

## Leading Sectors for U.S. Export and Investment

### 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**

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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

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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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## Resources

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National Hydrocarbons Agency (ANH): [www.anh.gov.co](http://www.anh.gov.co)

Ministry of Mines and Energy: [www.minminas.gov.co](http://www.minminas.gov.co)

Invest in Colombia Corporation (*Coinvertir*): [www.coinvertir.org](http://www.coinvertir.org)

Colombian Oil Company (Ecopetrol): [www.ecopetrol.com.co](http://www.ecopetrol.com.co)

Colombian Government: [www.gobiernoenlinea.gov.co](http://www.gobiernoenlinea.gov.co)

Inter-American Development Bank (IDB): <http://www.iadb.org/exr/country/eng/colombia/>

National Planning Department: [www.dnp.gov.co](http://www.dnp.gov.co)

The World Bank: [www.worldbank.org](http://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

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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.

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National Statistics Department-Dane: [www.dane.gov.co](http://www.dane.gov.co)

Plastics Industries Association: [www.acoplasticos.org](http://www.acoplasticos.org)

Banco de Comercio Exterior de Colombia – Bancoldex: [Bancoldex.com](http://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

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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

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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

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National Statistics Department-Dane: [www.dane.gov.co](http://www.dane.gov.co)

Colombian Association of Automotive Parts Manufacturers (Acolfa): [www.acolfa.com.co](http://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

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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/](http://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](http://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

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Colombian Software Federation (FEDESFT): [www.fedesoft.org](http://www.fedesoft.org)

Colombian Engineers Association (ACIEM): [www.aciem.org](http://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.

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National Statistics Department (DANE): [www.dane.gov.co](http://www.dane.gov.co)

World Trade Atlas

Communications Ministry: [www.mincomunicaciones.goc.co](http://www.mincomunicaciones.goc.co)

Telecommunications Regulator (CRT): [www.crt.gov.co](http://www.crt.gov.co)

Telecommunications Research Center (CINTEL): [www.cintel.org.co](http://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 (ALAIICO): [www.alaico.org](http://www.alaico.org)

Colombian Association of Travel and Tourism Agencies (ANATO): [www.anato.com.co](http://www.anato.com.co)

Colombian Hotels Association (COTELCO): [www.cotelco.co](http://www.cotelco.co)

Colombian Special Administrative Unit for Civil Aeronautics (UAEAC): [www.aerocivil.gov.co](http://www.aerocivil.gov.co)

Ministry of Trade, Industry, and Tourism: [www.mincomex.gov.co](http://www.mincomex.gov.co)

Visit USA Committee Colombia: [www.visit@epm.net.co](http://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

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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.

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### Best Products/Services

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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

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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

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National Highway Institute (Invias): [www.invias.gov.co](http://www.invias.gov.co)

Invest in Colombia Corporation (*Coinvertir*): <http://www.coinvertir.org.co/>

Colombian Government: [www.gobiernoenlinea.gov.co](http://www.gobiernoenlinea.gov.co)

Ministry of Transportation: [www.mintransporte.gov.co](http://www.mintransporte.gov.co)

Ministry of Mines and Energy: [www.minminas.gov.co](http://www.minminas.gov.co)

Mining and Energy Planning Unit: [www.upme.gov.co](http://www.upme.gov.co)

National Concessions Institute (INCO): [www.mintransporte.gov.co/inco](http://www.mintransporte.gov.co/inco)

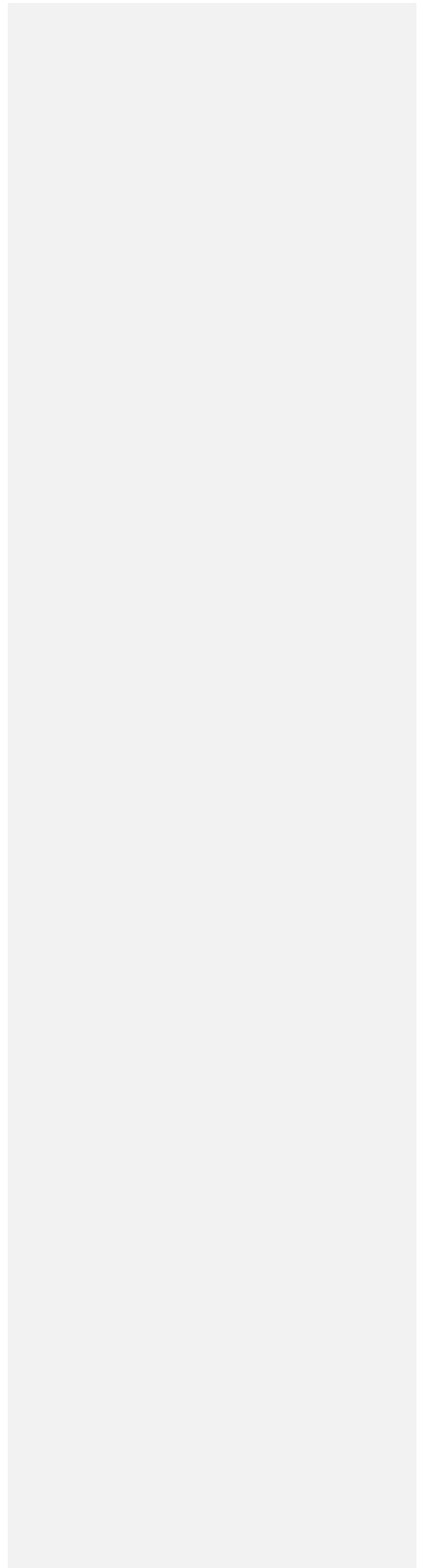
National Planning Department: [www.dnp.gov.co](http://www.dnp.gov.co)

Drummond Ltd.: [www.drummondltd.com](http://www.drummondltd.com)

Carbon del Cerrejon: [www.cerrejoncoal.com](http://www.cerrejoncoal.com)

Colombian Geological and Mining Service: [www.ingeminas.gov.co](http://www.ingeminas.gov.co)

Inter-American Development Bank (IDB): <http://www.iadb.org/exr/country/eng/colombia/>  
The World Bank (WB): [www.worldbank.org](http://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 Air Transportation: [www.atac.aero](http://www.atac.aero)

Colombian Association of Flower Growers (ASOCOLFLORES):

[www.colombianflowers.com](http://www.colombianflowers.com)

Colombian Freight Forwarders, Customs Brokers, and Warehousing Federation (FITAC):

[www.fitac.net](http://www.fitac.net)

Colombian Special Administrative Unit for Civil Aeronautics (UAEAC): [www.aerocivil.gov.co](http://www.aerocivil.gov.co)

National Association of Exporters (ANALDEX): [www.analdex.org](http://www.analdex.org)

National Industrialists Association (ANDI): [www.andi.com.co](http://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

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Association of Power Generation Companies (ACOLGEN): [www.acolgen.org.co](http://www.acolgen.org.co)

Energy and Gas Regulatory Commission (CREG): [www.creg.gov.co](http://www.creg.gov.co)

Empresas Públicas de Medellín (EPM): [www.eppm.com](http://www.eppm.com)

Interconexión Eléctrica S.A. (ISA): [www.isa.com.co](http://www.isa.com.co)

ISAGEN: [www.isagen.com.co](http://www.isagen.com.co)

Mining and Energy Planning Unit (UPME): [www.upme.gov.co](http://www.upme.gov.co)

National Planning Department (DNP): [www.dnp.gov.co](http://www.dnp.gov.co)

Superintendent of Public Services: [www.superservicios.gov.co](http://www.superservicios.gov.co)

The Ministry of Mines and Energy (MME): [www.minminas.gov.co](http://www.minminas.gov.co)

TranSelca: [www.tranSelca.com.co](http://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**

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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**

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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

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Ministry of Environment, Housing, and Territorial Development: [www.minambiente.gov.co](http://www.minambiente.gov.co)

Invest in Colombia Corporation(*Coinvertir*): [www.coinvertir.org](http://www.coinvertir.org)

Colombian Hydrology, Meteorology and Environmental Research Institute: [www.ideam.gov.co](http://www.ideam.gov.co)

Colombian Government: [www.gobiernoenlinea.gov.co](http://www.gobiernoenlinea.gov.co)

Water and Basic Sanitation Regulatory Commission (CRA): [www.cra.gov.co](http://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

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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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National Statistics Department (DANE): [www.dane.gov.co](http://www.dane.gov.co)

World Trade Atlas: [www.gtis.com](http://www.gtis.com)

Superintendent's Office for Surveillance and Security: [www.supervigilancia.gov.co](http://www.supervigilancia.gov.co)

Instituto Colombiano de Normas Técnicas (ICONTEC): [www.icontec.gov.co](http://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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## FOOD & BEVERAGE PROCESSING & PACKAGING EQUIPMENT

### Overview

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	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, Compañía 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

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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

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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

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InterBev: [www.interbev.com](http://www.interbev.com)

International Exposition for Food Processors (IEFP): <http://www.processfood.com>

PackExpo: [www.packexpo.com](http://www.packexpo.com)

2008 Bogotá International Industrial Trade Fair: [www.corferias.com](http://www.corferias.com)

2008 Alimentec Show: [www.alimentec.com](http://www.alimentec.com)

National Industries Association (ANDI): [www.andi.com.co](http://www.andi.com.co)

Bancoldex (Foreign Trade Bank): [www.bancoldex.com/general/index.php](http://www.bancoldex.com/general/index.php)

Byington Colombia S.A. (D&B correspondent): [www.byington.net](http://www.byington.net)

Colombian Customs and Income Tax Offices (DIAN): [www.dian.gov.co](http://www.dian.gov.co)

Colombian Government: [www.gobiernoenlinea.gov.co](http://www.gobiernoenlinea.gov.co)

Merchants Association (FENALCO): [www.fenalco.com.co](http://www.fenalco.com.co)

National Planning Department (DNP): [www.dnp.gov.co](http://www.dnp.gov.co)

Presidencia de la Republica and/or Palacio de Nariño (President's Office): [www.sne.gov.co](http://www.sne.gov.co) and  
[www.presidencia.gov.co](http://www.presidencia.gov.co)