cities like Bogotá, Medellín, Cartagena, and San Andres. According to International Trade Administration reports, construction equipment accounted for ten percent of the total U.S industrial exports to Colombia in 2006, totaling over $492 million US. For additional information refer to the Best Prospect, Chapter four.
- During 2006, Colombian exports to the United States reached $9.2 billion US, and exports from the United States to Colombia totaled $6.7 billion US. Colombia currently ranks 29th as a trading partner for U.S. goods. This follows the stable growth in tourism and construction of hotels and housing units in

Bogotá and especially in coastal cities like Cartagena, San Andres, and Santa Marta.

- Consumer price inflation rose from 4.48 percent in 2006 to 5.69 percent in 2007.
- Unemployment in Colombia is at its lowest level in a decade.
- Although security concerns continue to stem from the 40-year-old guerrilla conflict, the Uribe Administration's policies have dramatically reduced terrorist attacks, kidnappings and crime. Consequently, U.S. businesses are visiting Colombia in record numbers to seek opportunities in a myriad of sectors. Bogotá was recently rated in the top 50 cities to visit by the New York Times.
- The U.S. Trade and Development Agency (U.S. TDA) selected Colombia as the Country of the Year for 2007, reflecting the success of the agency's efforts to craft solutions to development challenges and open markets for trade and increased U.S. exports. U.S. TDA investments in Colombia produced around $350 million US in U.S. exports related to the implementation of telecommunications, energy, and transportation projects.
- The Colombian Government is making an effort to improve telecommunication regulation and costs. The Telecommunications Regulatory Commission (CRT) approved a regulation in December 2007, requiring mobile phone operators to reduce interconnection costs by about 50 percent. This is not price regulation but rather regulation of access charges for network use. Prior to this decision one operator paid another close to COP 250 per minute or 12.5 cents U.S., for on network calls, and now that cost cannot exceed COP 123.74 pesos or 6.2 cents U.S., making Colombia's interconnection rates among the lowest in the hemisphere. These rate reductions apply to all calls between mobile operators and also for long distance calls on those networks. The decision corrects a distortion in the market, which benefited the biggest operator (Comcel) a subsidiary of Mexico's América Móvil (owned by Mexican billionaire Carlos Slim).
- Improved Internet Business practices. A key indicator of a country's level of economic development is its use of new technologies, and in particular of Internet applications. In this regard Colombian companies (in all sectors) have become quick at adopting Internet based business practices, such as marketing and sales management, and also of administrative management incorporating Voice over IP (VoIP) and mobile applications.

On November 22, 2006, the United States and Colombia signed a bilateral trade agreement, the U.S. - CTPA. As of this writing, the Agreement has not been approved by the U.S. Congress. However, the prospect of the U.S. - CTPA has been a key factor in the renewed U.S. business interest in Colombia. This agreement has the potential opportunity to further economic growth in Colombia and expand the U.S-Colombian bilateral commercial relationship through increased trade and investment.

Under the U.S. - CTPA, over 80 percent of U.S. exports of consumer and industrial products to Colombia will be duty-free immediately upon entry into force of the Agreement, with remaining tariffs phased out over ten years. Within each of the following key industrial sectors, almost all products will gain immediate duty free access to the Colombian market: agriculture and construction equipment, aircraft and parts, auto parts, fertilizers and agro-chemicals, information technology equipment, medical and scientific equipment, and wood. Key U.S. agriculture exports such as cotton, wheat, soybeans, high quality beef, apples, pears, peaches, cherries, and almonds, will receive immediate duty-free treatment.

As evidenced by the U.S. TDA's success stories and opportunities with the U.S - CTPA, Colombia is indeed becoming a significant market and trading partner for U.S. goods and services in the Andean region.

## Market Challenges

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The following information provides key market challenges in doing business in Colombia:

- In 2005, the Colombian government attempted to stem speculative capital flows by mandating that foreign portfolio investment should remain in-country for at least one year. In 2007, the Central Bank replaced the mandate with a six-month deposit requirement for companies acquiring external loans.
- The provision of legal services is limited to law firms licensed under Colombian law. Foreign law firms can operate in Colombia only by forming a joint venture with a Colombian law firm and operating under the licenses of the Colombian lawyers in the firm.
- Economic needs tests are required when foreign providers of professional services operate temporarily; and residency requirements restrict trans-border trade of certain professional services, such as accounting, bookkeeping, auditing, architecture, engineering, urban planning, and medical and dental services.
- A commercial presence is required to provide information processing services.
- Telecommunications barriers to entry include cross subsidies, requirement for a commercial presence in Colombia, and economic needs tests.
- For firms with more than ten employees, no more than ten percent of the general workforce and 20 percent of specialists may be foreign nationals.
- International banking institutions are required to maintain commercial presence in Colombia through subsidiary offices.
- Colombia has been on the Special 301 "Watch List" every year since 1991, reflecting ongoing challenges in the enforcement of intellectual property rights.
- Customs duties have been consolidated into four tariff levels: zero to five percent on capital goods, industrial goods and raw materials not produced in Colombia, ten percent on manufactured goods with some exemptions, and 15 to 20 percent on consumer and "sensitive" goods. A group of agricultural products is protected by a price band mechanism that offers variable duties as high as 100 percent.
- Colombia has struggled with the requirements of Law 80 governing government procurement, which calls for open bidding in public tenders. Attempts are underway to amend the law to clarify procedures. Despite the law, transparency, fairness, and truly competitive bidding conditions in many tenders remain uncertain. This remains a significant market access barrier. U.S. companies interested in public sector contracts should obtain legal counsel in Colombia.

## Market Opportunities

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Despite several market challenges, Colombia provides significant market opportunities. Companies interested in pursuing new opportunities should review U.S. Commercial Service quarterly reports of major projects in Colombia as well as consider the following factors:

- Colombia's upcoming infrastructure projects are extensive and will require a local agent or legal representative for all government contracts. Areas of interest are project financing, public works subcontracting, logistics, equipment procurement, construction of public roads, ports, and airports (see below), rehabilitation of river navigation, water treatment, water supply, electric power generation, oil and gas exploration, air navigational aids, railways, machinery leasing, transportation equipment and parts, security and defense items and services, and mass transit systems.
- Colombia is engaged in a major privatization program of its airports, including Bogotá's El Dorado International Airport, which under a recently awarded contract that will be managed by a group of Colombian and European investors under a 20-year concession. Major opportunities for U.S. businesses are expected, particularly in the areas of security, cargo, especially for the flower industry, and baggage handling and numerous other airport related products and services.
- Significant U.S. export opportunities include: cotton, wheat, telecommunications equipment and services, industrial chemicals, air cargo services, financial services, corn, soy products, automotive parts and accessories, tourism, construction, computer hardware and software services, oil and gas machinery and services, petrochemicals, plastics materials and resins, electrical power systems, safety and security technologies and equipment, food and beverage processing and packaging equipment, medical equipment, construction and mining equipment, and pollution control equipment.

## Market Entry Strategy Return to top

Market entry strategies are as follows:

- Secure an agent, representative, or distributor in Colombia, which requires a contract that meets the provisions of the Colombian Commercial Code.
- Focus on formality, personal relationships, and trust when negotiating agreements and contracts.
- Communicate with the U.S. Commercial Service (CS) and the Economic Sections of the U.S. Embassy in Bogotá regarding specific concerns.
- Keep good after-sales service arrangements, not only in the original buying decision, but also in maintaining the sales relationship. Warranties or guarantees on imports are important factors that support after sales service in Colombia.
- Provide high quality products and/or services affordable financing and pricing.
- Support the local partner's marketing efforts with extensive advertising campaigns.
- A strong knowledge of Spanish is essential. Spanish-language sales collateral and service manuals are also helpful.

All of these elements play an important role in Colombians' buying decision.

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# Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/35754.htm

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# Chapter 3: Selling U.S. Products and Services



## Using an Agent or Distributor

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Foreign firms interested in exporting to Colombia's private sector are not required by law to secure local representation. However, Colombians prefer to deal with those companies with local representation to secure after-sales servicing. Additionally, for sales to the government, whether direct or through international tenders, Colombian law requires that foreign bidders have legal representation in Colombia.

Securing an agent, representative, or distributor in Colombia requires a contract that meets the provisions of the Colombian Commercial Code. This contract must be registered with the chamber of commerce where the agent/representative is located. Agency or representation agreements do not require government approval.

An agent or representative differs from an appointed distributor. The former is legally associated with the principal and may enter into legal agreements on the principal's behalf, while the latter may act totally independently from the principal. Distributors may purchase items from a foreign supplier, wholesaler, or jobber, and then sell them locally at their own discretion and risk.

When negotiating agreements and contracts, one should focus on formality, personal relationships and trust. Colombians want to know their supplier or business partner personally before deciding whether he or she is trustworthy. U.S. companies seeking agents, distributors, or representatives in Colombia should consider the broad range of Commercial Services offered to assist U.S. firms enter new and continuing markets in Colombia.

## Establishing an Office

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The most common forms of business in Colombia are corporations, limited liability partnerships, and branches or subsidiaries of foreign corporations. The process of establishing a business in Colombia has been simplified considerably by a new program of the Bogotá Chamber of Commerce, with the sponsorship of the Inter American Development Bank (IDB) and several Colombian public and private entities. Commercial Service Bogotá advises U.S. firms to obtain legal advice from a Colombian law firm or accounting firm. A list of attorneys and accountants is available from the U.S. Commercial Service of the Embassy.

A Branch of a Foreign Corporation must operate under the rules applicable to Colombian corporations. Its liability is limited to assigned capital. It must be registered with a Notary Public in its place of domicile. The following documents also must be registered with the Notary Public: copies of its incorporation document, its bylaws, the resolution or act agreeing to the establishment of the branch, and documents providing evidence of the business and legal representation.

All companies (including branches of foreign companies domiciled in Colombia) must register themselves and their accounting books, meeting minutes, and other required documents by law in the Commercial Register of the chamber of commerce in the cities where they are located.

Additionally, a few steps should be followed in establishing a business in Colombia:

- Appoint a legal representative in Colombia who will be responsible for preparing documents and carrying out all necessary steps with a Notary Public and chambers of commerce. There should be a corresponding Act for this appointment and duly registered with a Public Notary.

- Prepare company by-laws (*Escritura Publica*) and register with a Public Notary, stating the purpose of the firm, capital, legal representative, etc. This step takes two to three days and costs approximately 0.0027 percent of the amount of capital being registered. In addition a 16 percent Value-Added Tax (VAT) will be charged.

- Register and legalize the company with a chamber of commerce, which may take approximately four days including the time for obtaining an Income Tax Identification Number (NIT), and payment of a 0.7 percent fee on the capital registered plus other minor charges.

- Complete all other banking and currency operations. There are forms and other paperwork with minimum charges and processing time, opening of bank accounts, transfer of foreign currency, etc. In total, it should take no more than three weeks to incorporate a company in Colombia.

## Franchising

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Franchising is slowly gaining importance in Colombia as a marketing system. The Colombian market, which encourages foreign investment and international trade, offers good business opportunities for U.S. companies in the franchising sector.

Relationships between franchisers and franchisees are regulated by the terms of freely negotiated contracts, provided that they are consistent with the Colombian Commercial Code and the applicable legal framework. Emphasis is given to the clear description of the parties' mutual rights and responsibilities. Competent legal advice is essential during all steps of a franchising negotiation.

In 2007, there were approximately 365 franchises in Colombia, of which 55.8 percent are Colombian franchises and 44.2 percent are international firms. U.S. franchises currently represent an estimated 45 percent of the total foreign-origin franchise market in Colombia, followed by Italy, Argentina, Spain, and France. Colombian and foreign franchising companies generate approximately 65,000 jobs yearly, through approximately 12,000 outlets.

## Direct Marketing

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Direct marketing is rapidly gaining popularity in Colombia. Its growth has been fueled by such factors as technological advances in printing and distribution, an increased use of credit cards and flexible payment plans, and changing lifestyles. Also, more women are entering the job market and seeking ways to save time in making household purchases. Many stores and large distributors are producing their own catalogs for phone, mail orders, e-mail, or the web with products that can be paid for with cash, check, debit or credit cards.

E-commerce is a potential marketing alternative. CS Bogotá suggests that U.S. companies obtain legal advice before entering into E-commerce sales or contractual agreements. Internet users, Internet, and catalog sales in Colombia are rapidly growing. Although on-line shopping has not spread as quickly as in other countries, courier services are available for legal credit card purchases in the U.S. to be shipped to addresses in Florida and then on to Colombia. Direct shipping to Colombia is also being done.

The popularity of international direct marketing is growing in Colombia. U.S. firms can take advantage of improved legislation on postal, express, or courier shipments. The Colombia Customs Code contains postal and courier shipping rules. Certain postal shipments (correspondence, postcards, and printed materials) are exempt from licensing requirements and payment of duties. Courier or express shipments with a value of less than $1,000 US and a weight of under 20 kilograms are freely imported and classified under HS *98.03.00.00.00*, but are subject to a ten percent Cost Insurance and Freight (CIF) tariff and 16 percent VAT on the CIF-duty-paid value of shipments. Rules apply to both air and surface shipments.

## Joint Ventures/Licensing

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Globalization has created a pressing need for a range of new technologies in Colombia. Although joint ventures and licensing agreements have been important business practices in Colombia, recently they have become even more important as businesses strive to become more competitive.

Colombian industry urgently needs to modernize many of its processes, (which implies product diversification for alternative markets through changes in production facilities) and to upgrade obsolete equipment. To reach these goals, Colombia needs to acquire new capital equipment and state-of-the-art technology.

Leasing is also an important mechanism utilized in Colombia for productive financing. One of the essential characteristics of leasing, as a financial service within the framework of the Colombian economy, is that it is an adequate tool for investment financing under industrial re-conversion policies.

## Selling to the Government

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Government entities, institutions, industrial, and commercial enterprises must follow the provisions of Law 80 of October 31, 1993 which regulates purchases made and contracts entered into by the government and state industrial and commercial enterprises.

Under Law 80, Colombian government contracting agencies must select contractors through a public competitive bidding process.  There are a few exceptions to this rule, which are clearly established in Article 24 of Law 80.  The following are some exceptions for a direct contracting procedure:

(1) Contracts for minor amounts: minor amounts are expressed in multiples of the established Colombian legal minimum monthly salary (currently about $230 US – without the additional benefits and/or compensation pay).  A minor amount may range from 25 minimum monthly salaries to 1,000 minimum monthly salaries, depending on the annual budget of the contracting entity.  For instance:

(a) If the annual budget of the contracting entity is less than or equal to 6,000 minimum monthly salaries, it is allowed to acquire goods and services under direct contract that do not exceed 25 minimum monthly salaries in value;

(b) If the annual budget of the contracting agency is equal to or exceeds 1,200,000 minimum monthly salaries, under direct contracts it may purchase goods and services that do not exceed 1,000 monthly salaries in value;

(2) Loan agreements:  inter-agency administrative contracts, professional, scientific and technological services, and evident emergencies and;

(3) Non-award: Whenever bidding is not awarded for reasons such as: lack of proposals submitted, when the bids do not meet the terms of reference or specifications, when there is only one bidder, when products originating in or destined to agriculture or livestock breeding are offered through legally organized commodities exchanges, and in contracts executed by state (government) entities for the rendering of health services.

Foreign individuals not domiciled in Colombia or foreign private legal entities without a branch in Colombia that are interested in government contracts must provide a copy of their registration with the corresponding registry in their country of origin.  They must also submit documents proving their constitution or incumbency whichever is the case. In addition, they must appoint an agent or legal representative, domiciled in Colombia, who is duly authorized to bid on and execute the contracts as well as to represent the foreign enterprise in and out of court.

Under Law 80, Colombian bidders enjoy preferential treatment.  Given equal contracting conditions, domestic goods and services are preferred.  The Colombian government has strongly recommended that all-official entities, and decentralized government industrial and commercial organizations “buy Colombian.”  Under similar conditions, for all Colombian government acquisitions, preference must be given to Colombian products and services whenever competitive prices and quality are found versus “foreign” products and services.  The same procedures must be followed in connection with concession and association contracts signed with Colombian government entities. When foreign firms bid under equal conditions, the contract is awarded to the firm that includes a greater number of domestic workers in its workforce, more domestic content in its products, and better technology transfer conditions.

As a general rule, all individuals and legal entities wishing to enter into contracts with state entities must register with the chamber of commerce in their jurisdiction in order to be qualified, classified, and rated in accordance with the provisions of Law 80. Foreign bidders and/or suppliers of equipment and services are also required to register with a Colombian chamber of commerce under the Bidders Register (*Registro Unico de Proponentes*) and, in most instances, must be pre-classified and pre-qualified by the chamber and, in some cases, by the Colombian government contracting agency.

The requirement for both the Bidders Register and the Merchants Register with a local chamber of commerce is to be replaced by a Sole Entrepreneurial Register (*Registro Unico Empresarial or RUE),* which comprises a more complete profile on all business people, businesses, enterprises, contractors, and bidders for qualifying for executing contracts with government entities.

The State Contracting Information System (*Sistema de Información de Contratación Estatal or SICE*) is a database introduced on May 1st, 2002. Its purpose is to register and provide certificates for foreign and domestic suppliers of all types of commodities and services, their products, and prices in order to be able to enter into contracts with state agencies and industrial and commercial enterprises. One can also register via Internet in accordance with The Sole Catalog of Goods and Services (*Catalogo Unico de Bienes y Servicios or CUBS*) which is a listing of goods and services classified, standardized, and codified with the products that may be acquired by government entities. Registration is subject to a minimal fee, which depends on the net profit of the company. SICE is expected to become a database with 3,000 municipal, state and national entities, and more than 100,000 suppliers. For additional information on SICE and on registering, interested parties can access the following web sites: http://www.sice-cgr.gov.co/, http://www.contraloriagen.gov.co/html/home/home.asp and www.telecom.com.co

Although Law 80 has made the government contracting system more dynamic, Colombia is still not a signatory to the WTO (World Trade Organization) government procurement code (GPA) though they act as an observer to the GPA. There have been frequent complaints of a lack of transparency in the letting of major government contracts. The RUE and SICE systems explained above are expected to become useful tools for better transparency in the process of contracting with government entities.

Colombia is still struggling with the requirements of Law 80 governing government procurement, which calls for open bidding in public tenders. Attempts are being made to amend the law to clarify procedures. Despite the law, transparency, fairness, and truly competitive bidding conditions in many tenders remain uncertain. This remains a significant market access barrier. U.S. companies interested in public sector contracts should obtain legal counsel in Colombia.

**Certificate of Reciprocity:** The Colombian Government procurement statute seeks to establish simple procedures based on the principles of transparency and objective selection; it provides equal treatment to foreign companies on a reciprocal basis. The procurement statute impedes complete access by U.S. firms since it requires a certificate of reciprocity. The principle of reciprocity embodied in Laws 80 and 816 ensure national treatment under the same conditions for Colombian bidders in other countries. The U.S. Government is unable to provide such a certificate, as each of the 50 U.S. states acts as a separate commercial jurisdiction. The Department of State, however, provides a certificate that U.S. companies may offer in lieu of a statement certifying reciprocity. Certificates can be obtained from the Economic section of the U.S. Embassy in Bogotá. Companies requiring this document should be prepared to provide the following information: their company name, tender name, tender number, name of the Colombian entity letting the tender, and the general purpose of the tender.

## Distribution and Sales Channels

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Colombia offers a full range of sales channels to consumers, with various distribution methods depending on the type of product offered. These methods range from traditional ones in which wholesalers sell to traditional shops which then sell to the public, to more sophisticated methods, such as large department stores and hypermarkets, which have rapidly gained popularity.

While most imported items, especially capital equipment and raw materials, are still purchased through agents and distributors, some large domestic manufacturing companies import most of these items directly. Furthermore, some major distributors, wholesalers and end-users are opening purchasing offices and warehouses in the United States and contacting suppliers and manufacturers via the Internet, thus avoiding intermediaries in Colombia.

Consumer products from countries worldwide are available in Colombia at acceptable price levels. Contraband articles sold at deep discounts remain a problem for legitimate retailers. The Colombian government has attained encouraging results in its effort to reduce contraband. Free trade zones and bonded warehouses are commonly used for imported merchandise and processing of export-oriented goods.

## Selling Factors/Techniques

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The United States traditionally has been Colombia's main trading partner as it is a “natural” market for U.S. products and services. The possibility of a free trade agreement will further increase trade between the two countries. Among the factors favoring U.S. exports are: the geographic proximity of the two countries, most Colombians who study abroad prefer to study in the U.S., the large number of U.S. firms operating in Colombia, and the technological leadership that the U.S. maintains in many key industrial sectors.

U.S. suppliers should be aware, however, that their ability to compete in Colombia could be hampered by unfair business practices such as contraband, counterfeiting, intellectual property rights violations, under-invoicing, money laundering, and dumping. If a company has specific concerns, it should check with the U.S. Commercial Service of the U.S. Embassy in Bogotá.

Quality, profitability, functions, financing, and price play an important role in the buying decision. The after-sales service arrangement is significant, not only in the original buying decision, but also in maintaining the sales relationship. U.S. suppliers must either have their own representative with adequate operations or obtain a Colombian representative who can offer sufficient after-sales service.

To obtain better prices, guarantees, parts, and after-sales servicing, Colombians prefer to deal directly with manufacturers rather than through outside representatives, or trading companies.

U.S. firms desiring to compete for major infrastructure contracts should begin early in the contracting cycle. U.S. manufacturers and construction, service, and engineering companies should initiate contact as soon as possible with government entities and private firms, which have indicated plans, or even just an interest, in developing projects. Once a project has gone to tender, it is usually too late to be competitive if the supplier company has not already involved themselves up front in the process. As mentioned in the section “Selling to the Government”, a local agent or legal representative is required for all government contracts. Therefore, U.S. companies interested in government procurement or contracts should appoint an agent or representative as quickly as possible.

## Electronic Commerce

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E-commerce development prospects are promising in Colombia since the Colombian Congress provided the legal framework. The U.S. and Colombia also have signed an E-commerce agreement that emphasizes open and fair e-trade. E-commerce has reached a stage in which it is critically important to agree on international standards in the areas of electronic signatures and authentication to avoid the emergence of discordant standards as to what constitutes a "digital signature" or what constitutes valid certificates in different jurisdictions. Decree 1747 of 2000 regulates Law 527 of 1999 and establishes rules on certification entities, certification and/or certificates, and digital signatures. The Superintendent of Industry and Commerce has full responsibility on authorizing certification entities, carrying out their inspection and control, and on imposing necessary penalties. It also oversees compliance with the law. Guaranteed secured procedures is a critical factor for consumers considering an on line transactions.

The combination of several institutional and societal factors prevents more rapid growth of E-commerce in Colombia. However, U.S. E-commerce companies should note the overall potential offered by the Colombian market. Colombia’s B2B (about 90 percent of the E-commerce market) will likely offer U.S. companies the greatest opportunities for export sales. Most Colombian E-commerce will take place through North American vendors, and great opportunities exist for large and small U.S. companies and the home office community that can efficiently utilize E-commerce technology to their benefit.

## Trade Promotion and Advertising

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The introduction of new consumer products to the Colombian market usually requires an extensive advertising campaign. Companies’ marketing strategies frequently include media ads, and printed technical and sales articles in a combination of media -- radio, television, cable TV, newspapers, periodicals, trade magazines, and the Internet--announcing sales and special offers.

Some companies and supermarkets also are effectively using a variety of marketing techniques to promote consumer products, including raffles, discount coupons, and accrual of points to exchange for a variety of products and/or services. Credit card holders are also entitled to market promotions and discounts, as well as subscribers to some newspapers, magazines or cellular services. Promotional seasonal "sales" have also become popular in Colombia throughout the year, usually on special holidays such as Valentine's Day (in Colombia it's the entire month of September), Father's Day, Mother's Day, etc. Extended hours shopping during long weekends is being introduced in many malls in major urban centers.

Colombia has about 30 important daily newspapers (three of the principal daily papers are in Bogotá), a large number of trade and business papers and magazines, nationwide and regional television networks, AM and FM radio stations, and private local cable TV companies. Also available is a great variety of business, industrial, and trade publications from most Colombian industrial and trade associations and private publishers. Most publications have web sites.

**Main Newspapers and Periodicals:**
EL TIEMPO: http://www.eltiempo.com/
EL ESPECTADOR: http://www.elespectador.com/elespectador/
LA REPUBLICA: http://www.larepublica.com.co/
PORTAFOLIO: http://www.portafolio.com.co/
**Magazines:**
LA NOTA ECONOMICA: http://www.lanota.com.co/
CAMBIO: http://www.cambio.com.co/
DINERO: http://www.dinero.com/
SEMANA: http://www.semana.com/
BUSINESS COLOMBIA: http://www.amchamcolombia.com.co
**Fair Authorities:**
CORFERIAS: http://www.corferias.com/
**Radio Networks:**
CARACOL: http://www.caracol.com.co/
RCN: http://www.rcn.com.co/
TODELAR: http://www.todelar.com/
SUPER: http://www.cadenasuper.com/
**TV Networks:**
Caracol: http://www.canalcaracol.com

## Pricing Return to top

Colombian consumers buy many imported products, but the cost of importing can be high. Consumers may pay between 80 to 120 percent above the Free On Board (FOB) price of imports. The landed price of most consumer goods with local production is calculated by estimating 15 percent of the FOB price for freight & insurance, warehousing, and other documentation costs, 20 percent CIF import duty, plus a 16 percent VAT (assessed on the CIF-duty-paid value of most imports), thus putting their price at an additional 60 percent over the FOB price.

Additional import costs for capital goods and raw materials are much less (between 33 and 53 percent) with import duties for these items of between zero and five percent for capital goods, and ten to 15 percent for raw materials.

Department stores and supermarkets extend concession contracts to individuals and companies by permitting promotional space in their facilities to promote and sell consumer goods. These promotions include both known and unknown labels, and the goods are offered at discount prices in some cases. If the products are unknown in the market, the department stores or supermarkets may place them in the stores on a demonstration basis for a given period of time and will only place new orders if the products are well accepted by the public and sell relatively quickly. The largest supermarkets also carry their own labels at discount prices.

Suppliers to large store chains, supermarkets, and hypermarkets must provide certain guarantees on the continuity of products offered to avoid foreign surplus stock or remnants entering the Colombian market (i.e., foodstuffs, textiles, apparel, appliances, etc.). Imports of old or used clothing, closeouts, irregulars, off-season, or expired merchandise are prohibited.

## Sales Service/Customer Support Return to top

After-sales service and customer support is a decisive purchasing factor in Colombia. Government and private firms often request that their potential suppliers provide testimonials regarding satisfaction of other clients with equipment and after-sales service.

Warranty imports are an important factor that supports after sales service in Colombia. Warranty imports including replacement parts and components under warranty by a foreign manufacturer or supplier are exempted from the payment of Colombian import duties. Decree 2685 of December 28, 1999 is the new Colombian Customs Code that took effect on July 1, 2000. Per Section IV, Article 141 of this Code, all merchandise or goods that have been repaired abroad or new ones that will replace items previously exported because they were found to be damaged, imperfect, having malfunctions or with an unsuitable end-use, and are under warranty by a foreign manufacturer or supplier, may be imported into Colombia without the payment of import duties.

All original import and re-export documentation should be kept and presented with replacement imports to clearly identify goods, together with a valid warranty document, transport documentation, etc. A warranty import process must be completed and import declaration documents presented within a maximum of one year from the date the items subject to repair or replacement were exported.

In some instances, Colombian Customs may authorize the importation of replacement goods without the requirement of having previously exported the damaged goods or parts for replacement and/or repair. However, Customs will require a surety or warranty bond equivalent to 100 percent of custom duties paid, valid for one year from the date replacement goods are being imported. This would ensure that damaged goods would then be exported within the following month from the date replacement goods was re-imported.

Article 141 does not mention replacement parts - it refers to goods or products. However, the Customer Services Division of Colombian Customs has confirmed that this article covers all procedures for warranty imports including replacement parts and components. When processing damaged export parts and replacement import parts, the parts must be precisely identified, i.e. description of the items, their serial numbers, reference, etc.

## Protecting Your Intellectual Property

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### Introduction

Several general principles are important for effective management of intellectual property rights (IPR) in Colombia. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Colombia than in the U.S. Third, rights must be registered and enforced in Colombia, under local laws. Companies may wish to seek advice from local attorneys or IPR consultants. The U.S. Commercial Service can often provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Colombia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppels, or unreasonable delay in prosecuting a law suit. In no instance should U.S. government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IPR. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Colombia require constant attention. Work with legal counsel familiar with Colombia laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, based in Colombia and the U.S. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Superintendence of Industry and Commerce

- Ministry of the Interior and of Justice, Special Administrative Department, National Copyright Directorate

## IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: **1-202-707-5959**.
- For U.S. small and medium-size companies (SMEs), the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing IPR and market-specific IPR Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- The U.S. Commerce Department has positioned IPR attachés in key markets around the world. The regional Commercial Officer for IPR issues (covering Colombia) is Dorian Mazurkevich, located in Brazil. Contact info: U.S. Commercial Service - Rio de Janeiro, 55-11-5186-7338, Fax: 55-11-5186-7246, Dorian.Mazurkevich@mail.doc.gov

## IPR Climate in Colombia

In Colombia, regulations for the protection of IPR are in place. However, U.S. companies have concerns in relation to enforcement. Particularly, companies in the pharmaceutical and computer and software industries, have encountered widespread piracy and counterfeiting of their products over many years.

Colombia, which is a WTO member, has ratified legislation to implement its obligations under the Uruguay Round Agreement on Trade-Related Aspects of Intellectual Property Rights. Colombia is also a member of the World Intellectual Property Organization (WIPO), the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Treaty on the International Registration of Audiovisual Works, and the 1978 Union for the Protection of New Plant Varieties, and a signatory to the Patent Cooperation Treaty.

Colombia has also addressed bilateral IPR issues in the U.S. - CTPA currently under consideration by the U.S. Congress. However, even though Colombia may be able to regulate the issue, the problem persists.

The regulatory system itself may not be the ideal structure in order to act in a coordinated manner to tackle the problem. On the one hand, the registration and administration of IPR are carried out by four different government entities. The Superintendency of Industry and Commerce (SIC) acts as the Colombian patent and trademark office. This agency also acts as the IPR policy developer. The Colombian Agricultural Institute (*Instituto Colombiano de Agricultura - ICA*) is in charge of the issuance of plant variety protection-related and agro-chemical patents. The Ministry of Social Protection is in charge of the issuance of pharmaceutical patents, while the Ministry of Justice is in charge of the issuance of literary copyrights. Each of these entities suffers from significant financial and technical resource constraints.

Enforcement is carried out by other agencies including: the Tax and Customs Directorate (DIAN), the Prosecutor General's Office, the National Police, and the Judiciary. Officials within these agencies often do not have a good understanding of IPR issues and of the severity of the offences committed.

**See Chapter 6: Investment Climate - Protection of Property Rights for a detailed discussion of these issues.**

## Due Diligence Return to top

U.S. companies should take care in selecting their Colombian partners. U.S. small and medium-sized businesses can save time and money by contracting with the U.S. Commercial Service to perform an International Partner Search (IPS) to find pre-qualified global partners who are already interested in their products and services. The U.S. Commercial Service can generate a customized International Company Profile (ICP) on your potential business partners. Researched and prepared by our trade specialists, ICPs enable U.S. small and medium-sized businesses to more effectively evaluate overseas companies. To contract for an IPS or an ICP, visit www.export.gov/cs to find the U.S. Commercial Service office nearest you.

**Prohibition against doing business with Specially Designated Narcotics Traffickers (SDNTs):** On October 21, 1995, then President Clinton signed Executive Order 12978 entitled "Blocking Assets and Prohibiting Transactions with Significant Narcotics Traffickers," which blocks all property subject to U.S. jurisdiction in which there is any interest of members of the various Colombian drug cartels. In addition, the order blocks the property and interest in property of persons who have been determined to play a significant role in international narcotics trafficking centered in Colombia or determined to materially assist in or provide financial or technological support for, or goods or services in support of, the narcotics trafficking activities of persons designated in the Order. It is illegal for U.S. citizens to buy, sell, trade, give away, or otherwise engage in transactions involving persons and companies designated pursuant to the Order, who are referred to as SDNT's.

A list of the names of such persons and companies is available from the Office of Foreign Assets Control (OFAC), Department of the Treasury, Washington, D.C. 27220, Tel: (202) 622-2520, or via Internet: http://www.treas.gov/offices/eotffc/ofac/sdn

U.S. companies and individuals doing business in Colombia should be aware of the above Executive Order aimed at curtailing the money laundering operations of the Colombian drug cartels. SDNTs include entities or individuals directly involved in the drug trade, companies or front companies they own, and companies or individuals, which supply or do business with any of the preceding. U.S. companies found doing business with SDNTs will be notified by OFAC to cease and desist. Failure to do so can result in financial penalties and criminal prosecution. Most established Colombian companies are not involved in the drug trade. Nonetheless, in addition to doing financial background checks on potential business partners, U.S. companies should also contact OFAC to obtain the most current listing of SDNTs.

## Local Professional Services Return to top

U.S. companies bidding on major government, or even private sector, projects/procurement and those entering into joint ventures or other long-term contractual arrangements should seek local legal advice. Also, companies that are concerned about the protection of intellectual property such as trademarks, copyrights, and patents should also seek legal counsel before entering the Colombian market.

There are a number of good Colombian law firms that specialize in various aspects of commercial law. Additionally, a number of major U.S. firms who operate internationally have affiliate arrangements in Colombia. Several legal and business services providers in Colombia are found in CS Bogotá's website: www.export.gov/cs.

## Web Resources Return to top

Andean Development Corp. (CAF) : www.caf.com and www.comunidadandina.org
ANDI (National Industries Association): www.andi.com.co
ANIF (Financial Entities Association): www.anif.org
Banco de la Republica (Central Bank): www.banrep.gov.co
Banking Association: www.asobancaria.com
Banking Superintendent: www.superfinanciera.gov.co
Bogotá Chamber of Commerce: www.ccb.org.co

**Colombian Customs and Income Tax Offices:** www.dian.gov.co
Colombian Government : www.gobiernoenlinea.gov.co
CREG (Energy and Gas Regulatory Commission): www.creg.gov.co
DANE (Statistics Bureau) : www.dane.gov.co
EXIMBANK : www.exim.gov
FENALCO (Merchants Association): www.fenalco.com.co
Inter American Development Bank: www.iadb.org
National Planning Department: www.dnp.gov.co
OPIC: www.opic.gov
Presidencia de la Republica and/or Palacio de Nariño (President's Office): www.sne.gov.co and www.presidencia.gov.co
State Comptroller's: www.contraloriagen.gov.co
State Contracting Information System/SICE: www.sice.gov.co
Superintendent of Corporations: www.superfinanciera.gov.co

Superintendent of Industry and Commerce:  www.sic.gov.co
World Bank:  www.worldbank.org
Telecommunications Enterprise:  www.telefonica.com.co**.**

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# Chapter 4: Leading Sectors for U.S. Export and Investment



**Commercial Sectors**

## OIL AND GAS MACHINERY AND SERVICES

### Overview

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| | 2005 | 2006 | 2007 (p) |
|---|---|---|---|
| Total Market Size | 902.9 | 1,105.4 | 1,318.0 |
| Total Local Production | 70.0 | 85.5 | 98.0 |
| Total Exports | 72.8 | 80.2 | 80.0 |
| Total Imports | 900.1 | 1,100.1 | 1,300.0 |
| Imports from the U.S. | 650.0 | 715.1 | 910.0 |

(The above statistics are unofficial estimates in millions of USD)

Colombia has estimated reserves of 12 billion barrels of crude oil and natural gas distributed in 18 sedimentary basins covering over 1,036,400 square kilometers. Seven of these basins have ongoing commercial production activity. The total area under exploration, production, and awaiting contract awards is estimated at 45 percent of the territory.

As of the end of 2006, Colombia had some 1.51 billion barrels in remaining oil reserves, and with an annual oil production rate of about 529,000 barrels per day. Analysts predicted these reserves could last for seven years, during which time Colombia would be a net importer of crude. Total natural gas reserves at the end of 2006 were 7.34 tera cubic feet, which are estimated to last for more than 29.6 years given an annual demand of 680 million cubic feet per day.

The Uribe Administration has made oil and gas exploration and production a top priority. One of the main challenges for the country is to achieve an average production of around 900,000 barrels per day by the end of the decade. To reach this target, upstream investment levels need to reach $2 - 4 billion US, 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 achieve net reserves of approximately 2.4 billion 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 $12.5 billion US (until 2011) to develop new exploration and production projects and improve liquid fuels quality (reducing sulfur content by modernizing the Cartagena and Barrancabermeja refineries). Other plans include building a biodiesel facility to produce some 2,000 barrels per day, increasing efforts for compressed natural gas in vehicles, and implementing plans for natural gas export to Panama and eventually Central America, among other projects.

Ecopetrol has four key goals: looking for potential exploration and production opportunities in Brazil, Ecuador, and Perú, increasing production of heavy crude (to 160,000 barrels per day in 2011), locating new sources of crude oil reserves, and reducing its exploration risk in Colombia. Large independent and major oil and gas companies including ConocoPhillips, ExxonMobil, BHP Billiton, Shell, Apache, and Petrobras have approached Ecopetrol and the National Hydrocarbons Agency (ANH) to explore business opportunities in Colombia, while others are expanding their exploration and production activities.

The ANH has signed a record number of exploration and production and technical evaluation contracts that are expected to increase the country's crude and natural gas reserves. The ANH signed 54 contracts in 2006 and has signed 30 contracts in 2007. Given these 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 and gas prices. Other changes target reduction of the government's current 50 percent share in profits after deducting royalties and costs. This share 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 and 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 Prospects/Services** Return to top

The best oil and gas equipment and service prospects for U.S. firms is 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 American Petroleum Institute (API) gravity, 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 activities yield results.

**Opportunities** Return to top

U.S. companies 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.

Since 2005, the U.S. Trade and Development Agency (TDA) have been actively involved in Colombia and has awarded over $2 million in grants on three oil and gas-related projects, including an assessment of the Barrancabermeja Refinery's future crude availability and market demand for refined products. TDA provided another grant to the National Hydrocarbons Agency (ANH), which intends to improve their bid evaluation and licensing policies to attract more foreign investors in the hydrocarbons sector. The third grant is associated with Ecopetrol's efforts to improve the security and reliability of their pipeline transport system and reduce oil spills and fuel losses. Interested firms can obtain more information about TDA in**:** U.S. companies interested in pursuing oil and 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.

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CS Bogotá 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
Invest in Colombia Corporation (*Coinvertir*): 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

## PLASTIC MATERIALS AND RESINS

### Overview

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| | 2005 | 2006 | 2007 (p) |
|---|---|---|---|
| Total Market Size | 1,148.0 | 1,239.1 | 1,323.2 |
| Total Local Production | 805.6 | 853.9 | 896.5 |
| Total Exports | 471.0 | 485.1 | 504.5 |
| Total Imports | 813.4 | 870.3 | 931.2 |
| Imports from the U.S. | 732.0 | 761.2 | 814.4 |

(The above statistics are unofficial estimates in millions of USD)

The plastics sector is one of the fastest growing sectors in Colombia. It has a proven export track record, adequate availability of raw materials, and a substantial inflow of foreign investment. The plastics industry continued to play a very active role in the Colombian economy in 2006 and 2007, boosted by significant growth in the construction, food processing, manufacturing, and automotive sectors, which are major end-users of locally produced products. The ongoing development of the petrochemical industry and the expansion of the Cartagena Refinery are positive factors influencing future growth of this sector. According to the National Plastics Association (*Acoplasticos*), the positive performance of the Colombian economy has contributed to the positive results achieved in the activities of the plastic sector, as shown by indicators for export and local sales. The growth in the plastics sector averaged seven percent annually during the 2006-2007 period. In 2006, plastics sector sales grew 21 percent and by the end of 2007 they are expected to grow at least 20 percent. 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.

Tariffs on high-value chemical products including many resins will be phased out immediately upon implementation of the U.S. - CTPA.

Colombia will eliminate tariffs on 60 percent of resin and manufactured plastic exports immediately upon implementation of the agreement. Tariffs on another four percent of exports will be eliminated over five years, and tariffs on 30 percent will be eliminated over seven years. Only six percent of U.S. plastics exports will be subject to ten-year staging in Colombia.

### Best Prospects/Services

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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.

Best prospects for plastic imports for Colombia are:

- Polyethylene of 0.94 weight or more
- Polyethylene of less than 0.94 weight, linear low-density
- Polypropylene

- Polyvinyl chloride emulsions and suspensions
- Polyesters

**Opportunities** Return to top

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.

In 2006, manufacturing, another important plastic products end-user, grew by 5.8 percent. The referenced industries use approximately 72 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 molding accounts for 16 percent, blowing molding accounts for eleven percent, while calendering, thermoforming, and molding account for ten percent.

**Resources** Return to top

CS Bogotá 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
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| | 2005 | 2006 | 2007 (p) |
|---|---|---|---|
| Total Market Size | 1,811.7 | 1,994.6 | 2,219.1 |
| Total Local Production | 526.0 | 537.0 | 569.2 |
| Total Exports | 245.4 | 289.3 | 306.6 |
| Total Imports | 1,531.1 | 1,746.9 | 1,956.5 |
| Imports from the U.S. | 271.6 | 325.4 | 357.9 |

(The above statistics are unofficial estimates in millions of USD)

In 2007, the Colombian automotive sector experienced a third record year of significant growth. Since 2001, it has generated a sustained, solid and dynamic growth of approximately 20 percent per year. It is the fourth most important industry in Colombia. The United States has traditionally been Colombia's major supplier of automotive parts and accessories, accounting for approximately 21 percent of total imports during 2006 to 2007 period.

The Colombian automotive parts and accessories sector is closely tied and positively correlates to the economic growth of the nation as a whole and the stability of motor vehicles manufacturing/assembly sector. According to local trade sources, in 2007, motor vehicles sales have experienced an historic year; increasing by 46.1 percent from sales registered during the same time period in 2006. The Colombian Association of Freight Transporters (Colfecar), indicated that cargo vehicles annual sales have also increased eight percent in the last four years. In 2006, approximately 14,000 new heavy-duty trucks were sold.

The demand for automotive parts and accessories and service equipment is noteworthy, because the average lifespan of most of the 3.4 million motor vehicles running in Colombia is 12 to 15 years. Analysts predict a sizeable increase in demand for imported and locally made automotive parts-accessories and service equipment within the next two years. This is due to the considerable vehicle fleet growth of the past ten years and to the significant number of imported and manufactured vehicles sales which were registered during the 2005-2007 period. In addition, as new vehicles age, the demand for parts and accessories will increase correspondingly.

Another factor contributing to future growth of the automotive market is that approximately 80 percent of cargo transportation and passengers are moved in Colombia by land. Thus, transportation companies need to keep their vehicles in optimum condition to perform efficiently. The road infrastructure within Colombia is improving, however, overall they are in fair to poor condition necessitating the need for constant vehicle safety checks.

Demand for automotive parts and accessories from the three local manufacturing plants (GM, Mazda, and Renault) also showed significant growth of 35 percent in 2007. Local carmakers are active in the market and have captured market-share by increasing the variety of models produced in country and for exports to Venezuela, Ecuador, and other Andean countries. Also, there is a permanent demand for parts and accessories for the maintenance and repair of the Bogotá dedicated lane passenger bus transportation system, "*Transmilenio*," and similar systems developed for Cali, Barranquilla, Medellín, the coffee growing regions (*Eje Cafetero*), and other major cities.

Upon the approval of the U.S. - CTPA, 53 percent of U.S. industrial exports will receive immediate duty-free treatment. Tariffs on another 23 percent of exports will be eliminated over five years. Duties on the remaining 24 percent of U.S. exports will be eliminated over ten years.

Tariffs on priority automotive products, including large-engine 4x4 vehicles, engines, brakes, shock absorbers, and other auto parts will be phased out immediately upon implementation of the agreement.

The United States agreed to consolidate all Andean Trade Preferences Act (ATPA) and Andean Trade Preference and Drug Enforcement Act (ATPDEA) tariff preferences into the final tariff elimination schedules. This means that all automotive exports from Colombia will continue to receive duty-free treatment.

Colombia will eliminate its prohibition on the importation of remanufactured automotive goods, as defined in Chapter Four - Rules of Origin, upon entry into force of the Agreement. Colombia will eliminate tariffs on most remanufactured automotive goods immediately and will phase down tariffs on a small number of remanufactured goods over ten years.

## Best Prospects/Services Return to top

Best prospects over the short and medium term will be determined primarily 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 companies plan to manufacture those automotive parts and accessories that will have the largest demand in the local market. Demand for imported equipment will follow the same trend, but the growth brought on by expanded markets created by international trade agreements (such as the *Comunidad Andina-Mercosur*, G-3, *Asociación Latinoamericana de Integración (ALADI)*, and others) could mean more opportunities for U.S. imports.

## Opportunities Return to top

Opportunities exist in the following related automotive parts groups:

- 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, and fuel-injection pumps
- Parts of fans, ventilating hoods, air conditioning, and parts for motor vehicles
- 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, and consoles
- Cabinets for motor vehicles, bodies for passenger automobiles, body stampings, gearboxes, drive axles with differential, suspension shock absorbers, radiators, clutches, suspension systems, parts for power trains, and brake parts.

## Resources Return to top

CS Bogotá 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

## COMPUTERS AND COMPONENTS

### Overview

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| | 2005 | 2006 | 2007 (p) |
|---|---|---|---|
| Total Market Size | 621.5 | 790.9 | 925.3 |
| Total Local Production | 0 | 0 | 0 |
| Total Exports | 0 | 0 | 0 |
| Total Imports | 621.5 | 790.9 | 925.3 |
| Imports from the U.S. | 246 | 286 | 350 |

Source: DANE, World Trade Atlas, Author's calculations, in millions of USD

Colombia offers significant opportunities for U.S. suppliers of computers and components, and of related services. Since 2004, imports of computers and components from the U.S. have grown dramatically. In 2005, imports increased by 30.29 percent ($246 billion US), in 2006 by 16.23 percent ($286 billion US), and the projection for 2007 is expected to reach 37 percent (approximately $350 billion US), making this the highest year of growth during the past ten years.

There is also growing demand for software products and network solutions. Although there is practically no local production of computers and components, there is a growing software development industry. A notable trend is that a few new companies have been formed in recent years to cater specifically to the needs of companies or institutions with customized software and network solutions.

It is important to note that software piracy is a major problem in Colombia, as is the case in all Latin American countries. Estimates indicate that the piracy level may be above 50 percent, and trade losses due to software piracy are calculated at over $100 million US. However, the government has been stepping up efforts, in recent years, in order to tackle the problem, and thus defend legal manufactures. American companies operating in Colombia have acknowledged such efforts.

### Best Prospects/Services

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Colombian industry is seeking to improve its efficiency and competitiveness to survive in the global marketplace. The IDB recently approved a $300 million US loan to help Colombia achieve these types of improvements. 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 planning, 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 development 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. Many Colombian manufacturing companies, which have not already implemented computerized operating and management systems, will without doubt need to search for software solutions to improve their existing procedures, leading to higher efficiency.

The computer and components industry in Colombia is extremely competitive. However, good opportunities may exist by targeting key accounts with government bids and the big local companies. American companies hold the lead in the provision of software products, especially Microsoft, which enjoys an excellent reputation in Colombia.

## Opportunities Return to top

The Colombian computer market offers a diverse range of opportunities for U.S. exporters. Computing devices and applications are used in a great number of industries as well as households. Also there is continual interest in keeping up-to-date with technical developments. CS Bogotá actively encourages American companies to participate in government procurement programs, which are announced on the website: www.contratos.gov.co/puc/

For the Colombian business community, CS Bogotá recommends to local company representatives that they attend the various trade shows staged in the U.S., in order to learn more about U.S. computer products and services in this sector. A list of these and other trade shows are available at www.buyusa.gov/colombia/en

The most dynamic sectors for U.S. exports in recent years have been:

- Computers (desk tops, laptops, and hand-held computers)
- Data processing machines
- Components and accessories for the above

Also, opportunities have been increasing in Colombia for the sale of software. The sale of illegal software has been a major problem in Colombia, affecting companies such as Microsoft, but recent efforts by the government to enforce software copyright laws has stimulated sales of legally acquired products. CS Bogotá strongly recommends that companies register their patented technology in Colombia. Software opportunities exist in the following areas:

- Data security solutions for transactions over the Internet
- Improvements in internal communications throughout company's networks
- Tailor-made programs for communicating different platform languages
- Programs for data mining and data conversion
- Programs for financial and management solutions and
- Software for transportation logistics.

Also the approval of the U.S. - CTPA would have a significant impact on this sector. Information technology products, which include computers and components, account for over 15 percent of total U.S. industrial exports to Colombia. Virtually all products within this grouping would become duty free upon entry into force of the Agreement, thus stimulating U.S. exports to Colombia. Currently tariffs average over eight percent and range up to 15 percent.

Colombia would also be obliged to eliminate its prohibition on the importation of remanufactured Information Technology (IT) goods, on entry into force of the Agreement. Colombia would be committed to eliminating tariffs on most remanufactured IT goods immediately and would have to phase out tariffs on a small number of remanufactured goods over ten years.

The U.S. - CTPA would also favor U.S. products over Chinese exports to Colombia, as import duties for Chinese products would remain in force, while those for U.S. products would be eliminated.

Colombia has also agreed to join the multilateral Information Technology Agreement (ITA) by December 31, 2007. U.S. exporters of information technology products will all benefit from this provision.

**Resources** Return to top

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Colombian Software Federation (FEDESOFT): www.fedesoft.org
Colombian Engineers Association (ACIEM): www.aciem.org

## TELECOMUNICATIONS EQUIPMENT AND SERVICES

### Overview

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| | 2005 | 2006 | 2007 (p) |
|---|---|---|---|
| Total Market Size | 307.4 | 307 | 1192.2 |
| Total Local Production | 34 | 36 (p) | 0.038 |
| Total Exports | 8.8 | 14.1 | 99.4 |
| Total Imports | 282.3 | 321.1 | 1291.5 |
| Imports from the U.S. | 59.7 | 66.2 | 103.2 |

Source: DANE, World Trade Atlas, Author's calculations, in millions of USD

The telecommunications market in Colombia is very dynamic, with annual growth rates usually above the GDP growth rates. During 2006 this sector grew by 15.7 percent, and the estimates for 2007 indicate that the high growth level will be maintained. Within the telecommunications industry, mobile telephony services recently has overtaken fixed line services in terms of revenue. Mobile services providers (Comcel, Movistar, and Tigo) currently have 40 percent of the total revenue while fixed line operators account for 27.7 percent of total revenue. Long distance services for the operators (*Colombia Telecomunicaciones*, ETB, and ORBITEL) account for only 7.4 percent of total revenue.

Currently, Colombia has over seven million fixed lines in service, with little increase over the 2005 figure. The fixed line teledensity rate is around 17 percent. There are approximately 28 million mobile subscribers, for a mobile penetration rate of 64 percent. The principal operators are Comcel, Movistar, and TIGO. Also, the U.S. company, Avantel possesses a small proportion of the mobile market, providing a trunking service, and has recently been granted interconnection with the cell phone operators.

There is minimal local production in this industry; for the most part consumer goods and industry equipment are supplied through imports. Services too, (especially cell phone services) are provided by multinationals (Colombian companies form the minority shareholders within the operators Movistar and TIGO).

Also, Internet services have seen continual growth. The Internet user density rate is about 8.2 percent. The diversity in broadband products and services is attracting greater numbers of U.S. companies to the Colombian market.

### Best Prospects/Services

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For 2008, the expansion of broadband access and of mobile telephony services in Colombia will provide diverse business opportunities for U.S. companies. The most promising areas for business development exist in the areas of:

- Cable operators
- Local exchange carriers
- TV broadcasters
- Satellite companies

- Software and platform developers
- Internet service providers
- VoIP services providers.

## Opportunities

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Traditionally the U.S. has been one of the main suppliers of telecommunications equipment. In recent years strong competition has come from China, although the U.S. still holds the lead in state of the art technology products. For 2006, China held 26 percent of market share while the U.S. had 20 percent.

Broadband deployment is a priority for the Colombian Government, which has implemented programs for increased access, such as the Connection Agenda (*Agenda de Conectividad*). U.S. companies are encouraged to participate in upcoming government procurement programs. These programs are announced on the Communications Ministry website and at: http://www.contratos.gov.co/puc/

In the television industry, new regulations are currently under consideration. CS Bogotá is actively promoting the adoption in Colombia of the U.S. Advance Television Systems Committee (ATSC) standard for digital TV. Depending on the decision the regulator makes (anticipated around April of 2008), this sector could be potentially a highly lucrative market for U.S. business. This is especially the case in the area of broadcast transmission equipment, components for digital television consumer products, and programming.

Also, the approval of the U.S. - CTPA would have a significant impact on this sector. Information technology products, which include telecommunications equipment, account for over 15 percent of total U.S. industrial exports to Colombia. Virtually all products within this grouping would become duty free upon entry into force of the Agreement, thus stimulating U.S. exports to Colombia. Currently tariffs average over eight percent and range up to 15 percent.

Colombia would also be obliged to eliminate its prohibition on the importation of remanufactured IT goods, on entry into force of the Agreement. Colombia would be committed to eliminating tariffs on most remanufactured IT goods immediately and would have to phase out tariffs on a small number of remanufactured goods over ten years.

The U.S. - CTPA would also favor U.S. products over Chinese exports to Colombia, as import duties for Chinese products would remain in force, while those for U.S. products would be eliminated.

Colombia has also agreed to join the ITA by December 31, 2007. U.S. exporters of information technology products will all benefit from this provision.

## Resources

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CS Bogotá contact: Gabriel Ramjas, Commercial Specialist (gabriel.ramjas@mail.doc.gov)
National Statistics Department (DANE): www.dane.gov.co
World Trade Atlas
Communications Ministry: www.mincomunicaciones.goc.co

Telecommunications Regulator (CRT): www.crt.gov.co
Telecommunications Research Center (CINTEL): www.cintel.org.co

## TRAVEL AND TOURISM (TRA)

### Overview

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| | 2005 | 2006 | 2007(p) |
|---|---|---|---|
| Total Market Size | 3,127.0 | 3,440.0 | 3,853.0 |
| Expenditures of Colombian travelers in the USA | 1,174.0 | 1,248.0 | 1,537.0 |
| Expenditures of Colombian travelers in the rest of the world | 1,953.0 | 2,192.0 | 2,316.0 |

(The above statistics are unofficial estimates in millions of USD)
Source: Colombian Civil Aeronautics; Proexport

According to the Colombian Civil Aeronautics Authorities, about 2.2 million travelers from Colombia went abroad in 2006. An estimated 654,200 Colombians, ten percent more than in 2005, traveled to the United States. These Colombian visitors spent an estimated $1.25 billion US in the U.S. (excluding airfares) on food, car rental, hotel, attractions, and basic shopping. The usual length of stay is seven nights, but if Colombians have relatives in the U.S., the common stay ranges from three to four weeks. Colombians have 15 working days of statutory paid vacation per year. Leisure travel usually takes place during school vacations (November to early February), during Holy Week (the week before Easter), and from June to early September.

The U.S. share of Colombian passengers traveling abroad during 2006 was 37 percent of the total outbound market, followed by South America with a 27 percent share, Central America (including Mexico/ Caribbean) with 20 percent, Europe with 15 percent, and other destinations (including Canada) with a two percent share.

The number of Colombian air passengers to the United States is expected to increase by 12-15 percent during 2007-2008, and the airlines are preparing to cope with this increase. Three new U.S. airlines have already requested the Colombian aeronautical authorities and the U.S. Department of Transportation approval to fly to Colombia under the Open Skies Bilateral Agreement. Spirit Airlines will be the first with an initial flight (Fort Lauderdale – Cartagena – Fort Lauderdale) in late March 2008. Jet Blue and US Airways have also presented an official request to operate between the United States and Colombia. On December 13, 2007, American Airlines announced that it will operate seven new flights to the U.S. from the cities of Bogotá, Medellín, Cali, Barranquilla, and Cartagena. Delta Airlines is also expected to expand its current operations. Accordingly, to the terms of the Open Skies Policy, Colombian airlines will add the same number of frequencies (21) between December 13, 2007 and October 2008. The market is expected to be very competitive.

The increasing flow of foreign passengers coming to Colombia is creating a growing demand for hotel services. Several major international hotel chains have started construction of new facilities. Marriott and Hilton will be constructing one hotel each in Bogotá. Sonesta, Hyatt, and Decameron have announced their plans to build hotels in the city of Cartagena. The hotel industry expects completion of new facilities by 2009-2010.

## Best Products/Services

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The following areas are anticipated to have the best prospect /services for 2008:

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

## Opportunities

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The total number of passengers traveling from Colombian to foreign countries increased at an average of 12 percent from 2003 - 2006 and is expected to maintain a similar dynamic from 2007-2008 due to the following items: (a) the significant recovery of the Colombian economy that grew at 6.8 percent during 2006 and is expected to grow by 7.0 percent during 2007, (b) the significant revaluation of the Colombian peso that has reduced the cost of traveling abroad, (c) the Open Skies Policy, which allows new airlines to enter the country and provides freedom in routes and timetables, (d) the potential enactment of the U.S. - CTPA, and (e) the integration of several agreements that Colombia has signed or is negotiating with other group of countries, including the Andean Community, Mercosur, the Central American countries, and Europe.

The United States is the main overseas destination of the Colombian tourist traveler, however, Colombians are also selecting other countries for their vacation plans. South America, specially Argentina and Brazil, have become increasingly popular destinations for Colombians. The facts that make these areas an attractive alternative is that no visa is required and the ready availability of travel promotions with very good rates offering all-inclusive packages. It is important to emphasize the strong competition that other destinations offer, which poses a need for a continuous promotion of the U.S. Travel & Tourism industry in Colombia.

## Resources

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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

## CONSTRUCTION AND MINING EQUIPMENT

### Overview

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| | 2005 | 2006 | 2007 (p) |
|---|---|---|---|
| Total Market Size | 350.2 | 409.8 | 554.3 |
| Total Local Production | 13.5 | 15.0 | 14.0 |
| Total Exports | 4.4 | 8.5 | 8.8 |
| Total Imports | 341.1 | 403.3 | 549.1 |
| Imports from the U.S. | 226.0 | 249.2 | 274.0 |

(The above statistics are unofficial estimates in millions of USD)

### Mining

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The Colombian mining sector continues to be an attractive investment market. Several coal and nickel mining companies are undergoing major production expansions. There are several large foreign companies that are setting up their branches in Colombia and are applying for exploration rights to develop new coal, gold, and copper mines. These investments and the government policies are attracting new smaller firms into the country.

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. By 2010 the government expects to produce some 70 million tons. Coal continues to be the second most exported product after crude oil. The country also produces significant quantities of nickel, gold, platinum, silver, emeralds, nickel, and other natural resources.

The national mining code and the revision of the 2006 version of the National Mining Development Plan (PNDM) are leading to rapid development of new mining projects and assisting the government to 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 provide for a better understanding of mining opportunities 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 approval will provide for enhanced market access for U.S. exporters given a favorable exchange rate, better product quality, and their relative proximity to Colombia. Therefore, U.S. companies have the unique opportunity to take advantage of this asset with respect to exporting equipment and accessories for the mining sector.

The top U.S. exports in this sector included boring and sinking machinery and parts, dumpers, lifting machinery, bulldozers, and mechanical shovels. Colombian tariffs range between five and 15 percent, with an average of 12 percent in 2006. For construction equipment, 88 percent of U.S. industrial exports will receive duty-free treatment immediately upon entry into force of the U.S. - CTPA).

In addition, Colombia will eliminate its prohibition on the importation of remanufactured construction equipment upon entry into force of the Agreement and will eliminate tariffs on most remanufactured construction equipment immediately and will phase out tariffs on a small number of remanufactured goods over ten years.

## Construction Return to top

Colombia has large infrastructure needs, especially in transportation facilities that would allow for economic competitiveness gains such as roads, ports, and airports. The lack of proper infrastructure is reflected in additional costs for exporters and the projected investments that government and private sector sources project for the next ten years.

The Colombian government continues its activities 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. The government needs to address infrastructure improvements in order to prepare for increased exports anticipated as a result of approved Free Trade Agreements. These agreements include those negotiated with the U.S., Mexico, Venezuela, and those under negotiation with the European Union, Canada, and others. 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 projects to expand and modernize airports and seaports infrastructures and improve navigation on the 1,600-kilometer Magdalena River running through the heart of the country.

Estimated investments for improving transportation infrastructure could reach $20 billion US by 2010. Most of the investments will be funded by the central government's budget. These efforts are expected to continue and given the country's innumerable needs, these investments could continue until the year 2020. Therefore, the government is looking for mechanisms to attract more private investors via toll collection to assist in highway maintenance and rehabilitation efforts in the country's 16,500-kilometer network of strategic roads.

The Ministry of Transportation estimates that Colombia has more than 70,400 kilometers 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. Investments funded by the central government are in response to the government's intention to improve the country's competitiveness through improved infrastructures.

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 Bogotá "*Transmilenio*" mass-transport system. Other Colombian cities that are implementing mass-transport systems include Cali, Barranquilla, Cartagena, and the urban areas of Pereira and Dos Quebradas.

The government is also developing measures to reactivate the housing sector. The priority is to enhance buyer credit rating, allowing for easier access to credit lines (with lower interest rates), thus attracting new investment in this key industry sector, and simultaneously helping to reduce the 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.

**Best Products/Services** Return to top

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 prospects 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** Return to top

Coal expansion projects are potential market opportunities for U.S. companies interested in exporting mining industry equipment with no duties. The companies Drummond Ltd., Carbones del Cerrejon, and Glencore International are involved in major expansion projects that involve equipment fleet upgrades (mainly shovels, loaders, and hauling trucks), and infrastructure development (including the construction of new railroad tracks, locomotives, and other transportation equipment).

**Resources** Return to top

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National Highway Institute (Invias): www.invias.gov.co
Invest in Colombia Corporation (*Coinvertir*): http://www.coinvertir.org.co/
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

## AIR CARGO SERVICES (AVS)

## Overview
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| | 2005* | 2006* | 2007* |
|---|---|---|---|
| Total Market Size | 678.3 | 716.0 | 755.0 |
| Total Local Air Cargo | 134.7 | 152.5 | 165.0 |
| Total Outbound Air Cargo | 345.1 | 362.0 | 380.0 |
| Total Inbound Air Cargo | 198.5 | 201.5 | 210.0 |
| Air Cargo from the U.S.A. | 110.0 | 112.4 | 120.0 |
| Air Cargo to U.S.A. | 247.4 | 253.0 | 266.0 |

Data Table (in thousand of tons)
*statistics are unofficial estimates in millions of USD

Following the economic decline experienced by the Colombian economy from 1998-2001, the Colombian air cargo market began its recovery along with the economy in 2002. Total cargo moved by air (local and international) increased from 506,618 tons in 2002 to 716,000 tons in 2006 (a 42 percent increase in four years). This recovery was especially significant in the outbound international air cargo that grew from 257,292 tons transported in 2002 to 362,000 tons moved in 2006, which came as a result of the growth in Colombian exports that increased by more than 100 percent (from $12 billion US in 2002 to $24.3 billion US in 2006).

Total cargo transported by air during 2006 was 716,000 tons, including domestic services. Total international air cargo to and from Colombia was estimated at 563,000 tons. The largest customer sector for air cargo services in Colombia is the flower growing industry. More than 300 companies exported 223,000 tons of flowers during 2006. Eighty percent of this cargo goes to the United States (178,400 tons). The main gateway for cargo is Miami, with a 96 percent share, followed by Los Angeles (1.9 percent), New York (1.2 percent). The rest of the U.S. has an insignificant market share. Other important products transported were textiles, apparel, fruits and other perishable products, and ornamental fish.

Upon the approval of the U.S. - CTPA, 100 percent of U.S. aircraft and related equipment exports, including high value products such as aircraft, turbines, and other aircraft parts will receive immediate duty-free treatment. Duties on certain asbestos products with negligible trade will be eliminated over ten years. The U.S., as party to the Agreement on Trade in Civil Aircraft, applies duty-free treatment on a Most Favored Nation (MFN) basis to these products. These goods will continue to receive duty-free treatment under this Agreement.

Tariffs will be phased out according to five-tariff elimination category:

- Immediate elimination
- Equal cuts over five years

- Unequal cuts over five years (tariff elimination will proceed with a ten percent cut in the tariff in years one and two, a 30 percent cut in year three, a 20 percent in year four, and the remaining 30 percent tariff cut will take place in five years.)
- Equal cuts over seven years
- Equal cuts over ten years.

## Best Products/Services

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The following areas are anticipated best prospect /services for 2008:

- Airport security and safety equipment
- Material handling equipment
- Inspection equipment and 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-related products and services
- Cargo Services (brokers, customs, etc.)

## Opportunities

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Based on preliminary statistics published by the Colombian Civil Aeronautics, the total Colombian market for air cargo is expected to expand by 5.4 percent during 2007. At the same time, inbound air cargo from the United States would grow by seven percent, while outbound cargo would increase by five percent. The expectations for growth of air cargo services in Colombia rely on: (a) favorable local economic growth that has been predicted to continue growing at six percent during 2007-2008, (b) increase in demand for international transport of local goods (flowers, fruits, textiles, etc.), (c) the Open Skies Policy, which allows new airlines to enter the country and provides freedom in routes and timetables, (d) the opportunities to be created by a ratified U.S. - CTPA, (e) other trade agreements that are being negotiated with the European Union, Mercosur, and various Central American countries, and (f) the security and economic plans of the government that have fostered investor confidence.

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 those mentioned above. U.S. service firms can also offer strategic planning and consulting services, technical advice, technology-transfer services, and solutions and hardware for merging and consolidating airfreight operations. Financial firms can offer services for security/risk management.

Local airports, sea ports and border check points need major infrastructure upgrades, and local companies providing consolidated air, sea, and land cargo transportation need to keep up with new technology and modern infrastructures to provide a better, faster, and more secure service to their customers.

## Resources

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Colombian Association of Airlines (ALAICO): www.alaico.org
Colombian Association of Air Transportation: www.atac.aero
Colombian Association of Flower Growers (ASOCOLFLORES): www.colombianflowers.com
Colombian Freight Forwarders, Customs Brokers, and Warehousing Federation (FITAC): www.fitac.net
Colombian Special Administrative Unit for Civil Aeronautics (UAEAC): www.aerocivil.gov.co
National Association of Exporters (ANALDEX): www.analdex.org
National Industrialists Association (ANDI): www.andi.com.co

## ELECTRICAL POWER SYSTEMS

### Overview

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| | 2005 | 2006 | 2007 (p) |
|---|---|---|---|
| Total Market Size | 448.3 | 490.5 | 527.3 |
| Total Local Production | 120.1 | 130.0 | 135.0 |
| Total Exports | 134.2 | 188.4 | 295.0 |
| Total Imports | 462.4 | 548.9 | 687.3 |
| Imports from the U.S. | 217.9 | 203.3 | 237.6 |

The above statistics are unofficial estimates 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 (55 percent) and private generators (45 percent) are developing plans for additional projects to accommodate the increasing power demand (since 2000) due to growing consumption from industries, domestic consumers, and increased exports to Ecuador.

They are investing more in thermal and wind power generation than in hydro power plants, to reduce the uncertainty of power availability related to potential droughts. The government plans to develop a regulatory framework to expand the use of energy efficient systems and create awareness for the rational use of energy, including building more cogeneration facilities.

At the end of 2006, Colombia's net installed electric power capacity of the National Interconnected System (SIN) reached 13,277 MW. This represented 64.1 percent hydro-powered with the remainder thermal-powered (natural gas - 26.8 percent, and coal – 5.3 percent), wind power and cogeneration facilities (3.8 percent). Projected demand for 2015 could reach 72,000 GWh/h.

Industry sources estimate that new power plants need to be on-line by 2013, which will require an estimated $5 billion US from private sponsors. However, there are concerns about the availability of natural gas for power generation. The Minister of Mines and Energy's suggestions for the use of diesel or coal, present environmental concerns as does the use of diesel, which continues to receive governmental subsidies and is mostly imported. Both of these fuels may not be good alternatives. The government needs to clarify these issues before investors make decisions on power projects.

The Energy and Gas Regulatory Commission (CREG) enacted a "Reliability Charge" that recognizes the availability of generation assets to insure "firm generation capacity" under critical conditions. This is a major incentive to develop new power projects in Colombia. Several large utilities and transmission companies, including Interconexión Eléctrica (ISA), Empresas Públicas de Medellín (EPM), ISAGEN S.A.E.S.P, and Empresa de Energía de Bogotá (EEB) are evaluating expansion projects to other Andean (Bolivia, Ecuador, and Perú) and Central American countries, especially the power interconnection with Panama, which could lead to other projects in Central America.

The Uribe Administration is also promoting the use of renewable energy sources, especially for off-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 only 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 that is expected to produce some 80 MW of electricity and additional environmental benefits aimed at protecting the surrounding paramo areas.

Tariffs on 65 percent of U.S. energy equipment exports will be eliminated immediately upon entry into force of the U.S. - CTPA with the remaining tariffs phased out over ten years.

## Best Products/Services

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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 power 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

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The outlook for the Colombian electricity sector is promising since the government is planning the development of several new power generation projects to accommodate the expanded demand. Additionally, the government is exploring prospects to become 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 market trend to continue using hydroelectric plants with gas-fueled thermal energy generators, including cogeneration systems. Also, electricity trading 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 and medium scale 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** Return to top

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Association of Power Generation Companies (ACOLGEN): www.acolgen.org.co
Energy and Gas Regulatory Commission (CREG): 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

## POLLUTION CONTROL EQUIPMENT

### Overview

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| | 2005 | 2006 | 2007 (p) |
|---|---|---|---|
| Total Market Size | 130.9 | 150.2 | 213.2 |
| Total Local Production | 12.0 | 13.0 | 14.0 |
| Total Exports | 11.7 | 16.5 | 12.9 |
| Total Imports | 128.9 | 153.7 | 212.1 |
| Imports from the U.S. | 75.9 | 87.7 | 110.3 |

(The above statistics are unofficial estimates in millions of USD)

The approval of the U.S. - CTPA will prompt the government and private sectors to improve compliance with the country's environmental regulations and, subsequently, industries are expected to invest more in pollution prevention and control equipment.

In 2007, the country's estimated coverage of potable water infrastructure reached 97.4 percent of the urban population providing 90.2 percent of the population with sewer system access. In the country's rural areas the situation is different. Aqueduct service coverage reaches 66 percent and sewer system access reaches only 57.9 percent of the inhabitants.

Colombia's Water Regulatory Agency (CRA) estimates that nearly 45 percent of the treated water (by the country's 1,800 water utilities) goes unaccounted for. Water is available, produced, but not paid for by the users, or is lost because of inadequate piping systems. This system creates a large problem for utilities and users and negatively affects potential future investments.

Government sources estimate that the country needs to make environmental investments in the range of $3.3 to $3.4 billion US per year to maintain an adequate level of protection against all sources of pollution. The World Bank estimates annual investment requirements in aqueduct and sewerage systems to be $700 million US. Approximately $1 billion US will be needed if wastewater treatment plant requirements of $700 million US are included.

The Ministry of Environment, Housing, and Territorial Development (MMA) considers that close to 80 percent of Colombia's municipalities dispose of untreated wastewater into rivers or lakes. Colombia is a regional leader in the development and implementation of a wastewater pollution "tax" (*tasa retributiva*). However, only a few environmental agencies have established regional funds to finance wastewater treatment facilities. Cities such as Bogotá and Medellín 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. Nevertheless, funding remains a central concern. Medellín is developing plans for a new wastewater treatment plant that could cost approximately $300 million US.

A major obstacle to this sector's growth is the current fiscal deficit that affects the availability of resources from the government budget and insufficient 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 so-called "green markets". New financing arrangements to stimulate private sector investment in this sector include new credit and tax incentives such as sales and income tax exemptions for the use of environmentally sound technologies, new economic instruments and pollution charges, carbon dioxide sequestration options, and other stock market alternatives.

Upon the approval of the U.S. - CTPA, 79 percent of U.S. environmental goods and equipment will receive duty-free treatment immediately. The remaining equipment tariffs will be eliminated in a period of between five to 11 years. In addition, Colombia will eliminate its prohibition on the importation of remanufactured environmental goods and equipment upon entry into force of the Agreement and will eliminate tariffs on most remanufactured construction equipment immediately and will phase out tariffs on a small number of remanufactured goods over ten years.

## Best Products/Services Return to top

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 collection, hauling and disposal of solid waste also provide good market opportunities for U.S. firms.

## Opportunities Return to top

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 the financing of large infrastructure projects 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, including the Bello wastewater treatment plant ($336 million US), in Medellín that could be completed by 2010.

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. These conditions are expected to change if the proposed U.S. - CTPA is ratified by the U.S. Congress and implemented. These changes will be necessary in order to comply with the agreement's environmental provisions.

## Resources Return to top

CS Bogotá contact: Julio Carbó, Commercial Specialist (Julio.Carbo@mail.doc.gov )
Ministry of Environment, Housing, and Territorial Development:
www.minambiente.gov.co
Invest in Colombia Corporation(*Coinvertir*): 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 Commission (CRA): www.cra.gov.co

## SAFETY AND SECURITY

### Overview

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| | 2005 | 2006 | 2007 (p) |
|---|---|---|---|
| Total Market Size | 99.6 | 105.58 | 112.97 |
| Total Local Production | 29.7 | 31.48 | 33.68 |
| Total Exports | 27.6 | 29.26 | 31.3 |
| Total Imports | 97.5 | 103.35 | 110.58 |
| Imports from the U.S. | 55.6 | 60.00 | 64.2 |

(The above statistics are unofficial estimates in millions of USD)

The demand for security systems and devices is continually growing in Colombia, due to security concerns of industry and households. Security systems and devices today form an integral part of business and consumer budgets. The Colombian Government has been focusing policy and resources on tackling security risks in the country, and providing a safer environment for people and industry.

The market is very diverse and includes alarm systems, access control devices, information security systems, automatic vehicle location systems, ionization detection devices, armoring, personal protection garments, surveillance and counter-surveillance equipment, and polygraph equipment.

From 1994 when the Superintendence for the security industry began, it has grown by 360 percent, with an average annual growth rate of 15 percent. Currently 3,511 companies operate in this sector, according to the Superintendent's Office. However, the vast majority of these companies are merely security guard companies whose equipment ranges from no more than uniforms, handguns, and shotguns.

It is important to note that during the last ten years, security departments within companies have increased by 39 percent, and vehicle armoring has increased by 446 percent, with the number of armored vehicles going up from 2,255 in 1997 to 12,321 in 2007. Correspondingly, the number of registrations conducted by the Superintendence has seen an increase of 285 percent growing from 120 in 1997 to 462 companies registered in 2007. However, many of these companies may no longer be operating.

### Best Products/Services

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U.S. exporters should consider focusing on the following sub-sectors:

- Securities Transporters
- Security Departments within Companies
- Armoring companies
- Consultancy Firms

The main surveillance and anti-theft system used in Colombia is Closed Circuit Television (CCTV). Institutions and households are quick to pick up on new trends and devices. As such, biometrics is increasingly being used and also silent panic-button systems.

Fire alarm/protection systems complement perimeter-protection and intrusion-detection systems. The ongoing trend seeks the integration of all of the above-mentioned systems under common platforms provided by computers 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 a promising one, with a continually increasing demand for information security.

Also in the mid-1990s, satellite location technology such as the Global Positioning System (GPS) emerged as the principal tool for managing and securing vehicle fleets.

## Opportunities Return to top

The Safety and Security market in Colombia is a steadily growing industry sector, requiring state of the art technology and specialized consultancy services. This provides great potential for U.S. suppliers. Also, clients have expressed their preference for U.S. products and services. The types of clients who most require services within this sector are grouped as follows:

- Residential users: 27%
- Commercial and Service Companies: 24%
- Industrial Companies: 18%
- Financial Companies: 8%
- Public Entities: 7%
- Energy and Petroleum Companies: 5%
- Private Education: 4%
- Airports: 4%
- Others: 2%
- Transport and Communication Companies: 1%

Not surprisingly, the more expensive equipment goes towards business use, i.e. the protection of company or government facilities. Also, almost all consultancy services go towards this segment of the market. U.S. companies are encouraged to participate in government procurement programs (for the supply of equipment at ports, airports, public buildings, etc.). More information is available on the government procurement website http://www.contratos.gov.co/puc/, or on the websites of individual entities.

However, 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 partnerships with local companies are a requirement.

Finally, the approval of the U.S. - CTPA will have a significant impact on this sector, reducing import tariffs on equipment to zero.

## Resources

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CS Bogotá contact: Gabriel Ramjas, Commercial Specialist
(gabriel.ramjas@mail.doc.gov
National Statistics Department (DANE): www.dane.gov.co
World Trade Atlas: www.gtis.com
Superintendent's Office for Surveillance and Security: www.supervigilancia.gov.co
Instituto Colombiano de Normas Técnicas (ICONTEC): www.icontec.gov.co

## BUILDING MATERIALS

### Overview

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| | 2005 | 2006 | 2007 (estimated) |
|---|---|---|---|
| Total Market Size | 334.69 | 444.1 | 511.2 |
| Total Local Production | 349.04 | 461.4 | 553.7 |
| Total Exports | 218.15 | 288.4 | 346.1 |
| Total Imports | 203.8 | 271.1 | 303.6 |
| Imports from the U.S. | 26.21 | 33.9 | 45.7 |

(The above statistics are unofficial estimates in millions of USD)

In 2006, the building materials sector experienced significant growth. The Uribe Administration has increased his efforts to promote the construction industry in Colombia attracting new investment in this key industry sector. These governmental measures have increased construction activity in urban areas, including new shopping centers, industry plants, and road transportation systems offering favorable conditions for importing building products and equipment.

Between 2005 and 2006, Colombian imports of building products worldwide grew approximately 32 percent; imports from the U.S. grew 29 percent and local production grew approximately eight percent. The United States has traditionally been one of the major suppliers of building materials and products to Colombia, accounting for approximately 14 percent of the total imports market in 2006.

According to local trade sources, the pending U.S. - CTPA will likely result in a measurable increase in U.S. exports of building products to Colombia. The elimination of the five to 15 percent Colombian tariff on U.S. imports will be a major catalyst to this anticipated increase in exports.

For building products, 58 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on another 26 percent of exports will be eliminated over five years. Duties on the remaining 16 percent of U.S. exports will be eliminated over ten years. Therefore, given passage of this agreement, there is a significant opportunity for investment of U.S. companies interested in exporting building products to Colombia.

### Best Products/Services

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Best sales prospects of building products in the medium term will be determined by the continued growth of the construction sector. According to local trade sources, local production of building products will continue growing depending on the local market demand, which is steadily increasing by ten percent annually. Imports of building products will continue the same trend over the next two to three years when most of the government construction programs are anticipated to take place.

## Opportunities

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The top U.S. exports to Colombia in this sector were refractory bricks, float glass, certain stone articles, and prefabricated buildings.

U.S. product opportunities also include glazed and unglazed ceramic, nonwired glass in sheets, nonwired glass colored, fiberboard, tubes, pipes of cast iron, structures and parts of iron or steel, parquet panels of wood, ceramic sanitary fixtures, instantaneous gas water heaters, articles of asphalt or similar materials in rolls, glass fibers and articles, sinks and wash basins of stainless steel, and aluminum structures and parts.

## Major Companies/Players in the Building Products Industry in Colombia

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The following companies are major operators in the building products business in Colombia.

**CORONA.** The Corona Organization is a Colombian multinational with over 125 years of history in business with local operations in Colombia, the United States, and China. The Organization is dedicated to the manufacturing and marketing of home improvement and construction products. Corona has seven manufacturing plants in Colombia and three in the United States, as well as sourcing offices in China.

**Sodimac Colombia S.A.** This Chilean-owned enterprise is the largest home improvement retailer in Colombia, operating in the modern sector of the country with ten stores in five cities (Bogotá, Cali, Medellín, Barranquilla and Pereira) under two formats and brands targeting different segments: “Homecenter” and “Constructor”

**ALFAGRES.** This company is a manufacturer, distributor, importer, and exporter of floor products. Alfagres is one of the leading companies in the building products industries in Colombia, with stores in more than 18 cities throughout the country.

**EUROCERAMICA.** This company is one of the largest manufacturers of ceramic building products in Colombia, located in Medellín, Antioquia.

**ARGOS**. Cementos Argos S.A. formerly known as Cementos Del Caribe S.A., the Group's principal activity is producing cement, concrete, mortars, and lime-based products. Cement products include production of different types of conglomerate products such as Type 1 Portland, Structural Cement, Type 3 Portland, and Type 5 Portland. Concrete Products include pre-fabricated concrete using a mixture of cement, water, sand, and gravel. Mortar products are mainly used for blocks or bricks mortar and for plaster, or stucco of walls.

## Resources

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CS Bogotá contact : Julio Acero, Commercial Assistant.
Email : julio.acero@mail.doc.gov
National Statistics Department (DANE): www.dane.gov.co

## FOOD & BEVERAGE PROCESSING & PACKAGING EQUIPMENT

### Overview Return to top

| | 2005 | 2006 | 2007 (estimated) |
|---|---|---|---|
| Total Market Size | 141.9 | 153.3 | 185.9 |
| Total Local Production | 49.0 | 55.0 | 57.3 |
| Total Exports | 24.9 | 29.2 | 30.7 |
| Total Imports | 117.8 | 127.5 | 159.3 |
| Imports from the U.S. | 25.5 | 31.3 | 38.1 |

(The above statistics are unofficial estimates in millions of USD)

In Colombia, the food and beverage processing and packaging equipment industry is privately owned, except for a few government distilleries. Companies in this sector range from small family-owned enterprises to large Colombian, U.S. and third country multinationals such as Kellogg's, Nestle, Compañia Nacional de Chocolates, Noel, etc. The sector is an important component of the national economy that contributes approximately 11 percent of the GDP, and generates about 122,000 direct jobs. The sector is ranked as one of Colombia's lowest risk sectors.

National and international competition has influenced the sector, which is reflected in industry's permanent efforts to maintain state-of-the-art technology, continuous product innovation, and modern 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 frequent as is investment in expansion plans. These improvements and a growing consumer population contribute to the sector's dynamism and when combined with cyclic equipment updates, the expected result is an annual increase of at least 12 percent of imports of industrial food processing and packaging equipment.

Results for 2007, for imports from the United States, are expected to show a growth of around 25 percent fueled by Colombia's economic expansion. Another key factor is that U.S. equipment is well positioned in the market. If U.S. manufacturers continue to be active in an almost unexplored niche, their products can become more prominent. Colombian exports of processed food are growing and, to some extent, this growth is the result of the governmental support programs that emphasize technological advancement and export preparedness of small and medium companies, known as PYMES in Colombia. These companies, with the support of the Colombian Government are excellent prospects for U.S. exports of equipment with small/medium production capacity.

### Best Products/Services Return to top

The following equipment offers the best market potential:
Food and Beverage Processing:

- Vegetable processing machinery
- Dairy processing equipment
- Brewery equipment
- Mixing and grading apparatus
- Filtering apparatus
- Heat exchangers

Packaging machinery:

- Filling, sealing, capping machinery

## Opportunities Return to top

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. End-users of equipment and technology in most of the sub-sectors vary widely in terms of revenues and production. Market opportunities for U.S. manufacturers also vary widely especially in equipment production capacity. A 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 a long way to go before becoming competitive with the latest technologies and electronic/robotics based equipment and production/packaging lines.

Project financing is not a major problem because the 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, small and medium sized companies have been targeted for special credit programs. The prospective U.S.-CTPA will only re-enforce the importance of improving competitiveness of these firms and the sales opportunities for U.S. manufacturers of equipment for this sector.

## Resources Return to top

InterBev: www.interbev.com
International Exposition for Food Processors (IEFP): http://www.processfood.com
PackExpo: www.packexpo.com
2008 Bogotá International Industrial Trade Fair: www.corferias.com
2008 Alimentec Show: www.alimentec.com
National Industries Association (ANDI): 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 (DIAN): www.dian.gov.co
Colombian Government: www.gobiernoenlinea.gov.co

Merchants Association (FENALCO): www.fenalco.com.co
National Planning Department (DNP): 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

## Agricultural Sectors Return to top

### Consumer Oriented Products

### Overview Return to top

| | 2006 | 2007(estimated) | 2008 (forecast) |
|---|---|---|---|
| Total Market Size | 13,171 | 11,339 | 11,429 |
| Total Local Production | 16,031 | 14,428 | 14,716 |
| Total Exports | 3,434 | 3,777 | 4,079 |
| Total Imports | 574 | 688 | 792 |
| Imports from the U.S. | 77 | 93 | 107 |

(The above statistics are unofficial estimates in millions of USD)

If approved by Congress, the U.S. - CTPA will certainly improve import conditions and facilitate trade for agricultural products. Some of the main agricultural raw materials imported from the United States, such as corn, wheat, soybeans, and soy products will enjoy a zero import duty or will achieve that level in a given period, and in the meantime will have access to duty-free tariff rate quotas.

### Best Products/Services Return to top

Demand in Colombia for consumer oriented and other high-value food products have grown steadily since the early 1990's. Specific products showing an increase in sales since then are beef offal, fresh/frozen pork, mechanically de-boned chicken meat, hatching and table eggs, fresh fruits, breakfast cereals, beer, pet food, and assorted snack foods. In 2006, Colombia experienced economic growth of eight percent, which aided a 28 percent increase in U.S. imported agricultural products. A seven percent growth rate in economic activity is projected for 2007, which should again have a favorable effect on U.S. agricultural trade to Colombia. The value of the Colombian peso has grown since 2004 and it is likely that the trend will continue despite the GOC's efforts to stem the revaluation. This phenomenon is expected to favor growth in demand for imported products, including the U.S. agricultural processed products.

Historically, Chile is the principal supplier of imported fresh fruits to Colombia. Foreign competition in good-quality wine primarily comes from Chile, Argentina, Spain, and France. Marketing efforts continue to try and introduce quality California wines into the Colombian market, but success has been limited due to high import duties. Several Latin American countries receive preferential duty rates, because they are members of the Latin American Integration Association (LAIA). The LAIA is made up of 11 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Perú, Uruguay, and Venezuela). The Andean Community of Nations (Bolivia, Colombia, Ecuador, and Perú) also receives preferential duties. Venezuela is no longer a member of the Andean Community of Nations.

Although the production of domestic processed foods is growing, imports play an increasingly important role in meeting consumer demand for these products. The Colombian market for processed foods and other high-value food products is growing as a result of urbanization, which has also resulted in a dynamic fast-food industry and drastic changes in food marketing. Strong competition in the supermarket sector has also had an important impact on imports. The United States is the principal foreign supplier of consumer-ready food products to Colombia. U.S. food products are highly regarded in the Colombian market for their quality and value as well as for their wide variety of products.

## Opportunities Return to top

U.S. food companies looking to break into the Colombian market for consumer oriented food products and beverages should consider visiting Colombia in 2008. The U.S.-CTPA, once implemented, will provide increased opportunities for U.S. food and beverages and it is important to develop business relationships early. There will also be increased opportunities for direct foreign investment with local food processing companies.

## Resources Return to top

Trade Shows: Agroexpo is an exhibition with emphasis on food processing equipment that takes place every two years. Agroexpo will occur in Bogotá in July, 2009. Information at www.Corferias.com

Alimentec is a trade show specializing in food products. It takes place in Bogotá every two years. The next Alimentec will take place in August, 2008. This is a great event for showcasing food and beverage products. For more information, please contact the office of Agricultural Affairs, Bogotá, AGBOGOTA@fas.usda.gov or the event organizers at www.corferias.com

Information on the processed food sector in Colombia can be obtained from Mr. Octavio Campo, Executive Director of Food Industry Chamber at the National Association of Industrialists (ANDI): Calle 73 No. 8-13, Piso 6, Torre A, Bogotá, D.C., Colombia. Telephone (57-1) 326 8521/40 or (57-1) 326 8500 Ext 2420, fax (57-1) 347-3196/98, E-mail: ocampo@andi.com.co. Web site: www.andi.com.co.

The National Institute for the Control of Food and Drugs (INVIMA) is the Colombian government agency that regulates processed food products and is controlled by the Ministry of Social Protection. The main contact is Ms. Laura Pasculli, Deputy Director for Food and Alcoholic Beverages, Invima, Carrera 68D No. 17-11or 17-21, Bogotá, Colombia. Telephone (57-1) 294-8700 Ext. 3922, fax (57-1) 294-8700, Ext. 3920. E-mail: invimasal@invima.gov.co, or lpasculli@invima.gov.co Web site: www.invima.gov.co

The Agricultural Specialist at the American Embassy Bogotá is Alberto Restrepo, E-mail: agbogota@usda.gov, Telephone (57-1) 383-2801, 315-4147 or 315-2138, fax (57-1) 315-2181.

## COTTON

### Overview

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| | 2005/6 | 2006/7 | 2007/8(estimated) |
|---|---|---|---|
| Total Market Size | 102 | 112 | 113 |
| Total Local Production | 47 | 46 | 46 |
| Total Exports | 0 | 1 | 2 |
| Total Imports | 55 | 61 | 61 |
| Imports from the U.S. | 50 | 51 | 52 |

(In thousands of metric tons. Cotton marketing year (MY) is August-July).

Duty free access for textiles and garments to the United States under the ATPDEA boosted Colombia's cotton demand. The increased consumption is being filled by increased imports. Colombian production is expected to be unchanged at approximately 46,000 tons in MYs 2007 and 2008. The lack of increased production is mainly due to smaller planted areas in those regions that are considered marginal for cotton production due to high production costs and low yields. Cotton planted area has been declining despite government guarantees of a high minimum price to growers and debt forgiveness up to 40 percent on credit granted to local producer associations. Imports are expected to remain at 61,000 metric tons in 2007 and 2008 and the United States will likely continue to be the largest supplier. Colombia imports mainly short-length fiber cotton from the United States, which is not produced locally. The Government of Colombia is strongly encouraging cotton production by guaranteeing a minimum price paid to growers and has added a guarantee for producers against appreciation of the peso. The mandatory requirement for importers to purchase local production (absorption mechanism) was replaced by a new tariff-rate quota system that lowers the import duty if importers/mills purchase local production.

### Best Products/Services

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The expansion of Colombia's textile industry triggered by duty free access to U.S. markets for garments and textiles under the ATPDEA has resulted in larger cotton demand. The high quality of Colombian products and the well-developed garment industry give Colombia a competitive advantage among other Central and South American countries. U.S. companies have also started direct investments in Colombia to take advantage of the expected market openings under the U.S. - CTPA. The ATPDEA expires in February 2008, which could affect cotton exports in 2008 depending on if and how long of an extension is granted.

### Opportunities

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U.S. cotton exports should continue to grow, although at a slower rate. U.S. cotton quality and Colombia's preference for short-length fiber cotton is not readily available from other sources. Colombia is an important producer of denim, which utilizes short-fiber cotton. U.S. cotton has the additional advantage of lower freight costs to Colombia.

## Resources

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The U.S. cotton and yarn industry is locally represented by the regional Andean office of the Cotton Council International and the Cotton USA Sourcing Program. This office organizes the participation of the U.S. cotton and yarn industry in the largest regional textile trade show called COLOMBIATEX. The contact person is Ms. Nina Maldonado, Andean Regional Manager, Carrera 14 No. 94A-44, Of 402, Bogotá, D.C.,Colombia. Telephone (57-1) 623-3132, fax (57-1) 623-3076, E-mail: sourcingusaandeanreg@cable.net.co or nmoffice@cable.net.co

The Agricultural Specialist at the American Embassy – Bogotá is Leonardo Pinzon, E-mail: Agoffice@usda.gov, Telephone (57-1) 383-2807, 315-4147, or 315-2138, fax (57-1) 315-2181.

# WHEAT

## Overview

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| | 2005/6 | 2006/7 | 2007/8(estimated) |
|---|---|---|---|
| Total Market Size | 1,363 | 1,351 | 1,375 |
| Total Local Production | 33 | 33 | 33 |
| Total Exports | 0 | 0 | 0 |
| Total Imports | 1,285 | 1,242 | 1,325 |
| Imports from the U.S. | 659 | 575 | 640 |

(In thousands of metric tons. Wheat MY is July-June).

Wheat production is marginal in Colombia and is expected to maintain its level of 33,000 tons in MY 2007 and 2008. Low quality wheat and limited areas to expand production means reductions in wheat production in the future, with or without the U.S. - CTPA. The industry has been encouraging producers to move to alternative crops. In spite of high international wheat prices, there has been little incentive for producers to expand production due to increased costs and the lack of demand for domestic products. Under the price ban system, the wheat import duty has been zero percent during most of calendar year 2007 and is expected to remain there in 2008.

## Best Products/Services

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Wheat imports continue to supply 96 percent of milling needs. Imports for marketing year 2007 and 2008 are expected to be 1.37 million metric tons. Imports from the United States are estimated at 640,000 metric tons, a 48 percent market share due to more competitive prices and lower shipping costs. Canada is the next largest supplier. Imports of wheat from Argentina are a wild card as it is not clear if Argentina has the excess supply at a competitive price. Argentina, as member of MERCOSUR has a preferential import duty, but this has been offset by increased transportation costs and export taxes.

The U.S. share could benefit from new investments locally in technology and additional training in grain handling. Colombia's import duty for wheat under the price band system was zero percent in 2007 due to high world prices. The U.S. - CTPA between Colombia and the United States, if approved, will result in an immediate and permanent zero duty for imports of U.S. wheat. MERCOSUR and Canadian wheat will still have to pay the price ban duty giving U.S. wheat a competitive advantage.

## Opportunities

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There has been a restructuring of the wheat milling industry in Colombia since the early 1990's after the dismantling of the Government of Colombia's agency in charge of agricultural imports (IDEMA). The increase in wheat imports is the result of Colombia's consolidation of mills resulting in more efficient flour production. While bread consumption in Colombia remains low, there has been a steady increase in Colombian pasta consumption creating increased demand for Durum wheat. In addition, this trend could open opportunities for U.S. direct investment in pasta plants.

## Resources

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The U.S. Wheat Associates, Inc. from its regional office in Santiago, Chile, serves the wheat trade in South America. Information on the wheat market can be obtained from Mr. Miguel Galdos, Marketing Specialist, U.S. Wheat Associates, Inc., La Concepción 177/32B, Casilla 16616, Santiago 9, Chile. Telephone (562) 235-7137, fax (562)235-7371, E-mail: mgaldos@uswheat.org Website: www.uswheat.org

The local wheat milling industry is represented by the National Federation of Wheat Millers, FEDEMOL, whose General Manager is Mr. Jaime Jimenez, Carrera 13 No. 28-01, Of. 402, Bogotá 1, D.C. – Colombia, telephone (57-1) 285-8337, fax (57-1) 561-2598, E-mail: fedemol@etb.net.co

The Agricultural Specialists at the American Embassy – Bogotá are Leonardo Pinzon and Alberto Restrepo, E-mail: Agbogota@usda.gov Telephone (57-1) 383-2807, 315-4147 or 315-2138, fax (57-1) 315-2181.

# CORN

## Overview

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| | 2005/6 | 2006/7 | 2007/8 (estimated) |
|---|---|---|---|
| Total Market Size | 4,500 | 4,700 | 4,900 |
| Total Local Production | 1,230 | 1,230 | 1,230 |
| Total Exports | 0 | 0 | 0 |
| Total Imports | 3,151 | 3,378 | 3,500 |
| Imports from the U.S. | 2,882 | 3,108 | 3,300 |

(In thousands of metric tons. Corn MY is October-September).

Colombian yellow corn imports continue to rise due to increasing expansion of Colombia's poultry, hog and dairy sectors. Colombia yellow corn production has not grown over the past two years despite high international prices and government efforts to encourage increased production. Total corn production is estimated at 1.23 million tons in 2007 and 2008, reflecting virtually no change from the previous year. Government incentives resulted in increases in planted areas and production for some mechanized commercial farmers, but corn acreage in areas of some small farmers has dropped due to high production costs, bad weather, and greater pest problems.

Corn consumption growth is due to increases in production of poultry, livestock (dairy and swine), and a relatively recent growth in fish and shrimp production. In addition, stronger economic growth has resulted in an increase in per capita poultry meat demand, which surpassed per-capita beef consumption for the first time in 2007.

The United States is expected to increase its market share to 94 percent in 2007 and 2008, as high international prices keep the price ban duty at zero, eliminating Argentina's preferential duty treatment. As part of the U.S. - CTPA, a tariff-rate quota for U.S. yellow corn was negotiated at 2.1 million tons for the first year, which will increase over a 12 year period before being eliminated.

## Best Products/Services Return to top

Over the long run, imports of U.S. yellow corn, under the U.S. - CTPA, will remain steady and possibly even grow depending on international prices. Preliminary estimates indicate that imports of U.S. corn could grow to over five million tons in the next few years, assuming continued strong economic growth in Colombia. Although limited, U.S. white corn exports could see an increase, depending on overall prices and Colombian production.

## Opportunities Return to top

U.S. corn exports in bulk will continue to be the United State's best corn product export opportunity for Colombia.

## Resources Return to top

Trade Shows: Agroexpo is an exhibition with emphasis on food processing equipment that takes place every two years. The next version of Agroexpo will occur in Bogotá in July, 2009. Information at www.Corferias.com

Alimentec is a trade show specializing in food products. It takes place in Bogotá every two years. The next Alimentec will take place in August, 2008. This is a great event for showcasing food and beverage products. For more information, please contact the office of Agricultural Affairs, Bogotá, AGBOGOTA@fas.usda.gov or the event organizers at www.corferias.com

The U.S. Grains Council has maintained a regional consultant for trade servicing in different grain commodities in Colombia and the Andean region. The consultant is Mr. Jaime Cuellar, Calle 92 No. 10-40, Apto. 503, Bogotá, D.C., Telephone (57-1) 236-7532, 864-8695, mobile phone (57-3) 315-383-3288, fax (57-1) 236-7532 or 864-8704, E-mail: jacuellar@epm.net.co, Website: www.grains.org

The local feed industry, the primary user of imported yellow corn, is represented by the Feed Chamber at the National Association of Industrialists (ANDI): Calle 73 No. 8-13, Piso 6, Torre A, Bogotá, D.C., Colombia. Information on the feed sector in Colombia can be obtained from Ms. Luz S. Kuratomi, Executive Director of Feed Industry Chamber at (011) (57-1) 326-8500 Ext. 2419, fax (011) (57-1) 347-3198, E-mail: lkuratomi@andi.com.co, Web site: www.andi.com.co

Another feed manufacturers association is Federal: Ms. Maria L. Losada, Executive President, Diagonal 145 No. 35-03 ofic. 305A, Bogotá, D.C.-Colombia. Telephone (57-1) 274-6134, fax (57-1) 258-0491, E-mail: federal@cable.net.co

The Agricultural Specialist at the American Embassy Bogotá is Leonardo Pinzón, E-mail: Agbogota@usda.gov, Telephone (57-1) 383-2807, 315-4147 or 315-2138, fax (57-1) 315-2181.

## SOYBEAN MEAL

### Overview

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| | 2005/6 | 2006/7 | 2006/7 (estimated) |
|---|---|---|---|
| Total Market Size | 793 | 812 | 820 |
| Total Local Production | 100 | 90 | 100 |
| Total Exports | 0 | 0 | 0 |
| Total Imports | 693 | 741 | 750 |
| Imports from the U.S. | 379 | 294 | 350 |

(In thousands of metric tons. Soybean meal MY is October-September)

The oilseed meal supply in Colombia is composed mainly of soybean meal, cottonseed meal, palm kernel meal, and sesame seed meal. All fishmeal used in the country is imported from Perú, Chile, and Ecuador.

The U.S. - CTPA, if approved, will provide for more stable price movement for U.S. soybeans and soybean meal. The U.S. - CTPA is expected to shift soybean and soybean meal imports from MERCOSUR countries to imports from the United States as the tariff advantages of those countries are reduced and shipping costs become a more important factor in purchases.

### Best Products/Services

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Total domestic consumption of soybean meal and palm kernel meal are forecast to make up 90 percent of Colombian vegetable meal usage in animal feed.

In MY 2006 and 2007, U.S. export market share of soybean meal to Colombia dropped 15 percent against MERCOSUR countries. In 2007 and 2008 higher soybean and soy meal prices will reduce the price ban duty making U.S. soybeans and soybean meal more competitive. U.S. soybean meal exports are expected to increase to over 350,000 tons, capturing 47 percent of total Colombian imports.

### Opportunities

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The U.S. - CTPA will open up opportunities for U.S. investors in establishing new oilseed crushing facilities and feed manufacturing plants in Colombia. Also, there may be investment opportunities in transportation and port infrastructure.

## Resources Return to top

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The American Soybean Association (ASA) maintains a regional consultant for trade servicing in different grain commodities in Caracas, Venezuela, for the Andean region. The consultant is Ms. Belinda Pignotti, Program Coordinator, Edif. Banco del Orinoco, Of. 7-D, Piso 7. Ave. Francisco de Miranda, La Floresta. Telephone (58212) 285-7697, mobile phone (58414) 308-7705, fax (58212) 285-7697, E-mail: asacar@cantv.net, Website: www.soygrowers.com

The local feed industry, a main user of imported soybean meal, is represented by the Feed Chamber at the National Association of Industrialists: Calle 73 No. 8-13, Piso 6, Torre A, Bogotá, D.C., Colombia. Information on the feed sector in Colombia can be obtained from Ms. Luz S. Kuratomi, Executive Director of Feed Industry Chamber at telephone (57-1) 326-8500 Ext. 2419, fax (57-1) 347-3198, E-mail: lkuratomi@andi.com.co, Web site: www.andi.com.co

Agricultural Specialists at the American Embassy – Bogotá are Leonardo Pinzon and Alberto Restrepo, E-mail: Agbogota@usda.gov, Telephone (57-1) 315-4147 or 315-2138, fax (57-1) 315-2181.

## SOYBEANS

### Overview
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| | 2005/6 | 2006/7 | 2007/8 (estimated) |
|---|---|---|---|
| Total Market Size | 435 | 440 | 450 |
| Total Local Production | 53 | 50 | 50 |
| Total Exports | 0 | 0 | 0 |
| Total Imports | 371 | 338 | 350 |
| Imports from the U.S. | 235 | 294 | 320 |

(In thousands of metric tons. Soybeans MY is October-September).

Colombian soybean production is expected to decline to 50,000 tons in 2006 and 2007 and maintain this level into 2007 and 2008. The government of Colombia continues to be committed to supporting Colombian soybean production and has launched a program to purchase subsidized options at the National Agricultural Commodity Exchange. The government will pay 90 percent of the cost of the coverage purchased by the growers and buyers that use this new option mechanism.

Variable weather, lack of appropriate infrastructure, needed capital investments, and pest risk all contribute to high production costs, which have kept soybean production at levels below expectations. The approval of biotech soybeans is under way and work on new soybean varieties is being undertaken by CORPOICA (the official agricultural research institute). We do not, however, expect a significant increase in production.

### Best Products/Services
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Oilseed product consumption is expected to continue to grow by three percent per year. Close to 95 percent of Colombia's full-fat soybean meal (FFSBM) production utilizes an extrusion or roasting process. According to the industry, usage of FFSBM in Colombia is expanding and accounts for as much as 50 percent of the country's total protein requirements. In 2004, the Colombian government banned the use of imported bovine protein meal in livestock feeds in Colombia due to Bovine Spongiform Encephalopathy (BSE, or Mad Cow Disease). This policy is helping to fuel the steady growth in oilseed meal consumption. Soybean meal accounts for roughly 85 percent of total vegetable meal usage by the feed sector.

The long-term impact of the U.S. - CTPA with the United States is expected to shift soybeans and soybean product imports from Bolivia and Paraguay to imports from the United States as tariff advantages for those countries are eliminated.

### Opportunities
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The U.S. - CTPA will open opportunities for U.S. investors in establishing new oilseed crushing facilities in Colombia. Also, there may be investment opportunities in feed manufacturing, transportation and port infrastructure.

**Resources** Return to top

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The local oilseed crushing industry, a main user of imported soybeans, is represented by the Chamber of Food Products at the National Association of Industrialists, known in Spanish as ANDI. Information on the oil crushing sector in Colombia can be obtained from Mr. Octavio Campo, Executive Director of Food Industry Chamber at the National Association of Industrialists: Calle 73 No. 8-13, Piso 6, Torre A, Bogotá, D.C., Colombia. Telephone (57-1) 326 8521/40 or (57-1) 326 8500 Ext 2420, fax (57-1) 347-3196/98, E-mail: ocampo@andi.com.co, Web site: www.andi.com.co.

Agricultural Specialists at the American Embassy Bogotá are Leonardo Pinzon and Alberto Restrepo, E-mail: Agbogota@usda.gov, Telephone (57-1) 315-4147 or 315-2138, fax (57-1) 315-2181.

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# Chapter 5: Trade Regulations and Standards



## Import Tariffs

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Most Colombian import duties have been consolidated into four tariff levels: zero percent on capital goods, five percent on industrial goods and raw materials, ten percent on manufactured goods with some exceptions, and 20 percent on "sensitive" goods. In addition to the basic import duties, some agricultural products fall under a variable "price band" import duty system. The price band system includes 14 marker products and 153 substitutes and derivatives, and has resulted, in the past, in duties approaching or exceeding 100 percent for important U.S. exports to Colombia, including corn, wheat, rice, soybeans, pork, poultry, cheeses, and powdered milk. The price ban also has negatively affected U.S. market access for products such as dry pet food, which contains corn.

Colombia's white corn import duty was reduced from 45 percent to 30 percent for one year effective November 30, 2007 (decree 4672 of November 30, 2007). Simultaneously, the powdered milk import duty was reduced from 50 percent to 33 percent for one year also beginning on November 30, 2007 (decree 4670 of November 30, 2007).

In 2005, the government approved the elimination of import duties for equipment, spare parts, and accessories destined for various oil and gas activities (exploration, production, transportation, and refining). The measure also covers minerals exploration, 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.

## Trade Barriers

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Since 1990, Colombia has lowered and simplified its import tariffs. Import duties are quoted *ad-valorem* on the Cost Insurance Freight value of shipments. All duties (with few exceptions) have been consolidated into four tariff levels: a) five percent for raw materials, intermediate and capital goods not produced in Colombia, b) ten percent and 15 percent for goods in the above categories but produced and registered in Colombia, c) 20 percent for finished consumer goods, and d) the exceptions, such as import duties for motor vehicles which remain at 35 percent, and some agricultural products which fall under a variable import duty system (price band).

These tariff levels are in line with Decision 370 of the Andean Community (formerly "Andean Pact") Agreement, which the governments of Bolivia, Colombia, Ecuador, Peru, and Venezuela approved in 1994. This Decision, known as the Common External Tariff (CET), was adopted by Colombia in 1995 through Decree 205. Under Decision 370, Andean Community countries assign a CET for imports coming from third countries, and while gradually eliminating duties on products manufactured and imported from within the region. Venezuela left the Andean Community in 2006, but indicated in 2007 that it may rejoin the Andean Community in the near future.

Despite efforts to simply its tariff rate schedule, the large number of integration agreements that Colombia is party to have fostered overlapping tariff application according to different treaties. For example, a product may be subject to more than ten different duties depending on whether it comes from the Andean Community, Group of Three (G-3), LAIA, or from Caribbean Community countries. Approximately 97 percent of the 5,162 products of the Colombian Harmonized Tariff Schedule (CHTS) can be imported without an import license, but import tariffs and VAT still apply. Colombia's harmonized tariff schedule book lists all applicable import duties. U.S. exporters can obtain copy of the CHTS at:

| | |
|---|---|
| Lecomex Ltda. | Legis S.A. |
| Calle 98 # 11B-48 | Ave. El Dorado # 81-10 |
| Tel. (571) 610-9312 / 236-1367 | Tel. (571) 425-5255 / 425-5200 |
| Fax. (571) 610-7673 | Fax. (571) 425-5317 |
| Bogotá D.C., Colombia | Bogotá D.C., Colombia |
| www.lecomex.com | www.legis.com.co |

Colombia, together with Bolivia, Ecuador, and Peru, benefits from the ATPA. This U.S. unilateral tariff exemption, similar to the Caribbean Basin Initiative (CBI), promotes economic development through private sector initiatives in the four Andean countries. ATPA encourages exports of agricultural items to create alternative income sources for drug producers. ATPA also provides preferential treatment for over 6,500 non-agricultural products, including textiles and shoes, upon compliance with certain requirements.

**Non-Tariff Barriers:** Although significant progress has been achieved in this area, Colombia's bureaucracy still constitutes a barrier to trade for both local and foreign companies. In addition, pilferage in customs warehouses and robberies of trucks persists. Colombian customs can detain shipments indefinitely because of improper tariff schedule classification, incorrect address, or typing errors. When mistakes are made by the exporter or importer, the goods may be refused entry into Colombia and be returned at considerable expense to the exporter or importer. Colombian customs statutes provide for significant fines and penalties for light infringement of procedures and errors in freight forwarding documents by customs intermediaries (*Sociedades de*

*Intermediación Aduanera or SIA*). U.S. freight forwarders and intermediaries are subject to the same sanctions and penalties as Colombia's agents and brokers.

### NON-TARIFF BARRIERS TO AGRICULTURAL TRADE

**Import licenses issued by the Ministry of Commerce, Industry and Tourism (MINCOMEX):** Most agricultural products are issued automatic or "free" import licenses by the MINCOMEX. However, if the Ministry of Agriculture (MOA) determines that imports are not needed and will cause damage to related domestic production, it can prohibit the imports.

Resolution 04 of June 12, 1998, issued by MINCOMEX, placed seasoned poultry parts (chicken, turkeys, and other birds) under the "previous" licensing system. Prior to this, seasoned poultry parts were under the "free" import regime, which resulted in automatic issuance of import licenses by MINCOMEX. Since 1994, import licenses for raw unprocessed chicken and turkey parts have been routinely denied.

The Ministry of Social Protection through its regulatory agency, INVIMA, began implementing a zero tolerance policy for Salmonella on imported meat products In August 2007. As a result of this policy change, Colombian regulatory officials have rejected several U.S. shipments of mechanically de-boned poultry meat. Colombia's import requirement does not comply with internationally accepted standards for salmonella levels. USDA is working with INVIMA to change its salmonella policy, but it is not clear how long this process will take.

**Import License Approval Requirement by the MOA:** The requirement to receive prior approval from the MOA and purchase local production for imports of feed grains and rice expired on December 31, 2003 and the replacement system was put in place on February 16, 2004. The prior system was maintained under a WTO waiver that expired at the end of 2003. The new system is a tariff-rate quota, with the in-quota amount auctioned off based on the commitment of importers to purchase local production. The out-of-quota duty is the highest of either five percent or the Andean Price Band duty (see the following section on the Andean Price Band System). The U.S. - CTPA, will drastically simplify some of the import requirements when it is implemented.

**Andean Price Bands:** On April 1, 1995, Colombia implemented the common Andean Community price band (variable import duty system). It covers 14 basic commodities (white rice, malting barley, yellow corn, white corn, soybeans, wheat, crude palm oil, crude soybean oil, white sugar, raw sugar, powdered milk, chicken parts, pork meat, and sorghum) and 153 additional select commodities that are considered substitutes. In theory, the system covers domestic producers and consumers from volatile world prices by raising import duties when import prices are low and lowering duties when prices are high.

Under the Andean Community price band system, the price band duty rate, or total applied duty rate, is calculated as the basic import duty rate plus the variable duty rate. The Ministry of Trade sets the basic duty rate each December for the following year. The variable duty rate is calculated as the percentage difference between the price band reference price and the floor or ceiling price making up the price band. The Andean Community using a 60-month rolling average international price based on the period April

1 to March 31 calculates the floor and ceiling prices of the price band. The reference price is the average international price, which is updated every two weeks.

When the reference price falls below the floor price, the variable duty (or surcharge) is added to the basic import duty resulting in a higher applied duty rate. Conversely, when the reference price exceeds the ceiling price, the variable duty is subtracted from the basic duty rate making for a lower applied duty rate. Once the price band duty rate is calculated, the rate is applied to the reference price to obtain a per ton duty value. That duty value is then applied to the volume of product imported.

The Andean Community price band system lacks transparency and can be manipulated to provide arbitrary levels of import protection. For example, adjustment factors for freight, insurance, and other unspecified costs are not transparent and provide latitude for manipulation of ceiling, floor, and reference prices. In many cases, it is impossible for an exporter to estimate the final import duty.

Often the appropriate reference price is not used to assess the import duty. For instance, the ceiling and floor prices for chicken parts are based on U.S. whole broiler prices and the reference price is based on U.S. leg quarter prices. This method increases the likelihood that the reference price will fall below the floor price and the additional surcharge will be added to the import duty. For soft wheat, the floor and ceiling prices are based on hard red winter wheat, which tends to result in a higher import duty for soft wheat, since hard wheat is generally more expensive than soft wheat.

The U.S. government considers the application of this system to be inconsistent with Colombia's WTO obligations. It often appears that the reference price used to calculate the import duty does not accurately match the imported product, which results in the assessment of an inflated surcharge. Unfortunately, WTO binding import duties are often times higher than the applied price ban duty, making it difficult to argue against the price band system. The U.S. - CTPA will eliminate the Andean Price Band system for the above-mentioned products and by-products and significantly reduce the bounded tariff level. There will be Tariff Rate Quotas (TRQ) for some sensitive commodities and a period of several years for a gradual reduction in import duties, depending on each commodity. See text of the U.S. - CTPA on the U.S. Trade Representative's web site www.ustr.gov

**Sanitary and Phytosanitary Measures:** Colombia agreed in the U.S. - CTPA to lift the BSE related ban on U.S. beef from animals of 30 months of age and older, and some organs (livers, kidneys, and stomachs). In compliance with the U.S. - CTPA commitments for U.S. beef, the GOC issued decree 3755 of October 27, 2006 establishing the sanitary conditions for imports of U.S. beef and beef products. Simultaneously, Decree 3752 of October 27, 2006, defines the bovine specific risk materials, such as brains, eyes, and the spinal cord. The GOC also agreed to lift the restrictions on ten U.S. states prohibited from exporting poultry by May 15, 2006 as well as to recognize equivalency for the U.S. meat inspection system.

INVIMA handles sanitary aspects related to processed food trade, including monitoring of domestic beef slaughtering and processing plants. INVIMA is also developing regulations regarding living modified organisms (LMOs) in food products and food ingredients. Non-processed products that are fresh or frozen do not need to be registered with INVIMA, but do need a sanitary permit from the ICA. ICA is responsible for the issuance of sanitary import permits for animal products, vegetables, fruits, and grains.

**Product Health Registration:** All processed retail food items, including products imported in bulk for repackaging for retail use without further processing, must be registered and approved by INVIMA. Food products that are sold to restaurants, institutions, or to processors do not need to be registered with INVIMA, but according to the interpretation given by INVIMA of Decree 4764 of December 30, 2005, the importers of such products have to fulfill some bureaucratic requirements.

INVIMA charges a registration fee ranging from $676 to $1,670 US per product. According to Decree 3075 of 1997, product registration is not required for:

- Products that are not subject to any processing, such as grains, fruits, fresh vegetable, honey, etc.
- Products of animal origin that are not subject to any processing (however each shipment of meat and meat products must be approved by ICA in order to be imported)
- Products used as raw materials by the food industry or Hotels, Restaurants and Institutions sector in food preparation.

A processed product is defined by the government as having been subjected to processing that resulted in a change in its internal structure. INVIMA registration of processed foods requires: (1) a written document from the manufacturer stating that it manufactures the product, and (2) a certificate of free sale stating that the products are approved for human consumption in the United States. This certificate needs to be issued by a U.S. government (state, local, or federal) health authority. Although not strictly required, INVIMA registration is facilitated if a description of the manufacturing process and a list of the ingredients is submitted, including any additives, preservatives, and dyes. Since Colombia implemented The Hague Convention of October 5, 1961 with Law 455 of August 4, 1998, facilitating import documentation, the above listed documents must carry an "*apostille*" stamp. The "*apostille*" stamp fee amounts to $20 US each and it is produced by different authorities in each State, i.e. a Notary or a State Secretary or Under Secretary. This procedure replaced the notarization by the Colombian Embassy or a Consulate in the United States and by the Ministry of Foreign Affairs in Bogotá. A translator approved by the Ministry of Foreign Affairs must translate these documents into Spanish. INVIMA registration generally takes three working days to complete (although this can be much longer in some cases). The registration process can be done through INVIMA's website (www.invima.gov.co). Tariff rates for registration and other services by INVIMA can also be checked at this site.

After analyzing the documents provided by the importer, INVIMA may request additional information. Some importers complain that this procedure may result in additional requirements that become non-tariff barriers to trade. Product samples may also be taken from the shelf to conduct laboratory tests.

Registration is valid for ten years but only for the applicant (exporter or importer) and the manufacturer specified in it. Whenever the U.S. exporter wants to change its Colombian importer, there are two possibilities: (a) If the U.S. exporter is the applicant for the INVIMA registration, he must submit an application for registration modification to INVIMA (about USD 52), (b) If the Colombian importer is the applicant, the U.S. exporter must initiate a new registration process, specifying his new importer(s). Afterwards, he may change his importer(s) whenever he deems it advisable. The U.S. exporter must apply through his legal representative in Colombia.

INVIMA registration is valid only for the specifications (e.g., product description and size) mentioned in the registration. If another presentation of the same product is to be imported, the registering company needs to inform INVIMA in writing of the new product.

**Sanitary Permit:** Products used as raw materials by the food industry sector in food preparation do not need an INVIMA registration, but they do need a sanitary permit from ICA and comply with Colombian labeling regulations. ICA is responsible for the issuance of import sanitary permits for animal products, vegetables, fruits, grains, pet food, dairy products, and agricultural inputs, including seeds. Genetically modified organisms (GMO's) for plantings have to be approved by the National Technical Committee (CTN-Bio) in which ICA is a member. The ICA permit details the zoo-sanitary or phyto-sanitary (SPS) import requirements for the specific product.

The Colombian importer must first obtain the import permit from ICA, before requesting an import license from the Ministry of Commerce, Industry and Tourism. ICA resolution 414 of 2002 requires that the sanitary export certificate issued by the exporting country sanitary authority be dated later than ICA's import permit. For ICA approval, the product must: (1) come from a USDA inspected facility, (2) be free of disease, (3) be inspected by USDA prior to its shipment and be accompanied by a USDA health export certificate, and (4) be inspected by an ICA veterinarian upon arrival in Colombia.

Colombian importers must provide a sanitary import permit to the U.S. exporter for submission to the USDA, before products are shipped. USDA will then issue a sanitary export certificate referencing the listed requirements in ICA's import permit. No shipments should be loaded or transported without the submission of the sanitary permit. In the case of meat and meat products, the USDA Food Safety and Inspection Service (FSIS) maintain an inventory of current sanitary requirements for different importing countries. Both FSIS and USDA's Animal and Plant Health Inspection Service (APHIS) place Colombian sanitary requirements on their respective web pages.

**Additional Sanitary Registration Requirements:** U.S. exporters should be aware that sanitary registration must also be obtained for pharmaceuticals, cosmetics, and household insecticides and similar products. The registration with INVIMA must be obtained before exporting the products to Colombia and the procedure takes between three to six months. Sanitary registration is required for both locally manufactured and imported products. For more information contact: INVIMA, Deputy Directorate for Licenses and Registry, Carrera 68D # 17-21, Bogotá DC, Colombia, Tel. (57-1) 294-8700, Fax (57-1) 294-8700 Ext. 3930, web page: http://www.invima.gov.co/

**Pre-Shipment Certification:** In 1999, the Colombian Government eliminated requirements for the prior inspection and certification of imported food products at loading ports as part of an effort to ease import procedures.

**Import Requirements and Documentation** Return to top

U.S. exporters must be aware that their importers in Colombia must follow eight basic steps to complete an import transaction into Colombia:

1) When required, obtain import permits from pertinent government agencies. For example: Ministry of Social Protection (for medicines), Ministry of Agriculture (for certain food products), and Civil Aviation Department (for aircraft).

2) Buy and fill out the Import Registration form. File the Import Registration form with MINCOMEX. The form requires a complete product description and tariff classification.

3) Obtain approval from MINCOMEX for the Import Registration Form or Import License (in the few cases when this is required.

4) Make arrangements with a financial entity for payment of the importation.

5) Ask the exporter to ship goods to a Colombian port.

6) Request the Cargo Manifest from the transportation firm.

7) Make arrangements with its SIAs to receive the merchandise and get it out of customs. The following are the main steps to be followed:

    a. Fill out the "Import Declaration" (*Declaración de Importación*). When the importation value is equal or more than $1,000 US, SIA should do all the paperwork and get the shipment out of Customs.
    b. Fill out the "Andean Custom Value Declaration" (*Declaración Andina de Valor en Aduana*) when the importation value is equal or more than $5,000 US FOB.
    c. Go to an authorized financial entity and pay the import duties, VAT, surcharges, and other fees.
    d. Present all documents to customs.
    e. Customs inspects the merchandise, when they consider it necessary, and then authorizes withdrawal of goods.

The importer must keep import documents for a period of not less than five years.

**Import Declaration:** The importer must submit an import declaration to the DIAN. This declaration includes the same information contained on the import registration form and other information such as the duty and sales tax paid, and the bank where these payments were made. This declaration may be presented up to 15 days prior to the arrival of the merchandise to Colombia or up to two months after the shipment's arrival. Once the import declaration is presented and import duties are paid, customs will authorize the delivery of the merchandise.

Customs officials are responsible for inspecting merchandise to verify that the description and classification are consistent with the importer's declaration. A customs inspection group often performs after-clearance random investigations to detect fraud, foreign exchange irregularities, and tax evasion. Major customhouse brokers have a customs office in their own bonded warehouses where most clearance procedures are completed before the merchandise is delivered to the customers.

To carry out an export, the exporter must: 1) remit the proforma invoice, 2) obtain acceptance of conditions from the client (letter of credit, draft bill), 3) negotiate (through a local financial institution) the letter of credit/draft bill from the endorsing foreign bank, 4) present (to MINCOMEX) a form known as “Registration as National (local) Producer, Export Offer and Determination of Origin”, 5) present the certificate of origin (when necessary) with copy of the commercial invoice, and other certificates required by the country of destination (textile visa, phytosanitary certificates, etc.), and 6) complete and present the export declaration form, also known as shipping authorization of final export declaration, with all attachments as required.

Products that require special documentation include: vegetables, plants, fruits, animals, gold, emeralds, oil, coal, nickel, platinum, textiles, products exported through the General System of Preferences (GSP), products exported through the ATPA, and products exported through any free trade agreement.

## U.S. Export Controls

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U.S. exporters should be aware that the U.S. Government may prohibit the export of certain products to Colombia or require export licenses. The Department of Commerce’s Bureau of Industry and Security Export Enforcement (BIS) licenses most controlled product and technology exports. Licenses are required for certain high technology items or technology transfers and items with dual use potential (commercial items which could have military applications). In recent years, there have been increasing restrictions on the export of precursor chemicals to Colombia, due to concerns they may be utilized by narcotics traffickers to produce drugs. For more information on U.S. export compliance and enforcement licensing issues contact BIS: Tel: (202) 482-1208, (800) 424-2980, or web site - http://www.bis.doc.gov/. For information on the export of defense articles, weapons, and firearms contact the State Department’s Defense Trade Controls Directorate (DDTC), Tel: (202) 663-2700, Fax. (202) 261-8264, http://www.pmddtc.state.gov/

## Temporary Entry

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Non-fungible merchandise that can be thoroughly identified by marks, serial numbers, or other symbols can be temporarily brought into Colombia for specific purposes. The merchandise must be re-exported immediately after the pre-authorized period, without any alteration or modification, except for the normal deterioration caused by use.

There are two categories for temporary imports. The DIAN decides which of the two systems has to be applied to a specific case:

**Short Term:** Importation of merchandise for a specific purpose during a period of time that should not exceed six months; one three-month extension can be requested and approval must be obtained before expiration of the initial authorization. Short-term imports are not subject to import duties, but a guarantee equivalent to ten percent of the corresponding import duties must be presented to obtain approval.

**Demonstration Equipment:** The international carnet system for temporary imports of demonstration equipment (for promotional campaigns or trade shows) is not in effect in

Colombia.  Instead, DIAN requests that visitors bringing in equipment for demonstration purposes fill out a special form provided upon arrival at an international airport.  The equipment may stay in the country up to 90 days.  There is no deposit requirement.

**Long-Term:** Colombian Customs regulations also allow for long-term temporary importation of equipment for a period of up to five years.  Under this regulation, the Government allows importation of machinery and equipment as well as related accessories and spare parts if they are included in the same one-time-only shipment.  This system is applied to equipment to be used in public works projects and other activities that are important for national economic and social development.  Long-term temporary imports are also approved for machinery and equipment brought into the country under leasing contracts within a term of six months to five years.

Long-term customs declarations for temporary imports must include the U.S. dollar calculation of duties and taxes in accordance with the tariff schedule effective on the submission date.  The total amount may be divided into equal quotas to be paid semi-annually, during the temporary import period.  The importer may be required to guarantee an equivalent of 100 percent of the import duties.  Import duties are non-refundable.

## Labeling and Marking Requirements Return to top

Specific marks or labels are not required, except for food, pharmaceutical products, and textiles.  Labels on processed food products must indicate: the specific name of the product, ingredients in order of amount, name and address of manufacturer and importer, country-of-origin, number of units, instructions for storage and usage (when required), expiration date, and other instructions as required by the Ministry of Social Protection or the Industry and Commerce Superintendency.  Labels and illustrations cannot be inaccurate or misleading.

Labels on pharmaceutical products must indicate in Spanish: "for sale under medical, dental or veterinary prescription," with the generic name, commercial name, net weight or volume, weight or quantity of active ingredients, license number and the lot control number.  For products having limited shelf life, the date of expiration should be included.

Insecticides and other toxic products should display the skull and crossbones, the word "poison" in Spanish, and information regarding usage and antidotes.  Products for which there are no antidotes cannot be licensed and can only be used in programs under the direct control of public health authorities.

**Food Labeling Requirements:** The Government of Colombia requires country-of-origin labeling for processed foods products.  However, it does not classify frozen vegetables as a processed food and, therefore, no country of origin labeling is required.  Also, fresh fruit and vegetables do not require country of origin labeling.

The government issued Resolution 5109 of December 29, 2005 through the Ministry of the Social Protection, establishing labeling requirements for canned food and raw food products.  Recently the government advised the WTO of upcoming regulations on packages and containers used in direct contact with food products.

Colombian labeling requirements for processed foods do not address the question of ingredient origin. Therefore, if an imported food item contains ingredients from more than one country, for example, U.S. and Canadian peas in the same frozen package, the label must only identify the processor's name and address and the country where the product was produced.

Product labeling information on imported processed products must be present at the point of retail sale. The responsibility for this labeling information rests with the importer, not the retailer. Many Colombian importers arrange for this information to be placed on the product by the exporting firm, before it enters Colombia.

## Prohibited and Restricted Imports

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The importation of the following products has been specifically prohibited: dieldrin, aldrin, chlordane, endosulfan, heptachlor, lindane, and any preparations containing these products, gasoline that contains lead tetraethylene, and weapon-type toys.

An import license is required for 101 sub-classifications of the Colombian Tariff Schedule. No import licenses are being approved for the following: used vehicles and parts, used tires, used or irregular clothing, clothing closeouts, used bags and sacks, sacks of vegetable fibers, rags, and scrap cordage of textile material wastes. Only the Military Industry Institute (Colombia's government-owned arms and explosives manufacturer) may import weapons, explosives, and related raw materials.

U.S. live cattle imports are prohibited due to BSE. This policy is being challenged by USDA as the result of the World Animal Health Organization's (OIE) declaration in May 2007 that the United States is a controlled risk country for BSE. The MOA has agreed to work with USDA to conduct the necessary risk assessments needed to change the policy.

## Customs Regulations and Contact Information

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Colombian Tax and Customs Department: www.dian.gov.co

## Standards

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### Overview

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The Colombian standards regime's legal framework is based on Decree 2153 of 1992, which modified the structure of the SIC, and Decree 2269 of 1993, which created the National Standardization, Certification, and Metrology System (SNNCM). The latter decree designated the Colombian Technical Standards Institute (ICONTEC) as the main standards development organization and SIC as the national accreditation organization.

The standards regime was further revised after Colombia entered the World Trade Organization (Law 170 of 1994), joined the Group of Three (G-3) Trade Agreement between Colombia, Mexico, and Venezuela (Law 172 of 1994), and enacted Andean Community Decision 376 of 1995, which created the Andean Standardization, Accreditation, Assays, Certification, Technical Regulations, and Metrology System.

## Standards Organizations Return to top

ICONTEC is a private-sector organization created in 1963. Their 1,400 members include government officials and private firms from different industry sectors. The SIC has also accredited ICONTEC on products certification, quality assurance, and environmental systems certification.

The institute's main focus is to promote the development of technical standards, quality assurance, and product certification. They are members of the International Standards Organization (ISO) and the International Electro-Technical Commission (IEC). ICONTEC is a founding member of the Pan-American Technical Standards Commission (COPANT) and a member of the Pacific Area Standards Congress (PASC), the International Accreditation Forum (IAF), and IQNet, an international association of national quality assurance certification entities.

ICONTEC's technical standards development committees cover a wide range of issues and topics on metrology, occupational health, air, soil and water quality, solid waste, bar codes, conformity assessment, geographic information, environmental assessments, food and vegetable standards, and construction products, among others. For a complete standards development committee list, please visit: www.icontec.org.co/normalizacion.asp and click on "Ambitos Comités Técnicos".

**National Institute of Standards and Technology (NIST) Notify U.S. Service:** Additionally, there is web-based e mail subscription service in place to facilitate, review, and comment on proposed foreign technical regulations enacted by member countries of the WTO who are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. To register online at Notify U.S. visit: http://www.nist.gov/notifyus

## Conformity Assessment Return to top

The SIC, through the Delegated Superintendant for Consumer Protection (SDPC), oversees the National Standardization, Certification, and Metrology System. SIC accredits and supervises the certification entities, as well as testing and calibration laboratories that are incorporated in the National Standardization, Certification, and Metrology System for compliance to existing standards and technical regulations. The

SDPC is composed of the technical standards, metrology and consumer protection divisions.

Conformity assessment certificates can be obtained from accredited organizations, recognized organizations with which there is a recognition agreement, or by laboratory tests performed by an accredited laboratory. For a listing of accredited organizations, please consult: The SIC through the SDPC overseas National Standardization, Certification and Metrology System. SIC accredits and supervises the certification entities, as well as testing and calibration laboratories that are incorporated in National Standardization, Certification and Metrology

Conformity assessment certificates can be obtained from accredited organizations, recognized organizations with which there is a recognition agreement, or by laboratory tests performed by an accredited laboratory. For a listing of accredited organizations, please consult: www.sic.gov.co

## Product Certification

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Manufacturers and importers of products regulated by official mandatory technical standards or technical regulations need to register themselves in SIC's Mandatory Registry prior to the sale of such product. Products can be tested in accredited laboratories to obtain the certificate of conformity and SIC accepts certificates issued by accredited certification entities, such as members of the International Accreditation Forum (IAF) multilateral agreement.

MINCOMEX eliminated the mandatory status for the majority of products previously covered. SIC is working with other government agencies in the development of technical regulations for products that present threats to health, safety, environment, or national security. Under WTO commitments, Colombia must submit draft technical regulations for comment prior to the new regulation's entry into force. More information on technical regulations including those under development (awaiting public comment), valid technical regulations, and on Colombian technical standards referenced in regulations is available at: www.mincomercio.gov.co and click on "Vice Ministerio de Desarrollo Empresarial – Regulación".

## Accreditation

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Colombia has 11 accredited certification entities on quality assurance systems, electrical products, certification for fruits, vegetables, and other food products, occupational health administration system and environmental management systems, Codex Alimentarius, and e-commerce. Also there are many accredited inspection entities for household gas installations, food products, as well as over 60 testing, and 40 metrology (calibration) laboratories operating in public and private institutions. For a complete listing of product certification entities, inspection entities, metrology, and testing laboratories, please visit: http://www.sic.gov.co - and click on "Servicios en Línea – Acreditación y Metrología - Entidades Acreditadas".

INVIMA is the responsible organization regarding sanitary, medicines, biological products, food, beverage, cosmetics, and medical devices and products related to human health. For more information, please check: www.invima.gov.co

## Publication of Technical Regulations

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MINCOMEX (Regulations Directorate) is the WTO point of contact for TBT draft technical regulations, and upcoming Colombian notifications on TBT and SPS regulations. This group verifies compliance (and coordinates) with the WTO TBT Agreement, the SPS Agreement, and compliance with conformity assessment procedures, and maintains the national information system concerning national or foreign technical regulations, among other related matters.

Interested firms can review draft technical regulations and comment on them before the review period expires. For more information, please visit: www.mincomercio.gov.co and click on “Vice Ministerio de Desarrollo Empresarial – Regulación”.

## Labeling and Marking

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Specific marks or labels are not required for products, except for food, pharmaceutical, and textiles products. Labels on processed food products must indicate: the specific name of the product, ingredients in order of predominance, name and address of manufacturer and importer, number of units, instructions for storage and usage (when required), expiration date, and other instructions as required by the Ministry of Social Protection or the Industry and Commerce Superintendent. Labels and illustrations cannot be inaccurate or misleading.

Labels on pharmaceutical products must indicate in Spanish: "for sale under medical, dental, or veterinary prescription,” with the generic name, commercial name, net weight or volume, weight or quantity of active ingredients, license number, and the lot control number. For those products having limited shelf life, the date of expiration should be included.

Insecticides and other toxic products should display the skull and crossbones, the word "poison" in Spanish, and information regarding usage and antidotes. Products for which there are no antidotes cannot be licensed and can only be used in programs under the direct control of public health authorities

The SIC oversees compliance with labeling and marking requirements of all products (imported or produced locally), including displaying the unit of measure using the international system of measurements. ICONTEC has developed several Colombian technical standards on labeling and marking requirements for different products.

In addition, SIC develops metrological controls for measuring instruments to assure its calibration, following recommendations from the International Legal Metrology Organization (OIML). SIC operates a Metrology Laboratory where the national standard for the main physical properties (weight, volume, temperature, etc.) serves as reference to the Colombian industry.

## Contacts

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The following contacts can assist companies with their inquiries and research on standards in Colombia:

Ministry of Foreign Trade, Industry and Tourism (MINCOMEX)
Mr. Daniel Rico, Point of Contact for Technical Barriers to Trade, Sanitary and Phytosanitary Measures (Obstáculos Técnicos al Comercio y Medidas Sanitarias y Fitosanitarias - OTC/MSF)
Tel. (571) 606-7676 ext. 1690 – 241-0478
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## Trade Agreements Return to top

President Uribe's Administration has energetically pursued measures to liberalize trade. The U.S. and Colombia signed the U.S. - CTPA in November 2006 in Washington DC and a modifications protocol in June 2007. Colombia ratified the original agreement in April 2007 and the modifications protocol in November 2007. Both measures were pending ratification in the U.S. Congress as of February 2008. For additional information on the final texts of the U.S. - CTPA agreement please visit:
http://www.ustr.gov/Trade_Agreements/Bilateral/Colombia_FTA/Final_Text/Section_Index.html

ATPDEA, announced on August 6, 2002, was retroactively renewed and built upon the expired ATPA to further open U.S. markets to Colombian products, as well as to increase opportunities for U.S. exporters in the Colombian market. In June 2007, Congress extended ATPDEA until February 29, 2008. Duty-free access is based upon meeting requirements that products be substantially transformed into a product of the beneficiary country, must be imported into the U.S. directly from the beneficiary country, and meet the value-added requirement of 35 percent, up to 15 percent of which may be accounted for by U.S. content in terms of cost or value.

Apart from the U.S. - CTPA, Colombia signed free trade agreements with Chile in 2006 and with Central American countries (El Salvador, Guatemala, and Honduras) in 2007. Colombia is currently negotiating separate agreements with Canada, the European Union, and EFTA (Switzerland, Norway, Island, and Liechtenstein).

Colombia has been a member of the Andean Community since 1969. The Andean Community currently comprises Colombia, Bolivia, Ecuador, and Peru. Venezuela withdrew in 2006, but indicated publicly in late 2007 its interest in rejoining. Chile formally received the status of associated member in September 2006. Since 1999, the Andean Community has maintained a trade preference agreement with Brazil. The group has had a similar agreement with Argentina since 2000.

All of Colombia's bilateral and regional trade agreements are based on ALADI regulations and procedures. ALADI has partial agreements with Paraguay, Uruguay, and the Central American Common Market (CACM) countries (Costa Rica, Guatemala, El Salvador, and Honduras), as well as with Panama, Cuba, and CARICOM. Colombia is also a member of the Group of Three (G-3) with Mexico and Venezuela, in effect since 1995.

Outside the region, Colombia has signed bilateral agreements to stimulate trade and ensure most favored nation treatment with Hungary, the Czech Republic, Romania, Russia, Malaysia, Indonesia, India, China, South Korea, Algeria, Kenya, Egypt, Morocco, Israel, and the Ivory Coast.

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USTR:
http://www.ustr.gov/Trade_Agreements/Bilateral/Colombia_FTA/Section_Index.html
Ministry of Foreign Trade: www.mincomercio.gov.co
SIC: www.sic.gov.co
DIAN: www.dian.gov.co
Corporation Center for Technological Research and Development (CIDET):
http://www.cidet.com.co/
ICONTEC: www.icontec.org.co
INVIMA – equivalent to the U.S. Food and Drug Administration (FDA):
www.invima.gov.co
Ministry of Social Protection (formerly Ministry of Health):
www.minproteccionsocial.gov.co
Ministry of Communications: www.mincomunicaciones.gov.co
ICA: www.ica.gov.co
Colombia International Corporation: http://www.cci.org.co

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# Chapter 6: Investment Climate



## Openness to Foreign Investment

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The Government of Colombia actively encourages foreign direct investment. In the early 1990s the country began an economic liberalization reform, which provided for national treatment of foreign investors, lifted controls on remittance of profits and capital, and allowed foreign investment in every sector except for defense, national security, and the processing and disposal of toxic, radioactive, or hazardous waste products. Foreign investment in television concessions and nationwide private television operators, radio broadcasting, movie production, maritime agencies, national airlines, and shipping companies is limited to minority stakes. Portfolio investment, financial, hydrocarbon, and mining sectors are subject to special regimes, such as investment registration and concession agreements with the Colombian government, but are not restricted in the amount of foreign capital permitted.

The Ministry of Trade, Industry, and Tourism formulates foreign investment policy in coordination with the Ministry of Finance and Public Credit, taking into account the guidelines of the Council on Economic and Social Policy (CONPES). The primary regulations governing foreign investment in Colombia are Law 9 of 1991, Decree 2080 of 2000, Resolutions 51, 52, and 53 of the CONPES and Resolution 21 of the Board of Directors of the Central Bank. Generally, foreign investors may participate in privatization of state-owned enterprises without restrictions. Colombia imposes the same investment restrictions on foreign investors that it does on national investors. A commercial presence in the country (defined as a registered place of business, a branch, or an agent) is a standard requirement for conducting business in Colombia. Foreign investors can participate without discrimination in government-subsidized research programs. In fact, most Colombian government research has been done in connection with foreign institutions.

Investment screening has been eliminated, and the registration requirements that still exist are generally just formalities. Under Decree 1844/2003, the type of investment, its ultimate destination, and the type of currency determines the registration requirements. Foreign investments must be registered with the Central Bank's foreign exchange office within three months of the transaction date to ensure repatriation of profits and remittances and to access official foreign exchange. All foreign investors, like domestic investors, must obtain a license from the Commission of Companies and register with the local Chamber of Commerce.

Since 2002, the Uribe administration has stepped up efforts to open the economy. Liberalization has progressed furthest in telecommunications, accounting/auditing, energy, and tourism, and to a lesser extent in legal services, insurance, distribution services, advertising, and data processing. Colombian law restricts the movement of personnel in several professional areas, such as architecture, engineering, law, and construction. For firms with more than ten employees, no more than ten percent of the general workforce and 20 percent of specialists can be foreign nationals. Nevertheless, attempts are underway to liberalize areas where restrictions remain in force.

Investors can take out tax stability contracts with the government. The rate of the income tax and the tax on occasional earnings payable by investors opting for this regime is two percentage points higher than the tax rate applying at the time of conducting the contract. In return, the state guarantees that such provisions, regardless of any amendments, will be applied to investors for a specified period.

Colombia has a comprehensive legal framework for business. Colombia's judicial system defines the legal rights of commercial entities, reviews regulatory enforcement procedures, and adjudicates contract disputes in the business community. The judicial framework includes the Council of State, the Constitutional Court, the Supreme Court of Justice, and the various departmental and district courts, which are also overseen for administrative matters by the Superior Judicial Council. The 1991 constitution provided the judiciary with greater administrative and financial independence from the executive branch. However, the judicial system remains hampered by procedural requirements, time-consuming practices, and corruption.

According to the United Nations Conference on Trade and Development (UNCTAD), a high level of legal instability arising from the frequent issuing of regulations and administrative rulings has impeded investment in Colombia. To address the issue, Colombia's congress passed Laws 962 and 963 in 2005. Law 962 simplified existing administrative procedures and provided for the review of new procedures. Law 963 guarantees investors that the laws applicable to the investment at the time the investment is entered into will remain in effect for a period between three and 20 years depending on the type and amount of the investment. The minimum dollar value of the investment must reach $1.2 million US and those seeking to benefit from this law are required to pay a fee based on the investment. The law benefits investments in manufacturing, agriculture, tourism, mining, petroleum, telecommunications, construction, electricity production and transmission, port and railroad development, and other activities approved by a special committee. Portfolio investment is specifically excluded and the investment stability guarantee does not include taxes, labor and social security laws, financial services laws, or the tariff system. Colombia's foreign direct investment legal framework also incorporates binding norms (Decisions 291 and 292) resulting from its membership in the Andean Community of Nations (CAN), the 1995 Treaty on Free Trade with Mexico and Venezuela (G-3 Treaty), and the 2006 Trade Complementarity Agreement with Chile.

In November 2006, the United States and Colombian Governments signed the U.S. - CTPA. In June 2007, the U.S. and Colombia signed a modifications protocol regarding labor, environmental, intellectual property, and other issues. The Colombian Congress ratified the agreement and the protocol in 2007. Both were pending ratification by the U.S. Congress as of February 2008. The U.S. - CTPA will improve legal security and the investment environment, as well as eliminate tariffs and other barriers in goods and services trade between the United States and Colombia. The agreement grants investors the right to establish, acquire, and operate investments in Colombia on an equal footing with local investors and investors of other countries. It also provides U.S. investors in Colombia protections that foreign investors have under the U.S. legal system, including due process and the right to receive fair market value for property in the event of an expropriation. Protections for U.S. investments would be backed by a transparent and binding international arbitration mechanism. Investor-state arbitration would be available for breaches of investment agreements.

Currently, the ATPA as amended by the APTDEA, provides duty-free entry of approximately 6,500 product categories from Colombia into the U.S. Previously excluded products such as vacuum-packed tuna fish and certain textile and apparel products now enjoy duty-free access to the U.S. market, conditioned on compliance with government requirements. The President can expand the list of included products with approval from an advisory committee and concurrence from the U.S. International Trade Commission. Goods must meet a value-added requirement of 35 percent, up to 15 percent of which may be accounted for by U.S. content in terms of cost or value. In June 2007, the U.S. Congress renewed ATPDEA benefits through February 29, 2008.

Colombia exported goods worth $4.7 billion US under ATPDEA in 2006, versus $4.6 billion US in 2005, an increase of three percent. Total Colombian exports to the U.S. were $9.2 billion US in 2006, up 4.7 percent compared to previous year. Colombian exports under the ATPDEA program during this period were 52.1 percent of total Colombian exports. U.S. exports to Colombia, which totaled $6.7 billion US in 2006, have grown by almost $2 billion US since ATPDEA entered into effect in 2002.

The following sectors have been identified as having restrictions to foreign investment:

**Accounting, Auditing and Data Processing:** Providers of accounting and auditing services must register in Colombia. No restrictions apply to services offered by consulting firms or individuals. A legal commercial presence is required to provide data processing and information services in Colombia.

**Advertising, Radio and Television Services:** There are no local-content advertising requirements for advertising on Colombian television, but the National Television Commission charges foreign-made ads double the national rate for airtime. Colombian television broadcast laws (Law 182/95 and Law 375/96) require foreign investors to be actively engaged in television operations in their country of origin. National broadcasters are required to dedicate at least 70 percent of prime time to locally produced programming. Outside of prime time, at least 50 percent of programming must be locally produced except between the hours of midnight and 10:00 am when no locally produced programming is required.

Television, radio broadcasting, movie production, and movie reproduction fall under national-treatment limits. Foreign investment in television network and programming companies is limited to 40 percent. Foreign operators are limited by law to 25 percent ownership of radio broadcast programs. A maximum of ten percent foreign participation in local TV productions is allowed and the participation of foreign artists in local TV productions is dependent upon reciprocity requirements. National TV programs can be directed by foreign directors, in which case the screen writers and starring actors must be Colombian nationals (if the director is Colombian then some writers and/or starring actors may be foreign nationals). Bidding concessions for programming in public television channels are only open to Colombian nationals, and Colombian nationals are required to direct and manage newspapers covering domestic politics.

**Banking:** Foreign companies may own 100 percent of financial institutions in Colombia, but are required to obtain approval from the Banking Commission before making a direct investment of ten percent or more in any one entity. Portfolio investments used to acquire more than five percent of an entity also require authorization. The use of foreign personnel in financial institutions is limited to administrators, legal representatives, and technicians. The U.S. - CTPA would eliminate this restriction.

Foreign banks must establish a local commercial presence and comply with the same capital and other requirements as local financial institutions. Colombian legislation limits the operation of banks and other financial institutions by separating fiduciary, investment banking, commercial loans, leasing, and insurance services from banking services. Current legislation (Law 389/1997) permits banking institutions to develop such activities in the same office/building, but the management of such services must be separate.

Since 1999, banks operating in Colombia have been subject to a minimum capital requirement, promulgated through Law 510/1999. This law grants the government the right to intervene in institutions that fail to meet minimum performance requirements. Institutions are required to register with the Financial Institutions Guarantee Fund, FOGAFIN (a FDIC-equivalent), and Law 510/1999 extended the terms and time to liquidate a failing bank from six to 18 months.

Decree 2951/2004 establishes that foreign institutions must create a commercial presence if their promotions target Colombian residents. A banking relationship with a Colombian resident and a financial entity abroad is permitted if the relationship was initiated by the Colombian resident without any publicity or promotion in Colombia. The U.S. - CTPA would eliminate these restrictions by permitting respective nationals wherever located to purchase financial services from cross-border suppliers of the other nation.

**Hydrocarbons:** The Colombian government is currently seeking to increase exploration and investment in the hydrocarbons sector. In 2003, the Colombian government separated regulatory responsibilities from Ecopetrol, the state owned oil company, and assigned them to the ANH. The ANH administers Colombia's competitive process, allowing Ecopetrol to compete side-by-side with foreign firms for hydrocarbon contracts. Foreign companies may assume up to 100 percent of investment and risk activities in all exploration and production contracts.  Oil companies may obtain the right to exploit fields for 30-years or until depleted, as well as extend previous association contracts.

A new sliding-scale royalty rate on oil projects establishes a five percent royalty rate on the smallest oil fields and an upper limit of 25 percent on larger fields.  The lower royalty rate has encouraged investments by small- and medium-sized operators, since more than 80 percent of Colombia's fields contain less than 50 million barrels.  The reforms have helped to renew interest in Colombia's oil exploration sector, with the government signing a record number of contracts since 2005.  In 2006, a total of 44 exploration, production and technical evaluation contracts were signed between the ANH and foreign investors.  From January to October, 2007, 36 contracts were signed.

**Insurance:** Colombia permits 100 percent foreign ownership of insurance firm subsidiaries.  Firms must have a commercial presence locally to sell policies other than those for international travel or reinsurance.  In addition, Colombia denies market access to foreign marine insurers.  The U.S. - CTPA permits trans-border trading of insurance (except for some types of insurance, such as the mandatory vehicle insurance or pension insurance) and the possibility for foreign insurance and financial institutions to establish branch offices in Colombia.  The U.S. - CTPA includes a four-year transition period before U.S. insurance companies are allowed to enter the market.

**Legal:** Provision of legal services is limited to those firms licensed under Colombian law. Foreign law firms can enter the market by forming joint ventures with local law firms.

**Telecommunications:** Colombia currently permits 100 percent foreign ownership of telecommunication providers.  However, in WTO negotiations, Colombia specifically prohibited "callback" services.  Barriers to entry in telecommunications services include high license fees ($150 million US for a long distance license), commercial presence requirements, and economic needs tests.  Enterprises must be legally established in Colombia in order to receive a license or concession.  The Ministry of Communications may require an economic needs test for the approval of licenses in voice, facsimile, e-mail, and other value-added services.  The parameters that determine "an economic needs test" are not clearly established in Colombian legislation.  Colombia also maintains a system of cross subsidies where, for example, long-distance telephony subsidizes local telephony.  Low (subsidized) prices of local telephony and high restrictive costs in the provision of long-distance telephony limit the entry of new competitors.  The U.S. - CTPA will liberalize the sector by prohibiting anti-competitive cross-subsidization, requiring transparent licensing procedures, ensuring interconnection at reasonable rates, and protecting the confidentiality of commercially sensitive information obtained as a result of interconnection arrangements.

In 2006, Luxembourg-based Millicom bought 51 percent of Colombia Movil, the balance is still owned by two municipality-owned telephone companies, ETB (Empresa de Telecomunicaciones de Bogota) and EPM (Empresas Publicas de Medellin).  In 2007, following an extended dispute, U.S. trunking company Avantel was allowed to interconnect directly with mobile companies Comcel and Movistar with rights to interconnect with Colombian fixed networks at nondiscriminatory and cost-based rates. Under the U.S. - CTPA, U.S. firms will be able to lease lines from Colombian networks on non-discriminatory terms and re-sell telecommunications services of Colombian suppliers to build a customer base.

The National Television Commission (CNTV) has announced it will choose a standard for Land Digital Television (TDT) by March 2008. To reach a decision the CNTV is performing studies, tests, and visits from the U.S. (ATSC system), Japan (ISDB-T system), and Europe (DVB-T system) to determine the best standard for Colombia; the TDT will be free and open, and may cover about 90 percent of the population. Separately, Colombia expects to open a public tender in early 2008 for the launch of a third private TV channel in 2009.

**Transportation:** Article 1458 of the Commercial Code of 1971 prohibits any foreign ownership interest in commercial ships licensed in Colombia. Article 1490 of the Commercial Code restricts the percentage of FDI in maritime agencies to 30 percent, and Article 1426 restricts foreign ownership in national airline or shipping companies to 40 percent.

Trans-border transportation services are also restricted in Colombia. Land cargo transportation must be provided by natural or legal persons with commercial presence in the country and licensed by the Ministry of Transportation. Colombia's law permits international cabotage companies to provide cabotage services "only when there is no national capacity to provide the service." Cargo reserve requirements in transport have been eliminated. However, the Ministry of Foreign Trade reserves the right to impose restrictions on foreign vessels of those nations that impose reserve requirements on Colombian vessels.

**Other factors which may impact investment:** Law 145/1999 provides the Colombian government with the power of "economic intervention" in the operation of all companies (public, private, local, or foreign) permanently located in Colombia. This law promotes solutions similar to U.S. "Chapter 11" bailouts for companies with financial problems which face possible liquidation or bankruptcy. Restructuring agreements impose strict regulations on companies (e.g., financial operations unrelated to the company's activity may not be performed without previous authorization from all the parties involved in the transactions.)

Under the law, the Colombian government has intervened in 914 enterprises with registered assets totaling approximately $4.8 billion US. Of the companies involved, 665 reached restructuring agreements, which called for restructuring governance practices and outlined payment programs to meet their obligations and avoid insolvency. The remaining companies were found bankrupt and are currently being liquidated.

**Privatization regime:**

In recent years, Colombia has proceeded with the privatization of State-owned enterprises under Article 60 of the Constitution and Law No. 226 of 1995. This Law stipulates that the sale of the State holdings in an enterprise should be completed in two phases, the first for the "solidarity" sector (comprised of cooperatives and workers associations) and the second for the general public. During the first phase, special conditions with regard to term and credit have to be granted to the "solidarity" sector. In the second phase, the general public may participate, including foreign investors.

Colombia's main privatizations have concentrated in the electricity, mining, and hydrocarbons and financial sectors. In addition, the government hopes to generate $6.5 billion US over the next years by encouraging private sector investment in roads, ports, electricity, and gas infrastructure concessions. Public-private partnerships are increasingly the government's favored option for infrastructure development.

In Colombia, municipal enterprises run many public utilities and infrastructure services. These municipal enterprises have sought to engage private sector investment through concessions. There are successful cases in roads (the urban transportation integrated system for the Pereira - Dosquebradas - La Virginia metropolitan area), water, sanitation, ports (Port of Cartagena), and electricity services (Empresas de Medellín). These kinds of partnerships have helped promote reforms and create an attractive environment for private national and foreign investment.

In September 2007, state hydrocarbons company Ecopetrol auctioned 10.1 percent of its shares to 480,000 Colombian citizens. The valuation, structuring, issuance, and stock allocation process was conducted by JP Morgan and Credit Suisse. Additionally, Citigroup and Merrill Lynch conducted a contract to valuate the company. The GOC has announced plans for a second round to auction in 2008 for an additional 9.9 percent of the company's shares. This round would be open to foreign investors.

## Conversion and Transfer Policies

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No restrictions apply to transferring funds associated with foreign direct investment. However, foreign investment into Colombia must be registered with the Central Bank within three months of the transaction date to secure the right to repatriate capital and annual profits. If investments are registered, repatriation is permitted without any limits. The government permits full remittance of all net profits regardless of the type or amount of investment (previously limited to 100 percent of the registered capital). The latest tax reform eliminated the seven percent tax to profit remittances. There are no restrictions on the repatriation of revenues generated from 1) the sale or closure of a business, 2) a reduction of investment, or 3) transfer of a portfolio. Colombian law authorizes the government to restrict remittances in the event that international reserves fall below three months' worth of imports. Reserves have been consistently at least double that level for decades.

In 2005, the Colombian government attempted to stem speculative capital flows by mandating that foreign portfolio investment should remain in-country for at least one year. In 2007 the central bank replaced that mandate with a six-month deposit requirement for companies acquiring external loans. The aim is to level internal interest rates with international rates to avoid accelerated appreciation of the Colombian peso.

A Colombian business seeking an external loan must make a deposit at the Central Bank for an amount equivalent to 40 percent of the value of the loan. This deposit does not bear interest and the restitution term is six months. On December 14th, 2007, the Ministry of Finance issued Decree 4814 amending the cash reserve requirements imposed on Foreign Investment Portfolio Funds (FIFs). The amendment allows FIFs to fund the 40 percent cash reserve in U.S. dollars rather than Colombian pesos, as was previously required. Likewise, equities acquired through IPOs and investments in equities issued in the primary market through the Colombian Stock Exchange are exempt from the 40 percent cash reserve. Finally, the penalty rates imposed when the cash reserve deposit is withdrawn before the completion term (six months) were reduced.

| Holding Period | Discount before Decree 4814 | Discount after Decree 4814 |
|---|---|---|
| 6 Months | 9.40% | 5.72% |
| 5 Months | 7.90% | 4.79% |
| 4 Months | 6.37% | 3.85% |
| 3 Months | 4.82% | 2.90% |
| 2 Months | 3.24% | 1.94% |
| 1 Month | 1.63% | 0.98% |

## Expropriation and Compensation

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Colombian law guarantees indemnification in expropriation cases. The Colombian Constitution guarantees the rights of property that has been legally acquired, although it does allow for assets to be taken by eminent domain. Colombian law provides a right of appeal both on the basis of the decision itself and on the level of compensation. However, the constitution does not specify how to proceed in compensation cases, which remains a concern for foreign investors. The Colombian government has sought to resolve such concerns through the negotiation of bilateral investment treaties and strong investment chapters of free trade agreements such as the U.S. - CTPA.

## Dispute Settlement

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Law 315 of 1996 authorizes the inclusion of an international binding arbitration clause in contracts between foreign investors and the GOC and Decree 1818 of 1998 allows for alternative dispute resolution. The law allows contracting parties to agree to submit disputes to international arbitration, provided that the parties are domiciled in different countries, the place of arbitration agreed by the parties is a country other than the one where they are domiciled, the subject matter of the arbitration involves the interests of more than one country, and the dispute has a direct impact on international trade. The law allows the parties to set their own arbitration terms including location, procedures, and the nationality of rules and arbiters. International arbitration is not allowed for the settlement of investor-state disputes arising from the Legal Stability Contracts (Law 963/05) mentioned above, even for foreign investors.

Foreign investors have found the arbitration process in Colombia complex and dilatory, especially with regard to enforcement of awards. Despite Colombia’s commitment to international arbitral conventions and its domestic legal framework for arbitration and resolution of disputes, foreign companies continue to endure lengthy dispute settlement processes. Colombia is a member of the New York Convention on Investment Disputes, the International Center for the Settlement of Investment Disputes (ICSID), and the Multilateral Investment Guarantee Agency (MIGA).

## Performance Requirements and Incentives

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There are no performance requirements explicitly applicable to FDI entry and establishment. However, there are export incentives relating to the operation of special or free zones.

**Incentives:** In 2002, Colombia accepted the WTO Committee on Subsidies and Countervailing Measures' decision to phase out all export subsidies in free trade zones by December 31, 2006. However, free trade zones and special import-export zones maintain their special customs and foreign exchange regimes. In 2005, the GOC issued Law 1004 which imposed a 15 percent income tax on free zones (lower than the normal 35 percent tax) after December 31, 2006, and maintained the exemption on the seven percent remittance tax for free zones in the country (see chapter on free trade zones below).

Colombia's tax reimbursement certificate (CERT) program was frozen in 2002, but remained on the tax books. The program, intended to promote non-traditional export products, provided negotiable certificates to exporters based on their level of exports. On June 21, 2007 the Ministry of Trade reinstalled the CERT for sectors affected by the Colombian Peso revaluation, allocating approximately $25 million US. To avoid conflicts with WTO rules, it was granted as a labor CERT for companies in labor intensive sectors, such as apparel, textiles, shoes, leather, food products, furniture, graphic arts, auto-parts, jewelry, and plastic manufactures. The CERT allows qualifying companies to recover part of their taxes paid between January and June 2007, equivalent to four percent. Exports to Andean Community, Panama, Aruba, Bonaire, and Curacao are excluded.

In 2007, the MOA allocated $72.5 million US for the Sanitary Incentive program for banana and flower producers, a direct subsidy to improve phytosanitary controls for these export-oriented products. In January 2007, the MOA started the Agriculture Income Guaranty Fund (AIS) to protect the income of local vulnerable producers from international competitors, as well to improve the competitiveness of the agricultural sector. The program will allocate approximately $242 million US annually for ten years. The AIS is focused on rice, white corn, yellow corn, soy, wheat, sorghum, barley, and beans producers. Funds can be invested in technology, research, infrastructure, land purchase, machinery, and sanitary systems. Colombia maintains a $37 million US Rural Capitalization Incentive through the Financing Fund for Agricultural Sector (FINAGRO), which assist producers in making new investments for modernizing their operations for international markets.

**Export credit:** The foreign trade bank (BANCOLDEX) provides funds for working capital and equipment purchases dedicated to the production of exported goods. BANCOLDEX also provides discount loan rates to foreign importers of Colombian goods.

**Import Licenses:** Colombia has two import licenses. All importers are required to complete a standard import registration form, known locally as the "*Registro de Importación*". These forms are for record keeping/statistical purposes and are available at the Ministry of Foreign Trade. The other license applies to closely monitored, sensitive products such as precursor chemicals and weaponry.

Colombia imposes discretionary import licensing to ban imports of powder milk and poultry parts. The Colombian Government also has local purchase requirements for rice, yellow corn, white corn, and cotton. The U.S. - CTPA would reduce or eliminate these requirements for U.S. exports.

Most “used” goods, such as personal computers, cars, tires, and clothing, are effectively prohibited from import, and those allowed (e.g., used medical equipment) are subject to prior licensing.

**Promotion:** PROEXPORT is the Government’s foreign investment and export promotion agency. It provides information on market access and business opportunities and organizes international trade shows and missions. During the last few years, PROEXPORT has been making efforts to diversify Colombian exports, which have been traditionally concentrated in coffee, petroleum, coal, and flowers. PROEXPORT is similar to the United State Foreign Commercial Service in that it provides planning and training strategies for medium and small companies to overcome obstacles of exporting goods and services. There are 14 PROEXPORT offices abroad and four commercial representatives domestically. These offices attend and organize events, fairs, and provide commercial guides to enter foreign markets.

**Taxes:** The main types of tax incentives offered include preferential import tariffs, tax exemptions, and credit or risk capital from the government. Examples of tax incentive offered by the Colombian Government include the deductibility of income from new investments in the cultivation of fruits, anchovies, rubber, and cacao and in environmental enhancements and controls once these investments are accredited by the environmental authority. Some fiscal incentives are available for investments that generate new employment or production in areas impacted by natural disasters.

Tax and fiscal incentives are often based on regional considerations. For example, border areas have certain protections because currency movements in neighboring countries can severely harm local economies. Likewise, export-oriented companies and other industrial firms are provided fiscal and tax incentives where the general reduction in tariffs have hurt their businesses. Local governments also offer special incentives such as tax holidays to attract industry from other areas. Most applications for fiscal incentives are made directly to the agency involved. Tax incentives do not require special application, companies need only to qualify under the rules indicated in the process of filing a tax return.

Colombia also has numerous incentives that are not export-related. Decree 2755 of 2003 provides tax holidays for approved projects or for desired outcomes in many industries including software development, electric energy sales generated from wind resources, biomass, or agricultural waste, forestry use of new plantations, investment in sawmills related to such plantations, and planting of wood-use trees, hydrocarbon seismic services, infrastructure and sale of properties dedicated to the public interest, pharmaceutical exploitation of new medicinal products, public utilities, water, electricity, local telecommunications, natural gas, tourism services in new hotels built between 2003 and 2018, and shallow draft river transportation.

**Non-Tariff Barriers:** As mentioned above, the provision of legal services is limited to law firms licensed under Colombian law. Foreign law firms can operate in Colombia only by forming a joint venture with a Colombian law firm and operating under the licenses of the Colombian lawyers in the firm. Colombia permits 100 percent foreign ownership of insurance firm subsidiaries. Insurance companies must maintain a commercial presence in order to sell policies other than those for international travel or reinsurance. Economic needs tests are required when foreign providers of professional services operate temporarily in Colombia. Moreover, residency requirements restrict trans-border trade of certain professional services, such as accounting, bookkeeping, auditing, architecture, engineering, urban planning, and medical and dental services. For firms with more than ten employees, no more than ten percent of the general workforce and 20 percent of specialists may be foreign nationals. Companies seeking to sell information provision services must establish a commercial presence in Colombia. Foreign educational institutions must have resident status in Colombia in order to receive operational authority from the Ministry of Education.

**Tariff Barriers:** Many customs duties and most non-tariff barriers have been eliminated. The U.S. - CTPA will dismantle the remaining barriers upon entry into force or after a brief transition period. Current duties have been consolidated into three tariff levels:

- Level 1 – zero to five percent for capital goods, industrial goods and raw materials not produced in Colombia,
- Level 2 – ten percent on manufactured goods with some exemptions,
- Level 3 – 15 to 20 percent on consumer and "sensitive" goods, where international prices surpass the price-band ceiling, tariffs are reduced; when prices drop below the price-band floor, tariffs are raised. The price-band has affected local competitiveness and has dampened consumption via higher local prices. Andean Community variable duties have become an important barrier to imports of U.S. products into Colombia, but would be eliminated or mitigated in the U.S. - CTPA. Processed food imports from Chile and country members of the Andean Community (Peru, Ecuador, Bolivia, and Venezuela) enter duty-free.

Colombia assesses a discriminatory VAT of 35 percent on whiskey aged less than 12 years, which is more characteristic of U.S. whiskey, compared to 20 percent for whiskey aged twelve or more years, most of which comes from Europe.

## Right to Private Ownership and Establishment Return to top

Colombia's Constitution explicitly protects individual rights against state actions and upholds the right to private property.

## Protection of Property Rights Return to top

Piracy continues to threaten legitimate intellectual property markets in Colombia, which has been on the Special 301 "Watch List" every year since 1991. The registration and administration of intellectual property rights (industrial property and copyright) in Colombia are carried out by four different government entities. The SIC acts as the Colombian patent and trademark office. The agency suffers from inadequate financing and personnel, a high turnover rate, and a large backlog of trademark and patent applications, which has led to a large number of appeals. The patent office at the Superintendence believes that the number of new patent and trademark applications will (currently 1,600 patent and 15,000 trademark requests per year) double in the next two or three years, and that without considering the obvious increase in applications that the signing of the U.S. - CTPA will produce. This will necessarily increase the already large backlog of applications. Although the SIC is making efforts to provide electronic registration services for patents, industrial designs, and trademarks, it still has important deficiencies especially in personnel. The ICA is in charge of the issuance of plant variety protection and agro-chemical patents. The Ministry of Social Protection is in charge of the issuance of pharmaceutical patents, while the Ministry of Justice is in charge of the issuance of literary copyrights. Each of these entities suffers from significant financial and technical resource constraints. Moreover, the lack of uniformity and consistency in IPR registration and oversight procedures limits the transparency and predictability of the IPR enforcement regime.

The U.S. - CTPA provides for improved standards for the protection and enforcement of a broad range of intellectual property rights, which are consistent with both U.S. standards of protection and enforcement and with emerging international standards. Such improvements include state-of-the-art protections for digital products such as U.S. software, music, text, and videos, stronger protection for U.S. patents, trademarks, and test data, including an electronic system for the registration and maintenance of trademarks, and further deterrence of piracy and counterfeiting by criminalizing end-use piracy.

**Copyrights**
The recorded music market has declined four out of the last five years despite an expanding economy that has spurred greater consumer spending. Optical disc piracy of film entertainment product is extensive. The publishing industry also suffers from widespread piracy, mostly in the form of illegal photocopying of academic textbooks in and around university and school campuses. Although Colombia has one of the lower software piracy rates in Latin America, piracy of both business and entertainment software continues to cause commercial harm to legitimate industry.

The Colombian Congress has taken steps to increase criminal penalties and criminalize the circumvention of technological protection measures. Unfortunately, the scope and frequency of law enforcement raids has not created a deterrent effect. Most pirated products are distributed through hundreds of stalls in flea markets known as "*San Andrecitos*."

**Patents and Trademarks**
The patent regime in Colombia currently provides for a 20-year protection period for patents and ten-year term for industrial designs, protection is also provided for new plant varieties. However, U.S. companies have expressed concern that the GOC does not provide patent protection for new uses of previously known or patented products. In 2002, the GOC issued Decree 2085, which improved the protection of confidential data for pharmaceutical and agro-chemical products. Colombia is member of the Inter-American Convention for Trademark and Commercial Protection.

**Enforcement**
Since 1995, Colombia's National Anti-Piracy Campaign has raised public awareness, conducted training, and promoted consumer education. Law enforcement agencies cooperate with industry, but enforcement actions have concentrated in Bogotá, Medellín, and Cúcuta. When arrests are made and cases prosecuted there are often lengthy delays in processing cases.

In 2000, Colombia enacted fiscal enforcement legislation (Law No. 603) that requires Colombian corporations to include in their annual reports their compliance with copyright laws. The Superintendency of Companies has the authority to audit the company and penalize it in case of non-compliance. Any corporation that falsely certifies copyright compliance could face criminal prosecution. In addition, the legislation treats software piracy as a form of tax evasion and empowers the DIAN to inspect software licenses during routine tax inspections.

**Legislation**

Amendments to Colombia's 1982 copyright law have modernized the law, increased the level of criminal penalties for piracy, and expanded police authority to seize infringing product. Colombia has deposited its instruments of ratification for both the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT). Given the higher standards of copyright obligations and enforcement measures contemplated in the U.S. - CTPA, however, Colombia will have to make additional reforms to its copyright law and enforcement law in order to fully comply with certain issues.

Colombia's criminal code includes copyright infringements as a crime with jail terms. The code also contains provisions on the violation of technological protection measures and rights managements, both key obligations of the WIPO Treaties, but these violations are only punishable by fines. In 2006, amendments to the Criminal Code increased the maximum prison term from five to eight years with a corresponding rise in the minimum term from two to four years.

**Market Access**

Colombia has a broadcast television quota which requires that 70 percent of prime-time programming during the week be of local content, a screen quota, and an 8.5 percent levy on the net box office receipts of foreign films.

## Transparency of Regulatory System Return to top

Colombian legal and regulatory systems are generally transparent and consistent with international norms. The commercial code and freestanding laws incorporated by reference into the code, cover such broad areas as banking and credit, bankruptcy/reorganization, business establishment/conduct, commercial contracts, credit, corporate organization, fiduciary obligations, insurance, industrial property, and real property law. The civil code, in addition to covering civil status, inheritance and other matters, also contains provisions relating to contracts, mortgages, liens, notary functions, and registries. In Colombia the tendency has been to address new areas of legal and regulatory reach (like e-commerce) through separate statutory enactments that extend integrated regulation to these new areas, rather than amending the various existing codes.

Enforcement mechanisms exist, but historically the judicial system has not taken an active role in adjudicating commercial cases. The 1991 Constitution provided the judiciary with greater administrative and financial independence from the executive branch, and Colombian courts have tended to behave more independently and unpredictably. The Colombian judicial system continues to be clogged and cumbersome. In 2004, Colombia began moving to an oral accusatory system to make criminal investigations and trials more efficient.  The new system separates the investigative functions assigned to the Office of the Attorney General from trial functions. Lack of coordination among government the entities (DIAN, prosecutors, and the national police) as well as insufficient resources also complicate timely resolution of cases.

## Efficient Capital Markets and Portfolio Investment

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In Colombia, foreign investors are allowed to participate in the capital markets by negotiating and acquiring shares, obligatory bonds convertible into shares, other bonds, and other securities listed by the Foreign Investment Statute.  These activities must be conducted via a foreign investment capital fund, which must be administered by a local trust company or a stockbroker company that has been authorized to do so by the Superintendency of Securities.  These funds must be used for the exclusive purpose of initiating securities transactions in the Colombian securities markets.  Foreign investment capital funds are not allowed to acquire ten percent or more of the total amount of a Colombian company's outstanding shares.  For omnibus funds (i.e. funds constituted as collective accounts with an undivided participation over the institutional investor's net worth), the limitation applies to each subaccount.

Colombia’s financial system is well developed by regional standards.  As of 2007, two private financial groups own almost one-half of all bank assets: the Sarmiento Group (Grupo Aval) control about one-quarter, and the Sindicato Antioqueño Group (Bancolombia) one-fifth.  Foreign-owned banks also account for one-fifth of sector assets.  In 2005, Colombia consolidated supervision of the banking and securities sectors under the Financial Superintendence (*Superfinanciera*).  The Financial Superintendence oversees the four types of Colombian credit institutions: commercial banks which provide short- and medium-term lending for business and individuals, mortgage banks which finance housing construction projects and purchases, financial corporations (corporaciones financieras) which lend for long-term industrial projects, and commercial financing companies (*compañías de financiamiento commercial*) that finance the purchase of equipment and durable consumption goods through commercial loans or leasing.  Non-credit financial institutions include private pension and severance funds, trust funds, stockbrokerage houses, and insurance companies.

As of November 2007, the estimated total assets of the country’s main banks amounted to approximately $194 billion US; past-due loans accounted for 3.3 percent of the total portfolio, compared with 3.5 percent in November 2006; and banks’ return on equity was 19.5 percent.  The Colombian financial system registered profits of approximately $4.3 billion US between January and November 2007, 7.3 percent higher than the profits registered during the same period in 2006.

Since the 1998-99 financial crisis, the number of financial institutions in Colombia has fallen by almost half due to mergers and acquisitions.  As a result of these mergers and acquisitions, the new institutions have begun broadening their distribution structures and offering clients more flexible schedules and branch offices.  The financial sector as a whole is investing in new methodologies for risk assessment and portfolio management.

Following the crisis of 1998-99, bailouts for failing banks were partially financed through a controversial tax on financial transactions.  The tax was originally set at 0.002 percent but has since been increased to 0.004 percent.  The tax on financial transactions is applied to all withdrawals from checking and savings accounts, including accounts with the Central Bank. Savings accounts for the purchase of low-income housing, transactions on the inter-bank market, and the sale or purchase of foreign currency are exempt from the tax. Electronic securities transactions, including stock market transactions, are also exempt from the tax.

Colombia's capital market is underdeveloped, but growing. The principal source of long-term corporate and project finance are financial corporations and sometimes, commercial banks. However, loans with a maturity in excess of five years are scarce. Unofficial private lenders play a major role in meeting the working capital needs of small and medium-sized companies. Only the largest of Colombia's companies participate in the local stock or bond markets, with the majority meeting their financing needs through the banking system, by reinvesting their profits, and through suppliers' credit. Corporate bond issues have risen, but remain small and limited to blue-chip companies. Institutional investors, particularly private pension funds that mobilize the largest share of national savings (accounting for nine percent of GDP), concentrate their holdings in government paper and AAA-rated commercial paper. The government also envisions revising the regulation of private pension funds to allow them to participate more actively in the capital markets. In 2001, stock exchanges in Bogotá, Cali and Medellín were merged to create the Bolsa de Valores Colombia (BVC), located in Bogotá. The BVC is regulated by the Financial Superintendence, which oversees market intermediaries, brokers' fees, and financial disclosures of listed companies.

The Capital markets legislation enacted in 2005 has helped to deepen the capital markets through improved corporate governance, protection of the rights of minority shareholders, and more transparent information standards. Market capitalization has risen from $14.1 billion US in 2003 (equivalent to 16 percent of GDP), to $58.5 billion US (43 percent) in 2007.

## Political Violence

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Violence, including political violence, has diminished dramatically in recent years. Government of Colombia figures show the number of homicides in Colombia through November 2007 (15,748) was the lowest in over 20 years, and that the number of kidnappings in the same period (472) was 31 percent lower than the number for 2006, and substantially less than the 2,885 kidnappings reported in 2002.

Most violence characterized as political is attributed to one of three terrorist groups, all of whom the U.S. has designated as Foreign Terrorist Organizations. Violence by these groups has also declined. The FARC killed 590 people in 2006, down from 761 in 2005. The ELN was responsible for the murder of 41 people, down from 42 the previous year. In 2006, the AUC completed its demobilization of 32,000 former paramilitaries, and government reintegration programs are providing health, education, and psychological assistance to demobilized.

The long-running internal conflict has caused significant population displacement. Between two and three million people (out of a population of 42 million) have been displaced since 1985, although both government and civil society groups show that, due to improved security and paramilitary demobilization, internal displacements (IDPs) during the period 2003-2006 are down to about 200,000 a year. In 2007, Colombian assistance to IDPs increased to about $500 million US, a ten percent increase from the previous year.

## Corruption Return to top

The government's Comptroller General estimates that corrupt activity drains $6 billion US per year from Colombia's economy.

The local chapter of Transparency International (TI) has implemented a number of anti-corruption measures, including ethics and entrepreneurial programs in an effort to reverse these trends. The ethics program seeks to develop a managerial development tool for small and medium enterprises to promote ethical practices and transparency. The entrepreneurial program seeks to build a culture of ethics via leadership, entrepreneurial ethics training, and the creation of reporting and consulting systems. TI also created a program titled Integrity Islands, which consists of the mitigation of corruption risks in specific organizational processes.

From 2001 to 2006, USAID provided $15 million US for anti-corruption programs. Since then, USAID has incorporated anti-corruption strategies in its rule of law, human rights, and governance programs. Activities supported include: promotion of local governments' transparency and accountability in conflictive regions, reforms to enhance transparency of the national budget process, assistance to the Offices of the Inspector General, Prosecutor General, and Attorney General to prosecute corruption in regions emerging from conflict, implementation of accountability principles in the justice sector, and assistance to increase citizen oversight of local and national government processes related to human rights, justice, and political competition.

## Bilateral Investment Agreements Return to top

Colombia has negotiated and signed five bilateral investment treaties (BITs): Cuba (1994), The United Kingdom (1994), Peru (1994), Spain (1995), and Chile (2000). Of these, only the Peru and Spain BITs have entered into force. The agreement with Chile has not been ratified by the Chilean Congress. The Cuba and United Kingdom agreements did not enter into effect because the Colombian Constitutional Court declared certain provisions relating to expropriation unenforceable.

## OPIC and Other Investment Insurance Programs Return to top

OPIC is an agency of the U.S. government that helps U.S. businesses invest overseas, fosters economic development in new and emerging markets, complements the private sector in managing risks associated with FDI, and supports U.S. foreign policy.

OPIC made its first investment in Colombia in 1985 and has since made investments totaling $2 billion US in a variety of sectors. OPIC signed a Memorandum of Understanding with ProExport Colombia in September of 2007 in order to establish an "Outreach Program" targeting small business investors in Colombia. Since the signing, OPIC has established a working relationship with ProExport, training staff and members on OPIC programs. In addition to infrastructure-oriented projects, OPIC is seeks to support investment in Colombia, particularly low and middle income housing development, access to credit for small and medium size businesses, and renewable energy.

In addition to offering finance and insurance, OPIC has four investment funds that are eligible to invest in Colombia. These are (1) Darby ProBanco, a projected $90 million US fund targeting equity investments in companies in the financial services sector, (2) Paladin Realty Latin America Investors, a $200 million US fund targeting affordable and middle-income housing development, (3)The Alsis Fund, a projected $300 million US fund that will originate and invest in residential mortgages, and (4) Conduit Capital Partners, a $120 million US fund investing in independent power projects with a specific focus on renewable energy. Additional information can be found at www.opic.gov

## Labor Return to top

Colombia has abundant unskilled and semi-skilled labor availability for work throughout the country. It has equally abundant skilled and managerial level employees, in many cases bilingual.

Labor permits are not required in Colombia, except for under-aged. In order to work, minors between 14 and 17 years old must be authorized by a labor inspector from the Ministry of Social Protection, upon request by their parents. Minors are only authorized to work in non-dangerous occupations.

Pursuant to Colombian Labor Law, any group of 25 or more workers, regardless of whether they are employees of the same company or not, may constitute a labor union. Employees of companies with fewer than 25 employees may affiliate themselves to other labor unions. There is no strong labor union culture in Colombia. Over half of Colombia's labor force belongs to the informal sector. About ten percent of the country's formal labor force is unionized. The largest and most influential unions are composed mostly of public employees, particularly in the state-owned oil industry and the state-run education sector. The Constitution protects the right to constitute labor unions, and union members have a special legal protection that prevents them from being fired for forming unions. Some union officials are allowed to dedicate some or all of their working hours to union business. Strikes are recognized as legal instruments to obtain better working conditions. Strikes in sectors considered essential public services, such as the Central Bank and some Social Security-related activities, are illegal.

Foreign companies operating in Colombia must follow the same hiring rules as national companies, regardless of the origin of the employer and the place of execution of the contract.

Colombian Companies may hire foreign employees after certifying compliance with the legal national-foreign employee ratio (pursuant to Colombian Labor Law, in companies with more than ten employees, Colombian nationals must occupy at least 80 percent of all managerial level positions and 90 percent of non-managerial positions), which will allow the employee to obtain a Temporary Work Visa. Foreign employees have the same rights as Colombian employees.

Pursuant to Colombian Labor Law, trial periods may not exceed two months for indefinite term contracts and no more than 20 percent of the total term of fixed term contracts. During the trial period, an employee may be dismissed by the employer without the payment of the legal indemnification.

Labor contracts may be terminated without previous notice. The effects of termination vary depending on cause for termination and type of contract. A contract might be terminated with just cause by the employer in the case of an employee's violation of legal and contractual obligations or internal regulations. In any other event, the contract can be terminated without just cause, but the employer must pay legally specified indemnification.

Working hours are limited to 48 hours per week, distributed in a maximum of six days per week. With the proper authorization, granted by the Ministry of Social Protection, an employee may work up to 12 hours of overtime per week. Employees in management positions are not subject to such restriction.

## Foreign-Trade Zones/Free Ports Return to top

The Colombian government provides incentives for importers of capital goods using a number of drawback and duty deferral programs. Examples of these programs are the "free trade zones" and "special import-export systems" located throughout the country. Free Zones are geographic areas where industries are exempt from import tariffs and VAT on imports as well as have access to special credit lines offered by Colombia's foreign trade bank. Foreign capital investments in duty-free zones are entitled to unrestricted repatriation of capital and profits. Investors are exempt from paying sales tax from the sale of goods and services on the official exchange market, and from income and remittance taxes related to foreign sales. Goods traded within duty-free zones are considered outside of Colombian territory for import-export tariff purposes. The aim is to promote competitiveness, employment, good business practices, technology, sector or regional development, foreign investment, and new capital investment. More than 350 companies operate here. These zones generate exports of approximately $1.5 billion US annually. The state does not participate in the operation of duty-free zones.

In compliance with WTO standards, Colombia eliminated several free trade zone tax benefits as of January 2007. The Government issued Law 1004 in December 2005, providing for a 15 percent income tax on industrial users operating in free trade zones (lower than the usual 35 percent tax) but maintaining the 35 percent tax for commercial users. Under Law 1004, businesses operating in the free trade zones maintained their exemption from the seven percent remittance tax, tariffs, and the VAT.

In 2007, the government issued a new decree (4051/07) that established new requirements: minimum equity of $5 million US to set up a free zone, a minimum area of 20 hectares, adequate infrastructure, at least five industrial users of goods and/or services, and new investments in the amount of $10 million US.

## Foreign Direct Investment Statistics

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The total stock of foreign investment reached $27.6 billion US in June 2007. Average annual net FDI flows from 1994 to 2006 amounted to $4.7 billion US. Total FDI in 2007 was expected to reach $8 billion US. The manufacturing, energy, and mining sectors have been the main recipients of FDI, followed by the financial, transportation, and communications sectors. The recent increase in investment in the mining sector partly reflects the sale of a number of mines belonging to the state-owned company Carbocol. The share of FDI in the manufacturing sector recorded a sharp increase in 2005 as a result of the purchase by the British-South African consortium, SAB Miller, of the Colombian beer company Bavaria, which account for $4.7 billion US. Growing foreign investment can be linked to Colombia's economic recovery, improved security, and policy reforms of the FDI regulatory framework.

The United States is the single largest source of foreign investment, accounting for approximately 33 percent of the total stock of FDI throughout the period 2002 to the second quarter of 2007. The European Union has also been a major source of FDI, representing around 32 percent of the total stock in the same period.

**TABLE 1**
Foreign Investment Flow in Colombia by Country
(Millions of U.S. dollars)

| COUNTRY | 2004 | 2005 | 2006 | IIQ 2007 |
|---|---|---|---|---|
| NORTH AMERICA | 897.8 | 2,464.1 | 1,574.7 | 920.0 |
| Canada | 7.3 | 2.5 | 18.5 | 11.2 |
| United States | 874.2 | 1,398.8 | 1,524.8 | 878.9 |
| Mexico | 16.4 | 1,062.8 | 31.4 | 29.9 |
| SOUTH AMERICA | 88.2 | 85.3 | 99.0 | 542.7 |
| Andean Group | 74.0 | 31.5 | 64.9 | 20.4 |
| Mercosur | 13.5 | 47.4 | 31.9 | 517.3 |
| Rest of South America | 0.7 | 6.3 | 2.2 | 5.0 |
| CENTRAL AMERICA | 12.0 | 211.5 | 244.1 | 256.6 |
| Common Central American Market | 1.5 | 3.0 | 4.9 | 92.1 |
| Rest of Central America (Panama and Cuba) | 10.5 | 208.5 | 239.1 | 164.4 |
| ANTILLES | 740.7 | 591.2 | 523.0 | 422.4 |
| EUROPE | 208.2 | 4,764.6 | 717.2 | -709.9 |
| European Free Trade Association | 31.8 | 41.3 | 18.1 | 6.4 |
| Common European Market | 175.7 | 4,723.2 | 697.4 | -716.6 |
| Rest of Europe | 0.6 | 0.0 | 1.6 | 0.2 |
| ASIA | 10.7 | 3.5 | 10.2 | 0.3 |
| OTHER COUNTRIES | 8.9 | 8.1 | 6.3 | 8.3 |
| TOTAL WITHOUT PETROLEUM AND PROFITS REINVESTMENT | 1,966.6 | 8,128.3 | 3,174.4 | 1,440.4 |
| PROFITS REINVESTMENT | 554.2 | 987.5 | 1,486.7 | 820.3 |
| PETROLEUM | 494.9 | 1,124.6 | 1,801.9 | 1,848.2 |
| TOTAL | 3,015.7 | 10,240.4 | 6,462.9 | 4,108.9 |

Source: Central Bank

**TABLE 2**
Foreign Investment flow in Colombia by Activity
(Thousands of U.S. dollars)

| YEAR | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|
| ACTIVITY | TOTAL | TOTAL | TOTAL | II Q |
| Petroleum sector | 494.9 | 1,124.6 | 1,801.9 | 1,848.2 |
| Agriculture, Hunting, Forestry, Fishing | 3.3 | 6.3 | 8.0 | 3.8 |
| Mines (including coal) | 1,246.4 | 2,157.2 | 1,782.5 | -65.6 |
| Manufactures | 256.4 | 5,517.8 | 803.0 | 1,037.9 |
| Energy, Gas and Water | 88.5 | -251.2 | -140.8 | -22.7 |
| Construction | 73.5 | 146.0 | 156.3 | 89.8 |
| Commerce, Restaurants, Hotels | 202.0 | 303.0 | 523.2 | 685.5 |
| Transport, Warehousing, Communications | 481.3 | 1,010.5 | 1,060.6 | 296.8 |
| Financial Entities | 243.8 | 243.9 | 464.2 | 214.7 |
| Community Services | -6.3 | -17.8 | 4.0 | 20.4 |
| TOTAL | 3,015.7 | 10,240.4 | 6,462.9 | 4,108.9 |

## Web Resources

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Andean Development Corp. (CAF) : www.caf.com & www.comunidadandina.org
ANDI (National Industries Association): www.andi.com.co
ANIF (Financial Entities Association): www.anif.org
Banco de la Republica (Central Bank): www.banrep.gov.co
Banking Association: www.asobancaria.com
Financial Superintendent: www.superfinanciera.gov.co
Bogotá Chamber of Commerce: www.ccb.org.co
Proexport (Foreign Investment Promoter): www.proexport.gov.co
Colombian Customs and Income Tax Offices**:** www.dian.gov.co
Colombian Government : www.gobiernoenlinea.gov.co
CREG (Energy and Gas Regulatory Commission): www.creg.gov.co
DANE (Statistics Bureau) : www.dane.gov.co
EXIMBANK : www.exim.gov
FENALCO (Merchants Association): www.fenalco.com.co
Inter American Development Bank: www.iadb.org
National Planning Department: www.dnp.gov.co
OPIC: www.opic.gov
Presidencia de la Republica web.presidencia.gov.co
State Comptroller's: http://www.contraloriagen.gov.co/html/home/home.asp
State Contracting Information System/SICE: http://www.sice-cgr.gov.co/
Superintendent of Corporations: www.supersociedades.gov.co
Superintendent of Industry and Commerce: www.sic.gov.co
World Bank: www.worldbank.org

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# Chapter 7: Trade and Project Financing



## How Do I Get Paid (Methods of Payment)

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Most products are imported through letters of credit or time drafts. Soft and long-term financing is an important sales tool, especially for government imports or public tenders. Foreign suppliers, financial intermediaries in Colombia, or foreign financial institutions, may finance Colombian Imports.

Colombian importers may freely negotiate payment terms with their suppliers, but importers must list the agreed payment terms on the import documents and may not subsequently change them. These are generally between one and six months for imported products for immediate consumption, including raw materials, intermediate goods, and consumer goods, with almost no term limitations for capital goods, which are payable within the timetables set on the import documentation, plus a grace period of three additional months. Foreign payments may be authorized in installments, but in no case can the original terms listed on the import documents be changed.

General trade finance is freely available and letters of credit are widely used in Colombia. Methods, terms, and conditions of payment vary with the type of credit. Most imports of equipment are paid via irrevocable 180-day letter of credit (L/C), payable on sight against shipping documents. Normal payment term is 60 days. There are transactional cases in which suppliers may extend terms to 120 days by time draft, but this is not common practice. When a satisfactory trading relationship has been established, terms are those generally applied in international trade. Short-term is considered any term less than one year; medium-term is from one to four years; and, long-term ranges from five years up to 20 years

## How Does the Banking System Operate

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Colombia's financial system operates under the supervision of the Financial Superintendence, created in 2005 from the merger of the Banking Superintendence and the Stock Exchange Superintendence. The financial system is relatively large in comparison with the nation's gross domestic product. It has many highly sophisticated institutions with state-of-the-art technology. However, financial services are still very costly and intermediation remains the most important financial activity.

Following the 1998-2000 financial crisis, about one-third of banking and non-banking institutions were closed, taken over, or forced to merge. Many weaker financial institutions merged or are now affiliated with more experienced and financially sound owners. Still, experts consider that the sector has not reached its ideal size. The presence of foreign banks has intensified competition and investment in advanced technologies and government authorities have made significant efforts to improve the health of the financial sector. The largest foreign investment in the sector was Spanish-owned BBVA Bank's acquisition of Granahorrar, which was taken over by the government during the 1998-2000 crisis. In 2006, British-owned HSBC purchased 100 percent of Banistmo Bank and in 2007 U.S.-owned GE Money purchased 30 percent of Colpatria Bank.

Commercial banks perform the broadest scope of financial services. They are allowed to complete all authorized credit operations, with the exception of leasing operations and real sector investments. Only commercial banks provide checking accounts. Within this group, some institutions specialize in housing and construction financing (mortgage banks). Commercial banks dominate the financial market, accounting for over 80 percent of the financial system's assets.

Colombia has not reached the banking coverage of developed countries. However, almost all financial entities are expanding the infrastructure and coverage of their banking services, and access to virtual banking has improved significantly.

The Colombian Government is drafting a reform of the financial sector to increase flexibility and incorporate measures required by the proposed U.S. - CTPA.

## Foreign-Exchange Controls

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Colombia imposes no foreign exchange controls on trade. However, exchange regulations require that the following transactions be channeled through intermediaries (i.e. banks or other recognized financial institutions) authorized for such purposes, and must be declared before the Central Bank:

- Imports and exports of goods
- External loans and related financing costs
- Investment of capital from abroad and remittances of profits thereon
- Investment of Colombian capital abroad, as well as remittances of yields
- Investment in foreign securities and assets and their associated profits
- Endorsements and guarantees in foreign currency
- Derivative or secondary financial operations, e.g. forwards, swaps, caps, floors, or collars.

Colombia has reduced foreign exchange controls significantly in recent years. Some restrictions have been removed altogether, while others have been transferred from the central bank to the authorized foreign exchange intermediaries allowing the regulation to be more flexibly applied. External Resolution No. 6 of 2000 abolished prior deposit requirements with the Central Bank for public and private external loans as well as for foreign financing of imports into Colombia. Also, Resolution 11 allowed residents to make payments to other residents in U.S. dollars through checking accounts held abroad, and Resolution 8 authorized stock brokerage firms to act as intermediaries in the foreign exchange market. The Colombian peso is convertible and investors report no untoward restrictions on access to hard currency.

Projects performed by companies with foreign capital in special sectors such as for the exploration and exploitation of oil, natural gas, coal, ferronickel, and uranium are subject to a special foreign exchange policy. Under the special policy, investors are not bound to repatriate export-generated foreign currency. Companies devoted to technical services related to hydrocarbon exploration and production activities may carry out operations in a foreign currency with no repatriation obligation. Furthermore, foreign investors are not obligated to reimburse Colombia with foreign currency obtained from the sale of products from these operations. Expenses incurred abroad that are related to the development of these projects must be paid in foreign currency. Companies interested in being covered by these special provisions must notify the central bank.

In 2007, the Central Bank established a six-month deposit requirement for companies acquiring external loans. A Colombian business seeking an external loan must make a deposit at the Central Bank for an amount equivalent to 40 percent of the value of the loan. This deposit does not bear interest and the restitution term is six months. On December 14th, 2007, the Ministry of Finance issued Decree 4814 amending the cash reserve requirements imposed on FIFs. The amendment allows FIFs to fund the 40 percent cash reserve in U.S. dollars rather than Colombian pesos, as was previously required. Likewise, equities acquired through IPOs and investments in equities issued in the primary market through the Colombian Stock Exchange are exempt from the 40 percent cash reserve. Finally, the penalty rates imposed when the cash reserve deposit is withdrawn before the completion term (six months) were reduced.

| **Holding Period** | **Discount before Decree 4814** | **Discount after Decree 4814** |
|---|---|---|
| 6 Months | 9.40% | 5.72% |
| 5 Months | 7.90% | 4.79% |
| 4 Months | 6.37% | 3.85% |
| 3 Months | 4.82% | 2.90% |
| 2 Months | 3.24% | 1.94% |
| 1 Month | 1.63% | 0.98% |

## U.S. Banks and Local Correspondent Banks

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Virtually all-Colombian banks have correspondent banks in the United States. The following are some major Colombian and U.S. banks with correspondent relationships:

**Bancafe:**
Banco Cafetero Internacional Corporation
JP Morgan Chase
Dutch Bankers Trust
Citibank
Wachovia Bank of Philadelphia

Standard Chartered Bank
Bank of New York

**ABN Amro Bank, Colombia**
ABN Amro Bank

**BanColombia:**
Citibank
Bank of New York
Wachovia Bank
Deutsche Bank
Bank of America
Cobank
JP Morgan Chase
American Express Bank
Commerce Bank New York
Lloyds TSB Bank
Union Planters Bank
International Bank of Miami
Regions Bank

**Banco de Occidente:**
Citibank
Wachovia Bank of Philadelphia
Standard Chartered Bank
Bank of America
Bank of New York
American Express Bank

**Banco Popular:**
Bank of America
Dressner Bank
Commerce Bank
Bayerische Hypound-Vereins Bank
Citibank
Standard Chartered
Bank of New York
Toronto Dominion Bank
HCBC Bank
ING Bank
Regions Bank
Wachovia Bank of Philadelphia

**Davivienda**
Citibank
Wachovia Bank

**Banco de Bogotá**
Citibank
Bank of America
Wachovia Bank

Deutsche bank
Standard and Chartered Bank
JP Morgan
Bank of New York

**AV Villas**
Banco de Occidente USA

**Banco Santander**
Citibank
JP Morgan

**Colpatria Bank**
Wachovia Bank, New Cork

**BBVA Colombia**
BBVA bank, New York
BBVA bank, Miami

**HSBC Colombia**
Standard and Chartered Bank

## Project Financing

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The government and the Central Bank are important sources of funding for the financial system. The Central Bank, in addition to providing the usual discount facilities to support system liquidity, manages several special government funds to promote lending into a number of sectors that have been determined to be important to national development or economically essential. The funding comes from government capital, bonds (a portion of which the financial institutions are required to buy and, to that extent, may be funding themselves) and current fiscal appropriations, if needed to cover deficits. Access to the funds tends to require considerable paperwork, applicants must qualify and margins are limited. Their importance as a funding resource has diminished rapidly in recent years due to the relatively unattractive margins involved and the rapid increase in bank liquidity.

Leasing, domestic, and international (both operating and capital) financing are becoming popular, mainly because of tax benefits. Factoring and international credit insurance are available. Transactional financing is more associated with trade in consumer goods, while equity-based financing is more commonly used for project financing.

Colombian exporters have access to credit offered by the Colombian Foreign Trade Bank. This credit is also extended to Colombian importers--namely for industrial imports.

Foreign investors have full access to local credit. While the Colombian Government still directs credit to some areas (notably agriculture), credit is mostly allocated by the private financial market. Loans of foreign origin or foreign financing of imports are permitted.

**EX-IM:** The Export-Import Bank of the U.S. (Ex-Im) provides a full range of services in Colombia. Ex-Im offers a range of loan, insurance and loan guarantee programs to facilitate exports of U.S. goods and services to Colombian governmental and private companies. For additional information visit: www.exim.gov

**OPIC:** OPIC is a U.S. government agency that supports, finances and insures projects that have a positive effect on U.S. employment, are financially sound and promise benefits to the social and economic development of the host country. OPIC assistance is available for new investments, privatization, and for expansion and modernization of existing plants sponsored by U.S. investors. Access OPIC programs at: www.opic.gov

**Multilateral Funding Agencies and Financial Markets:** Multilateral agencies such as the World Bank through the International Finance Corporation (IFC), the IDB, the Andean Development Corporation (CAF), the Export-Import Bank of Japan, and USAID (and those of Japan and Canada) are active in providing financing for projects in Latin America and the Caribbean.

The Andean Development Corporation (Corporacion Andina de Fomento) is the only organization to provide major direct financing for greenfield projects in Colombia. The CAF has provided direct financing to the private sector for the development of greenfield projects in various infrastructure sectors.

**IADC:** The Inter-American Development Corporation provides development capital to export oriented companies in the agricultural business through "*Corfisura Fondo de Desarrollo de Empresas*," Colombia's first development capital fund in, manufacturing, mining, and emerging technology sectors.

**World Bank:** In 1994, Colombia approved through Law 149, its adherence to the Multilateral Investment Guarantee Agency (MIGA), created in 1985 by the World Bank, to stimulate the flow of resources for productive ends between member countries and in particular toward developing countries.

## Web Resources

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Export-Import Bank of the United States: http://www.exim.gov
Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
OPIC: http://www.opic.gov
Trade and Development Agency: http://www.tda.gov/
SBA's Office of International Trade: http://www.sba.gov/oit/
USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm
U.S. Agency for International Development: http://www.usaid.gov
Information on yellow fever: http://wwwn.cdc.gov/travel/contentDiseases.aspx#yellow
U.S. Embassy Website in Bogotá, Colombia: http://bogota.usembassy.gov
Colombian Banking Association: http://www.asobancaria.com
Colombian Customs and Income Tax Offices: http://www.dian.gov.co
Colombian Ministry for Foreign Affairs: www.minrelext.gov.co
Colombian Hotels Association: www.cotelco.org

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# Chapter 8: Business Travel



## Business Customs

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There is a very active international business community in Colombia, with hundreds of well-established companies committed to a long-term presence. Most companies know their risk profiles and take appropriate measures. In terms of natural and human resources, Colombia's strategic location, a well-developed industrial and infrastructure capacity, and a modern business environment makes it an attractive place to do business.

First time business visitors are usually pleasantly surprised at the high level of development and sophistication of the Colombian private sector. Most business visitors never leave the modern urban cities. Those who do (to visit oilfields and mines) do so under controlled conditions. As with anything in business, the key is to be aware and prepared, as we say "know before you go".

Colombians tend to be friendly, straightforward, and direct in their business dealings. They are serious, hardworking, and share many of the same work habits and ethics of business people in the United States, including punctuality. This is one of the many reasons that, despite Colombia's security and social problems, knowledgeable U.S. business people have for many years come to Colombia to do business.

Given the relative proximity of the two countries and the long-term presence of U.S. firms in the market, Colombians are used to doing business with the U.S. Many of them have traveled or studied in the United States and have family members or friends there. Colombian executives and technicians, as well as government officials, travel frequently to the U.S. for meetings, conferences, trade fairs, training, and tourism.

Working breakfasts and lunches at hotels and private clubs have become common practice in most Colombian cities. Business attire is the norm. Dinner meetings tend to be less formal. Colombian trade associations, government entities, and private firms are hosting an increasing number of national and regional conventions, conferences, and seminars in the country. These events present excellent opportunities for meeting

Colombian business people and key government officials, as well as for assessing market potential.

**Travel Advisory** Return to top

There is currently a State Department travel warning in effect for U.S. citizens planning travel to Colombia (last updated February 5, 2008). For the latest security information, U.S. citizens traveling abroad should regularly monitor the Department's Internet site at http://travel.state.gov/ where the current Worldwide Caution Public Announcement, Travel Warnings, Consular Information Sheet for Colombia, and Public Announcements can be found.

While security in Colombia has improved significantly in recent years, violence by narco-terrorist groups continues to affect some rural areas and cities. For more information on a particular business travel plan, companies are urged to contact the Commercial Service, American Embassy, Bogotá for customized advice. (See Section VII "Investment Climate - Political Violence" for additional background information).

Most business people who visit Colombia travel primarily to the major cities and commercial centers of Bogotá, Cali, Medellín, Barranquilla, and Cartagena, where caution should be taken against common large-city crimes such as pick pocketing, jewelry and purse-snatching, and currency scams. Selecting a good hotel, keeping valuables in a hotel safe, using authorized taxis and hired car services, and using common sense in avoiding certain areas of town will help to reduce the risk of falling victim to these crimes. At airports, care should be taken with hand luggage and travel documents, and only authorized taxis or hotel provided transportation should be used. Avoid hailing taxis in the streets or unofficial offered services for transportation services.

Travel between cities should be by air in order to avoid rural areas controlled by terrorist groups and common criminals. Road travel outside of the major cities is not recommended.

Those who absolutely must travel to facilities in outlying areas, (most commonly oil, mining professionals, and technicians), are advised to adhere strictly to the security regulations and guidelines established by their companies.

Both the Colombian–American Chamber of Commerce (AMCHAM) through its Overseas Security Advisory Council (OSAC) that meets monthly and the Embassy Regional Security Office (RSO) are also available to provide an in-depth briefing for heads of companies' security department. An advance appointment can be obtained through the Commercial Service or by calling the Embassy directly 571-315-0811.

The Overseas Citizens Services Call Center at 1-888-407-4747 (toll free) can answer general inquiries on safety and security overseas. This number is available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays). Callers who are unable to use toll-free numbers, such as those calling from overseas, may obtain information and assistance during these hours by calling 1-202-501-4444.

U.S. citizens living in or visiting Colombia are encouraged to register their trip online at http://travelregistration.state.gov/ibrs. U.S. citizens may also visit the U.S. Embassy to register and/or obtain updated information on travel and security in Colombia either at the Consular Section or by e-mail at ACSBogota@state.gov. The Consular Section is open for U.S. Citizens Services, including registration, from 8:30 a.m. to 12:00 noon, Monday through Thursday, excluding Fridays, except for emergency services, and U.S. and Colombian holidays. Telephone contact may be made Monday through Friday between 2:00 p.m. and 4:45 p.m. at telephone (011-57-1) 315-1566. The U.S. Embassy is located at Avenida El Dorado and Carrera 50; telephone (011-57-1) 315-0811. This number is available 24 hours. In case of a serious emergency involving a U.S. citizen, you may call the Embassy 24 hours a day, seven days a week at the number (011-57-1-383-2701). The Consular Agency in Barranquilla, which provides some limited consular services, is located at Calle 77B, No. 57-141, Piso 5, Centro Empresarial Las Américas, Barranquilla, Atlántico, Colombia; telephone (011-57-5) 353-2001; fax (011-57-5) 353-5216; e-mail: conagent@metrotel.net.co.

## Visa Requirements

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U.S. Citizens (who are not also Colombian citizens) traveling to Colombia are required to carry a valid U.S. passport to enter and depart Colombia and a return/onward ticket. U.S. citizens do not need a visa for a tourist stay of 60 days or less. Stiff fines are imposed if passports are not stamped on arrival and if stays exceeding 60 days are not authorized by the Colombian Immigration Agency (*Departamento Administrativo de Seguridad*, *Jefatura de Extranjería, DAS Extranjería).*

The Colombian Government recently modified regulations regarding Business Visas in an effort to encourage foreign investment and attract tourism to Colombia. As of February 1, 2005, visas may be extended for periods of six months and up to five years, depending on the category. Following are some examples:

**Business Visas:** These visas may be granted for a period of up to four years, with multiple entries, and for a maximum stay of up to six month per entry. Business visas are issued to foreigners who prove their status as merchants, industrialists, executives, or business representatives.

**Temporary Managerial Visas:** Valid for multiple entries during a five-year period. Holders of these visas may stay in the country for a period of up to one year per entry. It expires if the foreigner leaves the country for more than 180 days.

**Special Temporary Visas:** Valid for multiple entries during one year. It expires if the foreigner leaves the country for more than 180 Days.

For more information on other types of Business Visas, or information concerning entry and customs requirements to Colombia, immigration regulations, and other related matters please visit the web site of the Colombian Ministry for Foreign Affairs (www.minrelext.gov.co). Information on these subjects is also available at the Colombian Embassy located at 2118 Leroy Place NW, Washington DC, 20008; Tel: (202) 387-8338 (www.colombiaemb.org). Colombia has consular offices in the following U.S. cities: Atlanta, Boston, Chicago, Houston, Miami, Los Angeles, New York City, San Francisco, and San Juan (Puerto Rico).

U.S. citizens whose passports are lost or stolen in Colombia must obtain a new passport and present it, together with a police report of the loss or theft, to the main immigration office in Bogotá to obtain permission to depart. There is an international departure tax when departing Colombia of $32 US for non-residents, no matter if they have diplomatic passports. You can pay in U.S. dollars or Colombian pesos.

According to Colombian law, any person born in Colombia must use their Colombian passport to enter and leave Colombia, even if the person is also a citizen of another country. Therefore, Colombian-American citizens should be prepared to carry a Colombian passport as well as a U.S. passport while visiting Colombia.

**U.S. NON-INMIGRANT VISA REQUIREMENTS FOR COLOMBIANS**

All Colombians traveling to the U.S. need a visa. U.S. companies that require travel of foreign business people to the United States should allow sufficient time for visa issuance. Visa applicants should go to the following link: http://bogota.usembassy.gov or in the U.S., call (1-877) 804-5401, 8:00AM to 8:00PM EST. A credit card access fee for the U.S.-based number will be charged.
U.S. Companies that require travel of foreign business people to the United States should be advised that whoever applies for a visa must understand that the visa alone does not guarantee entry to the United States. It is the U.S. Citizenship and Immigration Services of the Department of Homeland Security, and not the Consular Section, which has authority to approve or deny entry, and to decide upon the length of stay permitted. At the port of entry to the U.S., an immigration official will stamp Form I-94 (Record of Arrival-Departure) with the date until which the visit is authorized.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/index.html
United States Visas.gov: http://www.unitedstatesvisas.gov/
U.S. Embassy Website in Bogotá, Colombia: http://bogota.usembassy.gov

## Telecommunications

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Colombia has a reliable domestic and international telecommunications system. Cellular phones are widely used in Colombia with automatic roaming within the country. There are also roaming agreements with U.S. carriers and most other Latin American countries. Four private companies: Avantel, Movistar, Comcel, and TIGO, currently provide mobile services. Internet (Wi-Fi), tele-conferencing, and video-conferencing facilities are also available.

## Transportation

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**Airports:** Colombian air transportation is well developed, with international airports in Bogotá, Barranquilla, Cartagena, Cali, Cúcuta, Leticia, Medellín, and San Andres Island providing regular flights to major cities abroad. Currently, there are four major airlines that provide direct daily flights between Colombia and the U.S. In March 2000, Colombia and the United States signed an Open-Skies Agreement for passenger and cargo flights. During 2008, this agreement will allow 21 airlines designated by the U.S. and 21 designated by the Colombian government to operate routes between any point or points in the United States or Colombia, in both directions. Spirit Airlines, Jet Blue, and US Airways have indicated they will apply for routes or start services in 2008. Likewise American Airlines, Delta, and Continental Airlines have applied for new routes. Avianca, Colombia's premier carrier has applied for new frequencies into the U.S. including Washington D.C.

Frequent domestic flights connect principal cities within Colombia. Business travelers should be aware that prior flight reservations within Colombia (even though pre-paid) are not always honored, and flights may be overbooked to popular destinations such as Cartagena. Thus, a final confirmation is advisable 24-hours before departure. Last but not least, the ever-changing weather conditions in Colombia may close airports or delay flights unexpectedly.

**Taxis:** Taxi service is available at all major hotels. Given traffic conditions and security concerns, it is recommended that business travelers contract hourly taxi service or hired cars with drivers. Ask your reservation agent to make arrangements with your hotel for your transportation. The current rate is about $8 US per hour, to be paid in Colombian pesos. If normal yellow city taxis must be utilized, ensure the hotel/restaurant calls a "radio taxi." Do not hail taxis in the street and never share a cab with an unknown person (including the driver's "brother, son, cousin, etc."). Taxis fares increase 30 percent after dark.

**Automobile Transportation:** Car rentals are available from international companies (Budget, Avis, and Dollar). Check with your travel agency for reservations and rental rates. Visitors may drive on an International Driver's License.

To reduce traffic congestion, the Bogotá City Government introduced the program "*Pico y Placa*". This program restricts circulation of public and private vehicles (including rental cars) on city streets during peak hours twice a week. The restriction is based on the last digit of the license plate number. The daily schedule applies only from 6:00 am to 9:00 am and from 4:00 pm to 7:00 pm. For information on days and corresponding numbers please visit http://www.bogota-dc.com/trans/bog-tra.htm

## Language

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Spanish is the official language and spoken throughout the country. It is advisable to have some knowledge of Spanish or to hire the services of a qualified interpreter, although many senior executives and government officials speak English.

## Health

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Medical care is adequate in major cities, but quality varies elsewhere.  In Bogota, travelers can find very qualified general practitioners and specialists.  Doctors and hospitals often expect immediate cash payment for health services, although many hospitals in principal cities accept major U.S. credit cards.  U.S. medical insurance is not always valid outside the United States.  Visitors with a particular medical problem may therefore wish to consider supplemental medical insurance with specific overseas coverage, including provision for medical evacuation or other emergencies.

**Yellow Fever Vaccine:** The Colombian Ministry of Environment is requiring visitors to the country's national parks (Tayrona, Salamanca, Cienaga Grande, and Flamencos) along the Atlantic coast to show proof of yellow fever vaccination at least ten days before travel.  During 2003, through mid-March 2004, cases of yellow fever were reported from the departments of Guajira, Magdalena, Cesar, and Meta (middle valley of the Magdalena River, eastern and western foothills of the Cordillera Oriental from the border with Ecuador to that with Venezuela, Uraba, the foothills of the Sierra Nevada, the eastern plains - Orinoquia; and Amazonia).  Colombia recommends vaccination for all travelers nine months of age or older traveling within yellow fever endemic zone (arriving from any country).  There is a yellow fever risk in all rural areas at altitudes less than 800 meters (2,624 ft).  There is no yellow fever risk in Bogota and its vicinity.

## Local Time, Business Hours, and Holidays Return to top

Colombian time is the same as U.S. Eastern Standard time.  Colombia does not observe daylight-saving time.

The work week is Monday - Friday.  Normal working hours are either 8 a.m. - lunch (flexible between 12 noon and 2 p.m.), closing at 5 p.m.; or 7:30 a.m. - 4:30 or 5:30 p.m. with an hour for lunch.  Most commercial offices follow the first system and most manufacturing operations the second.

**Shopping**: Most stores are open between 9:00 a.m. and 7:00 or 8:00 p.m. on weekdays, and between 9:00 a.m. and 8:00 p.m. or 9:00 p.m. on Saturdays.  Some food stores and restaurants (but very few other establishments) are open on Sundays and holidays.  It is sometimes possible to negotiate a discount at some stores when paying in cash.  Most credit cards are accepted in the main cities of Colombia for car rental, air tickets, in hotels, restaurants, and in virtually all commercial establishments.  However, overseas visitors will probably be asked to provide some kind of ID (such as a photocopy of their passport) to allow a credit card transaction to go through.  Travelers checks are also accepted.

ATMs (*cajeros automáticos*) are widely available with 24-hour service and are bilingual.  They are located inside most banks and modern shopping centers.  The machines accept international credit and debit cards (such as Visa, MasterCard, American Express, among others).  Check machines for possible criminal interference since card cloning is a problem in Colombia.  Visitors should be cautious about the use of credit or debit card at commercial establishments.  If you choose to use a credit card or debit card to pay for a purchase, be sure to keep the credit card in sight during the entire transaction.  Credit and debit card numbers and other information can be lifted by employees at the commercial establishments for further fraudulent use. Also, take and destroy any carbons that may have been used in the transaction.

Prior to planning business travel, it is advisable to consult the schedule of Colombian holidays. It is strongly recommended that business trips be avoided during Holy Week (the week before Easter) and the Christmas holiday season (December 15 to January 12). Visitors may also find it difficult to make business appointments during "*puentes*" (Fridays or Mondays which "bridge" the weekends with official holidays falling on Thursdays or Tuesdays.)

Colombia's official holiday calendar for 2008, is as follows:

| | | |
|---|---|---|
| January 1 | Tuesday (New Year's Day) | Local /U.S Holiday |
| January 7 | Monday (Epiphany) | Local Holiday |
| January 21 | Monday (Martin Luther King Jr.'s Birthday) | U.S Holiday |
| February 18 | Monday (Washington's Birthday) | U.S Holiday |
| March 20 | Thursday (Holy Thursday) | Local Holiday |
| March 21 | Friday (Good Friday) | Local Holiday |
| March 24 | Monday (Saint Joseph's Day) | Local Holiday |
| May 1 | Thursday (Labor Day) | Local Holiday |
| May 5 | Monday (Ascension Day) | Local Holiday |
| May 26 | Monday (Memorial Day and Corpus Christie) | Local /U.S Holiday |
| June 2 | Monday (Feast of The Sacred Heart) | Local Holiday * |
| June 30 | Monday (Feast of Saint Peter and Saint Paul) | Local Holiday |
| July 4 | Friday (U. S. Independence Day) | U.S Holiday |
| August 7 | Thursday (Battle of Boyacá) | Local Holiday |
| August 18 | Monday (Assumption Day) | Local Holiday * |
| September 1 | Monday (Labor Day) | U.S Holiday |
| October 13 | Monday (Columbus Day) | Local/U.S Holiday |
| November 3 | Monday (All Saints' Day) | Local Holiday |
| November 11 | Tuesday (Veterans Day) | U.S Holiday |
| November 17 | Monday ( Independence of Cartagena) | Local Holiday * |
| November 27 | Thursday (Thanksgiving Day) | U.S Holiday |
| December 8 | Monday (Feast of the Immaculate Conception) | Local Holiday |
| December 25 | Thursday (Christmas Day) | Local/U.S Holiday |

U.S Holidays are only celebrated in the U.S Embassy / * Local Holiday but the embassy will operate normally

Regional Holidays: February 2 through February 5, (Carnival), Barranquilla. December 24 through December 31(Folklore Festival), Cali: Offices open only from 8:00 am - 12:00 noon.

**Temporary Entry of Materials and Personal Belongings** Return to top

Temporary imports are goods brought into Colombia for re-export within a specified period time. Non-fungible merchandise that can be thoroughly identified by marks, serial numbers, or other symbols can be temporarily brought into Colombian territory for specific purposes. The merchandise must be re-exported immediately after the pre-authorized period, without being subject to any alteration or modification, except for the normal deterioration caused by use. There are two categories for temporary imports: short and long term.  The DIAN decides which of the two systems has to be applied to a specific case:

**Short Term:** This allows the importation of merchandise for a specific purpose during a period of time that should not exceed six months.  One three-month extension can be requested and approval must be obtained before expiration of the initial authorization. Short-term imports are not subject to import duties, but a guarantee equivalent to ten percent of the corresponding import duties must be presented to obtain approval.

**Long-Term:** Colombian Customs regulations also allow for long-term temporary importation of equipment for a period of up to five years.  Under this regulation, the Government allows importation of machinery and equipment as well as related accessories and spare parts if they are included in the same one-time-only shipment.  This system is applied to equipment to be used in public works projects and other activities that are important for national economic and social development.  Long-term temporary imports are also approved for machinery and equipment brought into the country under leasing contracts within a term of six months to five years.  Long-term customs declarations for temporary imports must include the U.S. dollar calculation of duties and taxes in accordance with the tariff schedule effective on the submission date.  The total amount may be divided into equal quotas to be paid semi-annually, during the temporary import period.  The importer may be requested to establish a guarantee equivalent to 100 percent of the import duties.  Import duties are non-refundable.

**Demonstration Equipment:** The international carnet system for temporary imports of demonstration equipment (to be used in promotional campaigns or trade shows) is not in effect in Colombia.  The DIAN has implemented an alternative system.  Visitors bringing in equipment for demonstration purposes are requested to fill out a special form provided by the DIAN upon their arrival at an international airport.  The equipment may stay in the country up to 90 days.  There is no deposit requirement.

## Web Resources Return to top

Banking Association:  www.asobancaria.com
Colombian Customs and Income Tax Offices:  www.dian.gov.co
Colombian Ministry for Foreign Affairs: www.minrelext.gov.co
Information on yellow fever, see http://www.cdc.gov/travel/diseases/yellowfever.htm.
U.S. Embassy  Website in Bogota, Colombia: http://bogota.usembassy.gov
State Department Visa Website: http://travel.state.gov/visa/index.html
United States Visas: http://www.unitedstatesvisas.gov/

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# Chapter 9: Contacts, Market Research, and Trade Events



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Andean Development Corp. (CAF): www.caf.com & www.comunidadandina.org
ANDI (National Industries Association): www.andi.com.co
ANIF (Financial Entities Association): www.anif.org
Association Of Flower Exporters: www.colombianflowers.com
Banco de la Republica (Central Bank): www.banrep.gov.co
Banking Association: www.asobancaria.com
Banking Superintendent: www.superfinanciera.gov.co
Bivac De Colombia S.A.: www.bureauveritas.com.co
Bogotá Chamber of Commerce: www.ccb.org.co
Cambio newspaper: www.cambio.com.co
Colombian Agricultural Institute-Ica: www.ica.gov.co
Colombian-American Chamber Of Commerce: www.amchamcolombia.com.co
Colombian Association Of Systems Engineers: www.acis.org.co
Colombian Coffee Growers Federation: www.cafedecolombia.com
Colombian Construction Chamber: www.camacol.org.co
Colombian Customs and Income Tax Offices: www.dian.gov.co
Colombian Engineers Society: www.sci.org.co
Colombian Export Promotion Bureau: www.proexport.com.co
Colombian Government : www.gobiernoenlinea.gov.co
Colombian Grain Growers Federation: www.fenalce.org.co
Colombian Petroleum Association: www.acp.com.co
Colombian Tele-Informatic Chamber: www.ccit.org.co
CREG (Energy and Gas Regulatory Commission): www.creg.gov.co
DANE (Statistics Bureau) : www.dane.gov.co
Dinero newspaper: www.dinero.com
El Espectador newspaper: www.elespectador.com
El Tiempo newspaper: www.eltiempo.com.co
EXIMBANK : www.exim.gov
FENALCO (Merchants Association): www.fenalco.com.co
Industry And Commerce Superintendency: www.sic.gov.co
Inter American Development Bank: www.iadb.org
Intertek Testing Services (Customs validation): www.intertek.com
La Nota Economica economic magazine: www.lanota.com
La Republica newspaper: www.larepublica.com.co
Medellín Chamber Of Commerce/Trade Point: www.camaramed.org.co
Ministry Of Agriculture And Rural Development: www.minagricultura.gov.co
Ministry Of Communications: www.mincomunicaciones.gov.co
Ministry Of The Environment, Housing And Territorial Development:
www.minambiente.gov.co

Ministry Of Mines And Energy: www.minminas.gov.co
Ministry Of Trade, Industry And Tourism: www.mincomercio.gov.co
National Association Of Exporters: www.analdex.org
National Cattlemen's Federation: www.fedegan.org.co
National Planning Department: www.dnp.gov.co
OPIC: www.opic.gov
Plastic Industries Association: www.acoplasticos.org
Portafolio newspaper: www.portafolio.com.co
Proexport (Export & Foreign Investment Promotion Bureau): www.proexport.com.co
Presidencia de la Republica and/or Palacio de Nariño (President's Office): www.presidencia.gov.co
Semana magazine: www.semana.com
Small Business Association-Acopi: www.acopi.org.co
State Comptroller's: www.contraloriagen.gov.co
State Contracting Information System/SICE: www.sice-cgr.gov.co
Superintendent of Corporations: www.supersociedades.gov.co
Superintendent of Industry and Commerce: www.sic.gov.co
Superintendent of Instruments/Stock: www.superfinanciera.gov.co
World Bank: www.worldbank.org

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To view market research reports produced by the U.S. Commercial Service please visit the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

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Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp

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# Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized tailored solutions to help your business enter and succeed in markets worldwide.  Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Understand new standards and market access requirements

For more information on the services that the U.S. Commercial Service offers U.S. businesses, please click on the link below.

http://www.buyusa.gov/colombia/en/services_for_us_companies.html

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: http://www.export.gov