



## Doing Business in Colombia:

### 2012 Country Commercial Guide for U.S. Companies

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## Chapter 1: Doing Business in Colombia

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### Market Overview

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The Republic of Colombia is the fifth largest economy in Latin America with the third largest population of approximately 46 million inhabitants. It is the only country in South America with two sea coasts (Pacific and Caribbean) providing tactical shipping advantages in today's global market. Aided by major security improvements, steady economic growth and moderate inflation, Colombia has become a free market economy with major commercial and investment ties to the United States, Europe, Asia and Latin America. Colombia is the third largest market for U.S. exports in Latin America.

In the eyes of U.S. exporters, Colombia may suffer more from the perceptions of the past than the realities of the present. The past 10 years have brought extraordinary change to the country in terms of economic development and improvements in the national safety and security situation. The political stability, growing middle class, and improved security has created an economic boom in Colombia that, coupled with the conservative lending practices by Colombia's financial institutions, lessened the impact of the global economic crisis. Key economic indicators demonstrating the positive long-term effect of Colombia's political and economic policies include: GDP growth of 5.5 percent in 2011, (expected to remain between 5 and 6 percent for 2012); foreign direct investment of USD 14.8 billion in 2011, which represents a 56 percent increase over 2010, 80 percent of the 2011 amount was attributable to the extractive industries; and a rise in industrial production of 5.1 percent in 2011 over 2010 figures. These are all signs of a strong and growing economy.

Due to Colombia's close ties to the United States and Colombians' realization of the quality and reliability of U.S. products, consumers in Colombia often favor U.S. products and services over those of our foreign competitors. The United States is Colombia's largest trading partner and Colombia is the 22nd largest market for U.S. exports in 2011. U.S. exports to Colombia in 2011 topped USD 14 billion, an increase of more than 15 percent over 2010.

Colombia is unique in that there are five bona fide commercial hubs in the country: Bogota, Medellin, Barranquilla, Cali, and Cartagena. As opposed to the majority of Latin American countries that have one or two major cities, Colombia offers U.S. exporters access through multiple commercial hubs, each of which has its own American Chamber of Commerce. While these cities, and many other secondary cities, offer unique market opportunities, they are close enough via air routes that it is common to have one partner (agent, distributor, or representative) to cover the whole country.

Regarding foreign direct investment, coal mining and oil and gas exploration/production are the principal areas of U.S. investment, followed by the consumer goods, high tech and tourism/franchising sectors. A sample of the major U.S. companies in Colombia include: Drummond, Chicago Bridge and Iron, General Electric, General Motors, Occidental Petroleum, ChevronTexaco, ExxonMobil, Microsoft, Unisys, Kimberly Clark, Johnson and Johnson, Goodyear, Kraft, 3M, Marriott, and Sonesta Collection Hotels.

2012 will bring greater investment in infrastructure projects ranging from roads (USD 26 billion allocated over the next 4 years), airport modernizations, port construction, and railway projects. New FDI will begin to reflect major hotel (Hilton and Hyatt) and infrastructure (highway, mass transportation, ports and airport) projects.

The Colombian government has implemented trade agreements with Guatemala, El Salvador, Honduras, Chile, Canada, Switzerland; signed a trade accord with) the European Union (to enter into force in 2012), EFTA nations (Norway, Liechtenstein, Iceland- to enter into force by 2012); and expanded its trade accord with Mexico. Colombia has an ambitious trade agenda and initiated FTA negotiations with South Korea, Panama, Japan, and Turkey.

Given the tremendous opportunities for U.S. exporters in Colombia, it is appropriate that on October 21, 2011, President Obama signed the United States-Colombia bilateral trade agreement (U.S.-CTPA) following its approval by the U.S. Congress. Currently, the governments of Colombia and the United States are working out the technical details of implementation. Once implemented, 80 percent of U.S. exports of consumer and industrial products to Colombia will be duty-free immediately upon entry into force, with remaining tariffs phased out over ten years. Other provisions include strong protection for U.S. investors (legal stability), expanded access to service markets, greater intellectual property rights protection, market access for remanufactured goods, increased transparency and improved dispute settlement mechanisms (arbitration).

## **Market Challenges**

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As with any market, there are numerous challenges to doing business in Colombia (some of which will be eliminated with implementation of the Free Trade Agreement):

- Colombia has struggled with the requirements of the existing government procurement framework, which calls for open bidding in public tenders. As such there can be a lack of transparency, fairness, and truly competitive bidding conditions in many tenders.
- Only firms licensed under Colombian law may provide legal services. Foreign law firms can operate in Colombia by forming a joint venture with a Colombian law firm and operating under the licenses of the Colombian lawyers in the firm.
- Economic needs tests are required when foreign providers of professional services operate temporarily; and residency requirements restrict trans-border trade of certain professional services, such as accounting, bookkeeping, auditing, architecture, engineering, urban planning, and medical and dental services.
- A commercial presence is required to provide information processing services or to bid on Colombian government contracts.
- Telecommunications barriers to entry include cross subsidies, the requirement for a commercial presence in Colombia, and an economic needs tests.

- For firms with more than ten employees, no more than 10 percent of the general workforce and 20 percent of specialists may be foreign nationals.
- International banking institutions are required to maintain a commercial presence in Colombia through subsidiary offices.
- Insurance companies are restricted from offering policies to underwrite risk on government sponsored infrastructure projects due to Colombian regulations that do not recognize insurance policies as equivalent to bank guarantees.
- Colombia has been on the Special 301 “Watch List” every year since 1991, reflecting ongoing challenges in the enforcement of intellectual property rights.
- Customs duties have been consolidated into four tariff levels: 0 to 5 percent on capital goods, industrial goods and raw materials not produced in Colombia, 10 percent on manufactured goods with some exemptions, and 15 to 20 percent on consumer and “sensitive” goods. Exceptions include automobiles, which are subject to a 35 percent duty. A group of agricultural products is protected by a price band mechanism that offers variable duties as high as 100 percent.

## Market Opportunities

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Despite these market challenges, Colombia provides significant opportunities for U.S. exporters:

- Colombia's extensive, planned infrastructure projects will require: project financing, public works subcontracting, logistics, construction equipment for public roads and airports; water treatment, water supply, electric power generation, oil and gas exploration and pollution control equipment, air navigational and port security aids, railway construction, transportation equipment, security and defense items and services, mass transit systems.
- Awarded to OPAIN in 2006, Bogotá's El Dorado International Airport still requires massive upgrades. The Medellin/Rio Negro airport upgrade is underway and the Northeast airports concession has been awarded. All concessionaires are seeking equipment to modernize their facilities.
- The United States Trade and Development Agency (USTDA) and EXIM Bank support U.S. companies as they craft solutions to development challenges and make inroads in key sectors such as oil and gas, petrochemicals, renewable energy, telecommunications, and ports. USTDA grants have resulted in big U.S. company wins at the country's two refineries. EXIM's preliminary commitment of USD 1 billion to Ecopetrol and USD 2.8 billion to Reficar for its refinery project will provide a myriad of export opportunities for U.S. exporters of oil and gas equipment and services. USTDA grants for customs security and operational enhancements at the ports in Cartagena, Buenaventura, and Puerto Salgar should also increase prospects for U.S. exporters.
- Significant U.S. export opportunities not already mentioned include: cotton, wheat, corn soy products, automotive parts and accessories, tourism, computer hardware and software services, IT equipment and services, plastics materials and resins, electrical power systems, safety and security equipment, food and beverage processing and packaging equipment and medical equipment.

Market entry strategies are as follows:

- Secure an agent, representative, or distributor in Colombia, which requires a contract that meets the provisions of the Colombian Commercial Code.
- Focus on formality, personal relationships, and trust when negotiating agreements and contracts.
- Communicate with the U.S. Commercial Service and the Economic sections of the U.S. Embassy in Bogotá regarding specific concerns.
- Offer excellent after-sales service arrangements and maintain the sales relationship. Warranties or guarantees on imports are critical for supporting after sales service in Colombia.
- Provide high quality products and/or services, affordable financing and competitive pricing.
- Support your local partner's marketing efforts with advertising campaigns or by participating in trade shows. Do not be hands off; visit often.
- Spanish-language sales collateral and service manuals are essential, and may be required in certain sectors, like medical products. U.S.-based staff with a strong knowledge of Spanish is certainly helpful.

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## Chapter 2: Political and Economic Environment

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

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

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### **Using an Agent or Distributor**

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Colombian law does not require foreign firms to secure local representation for private sector sales. However, Colombians prefer to deal with companies that have a local representative to ensure access to after-sales services. The one exception to this law is for sales to the government, which does require foreign bidders to have legal representation in Colombia.

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

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

The U.S. Commercial Service recommends that U.S. companies consult a local attorney to execute an agency or distribution contract and to thoroughly vet the prospective partner by conducting a background check. Formality, personal relationships and trust are key ingredients for a long lasting contract. Colombians want to know their supplier or business partner personally before deciding whether he or she is trustworthy. U.S. companies seeking agents, distributors, or representatives in Colombia should consider contacting the U.S. Commercial Service office to request assistance in entering the Colombian market.

## Establishing an Office

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There are three common forms of organizing your business in Colombia: a corporation, a limited liability partnership, and a branch or subsidiary of a foreign corporation. The Bogotá Chamber of Commerce's new program has simplified considerably the process of establishing a business in Colombia. The Chamber developed this program with the support of the Inter American Development Bank (IDB) and several Colombian public and private entities. U.S. firms should obtain legal and tax related advice from a Colombian law firm or accounting firm. The U.S. Commercial Service office has a list of attorneys and accountants on its website: [www.buyusa.gov/colombia/en](http://www.buyusa.gov/colombia/en)

A branch office of a foreign corporation must operate under the rules applicable to Colombian corporations. Its liability is limited to assigned capital and it must be registered with a Notary Public in its place of domicile. The following documents also must be registered with the Notary Public: copies of the incorporation documents, bylaws, the resolution or act agreeing to the establishment of the branch, and documents providing evidence of the business and legal representation. Be sure to check with your legal representative of the Colombian Embassy in Washington, DC about whether specific documents originating in the United States require an apostille from the Colombian Consulate or Embassy to validate their use in Colombia.

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

Companies should follow these additional steps, at a minimum, when establishing a business in Colombia:

- Appoint a legal representative in Colombia who will be responsible for preparing documents and carrying out all necessary steps with a Notary Public and chambers of commerce. There should be a corresponding Act for this appointment that is registered with a Notary Public. This can be a law office.
- Prepare company by-laws (Escritura Pública) and register the entity with a Notary Public, (Notario) stating the purpose of the firm, capital, legal representative, etc. This step takes two to three days and costs approximately 0.0027 percent of the amount of capital being registered. A 16 percent Value-Added Tax (VAT) will be charged.
- Register the company with a chamber of commerce, which can take up to four days including the time for obtaining an Income Tax Identification Number (NIT). A payment of a 0.7 percent fee on the capital registered plus other minor charges will be charged.
- Complete all other banking and currency operations. There are forms and paperwork with minimum charges and processing time to cover opening bank accounts, foreign currency transfer, etc. In total, it should take no more than three weeks to incorporate a company in Colombia.

The number of franchises in Colombia has more than double over the past 10 years. By the end of 2011, the country had as many as 427 franchises, roughly half of which are foreign brands, a large increase from the estimated 100 back in 2002. This boom was driven by a better understanding and acceptance of the concept of franchising by many local firms, as they continued to recognize that this is a safe and less complex way of expanding their business. Another important driving force of this exponential growth was the pilot project of the Inter-American Development Bank (IDB) and 10 Colombian Chambers of Commerce (2006-2009), which provided funds and training to support small and medium sized enterprises in the implementation of this business expansion.

During 2011, the franchise sector grew 4%. This increase was reflected by 425 brands which registered in 2010 to 427 in 2011. 2010 presented an interesting upsurge with respect to 2009. The sector grew by 10.33% in relation to 2008 when the sector experienced a decrease of -1.6 %. Franchising in Colombia was growing at a rate of 18% per year until 2008 (433 Franchises), however due to the world economy crisis of 2009 the sector experienced a slowdown. In 2010 the franchise industry showed signs of recovering and experienced a growth rate of 10%. In Colombia there are a wide variety of concepts that suit different investor profiles, according to the capital required to purchase a franchise. In 2010 the franchises with minimum investment of less than USD \$25,000 had a 32% participation whereas franchises that require a capital investment lesser than USD \$50,000 had a participation of 57%. These figures indicate that there is a wide choice for entrepreneurs who do not have a high investment capital.

At the end of 2011, domestic companies led 51.3% of franchisees in the country, while the remaining 48.7% corresponded to foreign companies that have presence in Colombia through franchises. United States with 20.4%, leads the foreign participation in the Colombian market followed by the European and Latin American countries that participated with a market share of 13.62% and 5.4% respectively.

The Inter-American Development Bank (IDB) gave the biggest boost for the franchise activity, in 2005. Along with some chambers of commerce of the major urban cities the IDB provided the funds necessary to streamline the franchising sector and create franchise concepts typically Colombian with international projection. As a result 130 companies adopted the Colombian franchise model, some of them still have presence on both local and international markets. Today, franchises from United States, Brazil, Spain, Mexico, UK and France among others countries have presence in Colombia, some of them have increased their investments and others just entered the market for the first time. There is not information that can help to quantify the franchises sector's contribution to GDP growth. However, the current landscape of the franchises in Colombia is promising and their contribution to the GDP growth is increasingly relevant. Currently about 209 foreign franchises (427 in total) have presence in Colombia. 60% of franchises have less than 10 retail stores, 31% have between 10 and 24 retail stores, and 9% of them have at least 25 retail sales points. There are about 10,900 franchised sales points nationwide, a fairly low amount that represents the expansion potential for new players willing to enter the market and overtake market share in the and major and medium size cities.

There is a high concentration of franchise retailers in major cities, which suggests that there is also a whole market to penetrate outside the major urban centers. In many



regions of Colombia, the concept of franchising is still unknown, and this happens even in cities with population and purchasing power that are suitable for the franchise model. It is important to note that the new shopping center developments in intermediate cities provide a natural space for the presence of well-known brands in these cities. Franchises entering into the market will have to take into consideration where the competition is most evident, such as fast food restaurants, clothing and household items. What is key to note is that in Colombia, these items are also sold by "San Andrecitos" (informal stores) or street vendors. "The San Andresitos" are a special type of malls that became popular in the mid 80's in Colombia, where contraband items are sold legally or illegally, with the consent of the state. Nevertheless, government authorities are continuously fighting against tax evasion, contraband, piracy and all illegal trading practices.

Nevertheless, there are still undeveloped market segments. Like other Latin American markets, Colombia is a price sensitive market, as the vast majority of people are persuaded by price in their consumption decisions, as many of them prefer price over quality. Only a small group of consumers are indifferent to price. This gap between these two groups is directly related to the purchasing power, education and social strata. The group with stronger purchasing power is more likely to adopt foreign concepts; in fact this segment is more familiar with the foreign American and European franchises. Contrary, the lower socioeconomic class is not generally familiar with foreign franchises and therefore brand names have little impact on their purchase decisions. As for their participation by commercial activity, services represent 45%, retail 40% and restaurants 15%. Services embraces concepts such as spas, sports clubs, consulting, travel, education, languages, real estate, dental clinics, hair salons, laundry, money transfer, warehousing and transportation, and courier among others.

Franchise agreements in Colombia are very atypical, as there is not specific legal frame for franchise contracts. The legal effect of this is that the law governing is the one agreed between the contracting parties, provided that the agreement clearly respects the general regulations of the Colombian law as well as the local Civil Code and Commercial Code. However, there is an efficient system of protection for intellectual and industrial property and trademarks.

The absence of specific regulation has led various entities to set up a legal framework to regulate the parties' behavior so the prospective franchisees get the best possible protection. In contrast with the absence of a specific regulation frame there is a guild of franchises within FENALCO (National Federation of Traders). The committee adopted a Code of Ethics for franchises, which is similar in scope to those in place in other Latin American countries, and which complies with the European Code of Ethics for franchises. Several public and private entities got involved in the development of a technical guide for franchises, which has to comply with ICONTEC standards (Colombian Institute of Technical Standards). Likewise the rules of conduct (5813) seek to regulate pre-contractual and contractual phases between the parties to facilitate the sale of franchises. This set of regulations also aims to promote a statement from the Superintendence of Industry and Trade on how to regulate competition within franchise competitors.

It is very difficult to predict that at some point there will be any specific governmental regulation for franchises, but is something that could be addressed within the newly signed Free Trade Agreement. Based on the history of other countries where the

franchise is already a mature industry, once this activity has driven the economy, the governments get involved developing and putting in place some kind of regulations. The scope of that government regulation is to be determined, but in Colombia there is consensus among industry leaders, as they claim that an overly regulated activity would discourage investors and would end up being something harmful for the industry. Subsequently investors are more likely to avoid excessive government interference as they prefer to stick to the self-regulatory efforts such as the Code of Ethics/Conduct and the technical standards consented by FENALCO and ICONTEC before assessing the appropriateness of governmental regulations. It is anticipated that the recent approval of the law of formalization and employment generation (law 1429 of Dec 29, 2010) will offer significant tax incentives and lower company registration costs, that will positively impact the expansion of franchises, since the new entrepreneurs (small and medium size enterprises) will be willing to invest in new franchisees business models that will allow a quicker return on investment. Along with this law, in January of 2012 the government announced the elimination of about 1,000 unnecessary steps, which will positively impact the way of making business.

## **Direct Marketing**

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

E-commerce is a viable marketing alternative. The U.S. Commercial Service suggests that U.S. companies consult a local attorney before entering into e-commerce sales or contractual agreements. Internet users, Internet, and catalog sales in Colombia are growing rapidly as is TV marketing. Courier services are available for legal credit card purchases in the United States to be shipped to addresses in Florida and then on to Colombia. Direct shipping to Colombia is also an option.

International direct marketing is becoming more popular in Colombia. U.S. firms can take advantage of improved legislation for postal, express, and courier shipments. The Colombia Customs Code contains postal and courier shipping rules. Certain postal shipments (correspondence, postcards, and printed materials) are exempt from licensing requirements and payment of duties. At present, courier or express shipments with a value of less than USD 1,000 and a weight of under 20 kilograms are freely imported and classified under HS 98.03.00.00.00, but are subject to a 10 percent Cost Insurance and Freight (CIF) tariff and 16 percent VAT on the CIF-duty-paid value of shipments. Rules apply to both air and surface shipments. The Colombian Congress passed the new postal law in December 2009. Firms are advised to re-check existing regulations to determine the impact of the proposed changes on their business plans.

## Joint Ventures/Licensing

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

To remain competitive with their neighbors, Colombian industry urgently needs to modernize many of its processes, (this implies product diversification for alternative markets through changes in production facilities) and to upgrade obsolete equipment. To reach these goals, local industry is acquiring new capital equipment and state-of-the-art technology.

Leasing is also used to finance modernization projects in Colombia. One of the essential characteristics of leasing, as a financial service within the framework of the Colombian economy, is that it is an adequate tool for investment financing under industrial re-conversion policies. Leasing may be used for government contracts and in some cases, eliminates the need for a tender as the asset will not be retained by the state at the end of its useful life.

## Selling to the Government

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

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

(1) Contracts for minor amounts: minor amounts are expressed in multiples of the established Colombian legal minimum monthly salary (currently about USD 261 without the additional benefits and/or compensation pay). A minor amount may range from 25 minimum monthly salaries to 1,000 minimum monthly salaries, depending on the annual budget of the contracting entity. For instance:

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

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

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

(3) Non-award: Whenever bidding is not awarded for reasons such as: lack of proposals submitted, when the bids do not meet the terms of reference or specifications, when

there is only one bidder, when products originating in or destined to agriculture or livestock breeding are offered through legally organized commodities exchanges, and in contracts executed by state (government) entities for the rendering of health services.

In July 2007 the Colombian government issued Law 1150 which is an amendment to Law 80. The following are the most important changes to Law 80 according to legal experts Prieto and Carrizosa:

- (1) Sets out four principles for contracting with the government via: (i) public tender, (ii) short list (iii) competitive examinations and (iv) direct contracting
- (2) Provides that the specifications should include the methodology for risk sharing within the contract
- (3) Develops the principle of objective selection, stating the criteria of how the contractor will be chosen. It eliminates experience, financial and organizational capacity as requirements for selection. These conditions will be taken into consideration for scoring purposes.
- (4) Expands the possibilities of checking the conditions of the bidders through a National Bidders Registry (Registro Unico Empresarial or RUE).
- (5) Requires the application of sound fiscal and functional principles when contracting with the State in addition to the rules already established by the State.
- (6) Sets parameters for extension or adding up to 60% to concession contracts for public works regardless of the amount of investment.

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

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

As a general rule, all individuals and legal entities wishing to enter into contracts with state entities must register with the chamber of commerce in their jurisdiction in order to

be qualified, classified, and rated in accordance with the provisions of Law 80. Foreign bidders and/or suppliers of equipment and services are also required to register with a Colombian chamber of commerce under the Bidders Register (Registro Unico de Proponentes) and, in most instances, must be pre-classified and pre-qualified by the chamber and, in some cases, by the Colombian government contracting agency.

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

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

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

Colombia is still struggling to refine the requirements of Law 80, which calls for open bidding in public tenders. Attempts are being made to amend the law to clarify procedures. Despite the law, transparency, fairness, and truly competitive bidding conditions in many tenders remain uncertain. The Colombian government is also resorting to auctions even for purchase of high tech or complex equipment or medicines. These factors continue to be significant market access barriers. U.S. companies interested in public sector contracts should obtain legal counsel in Colombia and contact the U.S. Commercial Service for assistance and possible advocacy.

Certificate of Reciprocity: The Colombian Government procurement statute seeks to establish simple procedures based on the principles of transparency and objective selection; it provides equal treatment of foreign companies on a reciprocal basis. The procurement statute impedes complete access by U.S. firms since it requires a certificate of reciprocity. The principle of reciprocity embodied in Laws 80 and 816 ensure national treatment under the same conditions for Colombian bidders in other countries. The U.S. Government is unable to provide such a certificate, as each of the

50 U.S. states acts as a separate commercial jurisdiction. The Department of State, however, provides a certificate that U.S. companies may offer in lieu of a statement certifying reciprocity. Certificates can be obtained from the Economic section of the U.S. Embassy in Bogotá. Companies requiring this document should be prepared to provide the following information: company name, tender name, tender number, name of the Colombian entity letting the tender, and the general purpose of the tender.

Colombian military contracts above a certain amount (more than one million dollars for equipment and more than five million dollars for ammunition) require the foreign company to offer an “offset” proposal. Contact the U.S. Commercial Service for further information about this requirement.

## **Distribution and Sales Channels**

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Colombia offers a full range of sales channels to consumers, with various distribution methods depending on the type of product offered. These methods range from traditional wholesalers selling to traditional shops which then sell to the public, to more sophisticated methods, such as large department stores and hypermarkets located in malls, which are increasingly popular outlets.

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

Consumer products from around the globe are available in Colombia at acceptable price levels. Under-invoicing of goods (usually of Chinese origin) and contraband articles sold at deep discounts remain a problem for legitimate retailers. The Colombian government has attained encouraging results in its effort to reduce contraband. Free trade zones and bonded warehouses are commonly used for imported merchandise and processing of export-oriented goods. Modifications to the Free Trade Zone legislation took effect in November 2007 and offer interesting benefits. The eventual implementation of the MUISCA (the name was chosen by the Colombian Customs Agency in honor of pre-Colombian tribes) electronic customs system will address contraband and invoicing issues.

## **Selling Factors/Techniques**

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

U.S. suppliers should be aware, however, that their ability to compete in Colombia could be hampered by unfair business practices such as contraband, counterfeiting, intellectual property rights violations, under-invoicing, money laundering, and dumping.

If a company has specific concerns, it should check with the U.S. Commercial Service office in Bogotá.

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

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

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

## **Electronic Commerce**

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Colombia is the fastest growing internet market in Latin America, growing more than 30 percent in 2010. There are promising E-commerce opportunities in Colombia since the Colombian Congress provided the legal framework to regulate business done via the internet. In 2010, the United States and Colombia signed an E-commerce agreement that emphasizes open and fair e-trade. E-commerce has reached a stage in Colombia where it is critically important to agree on international standards in the areas of electronic signatures and authentication to avoid the emergence of discordant standards as to what constitutes a "digital signature" or what constitutes valid certificates in different jurisdictions. Decree 1747 of 2000 regulates Law 527 of 1999 and establishes rules on certification entities, certification and/or certificates, and digital signatures. The Superintendent of Industry and Commerce has full responsibility on authorizing certification entities, carrying out their inspection and control, and on imposing necessary penalties. It also oversees compliance with the law. Guaranteed secured procedures is a critical factor for consumers considering on line transactions.

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

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

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

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

**Main Newspapers and Periodicals:**

EL TIEMPO: <http://www.eltiempo.com/>  
EL ESPECTADOR: <http://www.elespectador.com/>  
LA REPUBLICA: <http://www.larepublica.com.co/>  
PORTAFOLIO: <http://www.portafolio.com.co/>

**Regional newspapers:**

EL COLOMBIANO (Medellín): <http://www.elcolombiano.com>  
EL PAIS (Cali): <http://www.elpais.com.co>  
EL HERALDO (Barranquilla): <http://www.elheraldo.com.co>  
EL UNIVERSAL (Cartagena): <http://www.eluniversal.com.co>  
VANGUARDIA LIBERAL (Bucaramanga): <http://www.vanguardia.com>

**Magazines:**

LA NOTA ECONOMICA: <http://www.lanota.com.co/>  
DINERO: <http://www.dinero.com/>  
SEMANA: <http://www.semana.com/>  
PODER: <http://www.poder360.com>  
LATINPYME: <http://www.latinpymes.com>  
RS: <http://www.rsrevista.com>  
PRIMERA PAGINA: <http://www.primerapagina.com>



BUSINESS COLOMBIA: <http://www.amchamcolombia.com.co>  
ENFOQUE DEL CAFÉ: <http://www.enfoquedelcafe.com/es/inicio.html>

Fair Authorities:

CORFERIAS: <http://www.corferias.com/>

Radio Networks:

CARACOL: <http://www.caracol.com.co/>

RCN: <http://www.rcn.com.co/>

TODELAR: <http://www.todelar.com/>

SUPER: <http://www.cadenasuper.com/>

La FM (Part of RCN's radio network) [www.lafm.com.co](http://www.lafm.com.co)

La W (part of Unión Radio/Caracol) [www.wradio.com.co](http://www.wradio.com.co)

TV Networks:

Caracol: <http://www.canalcaracol.com>

Canal RCN [www.canalrcn.com](http://www.canalrcn.com)

RCN 24 horas – 24 hour news channel (currently seen in Colombia and in the USA on Direct TV, in negotiations for transmission on Telmex Cable system)

[www.rcn24horas.com](http://www.rcn24horas.com)

Cablenoticias – 24 hour news channel—focus on Colombian market transmitted on Telmex Cable system <http://www.jumptv.com/es/channel/cablenoticias/>

## Pricing

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

Additional import costs for capital goods and raw materials are much less (between 33 and 53 percent) with import duties for these items of between 0 and 5 percent for capital goods, and 10 to 15 percent for raw materials.

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

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

When buying a food product, Colombians look for three things: brand recognition, which is usually related to high quality and social status; reliable and sufficient nutritional information such as the number of portions, nutritional value, and expiration date; attractive, colorful packaging and labeling. The latter tends to be more important for children's products. All this information should be in Spanish. Agricultural products have special labeling requirements.

## **Sales Service/Customer Support**

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After-sales service and customer support are decisive purchasing factors in Colombia. Government and private firms often request that their potential suppliers provide testimonials regarding client satisfaction with equipment and after-sales service.

“Warranty imports” are an important factor that supports after sales service in Colombia. Warranty imports that include replacement parts and components by a foreign manufacturer or supplier are exempted from Colombian import duties. Decree 2685 of December 28, 1999 is the new Colombian Customs Code that took effect on July 1, 2000. Per Section IV, Article 141 of this Code, all merchandise or goods that have been repaired abroad or new ones that will replace items previously exported because they were found to be damaged, imperfect, having malfunctions or with an unsuitable end-use, and are under warranty by a foreign manufacturer or supplier, may be imported into Colombia without the payment of import duties. This does not imply that used or remanufactured goods are permitted imports, however. The proposed U.S.-Colombia TPA has a specific chapter which would allow these imports.

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

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

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

## Introduction

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

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

It is always advisable to conduct due diligence on partners. U.S. companies should consider the business objections and compliance history of the partner to protect and honor IPR requirements. Additionally companies should give their Colombian partners clear incentives to honor the contract. A good partner is an important ally in protecting IPR. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Colombia require constant attention. Work with legal counsel familiar with Colombia laws to create a solid contract that includes non-competition clauses, and confidentiality/non-disclosure provisions.

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

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Superintendence of Industry and Commerce
- Ministry of the Interior and of Justice, Special Administrative Department, National Copyright Directorate
- The Business Software Alliance (BSA)

## **IPR Resources**

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the United States and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at [www.StopFakes.gov](http://www.StopFakes.gov)
- For more information about registering trademarks and patents (both in the United States as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199.
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: 1-202-707-5959.
- For U.S. small and medium-size companies (SMEs), the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit:  
[http://www.abanet.org/intlaw/intlproj/iprprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html)
- For information on obtaining and enforcing IPR and market-specific IPR Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov). This site is linked to the USPTO website for registering trademarks and patents (both in the United States as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
  - o For an in-depth examination of IPR requirements in specific markets, toolkits are currently available in the following countries/territories: Brazil, Brunei, China, Egypt, European Union, India, Italy, Malaysia, Mexico, Paraguay, Peru, Russia, Taiwan, Thailand, and Vietnam.
  - o For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, companies should use the free Online IPR Training Module on [www.stopfakes.gov](http://www.stopfakes.gov)

The U.S. Commerce Department has positioned IPR attachés in key markets around the world. The regional Attaché for IPR issues (covering Colombia) is Dorian Mazurkevich, located in Brazil. Contact info: U.S. Commercial Service - Rio de Janeiro, 55-11-5186-7338, Fax: 55-11-5186-7246, [Dorian.Mazurkevich@mail.doc.gov](mailto:Dorian.Mazurkevich@mail.doc.gov)

## **IPR Climate in Colombia**

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

Software protection is especially a difficult area for enforcement. Estimates indicate that the piracy level may be above 50 percent, and trade losses due to software piracy are calculated at around USD 136 million. However, the government has been stepping up efforts in recent years, in order to tackle the problem, and thus defend legal

manufacturers. Such efforts have helped to reduce somewhat the piracy level in Colombia and maintain the ranking of the country among those with the lowest piracy rates in the region. U.S. companies operating in Colombia have acknowledged such efforts. However, Colombia has remained on the Special 301 Watch List during 2010.

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

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

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

Enforcement is carried out by another series of agencies including: the Tax and Customs Directorate (DIAN), the Prosecutor General's Office, the National Police, and the Judiciary. Officials within these agencies often do not have a good understanding of IPR issues and of the severity of the offences committed. Periodically, the Economic Section recommends candidates for U.S. PTO training in Washington, DC. The U.S. Commercial Service offers IPR training workshops for Colombian judges, prosecutors and customs officials. Companies are encouraged to participate to teach the audience how to determine infringements on their patents or trademarks.

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

## **Due Diligence**

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

### **Prohibition against doing business with Specially Designated Narcotics**

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

A list of the names of such persons and companies is available from the Office of Foreign Assets Control (OFAC), Department of the Treasury, Washington, D.C. 27220, Tel: (202) 622-2520, or via Internet: <http://www.treas.gov/offices/eotffc/ofac/sdn> . The U.S. Commercial Service recommends that companies check the OFAC list every three months at a minimum and conduct an ICP on their business partner once a year to ensure compliance with the guidelines.

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

Recently the Colombian government regulated the financial, commercial, credit and services personal information managed by information companies through the "Habeas Data" law (Ley 1266 de 2008). One of the most important changes is that, before the law, bad "behavior" on the personal financial and commercial obligation history was maintained for at least four years in the information management companies' data bases. This law ensures every person's right to clear bad credit history information after a year in order to have access to credits and services on the financial and commercial sectors. Otherwise, in many cases, it was necessary for a person to wait for four years to have access to those services and credits. Therefore, U.S. companies need to be prudent when checking the financial backgrounds of small companies owned by individuals as adverse credit information is maintained on a person for only one year as opposed to four years.

### **Local Professional Services**

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U.S. companies bidding on major government, or even private sector, projects/procurement and those entering into joint ventures or other long-term contractual arrangements should seek local legal advice. Also, companies that are

concerned about the protection of intellectual property such as trademarks, copyrights, and patents should also seek legal counsel before entering the Colombian market.

There are a number of good Colombian law firms that specialize in various aspects of commercial law. Additionally, a number of major U.S. firms who operate internationally have affiliate arrangements in Colombia. Several legal and business services providers in Colombia are found on the U.S. Commercial Service's website: [www.buyusa.gov/colombia/en](http://www.buyusa.gov/colombia/en).

## Web Resources

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

Commercial Service Bogotá: [www.buyusa.gov/colombia/en](http://www.buyusa.gov/colombia/en)  
Colombian Customs and Income Tax Offices: [www.dian.gov.co](http://www.dian.gov.co)  
Colombian Government : [www.gobiernoenlinea.gov.co](http://www.gobiernoenlinea.gov.co)  
CREG (Energy and Gas Regulatory Commission): [www.creg.gov.co](http://www.creg.gov.co)  
DANE (Statistics Bureau) : [www.dane.gov.co](http://www.dane.gov.co)  
EXIMBANK : [www.exim.gov](http://www.exim.gov)  
FENALCO (Merchants Association): [www.fenalco.com.co](http://www.fenalco.com.co)  
Inter American Development Bank: [www.iadb.org](http://www.iadb.org)  
National Planning Department: [www.dnp.gov.co](http://www.dnp.gov.co)  
OPIC: [www.opic.gov](http://www.opic.gov)  
Presidencia de la República 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)  
State Comptroller's: [www.contraloriagen.gov.co](http://www.contraloriagen.gov.co)  
State Contracting Information System/SICE: [www.sice.gov.co](http://www.sice.gov.co)  
Superintendent of Corporations: [www.superfinanciera.gov.co](http://www.superfinanciera.gov.co)  
Superintendent of Industry and Commerce: [www.sic.gov.co](http://www.sic.gov.co)  
Trade Americas: [www.buyusa.gov/tradeamericas/colombia/en](http://www.buyusa.gov/tradeamericas/colombia/en)  
World Bank: [www.worldbank.org](http://www.worldbank.org)  
Telecommunications Enterprise: [www.telefonica.com.co](http://www.telefonica.com.co)

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

- [Agricultural Sector](#)

### **Commercial Sectors**

- OIL AND GAS MACHINERY AND SERVICES
- TRANSPORTATION AND INFRASTRUCTURE
- CONSTRUCTION AND MINING EQUIPMENT
- TELECOMMUNICATIONS EQUIPMENT AND SERVICES
- INFORMATION TECHNOLOGY
- MILITARY EQUIPMENT
- AUTOMOTIVE PARTS AND ACCESSORIES
- ELECTRICAL POWER SYSTEMS
- TRAVEL AND TOURISM
- FOOD BEVERAGE PROCESSING/PACKAGING EQUIPMENT
- MEDICAL EQUIPMENT



## Oil and Gas Machinery and Services (OGM)

### Overview

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	2010	2011 (Estimated)	2012 (Projected)
Total Market Size	1,491	2,318	2,542
Total Local Production	173	190	195
Total Exports	85	95	98
Total Imports	1,403	2,223	2,445
Imports from the U.S.	514	660	726

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

Sources: National Hydrocarbons Agency, Ministry of Mines and Energy, Colombian Oil Company and World Atlas

The oil and gas machinery and services market continues to represent an important opportunity for U.S. companies as the Colombian government continues to place oil and gas exploration and production a top priority. Colombia is close to achieve production one million barrels per day as large upstream investment levels of USD 5 billion per year.

According to the Ministry of Mines and the National Hydrocarbons Agency in Colombia, during 2011, Colombia's crude oil production averaged 971,000 <sup>1</sup>barrels per day (with a peak of 939,895 barrels per day), and getting closer to the projected 1.2 million barrels per day, targeted for 2014. During the same period, Colombia's average natural gas production averaged 1,036 million cubic feet per day (with a peak of 1,091 million cubic feet per day). Ecopetrol is currently the leader in crude oil production due to the implementation of enhanced production technologies in different fields.

Imports market is expected to grow 52 percent in between 2010 and 2011 maintaining its trend fueled by the development of ongoing (and planned) oil & gas mega projects and the reactivation of investments delayed by the global economic crisis. In 2010, the imports market reached USD 1.5 billion. U.S. products represented 36.7 percent of the total imports in 2010, followed by China (15.1 percent), Mexico (10.3 percent), Germany (5.5 percent), among others.

Chinese imports continued to outpace year on year imports over the last five years. Chinese companies' main competitive advantage is lower cost compared to similar equipment from established vendors. However, the disadvantage is the lower quality and reliability of Chinese equipment. U.S. equipment suppliers are urged to keep in touch with local distributors and remind them of the benefits of U.S. equipments' long-standing compliance with industry standards, reliability, lower shipment costs, innovation, and the current favorable exchange rate.

Colombia's known oil reserves remains in two billion barrels due to the lack of large oil discoveries, allowing for the country to be self-sufficient until 2018 allowing more time for

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<sup>1</sup> <http://www.portafolio.co/economia/produccion-petroleo-llego-los-965000-barriles-diarios>

the country to identify new crude oil reserves, or may become a net importer of crude oil, if no major discoveries are found before then.

Natural gas reserves reached 5.4 Tera cubic feet (TCF) of proven reserves, and up to 7 TCF of total reserves. Despite a significant number of exploration and production (E&P) efforts, only minor discoveries have been made so far, mainly due to the country's complex geology and geography. A notable exception is the potential for up to four TCF of coalbed methane associated gas discovered by Drummond at its La Loma (state of Cesar) and Ranchería river (state of Guajira) sites. The government has also expressed interest in developing the country's shale oil and shale gas reservoirs.

Oil and gas companies are conducting an aggressive exploration campaign throughout Colombia, including assessing its offshore Caribbean and Pacific Ocean basins. Despite the current oil prices (lower than 2008), these activities offer significant opportunities for U.S. exploration and production (E&P) firms as well as equipment manufacturers and service providers interested in this market in the medium and long term. The National Hydrocarbons Agency (ANH) continued its ambitious exploration program that includes direct seismic, gravimetry and magnetometry tenders, complementing E&P companies that are also engaging in related geological, stratigraphic and petrography studies. The ANH is also negotiating E&P and technical evaluation contracts to gain a better understanding of the country's hydrocarbons resources.

On late May 2011, Ex-Im Bank announced the approval of US \$2.8 billion for the developer of the modernization of the Cartagena Refinery project (Reficar), and complements approval of USD 1 billion dollar preliminary commitment of ECOPEPETROL to support the acquisition of U.S. goods and services to support the company's key goals.

Upon the approval and implementation of the U.S. – Colombia Trade Promotion Agreement, U.S. equipment exporters will be more competitive as products will receive immediate duty-free treatment. In addition, the ban on remanufactured products will be lifted which will further improve return on investments on exploration and production projects.

## **Best Prospects/Services**

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The best products and services for this industry are:

- Seismic activity services (both two and three dimensional)
- Improved analytical seismic computer codes
- Drilling equipment (including directional drilling), and drilling fluids
- Wellhead equipment (such as Christmas trees, valves, compressors, pumps, piping equipment, safety equipment, well completion, casing, and cementing equipment)
- Improved production stimulation
- Enhanced oil recovery for selected fields in which production is dwindling
- Crude oil and natural gas pipeline design and construction services

## Opportunities

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U.S. companies interested in pursuing oil and gas exploration and production contracts must approach the National Hydrocarbons Agency (ANH). If interested in providing services or supplying equipments, then the companies must approach Ecopetrol or local petroleum companies directly. U.S. suppliers must contact the relevant U.S. petroleum companies directly in their respective headquarters.

Other potential opportunities involve petrochemical and refinery expansion projects that could be very attractive to U.S. firms. These projects include an expansion of the Cartagena Refinery to increase daily capacity to 140,000 barrels (bpd). Chicago Bridge and Iron (CBI) has been awarded a USD 1.4 billion for the engineering, procurement and construction contract. Ecopetrol awarded Foster Wheeler USA and Process Consultants the project management contract for the refinery expansion projects and Ecopetrol expects to open the selection process of the USD 2.5 billion EPC contract for the Barrancabermeja Refinery project (early 2012).

Ecopetrol is also looking into different business opportunities in developing petrochemical clusters in Cartagena and Barrancabermeja. They expect to conclude a petrochemicals master plan identifying projects before the end of 2011.

Ecopetrol also has 55 percent participation of the US \$4.2 billion Oleoducto del Bicentenario, a 960 kilometers crude pipeline (450,000 barrels per day) that could become operational by the end of 2012. Other partners include: Pacific Rubiales (32.8 percent), and the remainder 12.2 percent by PetroMinerales, Hocol, among others.

## Resources

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U.S. Commercial Service Bogotá contact: Julio Carbó, Commercial Specialist  
Email: [Julio.Carbo@trade.gov](mailto:Julio.Carbo@trade.gov)  
Tel: (571) 275-27-23

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)  
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): [www.iadb.org](http://www.iadb.org)  
National Planning Department: [www.dnp.gov.co](http://www.dnp.gov.co)  
Refinería de Cartagena, S.A. (Reficar): [www.reficar.com.co](http://www.reficar.com.co)  
The World Bank: [www.worldbank.org](http://www.worldbank.org)

## Transportation and Infrastructure

### Overview

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	2014 (projected)
Total Market Size	26

(The above statistics are unofficial estimates in billions of USD)  
Sources: Ministry of Transportation

As a result of inefficient infrastructure, logistical operation costs are very high and put Colombia at a competitive disadvantage as compared to its neighbors in Chile and Peru. On average, these costs account for 18 percent of the total cost of each business in Colombia, while in the United States, for example, the figure reaches only eight percent. Inadequate infrastructure is the second biggest problem for doing business in Colombia; according to October 2011 report from the World Economic Forum (WEF). Colombia ranked 108 in the quality of roads, 109 in the quality of port infrastructure, and 94 in the quality of air transport infrastructure out of 142 countries. Only 15 percent of Colombia's roads are paved, and the nation has just 1,000 kilometers of dual-lane divided highways. Colombia also has 900 kilometers of railroad, and river navigation has yet to be developed to transport goods on a large-scale. Taking these facts into consideration, the Colombian government has created an ambitious program to update the country's infrastructure by 2014 with investments of more than USD 15 billion.

Extreme weather conditions during 2011 have affected dramatically the infrastructure of the country. Floodings and landslides have destroyed roads and millions of houses in different Departments of Colombia. The winter rains have left more than two million people without homes. Landslides have blocked several roads, which has caused dramatic consequences for transportation of good and serviced throughout the country. The economic loss caused by extreme weather conditions account for more than US\$7.5 million. According to the Climate Risk Index 2011 from the European NGO German watch, Colombia was the third country most affected by weather extremes<sup>2</sup>.

The Colombian government divided road infrastructure into three main categories. Roads Cat I are those that connect the main capitals (such as Bogotá, Medellín, Cali, Barranquilla-- also called the main production centers) to the ports in the Atlantic and the Pacific Ocean. Those roads will be two way highways built by the central government in association with the private sector through concessions. Roads Cat II, or "secondary roads," connect small municipalities to the departments' capitals (Colombia has departments instead of states as regional political divisions; there are 32 departments in the country). The government of each department is responsible for the maintenance of the secondary roads. Roads Cat III connect farms to small towns. These roads are utilized to transport agricultural production to small municipalities as the first point to gather production. The central government through the Ministry of Transportation is responsible to maintain those roads using central government funds.

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<sup>2</sup> <http://www.germanwatch.org/presse/2011-11-29e.htm>

By 2013, the plan is to award 5,000 km in concessions, a majority double-lane highways, and 1,000 kilometers of railroads that will connect production centers with consumption and exports centers. The investments will reach USD 26 billion<sup>3</sup>. On November the 4<sup>th</sup>, 2011 the Colombian government announced an ambitious reform in which the Colombian Infrastructure Agency (ANI) was created, among other institutions. This reform is part of president Santos' Good Governance Program. ANI, a branch of the Ministry of Transportation, will be in charge as of 2012 of all infrastructure project including roads, airports and ports replacing the current the National Institution of Roads, Instituto Nacional de Vias (INCO)<sup>4</sup>.

In terms of ports, the most important in Colombia are private. However, the Colombian government is responsible for investments pertaining to maritime canal access, access roads and maintenance of river canals.

The Ministry of Transportation, through its Colombian Civil Aviation Agency (Aerocivil), will investment in airport terminals and aeronautical infrastructure that includes all equipment needed to assist aircraft during flight such as: tower control equipment, radars, VHF omnidirectional radio range (VORs), GPS and ADS-B equipment, Instrument Landing systems (ILS), meteorological and communication equipment and Air Traffic Control (ATC) and information systems.

## **Best Prospects/Services**

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Best prospects for transportations and infrastructure are:

- Engineering and construction services
- Bridge design services
- Aeronautical infrastructure equipment and services
- Intelligence transportation systems equipment and services
- Road safety equipment and services
- Railroad equipment and services

## **Opportunities**

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On November 2011, Santos' government announced the transformation of INCO into the National Infrastructure Agency (ANI). According to the Minister of Transportation, Mr. German Cardona, the current concession program created in the previous administration had the wrong structure (why?). As of July 2011, a company awarded with a concession was responsible to obtain the environmental permits, create the designs, buy the properties along the new road, and execute the construction. For many critics of the current concession program, this is the reason why there are too many delays in the concession projects already awarded. For example, a delay in getting an environmental permit will cause financial overruns that the private sector is not willing to cover. Mr. Cardona believes that it is necessary to reform the current concession program that ANI will manage. He strongly believes that future concessions should only include the construction phase. ANI should be responsible for getting environmental permits, designing the road, and purchasing the properties along the new road. It is necessary to do all the steps phase by phase instead of everything at the same time, as it is now.

<sup>3</sup> [http://www.eltiempo.com/economia/bienestar/ARTICULO-WEB-NEW\\_NOTA\\_INTERIOR-10459625.html](http://www.eltiempo.com/economia/bienestar/ARTICULO-WEB-NEW_NOTA_INTERIOR-10459625.html)

<sup>4</sup> <http://www.semana.com/nacion/gran-revolcon/167056-3.aspx>

Opportunities are concentrated in road construction, airport expansions, railroad construction and ports expansion through concessions with the Colombian government.

After more than five years in the works, the USA legislative body (Senate and House of Representatives) has approved the USA – Colombia Free Trade Agreement. As of October 12, 2011, the US has agreed to enter a period of non-tariff trade that will come into action as soon as both governments finish the implementation phase.

Over 80% of US exports of consumer and industrial products entering to Colombia will become duty free immediately (upon finished the implementation phase), with the remaining 20% of products being phased into zero tariffs over the following 10 years. With average tariffs on US industrial exports ranging from 7.4% to 14.6%, the newly signed FTA will significantly increase the competitiveness of US construction services and equipment into the Colombian market.

## Resources

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U.S. Commercial Service Bogotá contact: Juan Carlos Antía, Senior Commercial Specialist

Email: [Juan.Antia@trade.gov](mailto:Juan.Antia@trade.gov)

Tel: (571) 383-27-64

Departamento Nacional de Planeacion (DNP): [www.dnp.gov.co](http://www.dnp.gov.co)

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

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

El Tiempo Newspaper: [www.eltiempo.com](http://www.eltiempo.com)

Semana Magazine: [www.semana.com](http://www.semana.com)

## Construction and Mining Equipment (CON/MIN)

### Overview

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	2010	2011 (Estimated)	2012 (Projected)
Total Market Size	1,709	1,807	2,035
Total Local Production	102	105	110
Total Exports	81	69	75
Total Imports	1,708	1,973	2,000
Imports from the U.S.	850	911	1,000

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

Sources: National Planning Department, Mining and Energy Planning Unit, and World Trade Atlas

### Mining

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

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

Colombia has proven coal reserves of 6.6 billion metric tons and up to 4.5 billion tons of indicated reserves (about 40 percent of Latin America, and 10<sup>th</sup> in the world). Current production levels have been over 74 million tons during 2010 and double production by 2019 to reach 140 million tons per year.

Colombia also is also gradually increasing production of gold, nickel, emeralds, and other mining products.

### Construction

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The Colombian government continues its efforts to improve the condition of its road network, facing challenges such as a high degree of deterioration, a lack of maintenance, and insufficient geographic coverage.

Major investments in this area are needed to reduce the current excess costs in transportation expenses and vehicle deterioration, since roads are used to transport the vast majority of the country's cargo. According to the World Economic Forum, Colombia ranks poorly compared to other countries in the region in highways quality, port infrastructure and air transportation among 142 countries. At the same time, the

government intends to develop an important program to promote navigation on the 1,600-kilometer Magdalena River running through the heart of the country.

In November 2011, the government created the National Infrastructure Agency (ANI) that replaces the National Concessions Institute (Inco). The objective of creating this new agency is to increase transparency, reduce the risk of corruption and, create a national infrastructure authority, ensuring that project designs are technically and financially solid. Other priorities involve the reform of the Royalties Act (Reformas de Regalías), to disburse the National Royalties Fund (Fondo Nacional de Regalías) nationwide instead to a few municipalities with non-renewable resources. This reform will bring significant funding and opportunities to both sectors.

The Minister of Transportation, German Cardona, has requested USD 7 billion in spending on Colombia's infrastructure to overhaul the country's roads, bridges and railways, and the government plans to sale a 9.9 percent of the government's stake in state-owned oil company Ecopetrol to be used to finance infrastructure development. Although funding for new projects remain scarce, the government has put aside USD 12.8 million to complete current projects.

## **Best Prospects/Services**

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Best prospects include equipment to minimize the negative effects of operations, complying with environmental legislation, minimizing pollution, allowing to reuse, reduce and recycle: lift trucks, multi-directional forklifts, containers handlers, telescopic handlers for rough terrain, boom lifts and man lifts, sweeper and scrubbers, trek sweeper attachments, compressors and generator, and rainwater, water and liquid waste collection systems; for the mining sector: eco-friendly dredging, drilling, recovery, transportation, storage facilities, processing, disposal of waste material mining equipment. Other best prospects include material handling equipment, excavating machinery, sinking machinery, parts, dumpers, lifting machinery, bulldozers and mechanical shovels.

New growth areas include: mineral exploration (geophysics, mapping, diamond drilling, tunneling), production equipment (drilling, extraction, loading, hauling and crushing), and mining software (resource estimation, modeling, mine design and planning, maintenance and optimization); environmental consulting remediation and mine closure), and mine safety equipment.

## **Opportunities**

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### **Mining**

In 2009, Colombia produced 47.8 metric tons of gold and ranked 5th gold producer in Latin America and 16th in the world; 51.8 metric tons of nickel, ranking 1st producer in Latin America and 6th in the world. According to the Colombian Institute of Geology and Mining (Ingeominas) gold production in Colombia could reach 3 million ounces by 2012. Colombia's biggest gold production departments are Antioquia and Chocó, which recorded three quarters of the output. Potential market opportunities include:

- Cerrejón, the leading Colombian coal producer is expanding its operations in La Guajira with thermal coal production from open pit operations producing 32



million tons per year, and 80 miles of railway systems and a seaport capable of receiving ships (180,000 tons capacity). Cerrejón is a joint venture (BHP Billiton, Anglo American and Xstrata).

- Drummond, the second largest coal exporter in Colombia, and fifth worldwide continued to expand its operations Colombia to reach 27 million tons in 2011.

## Construction

The government plans investments of USD 42.4 billion, until 2018, to build over 8,200 kilometers of new highways, 1,500 kilometers of railroad networks, and transport more than 254 million tons of cargo per year by 2018.

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CS Bogotá contact: Julio Carbó, Commercial Specialist  
Email: [Julio.Carbo@trade.gov](mailto:Julio.Carbo@trade.gov)  
Tel: (571) 275-27-23

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

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

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

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

Carbones del Cerrejón: [www.cerrejoncoal.com](http://www.cerrejoncoal.com)

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

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

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

## Telecommunications Equipment and Services (TEL)

### Overview

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	2009	2010	2011****	2012 (Projections)
Total Market Size*	10,463	10,933	11,480	12,628
Total Local Production***	60.9	63.8	66.9	101
Total Exports**	26.6	24.3	14.1	22
Total Imports**	863.5	1,259.9	991.3	1,440
Imports from the U.S.**	104.5	122.4	86.7	129

(In millions of USD)

Sources:

\* CRT Report (Revenue for provision of services)

\*\* World Trade Atlas (HS 8517)

\*\*\*Manufacture of electronic tubes and valves and electronic components, manufacture of transmitters and receivers for TV and radio and devices for telephony and sound reproduction, DANE.

\*\*\*\*Current data, August 2012.

The telecommunications industry in Colombia is a very dynamic sector, whose annual growth rate is usually well above the GDP growth rate. During 2006-2008 the sector grew on average by 15 percent per year. Even in 2009, while the economy stagnated, the telecommunications sector grew three percent. However, imports of telecommunications equipment decreased in 2009. The most affected were the cell phones and accessories segments. Preliminary data indicates a 5-6 percent increase in the total market size for 2011 and a similar forecast for 2012. Two market segments in particular: broadband and mobile telephony, make it an attractive market for U.S. product and service providers.

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 currently over 30 million mobile service subscribers, for a mobile penetration rate of 64 percent. The operators are: Comcel-Comunicación Celular S.A/America Movil (Mexico), Movistar-Telefonica Moviles Colombia S.A (Spain), and TIGO-Colombia Movil S.A E.S.P/Millicom (Sweden). According to the Ministry of Communications, up to September 2011 Comcel has the highest market share, 65.34%, followed by Movistar, 22.41%, and Tigo with a market share of 11.82%.<sup>5</sup> Avantel, the only company with U.S. capital, possesses a very small proportion of the mobile market, providing a trunking service. The Colombian government granted Avantel interconnection with the cell phone operators in 2008 after an eight year lobbying effort.

Several years ago, mobile telephony services overtook fixed line services, in revenue terms. Mobile services providers (Comcel, Movistar and Tigo) currently have 40 percent of the total revenue, while fixed line operators ETB (Colombia), Telmex (Mexico) and Spain's Telefonica account for 28 percent of total revenue. Long distance services operators: Colombia Telecomunicaciones (Telefonica/Spain), ETB, and UNE (Colombia) account for only seven percent of total revenue. ETB launched a search for a strategic

<sup>5</sup> [http://www.mintic.gov.co/images/documentos/cifras\\_del\\_sector/boletin-3t-2011.pdf](http://www.mintic.gov.co/images/documentos/cifras_del_sector/boletin-3t-2011.pdf)

partner in 2010-2011 but has yet to conclude any deal. ETB and UNE are state-owned companies.

Colombia is served by the following submarine cables: ARCOS-1, Maya-1, CFX-1, PANAM and SAM-1 submarine cables land which land in Tolu, Cartagena or Barranquilla. In 2009, the Colombian Telecommunications Regulator (CRT, for its initials in Spanish) declared cable landing stations as “essential services” enabling the CRT to regulate prices and dissuade monopoly practices.

There is minimal local production in this industry, mostly consisting of cabinets, panels, and electronic components, but these are usually products with low value added. For the most part, consumer goods and industry equipment are supplied through imports (mostly from China, Mexico, U.S., Germany, Brazil, and India). Services too, (especially cell phone services) are provided by multinationals (Colombian capital forms a minority shareholding within the operators Comcel, Movistar, and TIGO).

The approval of the Trade Promotion agreement between the U.S. and Colombia, once implemented, would have a significant impact on this sector. Virtually, all telecommunication products will become duty free upon entry into force of the Agreement, thus stimulating U.S. exports to Colombia. Currently tariffs vary between five to fifteen percent. Products within this sector account for over 15 percent of total U.S. industrial exports to Colombia.

The U.S.-Colombia FTA would also favor US products over Chinese exports to Colombia, as import duties for Chinese products would remain the same, while those for US products would be eliminated. Chinese companies’ main competitive advantage is lower cost compared to similar equipment from established vendors. However, the lower quality and reliability of Chinese equipment are considerable disadvantages. U.S. equipment suppliers benefit from long-standing compliance with industry standards, reliability, lower shipment costs, innovation, and a favorable exchange rate. In 2009, Colombia officially adopted UL standards.

Under the FTA Colombia is also committed to join the multilateral Information Technology Agreement. U.S. exporters of telecommunication products all benefit from the provisions of this treaty.

## **Best Prospects/Services**

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For 2012, the expansion of broadband access and of mobile telephony services in Colombia will continue to provide diverse business opportunities for U.S. companies. The most promising areas for business development exist in the areas of:

- Cable TV equipment and services
- Satellite service operators
- Software and platform developers
- Internet service providers

The increase in Internet uptake has positioned Colombia among the top ten growth markets. According to the Ministry of Communication, the total number of internet subscribers (mobile and fixed) in Colombia increased 46% from September 2010 to September 2011. The Internet user density rate has been steadily growing (currently around 8.2 percent), and position's Colombia in fourth place within South America. The diversity in broadband products and services uptake is attracting greater numbers of U.S. content provider companies to the Colombian market.

## Opportunities

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The U.S has traditionally been one of the main suppliers of telecommunications equipment to Colombia, especially for radio and TV transmission. In recent years strong competition has come from China, although the U.S. still holds the lead in state of the art technology products. China currently holds more than a third of market share while the U.S. market share has fallen to less than 10 percent. However many U.S. product brands are also imported to Colombia through third countries (which do the assembly), especially from Mexico and China.

Broadband deployment is a priority for the Colombian Government, which has implemented programs for increased access, such as the "Plan Vive Digital" and the Last Mile Initiative with support from USAID. U.S. companies should consider participating in government procurement programs. These programs are announced on the Communications Ministry website and on the government procurement website: [www.contratos.gov.co/puc/](http://www.contratos.gov.co/puc/).

The Colombian Government has identified call centers and contact centers as one of eight best prospect growth industries or "clusters". Private businesses have been continually deciding to outsource their call center operations, rather than to keep this activity in-house, in order to boost efficiency and increase their competitiveness. Many businesses of this type have been set up in recent years, and also a business association has been created to further the development of the business in Colombia. The government will continue to focus efforts to attract foreign investment in this sector.

The recent opening of the WIMAX spectrum should also provide new business opportunities.

In the television industry, in 2008, the Colombian National TV agency (CNTV) selected the European Digital TV standard (DVB) for the country, and broadcasters are in the process of converting to digital transmission services. CNTV is also expected to re-issue its tender for the award of a license to operate a third private national TV channel. These developments could provide export opportunities for U.S. businesses. There would be demand for products especially in the areas of: broadcast transmission equipment; components for digital television consumer products, mobile telephone handsets, and there would also be increased opportunities for programmers. Colombian companies routinely attend the USDOC-organized trips to National Association of Broadcasters (NAB) and Infocomm/NXT shows held in the U.S., to seek new product or service ideas and equipment. CS Bogota has also certified the local shows ANDINALINK and ANDICOM over the last couple of years.

CS Bogota contact: Gabriel Ramjas, Commercial Specialist  
email: [gabriel.ramjas@trade.gov](mailto:gabriel.ramjas@trade.gov)  
Tel: 571-2752796

National Statistics Department (DANE)

[www.dane.gov.co](http://www.dane.gov.co)

*World Trade Atlas*

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

*Ministry of Trade and Industry*

[www.mincomercio.gov.co](http://www.mincomercio.gov.co)

Communications Ministry

[www.mintic.gov.co](http://www.mintic.gov.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)

## Information Technology (IT)

### Overview

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	2009	2010	2011****	2012 (Projection)
Total Market Size***	2,500	2,625	2,782	3,060
Total Local Production**	260	273	285	299
Total Exports*	5.7	3.6	2.7	4.2
Total Imports*	926	1,183	885.8	1,390
Imports from the U.S.*	159.7	159.6	111.9	167

(In millions of USD)

Sources:

\* Global Trade Atlas (computers and components – HS 8471)

\*\*Manufacture of electronic components (excluding software and services), DANE

\*\*\*Estimate based upon industry sources (includes software and services)

\*\*\*\*Current data, August 2011.

The size of the IT market (computers, software, components, and related services) in Colombia is estimated at USD \$2.78 billion, representing a small proportion of the national economy (currently around 1% of GDP), but is a sector which has been growing well above GDP growth rates in recent years.

Local production in the IT sector consists of computer hardware assembly and repair. There is also a growing software development industry, and IT related services have grown significantly over the past two decades. These developments have helped the IT sector in Colombia become the second largest in Latin America, in proportion to GDP. There are approximately 3,000 companies operating in the sector (mostly retailers and distributors), employing more than 32,000 people and generating around USD \$158 million in taxes.

A notable trend in recent years driving growth in this sector is the formation of companies to cater specifically to the needs of companies or institutions with customized software and network solutions. Colombia has been successful in attracting call centers and BPOs (business processes outsourcing). Companies such as HP and Unisys have also established large data center operations in Medellin in 2010-2011. These operations require large investments in computers, servers, software and components.

Total imports of computers and components into Colombia suffered a dramatic reduction in 2009 of 20%, mainly as a result of the economic downturn, and especially affecting imports from the U.S. However, U.S. market share within this industry had been diminishing well before the economic downturn. The U.S. held the lead in exports of computers and components to Colombia up until 2006, but since then Chinese exports to Colombia have taken the lead, and currently hold around 40% of market share, while the U.S. is struggling to maintain 15%. However, the U.S. still holds the lead in state of the art technology products and also the implementation of the U.S.-Colombia Free Trade Agreement (US-CTPA) should have a positive impact for U.S. suppliers, as import duties would be eliminated immediately upon entry into force of the agreement for U.S. products entering Colombia, while Chinese products will continue to be imposed tariffs ranging between 5-15%.

## Best Prospects/Services

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Colombia continues to offer good opportunities for U.S. companies operating in the IT sector. The most dynamic sectors for U.S. exports in recent years have been:

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

However, it should be noted that most of the above imports (although U.S. technology) is actually supplied through assembly plants in Mexico, China and elsewhere.

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, Oracle and others but recent efforts by the government to enforce software copyright laws has stimulated sales of legally acquired products. CS Bogota strongly recommends that companies register their patented technology in Colombia.

Opportunities exist in the following areas:

- Software for data security solutions for transactions over the Internet
- Software tailor-made for communicating different platform languages
- Software for data mining and data conversion
- Software for transportation logistics

Colombia also has a small but dynamic animation industry which has special needs, in terms of specialized software.

## Opportunities

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Colombian IT spending is projected to grow at 13% from 2010-2014 and per capita IT spending is projected to rise by 43% from US\$48 in 2010 to US\$74 by 2014. The retail PC market surged in 2010, with strong growth continuing in 2011.

However, the computer and components industry in Colombia is very competitive and, as seen above, the U.S. has been losing market share. But good opportunities may still be found by targeting key government and private sector procurement opportunities. U.S. companies hold the lead in the provision of software platforms, especially from Microsoft, Oracle and Symantec; these companies enjoy an excellent reputation in Colombia.

Also, Colombian industry continually seeks to improve its efficiency and competitiveness to survive in the global marketplace. Innovative software developments have been identified as one of the key drivers for the improvement of efficiency in Colombian industries. 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.

In summary, the Colombian IT 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 big business to keep up-to-date with technological developments. CS Bogota encourages U.S. companies to participate in government procurement programs, which are announced on the website: <https://www.contratos.gov.co/puc/> (In Spanish only) and also to participate in local trade shows such as: Andicom (<http://www.andicom.org.co/>), Andinalink (<http://www.andinalink.com/en/>) and TecnoMultimedia (<http://www.tecnomultimedia.com/>).

## Resources

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CS Bogota contact: Gabriel Ramjas, Commercial Specialist  
Email: [gabriel.ramjas@trade.gov](mailto:gabriel.ramjas@trade.gov)  
Tel: 571-2752796

ACIEM (Colombian Engineers Association): [www.aciem.org](http://www.aciem.org)  
Corporacion Colombia Digital: [www.colombiadigital.net](http://www.colombiadigital.net)  
FEDESOFTE (Software Federation): [www.fedesoft.org](http://www.fedesoft.org)  
Business Software Alliance: [www.bsa.org/country.aspx?sc\\_lang=es-CO](http://www.bsa.org/country.aspx?sc_lang=es-CO)  
National Statistics Department-Dane: [www.dane.gov.co](http://www.dane.gov.co)



## Military Equipment (MIL)

### Overview

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	2009	2010 (Estimated)	2011 (Projected)
Total Market Size	4,119,00	1,902,000	2,056,000
Total Local Production**	N.A.	N.A.	N.A.
Total Exports	79,400	214,000	224,700
Total Imports	2,940,000	1,120,000	1,176,000
Imports from the U.S.	1,100,000	568,000	596,400

(The above statistics include only military equipment acquisition, and are unofficial estimates in thousands of USD)

Source: U.S. Census Bureau

2010 data is projected to Dec 31

2011 market data is estimated with an increment of 5% per year from 2010

\*\* Total local production represents less than 2% of total market size

Colombia's internal and external defense and security structure includes the Army, Navy (Marines and Coast Guard), Air Force, and the National Police. Real military spending increased from USD 2.6 billion in 2001 to USD 9 billion in 2009. On average, the total military spending is 5 percent of Colombia's total GDP. Under Plan Colombia, significant U.S. funding, technical assistance, and equipment support has been provided to Colombian-led counter narcotic programs for drug eradication and interdiction, and expansion of the capacity of Colombian military and police. The current format of Plan Colombia is due to expire in 2012, with the consequent nationalization of military programs by the Colombian government. Significant cuts on spending and a shift to mainly drug eradication are expected. However, the Colombian government will intensify military actions and spending to fight narco terrorism, and insure security gains through its police force, especially to develop security surveillance and enforcement in remote and isolated regions of the country.

Through the Foreign Military Sales Trust Fund, the U.S. Department of Defense (DOD) provides equipment and training to the Colombian military and police through military assistance programming. The Department of State (DOS), military sales, and the international narcotics control program are other sources of funding. The Office of Aviation and Narcotics Affairs has been the main source of funding for equipment acquisition in Colombia since 1990, through private military consulting firms such as DynCorp. These firms operate through an open market competitive bidding system. However U.S. funding is expected to significantly decrease from at a rate of 10% over the next five years, from USD 55 million in 2009 to USD 45 million in 2010.. The Colombian congress approved Law 80 of 1993, under which procurement of goods and services for security and national defense made in Colombia by local manufacturers, must be purchased over goods made by foreign manufacturers and exporters. In 2002, the Colombian government created a Wealth Tax to collect USD 800 million from large companies or wealthy individuals, 70% of which was used to increase 2002-2003 defense spending. A similar tax in 2007-2011 is expected to collect up to USD 3.7 billion, of which a significant portion should fund defense spending. Through the Colombian Ministry of Finance, the Colombian National House Fund will increase funding of military equipment acquisition over the next five years, up to USD115 million

in 2012 from USD36 million in 2010. The Colombian Army receives 60% of funding, followed by the Air Force with 25% and the Police with 10%.

The U.S. has had a privileged relationship with Colombia in regards to military equipment acquisitions, with few competitors. The Colombian military tends to use standardized equipment and values relationship, trust and familiarity with equipment (as exemplified by their consistent use of the same type of rifles). However, other foreign manufacturers are gaining market share. Colombia imported USD 213.6 million worth of arms, ammunitions, parts and accessories in 2010, with a 45% increase over 2009 from 16% from 2006 over 2009. Although Colombia imported USD78.7 million of this equipment from the U.S., a 12% increase over 2009; USD 39 million from Israel, a 64% increase over 2009; and, USD37 million from Italia, a 693% increase over 2009. For this segment only, Colombian exports topped USD 4 million worldwide, mainly to the U.S. (USD 2 million), Israel (USD 1million).

The Colombian military keeps high standards for its equipment, which historically was a great opportunity for American products. However, U.S. could lose market share in the future due to pricing and more competitive bidding from foreign manufacturers. According to the Office of Aviation and Narcotics Affairs' Aviation Unit (N.A.U.)'s Director, U.S. made equipment is already losing market share for personal arms, with more rifles currently being bought from Australia, Belgium and Russia.

### **Best Products/Services**

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The Colombian government will buy eight Blackhawks helicopters (USD 6 million) for the Army and 6 for the Air Force over the next two years. Best prospects include trucks and light armored vehicles (LAV), engines and turbine, military apparel and footwear, fixed-wing and rotary wing aircraft helmets, anti-IEDs (improvised explosive devices), IED and mine detectors, body armor and personal body armor equipment, handheld navigation systems, Unmanned Aircraft Vehicles (UAV), GPS, modern communication systems (MCS), IT-structure platforms, logistics software solutions and software applications, flight simulators, air cruise control, and marine and coastal surveillance systems.

In regards to services, there is a significant need for security assistance, maintenance and assistance to the Army, Police and Air Force. Helicopter and fixed-wing aircraft maintenance and repair services are especially in need. Colombia imported USD 157 million worth of aircraft and helicopter parts in 2010; USD 125 million from the U.S. or 87% from 98% in 2007; USD 8 million from Israel or 5.4% from 0.5% in 2007; USD 6 million from Russia and USD 4 million from the U.K. The Colombian military has potential in the fields of specialized training for all new communications systems, medical training, and environmental training for hazardous material (HAZMAT) management, transport, process and dispose of HAZMAT, expertise in demolition, technical support for reconnaissance and analysis, and security operations.

### **Opportunities**

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Military equipment trends should remain the same post-Plan Colombia in order to support drugs interdiction and eradication efforts. With a switch of the Revolutionary Armed Force of Colombia (FARC by its initials in Spanish) from a military force to a terrorist organization, there will be a greater focus on anti-terrorist military equipment acquisition. Due to the significant improvement of national **security**, the Colombian Air

Force will be more involved with military and civilian rescue operations. The Air Force created in 2010 a new rescue unit and is acquiring rescue equipment and life support systems. The National Police is going to expand its activity on civilian and urban surveillance, adapting its force and upgrading its equipment to this environment.

In 1990, the U.S. Office of Aviation and Narcotics Affairs provided 18 UH- 1N helicopters, buying 36 more over the years. In 2009, the Office of Aviation and Narcotics Affairs bought 15 Blackhawks UH60 helicopters to be transferred to the Colombian government. By 2010, the Colombian military had 280 helicopters and 200 fixed-wing aircraft with no major new purchases projected until 2015. Due to recent aircraft acquisition, there are significant opportunities for training, parts and maintenance for these aircraft, especially for Blackhawk rotor blades repair services and erosion-resistant coating systems. Other opportunities include: parameter security protection systems (convoy security, security walls and fences, and video surveillance systems), safety, survival accessories, search & rescue equipment, protective clothing, emergency medical equipment, trauma-life support systems.

The security forces number about 435,000 uniformed personnel: 285,000 in the military and 150,000 in the police. From 2012 to 2015, key needs will be armament and personal arms (up to USD 1 million a year), night vision goggles (up to USD 1 million a year), anti-ballistic missiles (ABM) (up USD1 million a year), survival equipment and kits (up to USD400.000 a year), flight suits, footwear (up to USD 200.000 a year), personal arms (M4 rifles, M9 pistols), grenades, binoculars, and medical equipment. The Colombian army is looking at upgrading its equipment and uniforms, with engineered textile solutions, smart textiles materials, as well as integrated communication aircraft helmets.

After more than 5 years in the works, the USA legislative body (Senate and House of Representatives) has approved the USA – Colombia Free Trade Agreement. As of October 12, 2011, the US has agreed to enter a period of non-tariff trade that will come into action as soon as both governments finish the implementation phase.

Over 80% of US exports of consumer and industrial products entering to Colombia will become duty free immediately (upon finished the implementation phase), with the remaining 20% of products being phased into zero tariffs over the following 10 years. With average tariffs on US industrial exports ranging from 7.4% to 14.6%, the newly signed FTA will significantly increase the competitiveness of US machinery and defense equipment into the Colombian market.

## Resources

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CS Bogota contact:

Juan Antía

Senior Commercial Specialist

U.S. Commercial Service

U.S. Embassy Bogotá, Colombia

Tel: 011-571-383-2764 / fax: 011-571-315-2190/71

E-mail: [juan.antia@trade.gov](mailto:juan.antia@trade.gov)

Colombian Ministry of National Defense: [www.mindefensa.gov.co/irj/portal/Mindefensa](http://www.mindefensa.gov.co/irj/portal/Mindefensa)

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

DynCorp: [www.dyn-intl.com](http://www.dyn-intl.com)

Expomilitar: [www.corferias.com](http://www.corferias.com)

Security Fair Colombia: <http://securityfaircolombia.com/>

Medellin Aviation Fair: <http://eiso.co/jm/fair/>

Orlando Utility Helicopters International Users Conference (UHIUC)

## Automotive Parts and Accessories (APS)

### Overview

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	2010	2011 (Estimated)	2012 (Projected)
Total Market Size	452.2	677.2	717.8
Total Local Production	67.2	71.2	75.4
Total Exports	173.3	192.9	204.4
Total Imports	558.3	798.9	846.8
Imports from the U.S.	144.5	178.4	189.10

(The above statistics are unofficial estimates in million of USD and are focused on parts and accessories listed below)

Sources:

2011 data is estimated to Dec 31

2012 market data is projected with an increment of 6% per year from 2011

Econometria: [www.econometria.com.co](http://www.econometria.com.co)

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

The Colombian automotive sector has experienced a record year of significant growth amounting to 32 percent from 2010-2011. The 5.5 million automotive units currently in the country, ranks Colombia third in Latin America. This is primarily due to the fact that Colombia has access to a market of 34 million vehicles resulting from the country signing several commercial agreements. With this, the country has taken advantage of the ideal location to create a platform for the manufacturing and assembly of cars, buses and auto parts intended to supply the local and regional markets.

Colombia currently ranks 3rd in automobile manufacturing in Latin America. The automotive sector contributes to 6.2% of the country's GDP and employs about 2.5% of the country's population. With an estimated population of 44.5 million, Colombia has on average one vehicle per 15 inhabitants.

After a difficult year in 2009, the automotive sector in Colombia has shown positive growth. In 2010 there were 253,869 vehicles sold which will be surpassed in 2011. According to Econometría S.A., September 2011 sales were 22.5% higher than the ones during the same month in 2010. Year-to-date 2011 sales are at 242,399 units, 39.4% more than 2010. This is the highest number of vehicles sold in a month in the history of Colombia. If the country continues with this positive trend, it could surpass 320,000 units sold by the end of the year. This would represent a growth of 20% over 2010 sales. According to Econometria, the increase in 2011 sales are due to the improved average income of the Colombian population, further expansion of the middle class and the acceleration in consumption of durable goods, including the purchase of automobiles.

The automotive market in Colombia is comprised of 43% of the nationally produced vehicles and 57% imported vehicles from South Korea, México, India, Japan, Ecuador, China, and United States. The high import percentage represents good opportunities for all imported parts and accessories, especially for U.S. products which are very well known nationwide.

There are 3 major organizations that produce most of the vehicles in Colombia: General Motors, Renault, and Mazda. In 2010, 43% of the vehicles were nationally produced (110,000 Units of the 253,869 units sold in 2010). General Motors sold the greatest amount of units in 2010 with 67,812 units. Vehicles from General Motors have a very important percentage of imported parts which also represents good opportunities for American companies that sell spare parts for these types of vehicles.

In 2010, the market reached USD 452.2 million representing almost ten percent increase compared to 2009. In 2011, the spare parts market is expected to increase 43%, USD 677.0 million. U.S. imports dominate the market with a 26.7 percent market share, followed by China with a 7.6 percent market share. China is becoming a serious competitor in the automotive parts market competing mainly on price. However, consumers are wary of buying Chinese parts because of their perceived lower quality and durability compared to other vendors.

More than 106 countries compete to supply Colombia's automotive parts market. The U.S., Brazil, Japan and China have the highest market shares. U.S. and Brazil compete with quality and state-of-the-art products, while the Asian countries have obtained larger market share pursuing a low price strategy and offering correspondingly low quality.

## **Best Products/Services**

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Once the FTA between the United States and Colombia enters into effect it will provide advantages for U.S. exporters. Current tariffs range from five to thirty percent which will be significantly reduced with the FTA. Colombia will eliminate its prohibition of remanufactured automotive goods, as defined in Chapter Four – Rules of Origin; most tariffs will be eliminated within 10 years.

The top U.S. exports to Colombia in this sector are:

- Gasoline and diesel engines, piston rings, cast-iron engine parts, carburetors, engine valves, other cast-iron engine parts, fuel-injection pumps
- Electric storage batteries, nickel-cadmium storage batteries, electrical distribution parts, terminals, electrical splices and electrical couplings, boards, panels, consoles
- Cabinets for motor vehicles, bodies for passenger automobiles, body stampings, gearboxes, drive axles with differential, suspension shock absorbers, radiators, clutches, suspension systems, parts for power trains, brake parts
- Chock Absorbers
- Lights, high and low beam and also decorative lights
- Air Filters and Oil Filters
- Windshields
- Gaskets for the engine
- Other cast-iron engine parts
- Tires for small vehicles, trucks and buses
- 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.

There are three current local assemblers (GM-Colmotores, CCA-Mazda, and Sofasa-Renault). With an estimated population of 45.5 million, Colombia has on average one vehicle per 15 inhabitants. The country is the third largest automobile assembler in Latin America after Brazil and Mexico. The average age of motor vehicles in circulation is 15

years, a factor that makes Colombia an excellent market for spare parts for older cars. Another factor that is driving the demand is the frequent need to replace broken parts. Although the road infrastructure in Colombia is improving, nationwide they are in poor to fair condition, increasing the likelihood of damage to vehicles and requiring constant vehicle safety checks.

Best sales opportunities 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 CAN-Mercosur, G-2, ALADI, and others) could mean more opportunities for U.S. imports.

## **Opportunities**

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The Colombian end-users of automotive parts and accessories are numerous, varied, and difficult to quantify because of the many brands traditionally found in the local market and the number of motor vehicles imported during the period of 1997-2011.

Eighty-three percent of total Colombian vehicles are for private use, fifteen percent are in public service and three percent are for official use (not including those owned by the Ministry of Transportation, the Ministry of Defense, and the Ministry of Foreign Relations).

Approximately 49 brands and some 249 models are found in the market. The following motor vehicle brands competed very actively in the Colombian import market: Chevrolet, Hyundai, Ford, Nissan, Skoda, Mitsubishi, Volkswagen, Kia, Toyota, Peugeot, Renault, Daihatsu, Honda, Citroen, Dacia, International, BMW, Mercedes-Benz, Dina, Renault, Kenworth, Mack, Dodge, Freightliner, Peterbilt, Audi, Agrale, Daihatsu, Samsung, Subaru, Nissan, Isuzu, Hino and Volvo.

Buses are the main form of intercity and inter-state transportation. Cargo transport by road is very active due to the chronically deficient railroad system. Statistics from the Ministry of Transportation indicate that nearly 90 percent of Colombian cargo moving between seaports and the main cities is transported by truck. The long distances and poor roads mean high operational costs, which translate into constant demand for truck parts and accessories. Most of the larger passenger and freight transportation companies maintain good repair facilities for their own vehicles and are strong prospective customers.

Seven other small assembly plants established in 1993 and 1994 produce bus and small trucks bodies and truck chassis. Among them is the new consortium formed by GM (Colombia), Mercedes-Benz, and Volvo (Germany-Brazil) that assembles the "Transmilenio" public buses. Carrocerias El Sol of Bogota assembles double-decker buses for intercity transportation and tourism tours, and medical units that can be used for mobile outpatient care. The company imports axles from Rockwell, Cummins engines, and Allison transmissions and automatic gearboxes from the United States for assembling these vehicles.

Other end-users are as follows:

- a. Dealers and Distributors of Imported Vehicles
- b. Freight and Passenger Transportation Companies
- c. Importers and Distributors of Automotive Parts and Accessories
- d. Repair and Maintenance Shops
- e. Service Stations, Gasoline Dealers and Lubrication Centers
- f. Tire Distributors
- g. Government Agencies
- h. Other End-Users: rental car and limousine companies.

## Resources

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CS Bogota contact:

Ricardo Roldan

Commercial Specialist

U.S. Commercial Service

U.S. Embassy Bogotá, Colombia

Tel: 011-571-275-2731 / fax: 011-571 275-4575

E-mail: [Ricardo.Roldan@trade.gov](mailto:Ricardo.Roldan@trade.gov)

## Key Contacts

Asopartes (Association of Automotive Parts Importers and Dealers):

[www.asopartes.com.co](http://www.asopartes.com.co)

DIAN (Colombian Customs): [www.dian.gov.co](http://www.dian.gov.co)

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

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

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

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

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

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

PROEXPORT COLOMBIA (Export Promotion): [www.proexport.com](http://www.proexport.com)

## Parts and Accessories HTS Codes

401110	Tires
700529	Glasses
840999	Other cast-iron engine parts
842123	Filters
848210	Ball bearings



848220	Tapered roller bearings
848330	Roller bearings
851110	Spark Plugs
870600	Chassis
870821	Security Belts
870829	Body Stampings
870830	Brakes
870840	Transmission Parts
870850	Axels
870870	Rims and its parts
870880	Suspension shock absorbers
870893	Clutch
870899	Brake parts
940120	Car seats

## Electrical Power Systems (ELP)

### Overview

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	2009	2010	2011 (Estimated)	2012 (Projected)
Total Market Size	724	876	923	1,282
Total Local Production	225	255	260	270
Total Exports	316	189	195	208
Total Imports	815	954	1,158	1,220
Imports from the U.S.	318	191	396	415

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

Sources: Association of Power Generation Companies, National Planning Department, Energy and Gas Regulatory Commission, Mining and Energy Planning Unit and World Trade Atlas

The Electrical Power Systems market continues to represent an excellent opportunity for U.S. exporters, as Colombia imported USD 954 million in 2010 (up from USD 815 million in 2009), with a U.S. market share of 33.4 percent. Other competitors include: China (14 percent), Germany (10.3 percent), Mexico (7.9 percent), Brazil (7.5 percent), among others.

CS Bogota anticipates continued growth, given Colombia's expanding economy which will drive the demand for more electricity across all industrial sectors. The projected economy GDP growth is estimated in 5.5 percent for 2011, and between 4.5 and 5.1 percent for 2012.

It is important to highlight the significant growth of Chinese imports during the last five years. Chinese companies' main competitive advantage is lower cost compared to similar equipment from established vendors. However, the lower quality, high shipment costs and reliability of Chinese equipment are considerable disadvantages. U.S. equipment suppliers benefit from long-standing compliance with industry standards, reliability, lower shipment costs, innovation, and a favorable exchange rate.

At the end of 2010, Colombia's installed electric power generation capacity reached 13,289 MW, of which 64.1 percent were hydro power plants while thermal and co-generation facilities produced the remaining 35.9 percent (gas, coal-fired power plants, wind power, and cogeneration facilities).

During 2010, electricity generation in Colombia reached 56,148 Giga Watt-hour, 2.7 percent more than in 2009, with more than 66.9 percent from hydro power plants due to increased rainfall levels caused plants to switch over to thermal sources.

The Energy and Gas Regulatory Commission (CREG) enacted a "Reliability Charge" that recognizes the availability of generation assets to insure "firm generation capacity - OEF" under critical conditions. This offers a major incentive to develop new power projects in Colombia, as seen during the various power auctions under this new market-oriented mechanism generated new power plant commitments, mostly hydro-based plants, increasing the share of hydro-based generation to 72 percent with the incorporation of Porce III and IV, El Quimbo, HidroSogamoso and Pescadero-Ituango, totaling more than 4,000 MW.

Several large Colombian power companies, including Interconexión Eléctrica (ISA), Empresas Públicas de Medellín (EPM), ISAGEN S.A., and Empresa de Energía de Bogotá (EEB) are evaluating expansion projects to other Andean Countries (Bolivia, Ecuador, and Perú) and Central American countries. The proposed power interconnection with Panama could lead to new power projects in Central America.

The Colombian Government is also promoting the use of renewable energy sources, especially for off-grid and isolated areas. Also under development is 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. Efforts are underway to promote private ventures in the areas of solar, wind, geothermal, and small-hydro systems. If successful, these projects allow for the use of energy in sustainable community projects. EPM owns the country's only wind power plant (Jepirachi) located in La Guajira. This is 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 peak areas in the surrounding mountains.

On November 5, 2010, the government issued Decree 4114 that reduced import duties for a range of products, including those for the electric power generation sector, to an average of five percent. In addition, if the US-Colombia Trade Promotion Agreement is approved, U.S. equipment exporters will be more competitive as 65 percent of products will receive immediate duty-free treatment with the remaining tariffs phased out over ten years. In addition, the ban on remanufactured products will be lifted.

### **Best Products/Services**

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Electrical power equipment opportunities include:

- Power, distribution, and specialty transformers
- Switchgears
- Motors
- Generators
- Industrial controls
- Steam, gas, and hydraulic turbines
- Turbine generator sets.

### **Opportunities**

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The outlook for the Colombian electricity sector is promising since the government is planning to develop several new power generation projects, mostly hydro, to accommodate the expanded demand through 2018. 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 opportunity 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 improving existing systems. The government has taken steps to secure funding for the program. This sector will continue to consolidate.

To assist with these government efforts, the U.S. Trade and Development Agency has awarded feasibility study grants for a 50 MW geothermal power plant (ISAGEN), for a 20 MW landfill waste-to-energy facility, and for a proposed solar-wind power project.

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CS Bogotá contact: Julio Carbó, Commercial Specialist  
 Email: [Julio.Carbo@trade.gov](mailto:Julio.Carbo@trade.gov)  
 Tel: (571) 383-27-23

U.S. Trade and Development Agency (TDA): [www.ustda.gov](http://www.ustda.gov)  
 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)  
 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)

## Travel and Tourism (TRA)

## Overview

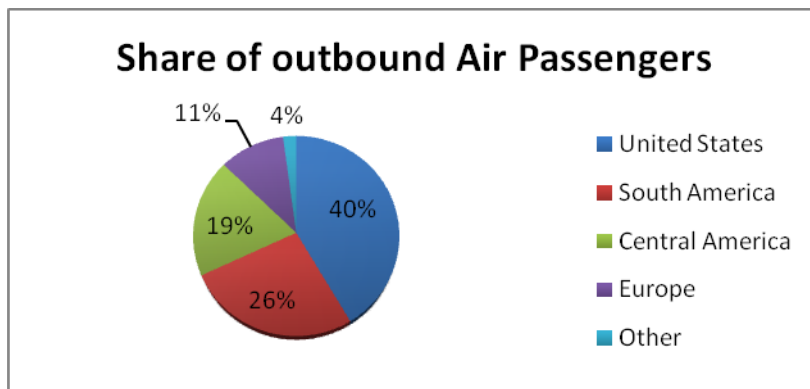
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	2010	2011 (Estimated)	2012 (projected)
Total Market Size	3,735	3,959	4,196
Per capita expenditures of Colombian travelers in the USA	1,656	1,755	1,860
Per capita expenditures of Colombian travelers in the rest of the world	2,497	2,646	2,805

\*Statistics are unofficial estimates based on reports from the sector in terms of GDP percentage (in million USD)  
 2011 data is estimated with an increment of 6% from 2010  
 Source: Colombian Civil Aeronautics Office; Proexport; DAS.

Despite the severe impact of the global recession on travel and tourism, Colombia offers a promising market for U.S. exporters. In 2011, Latin American economies recovered quickly from last year's recession and are now exceeding GDP growth predictions. Consumers are enjoying higher disposable incomes due to the favorable exchange rate of local currencies vs. the US dollar. Colombia and the region, therefore, promise to lead the growth in tourism over the next 10 years, according to the International Air Transport Association (IATA). The Travel and Tourism market represents approximately 1.9 percent of Colombia's GDP. In 2010, Colombia ranked in the top 20 countries generating in-bound tourism to the United States and reflected the second highest percent change of total arrivals (19%) after Brazil (34%) in Latin

America. In terms of outbound passengers, during 2010, the U.S. grew its market share to 40 percent from 36 percent in 2008. In second place was South America with 26 percent, followed by Central American countries at 19 percent, Europe - 11 percent and other countries including Canada 4 percent.



Based on preliminary figures published by the Colombian Immigration Department (DAS), 793,000 Colombians traveled to the United States during 2011, three percent more than in 2009. This was the most popular destination for Colombians, who spent about US \$1.65 million in the U.S. (excluding airfares) on food, car rental, hotel, sightseeing, and shopping. The usual length of stay is seven nights. For those with relatives in the U.S. the average stay ranges from two to four weeks. Colombians have 15 working days of statutory paid vacation per year. Tourism travel often coincides with school calendars (there are two calendars) and usually takes place from November to early February, during Easter week and from June to late August.

On November 11, 2010, Colombia and the United States signed an "Open Skies" air transport agreement that will take effect at the end of 2012. This agreement will significantly increase air traffic between the two countries. Currently, 200 weekly flights operate between Colombia and the United States. During the transition period before the "Open Skies" agreement goes into force, each country will be allowed to add another 21 weekly frequencies on currently operated routes and create new itineraries without restriction. Five U.S. airlines provide direct daily flights between Colombia and the United States; Delta (from Atlanta and New York), Continental Airlines (from Houston), American Airlines (from Miami), Spirit (from Fort Lauderdale) and Jet Blue (from Orlando). Non- U.S. airlines (Copa, Aires, LAN) also operate on some of these routes. Avianca initiated a non-stop flight to Washington-Dulles and Aires now LAN, began service to Ft. Lauderdale from Bogota and other Colombian cities in November 2009. Aero Republica was purchased by Copa in 2010, leaving SATENA, the government-owned and operated airline as the only non-affiliated carrier in the country.

Most Colombians organize their trips through a local travel agent, and are known be last minute planners, especially to overseas destinations. The Internet has begun to affect the competitive balance in the travel and tourism industry, as it provides an efficient vehicle for information access, marketing, purchasing and paying for services.

Most of the local travel agents have developed their own travel websites to offer online flight booking, hotels and car rentals.

Colombians have significantly diversified their travel habits, selecting other countries for their vacation plans. South America, especially Argentina and Brazil, have become increasingly popular destinations. These destinations are attractive alternatives because no visa is required and promotional packages that include low airfares and all-inclusive hotel or resort rates are readily available. The strong competition from alternative destinations makes it imperative for the U.S. Travel and Tourism industry in Colombia to consistently promote travel opportunities.

The ratification by United States Congress on October 12, 2011, of the Trade Promotion Agreement (US-TPA) or Free Trade Agreement (FTA) between Colombia and the United States will foster a significant expansion of trade between the two countries that will result in the increase of Colombian business travelers visiting the United States.

## **Best Products/Services**

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Best products and/services for Colombia are:

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

## **Opportunities**

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The total number of passengers traveling from Colombia to foreign countries increased an average of 14 percent between 2004 and 2008. From 2010 to 2011 the number of travelers grew approximately six percent. The growth rate for 2012 is expected to increase slightly to seven percent. There are positive factors that will help Colombia to augment the number of travelers going abroad for business and tourism purposes such as: (a) the revaluation of the Colombian peso that has reduced the cost of traveling abroad, (b) the "Open Skies" agreement (c) the ratification by United States Congress of the Trade Promotion Agreement (TPA) or Free Trade Agreement (FTA) between Colombia and the United States; (d) the implementation of trade agreements between Colombia and other countries, including Mercosur (2005), Central America, Asia, Canada (entered into force on August 15, 2011) and the European Union.

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. Hilton opened a new hotel in Bogota with plans to build more in other cities. Additionally, Marriott, Sonesta, Hyatt, and Decameron have announced their plans to build hotels in the cities of Bogotá, Medellín and Cartagena. These hotels are expected to be completed by 2012-2013.

According to Invest in Colombia, there are incentives in the form of an income tax exemption for a determined period of time. This means that the companies which benefit from these incentives will pay 0% income tax rate for a period of time and once that term is over they will be subject to the general tax rate which is 33%.

In the tourism industry, the hotel services provided in new hotels constructed between 2003 and December 31, 2017, and hotel services provided in hotels remodeled and/or expanded until December 31, 2017, will receive this benefit for a period of 30 years. Also, ecotourism services will receive this benefit for 20 years, which began in 2003.

## Resources

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- Julio Acero, Commercial Assistant: [Julio.Acero@mail.doc.gov](mailto:Julio.Acero@mail.doc.gov) Tel: 011 571 275-2635
- Colombian Association of Airlines (ALAIICO): [www.alaiico.org](http://www.alaiico.org) Tel: 011 571 618-0540
- Colombian Association of Travel and Tourism Agencies (ANATO):  
[www.anato.com.co](http://www.anato.com.co)  
Tel: 011 571 610-7099
- Colombian Hotels Association (COTELCO): [www.cotelco.com](http://www.cotelco.com)  
Tel: 011 571 310-3640
- Colombian Special Administrative Unit for Civil Aeronautics (UAEAC):  
[www.aerocivil.gov.co](http://www.aerocivil.gov.co)  
Tel: 011 571 425-1000
- Ministry of Commerce and Tourism: [www.mincomex.gov.co](http://www.mincomex.gov.co)  
Tel: 011 571 606-7676
- Visit USA Committee Colombia: [www.visitusacol.com](http://www.visitusacol.com)  
Tel: 011 571- 601-0508
- Colombian Immigration Department (DAS): [www.das.gov.co/](http://www.das.gov.co/)
- Invest in Colombia: <http://www.investincolombia.com.co/investment-incentives/other-incentives.html>  
011 571 - 561-1804

## Food Beverage Processing/Packaging Equipment (FPP)

### Overview

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	2009	2010	2011 (Projected)
Total Market Size	23,314	21,760	22,848
Total Exports	10,1	7,3	7,6
Total Imports	99,6	97,7	102,6
Imports from the U.S.	20,9	18,2	19,1

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

Source: Vademécum de Mercados. La Nota Económica. Aug 2011, World Atlas

2011 market data is estimated with an increment of 5% per year from 2010

Total Market Size is the estimated value of the Colombian Food Processing and Beverage Industry

The Colombian Processed Food and Beverage Equipment market caters to an industry that produces approximately US\$ 22 billion in revenue per year. The food industry is comprised of 10 sub sectors: Sugar mills, rice mill, cereal mills, oils and fats, dairy products, chocolates and candy, meat products, animal food products, bread and pasta and others. The beverage industry is also comprised of three subsectors: Beer, Carbonated Soft Drinks & Juices and spirits.

In 2010 the Food Industry grew on a whole (+ 6.31% from '09) while the beverage industry decreased in sales (- 9.63%), driven in part by an unprecedented tax increase imposed on the beer market, to cover the cost of an emergency relief program. Within these industries, the Dairy, Animal Food and Carbonated Soft Drinks & Juices were the three markets highlighted as the most attractive in terms of supply machinery and equipment. To put into perspective the importance of the Food and Beverage import market, this industry accounts for 5.4% of all the Colombian imports. In other words, if Colombia imported approximately US\$ 40 billion in 2010, US\$ 2.16 billion is the amount of imported goods that came into the country to supply the food and beverage companies.

The Colombian sugar mills sold approximately 2.1 million tons of sugar in 2010, of which 1.4 million was sold for domestic use. According to the Colombian Association of Sugar Cane Growers (Asocañas), Colombia exported 828.752 tons of sugar and sold 1.1 million tons to the local market during 2011. Production in 2010 registered a 38.5% decrease from 2009 figures, as production was negatively impacted by the strong rainy season that hit Colombia in 2010. The Colombian Rice Mill sector is the third largest in America, after Brazil and United States. This sector was also negatively impacted by the rainy season in 2010, as many of the crops were flooded. The Colombian Cereal Mill sector is probably the Food sector that most depends on imports in the form of raw material for processing finished goods. Colombia currently doesn't produce enough wheat to cover its cereal output, which forces the industry to import 99% of its wheat consumption. According to The National Federation of Farmers Grain and Legumes (Fenalce), during 2011 Colombia imported 1.1 million tons of wheat.<sup>6</sup> The Oil & Fats sector in Colombia has benefited from a stable growth, which has led to a 5% annual increase in net sales. Within this sector, approximately 66% of the production is used to make table and cooking oils, while 23% is used to make margarine. The Dairy products market in Colombia has been witnessing a modernization in terms of production and

<sup>6</sup> [http://www.fenalce.org/arch\\_public/coy31.pdf](http://www.fenalce.org/arch_public/coy31.pdf)



commercialization of various innovative products. In preparations for the Free Trade Agreement (FTA), this sector has been making technical improvement to the farmer production process, and developing more added value products. Despite the harsh conditions that affected the crops, in terms of winter and fungus, the overall production of cacao (chocolate) grew 17% from 2009 comparisons. This is a sign of the growing trend in the Chocolates and Candy industry, which estimates that 2011's production will have an increase of 45,000 tons. The overall processed Meat products sales fell roughly, -4% in 2010. The loss in sales were attributed to the lower meat prices, and at the same time a loss in export revenue, as the Venezuelan government blocked imports coming from Colombia for part of 2010. The animal food industry was seriously impacted by the change in trade benefits that Colombia faced in 2010. As almost all the raw material for animal food products produced in Colombia comes from imports, the delay in extending the APTEA<sup>7</sup> benefits with UNITED STATES, hurt the balance sheet for many of these companies.

For almost 45 years, the Colombian beverage industry has been characterized by the rivalry of two domestic conglomerates (Postobon and Bavaria), which faced each other in the carbonate soft drinks, water, juices and even beer sectors. The beer industry was affected in 2010 by new tax imposed by the government but it remains a very profitable industry dominated by SABMiller. In terms of demand, the Soft Drinks and Juices sector saw an overall growth of approximately 17% from 2009 to 2010. The domestic spirit production is 100% owned by the government, and more specifically 100% produced by the individual Colombian States. Each state has autonomy over the spirits sold in their territory, and imposes the quotas and tariffs that each out-of-state spirit has to pay to enter this market. There has been a long-standing war between state spirits to protect each other's market and liquor brands.

## Best Products/Services

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Based on the market data and growing demands, and taking into consideration the following recap of market entry of machinery, processing equipment and raw material to supply local food and beverage production, the following sectors as the most attractive in terms of overall supply/investment:

	<b>Market Data;</b> large mkt. size	<b>Market Demand;</b> Growing at %	<b>Number Buyers;</b> # of companies	<b>Benefitted by</b> <b>FTA with</b> <b>UNITED</b> <b>STATES</b>
Dairy	High ; US\$ 2.6B	Low ; < 5%	High ( > 75 buyers)	Machinery + Raw
CSD & Juices	High ; US\$ 2.2B	High ; > 10%	Low ( < 25 buyers)	Machinery
Animal Food	High; US\$ 2.6B	Low ; < 5%	Med ( > 25 buyers)	Machinery + Raw
Oils & Fats	Med ; US\$ 1.6B	Med; > 5%	Med ( > 25 buyers)	Machinery
Sugar Mills	High ; US\$ 2.2B	Low ; < 5%	Low ( < 25 buyers)	Machinery
Chocolate &	Med ; US\$ 1.6B	Low ; < 5%	Med ( > 25 buyers)	Machinery + Raw

Source: BPG index.

<sup>7</sup> The Andean Trade Promotion and Drug Eradication Act (ATPDEA) is a trade preference system by which the United States grants duty-free access to a wide range of exports from four Andean countries: Bolivia, Colombia, Ecuador, and Peru

The recent influx of economic data regarding direct foreign investment (+ 50% from 2010), exports (+ 41% from 2010) and a decrease in unemployment, show that Colombia is on its way to perform at all time highs in terms of economic activity. However, despite the positive performance in terms of the economical and social outlook, Colombia still presents major challenges that hold it to marginal growth in terms of competitiveness in comparison to other countries in the world. Of the main obstacles that the Food, Beverage and Packaging industries face on a day-to-day basis; logistics/transportation, a cultural lack of innovation, and contraband are probably the key issues that foreign and domestic companies are challenged with. Nevertheless, the industry has been growing in average a 5 percent per year.

After more than 5 years in the works, the USA legislative body (Senate and House of Representatives) has approved the USA – Colombia Free Trade Agreement (FTA). As of October 12, 2011, the US has agreed to enter a period of non-tariff trade that will come into action as soon as both governments finish the implementation phase. Over 80% of US exports of consumer and industrial products entering to Colombia will become duty free immediately (upon finished the implementation phase), with the remaining 20% of products being phased into zero tariffs over the following 10 years. With average tariffs on US industrial exports ranging from 7.4% to 14.6%, the newly signed FTA will significantly increase the competitiveness of US food machinery and packaging equipment into the Colombian market. Colombia is not a producer of this type of machinery; therefore the FTA will bring more opportunities for the US industry.

CS Bogota contact:

Juan Antía

Senior Commercial Specialist

U.S. Commercial Service

U.S. Embassy Bogotá, Colombia

Tel: 011-571-383-2764 / fax: 011-571-315-2190/71

E-mail: [juan.antia@trade.gov](mailto:juan.antia@trade.gov)

- Alimentos Magazine, Axioma Communications LTDA. September, October 2011 editions. <http://www.revistaialimentos.com.co>
- Asociación Nacional de Industriales (National Industries Association). [www.andi.com.co](http://www.andi.com.co)
- BPG Index. Is a metric created by Andres Gutierrez to objectively evaluate the best prospects, by financial and machinery innovation factors.  
  
Banco de la Republica (Central Bank). [www.banrep.gov.co](http://www.banrep.gov.co)
- DANE (National Administrative Department of Statistics). [www.dane.gov.co](http://www.dane.gov.co)
- Superintendencia de Industria y Comercio. (Governmental body which regulates commerce). [www.sic.gov.co](http://www.sic.gov.co)

- La Nota Económica.(Business Magazine) Vademécum de Mercados. August 2011

Presidencia de la República and/or Palacio de Nariño (Office of the President of Colombia): [www.sne.gov.co](http://www.sne.gov.co)

Statistics Bureau: <http://www.dane.gov.co/>

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

## Medical Equipment (MED)

### Overview

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	2009	2010	2011****	2012 (Projections)
Total Market Size*	832.09	1016	863.9	1269
Total Local Production**	268.09	282.2	297.1	327
Total Exports***	69.6	43.3	29.2	48
Total Imports***	633.6	777.1	596.0	990
Imports from the U.S.***	259.4	295.2	207.7	318

Sources:

\*Estimates based on Espicom data

\*\*Estimates based on industry sources

\*\*\*World Trade Atlas (HS Codes 9018-9027)

\*\*\*\*Current data, August 2011

Colombia benefits from one of the most extensive insurance systems and medical financial protection in Latin America, second only to Chile, thanks to the 1993 health care reform, also known as Law 100. This reform created the social security system and covers standards governing the general system of pensions, workplace injury insurance and complementary social services. During the subsequent ten years, insurance coverage expanded from 20 to 78 percent of the total population. According to a study by AmericaEconomia Intelligence, five of the twenty best hospitals and clinics in Latin America in 2011 are located in Colombia. In the third place is the Hospital Fundacion Santa Fe in Bogota, in the eighth place is ranked the Fundacion Valle del Lili in Cali and in the tenth place is Fundacion Cardioinfantil in Bogota.<sup>8</sup>

In September 2008, the Uribe government enacted another law to achieve universal coverage by 2010. Industry experts had previously forecasted a 15 percent increase in public investment, a benchmark that was surpassed in 2008, fueled by the implementation of the Universal Coverage Law.

Despite market size and import contractions during 2009, an important industry recovery began in 2010. U.S. imports enjoy the largest share of the local market, accounting for around a third of all medical equipment imports. However, other competitors such as China are quickly increasing market share.

Colombia faced an acute public health care sector crisis during 2009/2010. A grave financial deficit negatively affected local market size and imports. Large purchases and imports were almost exclusively done by the private sector, which continues to be the most stable sector within the medical industry. This crisis has affected the ability of local industry to import a larger amount of state of the art technology. The current public healthcare crisis is being addressed and the measures created to mitigate its impact are expected to be implemented by 2011/2012. Such measures will make the public sector more reliable and attractive to suppliers.

While U.S. medical equipment dominates the market, it is important to note that the enforcement of legislation (Decree 4725 of 2005) related to the import of

<sup>8</sup> <http://rankings.americaeconomia.com/2011/clinicas/ranking.php>

refurbished/remanufactured equipment has hampered U.S. exports in this segment. This legislation aims to protect the quality of medical service provision in Colombia. Many of the specific conditions and requirements are challenging for small and medium companies. Hardest hit are small, remote facilities in poorer departments of Colombia that have a high risk security profile (i.e. Choco, Sucre, Tolima, Meta etc.).

Other factors have positioned Colombia's medical industry for growth. The positive economic climate through 2008 stimulated the demand for construction of new facilities throughout Colombia. However, the economic crisis of 2008-2009 slowed down these projects, but as the economy improves, these projects should re-emerge. In June 2008, the Colombian Health Ministry (Ministerio de la Protección Social) joined the Pan-American Health Organization's Safe Surgery Initiative to reduce the incidence of complications from surgery.

This enhanced focus on technology and medical security boosted the modernization of hospitals, clinics and clinical laboratories. Medical tourism is developing rapidly, albeit late vis-à-vis Asian competitors mainly for plastic surgery and ophthalmology – where Colombia is considered a leader in advanced techniques – as well as trauma and orthodontist work. Colombia also believes its proximity to the United States is a key selling point in promoting the medical tourism industry. Also noteworthy is that in 2009, Colombia officially adopted UL standards.

The U.S.-FTA, currently being implemented, will also make newer and better technology more available and affordable to local medical institutions, by eliminating tariffs on 96.2% of imports from the U.S. immediately upon entry into force of the agreement. However, Colombia is also implementing other FTAs with Europe, South Korea and Canada which will create strong competition to U.S. manufacturers. Currently the strongest competitors are Germany, Japan and China.

## **Best Products/Services**

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Best prospects for U.S. medical equipment manufacturers include:

- Non-electrical medical, surgical, dental or veterinary instruments
- Prosthetic devices
- Diagnostic imaging equipment
- Laboratory equipment and consumables
- Ultrasound, mammography and cardiovascular equipment.
- Dermatological and laser treatment apparel (boosted by medical tourism and expanding plastic surgery demand)
- Intensive care, cardiology, neurology and oncology related equipment

According to the World Health Organization, over 70 percent of medical decisions in developed countries are based on clinical laboratory results, whereas in developing countries such as Colombia, decisions based on laboratory results are only around 30 percent. Colombia's health care system improvement aims to upgrade clinical laboratories to guarantee quality of service delivery in the health sector. The market for clinical laboratory medical equipment will benefit from this increase of income and surveillance. Medical, surgical, dental or veterinary instruments and electro medical equipment remain a leading market.

## Opportunities

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Despite the new legal conditions and requirements for importing refurbished equipment which impact the acquisition of imaging equipment, the demand and need for American imaging products remain high.

U.S. medical equipment is still a very popular choice in Colombia and opportunities could result from the long term impact and trend on public funding for medical equipment of the Colombian Social Health Insurance (NSHI). Government reforms to upgrade and renew technology in hospitals and clinics will also foster the acquisition of U.S. medical imports. Medium-term opportunities will be determined by the sustained and continued growth of the medical and healthcare sector, greatly determined by government investment.

Colombia is seriously evaluating exporting medical treatment services for chronic conditions with an emphasis on cardiovascular and cancer treatment due to acquired expertise and infrastructure. The projected success of this industry has led hospital and clinic management to upgrade existing facilities, adding medical equipment and providing English language training for their staff.

## Resources

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CS Bogotá contact: Gabriel Ramjas, Commercial Specialist  
Email: [Gabriel.Ramjas@trade.gov](mailto:Gabriel.Ramjas@trade.gov)  
Tel: (571) 275-2796

Health Ministry, Ministerio de la Proteccion Social: [www.minproteccionsocial.gov.co](http://www.minproteccionsocial.gov.co)  
Meditech: [www.corferias.com](http://www.corferias.com)  
National Industries Association (ANDI) [www.andi.com.co](http://www.andi.com.co)  
National Institute for Food and Medicine Surveillance (Instituto Nacional de Vigilancia de Medicamentos y Alimentos or INVIMA): [www.invima.gov.co](http://www.invima.gov.co)  
Portafolio Magazine, Editorial El Tiempo, [www.portafolio.com.co/](http://www.portafolio.com.co/)  
AmericaEconomia Magazine, [www.americaeconomia.com](http://www.americaeconomia.com)

## Agricultural Sectors

### Consumer Oriented Products

#### Overview

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	2010	2011 (Estimated)	2012 (Projected)
Total Market Size	18,011	19,160	20,250
Total Local Production	20,050	21,250	22,400
Total Exports	2,910	3,100	3,300
Total Imports	871	1,010	1,150
Imports from the U.S.	155	209	250

(pr) Preliminary, (e) estimated, (p) projected. (The above statistics are unofficial estimates in millions of USD)  
Source: See resources at the end

Demand in Colombia for consumer oriented and other high-value food products have been growing steadily since the early 1990's. Specific products showing an increase in sales since then are red meats, fresh/frozen pork, mechanically de-boned chicken meat, hatching eggs, fresh fruits, processed fruits and vegetables, pet food, beer, nursery products, and various types of snack foods. In 2011, two main conditions supported the rise of consumer oriented products: Colombia's economic growth of 5 percent which is optimistic compared with other South American countries, and Colombian Peso's constant revaluation that increased purchasing power. In addition, GOC reduced to zero import duty for equipment and machinery for the industry and reduced import duties for food products via Decree 4114 and 4115 to improve the competitiveness of the agriculture and food sectors. This has resulted in a dynamic fast-food industry and has led to drastic changes in the way food marketing is done in Colombia.

#### Best Prospects/Services

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For 2012, strong foreign direct investment in Colombia is likely to continue and it is unlikely that the Colombian peso will be weaker against the dollar, which will have a positive impact on imports from the United States.

Historically, Chile has been the principal supplier of imported fresh fruits to Colombia, but U.S. fruits can compete during certain times of the year and Colombian retailers are seeking to increase their supply of U.S. products. Foreign competition in wine primarily comes from Chile, Argentina, Spain, and France. Marketing efforts continue to introduce high-quality U.S. wines into the Colombian market, but success has been limited due to the 15 percent tariffs. South American countries receive preferential duty rate because they are members of the Latin American Integration Association (LAIA) and/or the Andean Community of Nations. The implementation of the Colombia-U.S. FTA will reduce import duty to zero for most of the U.S. value added products and establishes a phase out period of 5 years for a few products. The FTA will level the playing field for US consumer products exported to Colombia.

Although the production of domestic processed foods is growing, imports play an increasingly important role to meet consumer demand for these products. Sustained

economic growth in the past two years and strong competition in the supermarket sector has also had an important impact on imports. The United States is the principal foreign supplier of consumer-ready food products to Colombia. U.S. food products are highly regarded in the Colombian market for their quality and value as well as for their wide diversity.

## Opportunities

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U.S. food companies looking to break into the Colombian market for consumer oriented food products and beverages should consider visiting Colombia in 2012 as a preliminary market analysis before the FTA is ratified. The FTA implementation expected in 2012 year will provide increased opportunities for U.S. food and beverages and it is important to develop business relationships early. There will also be increased opportunities for direct foreign investment with local food processing companies.

## Resources

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Trade Shows: Alimentec is a general food industry exhibition that takes place every two years. Alimentec will occur in Bogotá in June, 2012. Information can be found at [www.corferias.com](http://www.corferias.com)

Information on the processed food sector in Colombia can be obtained from Ms. Maria Carolina Lorduy, Executive Director of Food Industry Chamber at the National Association of Industrialists (ANDI): Calle 73 No. 8-13, Piso 6, Torre A, Bogotá, D.C., Colombia. Telephone (57-1) 326 8521/40, fax (57-1) 347-3196/98, e-mail: [clorduy@andi.com.co](mailto:clorduy@andi.com.co)

The National Institute for the Control of Food and Drugs (INVIMA) is the Colombian government agency that regulates processed food products and is controlled by the Ministry of Social Protection. The main contact is Mr. Cesar Jauregui, Deputy Director for Food and Alcoholic Beverages, INVIMA, Carrera 68D No. 17-11 or 17-21, Bogotá, Colombia. Telephone (57-1) 294-8700 Ext. 3922, fax (57-1) 294-8700, Ext. 345. E-mail: [invimasal@invima.gov.co](mailto:invimasal@invima.gov.co), or [cjaureguir@invima.gov.co](mailto:cjaureguir@invima.gov.co) Web site: [www.invima.gov.co](http://www.invima.gov.co)

The Agricultural Specialists at the American Embassy Bogotá are Leonardo Pinzon and Juan Sebastian Diaz, E-mail: [agbogota@usda.gov](mailto:agbogota@usda.gov), Telephone (57-1) 275-4623, fax (57-1) 275-4525.



## COTTON

### Overview

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	2010	2011 (Estimated)	2012 (Projected)
Total Market Size	86	90	92
Total Local Production	36	34	36
Total Exports	2	2	2
Total Imports	50	58	58
Imports from the U.S.	49	56	56

(In thousands of metric tons)

Source: See resources at the end

Duty free access for textiles and garments to the United States under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) has boosted Colombia's cotton demand. However, lower international demand due to weaker economies and strong competition with china apparel has impacted negatively Colombian cotton demand. The Government of Colombia is still encouraging cotton production by guaranteeing a minimum price paid to growers. The mandatory requirement for importers to purchase local production (absorption mechanism) was replaced by a new tariff-rate quota system that lowers the import duty if importers/mills purchase local production.

### Best Prospects/Services

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The expansion of Colombia's textile industry will be triggered by duty free access for garments and textiles to U.S. markets under the FTA. It will result in larger cotton demand. The high quality of Colombian products and the well-developed garment industry gives Colombia a competitive advantage among other Central and South American countries.

### Opportunities

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U.S. cotton exports should maintain their market share since Colombia is an important producer of denim, which utilizes short-fiber cotton. In addition, U.S. cotton has the additional advantage of lower freight costs to Colombia and the benefits of the FTA once implemented.

### Resources

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

The Agricultural Specialists at the American Embassy – Bogotá are Leonardo Pinzon and Juan Sebastian Diaz, e-mail: [Agoffice@usda.gov](mailto:Agoffice@usda.gov), Telephone (571)275-4623, fax (57-1) 275-4525.

## WHEAT

### Overview

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	2010	2011 (Estimated)	2012 (Projected)
Total Market Size	1,446	1,578	1,1644
Total Local Production	24	24	24
Total Exports	0	0	0
Total Imports	1,422	1,554	1620
Imports from the U.S.	624	780	780

(In thousands of metric tons)

Source: See resources at the end

Wheat production is marginal in Colombia and is expected to maintain its level of 24,000 tons in 2012. Colombian low quality wheat and limits for expansion will amount to reductions in Colombia's wheat production in the future, unless the government expands its incentive programs. Despite the reduction for basic import duty to 10 percent during the first half of 2011, The United States has lost market share due to a duty preference of 100 percent for imports from Mercosur countries since January 2009.

On the other hand, Colombia and Canada Free Trade Agreement will enter into application during the first half of 2012, providing a positive scenario for Canadian wheat, accessing Colombia with zero duty.

The implementation in 2012 of the U.S. Colombia FTA will level the playing field for U.S. wheat, increasing purchases especially of hard red winter wheat.

### Best Prospects/Services

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The prospects for the United States to capture a significant percentage of the market would come with the CTPA implementation and the ability of Mercosur and Canadian competitors to supply the market. The CTPA implementation between Colombia and the United States will result in an immediate and permanent zero duty for imports of U.S. wheat.

### Opportunities

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While bread consumption in Colombia remains low, there has been a steady increase in Colombian pasta consumption creating increased demand for Durum wheat. In addition, this trend could open opportunities for U.S. pasta importers due to the 5 percent duty reduction to wheat derivatives (Decree 4114 of November 5, 2010).

### Resources

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The U.S. Wheat Associates, Inc, from its regional office in Santiago, Chile, serves the wheat trade in South America. Information on the wheat market can be obtained from

Mr. Osvaldo Seco, Marketing Specialist, U.S. Wheat Associates, Inc., La Concepción 177/32B, Casilla 16616, Santiago 9, Chile. Telephone (562) 235-7137, fax (562)235-7371, [oseco@uswheat.org](mailto:oseco@uswheat.org) Website: [www.uswheat.org](http://www.uswheat.org)

The local wheat milling industry is represented by the National Federation of Wheat Millers, FEDEMOL, whose General Manager is Mr. Jaime Jimenez, Calle73 No. 8-13 Torre A, Bogotá , D.C. – Colombia, telephone (57-1) 326-8500 ext. 2420, fax (57-1) 347-3196, E-mail: [jjimenez@andi.com.co](mailto:jjimenez@andi.com.co)The Agricultural Specialists at the American Embassy – Bogotá are Leonardo Pinzon and Juan Sebastian Diaz, E-mail: [Agbogota@usda.gov](mailto:Agbogota@usda.gov) Telephone (57-1) 275-4623, fax (57-1) 275-4525.

## CORN

### Overview

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	2010	2011 (Estimated)	2012 (Projected)
Total Market Size	3,526	3,503	3550
Total Local Production	792	704	710
Total Exports	0	0	0
Total Imports	3,434	3,000	3,100
Imports from the U.S.	603	720	700

(In thousands of metric tons)

Source: See resources at the end

In 2011, Colombia's yellow corn production declined despite high international prices and government support to encourage increased production. Colombian Imports of U.S. corn has been reduced over the last 2 years due to the duty preference to Mercosur countries under the trade agreement. For 2012, the duty preference on yellow corn imports from Mercosur countries is 66 percent.

Colombian corn consumption is expected to increase steadily for 2011. Corn production has been affected due to heavy rains caused by "la Niña".

### Best Prospects/Services

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The CTPA, when implemented, will provide for more stable market conditions for U.S. corn. The CTPA is expected to win back corn imports from Mercosur countries and Mexico to the United States as the tariff advantages of those countries will be minimized by the CTPA, quality and shipping costs become more important factors in making purchases.

### Opportunities

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Corn imports (around 75% of the total domestic demand) will increase in the following years due to: A) a continued growth of the Colombian economy and a strong Colombian peso, and B) rising middle class that generates a significant demand of feed industry (chicken, egg and pork consumption has displayed a positive growth trend over the last 5 years)

### Resources

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Trade Shows: Alimentec is a general food industry exhibition that takes place every two years. Alimentec will occur in Bogotá in June, 2012. Information can be found at [www.corferias.com](http://www.corferias.com) The U.S. Grains Council has maintained a regional consultant for trade servicing in different grain commodities in Colombia and the Andean region. The consultant is Mr. Jaime Cuellar, Calle 92 No. 10-40, Apto. 503, Bogotá, D.C., Telephone (57-1) 236-7532, 864-8695, mobile phone (57-3) 315-383-3288, fax (57-1) 236-7532 or 864-8704, E-mail: [jacuellar@epm.net.co](mailto:jacuellar@epm.net.co), Website: [www.grains.org](http://www.grains.org)

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

The Agricultural Specialists at the American Embassy Bogotá are Leonardo Pinzón and Juan Sebastian Diaz, E-mail: Agbogota@usda.gov , Telephone (57-1) 275-4623, fax (57-1) 275-4525.

## SOYBEAN MEAL

### Overview

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	2100	2011 (Estimated)	2012 (Projected)
Total Market Size	920	1,057	1,107
Total Local Production	7	7	7
Total Exports	0	0	0
Total Imports	913	1,050	1,100
Imports from the U.S.	46	210	350

(In thousands of metric tons)

Source: See resources at the end

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

The CTPA implementation will eliminate the duty on imports of U.S. soybeans and soybean meal. There will be a shift from soybean and soybean meal imports from Andean and Mercosur countries to the United States. Quality and shipping costs become more important factors in making purchases.

### Best Prospects/Services

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

U.S. export market share of soybean meal to Colombia dramatically dropped to 5 percent against MERCOSUR countries in CY 2010. Soybean meal exports recovered in 2011 and it is expected to recover more market share with the FTA implementation.

### Opportunities

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

### Resources

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

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

Agricultural Specialists at the American Embassy – Bogotá are Leonardo Pinzon and Juan Sebastian Diaz, E-mail: [Agbogota@usda.gov](mailto:Agbogota@usda.gov) , Telephone (57-1) 275-4623, fax (57-1) 275-4525.

## SOYBEANS

### Overview

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	2010	2011 (Estimated)	2012 (Projected)
Total Market Size	413	310	360
Total Local Production	60	60	60
Total Exports	0	0	0
Total Imports	353	250	300
Imports from the U.S.	155	105	150

(In thousands of metric tons)

Source: See resources at the end

Colombian soybean production is expected to remain under 60,000 tons in 2012. Lack of appropriate infrastructure, the need for capital investments, and pest risk all contribute to high production costs, which have kept soybean production at levels below expectations. A significant increase in production is not expected in the immediate future, although there are several commercial projects located in the Colombian high plains (Altillanura- the Colombian departments of Meta, Vichada and Casanare) to produce soybeans on a large scale that are just getting off the ground.

### Best Prospects/Services

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Oilseed consumption is expected to increase in 2012 as the Colombian economy growth continues. Close to 95 percent of Colombia's full-fat soybean meal (FFSBM) production utilizes an extrusion or roasting process. In 2004, the Colombian government banned the use of imported bovine protein meal in livestock feeds due to Bovine Spongiform Encephalopathy (BSE, or Mad Cow Disease). This policy is helping to fuel the steady growth in oilseed meal consumption.

The impact of the CTPA with the United States is expected to shift soybeans and soybean product imports from Argentina, Paraguay and Bolivia to imports from the United States as tariff advantages are eliminated.

### Opportunities

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

### Resources

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Agricultural Specialists at the American Embassy Bogotá are Leonardo Pinzon and Juan Sebastian Diaz, E-mail: [Agbogota@usda.gov](mailto:Agbogota@usda.gov) , Telephone (57-1) 315-4147 or 3152138, fax (57-1) 315-2181.

Agricultural Specialist at the American Embassy Bogotá is Leonardo Pinzon, E-mail: [Agbogota@usda.gov](mailto:Agbogota@usda.gov) , Telephone (57-1) 275-4623, fax (57-1) 275-4525

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## Chapter 5: Trade Regulations and Standards

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### Import Tariffs

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Colombia reduced import duties on November 5, 2010 for more than 4,000 tariff lines. Two decrees, 4114 and 4115, listed the reductions. The average nominal import duty was reduced from 12.2 percent to 8.25 percent. Consumer goods, capital goods, and raw materials produced outside of Colombia were the main reduction targets.

Most of Colombia's duties have been consolidated into three tariff levels: 0 percent to 5 percent on capital goods, industrial goods, and raw materials not produced in Colombia; 10 percent on manufactured goods, with some exceptions; and 15 percent to 20 percent on consumer and "sensitive" goods. Exceptions include: automobiles, which are subject to a 35 percent duty; beef and rice, which are subject to an 80 percent duty; and milk and cream, which are subject to a 98 percent duty. Whey is currently subject to a 20 percent duty in-quota (3,000 tons) and a 94 percent duty outside the quota. Other agricultural products fall under the Andean Price Band System (APBS) established by Decision 371 of the Andean Community (AC). The AC includes Bolivia, Colombia, Ecuador and Peru. The APBS protects domestic industry with a variable levy by increasing tariffs when world prices fall, and lowering tariffs when world prices rise.

The APBS includes 13 product groups and covers more than 150 tariff lines. This system can result in duties exceeding 100 percent, depending on world commodity prices, for important U.S. exports to Colombia, including corn, wheat, rice, soybeans, pork, poultry parts, cheeses, and powdered milk. The APBS has been suspended for milk powder, rice and white corn. The APBS also negatively affects U.S. access to Colombian markets for products such as dry pet food, which contains corn. By contrast, processed food imports from Chile and AC Members enter duty-free.

Over 80 percent of U.S. exports of consumer and industrial products to Colombia will become duty-free immediately upon implementation of the CTPA, with remaining tariffs phased out within 10 years. Colombia also agreed to join the WTO Information Technology Agreement, which eliminates tariffs on a wide range of information technology products.

Despite the efforts mentioned above to consolidate and simplify its tariff rate schedule, Colombia's numerous economic integration agreements have fostered overlapping tariff application. For example, a product may be subject to more than ten different duties depending on whether it comes from a member of the Andean Community, the Latin American Integration Agreement, or the Caribbean Community. Approximately 97 percent of the Colombian Harmonized Tariff Schedule (CHTS) products can be imported without an import license, but import tariffs and VAT still apply. Colombia's harmonized tariff schedule book lists all applicable import duties. U.S. exporters can obtain a copy of the CHTS at:

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

**Non-Tariff Barriers:** Although the implementation of the Unified Portal for Foreign Trade (VUCE) has significantly streamlined the paperwork process for imports and exports, Colombia's bureaucracy still constitutes a barrier to trade for both local and foreign companies. Pilferage in customs warehouses and robberies of trucks persists, but cases have decreased dramatically. Colombian customs can detain shipments indefinitely because of improper tariff schedule classification, incorrect address, or typing errors. When mistakes are made by the exporter or importer, the goods may be refused entry into Colombia and be returned at considerable expense to the exporter or importer. Colombian customs statutes provide for significant fines and penalties for light infringement of procedures and errors in freight forwarding documents by customs agencies (*Agencias Aduaneras*). U.S. freight forwarders and intermediaries are subject to the same sanctions and penalties as Colombia's agents and brokers.

### **Non-Tariff Barriers to Agricultural Trade**

**Import licenses issued by the Ministry of Commerce, Industry and Tourism (MINCOMERCIO):** Most agricultural product import licenses issued by the Ministry of Commerce are issued automatically and are "free". However, there are a number of agricultural products that need pre-approval before the Ministry of Commerce will issue an import permit. These pre-approvals are regulated by the Ministry of Agriculture through the issuance of a sanitary or phytosanitary certificate for imports. For example, if the Ministry of Agriculture (MOA) determines that corn imports are not needed because they may negatively affect domestic prices, it can refuse to issue a phytosanitary certificate and thus the Ministry of Commerce will not issue the import permit. In the case of food products imported for human consumption, it is the Ministry of Social Protection that provides the pre-approval. Most of the agricultural products that need pre-approval are those products included in the price ban system.

Resolution 04 of June 12, 1998, issued by Ministry of Commerce, placed seasoned poultry parts (chicken, turkeys, and other birds) under the "pre-approved" licensing

system which requires prior approval of the import license before the product is allowed to be imported into Colombia. Prior to this, seasoned poultry parts were under the “free” import regime, which resulted in automatic issuance of import licenses by Ministry of Commerce. Since 1994, import licenses for raw, unprocessed chicken and turkey parts have been routinely denied.

The Ministry of Social Protection has a zero tolerance salmonella policy which has resulted in a number of U.S. poultry shipments to Colombia to be rejected and destroyed in the past. However, over the past year, INVIMA, the Ministry’s regulatory agency, has implemented a policy to allow mechanically deboned poultry (MDM) products to enter Colombia for further processing even if they test positive for salmonella. MDM imports are sampled and then sealed by INVIMA agents at the port of entry, strictly monitored while in transit, and verified as being processed at an approved pre-designated processing plant. Since this policy has been implemented, no US shipment of MDM poultry products has been rejected. The policy does not currently apply to raw poultry meat other than MDM poultry meat. U.S. exporters have raised concerns that inconsistency and lack of permanency in this policy will lead to changes in policy implementation in the future resulting in rejected shipments.

**The MOA’s Absorption Requirement:** To ensure an ample supply of basic grains, the Ministry of Agriculture (MOA) has created a quota system to allow for the import of a limited quantity of grains at zero duty. A condition to import under the quota is the importer must purchase a certain volume of local grain production under a specified absorption mechanism called the ‘Mechanism for Assigning the Quota or MAC’.

Under the MAC the Ministry of Agriculture (MOA) conducts three or four auctions per year to assign the quota to interested buyers. Prior to the auction, the Ministry of Agriculture (MOA) announces the “absorption” ratio of imports-to-local production. This ratio is calculated based upon expected local production and demand. For example, in 2009 the government allowed for the purchase of over 2.0 million tons of yellow corn at a ratio of 6 tons of imported corn for every one ton of local corn purchased. Feed millers, poultry producers and distributors submitted bids at the auction for the volume of imports desired knowing how much local corn they would need to buy. Before any imports could be made under the quota, the importer must show Customs that it purchased the required local production. This system sets a minimum price for local corn at the international price plus the out-of-quota-duty and freight. During periods of low domestic production farmers can distort market prices by requesting a premium knowing that importers need their product to be able to import. The out-of-quota duty is the greater of either 5 percent or the Andean Price Band duty. The CTPA will eliminate the price band system and quota auctions, and simplify the overall import process making it more transparent.

**Andean Price Bands:** On April 1, 1995, Colombia implemented the common Andean Community price band (variable import duty system). It covers product classifications (rice, barley, yellow corn, white corn, soybeans, wheat, crude palm oil, crude soybean oil, white sugar, raw sugar, milk, chicken parts, and pork meat) and 150 additional select commodities that are considered substitutes and derivatives. In theory, the system covers domestic producers and consumers from volatile world prices by raising import duties when import prices are low and lowering duties when prices are high.

Under the Andean Community price band system, the price band duty rate, or total applied duty rate, is calculated as the basic import duty rate plus the variable duty rate. The Ministry of Trade sets the basic duty rate each December for the following year. The variable duty rate is calculated as the percentage difference between the price band reference price and the floor or ceiling price making up the price band. The Andean Community, using a 60-month rolling average international price based on the period April 1 to March 31, calculates the floor and ceiling prices of the price band. The reference price is the average international price, which is updated every two weeks.

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

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

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

The U.S. government considers the application of this system to be inconsistent with Colombia's WTO obligations. Unfortunately, WTO binding import duties are often times higher than the applied price band duty, making it difficult to argue against the price band system. The CTPA would eliminate the Andean Price Band system for the above-mentioned products and by-products and significantly reduce the bounded tariff level. There will be tariff rate quotas for some sensitive commodities and a period of several years for a gradual reduction in import duties. See text of the CTPA on the U.S. Trade Representative's web site at [www.ustr.gov](http://www.ustr.gov)

**Sanitary and Phytosanitary Measures:** Colombia agreed in the CTPA negotiations to lift the BSE-related ban on U.S. beef from cattle of all ages, and some organs (livers, kidneys, and stomachs). In compliance with the CTPA commitments for U.S. beef, the GOC issued decree 3755 of October 27, 2006 establishing the sanitary conditions for imports of U.S. beef and beef products. Simultaneously, Decree 3752 of October 27, 2006, defines the bovine specific risk materials, such as brains, eyes, and the spinal cord.

INVIMA handles sanitary aspects related to processed food trade, including monitoring of domestic beef slaughtering and processing plants. INVIMA is also developing regulations regarding living modified organisms (LMOs) in food products and food

ingredients. Non-processed products that are fresh or frozen do not need to be registered with INVIMA, but do need a sanitary permit from the Colombian Agricultural Institute (ICA). ICA is responsible for the issuance of sanitary import permits for animal products, vegetables, fruits, and grains.

The GOC issued law 1255 of November 28, 2008, as a legal framework for preserving Colombia's poultry industry sanitary conditions. This legislation deals mainly with the local conditions for poultry production and distribution, but Article 17 bans imports of poultry products from countries or zones with non-reportable outbreaks of Avian Influenza and Newcastle disease. It also stipulates a risk assessment to be undertaken by ICA before a resolution is issued to allow resumption of poultry product imports. The USG continues questioning the lack of clarity regarding the way the risk assessment will be conducted and what the approximate timeline will be for import bans to be lifted.

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

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

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

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

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

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

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

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

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

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

**Additional Sanitary Registration Requirements:** U.S. exporters should be aware that sanitary registration must also be obtained for pharmaceuticals, cosmetics, and household insecticides and similar products. The registration with INVIMA must be obtained before exporting the products to Colombia and the procedure takes between three to six months. Colombia requires sanitary registration for both locally

manufactured and imported products. For more information contact: INVIMA, Deputy Directorate for Licenses and Registry, Carrera 68D # 17-21, Bogotá DC, Colombia, Tel. (57-1) 294-8700, Fax (57-1) 294-8700 Ext. 3930, web page: <http://www.invima.gov.co>

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

## Import Requirements and Documentation

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

- When required, obtain import permits from pertinent government agencies. For example: Ministry of Social Protection (for medicines), Ministry of Agriculture (for certain food products), and Civil Aviation Department (for aircraft).
- Buy and fill out the Import Registration form. File the Import Registration form with Ministry of Commerce, Industry and Tourism. The form requires a complete product description and tariff classification.
- Obtain approval from Ministry of Commerce, Industry and Tourism for the Import Registration Form or Import License (in the few cases when this is required).
- Make arrangements with a financial entity to pay for the imported goods.
- Ask the exporter to ship goods to a Colombian port.
- Request the Cargo Manifest from the transportation firm.
- Make arrangements with a Customs Agency to receive the merchandise and get it out of customs. The following are the main steps to be followed:
  - Fill out the Import Declaration (*'Declaración de Importación'*). When the import value is equal or more than USD 1,000, Customs Agencies should do all the paperwork and get the shipment out of Customs.
  - Fill out the "Andean Custom Value Declaration" (*Declaración Andina de Valor en Aduana*) when the import value is equal to or more than USD 5,000 FOB.
  - Go to an authorized financial entity and pay the import duties, VAT, surcharges, and other fees.
  - Present all documents to customs.
  - Customs inspects the merchandise, when they consider it necessary, and then authorizes withdrawal of goods.

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



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

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

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

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

Most of Colombia's foreign trade procedures have been streamlined through the VUCE (Unified Portal for Foreign Trade- [www.vuce.gov.co](http://www.vuce.gov.co)), which gives users access to forms, online payments and follow-up on requests and processes related to an import or export operation.

## **U.S. Export Controls**

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

## Temporary Entry

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

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

**Short Term:** Merchandise imports for a specific purpose during a period of time that should not exceed six months; one three-month extension can be requested and approval must be obtained before expiration of the initial authorization. Short-term imports are not subject to import duties, but a guarantee equivalent to 10 percent of the corresponding import duties must be presented to obtain approval.

**Demonstration Equipment:** The international carnet system for temporary imports of demonstration equipment (for promotional campaigns or trade shows) is not in effect in Colombia. Instead, DIAN requests that visitors bringing in equipment for demonstration purposes fill out a special form provided upon arrival at an international airport. The equipment may stay in the country up to 90 days. There is no deposit requirement.

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

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

## Labeling and Marking Requirements

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

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

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

There are various inconsistencies regarding labeling in the alcoholic beverages and spirits industry that affect both nationals and foreigners, and relates to taxation associated to labeling and recipients. This is expected to be resolved in the near future by a final decree dealing with the different aspects of alcoholic beverage production, distribution, sales and trade.

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

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

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

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

## **Prohibited and Restricted Imports**

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

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

Colombia prohibited the importation of live cattle from the United States following the detection of a Bovine Spongiform Encephalopathy (BSE) positive cow in the United States in 2003. In 2007, the World Organization for Animal Health (OIE) classified the United States as controlled risk for BSE. In early 2008, USDA invited the CAN countries (Peru, Ecuador, Bolivia, and Colombia) to evaluate the U.S. cattle system. In May 2009,

the CAN published its risk assessment of the U.S. cattle system and, as a safety precaution, recommendations to impose age restriction (24 months of age or less) on imports of live U.S. cattle. The United States submitted comments to the CAN and to individual member countries expressing concerns that the CAN's draft risk assessment and recommendations were not supported by OIE guidelines, which do not recommend age restrictions on live cattle sourced from controlled risk countries. In June 2010, Colombia temporarily allowed live cattle imports from the United States under requirements that the U.S. industry has not been able to meet. Colombia is in the process of reviewing those requirements.

## Customs Regulations and Contact Information

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

## Standards

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## Overview

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

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

On February 3, 2010, per Decree 323 of 2010, the accreditation role was transferred from SIC to the Colombian National Accreditation Organization (ONAC), created by Decree 4738 of 2008, and therefore, eliminated the provisions of Decree 2269 of 1993 and Decree 2153 of 1992.

## Standards Organizations

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The Colombian Standards and Certification Institute (ICONTEC) is a private-sector organization created in 1963. The SIC has also accredited ICONTEC for product certification, quality assurance, and environmental systems certification.

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

ICONTEC is also recognized by the American National Standards Institute (ANSI), the German Accreditation Association (TGA), the Chilean National Standardization Institute (INN), and the Peruvian standardization institute (INDECOPI). ICONTEC has offices in Chile, Costa Rica, Ecuador, Guatemala, Honduras, Nicaragua, Dominican Republic, and Peru.

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

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

### **Conformity Assessment**

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On November 20, 2007, the Ministry of Foreign Trade and over 90 private entities including product certifiers, product inspectors, and accredited testing, calibration and assay laboratories, enacted the creation of Colombia's National Accreditation Organization (ONAC) as a public-private organization following the guidelines of the National Quality Policy and with the aim to allow international recognition of the country's conformity assessment certificates including laboratory testing, and calibration certificates in accordance with ISO/IEC 17011 standards.

Per Decrees 4738 and 3257 of 2008, ONAC accredits and supervises the certification entities, as well as testing and calibration laboratories, a task previously assigned to the SIC, through the Delegated Superintendent for Consumer Protection (SDPC).

### **Product Certification**

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Manufacturers and importers of products regulated by official mandatory technical standards or technical regulations need to register themselves in SIC's Mandatory Registry prior to selling products in Colombia. Products can be tested in accredited

laboratories to obtain the certificate of conformity and SIC accepts certificates issued by accredited certification entities, such as members of the International Accreditation Forum (IAF) multilateral agreement.

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

### Accreditation

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By the end of 2009, ONAC had accredited 330 inspection entities, personnel certification entities, product certification entity, and calibration and assay laboratories, available in: <http://www.onac.org.co/modulos/contenido/default.asp?idmodulo=2343>

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

### Publication of Technical Regulations

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

Interested firms can review draft technical regulations and comment on them before the review period expires. For more information, please visit: [www.mincomercio.gov.co](http://www.mincomercio.gov.co) and click on "Vice Ministerio de Desarrollo Empresarial – Regulación Industrial y Comercial".

### Labeling and Marking

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

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

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

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

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

## Contacts

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

Ministry of Foreign Trade, Industry and Tourism (MinComercio)  
Mr. Daniel Rico, Point of Contact for Technical Barriers to Trade, Sanitary and Phytosanitary Measures (WTO/SPS)  
Tel. (571) 606-76-76 ext. 1690 / 241-04-78  
Fax: (571) 241-04-80 or 241-04-93  
[www.mincomercio.gov.co](http://www.mincomercio.gov.co)  
[puntodecontacto@mincomercio.gov.co](mailto:puntodecontacto@mincomercio.gov.co)

ICONTEC  
Mr. Fabio Tobón, Executive Director  
Carrera 37 # 52-95  
Bogotá DC, Colombia  
Tel. (571) 607-88-88 / 221-38-00  
Fax. (571) 222-14-35  
[www.icontec.org.co](http://www.icontec.org.co)  
[ftobon@icontec.org.co](mailto:ftobon@icontec.org.co)

Colombian National Accreditation Organization (ONAC)  
Mr. Carlos Germán Caycedo, Director  
Mr. Carlos Pacheco, Technical Director  
Diagonal 34 # 5-98  
Bogotá DC, Colombia  
Tel. (571) 320-12-88  
Fax. (571) 245-51-12  
[Carlos.Caycedo@onac.org.co](mailto:Carlos.Caycedo@onac.org.co)  
[Carlos.Pacheco@onac.org.co](mailto:Carlos.Pacheco@onac.org.co)  
[www.onac.org.co](http://www.onac.org.co)

Superintendent of Industry and Commerce (SIC)  
Mr. Germán García, Director, Technical Regulations and Legal Metrology  
Avenida Carrera 50 # 27-55, Int. 2  
Bogotá DC, Colombia  
Tel. (571) 588-02-34  
www.sic.gov.co  
[divacreditacion@sic.gov.co](mailto:divacreditacion@sic.gov.co)  
[grcontvigilancia@sic.gov.co](mailto:grcontvigilancia@sic.gov.co)

Julio Carbó  
Commercial Specialist – Standards Coordinator  
U.S. Commercial Service - Bogotá  
Tel. (571) 383-27-23 / 383-25-19  
Fax: (571) 315-21-90  
[Julio.Carbo@trade.gov](mailto:Julio.Carbo@trade.gov)

## Trade Agreements

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Since 1969, Colombia has been a member of the Andean Community, which constitutes a free trade agreement with Bolivia, Ecuador, and Peru. Venezuela withdrew in 2006, but remains bound by its Andean Community commitments until April 2011. A new framework to facilitate commercial relations was still being worked on as of the first quarter of 2011. The Andean Community reached a free trade agreement with Mercosur countries (Brazil, Argentina, Paraguay and Uruguay) in 2005.

President Santos' Administration has energetically pursued measures to liberalize trade. The United States and Colombia signed the CTPA in November 2006 in Washington DC. Colombia has ratified the agreement. The US Congress ratified the agreement on October 2010 and it is in the implementation process. For additional information and the final texts of the CTPA agreement please visit:

[http://www.ustr.gov/Trade\\_Agreements/Bilateral/Colombia\\_FTA/Final\\_Text/Section\\_Index.html](http://www.ustr.gov/Trade_Agreements/Bilateral/Colombia_FTA/Final_Text/Section_Index.html)

Apart from the CTPA, Colombia has signed various free-trade agreements with individual countries or associations, which include the Central American Northern Triangle (El Salvador, Guatemala, and Honduras),, Canada, Mexico, Chile and the European Free Trade Association (EFTA) countries (Switzerland, Norway, Iceland and Liechtenstein),. In March 2010 Colombia finalized FTA negotiations with the European Union and has begun negotiating with South Korea and Panama. Additional free trade agreements are scheduled to be negotiated with Japan, Singapore, Australia, and the Dominican Republic.

Additionally, to stimulate trade and investment, Colombia has Bilateral Investment Treaties (BITs) with several countries, including Switzerland, Peru and Spain; Colombia has included investment protection chapters in FTAs with Chile and Mexico. Additional BITs have been negotiated with China, India, South Korea, the United Kingdom, Finland, Belgium, Luxemburg and Chile, while negotiations are underway or about to begin with Japan, France, the Netherlands, the United Arab Emirates, Australia and the Dominican Republic.



Colombia, along with Ecuador and Peru, benefits from the Andean Trade Preference and Drug Eradication Act. This U.S. unilateral tariff exemption program which expired in December 2010 and is currently awaiting renewal by the U.S. Congress, promotes economic development through private sector initiatives. ATPDEA encourages exports to create income sources that are alternatives to drug production.

## Web Resources

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USTR:

[http://www.ustr.gov/Trade\\_Agreements/Bilateral/Colombia\\_FTA/Section\\_Index.html](http://www.ustr.gov/Trade_Agreements/Bilateral/Colombia_FTA/Section_Index.html)

Ministry of Foreign Trade: [www.mincomercio.gov.co](http://www.mincomercio.gov.co)

SIC: [www.sic.gov.co](http://www.sic.gov.co)

DIAN: [www.dian.gov.co](http://www.dian.gov.co)

Corporation Center for Technological Research and Development (CIDET):

<http://www.cidet.com.co/>

ICONTEC: [www.icontec.org.co](http://www.icontec.org.co)

INVIMA – equivalent to the U.S. Food and Drug Administration (FDA):

[www.invima.gov.co](http://www.invima.gov.co)

Ministry of Social Protection (formerly Ministry of Health):

[www.minproteccionsocial.gov.co](http://www.minproteccionsocial.gov.co)

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

ICA: [www.ica.gov.co](http://www.ica.gov.co)

Colombia International Corporation: <http://www.cci.org.co>

Proexport Colombia: [www.proexport.com.co](http://www.proexport.com.co)

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## Chapter 6: Investment Climate

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### **Openness to Foreign Investment**

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The Government of Colombia actively encourages foreign direct investment. In the early 1990s, the country began economic liberalization reforms, which provided for national treatment of foreign investors, lifted controls on remittance of profits and capital, and allowed foreign investment in most sectors. Generally, foreign investors may participate in privatization of state-owned enterprises without restrictions. Colombia imposes the same investment restrictions on foreign investors that it does on national investors. Since 2010, the Santos administration has continued efforts to open up the economy. Liberalization has progressed furthest in telecommunications, accounting/auditing, energy, mining, and tourism, and to a lesser extent in legal services, insurance, distribution services, advertising, and data processing.

Foreign investors face exceptions and restrictions in the following sectors: television concessions and nationwide private television operators, radio broadcasting, movie production, maritime agencies, national airlines, and shipping. Portfolio investment in financial, hydrocarbon, and mining sectors are subject to special regimes, such as investment registration and concession agreements with the Colombian government, but are not restricted in the amount of foreign capital permitted. Foreign investors can participate without discrimination in government-subsidized research programs. In fact, most Colombian government research has been conducted with foreign institutions.

The Ministry of Trade, Industry, and Tourism formulates foreign investment policy in coordination with the Ministry of Finance and Public Credit, taking into account the

guidelines of the Council on Economic and Social Policy (CONPES). The primary regulations governing foreign investment in Colombia are Law 9 of 1991, Decree 2080 of 2000, CONPES Resolutions 51, 52, and 53, and Resolution 21 of the Board of Directors of the Central Bank.

A commercial presence in the country (defined as a registered place of business, a branch, or an agent) is a standard requirement for conducting business in Colombia. All foreign direct investment that involves the establishment of a commercial presence in Colombia requires registration with the Superintendent of Corporations ('Super Sociedades') and the local chamber of commerce. Colombian law regulates the number of foreign personnel in several professional areas, such as architecture, engineering, law, and construction. For firms with more than 10 employees, no more than 10 percent of the general workforce and 20 percent of specialists can be foreign nationals.

Investment screening has been eliminated, and the registration requirements that still exist are generally formalities. Under Decree 1844 of 2003, the type of investment, its ultimate destination, and the type of currency determines the registration requirements. Foreign investments must be registered with the Central Bank's foreign exchange office within three months of the transaction date to ensure repatriation of profits and remittances and to access officially-registered foreign exchange.

Colombia has a comprehensive legal framework for business. Colombia's judicial system defines the legal rights of commercial entities, reviews regulatory enforcement procedures, and adjudicates contract disputes in the business community. The judicial framework includes the Council of State, the Constitutional Court, the Supreme Court of Justice, and the various departmental and district courts, which are also overseen for administrative matters by the Superior Judicial Council. The 1991 constitution provided the judiciary with greater administrative and financial independence from the executive branch. However, the judicial system remains hampered by time-consuming bureaucratic requirements and corruption. Colombia's foreign direct investment legal framework also incorporates binding norms (Decisions 291 and 292) resulting from its membership in the Andean Community of Nations (CAN) as well as other free trade agreements.

According to the United Nations Conference on Trade and Development (UNCTAD), a high level of legal instability, arising from the frequent issuing of regulations and administrative rulings, has impeded investment in Colombia. To address the issue, Colombia's Congress passed Laws 962 and 963 in 2005. Law 962 simplified existing administrative procedures and provided for the review of new procedures. Law 963 offers investors the opportunity to enter into so-called "legal stability contracts" with the State. These contracts guarantee that the laws applicable to the investment at the time the investment is entered into will remain in effect for a period between three and 20 years depending on the type and amount of the investment. The minimum dollar value of the investment must reach US \$1.2 million, and those seeking such a contract must pay a fee based on the investment. The law applies to investments in manufacturing, agriculture, tourism, mining, petroleum, telecommunications, construction, electricity production and transmission, port and railroad development, and other activities approved by a special committee. Although still in force, there has been some discussion of revising these contracts to increase tax revenue.

In November 2006, the United States and Colombian Governments signed the United States-Colombia Trade Promotion Agreement (U.S.-CTPA). In June 2007, the United States and Colombia signed a protocol of amendment regarding labor, environment, and intellectual property. The Colombian Congress ratified the agreement and the protocol in 2007. The Colombian Constitutional Court certified the U.S.-CTPA as conforming to the Colombian Constitution in July 2008. The U.S. Congress ratified the U.S.-CTPA in October 2011 and the accord is currently in its implementation phase with an anticipated entry into force in 2012. The U.S. trade accord will improve legal security and the investment environment and eliminate tariffs and other barriers in goods and services trade between the United States and Colombia. The agreement will grant investors the right to establish, acquire, and operate investments in Colombia on an equal footing with local investors and investors of other countries. It also provides U.S. investors in Colombia protections that foreign investors have under the U.S. legal system, including due process and the right to receive fair market value for property in the event of an expropriation. Protections for U.S. investments will be backed by a transparent and binding international arbitration mechanism. Investor-state arbitration will be available for breaches of investment agreements.

Currently, the Andean Trade Preference and Drug Eradication Act (ATPDEA) provide duty-free treatment for approximately 6,500 product categories from Colombia entering the United States. Goods must meet a value-added requirement of 35 percent, of which up to 15 percent may be accounted for by U.S. content in terms of cost or value. In October 2011, the U.S. Congress renewed ATPDEA benefits for Colombia through July 31, 2013.

Total Colombian exports to the United States were US \$16.0 billion in 2010, up 38 percent compared to the previous year. Under the ATPDEA preference program in 2008, Colombia exported goods worth US \$7.3 billion, representing a 109 percent increase from 2007 and 56 percent of total Colombian exports to the United States. U.S. exports to Colombia totaled US \$11.3 billion in 2008.

***Third Party Indicators:***

<b>Measure</b>	<b>Year</b>	<b>Index/Ranking</b>
TI Corruption Index	2011	80 (out of 183)
Heritage Economic Freedom	2011	45 (out of 183)
World Bank Doing Business	2011	42 (out of 183)

The following sectors have restrictions on foreign direct investment:

***Accounting, Auditing and Data Processing***

In order to practice in Colombia, providers of accounting services must register with the 'Central Accountants Board' ('Junta Central de Contadores'); have uninterrupted domicile in Colombia for at least three years prior to registry; and provide proof of accounting experience in Colombia of at least one year (Law 43 of 1990, Article 3).

No restrictions apply to services offered by consulting firms or individuals. A legal commercial presence is required to provide data processing and information services in Colombia.

## ***Advertising, Radio and Television Services***

For National Open Television and Nationwide Private Television Operators, only Colombian nationals or legal entities, organized as 'Public Corporations' ('Sociedades Anónimas- S.A.')

may be granted concessions to provide television services. Foreign capital in any open television concession venture is limited to a maximum of 40 percent (Law 014 of 1991, article 37; Law 680 of 2001, articles 1 and 4; Law 335 of 1996, articles 13 and 24; Law 182 of 1995, articles 37, 47 and 48). The decision to offer new concessions for the provision of open national television is based on an economic-needs test.

Open television programming is subject to the following restrictions: 70 percent of programming between 7:00 p.m. and 10:30 p.m. (Prime Time) must be nationally-produced; the rate is 50 percent of programming broadcast between 10:30 p.m. and midnight as well as between 10:00 a.m. and 7:00 p.m. There are no local-content requirements for advertising on Colombian open television, but the National Television Commission charges foreign-made ads double the national rate for airtime.

Foreign investors must be actively engaged in television operations in their country of origin in order to participate in programming activities in Colombia (Law 182 of 95 and Law 375 of 1996). Television, radio broadcasting, movie production, and movie reproduction fall under national-treatment limits.

A maximum of 10 percent foreign participation in local TV productions is allowed and the participation of foreign artists in local TV productions is dependent upon reciprocity requirements. National TV programs can be directed by foreign directors in which case the screen writers and starring actors must be Colombian nationals (if the director is Colombian then some writers and/or starring actors may be foreign nationals).

Regional television services may only be provided by State-owned entities while regional and local television operators are compelled to have their broadcasting consist of at least 50 percent nationally-produced content. Community television services may only be provided by organized communities, legally constituted in Colombia as foundations, cooperatives, associations or corporations, subject to civil law (Law 182 of 1995, article 37).

Only Colombian nationals or legally constituted legal entities may provide subscription-based television services, and must offer Colombia's national, regional and municipal open-television channels at no extra cost to subscribers (Law 680 of 2001, articles 4 and 11; Law 182 of 1995, article 42; Law 335 of 1996, article 8). Satellite television service providers are only obliged to include within their basic programming the broadcast of government-designated public interest channels. If non-satellite subscription service providers broadcast advertisements different from those of the original broadcast, they are subject to comply with the minimum percentage of nationally-produced content established for open television concessions.

In August 2008, the National Television Commission (CNTV) chose the European (DVB-T system) standard for Land Digital Television (TDT); the TDT will be free and open, and may cover about 90 percent of the population. Separately, in 2009 Colombia opened a public tender for a third private TV channel. The tender was suspended indefinitely in

July 2010. In June 2011, the CNTV was eliminated. Three new entities will share the CNTV former responsibilities, namely, the Communications Regulatory Commission, the National Spectrum Agency, and the National Television Authority. Law 1507 of January 10, 2012 describes the roles of these entities in the television sector.

Concessions to provide radio broadcasting services can only be granted to Colombian nationals or private entities legally constituted in Colombia (Law 80 of 1993, article 35; Decree 1447 of 1995, articles 7, 9, and 18). Foreign operators are limited by law to 25 percent ownership of radio broadcast programs.

Newspapers published in Colombia covering domestic politics must be directed and managed by Colombian nationals (Law 29 of 1994, article 13).

### ***Banking***

Foreign companies may own 100 percent of financial institutions in Colombia, but are required to obtain approval from the 'Financial Superintendent' (under article 88 of the Financial System's Basic Statutes) before making a direct investment of 10 percent or more in any one entity. Portfolio investments used to acquire more than 5 percent of an entity also require authorization.

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

The use of foreign personnel in financial institutions is limited to administrators, legal representatives, and technicians. Foreign banks may establish a subsidiary or representation office in Colombia, but not a branch. All foreign and national banks, as well as foreign subsidiaries, must be constituted as 'Mercantile Public Corporations' ('Sociedades Económicas Mercantiles') or 'Cooperative Associations.'

Banks operating in Colombia are subject to a minimum capital requirement. The government has the right to intervene in institutions that fail to meet minimum performance requirements (Law 510 of 1999, Law 795 of 2003 and article 80 of the Financial System's Basic Statutes). Institutions are also required to register with the Financial Institutions Guarantee Fund, FOGAFIN (similar to the U.S. Federal Deposit Insurance Corporation).

All portfolio investments of foreign capital in Colombia must be done through the Foreign Capital Investment Fund; all foreign investments, either new or additions, must be registered with the Central Bank (Banco de la Republica), along with the 'Currency Exchange Declaration' (Decree 2080 of 2000, articles 26 and 27).

## ***Customs Services***

A person or his legally-responsible representative must be domiciled in Colombia to engage in the following customs services: customs brokerage, postal and courier services, merchandise warehousing, merchandise transportation under customs control, international cargo agent, 'Permanent Customs User' or 'High Frequency Exporter' (Decree 2685 of 1999, articles 74 and 76).

## ***Electricity***

Only companies legally constituted in Colombia prior to July 12, 1994, may engage in the simultaneous generation, distribution, and/or transmission of electricity (Law 143 of 1994, article 74).

## ***Fishing***

A foreign vessel may engage in fishing and related activities in Colombian territorial waters only through association with a Colombian company holding a valid fishing permit (Decree 2526 of 1991). If a ship's flag corresponds to a country with which Colombia has a complementary bilateral agreement, this agreement shall determine whether the association requirement applies. The costs of fishing permits are greater for foreign flag vessels.

## ***Hydrocarbons and Mining***

To provide services directly associated to exploration and exploitation of minerals and hydrocarbons in Colombia, any legal entity constituted under the laws of another country must establish a branch, affiliate or subsidiary in Colombia unless the service will be provided for less than one year (Law 685 of 2001, articles 19 and 20).

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

A sliding-scale royalty rate on oil projects establishes a 5 percent royalty rate on the smallest oil fields and an upper limit of 30 percent on larger fields. The lower royalty rate encourages investments by small- and medium-sized operators since more than 80 percent of Colombia's fields contain less than 50 million barrels. The reforms have helped to renew interest in Colombia's oil exploration sector with a record 162 exploration and production contracts signed from 2006 until 2010. As a result, oil production in Colombia has almost doubled since 2007, reaching 965,000 barrels a day in November 2011. The government's goal is to produce at least 1.5 million barrels a day by 2015.

## ***Insurance***

Colombia permits 100 percent foreign ownership of insurance firm subsidiaries. Firms must have a local commercial presence to sell policies other than those for international travel or reinsurance. Colombia sets annual minimum capital requirements to establish an insurance company.

In July 2009, Colombia passed Law 1328 to modify market access of foreign insurance companies in specific sectors. The law also allows Colombian residents to purchase abroad various types of insurance policies, except for four specific cases outlined within the law pertaining mostly to social security and mandatory insurance policies. Under Law 1328 foreign companies can now offer insurance for maritime international transportation, international commercial aviation and space launching and transportation. The new law further allows local insurance agents and foreign insurance brokers to carry out insurance brokerage activities in Colombia and with each other, but with exceptions in the aforementioned cases.

## ***Legal***

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

## ***Private Security and Surveillance Companies***

Only those companies constituted under Colombian law as 'Limited Responsibility Societies' or 'Private Security and Surveillance Cooperatives' may provide security and surveillance services in Colombia. Their shareholders may only be Colombian nationals. Those companies constituted with foreign capital prior to February 11, 1994 cannot increase the share of foreign capital. Those constituted after that date can only have Colombian nationals as shareholders (Decree 356 of 1994, articles 8, 12, 23 and 25).

## ***Public Services***

A 'Domestic Public Services' company ('Empresa de Servicios Publicos- ESP') must be domiciled in Colombia and legally constituted under Colombian law as a corporation (Law 142 of 1994, articles 1, 17, 18, 19 and 23). The category 'public services' encompasses sewage and water works, waste disposal, electricity, gas and fuel distribution, public telephony and complementary activities (public long distance and mobile telephone services in rural areas).

## ***Special Air Services***

Only Colombian nationals or legal entities domiciled in Colombia may offer special air services within Colombian territory and own any aircraft registered to provide special air services (Commercial Code, articles 1795 and 1864). Special Air Services include any non-transportation air services, such as aerial fire-fighting, sightseeing, and surveying.



## ***Telecommunications***

Only companies legally constituted in Colombia may be granted concessions to provide telecommunications services in Colombia (Law 671 of 2001, Decree 1616 of 2003, articles 13 and 16; Decree 2542 of 1997, article 2; Decree 2926 of 2005, article 2). Colombia currently permits 100 percent foreign ownership of telecommunication providers. However, in WTO negotiations, Colombia specifically prohibited “callback” services. Barriers to entry in telecommunications services include high license fees (US \$150 million for a long distance license), commercial presence requirements, and economic needs tests.

The Ministry of Communications may require an economic needs test for the approval of licenses in voice, facsimile, e-mail, and other value-added services. The parameters that determine “an economic needs test” are not clearly established in Colombian legislation. Colombia also maintains a system of subsidies where, for example, long-distance telephone service subsidizes local telephone service. Low (subsidized) prices of local telephony and high restrictive costs in the provision of long-distance service limit the entry of new competitors.

The U.S.-CTPA will liberalize the sector by prohibiting anti-competitive cross-subsidies, requiring transparent licensing procedures, ensuring interconnection at reasonable rates, and protecting the confidentiality of commercially sensitive information obtained as a result of interconnection arrangements. Under the U.S.-CTPA, U.S. firms will be able to lease lines from Colombian networks on non-discriminatory terms and re-sell telecommunications services of Colombian suppliers to build a customer base.

## ***Transportation***

Foreign companies can only provide multimodal freight services within or from Colombian territory if they have a domiciled agent or representative legally responsible for its activities in Colombia. International cabotage companies can provide cabotage services (i.e. between two points within Colombia) “only when there is no national capacity to provide the service” according to Colombian law. Cargo reserve requirements in transport have been eliminated. However, the Ministry of Commerce reserves the right to impose restrictions on foreign vessels of those nations that impose reserve requirements on Colombian vessels. Trans-border transportation services are also restricted in Colombia.

Law 1369 of 2009 regulates the full spectrum of postal services, defining key elements such as the universal postal service, the official postal operator, licensed postal and money order service operators, postal objects and services, and sector regulators as well as the rights and responsibilities of postal operators and users. To become a postal or money order operator, it is required to establish a commercial entity in Colombia with the statement of purpose of providing postal services, and to sign up under the Postal Operators Registry managed by the Ministry of Information Technologies and Communications. There are concerns that some provisions contemplated by the law may have a negative impact, such as a modification of certain weight caps, minimum capital requirement modifications, and increases in registry fees.

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

The owners of a concession providing port services must be legally constituted in Colombia as a 'Public Corporation' (Law 1 of 1991, articles 5.20 and 6). Only Colombian ships may provide port services within Colombian maritime jurisdiction; however, vessels with foreign flags may provide those services if there are no Colombian-flag vessels capable of doing so (Decree 1423 of 1989, article 38).

### ***Travel and Tourism Agencies***

Foreign investors must be domiciled in Colombia to provide travel and tourism agency services within Colombia (Law 32 of 1990, article 5). This does not apply to the services provided by tour guides.

### ***Waste Disposal Services***

No foreign investment is allowed in activities associated with the processing or disposal of non-Colombian, toxic, dangerous, or radioactive waste material (Decree 2080 of 2000, article 6).

### ***Other factors which may impact investment***

Colombia's 1991 Constitution (articles 334 and 335) grants the Colombian government the authority to intervene directly in financial or economic affairs. This authority initially developed through Law 550 of 1999 and extended through Law 922 of 2006, provided solutions similar to U.S. "Chapter 11" filings for companies facing liquidation or bankruptcy. These laws were replaced by Law 1116 of 2006, which establishes the current 'Company Insolvency Regime' and revises the company liquidation Law 222 of 1995.

Under Law 1116 of 2006, the creditors of a company can request 'Judicial Liquidation', which can be requested by a company's creditors, and replaces the forced auctioning of the company's assets. Now, inventories are valued, creditors rights are taken into account, and either a direct sale takes place within two months or all assets are assigned to creditors based on their share of the company's liabilities.

### ***Privatization regime***

In recent years, Colombia has privatized State-owned enterprises under article 60 of the Constitution and Law No. 226 of 1995. This Law stipulates that the sale of State holdings in an enterprise should be offered to two groups: first, to cooperatives and workers associations of the enterprise; and second, to the general public. During the first phase, special terms and credits have to be granted. In the second phase, foreign investors may participate along with the general public.

Colombia's main privatizations have been in the electricity, mining, hydrocarbons, and financial sectors. The government has attached a high priority to stimulating private

sector investment in roads, ports, electricity, and gas infrastructure concessions. Public-private partnerships are increasingly the government's favored option for infrastructure development. Per Law 80, such partnerships must include a Colombian company.

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

### **Conversion and Transfer Policies**

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No restrictions apply to transferring funds associated with foreign direct investment. However, foreign investment into Colombia must be registered with the Central Bank to secure the right to repatriate capital and profits. Except for special instances, direct and portfolio investments are considered registered when the exchange declaration for operations channeled through the official exchange market is presented. If investments are registered, repatriation is permitted without any limits. The government permits full remittance of all net profits regardless of the type or amount of investment (previously limited to 100 percent of the registered capital). Recent tax reform eliminated the 7 percent tax on profit remittances. There are no restrictions on the repatriation of revenues generated from: 1) the sale or closure of a business; 2) a reduction of investment; or 3) transfer of a portfolio. Colombian law authorizes the government to restrict remittances in the event that international reserves fall below three months' worth of imports. Reserves have been well above that level for decades.

### **Expropriation and Compensation**

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Article 58 of the Colombian Constitution governs indemnifications and expropriations. This article guarantees the rights of holders of legally-acquired property. However, it does allow for assets to be taken by eminent domain. Colombian law provides a right of appeal both on the basis of the decision itself and on the level of compensation. However, the constitution does not specify how to proceed in compensation cases, which remains a concern for foreign investors. The Colombian government has sought to resolve such concerns through the negotiation of bilateral investment treaties and strong investment chapters in free trade agreements, such as the U.S.-CTPA.

### **Dispute Settlement**

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

settlement of investor-state disputes arising from the Legal Stability Contracts (Law 963 of 2005, mentioned above), even for foreign investors.

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

There is proposed legislation to reform the Colombian arbitration regime raising the importance and validity of international arbitration decisions in light of the free trade agreements Colombia has recently signed.

## **Performance Requirements and Incentives**

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

### **Incentives**

In 2002, Colombia accepted the WTO Committee on Subsidies and Countervailing Measures' decision to phase out all export subsidies in free trade zones by December 31, 2006. However, free trade zones and special import-export zones maintain their special customs and foreign exchange regimes, per Law 1004 passed in 2005, which also grants a 15 percent income tax on free zones (lower than the normal 33 percent tax) after December 31, 2006.

Since 1983, Colombia has had in place a trade promotion mechanism known as CERTs ('Tax Rebate Certificate'), which was initially conceived to help promote exports but was later transformed into an instrument to counter the negative effects of exchange rate fluctuations on exporters' cash flows. CERTs are freely negotiable instruments issued by Colombia's Central Bank (Banco de la República), whose purpose is to reimburse sums equivalent to the full or partial tax payments made by an exporter; CERTs can be used for the payment of income taxes, customs duties, VAT, or other form of taxes or contributions. In 2011, CERTs were used to compensate exporters during the suspension of the ATPDEA preferential tariffs.

The framework for government support of agricultural products, including flower, coffee, and bananas, takes the form of incentive/subsidy programs that reward producers either for hedging against exchange rate exposure, implementing sanitary programs, maintaining their workforce, or for obtaining credits to support their activities. The Exchange Rate Hedge Incentive ('Incentivo de Cobertura Cambiaria'- ICC) was created in 2004 to counter the negative effects of peso appreciation on exporters' cash flows by paying beneficiaries an amount equal to approximately 10 percent of FOB exports hedged against exchange rate fluctuation. The Sanitary Measures Incentive ('Incentivo Sanitario Flores y Follaje'- ISFF) was started in 2007 as a direct subsidy to improve phytosanitary conditions and protect employment by paying producers approximately US \$3,514 for every hectare of cultivated flowers as long as they provided proof of retention of at least 80 percent of their workforce. In 2010, the ISFF became a one-time reimbursable subsidy of almost 3 cents per dollar of exports. The Income Protection Program for Producers of Exportable Agricultural Goods ('Programa Protección Ingresos

Productores de Bienes Agrícolas Exportables') was developed in 2008 to subsidize the purchase of hedging instruments for up to 90 percent of their cost. In 2010-11, the program was modified to provide hedging instrument subsidies of up to 80 percent of their costs. Finally, the 'Special Credit Line for Exporters' subsidizes part of agricultural exporters' interest payment on bank loans and guarantees the liabilities undertaken through the program.

In January 2007, the Ministry of Agriculture (MOA) started the 'Agriculture Guaranteed Income Fund' ('Agro Ingreso Seguro- AIS') with the aim of protecting local (small) producers as well as to improve the overall competitiveness of the agricultural sector through low interest loans, access to lines of credit, financial assistance for irrigation and drainage projects, and technical assistance. In 2009, the AIS was mired in a serious corruption scandal. The AIS was replaced in 2011 with a new program called Rural Development with Equality (Desarrollo Rural con Equidad) (DRE). The Ministry of Agriculture also has other programs that focus on improving the conditions for agricultural workers by promoting employment and income in the sector, facilitate access to new markets, raise the competitiveness of micro enterprises, strengthen the business know how of the rural population, and lowering poverty.

### **Export credit**

The foreign trade bank (BANCOLDEX) provides funds for working capital and equipment purchases dedicated to the production of exported goods. BANCOLDEX also provides discount loan rates to foreign importers of Colombian goods. In 2010, BANCOLDEX played an important role in providing credit to Colombian companies affected by dramatically reduced exports to Venezuela, as well as in supporting exporters affected by the delayed renewal of ATPDEA preferences by the U.S. Congress.

### **Import Licenses**

All imports must be registered, and a small percentage requires prior import licenses. The "Registro de Importación" required for all imports is for record keeping/statistical purposes and is available at the Ministry of Commerce, Industry and Tourism and online. Import licenses apply to closely monitored, sensitive products such as precursor chemicals and weaponry.

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

Imports of most "used" goods, such as personal computers, cars, tires, and clothing, are effectively prohibited, and those allowed (e.g., used medical equipment) are subject to import license approval. The U.S.-CTPA's provision to open the market for remanufactured goods will establish precise rules for transactions of this nature and enable a better return on investment for investment projects related to mining, infrastructure and hydrocarbons.

### **Promotion**

PROEXPORT is the Government's foreign investment, tourism and export promotion agency. It provides information on market access and business opportunities and organizes international trade shows and missions. During the last few years, PROEXPORT has made efforts to diversify Colombian exports, which have been

traditionally concentrated in coffee, petroleum, coal, and flowers. PROEXPORT provides planning and training strategies for medium and small companies to overcome obstacles of exporting goods and services. There are 18 PROEXPORT offices across the world, with 7 additional offices planned – mostly in Asia. PROEXPORT has eight regional offices throughout Colombia. These offices attend and organize events, fairs, and provide commercial guides for Colombians entering foreign markets and foreigners doing business in Colombia.

### **Taxes**

Companies and individuals in Colombia are subject to national and regional taxes. At the national level the most important are the corporate profit tax (33 percent); the value added tax (16 percent on most products); the tax on financial transactions (0.4 percent); a progressive personal income tax; and the temporary “wealth” tax, which ranges between 0.6 percent and 1.2 percent of asset values and is applicable to corporations and individuals with assets greater than US \$1.5 million. (Note: Due to massive flooding throughout Colombia, the Santos Administration lowered the threshold of the wealth tax to those with liquid assets of US \$525,000, and increased the wealth tax for those already paying it (liquid assets above US \$1.5 million). This additional tax is expected to continue through 2014. End Note.) At the regional level there is the Industry and Commerce tax, which taxes industrial, commercial and services activities at a rate that ranges between 0.2 percent and 1 percent, and the property tax (Impuesto Predial), which ranges from 0.1 percent to 1.6 percent.

The government offers different types of tax incentives such as preferential import tariffs, tax exemptions, and credit or risk capital. Other incentives include the deductibility of income from new investments in the cultivation of fruits, anchovies, rubber, and cacao and in environmental enhancements and controls. The latter need an environmental authority accreditation. Some fiscal incentives are available for investments that generate new employment or production in areas impacted by natural disasters. Companies apply for fiscal incentives directly with participating agencies.

One of Colombia’s most important tax incentives is the 40 percent deduction of the value of any productive fixed-asset investment, which a company can claim when filing its income tax. This deduction is in addition to regular depreciation and is codified within article 158-3 of Colombia’s Tax Code (created by Law 863 of 2003, Article 68). It applies to any investment in tangible goods that are incorporated as part of a company’s fixed assets, that can be depreciated, and that becomes a direct part of the company’s income-producing activity. Current proposed legislation is likely to reduce the deduction rate to 30 percent, and eliminate this benefit for Free-Trade Zone users, who, as of December 2009, could take advantage of the deduction in addition to the preferential profit tax rate of 15 percent versus the ordinary 33 percent rate.

Tax and fiscal incentives are often based on regional considerations. Border areas have special protections because of currency fluctuations in neighboring countries, which can harm local economies. National and local government also offer special incentives such as tax holidays to attract specific industries. For example, Decree 2755 of 2003 exempts investors from corporate profit taxes on all revenues derived from: electricity generation through resources such as wind, biomass or agricultural residue; hotel services rendered by new, expanded or renovated hotels; and ecotourism, forestry, river transportation services, software development, medical products with new patents, and oil-related

seismic activities, among others. These tax incentives have been in force since 2003 and range between 10 and 30 years.

### **Service Barriers**

Legal services are limited to law firms licensed under Colombian law. Foreign law firms can operate in Colombia only by forming a joint venture with a Colombian law firm and under the licenses of the Colombian lawyers in the firm. Economic needs tests, which calculate the impact of a firm's entry into the market, are required when foreign providers of professional services operate temporarily in Colombia. Moreover, residency requirements restrict trans-border trade of certain professional services, such as accounting, bookkeeping, auditing, architecture, engineering, urban planning, and medical and dental services. For firms with more than 10 employees, no more than 10 percent of the general workforce and 20 percent of specialists may be foreign nationals. Companies seeking to sell information provision services must establish a commercial presence in Colombia. Foreign educational institutions must have resident status in Colombia to receive operational authority from the Ministry of Education.

### **Tariff Barriers**

Most duties have been consolidated into three tariff levels:

Level 1: 0 to 5 percent for capital goods, industrial goods and raw materials not produced in Colombia,

Level 2: 10 percent on manufactured goods with some exceptions,

Level 3: 15 to 20 percent on consumer and “sensitive” goods.

Exceptions include automobiles (35 percent duty) and many agricultural products, which are subject to a variable “price-band” import duty system. When international prices rise and surpass the price-band ceiling, tariffs are reduced; when prices drop below the price-band floor, tariffs are raised. Colombia's free trade agreement partners are subject to lower or no duties, which makes imports of U.S. products into Colombia less competitive. The U.S.-CTPA will dismantle most remaining barriers upon entry into force, or after a transition period.

## **Right to Private Ownership and Establishment**

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

## **Protection of Property Rights**

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Piracy continues to threaten legitimate intellectual property markets in Colombia, which has been on the Special 301 “Watch List” every year since 1991. The registration and administration of intellectual property rights (industrial property and copyrights) in Colombia are carried out by three different government entities. The Superintendent of Industry and Commerce (SIC) acts as the Colombian patent and trademark office. The agency has had to deal with inadequate financing, a high personnel turnover rate, and a large backlog of trademark and patent applications. Obtaining a patent can take from 3 to 5 years. The SIC has made efforts and some progress in providing electronic registration services for patents, industrial designs and trademarks. The Colombian

Agricultural Institute (ICA) is in charge of issuing plant variety protection and agro-chemical patents. The National Copyright Directorate is responsible for issuing literary copyrights. Each of these entities suffers from financial and technical resource constraints. Moreover, the lack of uniformity and consistency in IPR registration and oversight procedures limits the transparency and predictability of the IPR enforcement regime.

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

**Copyrights:** Optical disc piracy of music and film entertainment product is extensive. The publishing industry also suffers from widespread piracy, mostly in the form of illegal photocopying of academic textbooks in and around university and school campuses. Although Colombia has one of the lowest software piracy rates in Latin America, piracy of both business and entertainment software continues to cause commercial harm to legitimate industry.

Colombia has taken steps to increase penalties for the circumvention of technological protection measures. Unfortunately, law enforcement raids have not created a deterrent effect. Pirated products are distributed through hundreds of stalls in flea markets. Industry representatives have complained about judges' perceived lack of knowledge of intellectual property protection.

In 2009, the National Copyright Directorate spent considerable resources in modernizing its technological platform to allow for the online registration of works subject to copyright and related rights. These efforts allowed for 43 percent of all registries from January through September of 2009 to be carried out online. In addition to registration, various other procedures can be carried out through the National Copyright Directorate's website at <http://www.derechodeautor.gov.co/htm/Tramites/tramites.htm>.

**Patents and Trademarks:** The patent regime in Colombia currently provides for a 20-year protection period for patents; a 10-year term for industrial designs; and 20- or 15-year protection for new plant varieties, depending on the species. However, U.S. companies have expressed concern that the GOC does not provide patent protection for new uses of previously known or patented products. In 2002, the GOC issued Decree 2085, which improved the protection of confidential data for pharmaceutical and agro-chemical products. Colombia is a member of the Inter-American Convention for Trademark and Commercial Protection. Various procedures associated with industrial property, patent and trademark registration have been made available online and can be accessed through SIC's website at [http://www.sic.gov.co/index.php?modulo=Tramites/Propiedad/Tramites\\_propiedad&tam=900](http://www.sic.gov.co/index.php?modulo=Tramites/Propiedad/Tramites_propiedad&tam=900)

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

In 2000, Colombia enacted enforcement legislation (Law No. 603) that requires Colombian corporations to include in their annual reports certification of their compliance



with copyright laws. The Superintendent of Companies (Super Sociedades) has the authority to audit the company and penalize it in case of non-compliance. Any corporation that falsely certifies copyright compliance could face criminal prosecution. In addition, the legislation treats software piracy as a form of tax evasion and empowers the DIAN (Colombia's Customs and Income Tax Office) to inspect software licenses during routine tax inspections.

**Legislation:** Amendments to Colombia's 1982 copyright law have increased criminal penalties for piracy and expanded police authority to seize infringing products. Colombia has deposited its instruments of ratification for both the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT).

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

## Transparency of Regulatory System

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Colombian legal and regulatory systems are generally transparent and consistent with international norms. The commercial code and other laws cover such broad areas as banking and credit, bankruptcy/reorganization, business establishment/conduct, commercial contracts, credit, corporate organization, fiduciary obligations, insurance, industrial property, and real property law. The civil code contains provisions relating to contracts, mortgages, liens, notary functions, and registries.

Enforcement mechanisms exist, but historically the judicial system has not taken an active role in adjudicating commercial cases. The 1991 Constitution provided the judiciary with greater administrative and financial independence from the executive branch. Colombia has completed its transition to an oral accusatory system to make criminal investigations and trials more efficient. The new system separates the investigative functions assigned to the Office of the Attorney General from trial functions. Lack of coordination among government entities as well as insufficient resources complicate timely resolution of cases.

## Efficient Capital Markets and Portfolio Investment

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In Colombia, foreign investors are allowed to participate in capital markets by negotiating and acquiring shares, bonds, and other securities listed by the Foreign Investment Statute. These activities must be conducted via a foreign investment capital fund and be administered by a local trust company or stockbroker that has been authorized to do so by the Financial Superintendent (Super Financiera). Foreign investment capital funds are not allowed to acquire more than 10 percent of the total amount of a Colombian company's outstanding shares.

Colombia's financial system is well developed by regional standards. Two private financial groups own almost one-half of all bank assets: the Sarmiento Group (Grupo Aval) controls about 30 percent, and the Sindicato Antioqueño Group (Bancolombia) 20 percent. Total foreign-owned bank assets account for approximately 21 percent of sector assets. In 2005, Colombia consolidated supervision of all aspects of the banking, financial, securities and insurance sectors under the Financial Superintendent.

According to the Financial Superintendent, as of November 2011, the estimated total assets of the country's main banks amounted to approximately US \$150 billion; as of November, 2011, 68 percent of all disbursed credits were destined for commercial credits; 28 percent for consumption; 3 percent for microcredit; and 7 percent for housing. Past-due loans accounted for 3 percent of the total portfolio in November 2011. As of November 2011, banks' return on equity was 16 percent year-to-date with profits growing 14 percent in Colombian Pesos and amounting to approximately US \$3 billion. Since the 1998-1999 financial crisis, the number of financial institutions in Colombia has declined by almost half. As a result, the new institutions have begun broadening their distribution structures and offering clients more flexible schedules and branch offices. The financial sector as a whole is investing in new risk assessment and portfolio management methodologies.

Following the crisis of 1998-99, bailouts for failing banks were partially financed through a controversial tax on financial transactions. The tax was originally set at 0.2 percent but has since been increased to 0.4 percent. The tax on financial transactions is applied to all withdrawals from checking and savings accounts, including accounts with the Central Bank. Savings accounts for the purchase of low-income housing, transactions on the inter-bank market, and the sale or purchase of foreign currency are exempt from the tax. Electronic securities transactions, including stock market transactions, are also exempt from the tax.

The principal source of long-term corporate and project finance in Colombia are financial corporations and, to a lesser extent, commercial banks. Loans with a maturity in excess of five years are scarce. Unofficial private lenders play a major role in meeting the working capital needs of small and medium-sized companies. Only the largest of Colombia's companies participate in the local stock or bond markets with the majority meeting their financing needs through the banking system, by reinvesting their profits, and through suppliers' credit. Corporate bond issues have risen, but remain small and limited to blue-chip companies. Institutional investors, particularly private pension funds that mobilize the largest share of national savings concentrate their holdings in government paper and AAA-rated commercial paper. In February 2008, the Financial Superintendence issued a regulation (Circular 005), which increased the amount of a pension fund portfolio that can be invested in stocks to 40 percent. In 2001, stock exchanges in Bogotá, Cali and Medellín were merged to create the Bolsa de Valores Colombia (BVC), located in Bogotá. The BVC is regulated by the Financial Superintendent, which oversees market intermediaries, brokers' fees, and financial disclosures of listed companies.

The Capital markets legislation enacted in 2005 has helped to deepen the capital markets through improved corporate governance, protection of the rights of minority shareholders, and more transparent information standards. Market capitalization has risen from US \$14 billion in 2003 to US \$210 billion as of December 2011. New financial regulations passed in Law 1328 of 2009 are likely to increase activity in the capital markets as pension funds will now be able to use a multi-fund scheme, which will allow individuals to choose their pension funds in accordance with their risk profile.

## **Competition from State-Owned Enterprises (SOEs)**

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Private enterprises generally are allowed to compete with public enterprises under the same terms and conditions. SOEs exist in the following sectors: defense article production; regional utility companies; the Postal Service, electricity generation and distribution; hospitals; airports; banking; television; education; regional lotteries; alcohol and spirit distillers; and oil and gas.

Corporate governance of SOEs is generally transparent and subject to oversight and audit by the comptroller general. SOEs are required to make an annual declaration of their activities to relevant government authorities. Senior government officials sometimes sit on boards of SOEs. SOEs often enter into partnerships with private corporations for specific activities.

Colombia is scheduled to start operating a Sovereign Wealth Fund in January 2012.

## **Corporate Social Responsibility**

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Colombia has a long tradition of corporate social responsibility across many industries. Beneficiaries of CSR programs include students, children, populations vulnerable to Colombia's armed conflict, victims of violence, and the environment.

Larger companies, in particular, structure their CSR programs in line with generally accepted international CSR principles. On several occasions, companies in Colombia have been recognized on an international level, including by the State Department, for their CSR commitments. The Colombian-American Chamber of Commerce, USAID and the U.S. Commercial Service sponsor a booth and recruit U.S. companies for a pavilion at the annual CSR Trade Fair organized by the Colombian government.

## **Political Violence**

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Violence, including political violence, has diminished in recent years. Government of Colombia figures show that the number of homicides nationally continues a downward trend, reaching a 20-year low of 12,159 from January through October 2011, compared with 12,844 for the same period in 2010. The number of kidnappings as of October was 249, a slight increase from 230 reported during the same period in 2010 but a dramatic decrease since figures have been reported starting in 1999 when there were 3,204 kidnappings.

Illegal armed groups, including the Revolutionary Armed Forces of Colombia (FARC), National Liberation Army (ELN), and organized crime groups that included some former paramilitary members, committed widespread abuses, including political violence.

Violence by these groups has also declined as their membership dwindles. As of October 1,314 FARC and ELN members demobilized in 2011. Most FARC and ELN-perpetrated violence was directed at Colombian security forces. In 2006, the United Self-Defense Forces of Colombia (AUC) completed its demobilization of 32,000 former paramilitaries, and government reintegration programs are providing health, education, and psychological assistance to the demobilized. The United States has designated the FARC and ELN as well as the now defunct AUC as Foreign Terrorist Organizations.

Violence perpetrated by organized criminal groups that included some former paramilitary members remained a serious problem.

The long-running internal conflict has caused significant population displacement. Since 1985, the government has registered 3.7 million people (out of a population of 45 million) have been internally displaced. Displacements averaged nearly 275,000 people per year for the period 2003-2008. Since 2008, new displacements have declined significantly and consistently, with approximately 89,000 reported in 2011. NGO estimates put the figure closer to the historic average. In 2011, Colombia allocated approximately US \$800 million in emergency humanitarian and long-term social assistance for IDPs. The Land and Victims' Law, which the president signed on June 10, provides for the restitution of land stolen by illegal armed groups from IDPs and other victims. The government estimated that the law would require more than US \$20 billion and a decade to

implement. In the first phase, the government aims to deliver 2.97 million acres to 160,000 families by 2014.

## Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies as noted below. According to the World Economic Forum's Global Competitiveness Index (2011-2012), corruption is the biggest problem for doing business in Colombia. The Colombian Attorney General estimates that corrupt activity drains US \$2.1 billion per year from the country's economy. In 2011, Transparency International (TI) ranked Colombia 80 out of 183 countries on its Corruption Perceptions Index.

Since taking office, President Santos has demonstrated his commitment to prosecute corrupt officials and tackling fraud and bribery in the use and contracting of public funds. On July 17, President Santos signed the Anti-Corruption Statute, a comprehensive policy that gives the GOC new tools to crackdown on corruption and stiffer penalties for those found guilty. The Statute seeks to create more transparency and accountability in the contracting of public works projects and prohibits campaign contributors from receiving government contracts during their candidate's term in office. President Santos signed on December 9 a decree to create a Transparency Secretariat within the Office of the President and he reiterated the GOC's commitment to ratifying the OECD Anti-Bribery Convention. Santos has also uncovered multiple high-profile scandals involving the public sector since taking office, and numerous officials have been dismissed, taken to court, or put in jail.

USAID supports several anti-corruption initiatives in Colombia and has incorporated anti-corruption strategies in its rule of law, human rights, and governance programs. Through the Public Policy Program, USAID is providing technical assistance in the drafting of the GOC's anti-corruption policy. At the municipal level, USAID promotes increased transparency and accountability in the management of royalty revenues through an institutional capacity building program in eight municipalities. USAID has also provided assistance to the Offices of the Inspector General, Prosecutor General,

and Attorney General to prosecute corruption in regions emerging from conflict and to implement accountability principles in the justice sector.

### **U.S. Foreign Corrupt Practices Act**

In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/fcpa/docs/lay-persons-guide.pdf>.

### **Other Instruments**

It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Anti-bribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements.

### **OECD Anti-bribery Convention**

The OECD Anti-bribery Convention entered into force in February 1999. As of December 2011, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). In November 2011, Colombia joined the OECD Anti-bribery committee and was formerly invited to ratify the OECD Anti-bribery Convention. Major exporters China, India, and Russia are not parties although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Anti-bribery Convention through the U.S. FCPA.

### **UN Convention**

The UN Anticorruption Convention entered into force on December 14, 2005, and there are 140 signatories and 158 parties to it as of December 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offenses to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Anti-bribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Colombia is a party to the UN Convention.

OAS Convention

In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption; provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment; and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2011, the OAS Convention has 34 parties, including Colombia (see <http://www.oas.org/juridico/english/Sigs/b-58.html> ). Council of Europe Criminal Law and Civil Law Conventions

Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco) ). Colombia is not a party to the Council of Europe Conventions.

### **Free Trade Agreements**

While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: (<http://www.ustr.gov/trade-agreements/free-trade-agreements>). Colombia and the U.S. have negotiated and ratified a free trade agreement, the U.S.–CTPA, which has yet to come into force.

### **Local Laws**

U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

### **Assistance for U.S. Businesses**

The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and

Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at <http://export.gov>.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies when seeking foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp)

### **Guidance on the U.S. Foreign Corrupt Practices Act (FCPA)**

The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html) More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

### **Anti-Corruption Resources**

Some useful resources for individuals and companies concerned about combating corruption in global markets include the following:  
Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>

Information about the OECD Anti-bribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/document/21/0,3746,en\\_2649\\_37447\\_2017813\\_1\\_1\\_1\\_37447,00.html](http://www.oecd.org/document/21/0,3746,en_2649_37447_2017813_1_1_1_37447,00.html) See also the Anti-bribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>

General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html)

Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 183 countries and territories around the world. The CPI is available at:

[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi](http://www.transparency.org/policy_research/surveys_indices/cpi) TI also publishes an annual Global Corruption Report which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.

The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See [http://info.worldbank.org/governance/wgi/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp) The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available <http://go.worldbank.org/DBIYM2W0R0>

The World Economic Forum publishes the Global Enabling Trade Report, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org> for additional information about this and other WEF reports. Additional country information related to corruption can be found in the U.S. State Department's annual Human Rights Report available at <http://www.state.gov/g/drl/rls/hrrpt/>.

Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org>

## **Bilateral Investment Agreements**

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Colombia has stand-alone bilateral investment treaties (BITs) in force with Peru, Mexico, Spain and Switzerland. Colombia has signed BITs with China, South Korea, Japan India, Luxemburg, and Belgium, and the United Kingdom. Colombia also has investment chapters in many of its free trade agreements, including with the Andean Community, Mexico, Guatemala, Honduras, El Salvador, Chile, Canada, Norway, Iceland, Liechtenstein, and the United States. The Colombian government finalized negotiations of a free trade agreement with the European Union in 2010 and has launched FTA negotiations with South Korea, Turkey, and Japan. Colombia has three double taxation treaties in force: Spain, Chile, CAN (Peru, Ecuador, and Bolivia). It has signed double-taxation treaties with Switzerland, Portugal, Canada, Mexico, and South Korea and it is negotiating a double-taxation treaty with the United States, Germany, Czech Republic, Holland, Belgium, India, Japan, and France.

## **OPIC and Other Investment Insurance Programs**

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OPIC is the U.S. Government's development finance institution. It mobilizes private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy. Because OPIC works with the U.S. private sector, it helps U.S. businesses gain footholds in emerging markets catalyzing revenues, jobs and growth



opportunities both at home and abroad. OPIC achieves its mission by providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds. Established as an agency of the U.S. Government in 1971, OPIC operates on a self-sustaining basis at no net cost to American taxpayers. OPIC services are available for new and expanding business enterprises in more than 150 countries worldwide.

OPIC made its first investment in Colombia in 1985 and has since made investments totaling over USD \$2 billion in a variety of sectors. As of September 30, 2011, OPIC had \$420m of exposure in Colombia for both finance (4 projects) and political risk insurance (3 projects), and is open for supporting new investments in Colombia. OPIC's current portfolio includes more investments in Latin America than any other region. Additional information can be found at ([www.opic.gov](http://www.opic.gov)).

## Labor

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Colombia has abundant unskilled and semi-skilled labor throughout the country. It also has abundant skilled and managerial-level employees, many of whom are bilingual. Labor permits are not required in Colombia, except for under-aged workers. To work, minors between 15 and 17 years old must be authorized by a labor inspector or another local authority upon request by their parents. In exceptional cases, minors under 15 may participate in remunerated artistic, cultural, recreational and sports activities of less than 14 hours per week with authorization. Minors are only authorized to work in non-dangerous occupations.

Pursuant to Colombian Labor Law, any group of 25 or more workers, regardless of whether they are employees of the same company or not, may constitute a labor union. Employees of companies with fewer than 25 employees may affiliate themselves with other labor unions. About 60 percent of Colombia's labor force belongs to the informal sector. About 4 percent of the country's labor force is unionized. The largest and most influential unions are composed mostly of public employees, particularly of the state-owned oil company and the state-run education sector. The Constitution protects the right to constitute labor unions, and union members have a special legal protection that prevents them from being fired for forming unions. Some union officials are allowed to dedicate some or all of their working hours to union business. Strikes, when held in accordance with the law, are recognized as legal instruments to obtain better working conditions. Strikes in sectors considered essential public services are illegal. Foreign companies operating in Colombia must follow the same hiring rules as national companies, regardless of the origin of the employer and the place of execution of the contract.

Colombian companies may hire foreign employees after certifying compliance with the legal national-foreign employee ratio, (pursuant to Colombian Labor Law, in companies with more than 10 employees, Colombian nationals must occupy at least 80 percent of all managerial level positions and 90 percent of non-managerial positions), which will allow the employee to obtain a Temporary Work Visa. Foreign employees have the same rights as Colombian employees.

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

Labor contracts may be terminated without previous notice. The effects of termination vary depending on cause for termination and type of contract. A contract might be terminated with just cause by the employer in the case of an employee's violation of

legal and contractual obligations or internal regulations. In any other event, the contract can be terminated without just cause, but the employer must pay legally specified indemnification.

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

Part-time formal sector employees with an indefinite term contract or a defined term contract receive prorated social benefits (e.g., pension, health, unemployment).

Companies/individuals that provide services-provision contracts do not have to pay social benefits to part-time employees, except for domestic employees, which have a special regime given the vulnerability of their condition.

## **Foreign-Trade Zones/Free Ports**

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To attract foreign investment and promote the importation of capital goods, the Colombian government uses a number of drawback and duty deferral programs. One example of such programs is the “free trade zones (FTZ)” mechanism, which the Government has sought to turn into a magnet for investment and domestic job creation. In 2005, Colombia’s Congress passed comprehensive FTZ modernization legislation through Law 1004, which opened investment to international companies, allowed one-company/standalone FTZs, and permitted the designation of pre-existing plants as FTZs. This law was then regulated by decrees 383 and 4051 in 2007, which set out conditions and requirements to gain approval for a declaration of an FTZ.

Since 2005, the number of FTZs increased from five to 91, as of September 2011. The FTZs account for US \$6 billion in investments and provide employment for 43,355 people. FTZs are scattered throughout the Colombian territory, and can be found in the departments of Cundinamarca (18), Bolivar (7), Cauca (5), Antioquia (5), Magdalena (5), Atlántico (4), Valle del Cauca (3) and five other departments. The Ministry of Commerce administers requests for establishing FTZs, but the government does not participate in their operation.

Companies within Free Trade Zones enjoy a series of benefits, such as a preferential 15 percent corporate profit tax and exemption from customs duties and value-added taxes on imported materials. In return for these and other incentives, every FTZ project must meet specific investment and job creation commitments within three years for new projects and five years for pre-existing investments. Requirements range from a minimum of US \$17 million in new investments and 500 jobs for agro-industrial projects, to US \$34 million in new investment and 150 jobs created for manufacturing projects. Job creation requirements may be lowered by 15 positions for every additional US \$3 million invested with a minimum requirement of 50 jobs created. Commitments since 2007 add up to an estimated 140,000 new jobs and approximately US \$5 billion in new investments.

The Colombian government is monitoring Export Processing Zones to verify whether or not they are fulfilling their employment and investment commitments. Companies found to be not in compliance will lose their preferential treatment. Focus on these commitments increased after a 2011 Central Bank report on the tax impact of Free Trade Zones, which includes a review of employment generation and investment.

The total stock of foreign investment since 1994 reached US \$86.5 billion at the close of 2010. Average annual net Foreign Direct Investment (FDI) flows from 1994 to 2010 amounted to US \$5.1 billion while total FDI in 2010 dropped to US \$6.9 billion, due to global financial turmoil. However, a strong recovery was already evident by the third quarter of 2011, when total FDI surpassed 2008's historical record and reached \$10.8 billion. By sector, the biggest recipients of FDI in 2010 were sectors associated with petroleum (40%), mining (20%), trade (15%), and transportation (10%). Expectations are that total FDI for 2011 will exceed \$13 billion.

At the end of 2010, the United States remained the single largest source of non-petroleum sector foreign investment in terms of total stock of FDI (12 percent) (Petroleum sector FDI data is not disaggregated by country of origin.) The European Union has also been a major source of FDI for Colombia with strong flows from Spain, the United Kingdom, France and Switzerland in particular. Non-petroleum sector FDI from other countries in Latin America since 1994 continues to gain in importance with Panama, Brazil and Mexico ranking second, tenth, and twelfth, respectively, as of 2010.

TABLE 1

Foreign Investment Flows by Country* (Figures in US Million)							
		2006	2007	2008	2009	2010	2011
	<b>TOTAL FDI</b>	\$6,656	\$9,049	\$10,596	\$7,137	\$6,914	\$10,821
	<b>OIL SECTOR INVESTMENT</b>	\$1,995	\$3,333	\$3,405	\$2,428	\$2,861	\$4,321
	<b>PROFIT REINVESTMENT</b>	\$1,487	\$1,971	\$2,301	\$2,111	\$2,889	\$2,510
	<b>NON-OIL INVESTMENT</b>	\$3,174	\$3,745	\$4,891	\$2,598	\$1,164	\$3,989
1	NETHERLANDS	\$25.50	(\$817.80)	(\$130.10)	(\$109.10)	(\$158.30)	\$778.20
2	PANAMA	\$239.70	\$477.20	\$759.60	\$337.10	\$420.20	\$664.80
3	SPAIN	\$492.00	\$289.00	\$563.80	(\$326.90)	\$103.10	\$605.10
4	UNITED STATES	\$1,524.10	\$1,064.20	\$1,215.40	\$1,198.20	\$262.30	\$326.60
5	CHILE	\$2.20	\$45.70	\$44.80	\$53.70	(\$6.10)	\$295.70
6	ENGLAND	\$17.50	\$34.90	\$199.70	\$385.60	\$194.00	\$274.70
7	BERMUDA	\$7.60	\$12.40	\$31.40	\$287.10	\$134.80	\$207.20
8	CANADA	\$18.50	\$8.00	\$51.90	\$78.30	\$162.80	\$169.90
9	ANGUILLA	\$ -	\$1,194.90	\$1,110.80	\$790.30	\$329.50	\$89.80
10	BRAZIL	\$19.50	\$529.00	\$125.10	\$47.40	\$53.60	\$83.30
11	FRANCE	\$3.80	\$139.30	\$70.30	\$113.00	\$47.60	\$67.90
12	SWITZERLAND	\$16.60	\$43.10	\$56.70	\$65.40	\$47.50	\$57.60
13	ARGENTINA	\$3.00	\$3.90	\$4.30	\$19.90	\$5.70	\$55.10
14	MEXICO	\$31.40	\$340.40	\$411.80	(\$647.20)	(\$623.50)	\$48.80
15	BARBADOS	\$ -	\$0.00	\$4.20	\$5.40	\$19.30	\$38.90
	<b>REST OF THE WORLD</b>	\$772.90	\$380.80	\$371.10	\$299.90	\$171.40	\$225.90

\*petroleum sector not included in country totals

Source: Banco de la Republica (Central Bank) 2012

**TABLE 2**

<b>Foreign investment Flows by Sector (Figures in US Million)</b>						
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>TOTAL</b>	<b>\$6,656</b>	<b>\$9,049</b>	<b>\$10,596</b>	<b>\$7,137</b>	<b>\$6,915</b>	<b>\$10,821</b>
<b>Oil Sector</b>	<b>\$1,995</b>	<b>\$3,333</b>	<b>\$3,405</b>	<b>\$2,428</b>	<b>\$2,862</b>	<b>\$4,321</b>
<b>Sub Total</b>						
<b>Other Sectors</b>	<b>\$4,661</b>	<b>\$5,716</b>	<b>\$7,192</b>	<b>\$4,709</b>	<b>\$4,052</b>	<b>\$6,500</b>
Mining (including coal)	\$1,783	\$1,100	\$1,798	\$3,025	\$2,066	\$2,162
Trade, Restaurants, Hotels	\$523	\$803	\$1,049	\$594	\$270	\$1,569
Transportation, Storage, Communications	\$1,061	\$414	\$853	\$348	(\$525)	\$1,122
Financial Institutions	\$464	\$1,319	\$1,095	\$720	\$1,251	\$501
Manufacturing	\$803	\$1,867	\$1,748	\$621	\$456	\$478
Electricity, Gas, Water	(\$141)	(\$79)	\$156	(\$977)	\$106	\$376
Construction	\$156	\$210	\$380	\$262	\$298	\$363
Agriculture, forestry, fisheries	\$8	\$40	\$41	\$28	\$20	\$95
Communal Services	\$4	\$40	\$72	\$88	\$110	(\$164)

Source: Banco de la Republica (Central Bank) 2012

**Web Resources**

Andean Development Corp. (CAF): [www.caf.com](http://www.caf.com) & [www.comunidadandina.org](http://www.comunidadandina.org)

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

ANIF (Financial Entities Association): [www.anif.org](http://www.anif.org)

Banco de la Republica (Central Bank): [www.banrep.gov.co](http://www.banrep.gov.co)

Banking Association: [www.asobancaria.com](http://www.asobancaria.com)

Financial Superintendent: [www.superfinanciera.gov.co.co](http://www.superfinanciera.gov.co.co)

Bogotá Chamber of Commerce: [www.ccb.org.co](http://www.ccb.org.co)

PROEXPORT (Foreign Investment Promoter): [www.proexport.gov.co](http://www.proexport.gov.co)

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

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

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

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

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

Presidency of the Republic [www.presidencia.gov.co](http://www.presidencia.gov.co)

State Comptroller: <http://www.contraloriagen.gov.co/html/home/home.asp>

State Contracting Information System/SICE: <http://www.sice-cgr.gov.co>

Superintendent of Corporations: [www.supersociedades.gov.co](http://www.supersociedades.gov.co)

Superintendent of Industry and Commerce: [www.sic.gov.co](http://www.sic.gov.co)

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## Chapter 7: Trade and Project Financing

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

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

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

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

### **How Does the Banking System Operate**

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

Following the 1998-1999 financial crises, almost half of banking and non-banking institutions were closed, taken over, or forced to merge. Many weaker financial

institutions merged or are now affiliated with more experienced and financially sound owners. Still, experts consider that the sector has not reached its ideal size. The presence of foreign banks has intensified competition and investment in advanced technologies and government authorities have made significant efforts to improve the health of the financial sector. The largest foreign investment in the sector was Spanish-owned BBVA Bank's acquisition of Granahorrar, which had been taken over by the government during the 1998-1999 crises. In 2006, British-owned HSBC purchased 100 percent of Banistmo Bank. In 2008 U.S.-owned GE Money acquired a 40 percent stake in Banco Colpatria.

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

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

In 2009 a new law reforming the financial sector was passed. The reforms increased protection for financial customers, including requirements that financial institutions properly disclose the costs associated with their operations. They also forbid agreements in which consumers waive their rights and provisions shifting the burden of proof to consumers. The reforms create Advocate for Financial Consumers positions, which every financial institution must have and who are responsible for ensuring that financial institutions do not violate consumers' rights. The new law also introduces greater flexibility to the pension fund system by creating the multi-fund structure to allow for various risk investment profiles. It allows foreign banks and foreign insurance companies to operate locally without having to incorporate a Colombian entity, although they do have to set up a branch in Colombia, subject to all relevant legal requirements. Finally the law establishes mechanisms to promote microfinance, securitization and the development of capital markets.

## **Foreign-Exchange Controls**

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

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

Colombia has reduced foreign exchange controls significantly in recent years. External Resolution No. 6 of 2000 abolished prior deposit requirements with the Central Bank for



public and private external loans as well as for foreign financing of imports into Colombia. Also, Resolution 11 allows residents to make payments to other residents in U.S. dollars through checking accounts held abroad, and Resolution 8 authorizes stock brokerage firms to act as intermediaries in the foreign exchange market. The Colombian peso is convertible and investors report no untoward restrictions on access to hard currency.

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

The Ministry of Finance issued Decree 4145 on November 5, 2010 reinstating a withholding tax of 33 percent on interest paid on foreign debt. This decree will raise the cost of capital for local borrowers. The purpose of the decree is to reduce the inflow of foreign currency, which has appreciated the Colombian peso by about six percent since the beginning of 2010. Decree 4145 does not supersede a lower rate of withholding tax provided for in Colombia's tax treaties with Spain and Chile.

## **U.S. Banks and Local Correspondent Banks**

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

Bancafe (acquired by Davivienda):

Banco Cafetero Internacional Corporation  
JP Morgan Chase  
Citibank  
Bank of New York Mellon

BanColombia:  
Citibank  
Bank of New York Mellon  
Deutsche Bank  
Bank of America  
CoBank  
JP Morgan Chase  
American Express Bank  
Lloyds TSB Bank  
International Bank of Miami  
Regions Bank

Banco de Occidente:

Citibank

Bank of America

Bank of New York Mellon

American Express Bank

Banco Popular:

Bank of America

Dressner Bank

Bayerische Hypound-Vereins Bank

Citibank

Bank of New York Mellon

TD Bank

HCBC Bank

ING Bank

Regions Bank

Davivienda

Citibank

Banco de Bogotá

Citibank

Bank of America

Deutsche bank

JP Morgan

Bank of New York Mellon

AV Villas

Banco de Occidente USA

Banco Santander

Citibank

JP Morgan

Colpatria Bank

Bank of America

BBVA Colombia

BBVA Bank, New York

BBVA Bank, Miami

## **Project Financing**

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The government and the Central Bank are important sources of funding for the financial system. The Central Bank, in addition to providing the usual discount facilities to support system liquidity, manages several special government funds to promote lending into a number of sectors that have been determined to be important to national development or economically essential. The funding comes from government capital, bonds, and current

fiscal appropriations, if needed to cover deficits. Access to the funds tends to require considerable paperwork; applicants must qualify and margins are limited. Their importance as a funding resource has diminished in recent years.

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

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

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

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

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

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

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

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

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

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.html>

U.S. Agency for International Development: <http://www.usaid.gov>

U.S. Embassy Website in Bogotá, Colombia: <http://bogota.usembassy.gov>

Colombian Banking Association: <http://www.asobancaria.com>

Colombian Customs and Income Tax Offices: <http://www.dian.gov.co>

Colombian Ministry for Foreign Affairs: [www.minrelext.gov.co](http://www.minrelext.gov.co)

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## Chapter 8: Business Travel

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### **Business Customs**

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Colombia, in terms of natural and human resources, offers a strategic location, an educated workforce, and a well-developed industrial capacity. There is a lively international business community in Colombia, with hundreds of well-known, established companies that are committed to a long-term presence. Most companies know their risk profiles and take appropriate measures. It is expensive to do business in Colombia, relative to other Latin American countries. The cost of doing business in Cartagena and Bogota reflect costs similar to major U.S. and European cities. The Santos government is continuing the previous administration's commitment to improve the country's infrastructure (ports, roads, and communications) as a means of promoting a modern business environment and lowering operating costs.

Most business visitors tend to remain within the city limits of the major urban areas (Barranquilla, Bogota, Cali, Cartagena and Medellin). Those who venture beyond these limits (to visit oilfields and mines) do so under controlled conditions. As with anything in business, the key is to be aware and prepared.

There are distinct regional differences in Colombia, not unlike the United States, Mexico, India or China. Coastal residents are more relaxed and open versus their inland counterparts. The Colombian private sector is well traveled and sophisticated. In all regions the business visitor will find serious, hardworking people who share many of the same work habits and ethics of business people in the United States.

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

Working breakfasts and lunches at hotels and private clubs have become common practice in most Colombian cities. Business attire is the norm. Dinner meetings tend to be less formal. Business cocktails and official receptions are common events and are used as opportunities to make contacts and discuss ventures. Colombian trade

associations, government entities, and private firms are hosting an increasing number of national and regional conventions, conferences, and seminars in the country. These events present excellent opportunities for meeting Colombian business people and key government officials, as well as for assessing market potential.

## **Travel Advisory**

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There is currently a State Department travel warning in effect for U.S. citizens planning travel to Colombia. For the latest security information, Americans traveling abroad should regularly monitor the Department of State, Bureau of Consular Affairs' website at <http://travel.state.gov> where the current Worldwide Caution Public Announcement, Travel Warnings and Public Announcements can be found.

The travel warning is due to the violence that continues to affect all parts of the country, and the fact that U.S. citizens have been victims of kidnappings and threats. For more information on a particular business travel plan, companies are urged to contact the Commercial Service, American Embassy, Bogota for customized advice. (see Section VII "Investment Climate - Political Violence" for additional background information).

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

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

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

For further information concerning travel to Colombia, U.S. travelers should consult the Department of State's latest Travel Warning and the Country-Specific Information. In addition to information available on the Internet, up-to-date information on safety and security can also be obtained by calling 1-888-407-4747 toll-free in the United States or Canada, or for overseas callers, a regular toll line at 1-202-501-4444. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays).

U.S. citizens living in or visiting Colombia are encouraged to register and update their information online at: <https://travelregionstration.state.gov/ibrs/vi/>. They can also obtain updated information on travel and security in Colombia either at the Consular Section of the U.S. Embassy in Bogota or via the Embassy's website. The Consular Section is open for American Citizens Services, including registration, from 9:00 a.m. to 11:30 a.m., Monday through Thursday, excluding U.S. and Colombian holidays. The U.S. Embassy is located at Avenida El Dorado and Carrera 50; telephone (011-57-1) 315-0811 during

business hours (8:30 a.m. to 5:00 p.m.), or 315-2109/2110 for emergencies during non-business hours; fax (011-57-1) 315-2196/2197; Internet website - <http://bogota.usembassy.gov/>. The Consular Agency in Barranquilla, which provides some limited consular services to American citizens, is located at Calle 77B, No. 57-141, Piso 5, Centro Empresarial Las Americas, Barranquilla, Atlantico, Colombia; telephone (011-57-5) 353-2001; fax (011-57-5) 353-5216; e-mail: [agrpersonal@gmail.com](mailto:agrpersonal@gmail.com)

## Visa Requirements

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U.S. Citizens (who are not also Colombian citizens) traveling to Colombia are required to carry a valid U.S. passport to enter and depart Colombia and a return/onward ticket. U.S. citizens do not need a visa for a tourist/business stay of 60 days or less. Stiff fines are imposed if passports are not stamped on arrival and/or if stays exceeding the authorized period of stay (generally 60-90 days) are not approved in advance by the Colombian Immigration Agency (Departamento Administrativo de Seguridad, Jefatura de Extranjeria, DAS Extranjeria).

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

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

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

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

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

U.S. citizens whose passports are lost or stolen in Colombia must obtain a new passport from the U.S. Embassy and present it, together with a police report of the loss or theft, to the main immigration office in Bogota to obtain permission to depart. An exit tax must be paid at the airport when departing Colombia.

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

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

All Colombians traveling to or through the U.S. need a visa. U.S. companies inviting foreign businesspersons to the United States should allow sufficient time [several months] for visa processing and issuance. Visa applicants should go to the following website <http://colombia.usvisa-info.com/> or call 325-9851 from COL in Bogotá, and 1-703-439-2325 in the US and [usvisacolombia1](https://www.usvisa-info.com/colombia) from Skype.

Nothing should be sent to the Embassy in advance of the interview. Instead, relevant material should be sent directly to the applicant to present at the interview.

Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

U.S. Embassy Bogota Colombia website: <http://bogota.usembassy.gov>

Appointment Website: <http://colombia.usvisa-info.com>

### Telecommunications

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

### Transportation

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**Airports:** Colombian air transportation is well developed, with international airports in Bogota, Barranquilla, Cartagena, Cali, Cucuta, Leticia, Pereira, Medellin, and San Andres Island providing regular flights to major cities abroad. Currently, there are five U.S. airlines that provide direct daily flights between Colombia and the United States. Frequent domestic flights connect principal cities within Colombia. Business travelers should be aware that prior flight reservations within Colombia (even though pre-paid) are not always honored, and flights may be overbooked to popular destinations such as Cartagena. Thus, a final confirmation is advisable 24-hours before departure as is arriving at the airport three hours in advance of the flight.

**Taxis:** Taxi service is available at all major hotels. Given traffic conditions and security concerns, business travelers should contract hourly taxi service or hired cars with drivers. Arrangements may be made with your hotel for your transportation. The current rate is about USD 15.00 per hour or 30,000 COP. If normal yellow city taxis must be used, ensure the hotel/restaurant calls a "radio taxi" and provides you with a code. Never hail taxis on the street and never share a cab with an unknown person (including the driver's "brother, son, cousin, etc."). Taxis fares increase 30 percent after dark.



## Language

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Spanish is the official language and spoken throughout the country. It is advisable to have some knowledge of Spanish or to hire the services of a qualified interpreter. Many senior executives and government officials speak English. Make the effort to translate your sales literature and website information into Spanish to improve your customer service.

## Health

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Bogota is a high altitude location (8,600 ft). Travelers should take it easy the first day, avoid alcohol, eat moderately and stay hydrated. Medical care is adequate in major cities, but quality varies elsewhere. In Bogota in particular, travelers can find very qualified general practitioners and specialists. Doctors and hospitals often expect immediate cash payment for health services, although many hospitals in principal cities accept major U.S. credit cards. U.S. medical insurance is not always valid outside the United States. Visitors with a particular medical problem may therefore wish to consider supplemental medical insurance with specific overseas coverage, including provision for medical evacuation or other emergencies.

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

**Dengue Fever:** The incidence of dengue fever in Colombia nearly doubled in 2010, topping 120,000 cases and 115 deaths from the disease versus the 71,000 and 44 fatalities recorded in 2009. According to the INS, the most heavily affected areas of the country include the department of Valle del Cauca in south-eastern Colombia, Santander in the northeast, and the central departments of Meta and Tolima. The INS also noted an increase of reported cases in the departments of Arauca, Antioquia, Cundinamarca, Huila, and Bolívar, and urged local governments to "strengthen their interdisciplinary strategies for executing contingency plans."

## Local Time, Business Hours, and Holidays

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Colombian time is the same as U.S. Eastern Standard time, without daylight-saving adjustments, e.g. Washington in winter, Chicago time in summer.

The workweek is Monday - Friday. Normal working hours are either 8 a.m. - lunch (flexible between 12 noon and 2 p.m.), closing at 5 p.m. Alternative hours may be 7:30 a.m. - 4:30 or 5:30 p.m. with an hour for lunch. Most commercial offices follow the first

system and most manufacturing operations the second. In coastal cities such as Cartagena, many offices and manufacturing operations also work half-day on Saturday, with a two hour lunch break during the work week.

Shopping: Most stores are open between 9:00 a.m. and 7:00 or 8:00 p.m. on weekdays, and between 9:00 a.m. and 8:00 p.m. or 9:00 p.m. on Saturdays. Some food stores and restaurants (but very few other establishments) are open on Sundays and holidays. It is sometimes possible to negotiate a discount at some stores when paying in cash.

Prior to planning business travel, it is advisable to consult the schedule of Colombian holidays. It is strongly recommended that business trips be avoided during Holy Week (the week before Easter) and the Christmas holiday season (December 17 to January 15). Visitors may also find it difficult to make business appointments during “puentes” (Fridays or Mondays which “bridge” the weekends with official holidays falling on Thursdays or Tuesdays.)

Colombia’s official holiday calendar for 2012 is as follows:

January 1	Saturday (New Year’s Day)
January 9	Monday (Epiphany)
March 19	Monday (Saint Joseph)
April 5	Thursday (Holy Thursday)
April 6	Friday (Good Friday)
May 1	Saturday (Labor Day)
May 21	Monday (Ascension Day)
June 11	Monday (Corpus Christi)
June 18	Monday (Feast of the Sacred Heart)
July 2	Monday (Feast of Saint Peter and Saint Paul)
July 20	Wednesday (Independence Day)
August 7	Sunday (Battle of Boyaca)
August 20	Monday (Assumption Day)
October 15	Monday (Columbus Day)
November 5	Monday (All Saints’ Day)
November 12	Monday (Independence of Cartagena)
December 8	Thursday (Feast of the Immaculate Conception)
December 25	Sunday (Christmas Day)

Regional Holidays: March 5 through March 8, (Carnival), Barranquilla. December 24 through December 31, 2009 (Folklore Festival), Cali: Offices open only from 8:00 am - 12:00 noon.

The U.S. Embassy in Bogota observes U.S. government holidays.

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

**Short Term:** This allows merchandise imports for a specific purpose during a period of time that should not exceed six months. An extension can be requested from one to three-month extension. An approval must be obtained before expiration of the initial authorization. Short-term imports are not subject to import duties, but a guarantee equivalent to 10 percent of the corresponding import duties must be presented to obtain approval.

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

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

Information on Yellow Fever, see <http://www.cdc.gov/travel/diseases/yellowfever.htm>

Banking Association: [www.asobancaria.com](http://www.asobancaria.com)

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

CIS - [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1090.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1090.html) -

Travel warning - [http://travel.state.gov/travel/cis\\_pa\\_tw/tw/tw\\_941.html](http://travel.state.gov/travel/cis_pa_tw/tw/tw_941.html) -

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

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### Contacts

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Andean Development Corp. (CAF): [www.caf.com](http://www.caf.com)

Andean Community (CAN): [www.comunidadandina.org](http://www.comunidadandina.org)

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

ANIF (Financial Entities Association): <http://anif.co/>

Association of Automotive Importers and Exporters: [www.asopartes.com](http://www.asopartes.com)

Association of Flower Exporters: [www.asocolflores.org](http://www.asocolflores.org)

Banco de la República (Central Bank): [www.banrep.gov.co](http://www.banrep.gov.co)

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

Banking Association: [www.asobancaria.com](http://www.asobancaria.com)

Banking Superintendence: [www.superfinanciera.gov.co](http://www.superfinanciera.gov.co)

Bivac de Colombia S.A.: [www.bureauveritas.com.co](http://www.bureauveritas.com.co)

Bogotá Chamber of Commerce: [www.ccb.org.co](http://www.ccb.org.co)

Cambio Magazine: [www.cambio.com.co](http://www.cambio.com.co)

CNTV (National TV Commission): [www.cntv.org.co](http://www.cntv.org.co)

Colombian Agricultural Institute- ICA: [www.ica.gov.co](http://www.ica.gov.co)

Colombian Association of Airlines (ALAICO): [www.alaico.org](http://www.alaico.org)

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

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

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

Colombian Association of Hospitals and Clinics: [www.achc.org.co](http://www.achc.org.co)

Colombian Association of Medical Business: [www.acemi.org.co](http://www.acemi.org.co)

Colombian Association of Systems Engineers: [www.acis.org.co](http://www.acis.org.co)

Colombian Association of Banks:

<http://www.asobancaria.com/portal/page/portal/Asobancaria/inicio>

Colombian Coffee Growers Federation: [www.cafedecolombia.com](http://www.cafedecolombia.com)

Colombian Construction Chamber: [www.camacol.org.co](http://www.camacol.org.co)

Colombian Customs and Income Tax Offices (DIAN): International Commerce Bulletin:  
<http://www.dian.gov.co/dian/14cifrasgestion.nsf/e7f1561e16ab32b105256f0e00741478/a02b47038628e5610525733e0059549a?OpenDocument>

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

Colombian Engineers Society: [www.sci.org.co](http://www.sci.org.co)

Colombian Export Promotion Bureau: Colombia Sector Profile Agro-industry:  
[http://www.inviertaencolombia.com.co/Adjuntos/087\\_Perfil%20Sector%20Agroindustrial.pdf](http://www.inviertaencolombia.com.co/Adjuntos/087_Perfil%20Sector%20Agroindustrial.pdf)

Colombian Export Promotion Bureau: [www.proexport.com.co](http://www.proexport.com.co)

Colombian Government: Citizens, Economy and Commerce:

[http://www.gobiernoenlinea.gov.co/web/guest/informate?ref=link23#pr=\\_TaxonomyBrow](http://www.gobiernoenlinea.gov.co/web/guest/informate?ref=link23#pr=_TaxonomyBrow)

[ser\\_WAR\\_taxonomybrowserportlet\\_profiletabs-citizen&au=\\_TaxonomyBrowser\\_WAR\\_taxonomybrowserportlet\\_audience0](#)  
Colombian Government: Companies, Economy and Commerce  
[http://www.gobiernoenlinea.gov.co/web/guest/informate?ref=link23#pr=\\_TaxonomyBrowser\\_WAR\\_taxonomybrowserportlet\\_profiletabs-enterprise](http://www.gobiernoenlinea.gov.co/web/guest/informate?ref=link23#pr=_TaxonomyBrowser_WAR_taxonomybrowserportlet_profiletabs-enterprise)  
Colombian Government: <http://www.gobiernoenlinea.gov.co/web/guest>  
Colombian Grain Growers Federation: [www.fenalce.org.co](http://www.fenalce.org.co)  
Colombian Infrastructure Chamber (CCI): [www.infraestructura.org.co](http://www.infraestructura.org.co)  
Colombian Petroleum Association: [www.acp.com.co](http://www.acp.com.co)  
Colombia Stock Exchange: <http://www.bvc.com.co/pps/tibco/portalbvc>  
Colombian Tele-Informatics Chamber: [www.ccit.org.co](http://www.ccit.org.co)  
Colombian-American Chamber of Commerce: [www.amchamcolombia.com.co](http://www.amchamcolombia.com.co)  
Council of American Companies (CEA): <http://www.ceacolombia.com/es/>  
CREG (Energy and Gas Regulatory Commission): [www.creg.gov.co](http://www.creg.gov.co)  
CRT (Telecommunications Regulatory Commission): <http://www.crcom.gov.co/>  
DANE (Statistics Bureau): [www.dane.gov.co](http://www.dane.gov.co)  
Dinero Newspaper: [www.dinero.com](http://www.dinero.com)  
Economic Commission for Latin America and the Caribbean (ECLAC): [www.eclac.org](http://www.eclac.org)  
El Espectador Newspaper: [www.elespectador.com](http://www.elespectador.com)  
El Tiempo Newspaper: [www.eltiempo.com.co](http://www.eltiempo.com.co)  
Export-Import Bank of The United States (EXIMBANK): [www.exim.gov](http://www.exim.gov)  
FENALCO (Merchants Association): [www.fenalco.com.co](http://www.fenalco.com.co)  
Health Colombia Online Magazine: [www.saludcolombia.com](http://www.saludcolombia.com)  
Industry And Commerce Superintendence: [www.sic.gov.co](http://www.sic.gov.co)  
Instituto Nacional de Vigilancia de Medicamentos y Alimentos (INVIMA):  
[www.invima.gov.co](http://www.invima.gov.co)  
International Airport Operator (OPAIN): [www.elnuevodorado.com](http://www.elnuevodorado.com)  
Inter American Development Bank: [www.iadb.org](http://www.iadb.org)  
International Packaging Exhibition, 2011, Bogota-Colombia: <http://www.andinapack.com/>  
Intertek Testing Services (Customs validation): [www.intertek.com](http://www.intertek.com)  
La Nota Económica Magazine: [www.lanota.com](http://www.lanota.com)  
La República Newspaper: [www.larepublica.com.co](http://www.larepublica.com.co)  
Latin-American Integration Association (ALADI) <http://www.aladi.org>  
Medellín Chamber of Commerce/Trade Point: [www.camaramed.org.co](http://www.camaramed.org.co)  
Ministry of Agriculture and Rural Development: [www.minagricultura.gov.co](http://www.minagricultura.gov.co)  
Ministry of Information and Communications Technologies: <http://www.mintic.gov.co/>  
Ministry of Environment, Housing and Territorial Development: [www.minambiente.gov.co](http://www.minambiente.gov.co)  
Ministry of Health (Ministerio de la Protección Social):  
<http://www.minproteccionsocial.gov.co/Paginas/default.aspx>  
Ministry of Mines and Energy: [www.minminas.gov.co](http://www.minminas.gov.co)  
Ministry of Trade, Industry and Tourism: [www.mincomercio.gov.co](http://www.mincomercio.gov.co)  
Ministry of Transportation: [www.mintransporte.gov.co](http://www.mintransporte.gov.co)  
National Association of Exporters: [www.analdex.org](http://www.analdex.org)  
National Cattlemen's Federation: [www.fedegan.org.co](http://www.fedegan.org.co)  
National Health Care Superintendence: [www.supersalud.gov.co](http://www.supersalud.gov.co)  
National Planning Department: [www.dnp.gov.co](http://www.dnp.gov.co)  
Overseas Private Investment Corporation (OPIC): [www.opic.gov](http://www.opic.gov)  
Plastic Industries Association: [www.acoplasticos.org](http://www.acoplasticos.org)  
Portafolio Newspaper: [www.portafolio.com.co](http://www.portafolio.com.co)  
Pharmaceutical Laboratories Association (AFIDRO): [www.afidro.org](http://www.afidro.org)

Presidencia de la República (Office of the President of Colombia):

[www.presidencia.gov.co](http://www.presidencia.gov.co)

Scientific Association for Health: [www.sociedadescientificas.com](http://www.sociedadescientificas.com)

Semana magazine: [www.semana.com](http://www.semana.com)

Small Business Association-Acopi: [www.acopi.org.co](http://www.acopi.org.co)

State Controller's: [www.contraloriagen.gov.co](http://www.contraloriagen.gov.co)

State Contracting Information System (SICE): [www.sice-cgr.gov.co](http://www.sice-cgr.gov.co)

Superintendent of Corporations: [www.supersociedades.gov.co](http://www.supersociedades.gov.co)

Trade and Development Agency: [www.ustda.gov](http://www.ustda.gov)

Visit USA Committee Colombia: [www.visitusacol.com](http://www.visitusacol.com)

World Bank: <http://www.worldbank.org/>

## **Market Research**

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

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

## **Trade Events**

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

<http://export.gov/ibp/ibp.asp?ReportID=IBP>

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## Chapter 10: Guide to Our Services

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

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

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

<http://www.export.gov/colombia>

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

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.