

Pacific Alliance Colombia Country of Opportunities

“FORUM CZECH REPUBLIC AND THE PACIFIC ALIANCE”
PRAHA, 7 OCTOBER 2015

Port of Cartagena

JAIME ALBERTO CABAL SANCLEMENTE
AMBASSADOR OF COLOMBIA



CANCILLERÍA



Embajada de Colombia en Austria

THE COLOMBIAN FACTS

Population:

48.041.293 inhabitants

55% Of the population is less than 30 years old. There are nine cities with over 500 thousand people.

Colombia is the country with the highest biodiversity per km². It is among the 17 most megadiverse countries of the planet.

Key industries:

Energy, hydrocarbons, chemicals, clothing and tailoring, beverages, food, metalmechanics.



With an extension of 1,141,000 km², almost 15 times the size of Czech Republic and 3 times the size of California.

Government:

Presidential constitutional Republic.
"The oldest democracy in America"

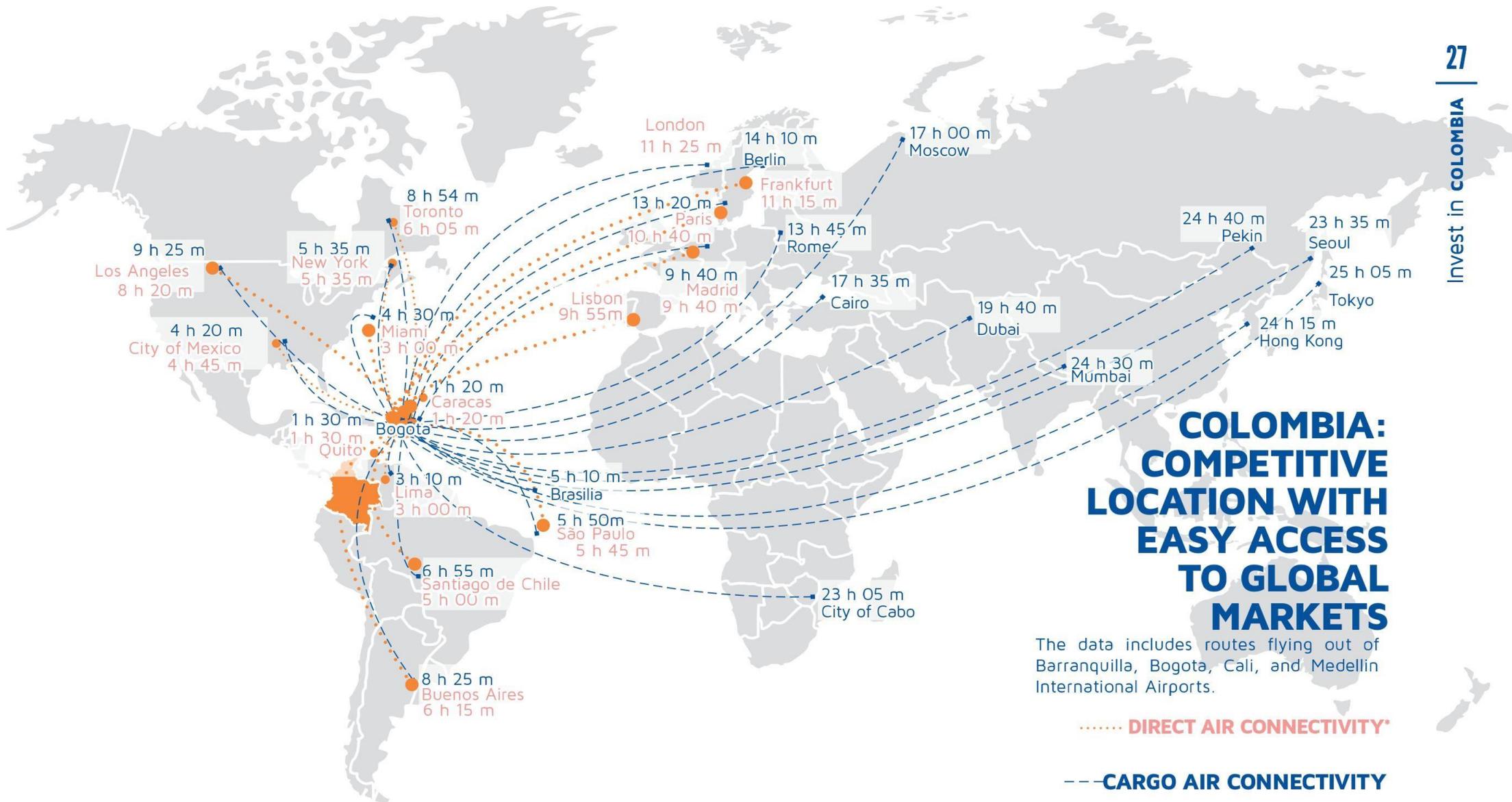
Natural Products:

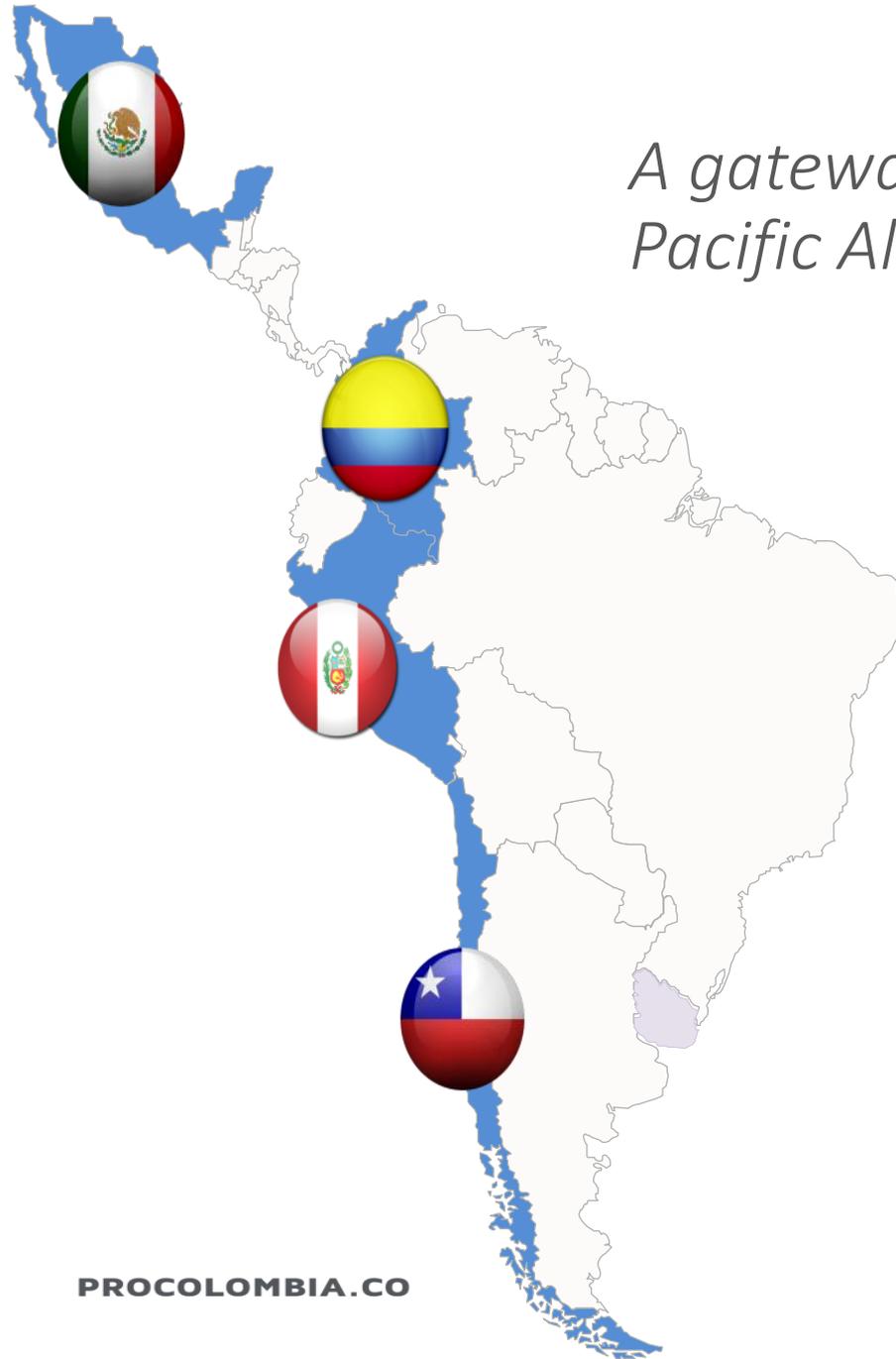
Coffee, flowers, sugar, fruits, coal, gold, emeralds, dairy products, cattle, farming, natural gas and oil.

Colombia, country of cities with leadership qualities in Latin America

- **Bogota** – The capital with more than 8 million inhabitants
- **Barranquilla** – New business platform toward the Americas
- **Cali** – Projection of the Colombian Pacific and link with the Asia Pacific Region
- **Cartagena** – Historic and Cultural World Heritage
- **Medellin** – Global Award “Most Innovative City” (2013)

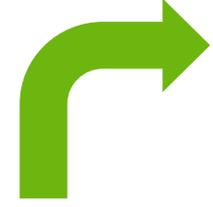






A gateway to the Pacific Alliance

Population of 218 million
Almost Brazil's Population

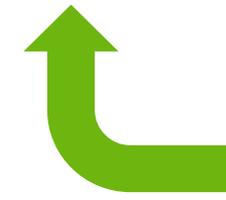


47% of the regional FDI
Total FDI of US\$ 85,488 million (2013)



FTAs with 60 countries
Access to benefits of markets that represent 85.7% of the World GDP

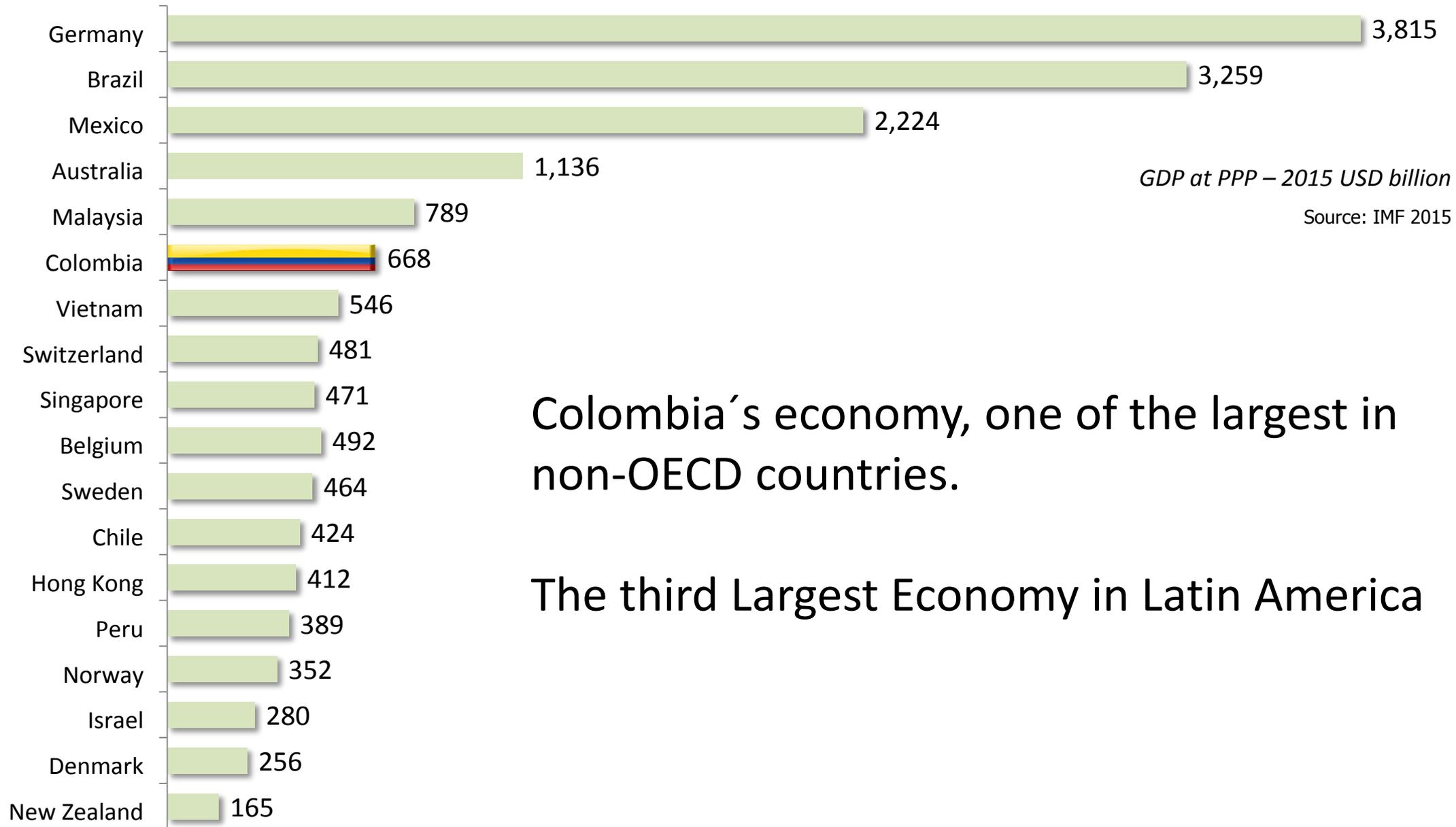
Alianza del Pacífico



GDP of USD 2,123 billion
The members generate 35% of the region's GDP



MILA is the first cross border initiative to integrate equities markets, without any sort of merger or global corporate integration, using only technological tools



Colombia's economy, one of the largest in non-OECD countries.

The third Largest Economy in Latin America

Times of great economic achievements

GDP 2014: **4,6%**

Estimate annual GDP 2015: **3%**

GDP 2013 : 4.9%

Higher than the Latin American average growth (1.3%).

Controlled

Inflation 2014: **3.66%**

Below target inflation



FDI 2014: **US\$16,054**

FDI 2013: **US\$ 15,908**

Figures in US Millions

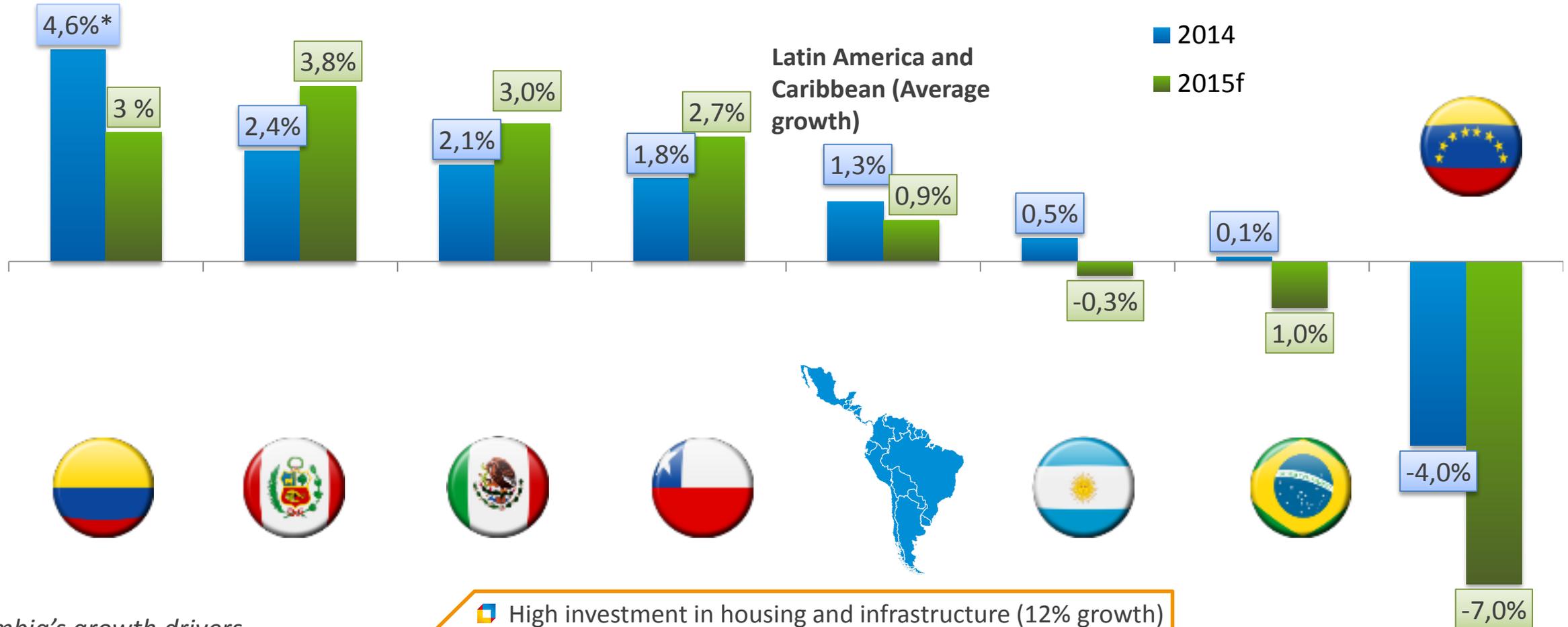
Unemployment rate 2014: **9 %**

1.02 million barrels per day of oil production

Third largest producer in South America

A growing economy within a difficult external environment

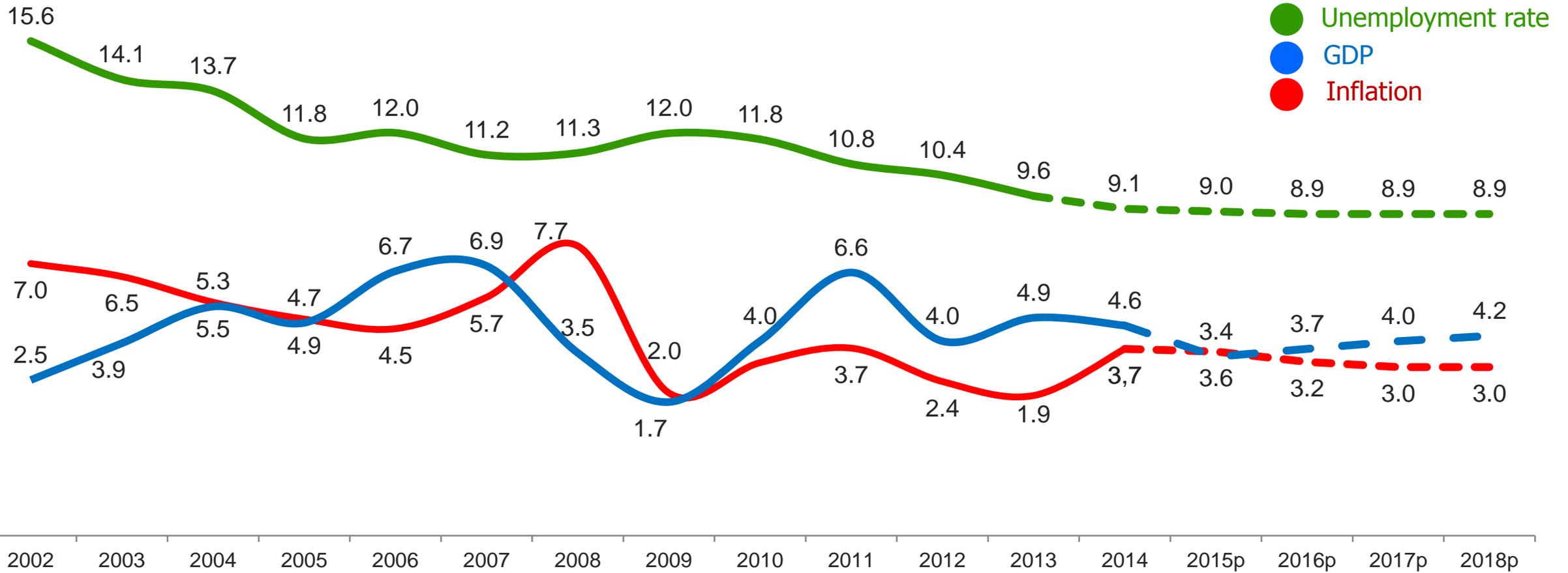
GDP growth 2014 and 2015f



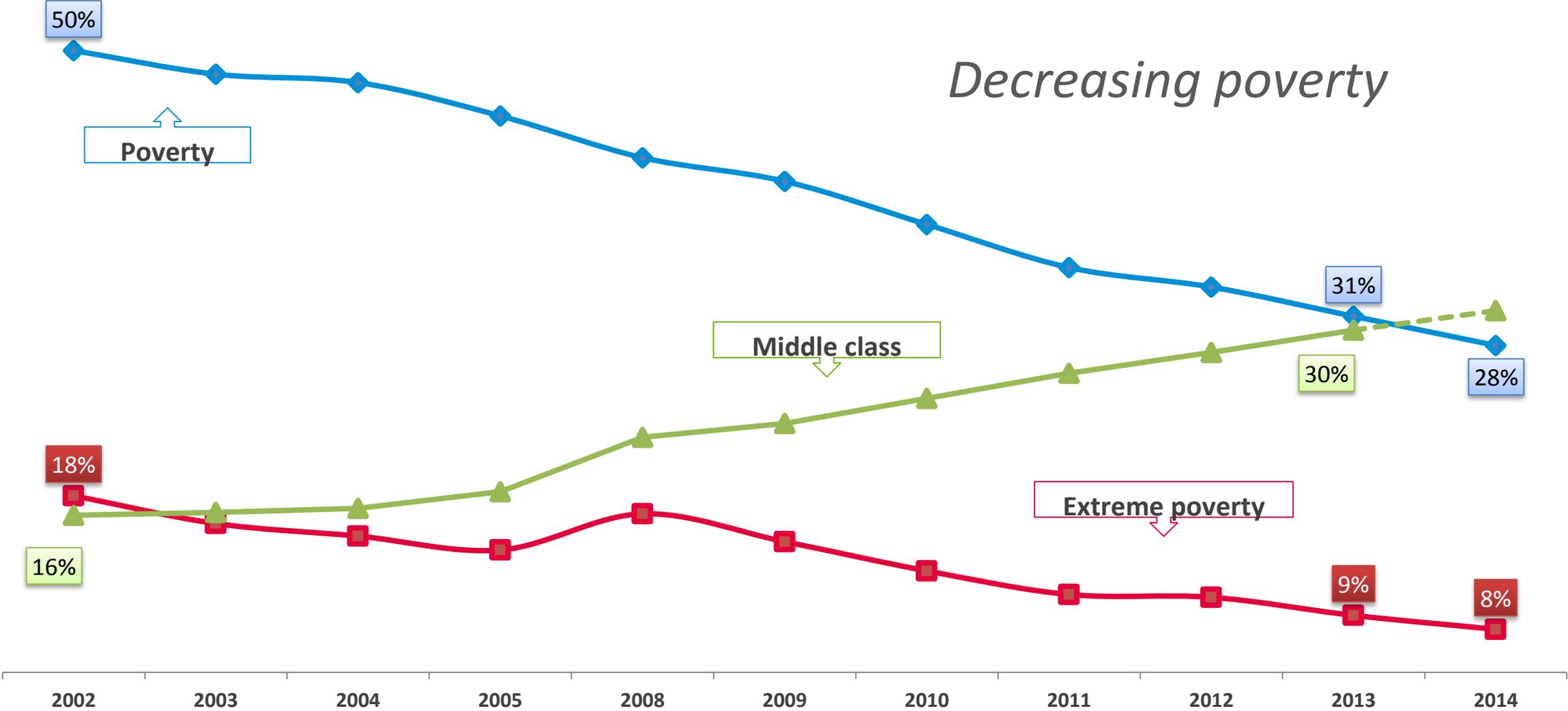
Colombia's growth drivers

- High investment in housing and infrastructure (12% growth)
- Growth in private consumption (4.6%)
- Solid labor market
- Public expenditure

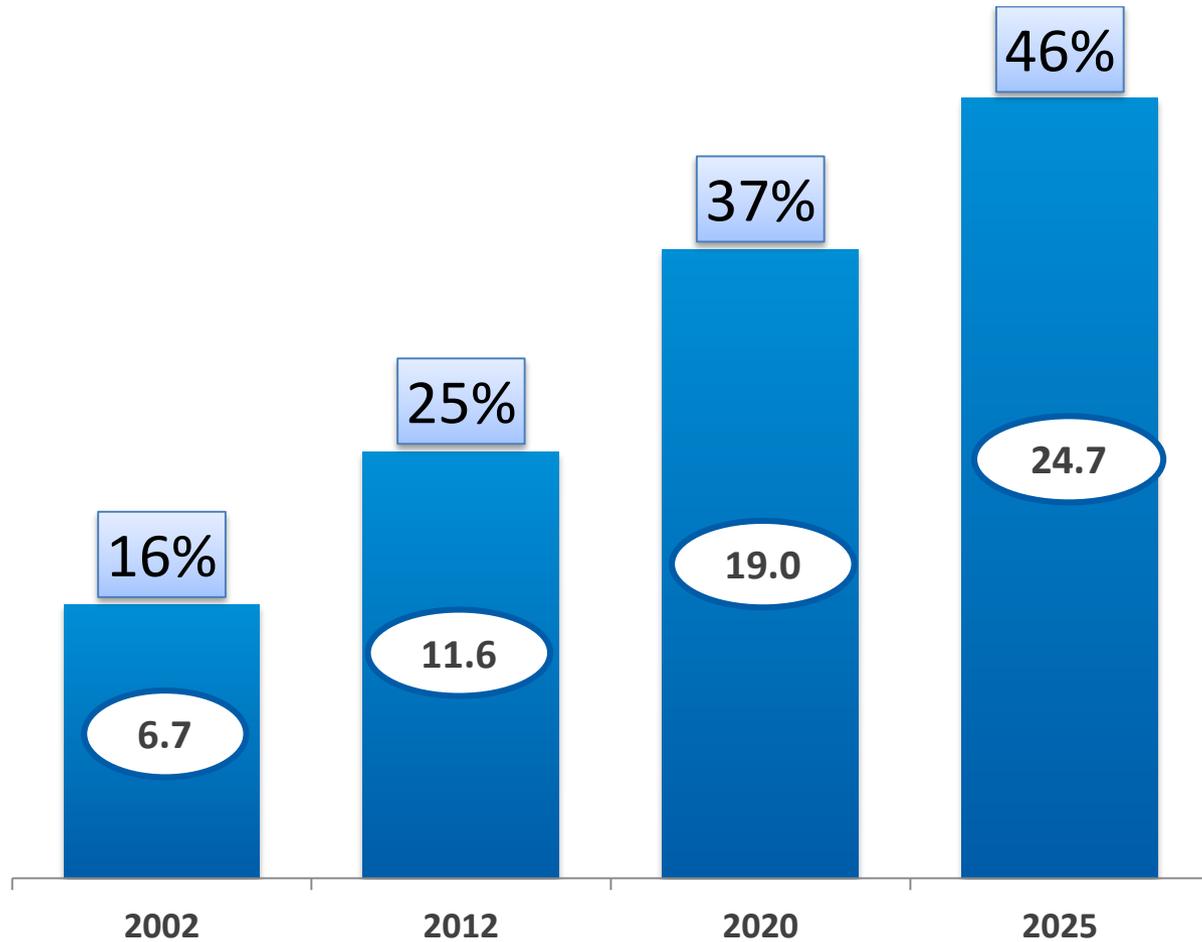
Macroeconomic stability



Decreasing poverty

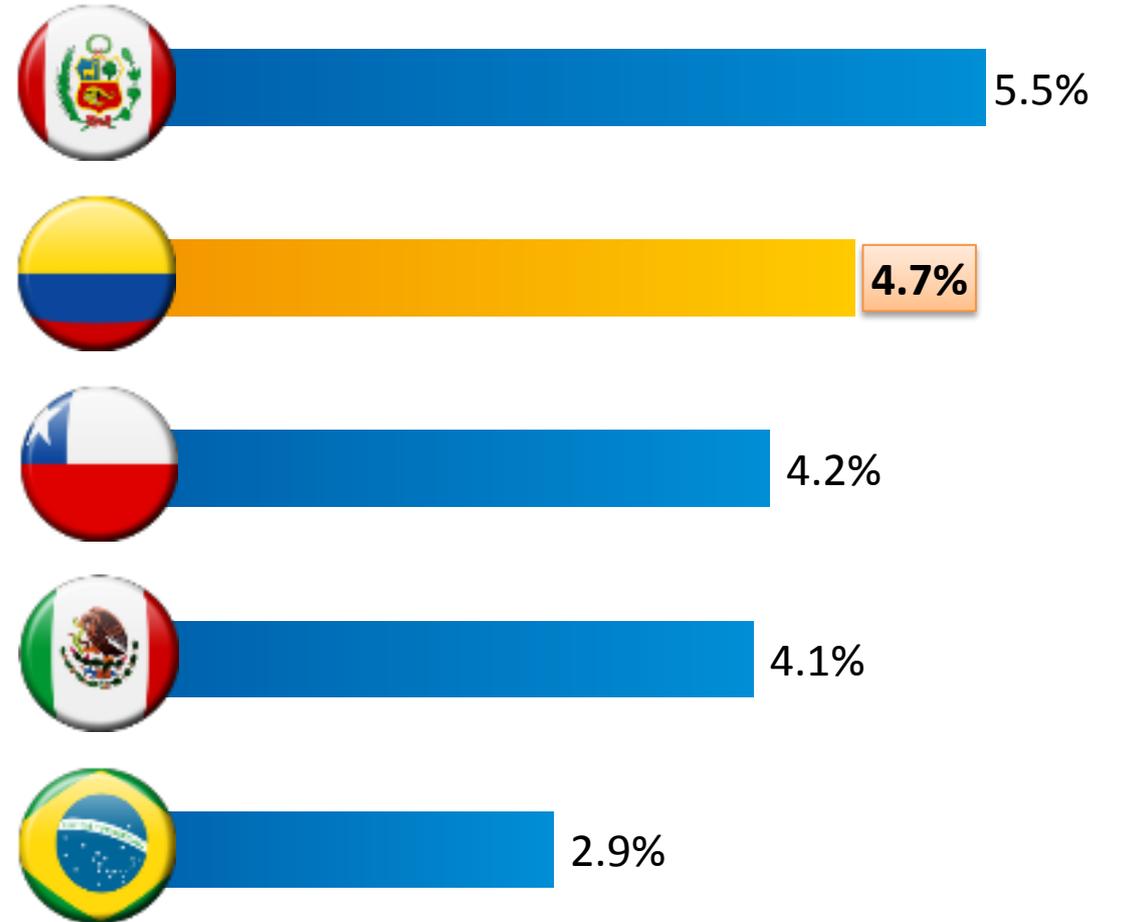


A rapidly expanding middle class

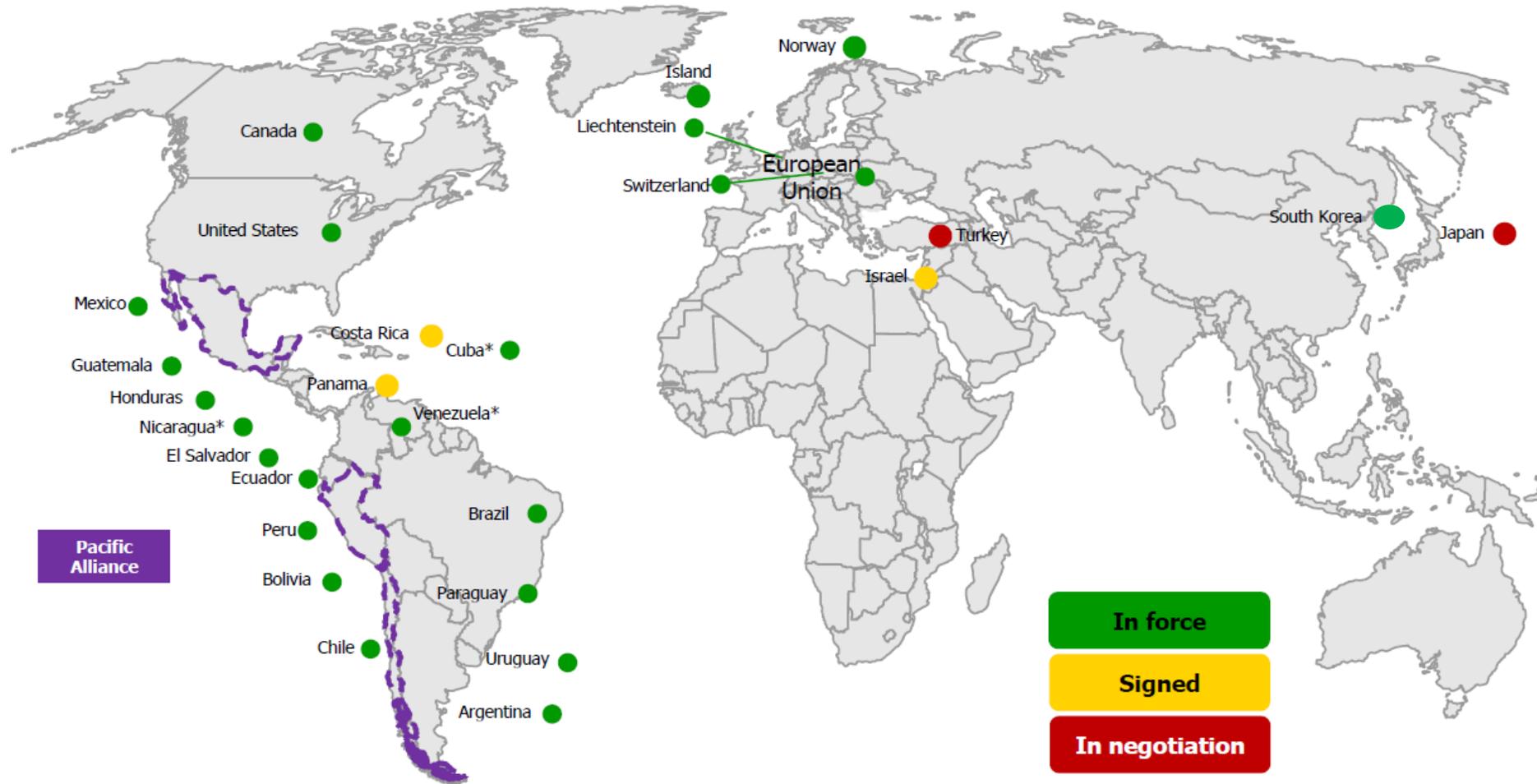


Middle class* in Colombia as a percentage of total population

Average real growth of consumer expenditure, 2014 – 2018

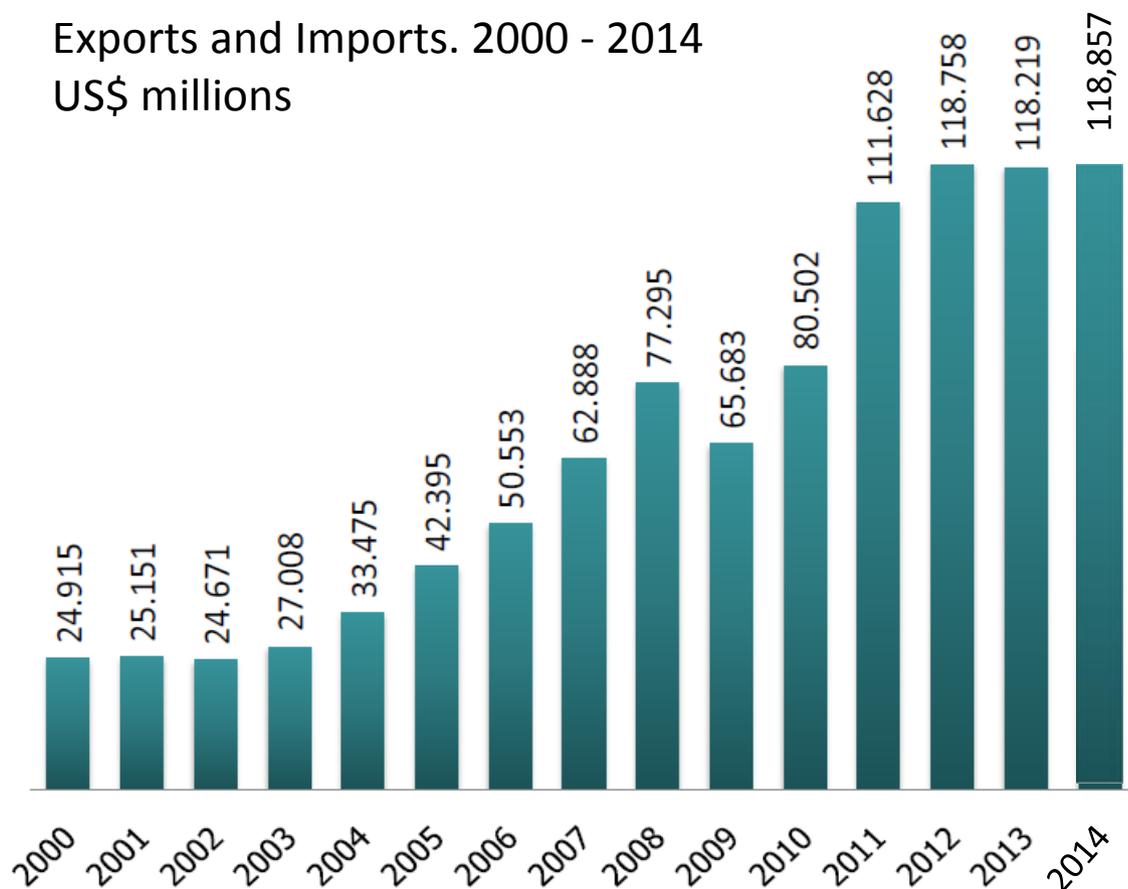


Colombia: open economy - Free Trade Agreements



Total Trade increased fivefold in the last 10 years

Exports and Imports. 2000 - 2014
US\$ millions



Top commercial partners 2014

United States

Exports: US\$10,895 million

Imports: US\$10,895 million

European Union

Exports: US\$ 9,406 million

Imports: US\$ 8,761 million

China

Exports: US\$ 4,887 million

Imports: US\$ 7,449 million

Mexico

Exports: US\$ 712 million

Imports: US\$ 3,355 million

India

Exports: US\$ 2,410 million

Imports: US\$ 914 million

Free Trade Agreement Colombia - EU

- The FTA between Colombia and EU is a new opportunity for trade.
- It came into force in August 2013. These are the first positive results:
- In 2014, Colombian exports to the European Union (EU) reached US\$ 9,406 million, with annual Growth rate of 6.2% .
- Colombia's imports from the EU in the same period was US\$ 8,761 million, which means an annual growth of 8.3%.

(Source: European Commission Trade)

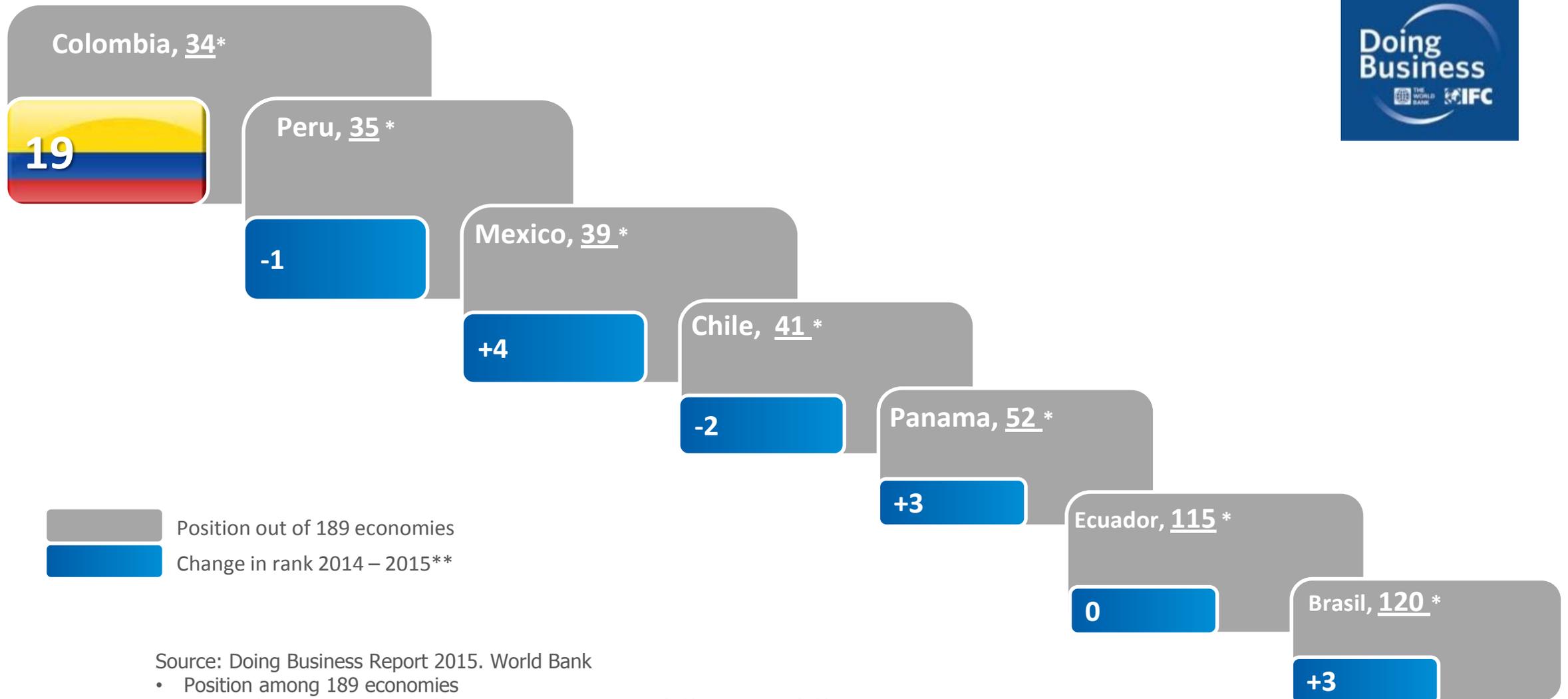


*Investment opportunities
and incentives*



PROCOLOMBIA
EXPORTS TOURISM INVESTMENT COUNTRY BRAND

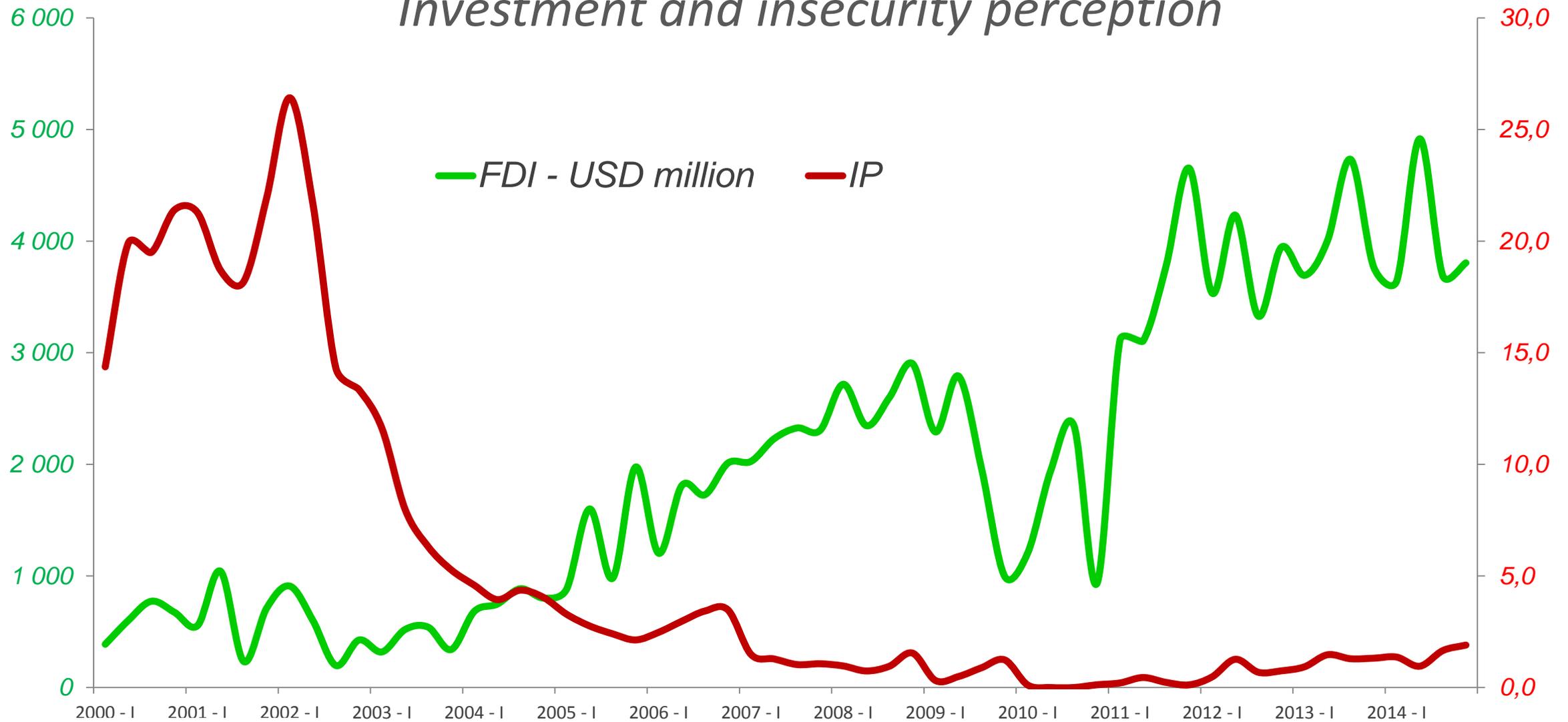
Colombia: best country for doing business in LATAM 2015



Grey box: Position out of 189 economies
Blue box: Change in rank 2014 – 2015**

Source: Doing Business Report 2015. World Bank
• Position among 189 economies
• Best ranking: getting credit (2) – protecting investors (10) – registry (42)

Investment and insecurity perception



Investment-grade country

Term

Rating

Perspective

**STANDARD
& POOR'S**

Long Term –
Foreign currency

BBB

Stable

FitchRatings

Long Term –
Foreign currency

BBB

Stable

MOODY'S

Long Term –
Foreign currency

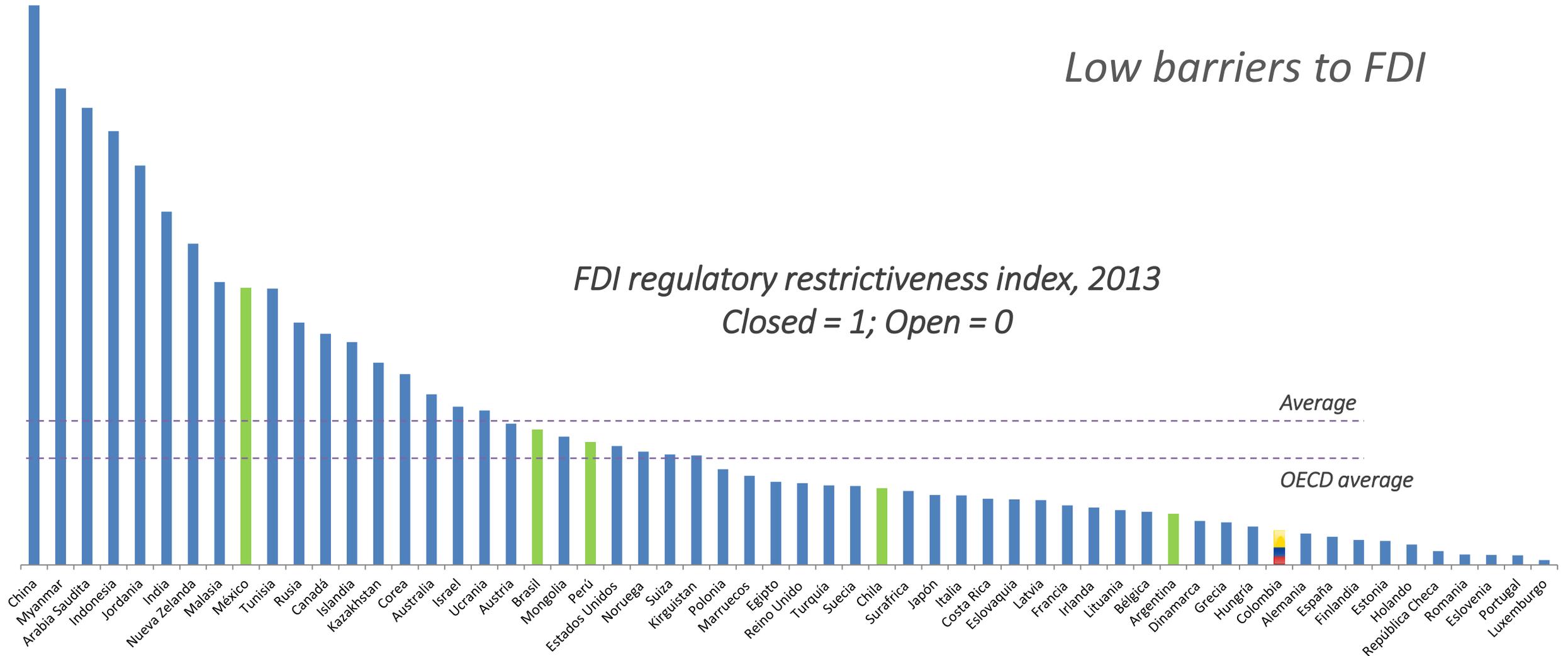
Baa2

Positive

- *Positive growth forecast thanks to 4G infrastructure*
- *A sound fiscal management that will continue in the future*

Low barriers to FDI

FDI regulatory restrictiveness index, 2013
Closed = 1; Open = 0



The FDI Regulatory Restrictiveness Index (FDI Index) measures statutory restrictions on foreign direct investment in 58 countries, including all OECD and G20 countries, and covers 22 sectors

AN ARRAY OF FREE TRADE ZONES

Colombia currently has over 100 Free Trade Zones, both permanent and special permanent.

The permanent Free Trade Zones are competitive thanks to the following characteristics:

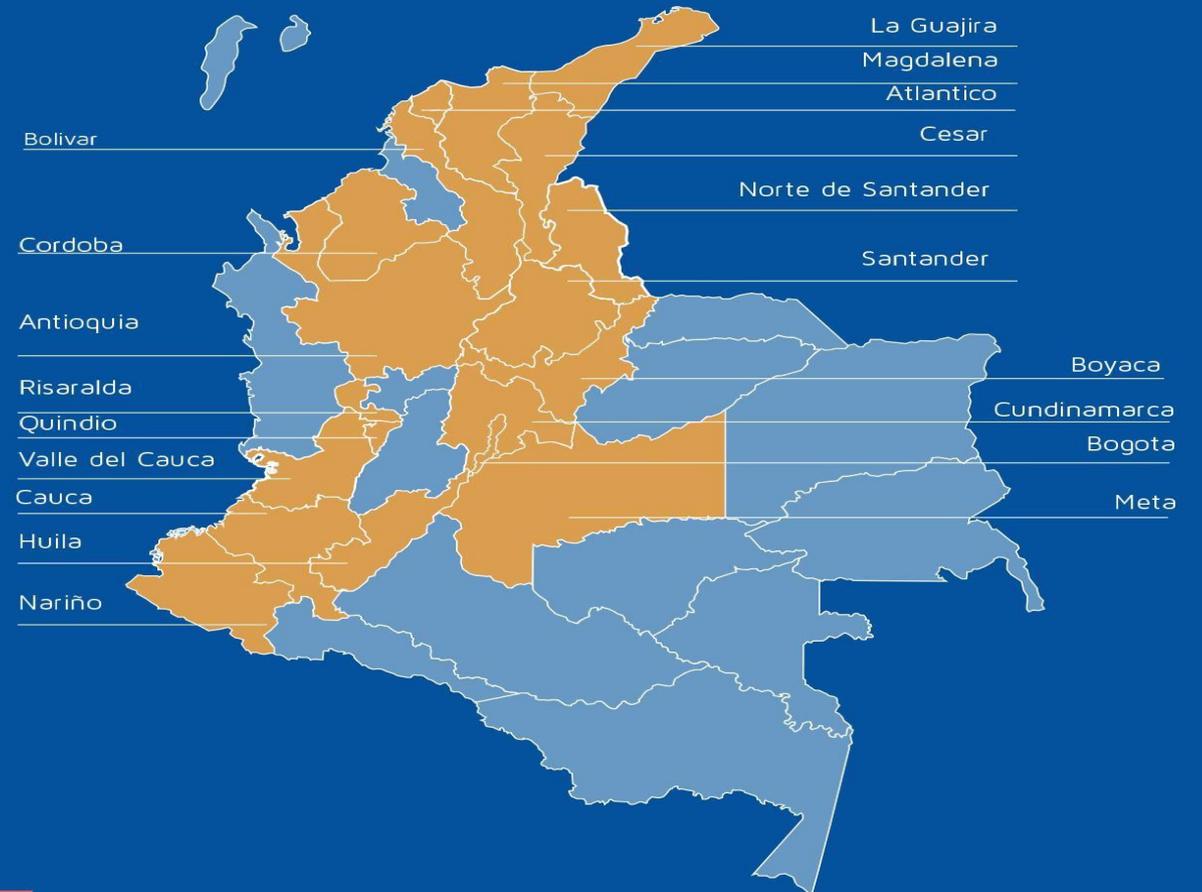
Benefiting from Free Trade Agreements

Income tax of 15%*

No local market sale restrictions

Customs tax does not apply (VAT, tariffs)

*For Free Zones applied for/or approved before 31 December, 2012.



Departments with declared Free Trade Zones (FTZ):

Permanent FTZ declared by the DIAN (National Directorate of Taxes and Customs): (27)-Multi-company.

Special permanent FTZ declared by the DIAN (67)-Single-company extended FTZ: (3).

Source: MinTIC (Ministry of Commerce, Industry and Tourism) – Report on Free Trade Zones – June 16, 2014.

INCENTIVES FOR R+D

INCOME TAX DEDUCTIONS EQUIVALENT TO 175% OF THE VALUE INVESTED INTO RESEARCH AND DEVELOPMENT

AN EXEMPTION OF SALES TAX (VAT) ON THE IMPORTATION OF EQUIPMENT USED BY R+D CENTRES RECOGNISED BY COLCIENCIAS

RESOURCES RECEIVED TO FINANCE SCIENTIFIC AND TECHNOLOGICAL PROJECTS OR INCOMES FROM INNOVATION ARE INCOME TAX EXEMPT

PROTECTION OF INDUSTRIAL PROPERTY IN ACCORDANCE WITH INTERNATIONAL STANDARDS

EQUIPMENT AND DEVICES IMPORTED BY R&D CENTRES RECOGNIZED BY COLCIENCIAS WILL BE EXEMPT FROM VALUE ADDED TAX (VAT)

EMPLOYMENT INCENTIVES

INCOME TAX DISCOUNT AND PARA-FISCAL CONTRIBUTION BENEFITS, AS WELL AS OTHER NOMINAL CONTRIBUTIONS.

(DOES NOT INCLUDE JOBS GENERATED BY REPLACEMENTS OR MERGERS)



NEW employees **under 28 years** of age. Duration of employer benefit:

2 years

NEW displaced **reintegrated or disabled employees.** Duration of employer benefit:

3 years

NEW female employees **over 40 years of age, unemployed for 1 year.** Duration of employer benefit:

2 years

NEW employees who receive **less than 1.5 SMMLV.** Duration of employer benefit:

2 years

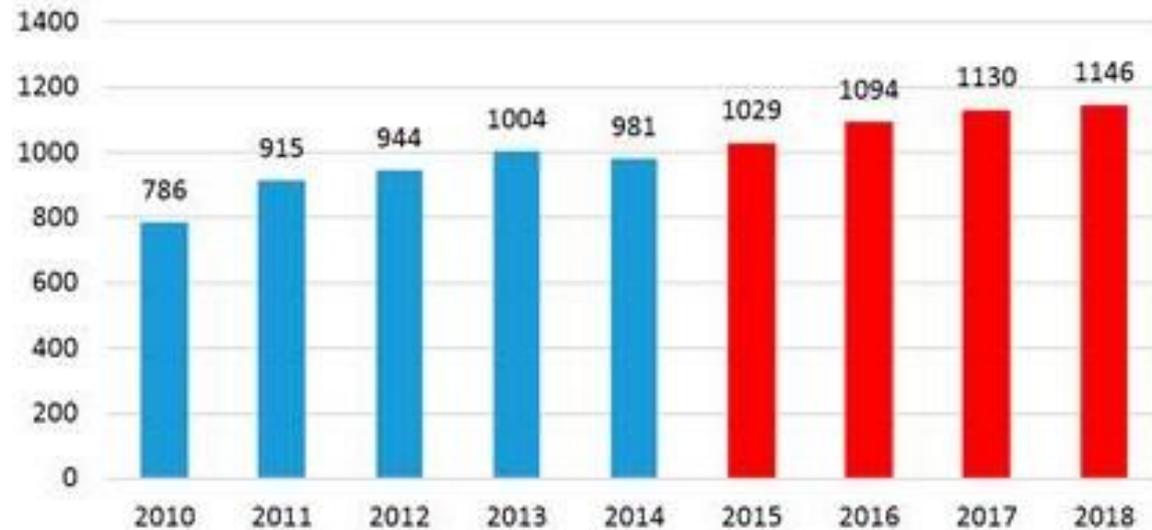


Incentives by sector: up to 20 years of income tax exemption

Tourism	<ul style="list-style-type: none">• Exemption for 30 years for those who invest in the construction or renovation of hotels between January 1st, 2003 and December 31, 2017.
Eco-tourism	<ul style="list-style-type: none">• Exemption for 20 years starting from 2003.
Late yield crops	<ul style="list-style-type: none">• Exemption for 10 years after the beginning of production in crops planted between 2003 and 2014.
Forestry	<ul style="list-style-type: none">• Permanent exemption for investment in new forest plantations, sawmilling and timber plantations.
Editorial	<ul style="list-style-type: none">• Publishing of books, magazines, booklets or collections of scientific or cultural characteristics are exempt until 2013.
Software	<ul style="list-style-type: none">• Exemption for 5 years for software developed in Colombia with high scientific and technological research content. The exemption begins on January 1st, 2013.
Renewable energy	<ul style="list-style-type: none">• Exemption for 15 years for sale (by the generators) of electricity based on wind resources, biomass or agricultural waste.
River transport	<ul style="list-style-type: none">• Exemption for 15 years starting from 2003 to provide services in slabs and boats with net weight below 25 tons.
Research and Technological Development	<ul style="list-style-type: none">• 175% income tax deduction over investments in scientific and technological developments.

Sectors of opportunity - Energy

Oil Production in Colombia and Forecast
Million Barrels per Day



Business opportunities:

- Exploration and Production
 - Transport infrastructure
 - Equipment and technology
 - Oil and energy industry services
 - Renewable energy projects
- Colombia was ranked first in Latin America and seven in the world according to the “Energy Architecture Performance Index 2014 Ranking” WEF,2014
 - Colombia is Latin America’s second largest producer of biofuels
 - Total expected hydroelectric capacity is expected to reach 18,653 MW in 2018

Investment opportunities in non-conventional power generation

Non-conventional power generation projects

- *solar*
- *wind*
- *biomass*
- *geothermal*
- *solid waste*

Regulatory framework

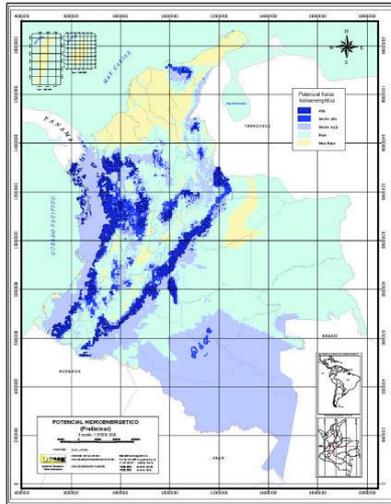
- *Law 1715 of 2014 – integration of NCRE to the system*
- *Fiscal and financial incentives*

NCZ account for 52% of territory

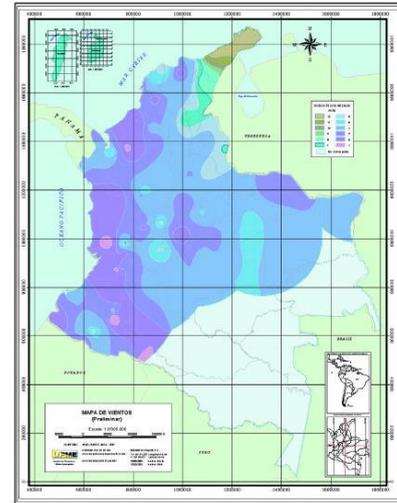
- *Most energy in NCZ is currently produced with diésel fuel*

Investment opportunities in non-conventional power generation

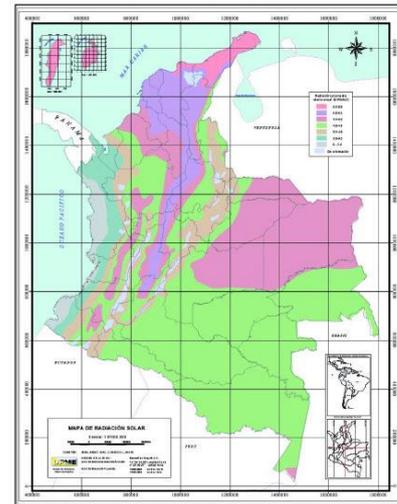
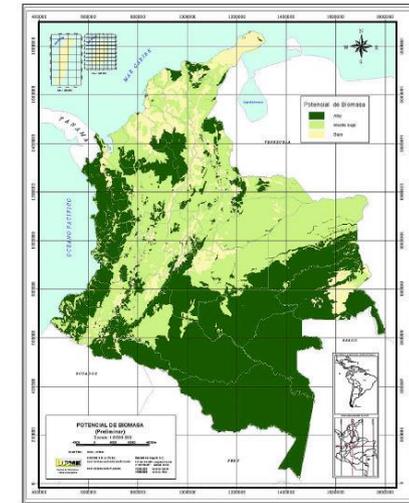
Hydropower



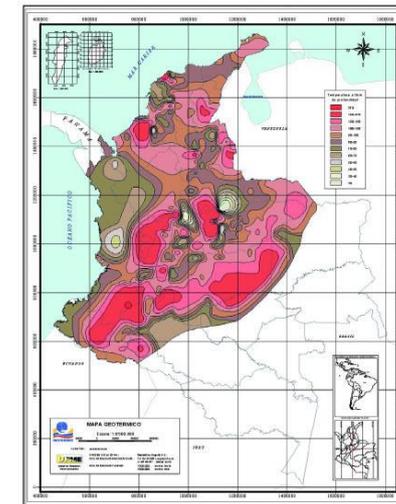
Wind



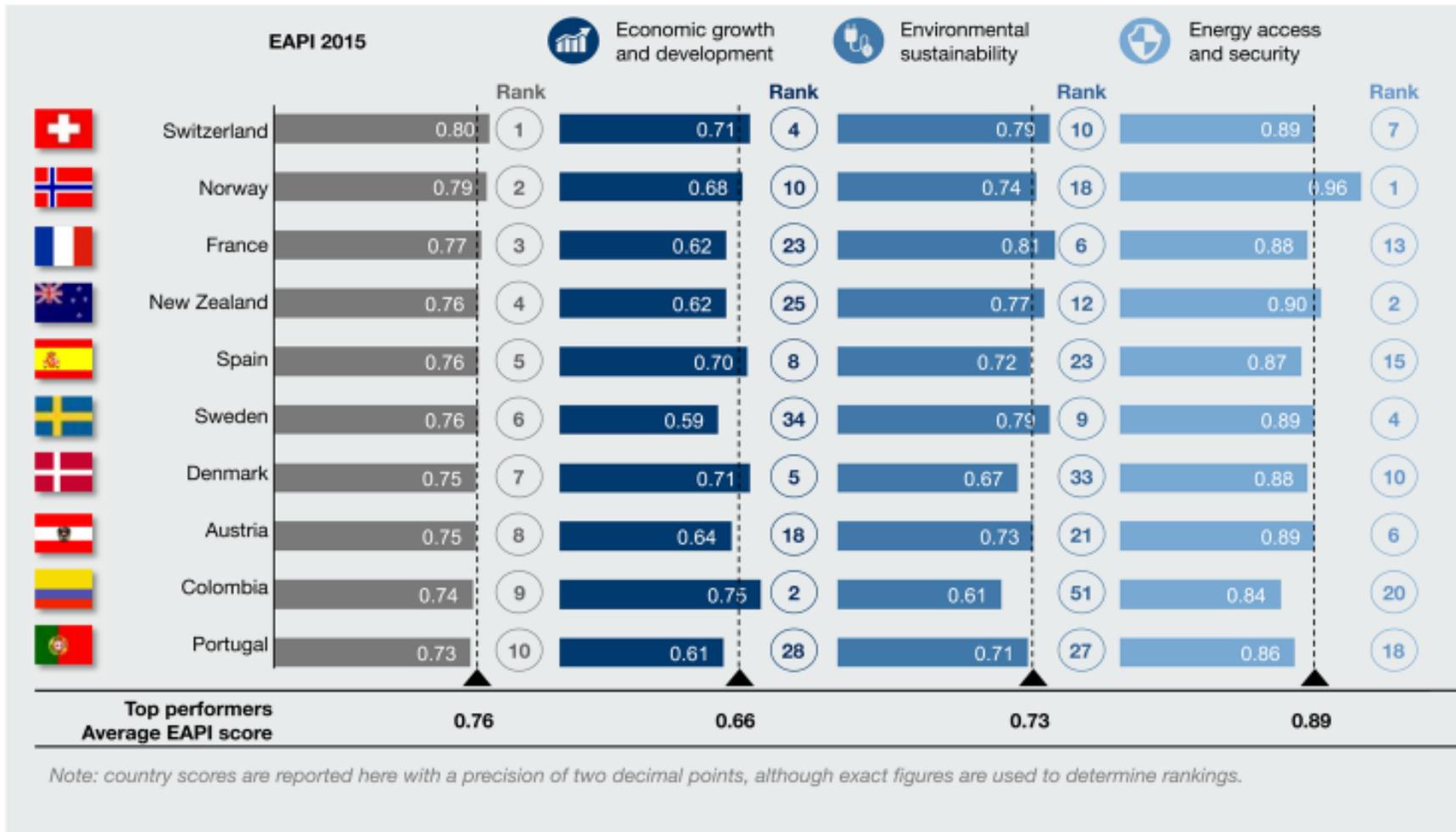
Biomass



Solar



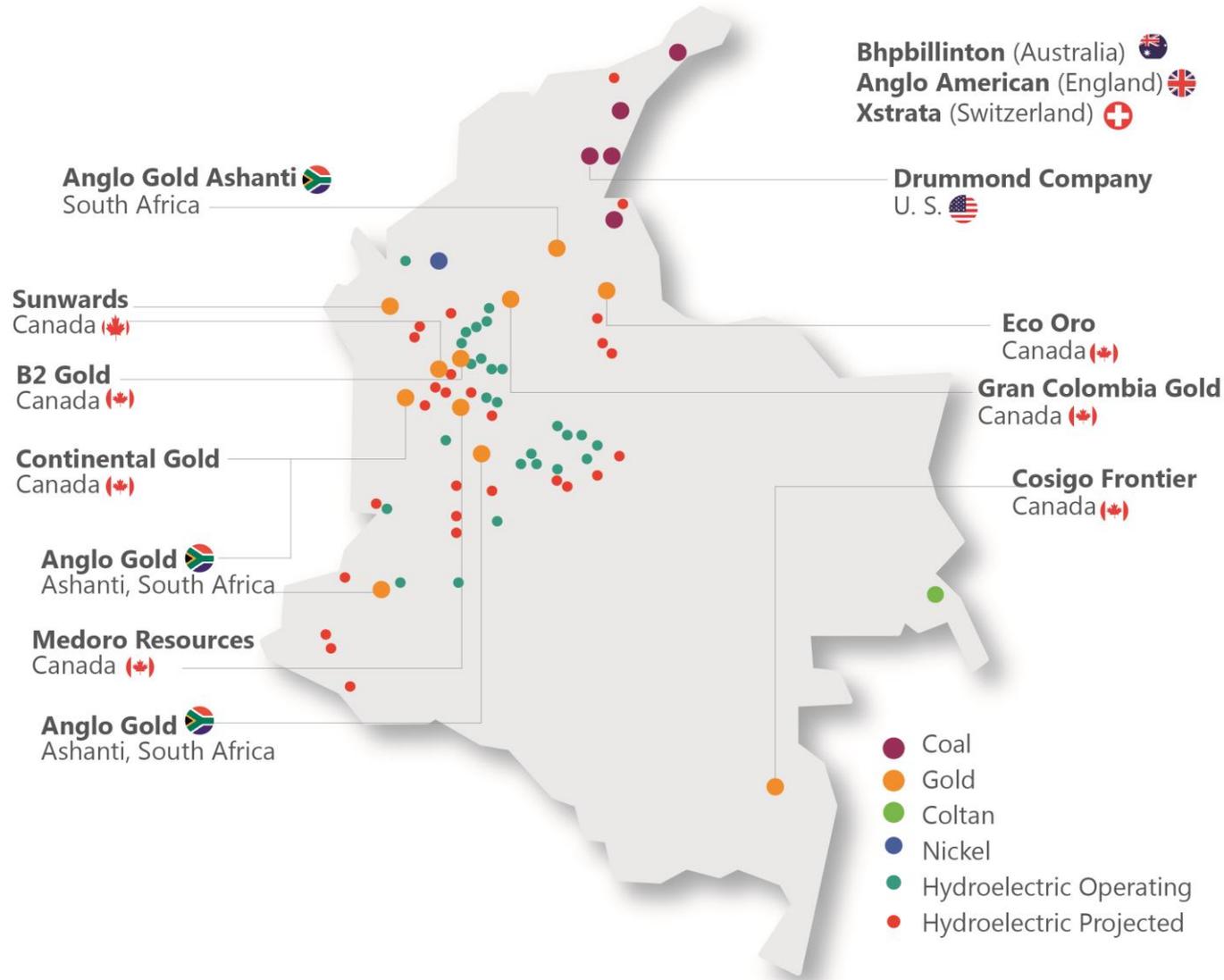
Geothermal



Colombia was ranked **first in Latin America** and **seventh in the world** according to the World Economic Forum’s “Energy Architecture Performance Index 2015”

Projects – Fuels and Mining

Some **mining companies** in Colombia



- **Coal production in 2014:** 88,57 million tons.
- **Gold production in 2014:** 57 tons.
- **Nickel production in 2014:** 90.8 million pounds
- **Emeralds:** Colombia Produces 55% of the Planet's Emeralds- Best quality

100% of the mining rights (10,161) have been audited, allowing better monitoring and control in the sector.

Sectors of opportunity – Infrastructure: A mayor drive for growth



Fourth Generation of PPP'S (4g) –

Roads: US\$ 24 Bill.

- Intervention of **8.000 Km** of Roads
- **1.300 Km** of new Roads
- **40** new concessions

**Opportunities to develop
air, road, river and airport
infrastructure**



**Ports: US\$ 2,1 Bill.
(2015-2018)**



Improvement of the
Magdalena **river**
navigability:
US\$ 1.3 Bill.



Airports: interventions **US\$ 1.8 Bill**
(10 projects) and constructions **US\$**
2.3 Bill (2 projects). **(2015-2018)**



Step **Rail Ways** Concession
Program (feasibility study – step 2)
US\$ 4.2 Bill.

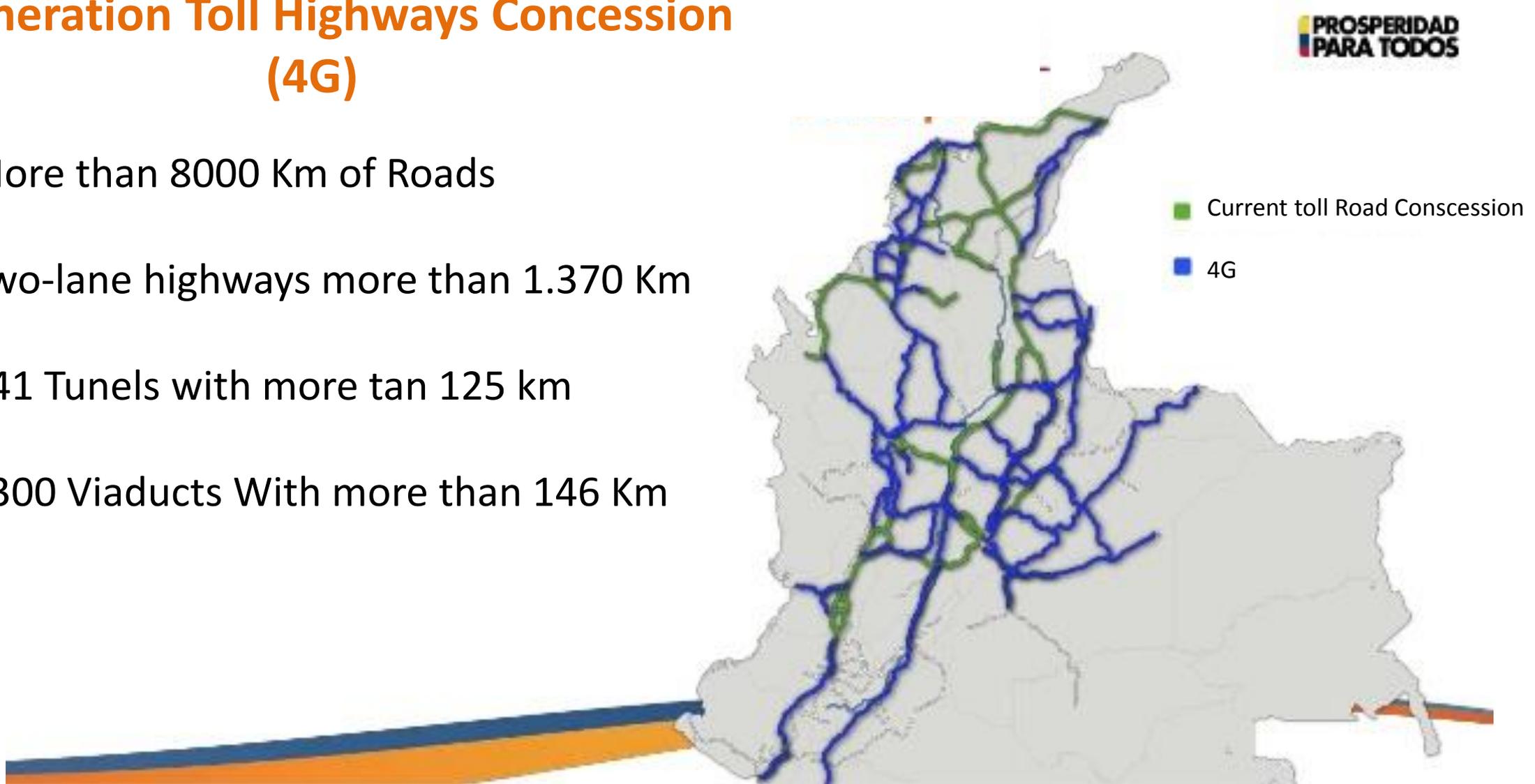
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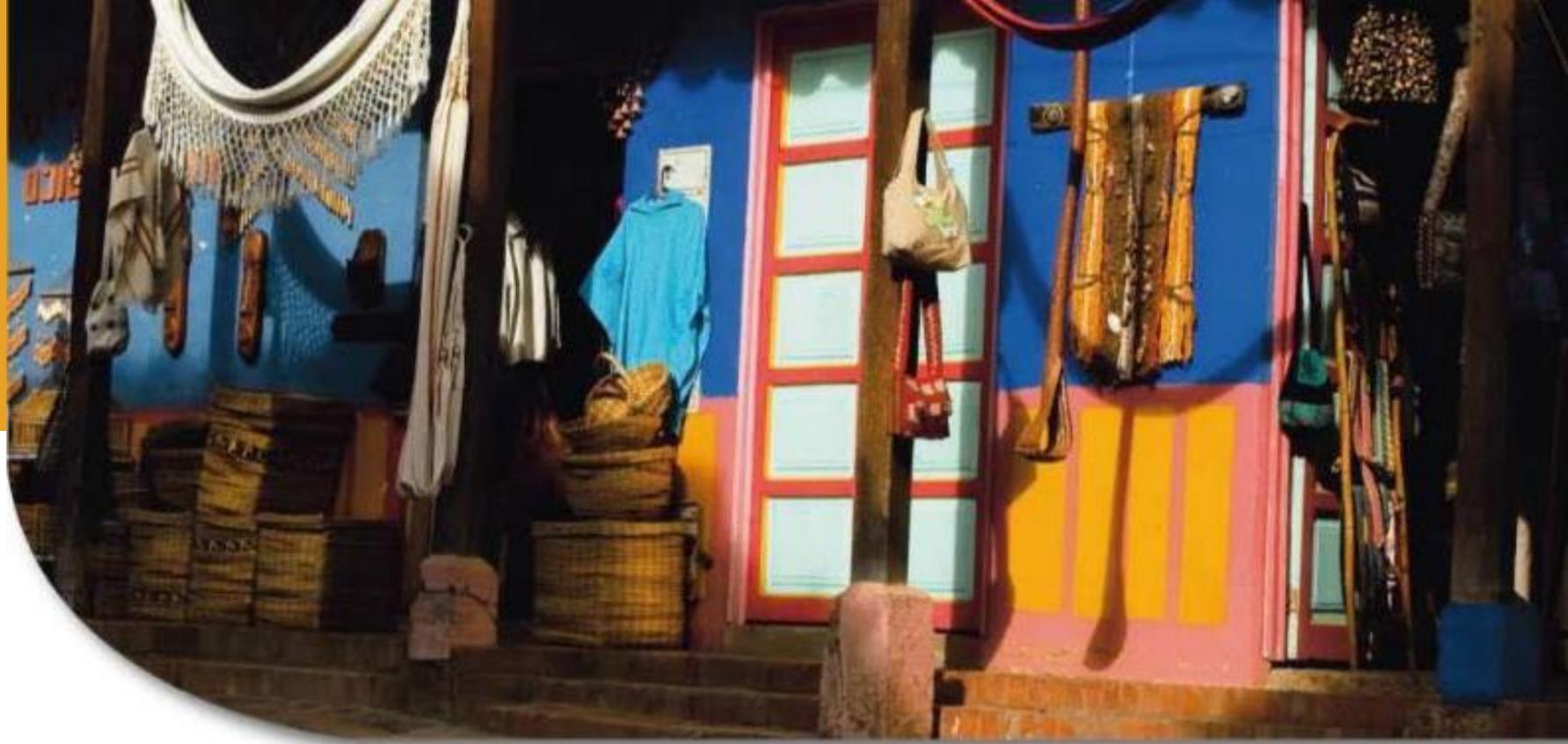
Sectors of opportunity – Infrastructure: A mayor drive for growth

4 Generation Toll Highways Concession (4G)

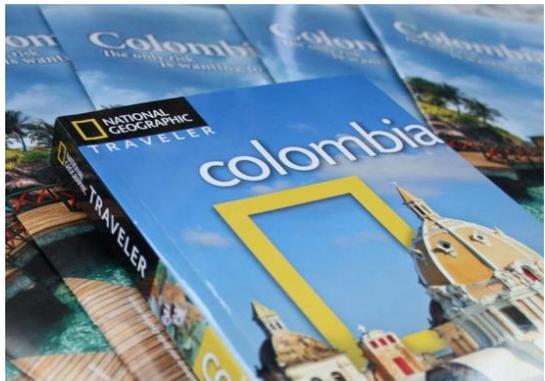
- More than 8000 Km of Roads
- Two-lane highways more than 1.370 Km
- 141 Tunels with more tan 125 km
- 1300 Viaducts With more than 146 Km



Tourism

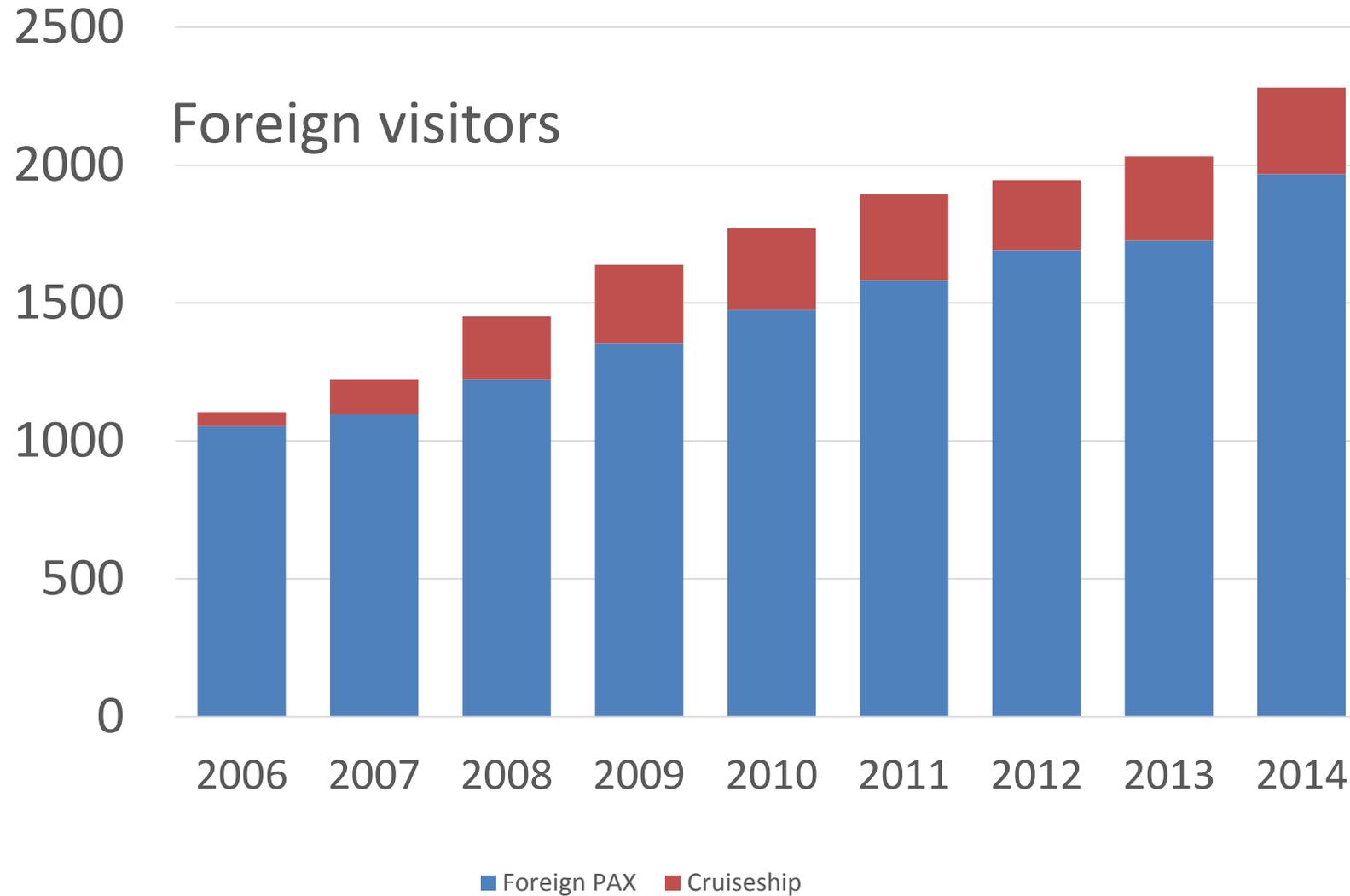


Colombia was chosen as **the best ecotourism destination in the World Tourism Fair 2014** held in Shanghai.



- In 2014 , by air , sea and land borders of Colombia 2,879,543 arrivals of non-resident travelers were registered ,11.0 % more than in the same period of 2013.

Investment opportunities in hotel infrastructure



United States

330,439

19.1%



European Union

285,218

6.1%



Venezuela

234,822

13.9%



Ecuador

113,539

6.4%



Hotel Investment Benefits – Law 788 of 2002

Since that law 788 of 2002 was regulated, the Hotel investors since 2003 obtain an exemption from income tax for 30 years.

- Exemption from income tax for 30 years for the services provided in hotels built or refurbished and Eco-Tourism before 2018 .
- Tax deductions on capital goods used for tourism exports
- 33,000 new rooms between 2003-2014
- 99,000 refurbished rooms
- 7 Convention centers
- 46 New Projects in Construction



The Productive Transformation Program - PTP: 20 sectors for growth and competitiveness

The PTP is a program of the National Government to transform the Colombian industry and promote the development of enterprises in 20 strategic sectors of the national economy, to compete and grow.

Forming strategic alliances with business in the aforementioned sectors, and the creation of new companies are strong opportunities in Colombia for the domestic and foreign market.

Manufacturing Sector	Services Sector	Agribusiness Sector
Cosmetics	Business Process Outsourcing BPO	Chocolate, confectionery and raw materials
Textiles and clothing	Software and information technology	Beef
Leather, footwear and leather goods	Health tourism	Aquaculture
Publishing and graphic communication	Wellness tourism	Dairy
Automobile and autoparts industry	Ecotourism	Fruits
Metalworking	Electricity and related services	Palm oil, vegetable oils and biofuels
Ferrous metallurgy		
Shipyards		

SECTORS OF OPPORTUNITY – SERVICES: IT, BPO, ITO, Shared Services, Apps



The broadband connections **increased** from 2,2 to 8,8 millions between 2010 and 2014



In the next 4 years, **the broadband connections will be tripled** reaching 27 million connections

Source: MinCIT

Colombia is the **4th largest provider of Software and IT services in the region.**

Sales growth rate : **13%** between 2012 and 2013

Some foreign players in Colombia



Colombia: the most recently invited country to join the OECD



- The Organization for Economic Cooperation and Development (OECD) released the Economic Survey of Colombia 2015, highlighting the country's outstanding economic performance and economic policy management and accountability.
- The survey examined the government's macroeconomic policies, emphasizing that Colombia has sustained a **steady economic growth during the last decade**, which has served to narrow the gap with developed countries.
- The OECD informed that economic success comes as a result of the public finance discipline imposed by tax regulations, a sound monetary policy that keeps inflation levels low, and a strong financial system.

The press reports about the Colombian new reality...

Jun 3, 2013

Colombia: A rediscovered country

FT

FINANCIAL
TIMES

For decades the rugged Andean landscape harboured crime and violence, but today regional pride is emerging in a revived economy

Colombia: Second most attractive FDI, destination of the future.
SHANGHAI, Novembre 13, 2013.

SITE
SELECTION

FDI
ASSOCIATION

Is Colombia The Indonesia Of Latin America?

+ Comment Now + Follow Comments

by Heather West

For several years now global investors have looked to the Southeast Asian archipelago of Indonesia as one of the great growth opportunities in Asia-Pacific, with its natural resources, its fast-growing economy and 250 million people to pay for Western soft drinks,

Forbes



Investing in
COLOMBIA

Nation shakes off 'nearly failed' status

FT
FINANCIAL
TIMES

TIME

THE COLOMBIAN COMEBACK

Colombia As A Potential New Free Trade Haven

BMO Harris Contributor. BMOHarrisBank

+ Comment Now + Follow Comments

By *Alexa van Sickle*

Colombia, with its 45 million consumers, has long seemed a prime market for U.S. exports in the region. It has the third-largest economy in Latin America, and in 2010, U.S. producers exported more than **\$11 billion in goods** to Colombia, making it the U.S.'s

Forbes



(Image credit: AFP/Getty Images via @daylife)





- ✓ **2,5 million Colombians overcame poverty (2010-2014)**
- ✓ The goal is to eradicate extreme poverty in a decade.

The Government of President Juan Manuel Santos is transforming Colombia into a **PEACE, EQUALITY AND EDUCATION** country and hence guarantee **PROSPERITY FOR ALL**



Head of State

President Juan Manuel Santos Calderón
(2014-2018)

děkuji



CANCELLERÍA



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Czech Republic Imports from Colombia

US\$ FOB	2013	2014	VAR	Jan-jul 2014	Jan-jul 2015	VAR
Flowers & Live Plants	2.347.346	2.988.361	27,3%	1.944.034	1.521.105	-21,8%
Cafe	739.263	866.485	17,2%	407.645	-	-100%
Plastic and Rubber (Construction materials)	-	89.777	100%	-	-	0%
Live Animals (Ornamental Fish)	93.224	86.354	-7,4%	52.707	87.563	66,1%
Various food preparations	-	57.189	100%	57.189	7.176	-87,5%

Non Mining & Energy registered a growth of 21.4 % (US \$ 745,861) in 2014. The flowers and live plants sector showed the strongest growth with US \$ 641,797 (27.3 %) , Another subsector which presented significant growth was coffee, with US \$ 127,221 (17.2%) , explained by the increase in exports from Bogota

Czech Republic Exports to Colombia

In 2014 the total Exports from the Czech Republic to Colombia reached US \$ 54.64 million showing a net increase of US \$ 8.2 million , 17.6 % more than the record of 2013

US\$ FOB	2013	2014	VAR	Jan-jun 2014	Jan-jun 2015	VAR
Instruments and Equipment	13.620.102	21.594.428	58,5%	11.896.184	9.760.016	-18,0%
Metal Products	6.889.891	9.929.925	44,1%	4.574.983	6.355.651	38,9%
Vehicles and Other Transport	5.023.644	5.086.164	1,2%	2.386.581	2.693.638	12,9%
Autoparts	2.684.358	3.228.378	20,3%	1.629.475	1.232.785	-24,3%
Agribusines	1.923.002	3.044.712	58,3%	981.180	2.668.080	171,9%

In January-June 2015 , total Exports from the Czech Republic to Colombia reached US \$ 28 million , growing 0.45 % (US \$ 126.751 million) compared to the same period in 2014 when \$ 27.9 million were recorded.