Pacific Alliance
Colombia
Country of Opportunities

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

JAIME ALBERTO CABAL SANCLEMENTE
AMBASSADOR OF COLOMBIA
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.


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)
COLOMBIA: COMPETITIVE LOCATION WITH EASY ACCESS TO GLOBAL MARKETS

The data includes routes flying out of Barranquilla, Bogota, Cali, and Medellin International Airports.

--- DIRECT AIR CONNECTIVITY ---

--- CARGO AIR CONNECTIVITY ---
A gateway to the Pacific Alliance

Population of 218 million
Almost Brazil’s Population

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

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

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%
- 2013: 4.9%

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

**Controlled Inflation**
- 2014: 3.66%
- Below target inflation

**Unemployment rate**
- 2014: 9%

**FDI**
- 2014: US$16,054
- 2013: US$15,908

Figures in US Millions

**Estimate annual GDP 2015**: 3%

**1.02 million barrels per day of oil production**
Third largest producer in South America
A growing economy within a difficult external environment

High investment in housing and infrastructure (12% growth)

Growth in private consumption (4.6%)

Solid labor market

Public expenditure

Colombia’s growth drivers

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

GDP growth 2014 and 2015f

Latin America and Caribbean (Average growth)

- Colombia: 4.6%* (2014), 2.4% (2015f)
- Other countries' GDP growth:
  - 2014: 2.1%, 1.8%, 1.3%, 0.5%
  - 2015f: 0.9%, 0.1%, -0.3%, 1.0%
  - Average for Latin America and Caribbean: 3% (2014), 3.8% (2015f)
Macroeconomic stability

Unemployment rate

GDP

Inflation

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment Rate</th>
<th>GDP</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>15.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>14.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>13.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>11.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>12.0</td>
<td></td>
<td></td>
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<tr>
<td>2007</td>
<td>11.2</td>
<td></td>
<td></td>
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<tr>
<td>2008</td>
<td>11.3</td>
<td></td>
<td></td>
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<tr>
<td>2009</td>
<td>12.0</td>
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<tr>
<td>2010</td>
<td>11.8</td>
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<tr>
<td>2011</td>
<td>10.8</td>
<td></td>
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<tr>
<td>2012</td>
<td>10.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>9.6</td>
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<tr>
<td>2014</td>
<td>9.1</td>
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<tr>
<td>2015</td>
<td>9.0</td>
<td></td>
<td></td>
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<tr>
<td>2016</td>
<td>8.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>8.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>8.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Decreasing poverty

Poverty: 50% in 2002 to 9% in 2014
Middle class: 16% in 2002 to 31% in 2014
Extreme poverty: 18% in 2002 to 8% in 2014

PROCOLOMBIA.CO
A rapidly expanding middle class

Middle class* in Colombia as a percentage of total population

2002: 16%  
2012: 25%  
2020: 37%  
2025: 46%

Average real growth of consumer expenditure, 2014 – 2018

- 4.7% for Colombia
- 4.2% for Russia
- 4.1% for Mexico
- 2.9% for Brazil
Colombia: open economy - Free Trade Agreements

[Map showing countries and regions with trade agreements, with annotations for countries like Colombia, United States, Japan, etc.]

*These are Partial Scope Agreements (PSA)
- - - The dotted line refers to member countries of The Pacific Alliance other than Colombia. – Chile, Peru and México.
Total Trade increased fivefold in the last 10 years

Exports and Imports. 2000 - 2014
US$ millions

- **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

PROCOLOMBIA.CO
• 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
Colombia: best country for doing business in LATAM 2015

Colombia, 34*
Position out of 189 economies

Peru, 35*
Change in rank 2014 – 2015**

Mexico, 39 *
-1

Chile, 41 *
+4

Panama, 52 *
-2

Ecuador, 115 *
+3

Brasil, 120 *
0

- Position among 189 economies
- Best ranking: getting credit (2) – protecting investors (10) – registry (42)
### Investment-grade country

<table>
<thead>
<tr>
<th>Term</th>
<th>Rating</th>
<th>Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term – Foreign currency</td>
<td>BBB</td>
<td>Stable</td>
</tr>
<tr>
<td>Long Term – Foreign currency</td>
<td>BBB</td>
<td>Stable</td>
</tr>
<tr>
<td>Long Term – Foreign currency</td>
<td>Baa2</td>
<td>Positive</td>
</tr>
</tbody>
</table>

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

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).

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

### 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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Incentive Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism</td>
<td>Exemption for 30 years for those who invest in the construction or renovation of hotels between January 1st, 2003 and December 31, 2017.</td>
</tr>
<tr>
<td>Eco-tourism</td>
<td>Exemption for 20 years starting from 2003.</td>
</tr>
<tr>
<td>Late yield crops</td>
<td>Exemption for 10 years after the beginning of production in crops planted between 2003 and 2014.</td>
</tr>
<tr>
<td>Forestry</td>
<td>Permanent exemption for investment in new forest plantations, sawmilling and timber plantations.</td>
</tr>
<tr>
<td>Editorial</td>
<td>Publishing of books, magazines, booklets or collections of scientific or cultural characteristics are exempt until 2013.</td>
</tr>
<tr>
<td>Software</td>
<td>Exemption for 5 years for software developed in Colombia with high scientific and technological research content. The exemption begins on January 1st, 2013.</td>
</tr>
<tr>
<td>Renewable energy</td>
<td>Exemption for 15 years for sale (by the generators) of electricity based on wind resources, biomass or agricultural waste.</td>
</tr>
<tr>
<td>River transport</td>
<td>Exemption for 15 years starting from 2003 to provide services in slabs and boats with net weight below 25 tons.</td>
</tr>
<tr>
<td>Research and Technological Development</td>
<td>175% income tax deduction over investments in scientific and technological developments.</td>
</tr>
</tbody>
</table>
Sectors of opportunity - Energy

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”

<table>
<thead>
<tr>
<th>Country</th>
<th>Economic growth and development</th>
<th>Environmental sustainability</th>
<th>Energy access and security</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>0.81</td>
<td>0.71</td>
<td>0.75</td>
<td>1</td>
</tr>
<tr>
<td>Norway</td>
<td>0.79</td>
<td>0.68</td>
<td>0.74</td>
<td>10</td>
</tr>
<tr>
<td>France</td>
<td>0.77</td>
<td>0.62</td>
<td>0.81</td>
<td>6</td>
</tr>
<tr>
<td>New Zealand</td>
<td>0.76</td>
<td>0.62</td>
<td>0.77</td>
<td>12</td>
</tr>
<tr>
<td>Spain</td>
<td>0.76</td>
<td>0.70</td>
<td>0.72</td>
<td>23</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.76</td>
<td>0.59</td>
<td>0.73</td>
<td>9</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.75</td>
<td>0.71</td>
<td>0.67</td>
<td>33</td>
</tr>
<tr>
<td>Austria</td>
<td>0.75</td>
<td>0.64</td>
<td>0.73</td>
<td>21</td>
</tr>
<tr>
<td>Colombia</td>
<td>0.74</td>
<td>0.75</td>
<td>0.61</td>
<td>28</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.73</td>
<td>0.61</td>
<td>0.71</td>
<td>27</td>
</tr>
</tbody>
</table>

Top performers

- Average EAPI score: 0.76, 0.66, 0.73, 0.80

Note: country scores are reported here with a precision of two decimal points, although exact figures are used to determine rankings.
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 major 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

- **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.

Source: Ministry of Transport
Sectors of opportunity – Infrastructure: A major drive for growth

4 Generation Toll Highways Concession (4G)

• More than 8000 Km of Roads
• Two-lane highways more than 1.370 Km
• 141 Tunnels with more than 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

<table>
<thead>
<tr>
<th>Country</th>
<th>Visitors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>330,439</td>
<td>19.1%</td>
</tr>
<tr>
<td>European Union</td>
<td>285,218</td>
<td>6.1%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>234,822</td>
<td>13.9%</td>
</tr>
<tr>
<td>Ecuador</td>
<td>113,539</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

Foreign visitors

- 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 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.

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

For more information see: [www.ptp.com.co](http://www.ptp.com.co)
SECTORS OF OPPORTUNITY – SERVICES: IT, BPO, ITO, Shared Services, Apps

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

Sales growth rate: 13% between 2012 and 2013

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

Some foreign players in Colombia

Source: MinCIT
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.

Colombia: the most recently invited country to join the OECD
The press reports about the Colombian new reality...

Colombia: A rediscovered country

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, November 13, 2013.

Is Colombia The Indonesia Of Latin America?

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.

Colombia As A Potential New Free Trade Haven

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

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

Head of State
President Juan Manuel Santos Calderón (2014-2018)
děkuji
Jaime Alberto Cabal Sanclemente
Ambassador of Colombia
jaime.cabal@cancilleria.gov.co

Embassy of Colombia
Stadiongasse 6-8/15 1010 Vienna – Austria
Tel: +43 1 405 4249  fax: +43 1 402 2659
eaustria@cancilleria.gov.co
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
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

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</tr>
</thead>
<tbody>
<tr>
<td>Instruments and Equipment</td>
<td>13.620.102</td>
<td>21.594.428</td>
<td>58,5%</td>
<td>11.896.184</td>
<td>9.760.016</td>
<td>-18,0%</td>
</tr>
<tr>
<td>Metal Products</td>
<td>6.889.891</td>
<td>9.929.925</td>
<td>44,1%</td>
<td>4.574.983</td>
<td>6.355.651</td>
<td>38,9%</td>
</tr>
<tr>
<td>Vehicles and Other Transport</td>
<td>5.023.644</td>
<td>5.086.164</td>
<td>1,2%</td>
<td>2.386.581</td>
<td>2.693.638</td>
<td>12,9%</td>
</tr>
<tr>
<td>Autoparts</td>
<td>2.684.358</td>
<td>3.228.378</td>
<td>20,3%</td>
<td>1.629.475</td>
<td>1.232.785</td>
<td>-24,3%</td>
</tr>
<tr>
<td>Agribusinnes</td>
<td>1.923.002</td>
<td>3.044.712</td>
<td>58,3%</td>
<td>981.180</td>
<td>2.668.080</td>
<td>171,9%</td>
</tr>
</tbody>
</table>

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.