



Investment Environment and Business Opportunities in Colombia

December, 2011

• *Promoção de Turismo, Investimento e Exportações* • Förderung von Tourismus, Investition und Export • *Promotion du Tourisme, de L` Investissement et des Exportations* • **Tourism, Foreign Investment and Exports Promotion** • *Toeristische, Buitenlandse Invetiringen en Export Promotie* • **Promoción de Turismo, Inversión y Exportaciones** • *Promoção de Turismo, Investimento e Exportações* • Förderung von Tourismus, Investition und Export • *Promotion du Tourisme, de L` Investissement et des Exportations* • **Tourism Foreign Investment and Exports Promotion** • *Toeristische Buitenlandse Invetiringen en Export*

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

TOURISM



INVESTMENT



EXPORTS



Proexport Around the World



Proexport's Representatives in the US



Some recent investment projects supported by Proexport



Kimberly-Clark

2011 - Announced a new product and development research center

2010 - Bilingual contact center operation for the United States and Colombia



2011 - Global service center for BPO and IT operations

2011 - Investment in Terranum Development, a leading corporate property company in Bogota



JW MARRIOTT
HOTELS & RESORTS

2010 – Opened a new business hotel offering 264 rooms, located in the heart of Bogota’s financial district.

2010 – Acquired the assets of ESI de Colombia. ESI is a value added reseller of industrial electrical equipment and engineering services



- ▣ Colombia's investment environment
- ▣ Business opportunities in Colombia





✓ The land area of Colombia is nearly 1,141,000 km², almost 3 times the size of California and twice the size of Texas

✓ Bordering the Pacific and Atlantic oceans

✓ Colombia is one of the most biodiverse countries in the world.

Same time zone with the East Coast of the US – Rapidly increasing connectivity (Aprox. 3 hour flight to Miami and 5 hours to NY)



In January 2013 an **Open Skies** agreement will enter into force



City of Origin	City of Destination	Weekly Frequencies
Miami	Bogota	42
New York	Bogota	26
Ft. Lauderdale	Bogota	21
Houston	Bogota	14
Orlando	Bogota	14
Miami	Cali	14
Miami	Medellin	14
Miami	Barranquilla	7
Atlanta	Bogota	7
Miami	Cartagena	7
New York	Medellin	7
Ft. Lauderdale	Cartagena	6
Washington	Bogota	5
Ft. Lauderdale	Medellin	5
Ft. Lauderdale	Armenia	4

Total: 193

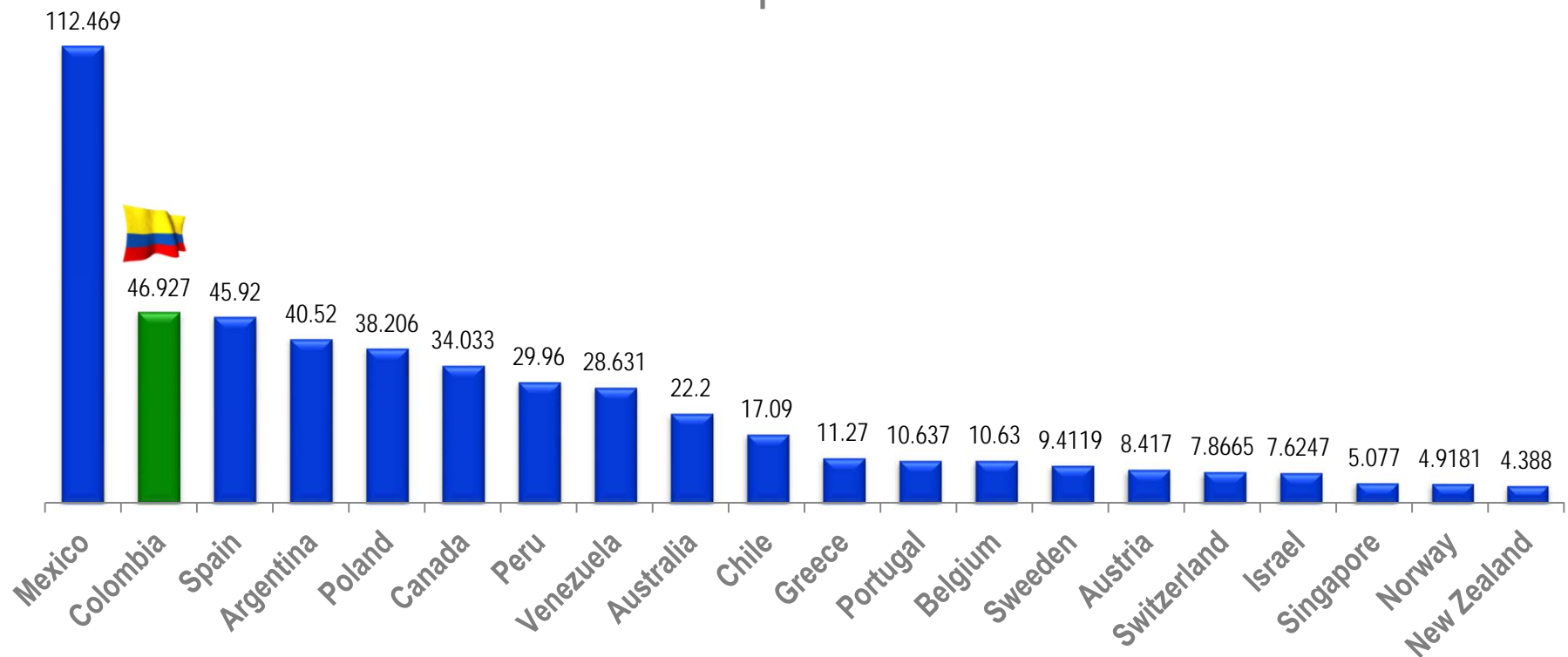
Source: Aerocivil. Proexport Calculation



Colombia's population is 46 million
The percentage of population under 30 years of age is 55%

The twenty-fourth largest population in the world and the second largest Spanish-speaking country

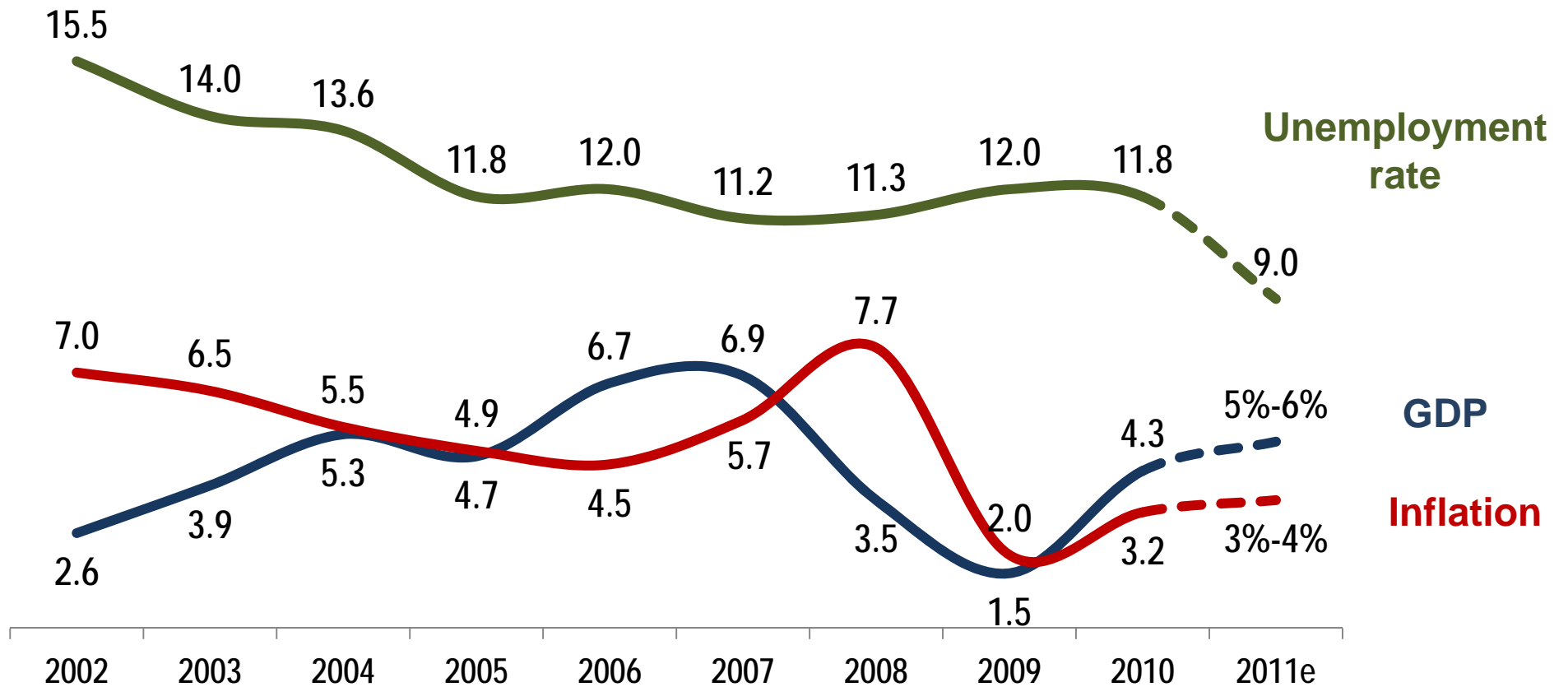
Population Millions of People - 2010*



Source: EIU (Economist Intelligence Unit)

*Forecast (October 10, 2011)

GDP, Inflation and Unemployment rate (%) 2002 – 2011e



Source: DANE- Colombia Central Bank - Economist Intelligence Unit Forecast
e: Estimated

The three top risk rating agencies granted Colombia “investment grade” on its sovereign debt in 2011



STANDARD & POOR'S

The McGraw-Hill Companies

Colombia (Republic of)

Issuer Credit Rating

	Ratings	Rating Date
Foreign Long Term	BBB-	16-Mar-2011
Foreign Short Term	A-3	16-Mar-2011
Local Long Term	BBB+	05-Mar-2007
Local Short Term	A-2	05-Mar-2007

The three agencies agree on the country's **positive economic and financial situation**, highlighting:

- ✓ Its ability to deal with **external shocks**
- ✓ Its historic **fulfillment of obligations**
- ✓ An increase in its **macroeconomic credibility**
- ✓ A visible improvement in **security conditions**

MOODY'S

Colombia, Government of

Moody's Org ID: 186200 Previous Name: COLOMBIA, REPUBLIC OF

May 31, 2011

Long Term Rating > **Baa3, Not on Watch**

Outlook > Stable

Other Debts on Watch?: No

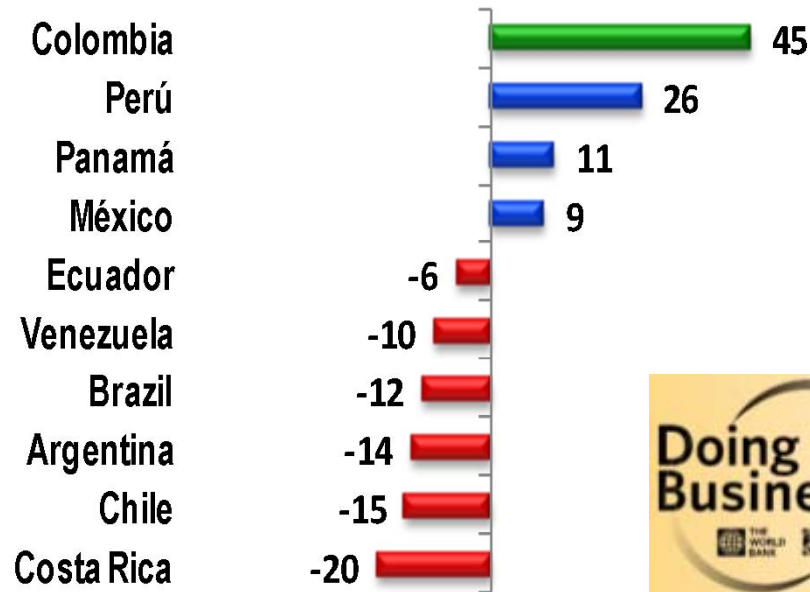
FitchRatings











Colombia Upgrade

Long Term Issuer Default Rating:	BBB-	22-JUN-2011
Short Term Issuer Default Rating:	F3	22-JUN-2011
Local Currency Long Term Issuer Default Rating:	BBB	22-JUN-2011
Country Ceiling:	BBB	22-JUN-2011

The third "friendliest" country to do business in Latin America and the top reformer in the region

Change in Doing Business Ranking, 2007-2012*
(Variation in the number of positions)

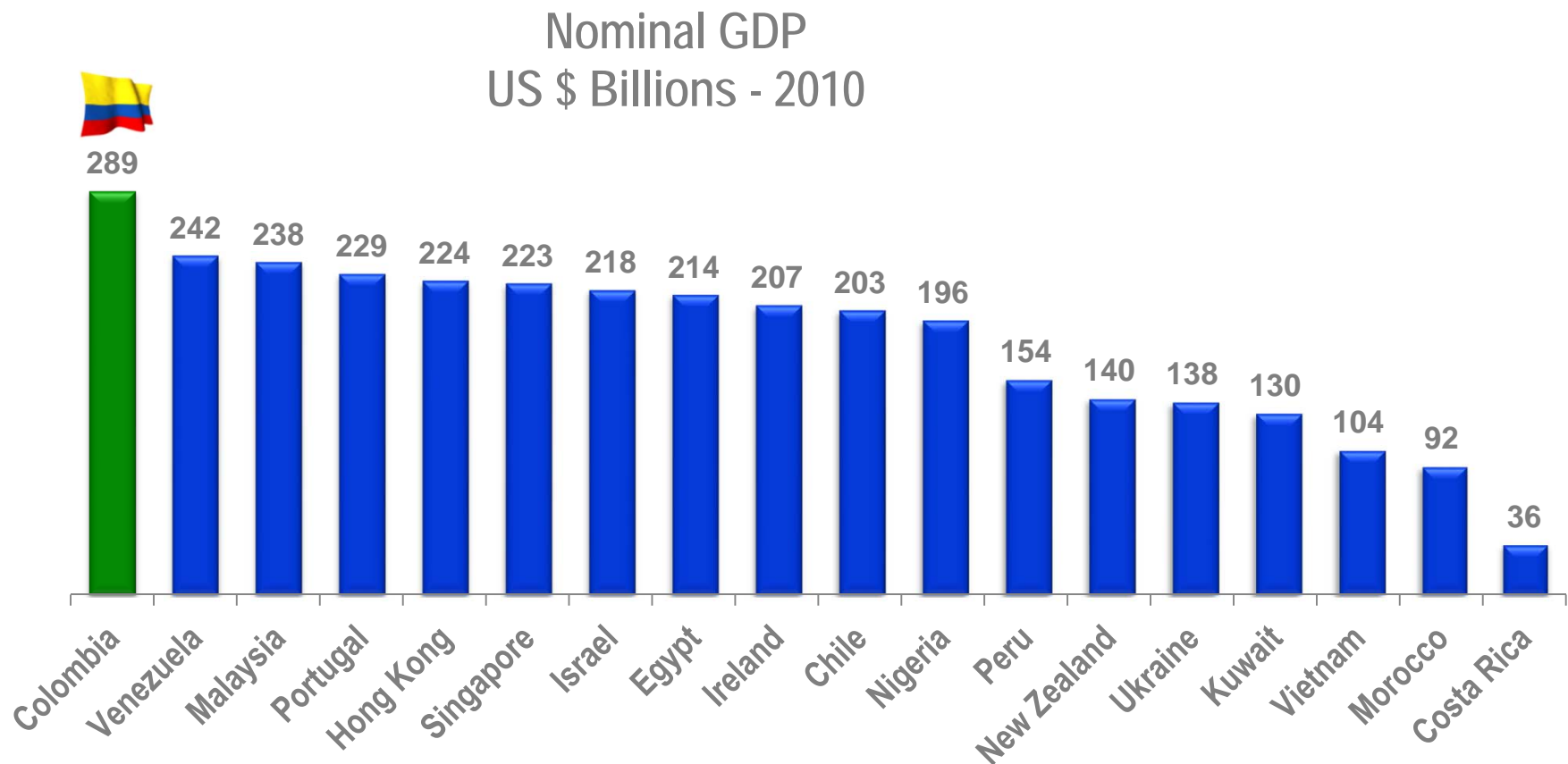


Country	World Ranking 2012	World Ranking 2011
 Chile	39	41
 Peru	41	39
 Colombia	42	47
 Mexico	53	54
 Panama	61	63
 Argentina	113	114
 Costa Rica	121	121
 Brazil	126	120
 Ecuador	130	131
 Venezuela	177	175

Source: Doing Business 2012 World Bank Report

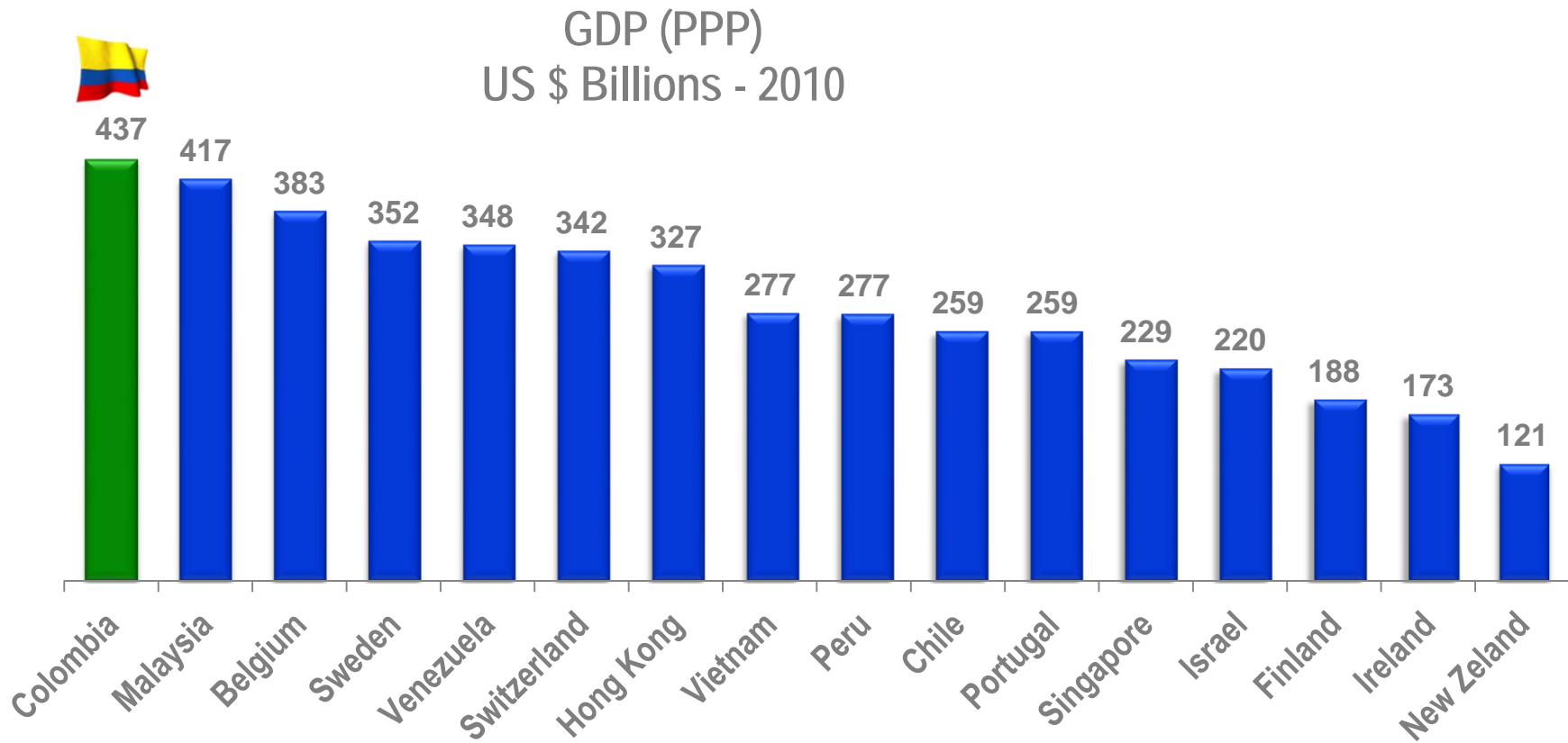
*Positive numbers indicate improvements in business environment

Colombia's economy: larger than those of Chile, Ireland, Malaysia, Egypt, Singapore and New Zealand



Source: EIU (Economist Intelligence Unit)
(Oct 2011)

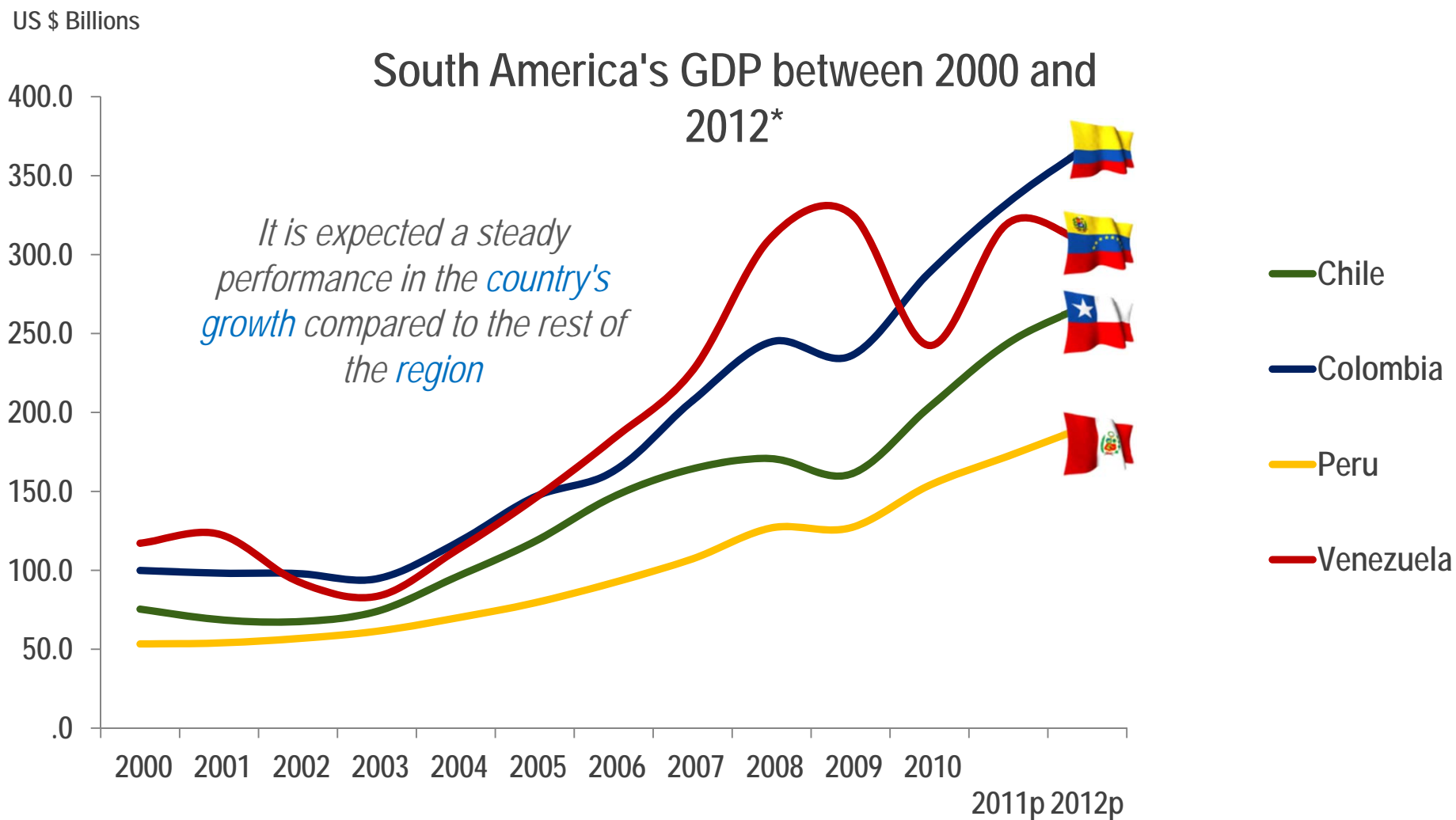
Colombia: the 28th largest economy in the world when adjusted by PPP and one of the largest non-OECD



Note: GDP adjusted by purchasing power parity (PPP)

Source: EIU (Economist Intelligence Unit) (October, 2011)

Colombia is the fourth largest economy in Latin America



Source: EIU - June 2011
P: Forecasts

Colombia among the top economies in the world by 2050

Top 30 economies of the world, by 2050 GDP US\$ constant 2000 (Billion)

1 China	24.617	16 Indonesia	1.504
2 US	22.270	17 Australia	1.480
3 India	8.165	18 Argentina	1.477
4 Japan	6.429	19 Egypt	1.165
5 Germany	3.714	20 Malaysia	1.160
6 UK	3.576	21 Saudi Arabia	1.128
7 Brazil	2.960	22 Thailand	856
8 Mexico	2.810	23 Netherlands	798
9 France	2.750	24 Poland	786
10 Canada	2.287	25 Iran	732
11 Italy	2.194	26 Colombia	725
12 Turkey	2.149	27 Switzerland	711
13 S. Korea	2.056	28 Hong Kong	657
14 Spain	1.954	29 Venezuela	558
15 Russia	1.878	30 South africa	529

Colombia will be the top economy in Latin America for growth in GDP per capita.

Source: The World in 2050, Quantifying the shift in the global economy, HSBC, Global Research. 2011.



HSBC Global Research
Global Economics
January 2011

The world in 2050

Quantifying the shift in the global economy

With the rapid growth of the emerging markets, the global economy is experiencing a seismic shift. In this piece, we argue that this shift is set to continue. By 2050, the collective size of the economies we currently deem 'emerging' will have increased five-fold and will be larger than the developed world. And 19 of the 30 largest economies will be from the emerging world. At the same time, there will be a marked decline in the economic might – and potentially the political clout – of many small population, ageing, rich economies in Europe.

By Karen Ward

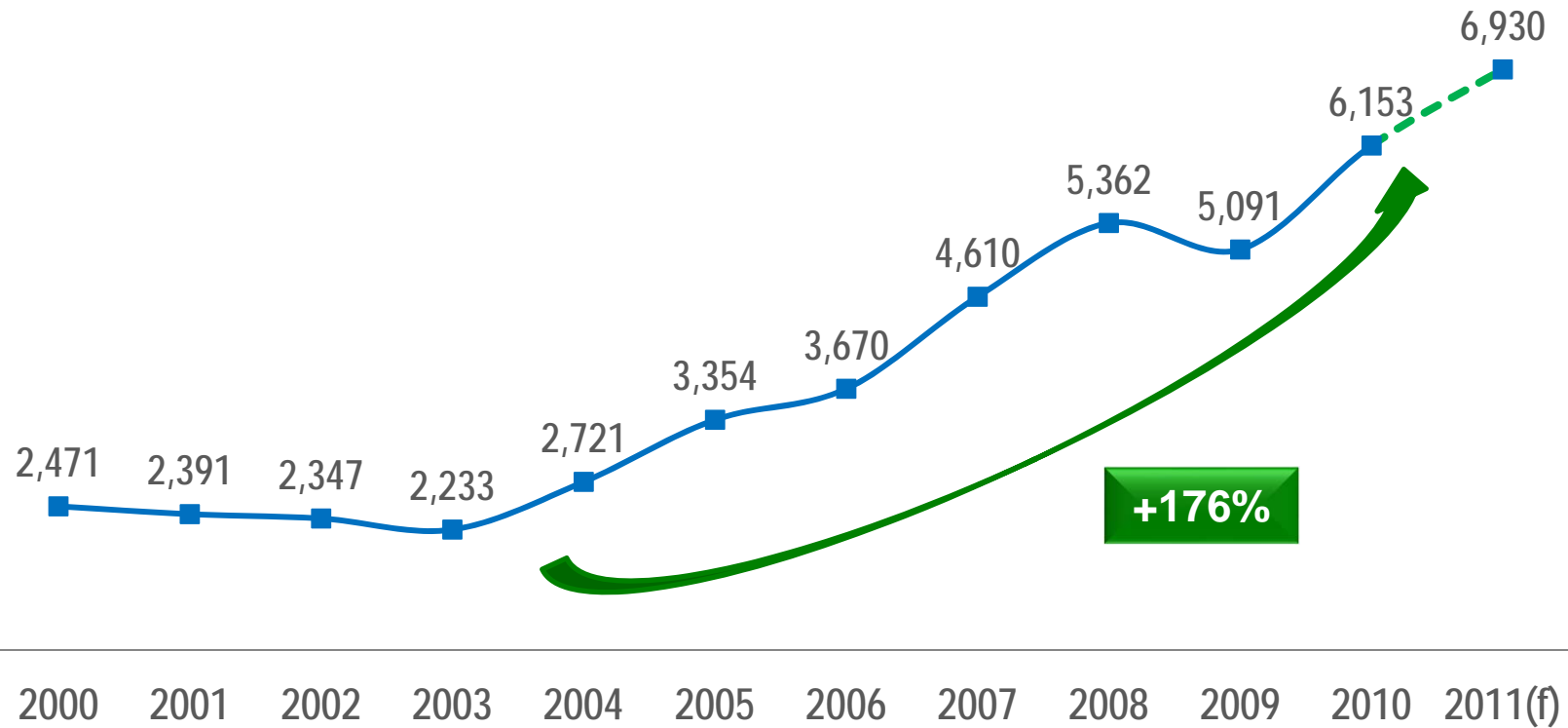
Disclosures and Disclaimer This report must be read with the disclosures and analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

<http://www.research.hsbc.com/midas/Res/RDV?p=pdf&key=ej73gSSJVi&n=282364.PDF>

Colombia's GDP per capita tripled since 2003



Colombia's GDP Per Capita 2000 – 2010 (US \$)



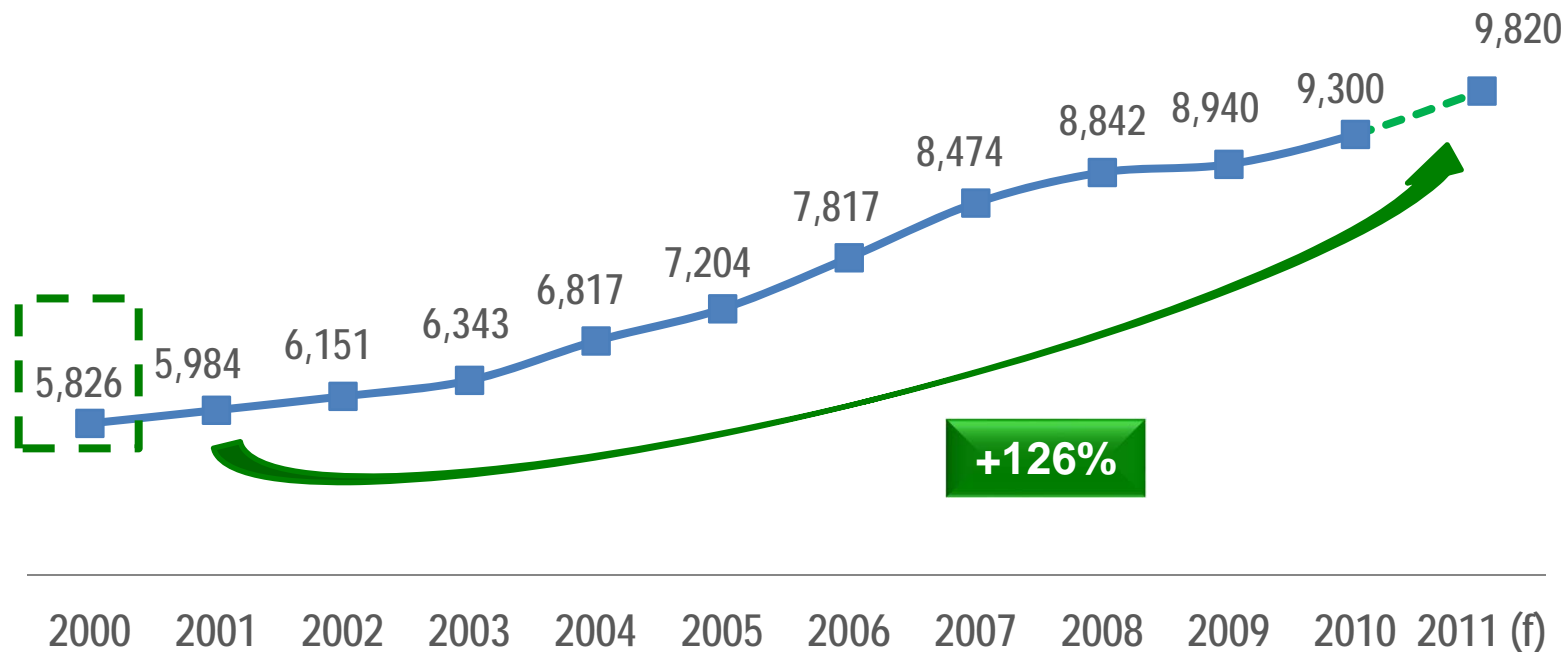
(f) : Forecast

Source: EIU (Economist Intelligence Unit)
(October 12, 2011)

GDP Per Capita adjusted by PPP is close to US \$10,000

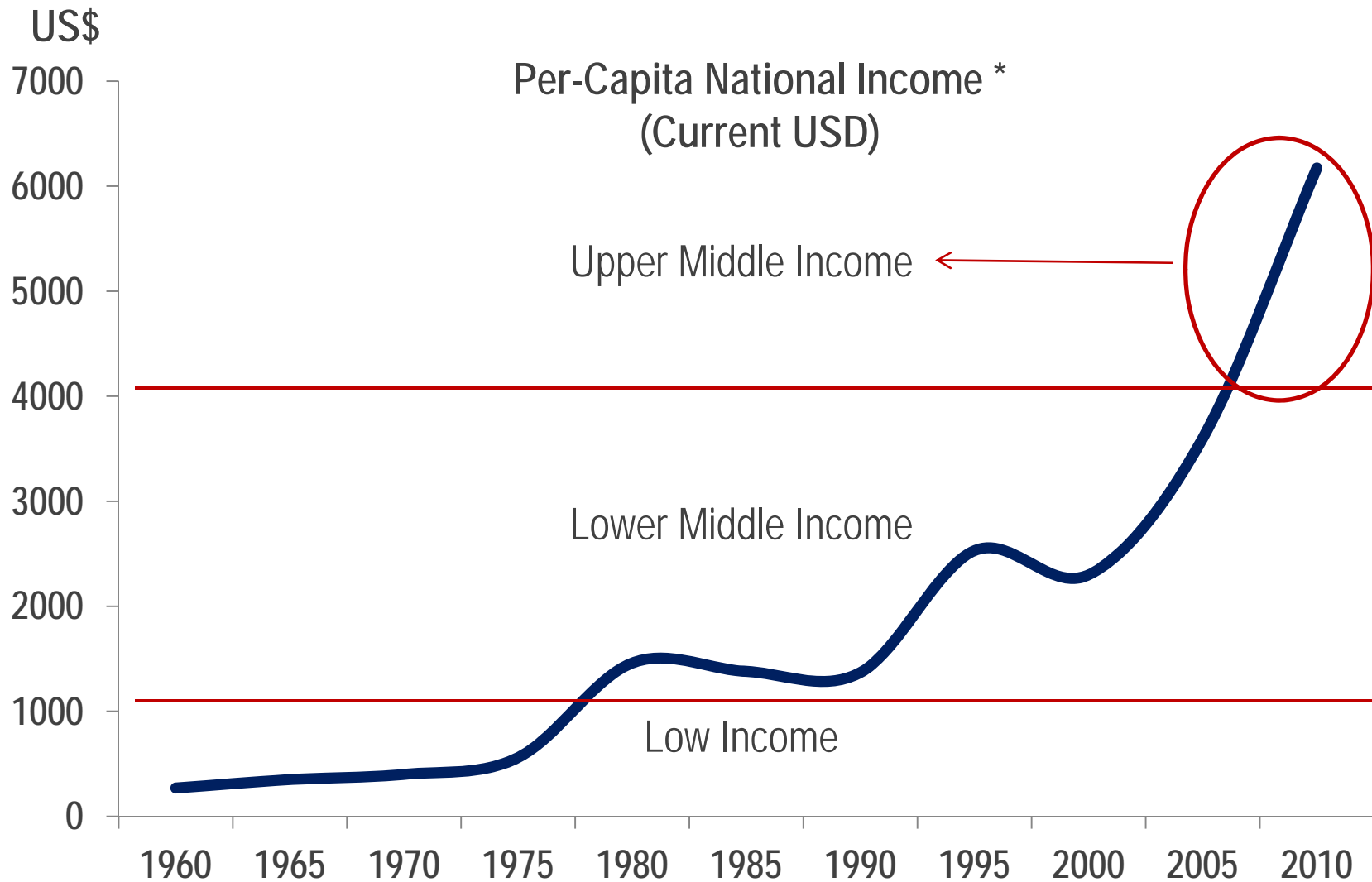


Colombia's GDP Per Capita (PPP)*, 2000 – 2010 (US \$)



•GDP Per Capita adjusted to prices at purchasing power parity (PPP)
•(f) : Forecast
Source: EIU (Economist Intelligence Unit)
(October 12, 2011)

According to international standards, Colombia is part of the group of upper-middle-income countries since 2005



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

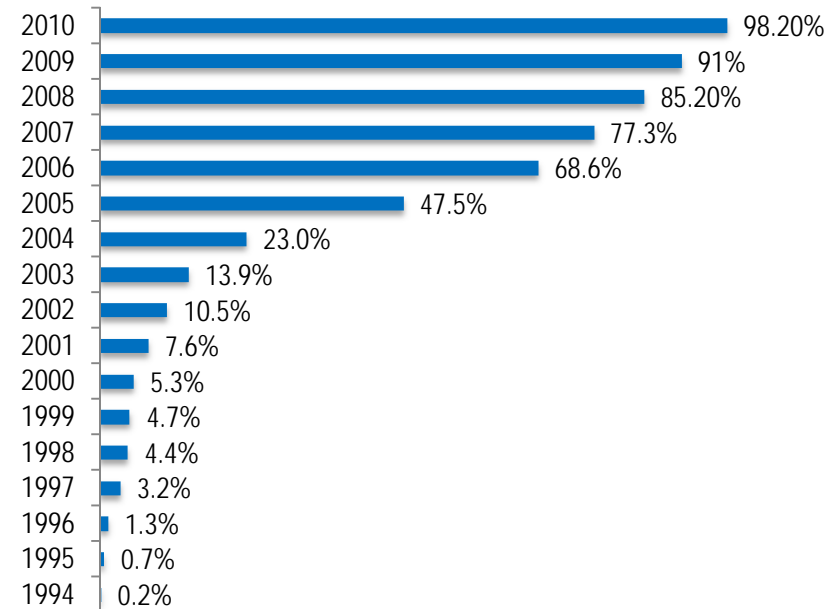
A rapidly growing consumer market: 46 million of Mobile Telephony lines by 2011



Active cell phone users per year

Year	Active lines	Variation %
2000	2,256,801	
2001	3,265,261	44.69%
2002	4,596,594	40.77%
2003	6,186,206	34.58%
2004	10,400,000	68.12%
2005	21,849,993	110.10%
2006	29,762,715	36.21%
2007	33,941,118	14.04%
2008	41,364,753	21.87%
2009	42,025,520	1.60%
2010	44,477,653	5.83%
June 2011	46,147,937	-

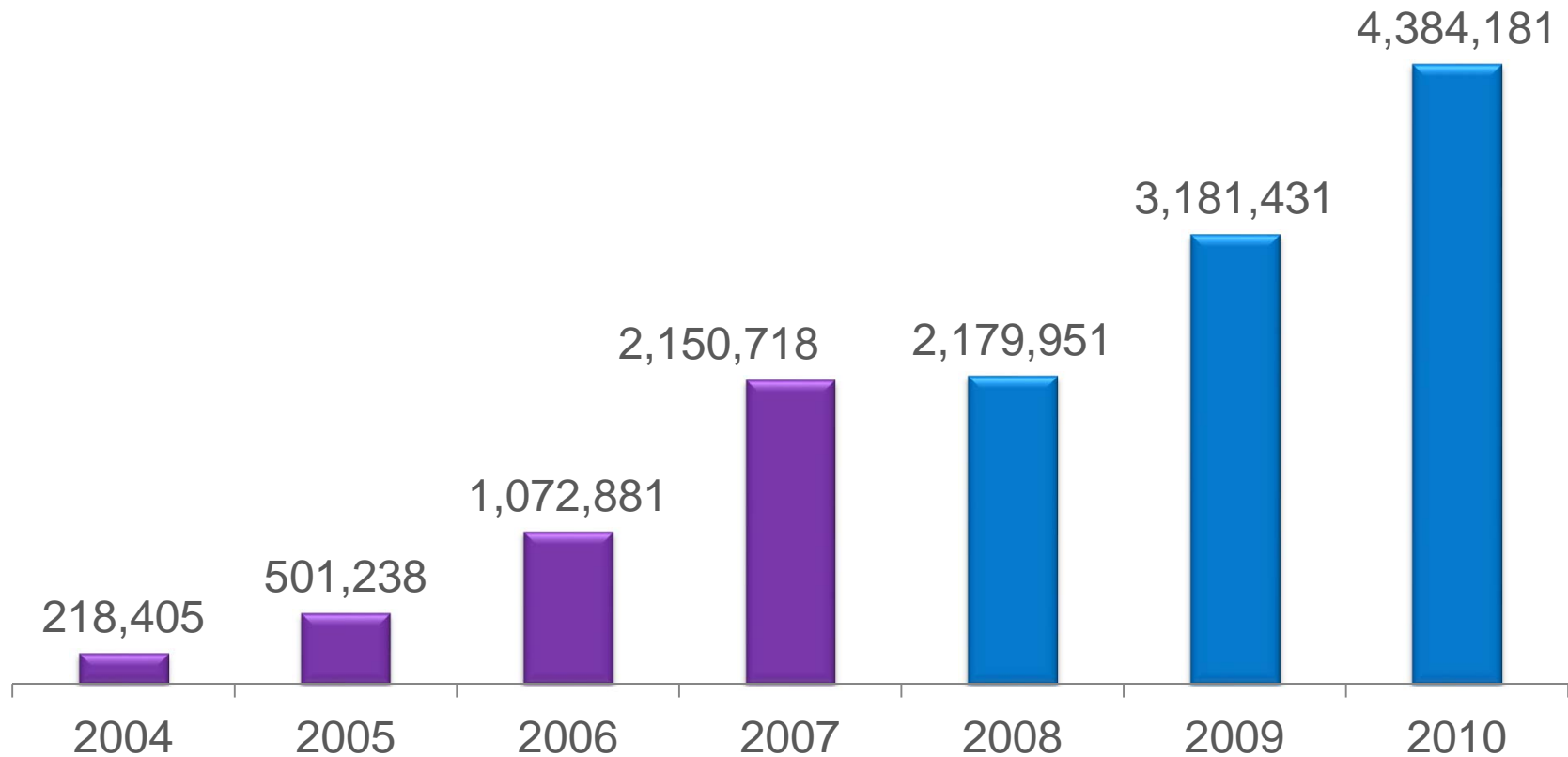
Mobile Phone Penetration



Operator	Users 2008	Users 2009	Users 2010	Variation
Colombia Móvil	4,012,102	4,516,509	5,208,793	15,33%
Telefónica Móviles	9,963,095	8,964,575	10,004,521	11,60%
Comcel	27,389,556	27,673,546	29,264,339	5,75%
Total	41,364,753	41,154,630	44,477,653	

Source: CRC, Communication Regulation Commission

Strong growth in internet connections

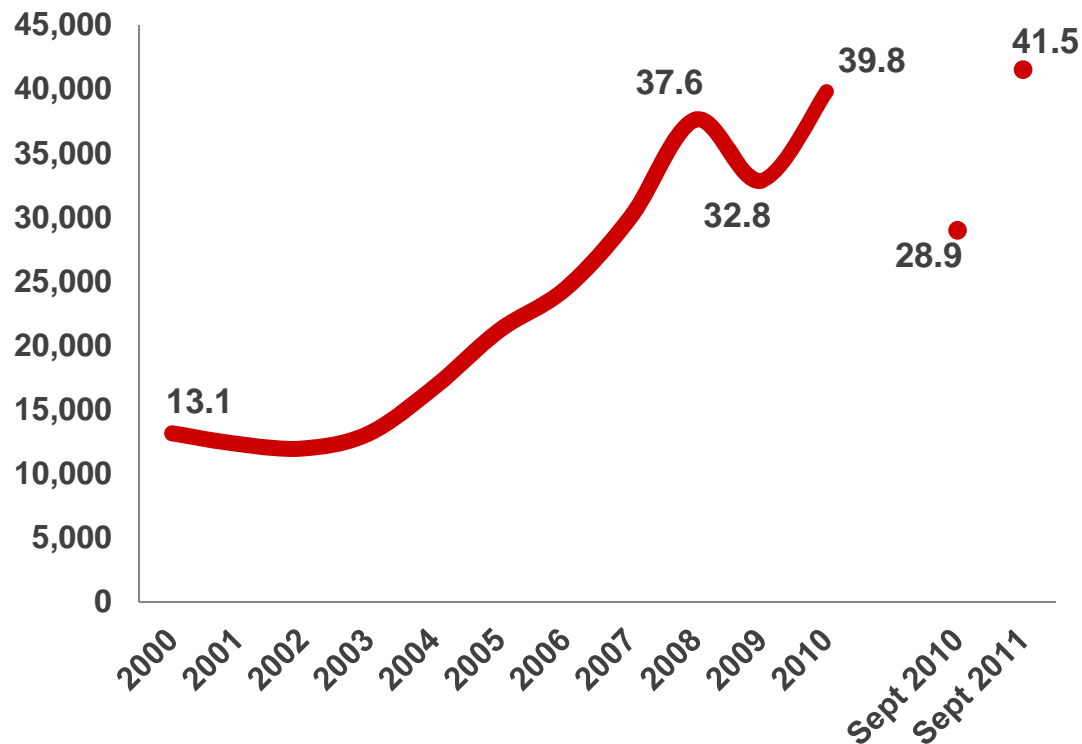


Source: CRC, Communication Regulation Commission

2008, 2009, 2010 include mobile networks

2011 will be a record year in exports

Exports, 2000 – September 2011
US\$ Billions



Variation 2008 - 2009: -12,7%

Variation 2009 - 2010: 21,2%

Variation Jan Sep 2010 – Jan Sep 2011: 43,2%

Source: DANE (Departamento Nacional de Estadísticas) (National Department of Statistics)

Colombia Exports by Country Jan – Sept 2011



United States

- US\$ 15.5
- Share 37.5%



Netherlands

- US\$ 1.9
- Share 4.7%



Chile

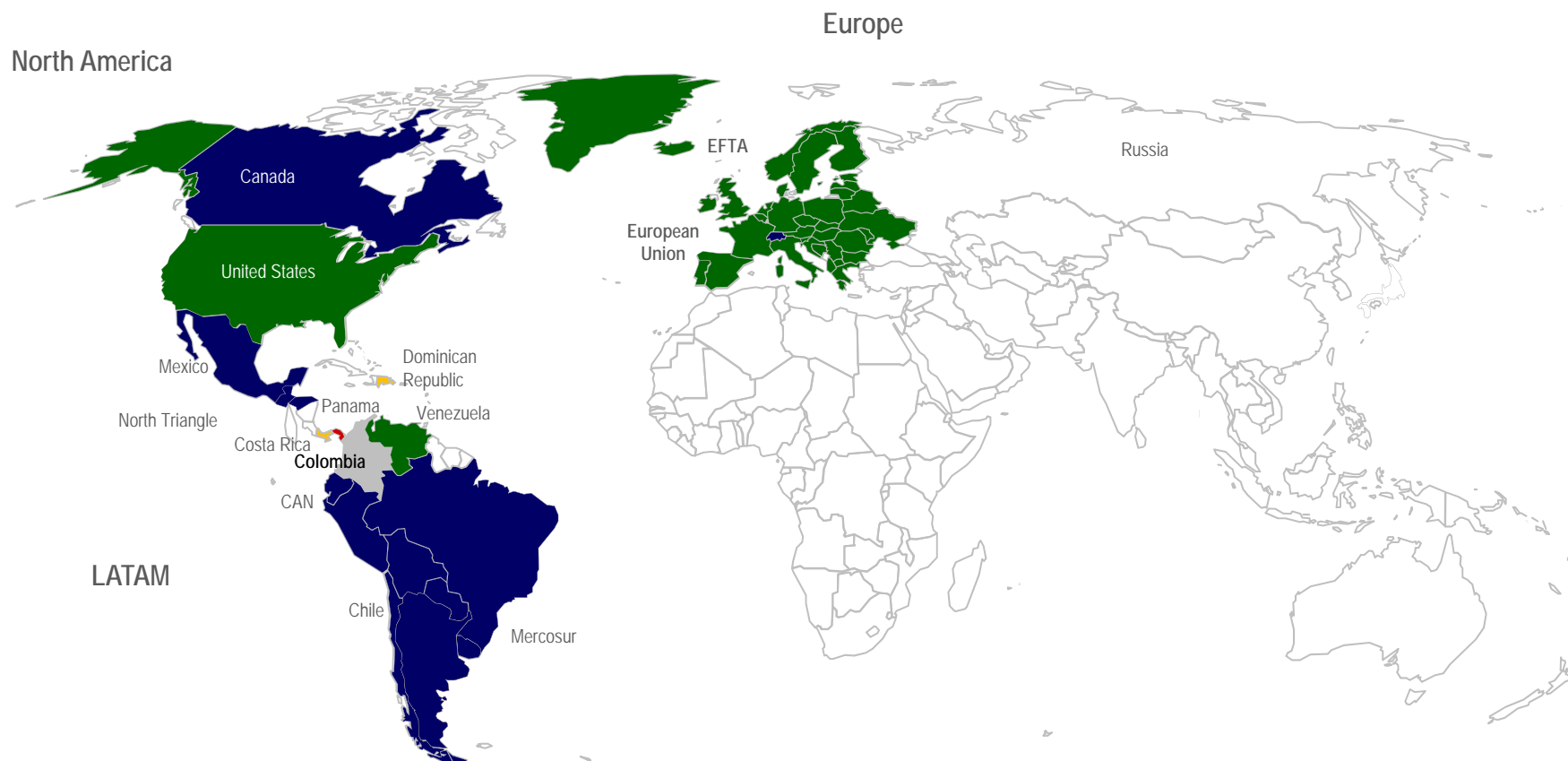
- US\$ 1.7
- Share 4.1%



China

- US\$ 1.6
- Share 4%

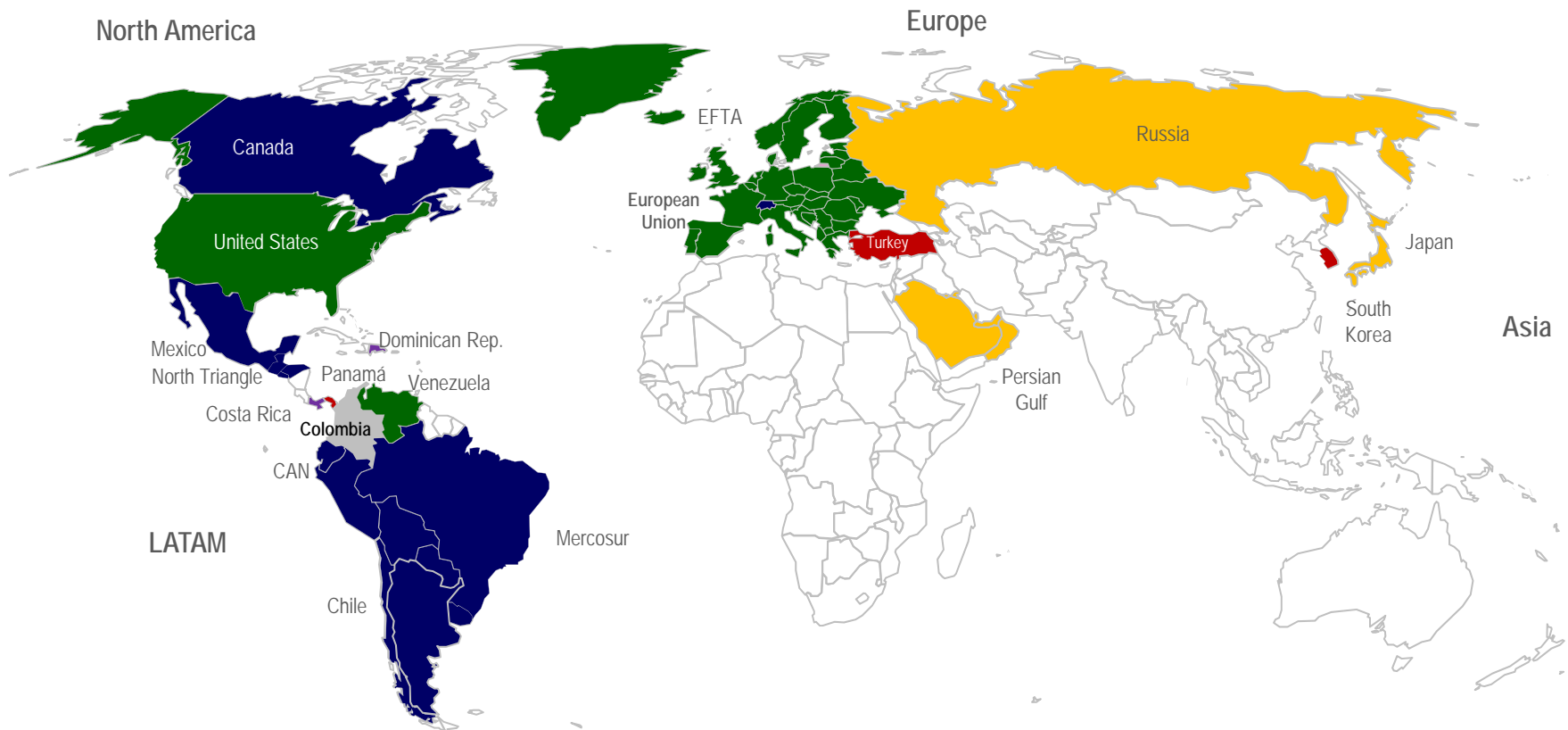
Colombia has access to 486 million consumers with the current agreements that are in force



- **In Force:** CAN, Mexico, Chile, Mercosur, Northern Triangle, Canada, Switzerland and Liechtenstein (members of EFTA)
- **Upcoming:** United States, European Union, Norway, and Iceland Venezuela

- **Under Negotiation:** Panama
- **Future:** Costa Rica, Dominican Republic

Future trade agreements



In Force: CAN, Mexico, Chile, Mercosur, Northern Triangle, Canada, Switzerland and Liechtenstein (members of EFTA)

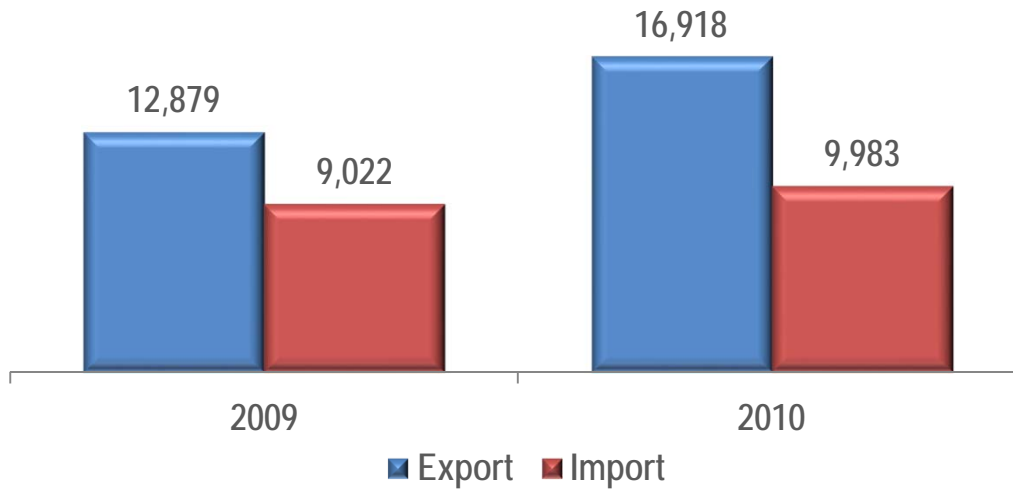
Upcoming: United States, European Union, Norway, and Iceland

Under Negotiation: Panama, Venezuela, South Korea, Turkey.

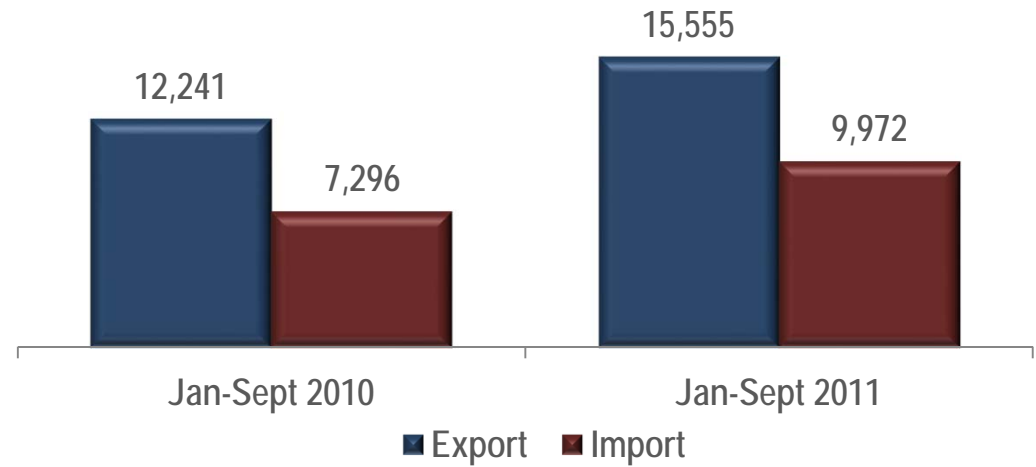
Future: Costa Rica, Dominican Republic, Russia, Gulf Community, Japan.

Colombia-US Bilateral Trade

Export / Import Colombia –US
2009-2010, US\$ million



Export / Import Colombia –US
Jan-Sept (2010-2011), US\$ million

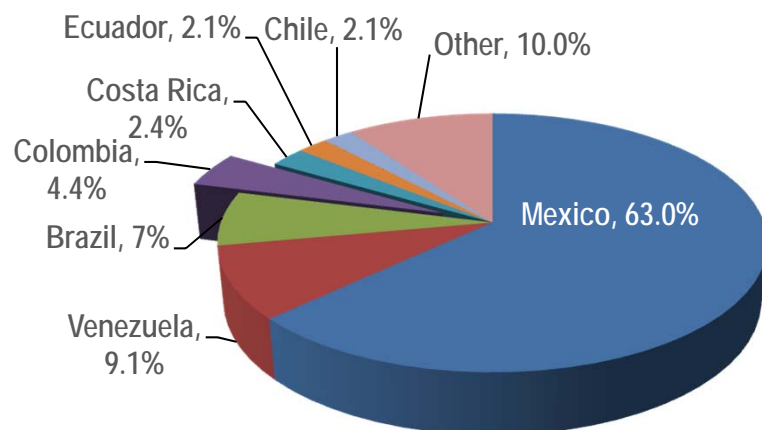


Source: DANE, Proexport calculations.

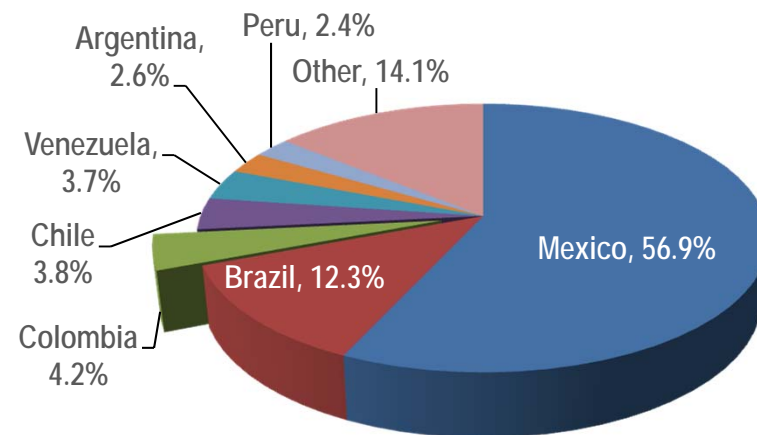
Colombia and US Bilateral Trade Relationship (2010)

- ✓ The US is **the top market** for Colombia exports and the **first source** of Colombia's imports.
- ✓ Colombia is the **20th market** for US exports the **25th supplier** of US imports.
- ✓ Colombia is the **3rd market** for the US in Latin America and its **4th supplier**.

U.S. Imports from LATAM










U.S. Exports to LATAM










Colombia - US trade (Total Exports)*

Colombian Exports to the US, 2010

	Oil and related products	65.3%
	Precious Metals	8.5%
	Fresh Flowers	5.6%
	Coal	5.5%
	Coffee	4.3%
	Apparel	1.4%
	Bananas	1.4%
	Others	8.0%

US Exports to Colombia, 2010

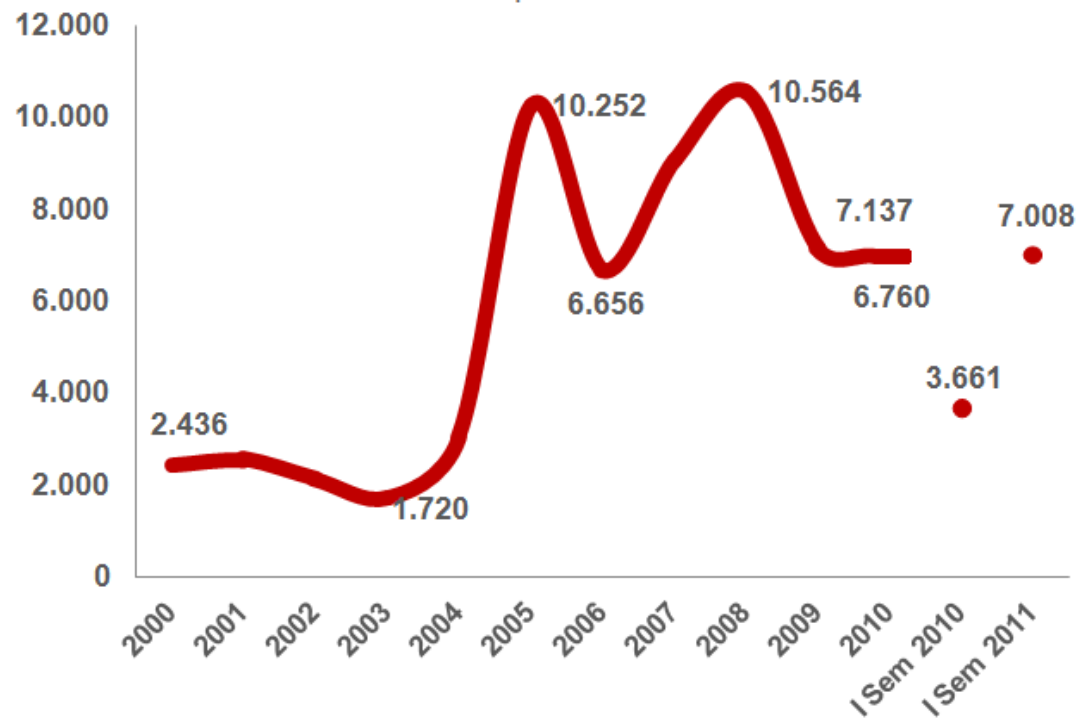
	Oil and related products	15.5%
	Automotive Industry	14.5%
	Industrial Machinery	13.6%
	Organic Chemicals	8.6%
	Plastics	4.4%
	Measurement Instruments and Devices	3.6%
	Pharmaceuticals	3.2%
	Others	36.5%

Source: DANE, Proexport Calculations

*Export and Import subsectors

2011 will be a record year in FDI flows to Colombia

FDI, 2000 – I Sem 2011
US\$ Millions



Variation 2008 - 2009: -32%

Variation 2009 - 2010: -5%

Variation I Sem 2010 - I Sem 2011: +91.4%

*FDI by Exchange Balance

**Participation by country positive accumulated inflows, it doesn't include investment or reinvestment of profits in the oil sector, Value 2000

- 2010: US\$ 32.462 million

Source: Banco de la República (Balance of Payments) (Central Bank)

Main Investors in Colombia 2000 - 2010**



United States

- Stock US\$ 9,333 M
- Share 28.8%



Great Britain

- Stock US\$ 4,631 M
- Share 12.8%



Spain

- Stock US\$ 2,637 M
- Share 7.3%



Mexico

- Stock US\$ 1,517 M
- Share 4.2%

US companies have a strong presence in Colombia

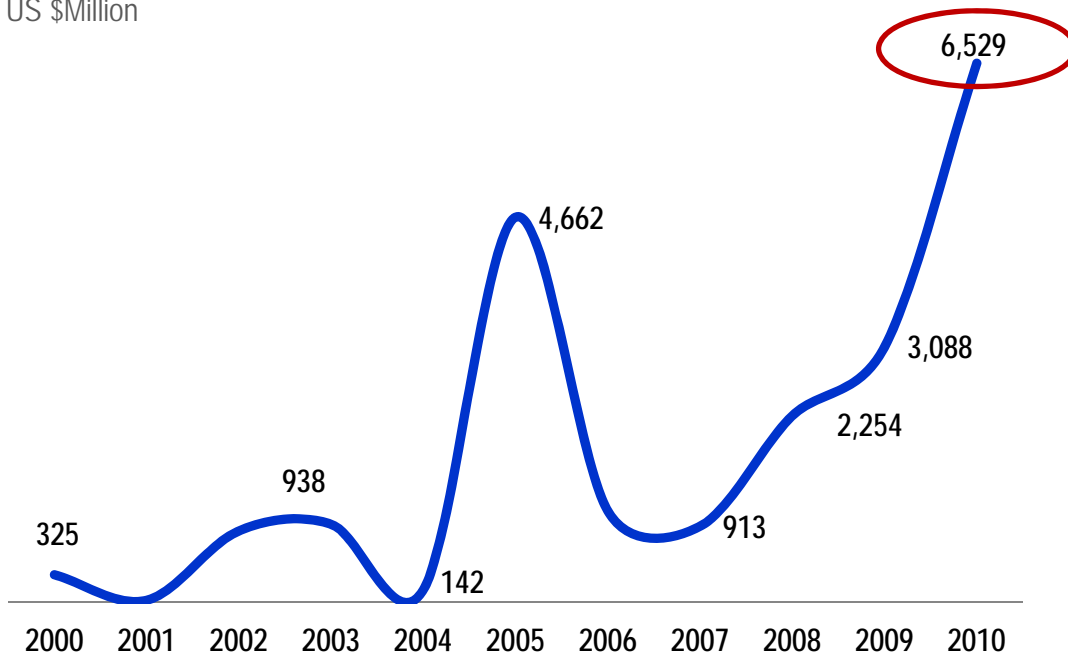
Eight US companies in different sectors rank among the largest in Colombia. In 2010 they recorded:



- ✓ Close to **US\$ 8,300** million in sales
- ✓ Exports over **US\$ 670** million
- ✓ **153,000** related jobs

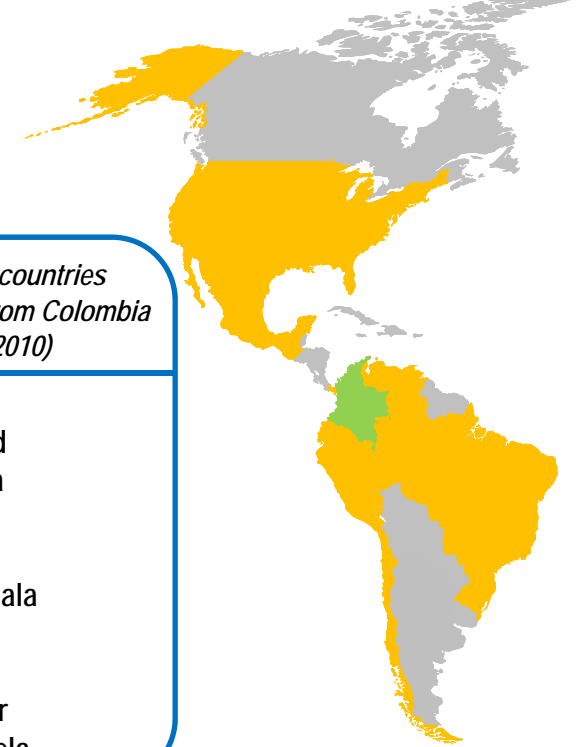
Colombia is also increasing its investment flows abroad

US \$Million



Ranking of countries receiving FDI from Colombia (2000-2010)

1. USA
2. England
3. Panama
4. Brazil
5. Peru
6. Guatemala
7. Mexico
8. Chile
9. Ecuador
10. Venezuela



Assembly of the first 500,000-volt electric transmission system in Peru. **Investment: US \$130 Million**



Purchased 60% of Peruvian energy company Cálidda. **Investment: US\$ 111 Million**



Purchased ING companies in Chile, Mexico, Peru, Uruguay and Colombia **Investment: US\$ 3.763 Billion**



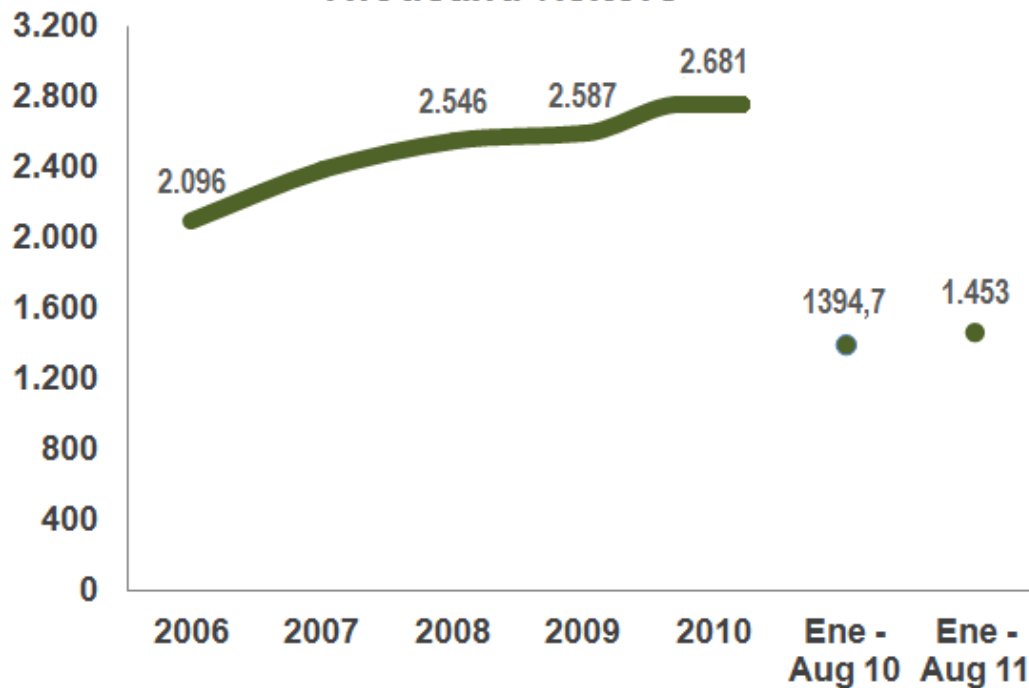
Acquisition of one hundred percent of the Central American Bank **Investment: US\$ 1.9 Billion**

Source: Banrep

2011 will be a record year in foreign visitors to Colombia



Tourism, 2000 – August 2011 Thousand visitors *



International visitors in Colombia by Country – 2010*



United States

- 345,158 Visitors
- Share 23.4%



Venezuela

- 197,173 Visitors
- Share 13.4%



Ecuador

- 122,076 Visitors
- Share 8.3%



Argentina

- 83,674 Visitors
- Share 5.7%

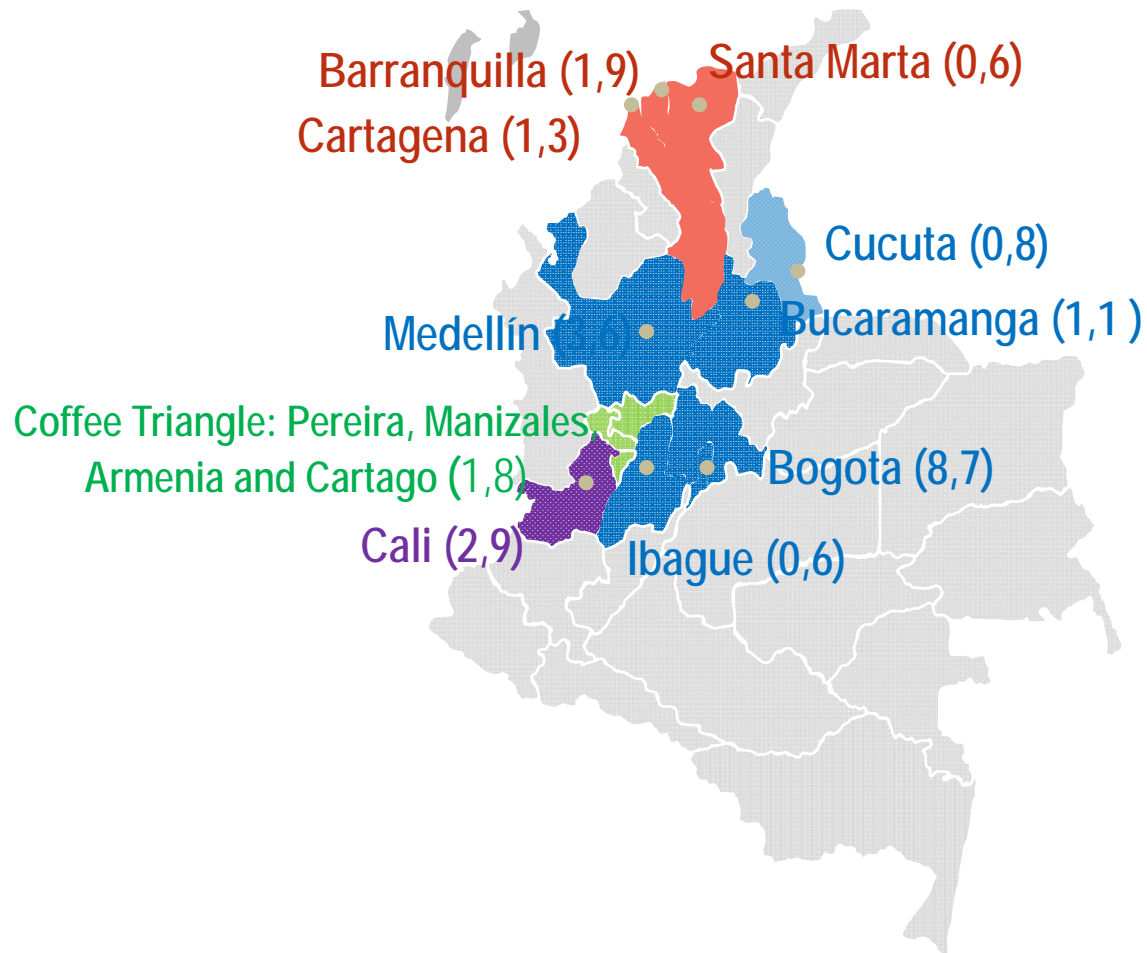
*Includes air transportation, cruise, land border crossings

Source: DAS (Departamento Administrativo de Seguridad) (National Department of Security)

- Colombia's investment environment
- Business opportunities in Colombia



A diversified economy with several dynamic urban centers



Population in mayor cities, including metropolitan area. 2011
Source DANE

A country with distinct regions and opportunities for investment



- **Caribbean Region:** tourism, logistics, petrochemical cluster, construction materials, export platform to the Caribbean/Atlantic
- **Central/Andean Region:** service outsourcing, high value-added manufacturing, hub to cover domestic market, specialized agroindustry.
- **Pacific Region:** manufacturing, agroindustry, logistics, biotechnology, export platform to the Pacific Rim
- **Oriquía Region:** agriculture, forestry, biofuels, hydrocarbons
- **Amazon Region:** conservation, ecotourism (Leticia)

National Development Plan 2010 - 2014



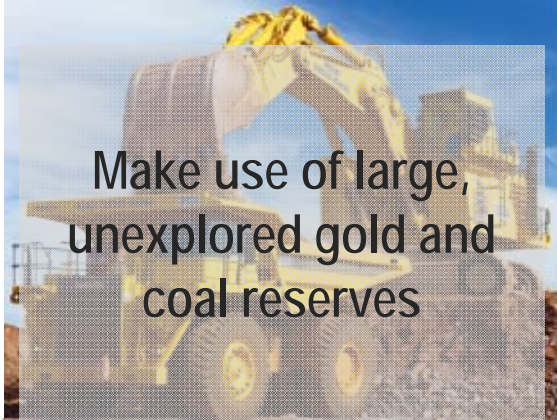
Strengthen cultivable areas and update them with technology to increase exports

AGRIBUSINESS




Leading driver of economic and social development

INNOVATION



Make use of large, unexplored gold and coal reserves

MINING



Stimulate the creation, improvement and expansion of infrastructure

INFRASTRUCTURE



Promote the development of "Housing for All"

HOUSING

The Government is boosting 12 sectors through its Productive Transformation Program



SERVICES

**Business process
outsourcing
BPO&O**

Software & IT

Health Tourism

MANUFACTURING

**Graphic Arts
Industry**

**Textile, Apparel,
Fashion & Design**

**Electric Energy and
related Goods and
Services**

**Auto Parts &
Vehicles**

**Cosmetics &
Personal Care**

AGRO-INDUSTRIES

**Chocolate,
Confectionary, and
its raw materials**

Beef

**Palm, vegetable
oils & fats**

Shrimp Farming

International research firms recognize Colombia as a key player in BPO



Top 30 Countries for Offshore Services in 2010-2011 and 2011-2012

Gartner identified the following variables as Colombia's strongest assets for Offshore Services:

Criterion	Rating
Cost	Good
Political and Economic Environment	Good
Cultural Compatibility	Good
Labor Pool	Good
Government Support	Good

Latin America's main BPO&O countries selected by Gartner:

<i>Argentina</i>	<i>Costa Rica</i>
<i>Brazil</i>	<i>Mexico</i>
<i>Chile</i>	<i>Panama</i>
<i>Colombia</i>	<i>Peru</i>

Source: Gartner (November 2011)



Colombia: Latin America's Hidden Outsourcing Jewel

Tholons identified the KPO segments were Colombia will be going in 2014:

1. Pharmaceutical R&D
2. Engineering Services (ESO)
3. Information Technology Services (ITO)
4. Other KPO

KPO Market Value in 2014:

USD 1,745 million

Source: Tholons (September 2010)

A competitive FTZ framework



- ✓ 15% income tax rate.
- ✓ No import duties and VAT.
- ✓ Benefit from international trade agreements
- ✓ No restriction on sales to the local market
- ✓ Different types of FTZs suited to investors' needs
- ✓ Approximately 30 Free Trade Zone Parks (multi-user) and 70 single - enterprise FTZs around the country
- ✓ Close to 4 million square meters available to companies in FTZ parks around the country

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 Investment and Exports Promotion. • *Toeristische, Buitenlandse Invetiringen en Export Promotie.* •  **PROEXPORT**
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