



Investment Environment and Business Opportunities in Colombia

March 2012

Tourismus, Investition und Export. • *Promotion du Tourisme, de L' Investissement et ees Exportations* • Tourism, Foreign Investment and Exports Promotion. • *Toeristische, Buitenlandse Invetiringen en Export Promotie.* • **Promoción de Turismo, Inversión y Exportaciones.** • *Promocao de Turismo, Investimento e Exportacoes.* • Forderung von Tourismus,

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

TOURISM



INVESTMENT



EXPORTS



Proexport Around the World



Some recent investment projects supported by Proexport



Kimberly-Clark

2011 - Announced a new product and development research center

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



2011 - Global service center for BPO and IT operations

Brookfield

2010 – Established a Private Capital Fund for Colombia in Infrastructure



JW MARRIOTT
HOTELS & RESORTS

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

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





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

✓ Bordering the Pacific and Atlantic oceans

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

A competitive location with easy access to cover the Americas
(aprox. 5 hours to NY, Toronto, Santiago and Sao Paulo)



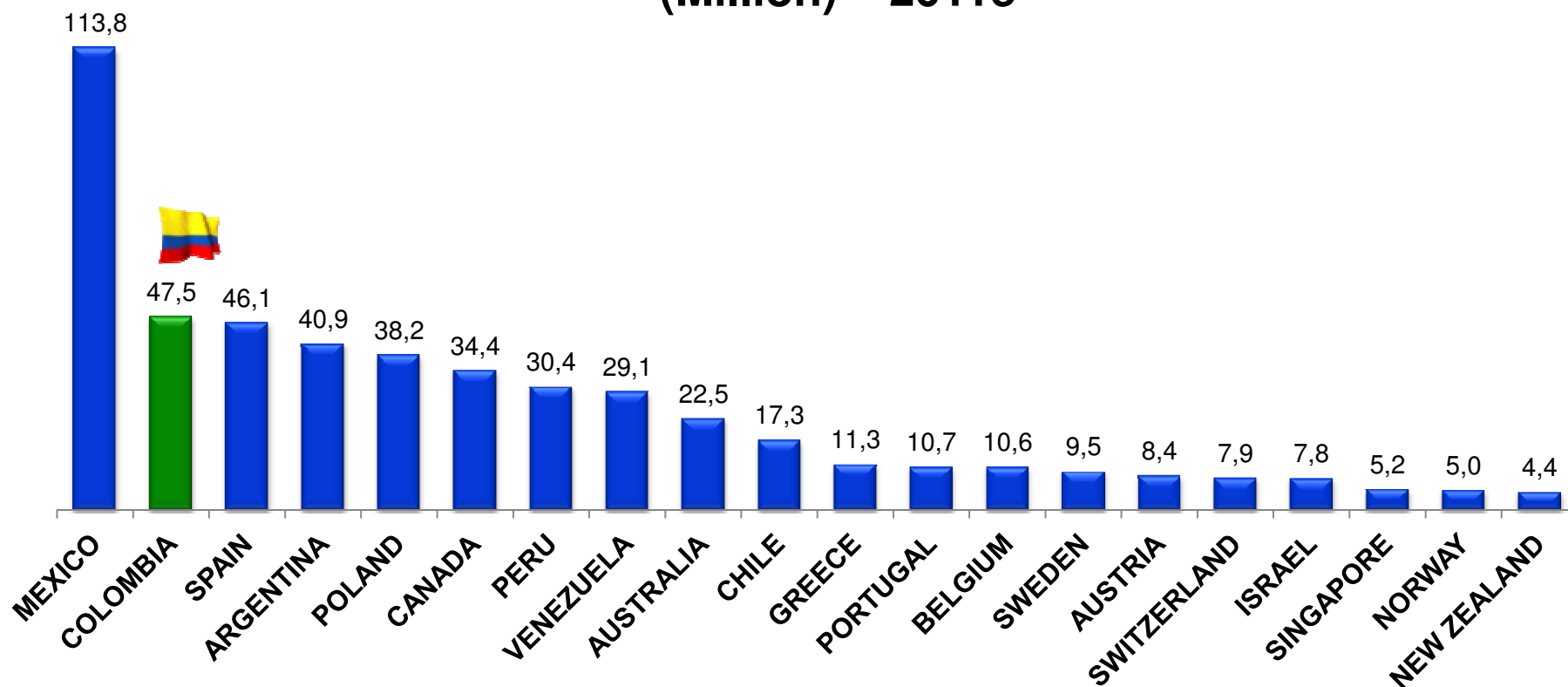
- ✓ 1,100 direct international frequencies per week
- ✓ 5,000 domestic frequencies/week
- ✓ Avianca-Taca: one of 3 major airlines in Latin America
- ✓ Easy-quick access to major cities in the Americas



Colombia's population is 46 million
The percentage of population under 30 years of age is 55%
7 metropolitan areas with over 1 million people

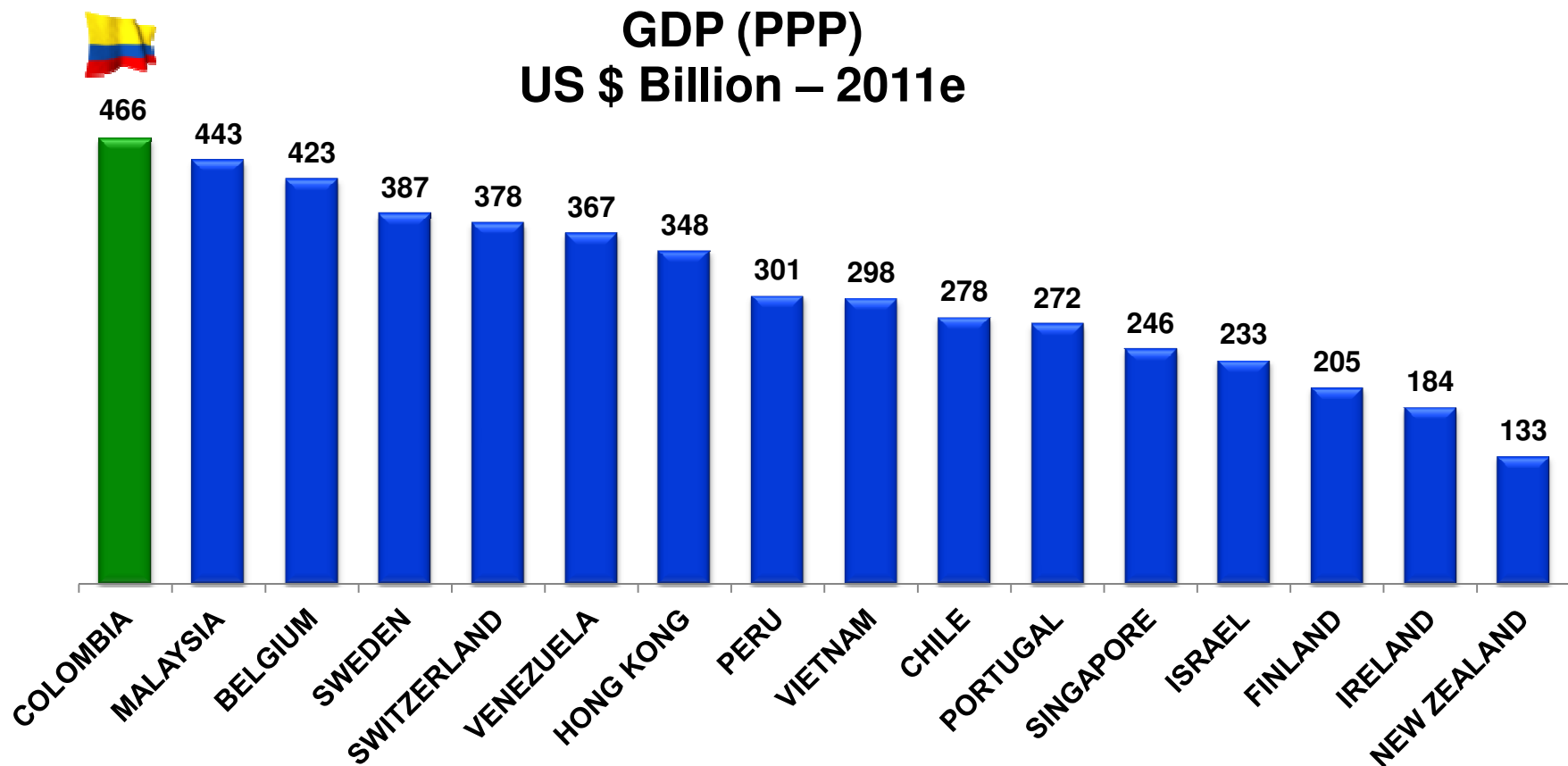
The second largest Spanish speaking country in the world

Population (Million) – 2011e



Source: EIU (Economist Intelligence Unit)
e:estimate (25 January 2012)

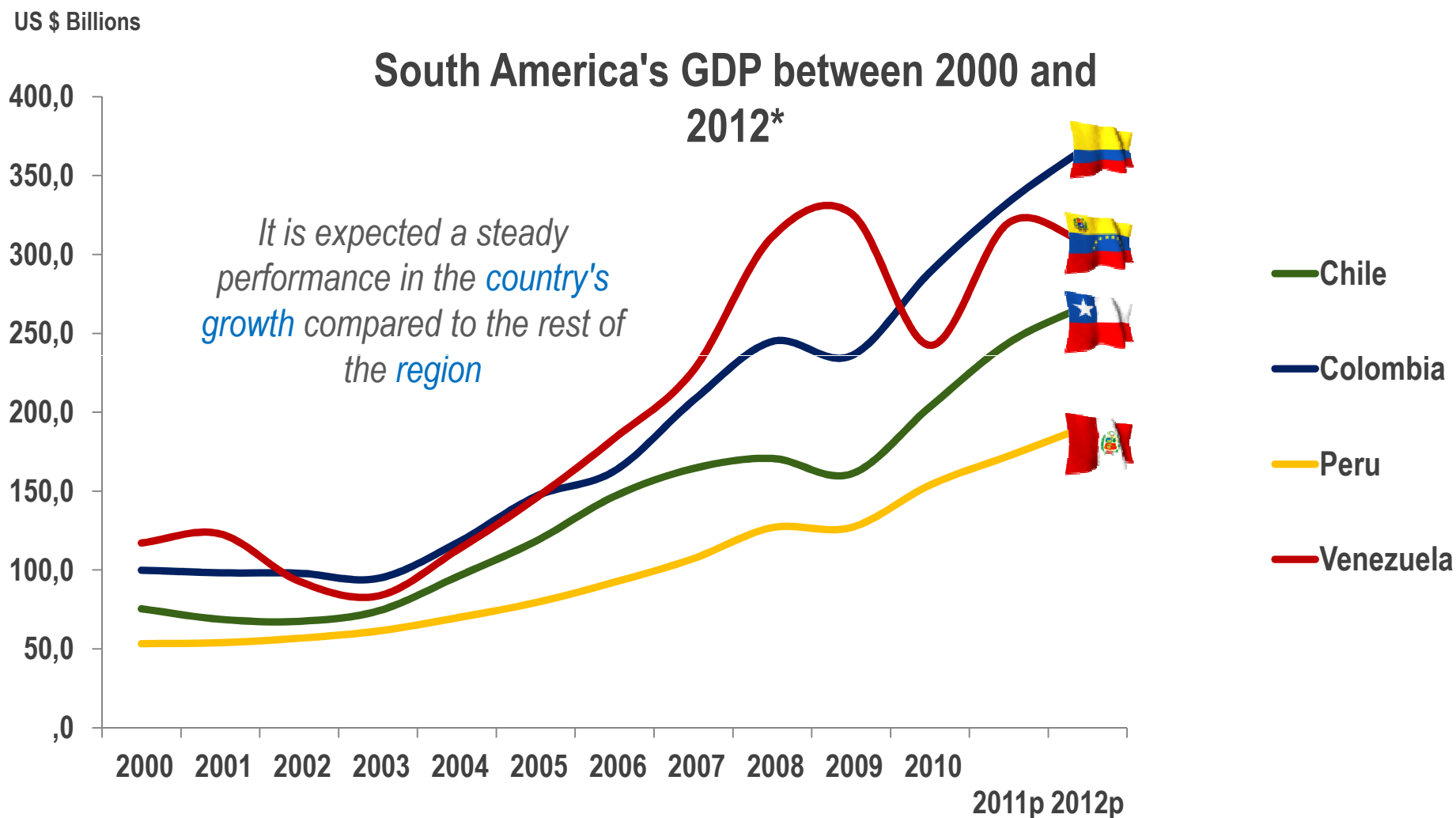
Colombia: the 28th largest economy in the world when adjusted by PPP and one of the largest non-OECD economies



Note: GDP adjusted by purchasing power parity (PPP)
e: estimate

Source: EIU (Economist Intelligence Unit) (25 January 2012)

Colombia is the fourth largest economy in Latin America

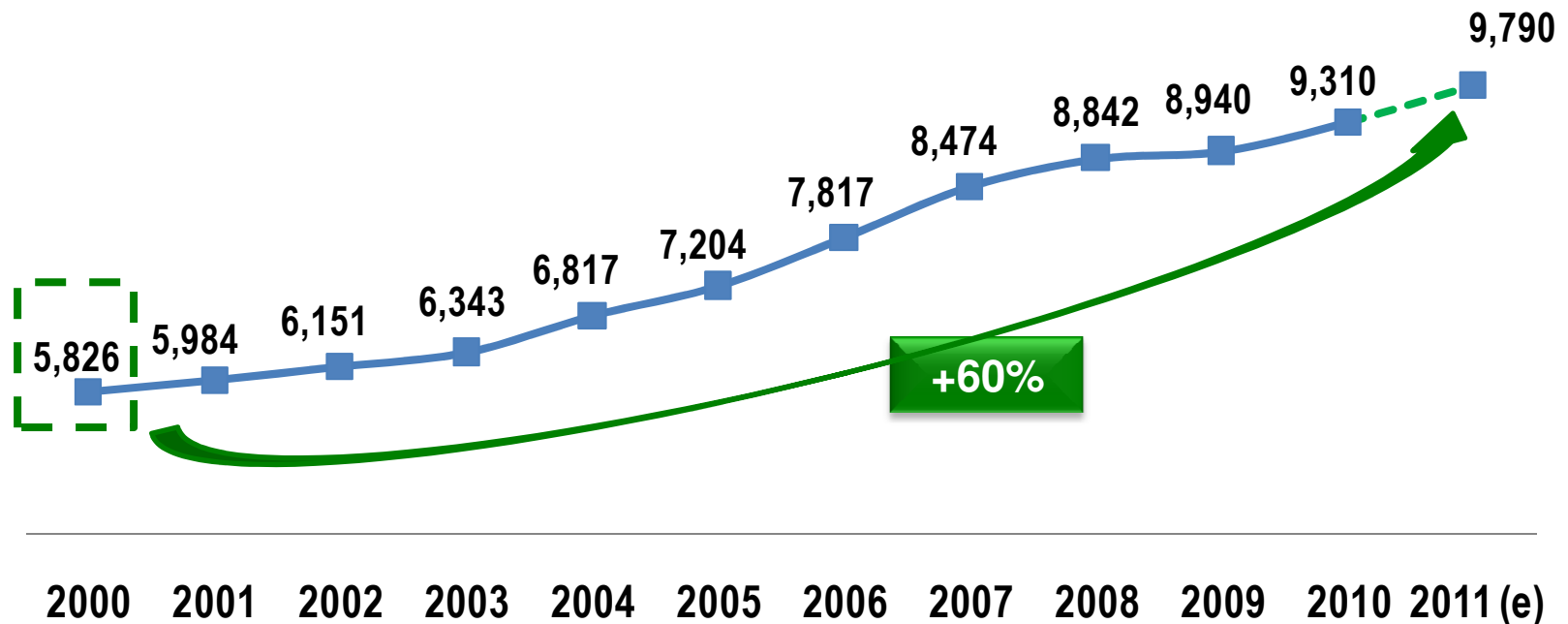


Source: EIU - June 2011

P: Forecasts

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

Colombia's GDP Per Capita (PPP)*, 2000 – 2011e (US \$)



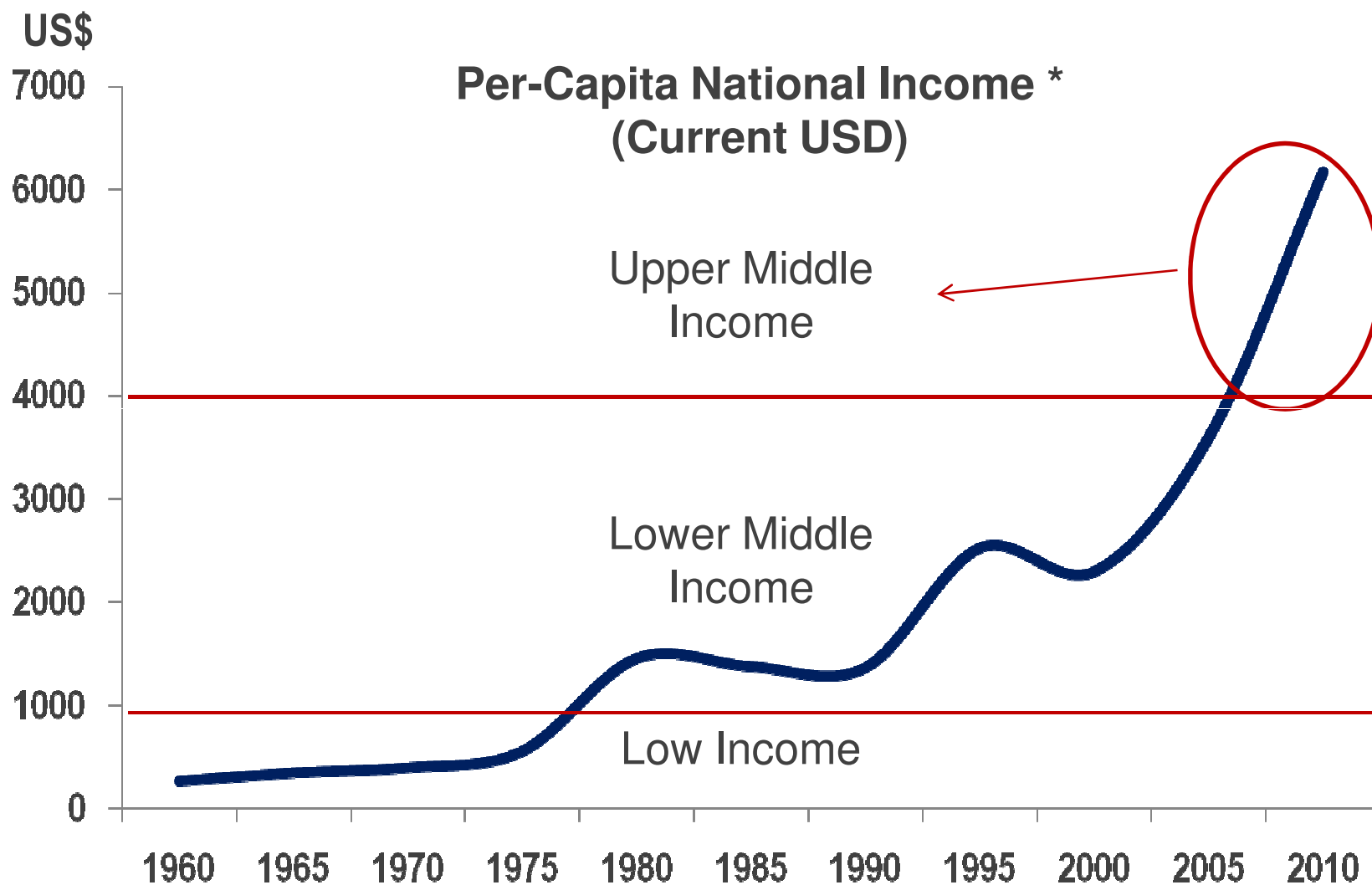
•GDP Per Capita adjusted to prices at purchasing power parity (PPP)

•(e) : estimate

Source: EIU (Economist Intelligence Unit)

(25 January 2012)

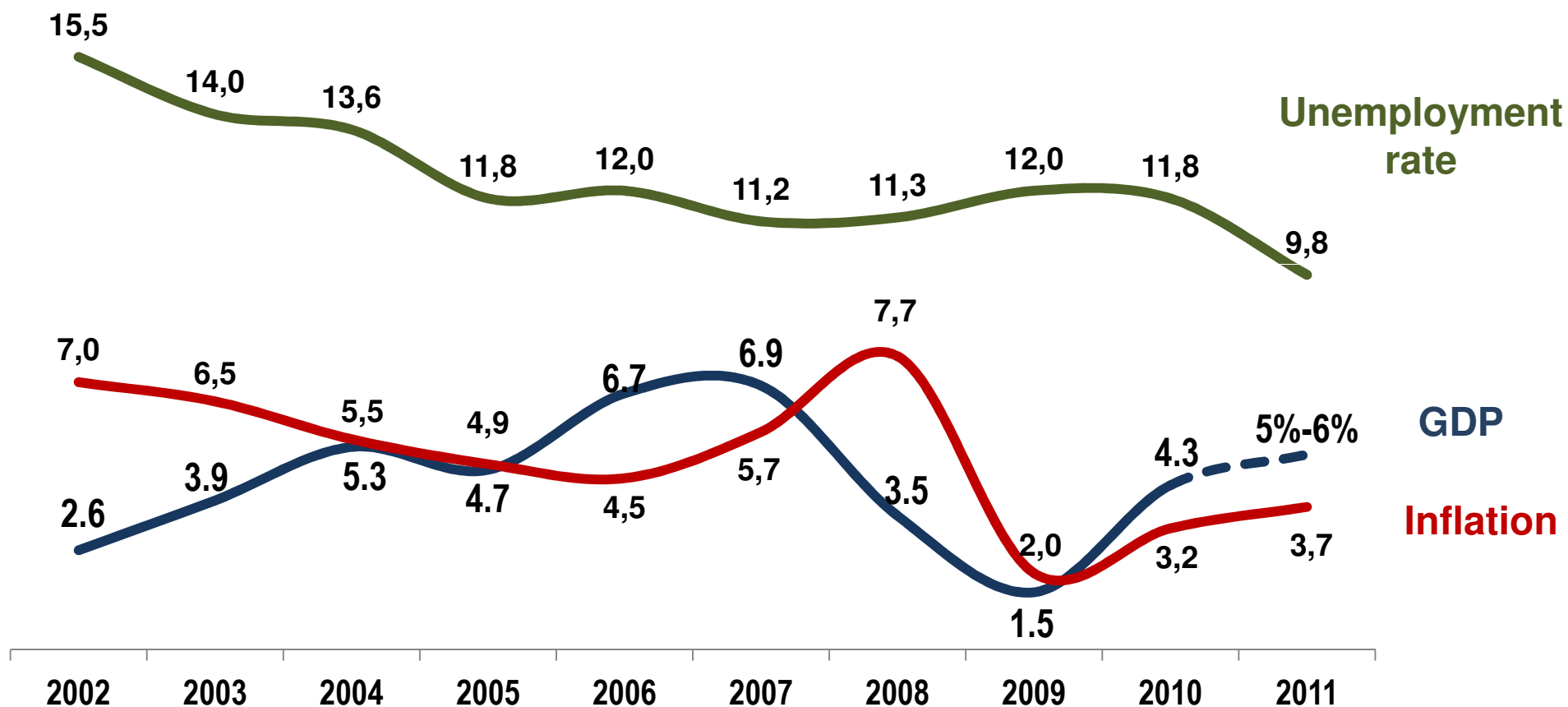
According to international standards, Colombia is part of the group of upper-middle-income countries since 2005



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

Macroeconomic stability

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



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

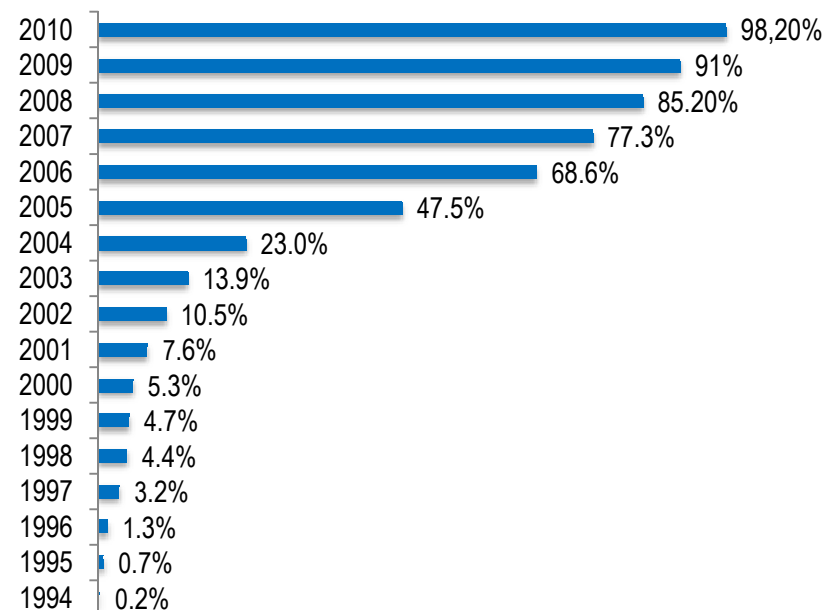
A rapidly growing consumer market: More than 47 million of Mobile Telephony lines by 2011



Active cell phone users per year

Year	Active lines	Variation %
2000	2,256,801	
2001	3,265,261	44.69%
2002	4,596,594	40.77%
2003	6,186,206	34.58%
2004	10,400,000	68.12%
2005	21,849,993	110.10%
2006	29,762,715	36.21%
2007	33,941,118	14.04%
2008	41,364,753	21.87%
2009	42,025,520	1.60%
2010	44,477,653	5.83%
Sep 2011	47,747,912	-

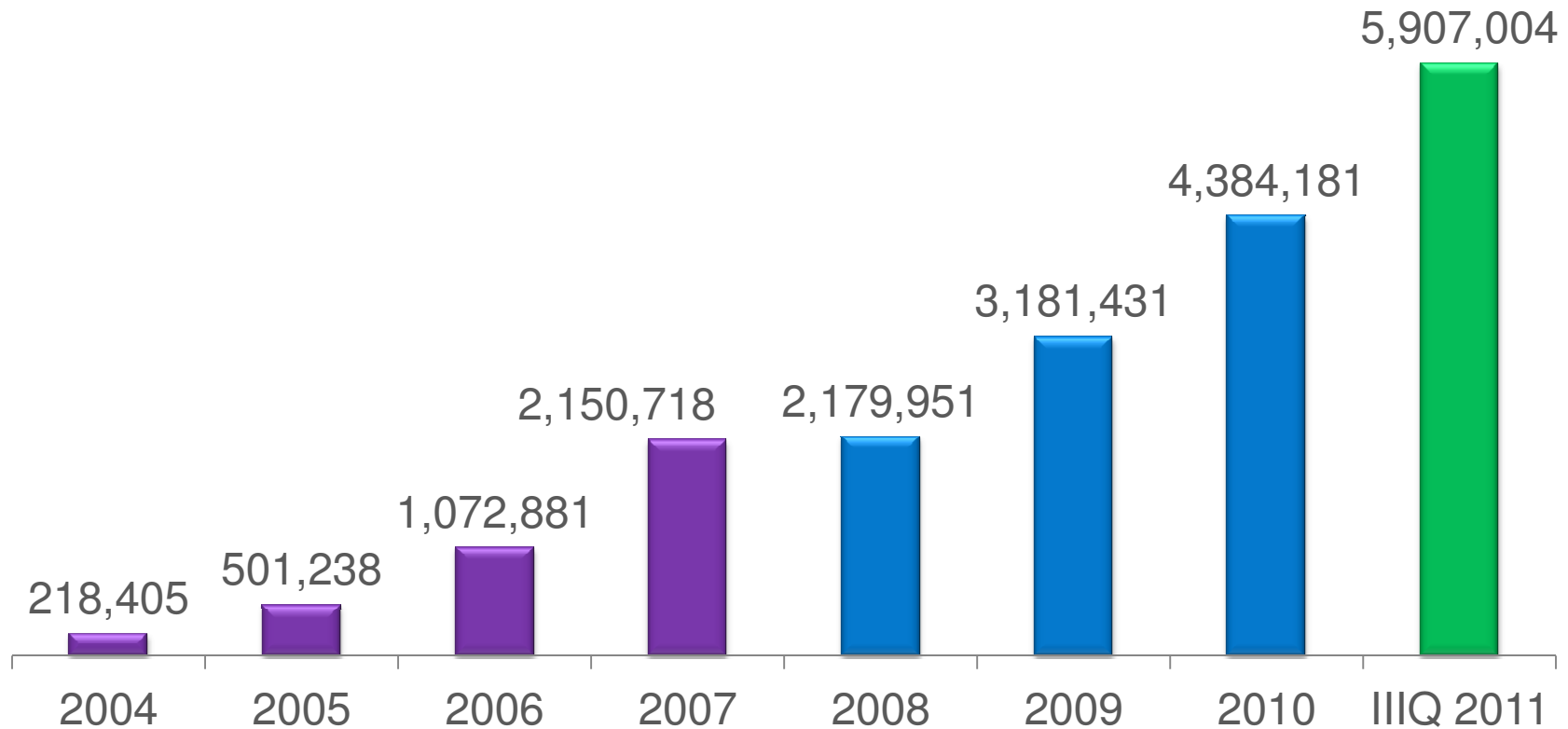
Mobile Phone Penetration



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

Source: CRC, Communication Regulation Commission

Strong growth in internet connections



Source: CRC, Communication Regulation Commission

2008, 2009, 2010, 2011 include mobile networks

Three of the top risk rating agencies gave Colombia the "Investment Grade"

STANDARD & POOR'S The McGraw-Hill Companies

Colombia (Republic of)

Issuer Credit Rating

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

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

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

MOODY'S

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

May 31, 2011

Long Term Rating >	Baa3, Not on Watch
Outlook >	Stable
Other Debts on Watch?:	No

FitchRatings

Colombia Upgrade

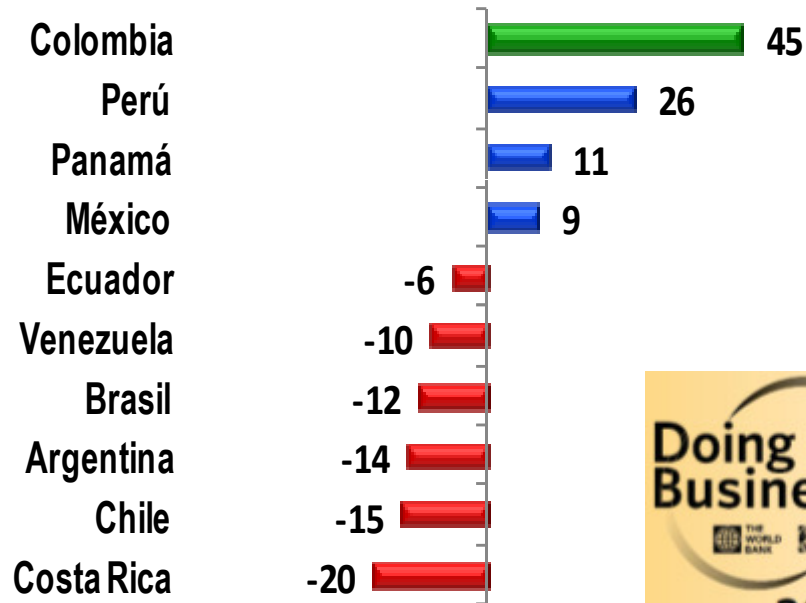
Long Term Issuer Default Rating:	BBB-	22-JUN-2011
Short Term Issuer Default Rating:	F3	22-JUN-2011
Local Currency Long Term Issuer Default Rating:	BBB	22-JUN-2011
Country Ceiling:	BBB	22-JUN-2011

Colombia: third "friendliest" country to do business in Latin America and the biggest reformer of the region



Colombia remains as the top reformer country of the region during the last years.

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

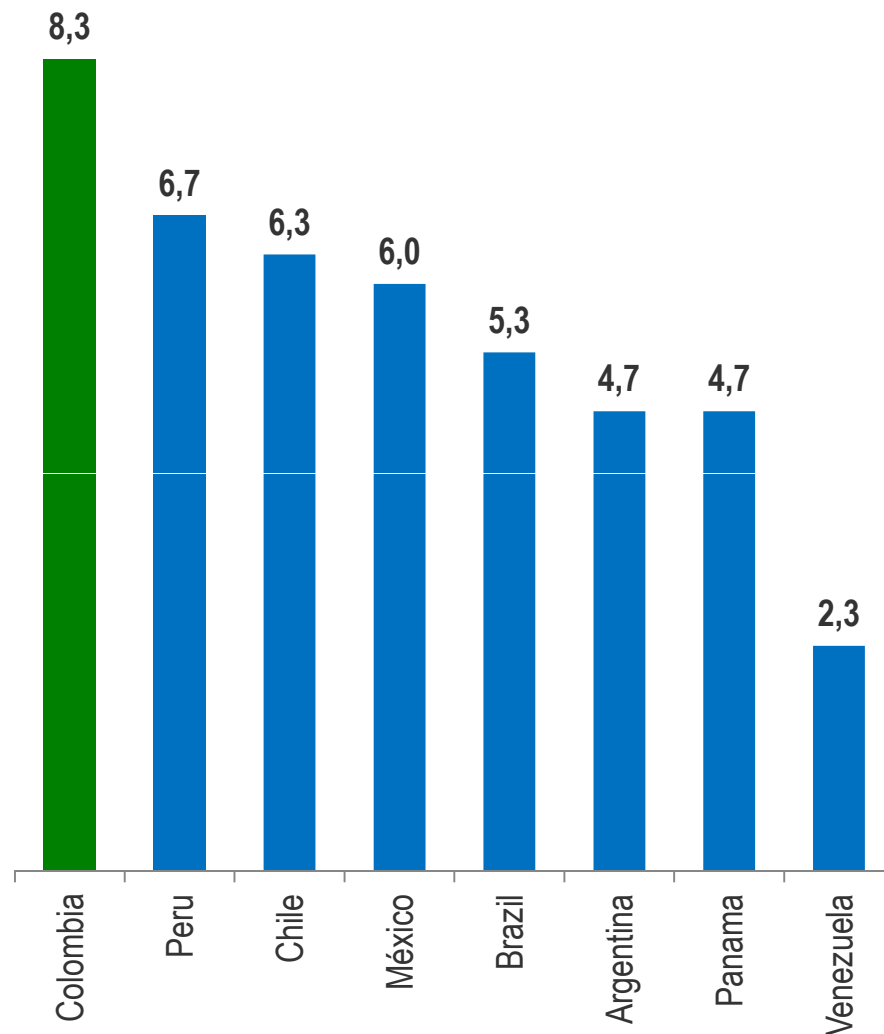


Country	World Ranking 2012	World Ranking 2011
Chile	39	41
Peru	41	39
Colombia	42	47
Mexico	53	54
Panama	61	63
Argentina	113	114
Costa Rica	121	121
Brazil	126	120
Ecuador	130	131
Venezuela	177	175

Source: Doing Business 2012 World Bank Report

*Positive numbers indicate improvements in business environment

Investor Protection Index 2011



Colombia is ranked **5th worldwide** and **1st in Latin America** in terms of Investor Protection

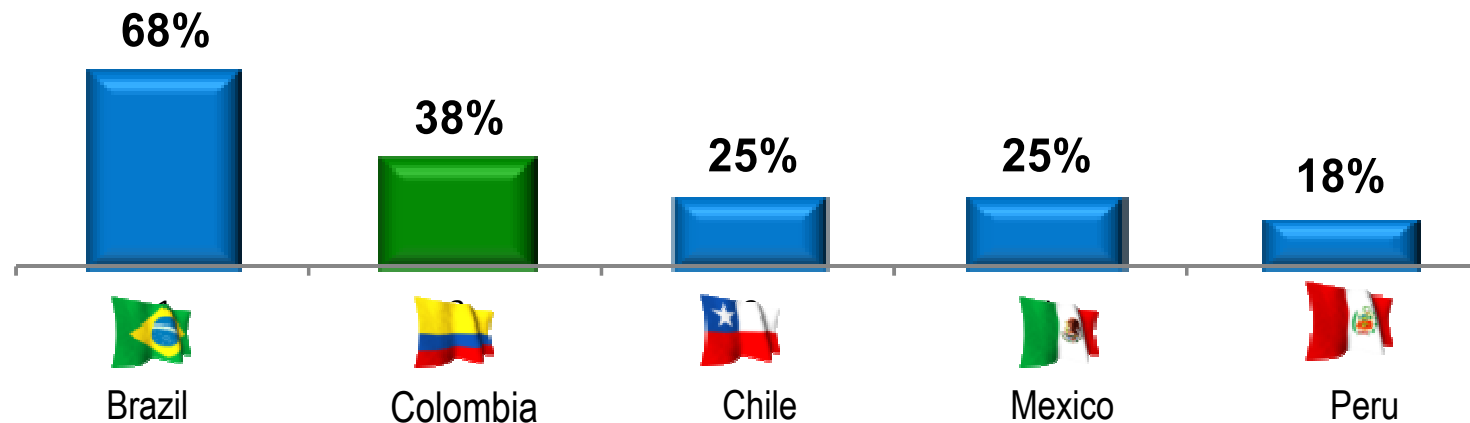
World Ranking	Country
5	Colombia
20	Peru
28	Chile
44	México
74	Brazil
109	Argentina
109	Panama
179	Venezuela

“Colombia is the second most attractive country for investment in Latin America in the next 3 years.”



J.P.Morgan

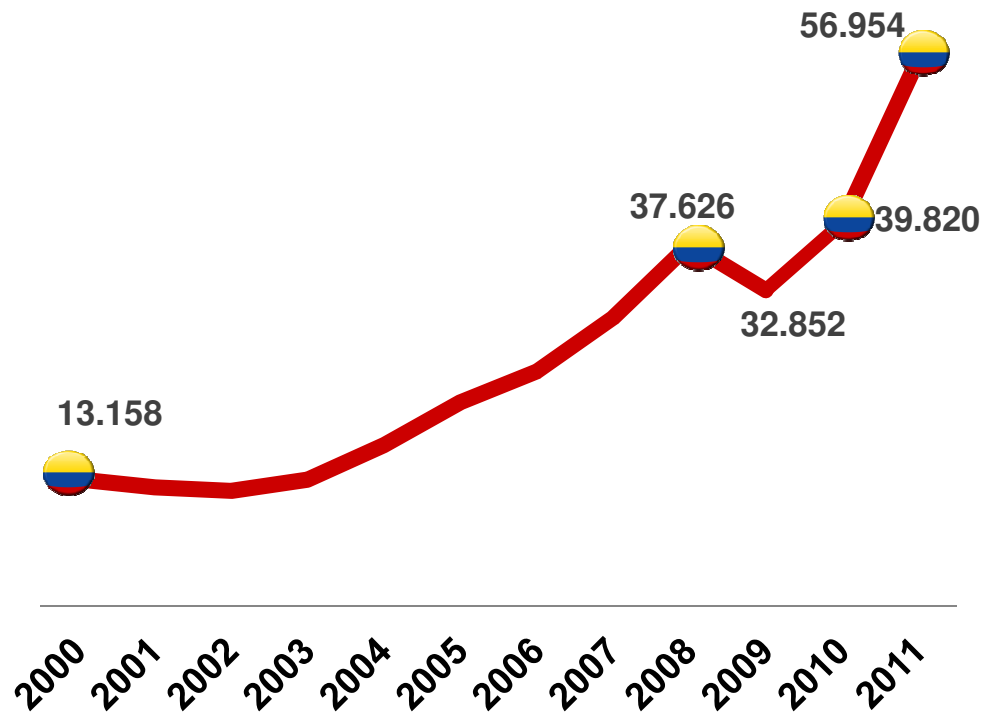
If you were to invest in a Latin American country in the next 3 years, where would you invest?



Source: Investor perception research JP Morgan Chase Bank Co.

In 10 years, exports tripled

Exports, 2000 - 2011 US \$Million



Variation 2009 - 2010: -21.2%

Variation 2010 - 2011: 43%

Source: DANE (National Department of Statistics)

Top Exports Destination, 2011



United States

- US \$21.720 B
- 38.1% share



Netherlands

- US \$2.524 B
- 4.4% share



Chile

- US \$2.205 B
- 3.9% share

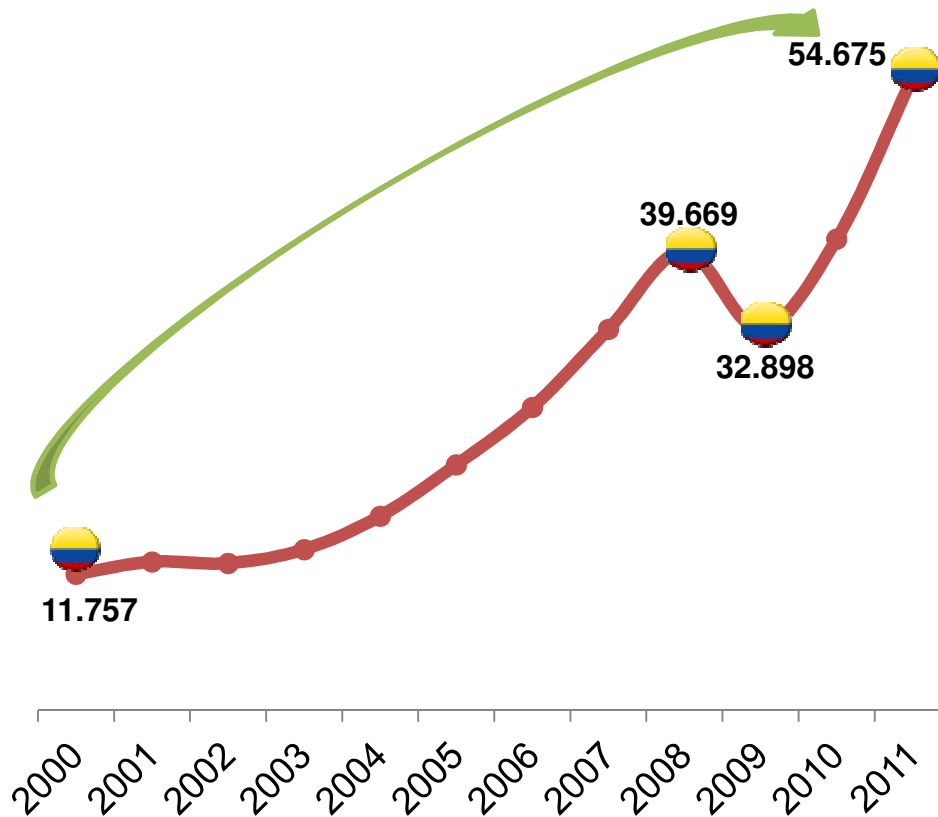


China

- US \$1.989 B
- 3.5% share

In 10 years imports grew more than four times

Imports, 2000 – 2011
US\$ Million



Variation 2010 - 2011: 34.4%

Variation 2009 - 2010: 23.7%

Source: DANE (National Department of Statistics) – CIF Values

Top destinations of imports, 2011



United States

- US \$13,594 million
- 25% share



China

- US \$8,176 million
- 15% share



Mexico

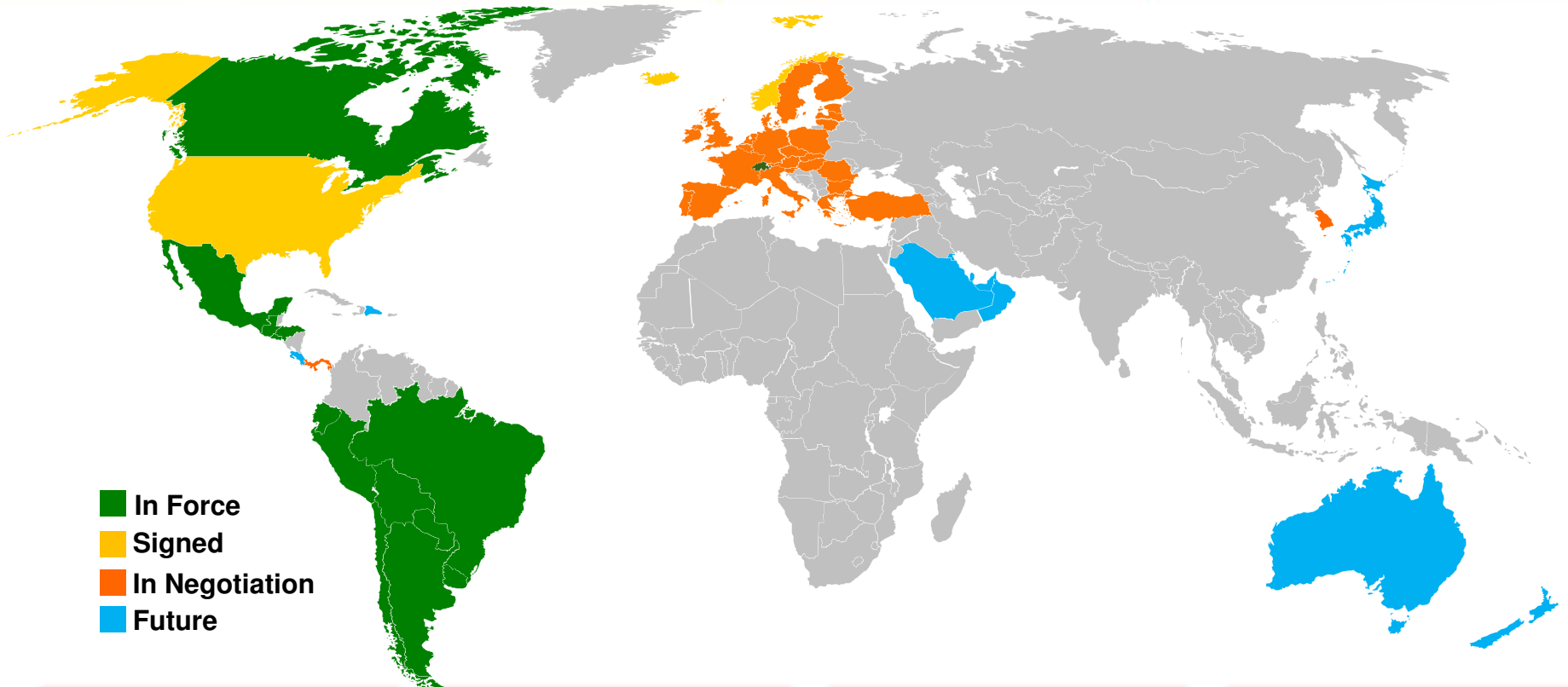
- US \$6,059 million
- 11% share



Brazil

- US \$2,740 million
- 5% share

Free Trade Agreements



- In Force**
- Signed**
- In Negotiation**
- Future**

IN FORCE

- CAN (Peru, Ecuador y Bolivia)
- MERCOSUR (Argentina, Paraguay, Uruguay and Brazil)
- Chile
- G2-Mexico
- North Triangle (Honduras, Guatemala y El Salvador)
- Switzerland
- Liechtenstein
- Canada

SIGNED

- United States
- EFTA (Iceland and Norway)

IN NEGOTIATION

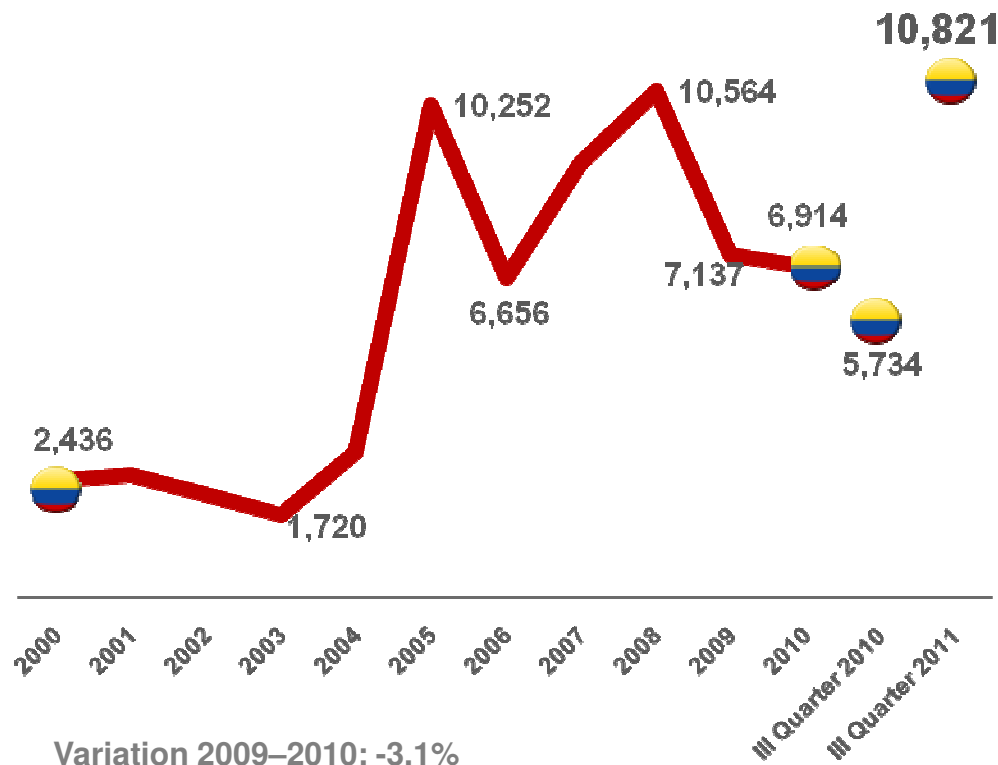
- South Korea
- Panama
- Turkey
- European Union (Signature)

FUTURE

- Japan
- Australia
- New Zealand
- Costa Rica
- Dominican Republic
- Gulf Community

FDI flows have increased significantly

FDI, 2000 – 3rd Quarter 2011
US \$Million



Main Investors in Colombia 2000 – 2010**



United States

- Accumulated US \$9.333 Billion
- 28.8% share



England

- Accumulated US \$4.631 Billion
- 12.8% share



Spain

- Accumulated US \$2.637 Billion
- 7.3% share



Mexico

- Accumulated US \$1.517 Billion
- 4.2% share

Variation 2009–2010: -3.1%

Variation 3rd Quarter 2010 – 3rd Quarter 2011: 88.7%

*Figures obtained through the foreign currency balance of the Bank of the Republic.

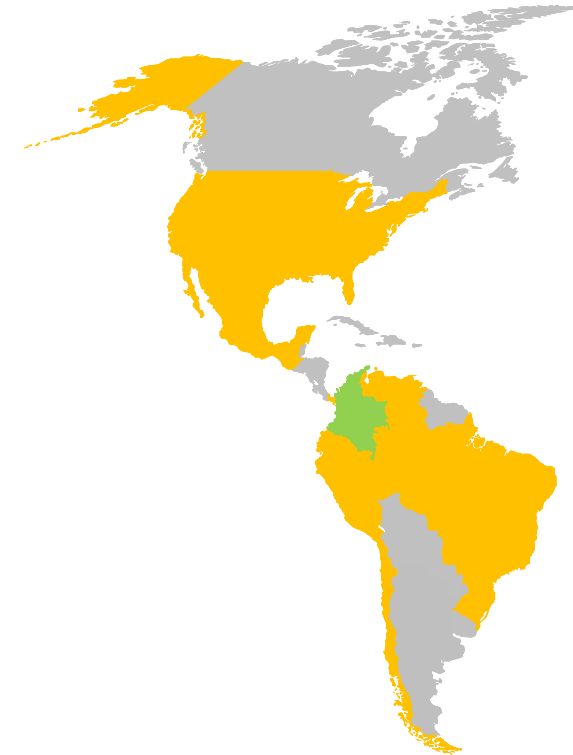
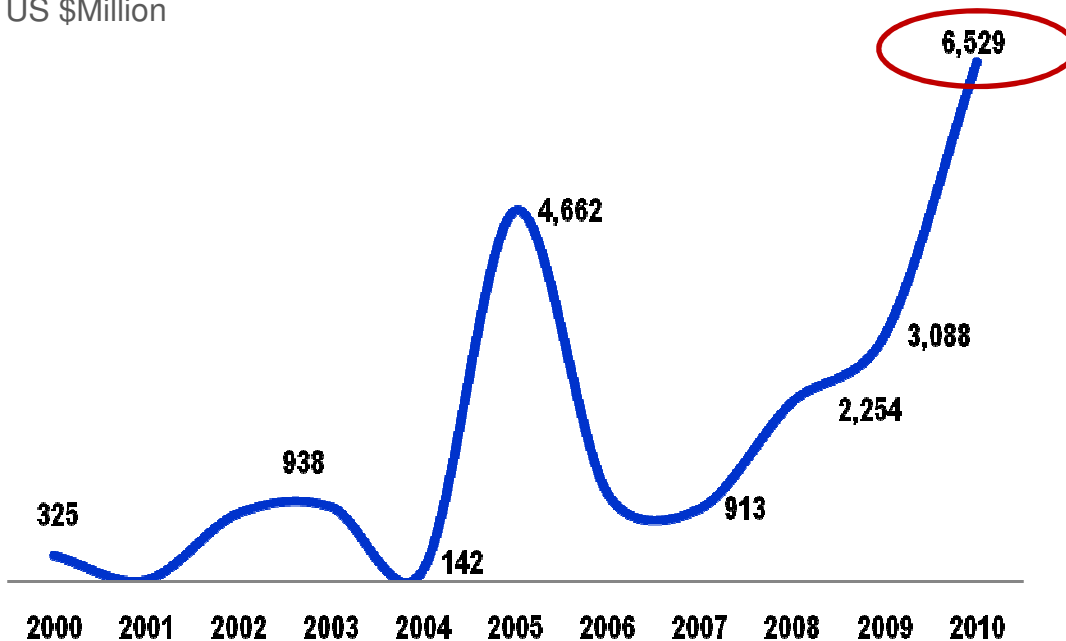
**Share of all countries with positive cumulative investment, without reinvested profits or investments in the oil sector. Accumulated value 2000 – 2010: US \$45,946 million

Note: the list of the top countries investing in Colombia does not include Anguilla or Panama, in third and fourth place.

Source: Bank of the Republic - Balance of Payments

Colombia is also becoming an important investor in the Americas (utilities, banking and finance)

US \$Million



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



ENERGIA
de Bogotá

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

suramericana



Source: Banrep

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



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

National Development Plan 2010 - 2014



AGRIBUSINESS



MINING



INFRASTRUCTURE



INNOVATION



HOUSING

Productive Transformation Program: A Public - Private Partnership to strengthen and build “world class sectors”



SERVICES SECTOR

**Business process,
outsourcing and
offshoring BPO&O**

**IT Services and
Software**

**Health Services
Exports**

MANUFACTURING SECTORS

**Graphic
communication
industry**

**Textiles, Fashion &
Design**

Electric Power.

**Automotive
Industry**

**Cosmetics and
Personal Care
Products**

AGRIBUSINESS SECTOR

**Chocolate,
Confectionery and
raw materials**

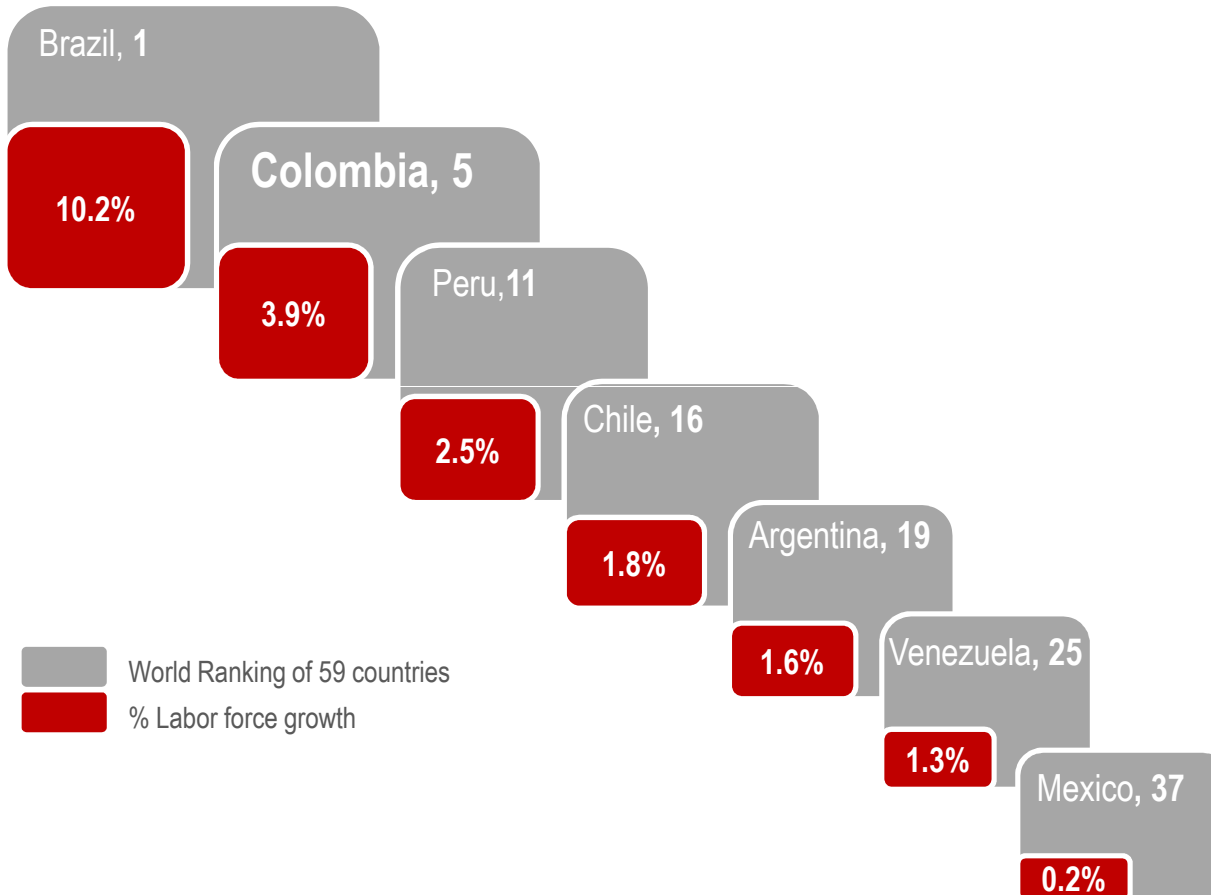
Cattle

**Palm and vegetable
oil**

Shrimp Farming

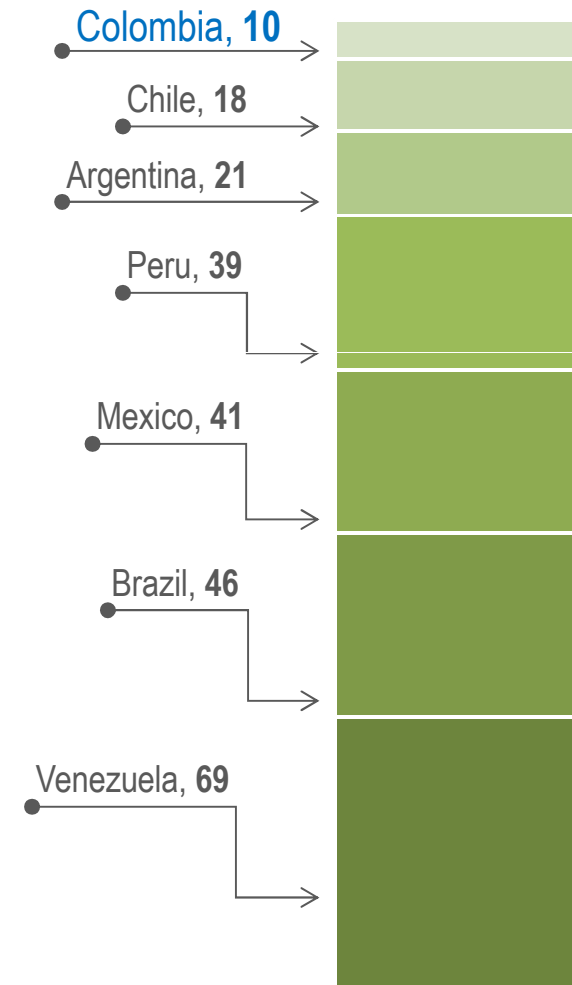
Colombia's human capital

Labor force growth, 2011 ^{2/}



Labor Market Flexibility, 2011 ^{3/}

Rating scale from 0-100. 0: Flexible - 100: Rigid



Source: IMD World Competitiveness, 2011. Ranking of 59 countries.

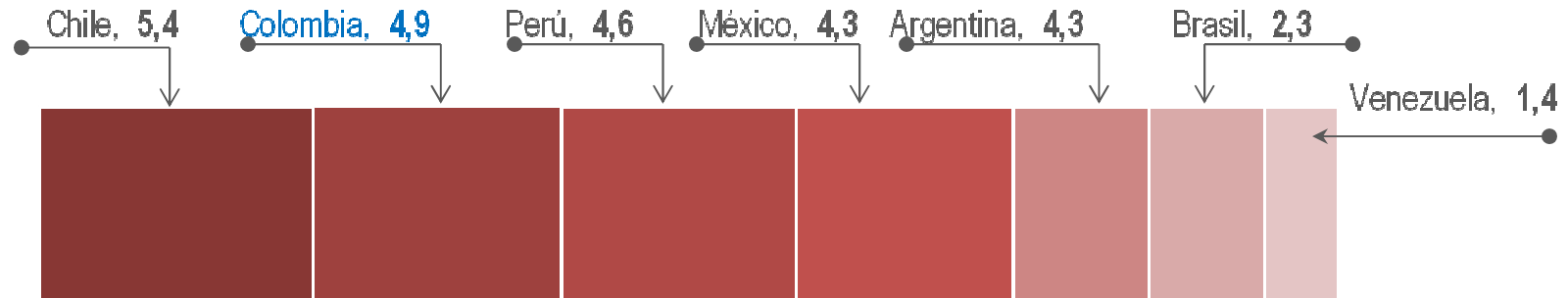
^{2/} Ranking, percentage change

^{3/} The flexibility of the labor market is measured by the rigidity of the employment index.

Colombia's human capital

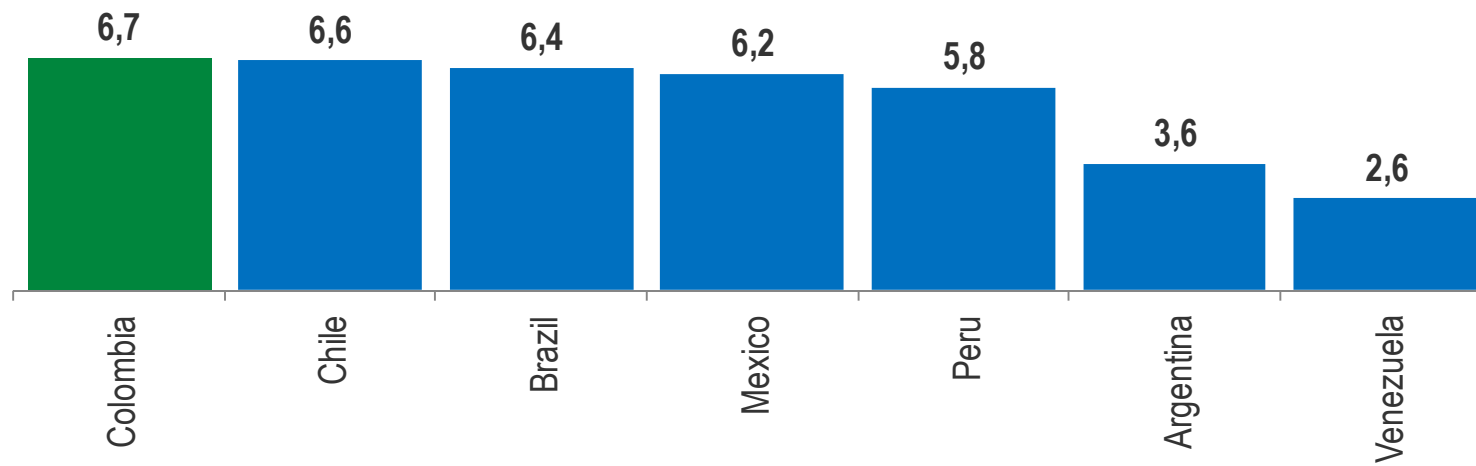
Labor Regulations, 2011 ^{4/}

Rating scale 0-10. 0: hinders - 10: does not hinder



Labor Relations, 2011 ^{5/}

Scale 0-10. 0: Unfavorable - 10: productive



Source: IMD World Competitiveness, 2011. Ranking of 59 countries.

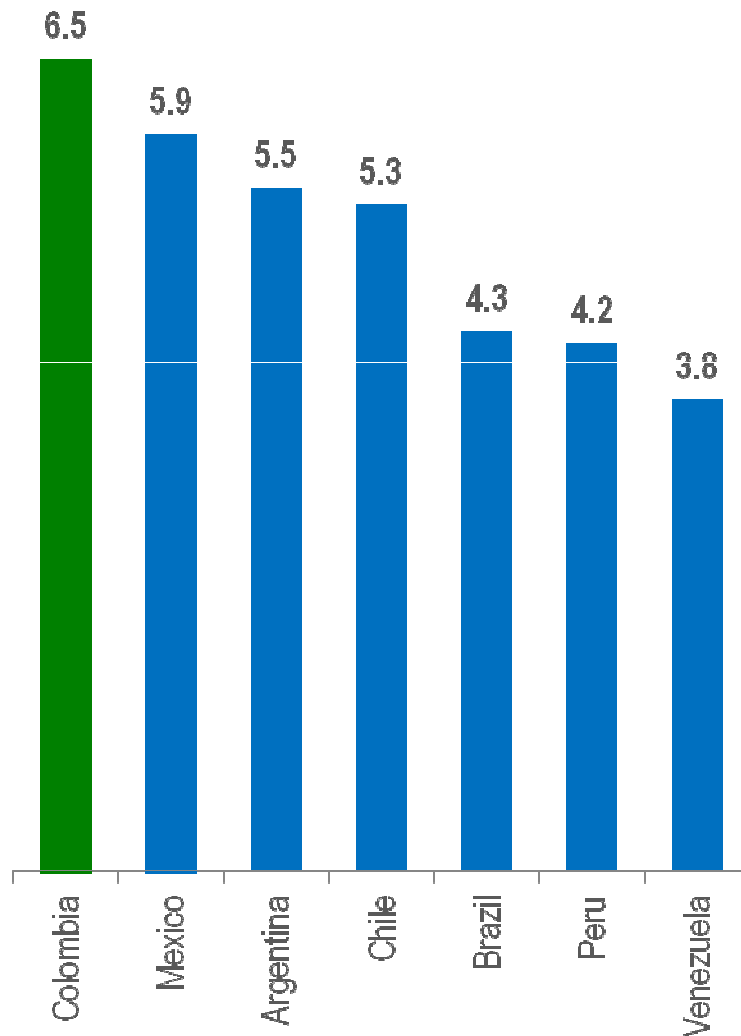
^{4/} Labor regulations (contracting/practices, dismissals, minimum wages, etc.) that will not hinder business activities.

^{5/} Labor relations generate an atmosphere of productivity in the company.

Colombia's human capital

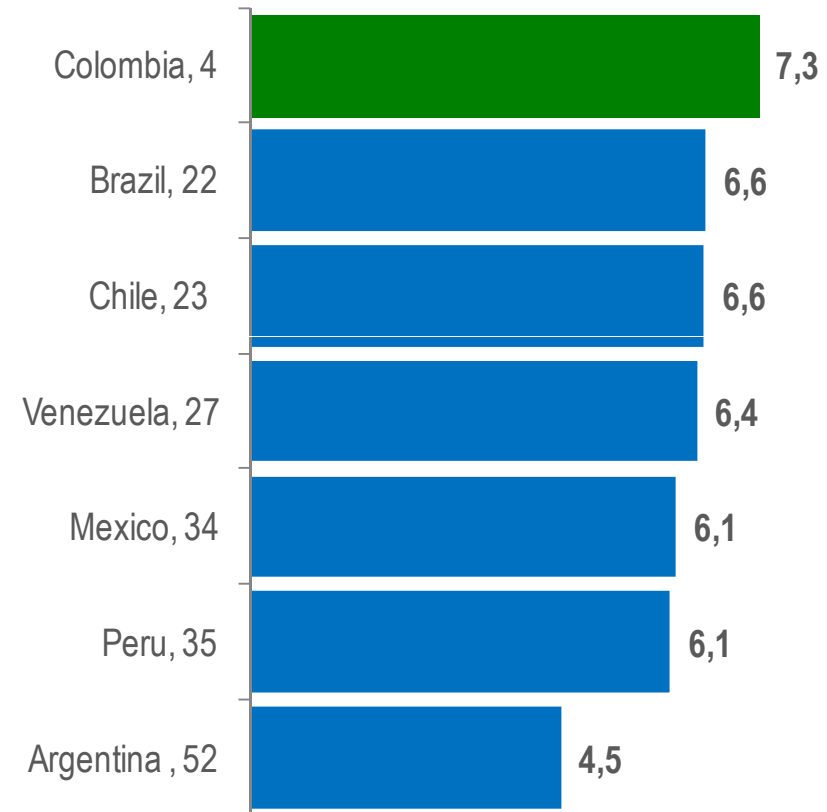
Availability of Skilled Labor, 2011 ^{6/}

Scale 0-10. 0: low availability – 10: high availability



Manager Credibility, 2011 ^{7/}

Scale 0-10. 0: weak – 10: strong



Source: IMD World Competitiveness, 2011. Ranking of 59 countries.

^{6/} The labor market has skilled labor available.

^{7/} The credibility of managers in the society is strong.

A country with distinct regions and opportunities for investment



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

A competitive FTZ framework



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

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