

# Magnet for foreign investment

## INTERVIEW WITH HE SERGIO DIAZ-GRANADOS

MINISTER OF TRADE, INDUSTRY, AND TOURISM, COLOMBIA



### SERGIO DIAZ-GRANADOS GUIDA

He is a graduate of the External University of Colombia, Spain's National Institute of Public Administration, and of the University of Salamanca. As a Congressman, he was Chairman of the Committee on Economic Affairs. He became Vice-Minister of Business Development, and President of the Colombian Association of Travel Agencies and Tourism. He was appointed Minister of Trade, Industry and Tourism in 2010.

### What are the main responsibilities of the Ministry of Trade, Industry, and Tourism?

The Ministry supports business activities that concern the production of goods, services, and technology, as well as the management of tourism, throughout the country. The aim is to improve the competitiveness, sustainability, and added value of these activities. These attributes allow businesses to strengthen their presence in the local market, as well as international markets, for the benefit of consumers and tourists, alike. This, in turn, contributes to the improvement of Colombia's international position and the quality of life for all Colombians.

### Colombia has been successful in attracting foreign direct investment. How do you account for this success, and what are the special incentives that will lead investment growth to increase even further?

Since 2003, Colombia has maintained an increasing trend in foreign direct investment (FDI). In 2010, FDI totaled US\$ 6.76 billion; however, as of June 2011, it has already reached US\$ 7 billion. It is anticipated that by the end of the year, the figure will be at least double what it was in 2010. The investment is mainly led by Mining and Petroleum, but it should be noted that over 25 per cent of FDI is being directed at a variety of sectors such as manufacturing and services.

Moreover, this year, Colombia is one of the top ten reformers in the *Doing Business Report* of the World Bank. As for the variable relating to FDI protection, Colombia has held its ranking as the 5th best country, worldwide. This is because Colombia is committed to continuously improving its regulatory environment.

In addition to the above, the country has been negotiating and signing a series of agreements on investment protection, which has allowed it to shape a more attractive environment, in terms of rules for FDI. On this point, the recently approved Bilateral Investment Treaty with the UK should be highlighted, as well as the Free Trade Agreement with the European Union, which is pending signature, because it too contains a chapter on investment protection.

Colombia also has tools which have placed it at the forefront of those countries regarded as the best

venues in attracting foreign investment. These tools include such things as free zones regimes and the measures relating to income exclusion.

The Free Zones are geographical areas with special tax regimes. Income tax and contributions, for instance, have a rate of 15 per cent, as opposed to the more common figure of 33 per cent. And, those businesses operating in these free zones may sell their goods or services to the exterior, as well.

Additionally, Colombia has sectors of the economy which are growing positively, under a special income tax exemption. These sectors include hospitality, ecotourism, late yield crops, new medicinal products and software, power, river transport, and publishing. Furthermore, Colombia has legal stability contracts, which provide security to foreign investors, in order to stabilize certain tax rules that were in place at the time of investment.

### How is export stimulation leading to greater industrialisation?

The main focus of the country's industrial policy is the Productive Transformation Program (PTP). This is composed of twelve sectors of the economy. Each has the goal of tripling exports by 2014, as well as creating at least 300,000 new formal jobs.

The PTP coordinates the efforts of the public and private sectors, so as to give momentum to targeted areas in traditional sectors of production, as well as to new ones that have great potential for success in international markets.

### Do you have a policy of economic diversification outside of the agricultural sector?

At this time, the PTP includes the sectors of auto parts and vehicles, shrimp, beef, chocolate, confectionery, and its raw materials; cosmetics and toiletries; publishing and the graphic communications industry; electricity and its related services; palm oil, fats, and bio-fuels; software and information technology; textile, garments and fashion design; footwear, leather, and leather goods; and health tourism.

Additionally, the PTP will come to include nature tourism and the dairy sector, both of which are already beginning to develop their business plans, so as to become world-class sectors.

It should also be noted that the National Government's open call, for the inclusion of two more sectors into the PTP, has just ended. The idea is that the PTP will consist of 16 sectors by the close of 2011. This is a vital programme.

---

**How important is the small business sector in the Colombian economy?**

---

Small and medium enterprises (SMEs) have great importance in the Colombian economy, especially in terms of their capacity as employment generators. As in other economies, SMEs represent the majority of companies, and these businesses generate 92 per cent of the employment in the country.

Colombia, therefore, has a policy aimed at strengthening SMEs. It focuses on harnessing opportunities in the domestic and external market, optimizing technology and innovation, accessing credit, and improving human resources, among others.

This year the Government put the law, "First Job and Formalisation," into effect, which will generate more support for SMEs. This effort has also been recognized in the *Doing Business Report* of the World Bank.

---

**What additional steps are being taken to develop domestic tourism?**

---

These include enhancing promotion, infrastructure, quality, and training. These four aspects summarize the work that is being done to strengthen tourism in Colombia, all of which is occurring within the context

of an ever increasing level of security in the country.

Tourism campaigns are continuously promoted through the mass media. Infrastructure projects throughout the various regions are supported by way of financial and technical assistance. Tourism quality is promoted by the certification of tourism operators, as well as their training in relevant areas, such as bilingualism.

Colombia has also been promoting the competitiveness of two key niches of the tourism sector: nature tourism and health tourism, given that the country possesses factors that contribute towards their development as world-class sectors.

---

**What incentives does the Colombian Government offer to this sector?**

---

Colombia offers a tax exemption for construction or renovation of hotel rooms. This consists of an exemption from paying tax on income from the services provided by these hotels, for a term of thirty years.

Additionally, Colombia has a strategy to convert its tourism offer into a world-class activity, which means providing a range of top international tourism options, with an emphasis on foreign direct investment. This, in turn, gives further impetus to domestic tourism, by promoting improvement in access and infrastructure, the dissemination and promotion of the nation's tourism offer, the formalization and training of tourism providers, and in the overall coordination of the sector.

**Colombia has a strategy to convert its tourism offer into a world-class activity**



Photo: ENC

Colombia's stunning natural scenery contribute towards a growing tourism sector

Infrastructure is the sector that offers the most, in terms of opportunities for foreign investment

**What opportunities exist for foreign investors and service providers in Colombia?**

In general, the services sector has incentives which allow it to locate in Free Zones. Additionally, the PTP has a specific strategy to promote the BPO&O, IT, and Software sector.

A new legal regime of protection of personal data has also been approved this year, which brings Colombia to a level of standard on a par with the European Union. This, of course, will allow for the further promotion of investment in the services sector.

**What investment opportunities are there for infrastructure development, such as airports, bridges, roads, and ports?**

Infrastructure is the sector that offers the most, in terms of opportunities for foreign investment.

In the case of ports, Colombia expects to increase its capacity by 69 per cent. To this end, the expansion of five ports has been defined, as well as the construction of three new ones, in addition to the deepening of four port access channels.

In the case of roads, there is the construction of a dual roadway, which will link the country from east to west (Bogotá-Buenaventura-Cucutá route), the Foreign Trade Corridor in the Eastern Plains, the Western and Magdalena Arterials, among others. As for related activities in the city, there are seven public transport projects underway, which utilize intermediate and integrated systems of mass transportation. These are to be found in Cartagena, Medellín, and Bogotá.

In the case of river infrastructure, Colombia seeks to restore the navigability of the Rio Magdalena, from the centre of the country to the Caribbean coast, so as to mobilise 6 million tons of cargo, by 2014.

In the case of airport infrastructure, there are investment opportunities in the improvement of 23 airports, the construction of a new one, and in the granting of new concessions.

Finally, in the case of rail infrastructure, Colombia expects to have 1,265 kilometers of new rail network, by 2014, and another 1,405 miles, by 2021.

**How can Colombia help foreign companies develop their interests in this area?**

My Ministry, through Proexport Colombia, can prepare specialised information for investors.

In cooperation with other ministries, such as Mines & Energy and Transport, this Ministry is presenting Colombia's strengths and investment opportunities to the world, by way of seminars, publications, and encounters. Proexport, then, contacts those companies that are market leaders in the relevant areas of opportunity in the country.

Once a potential investor is identified, Proexport supports and guides the investor through the entire process, until he or she has completed the investment. In order to facilitate successful outcomes, the investor is given focused support, where all concerns may be resolved. This includes missions to Colombia, which provide for special meetings with public and private entities. And, of course, this entire process is conducted with complete confidentiality and with the necessary technical support.

**What is the vision for Colombia's commercial and industrial landscape, in the medium term?**

Colombia is on a growth path, which has led to its inclusion within the group of emerging countries that are said to possess the best economic growth and development prospects, for the coming years. These are referred to as the CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa).

Colombia is set to become one of the strongest countries in Latin America. Foreign trade will be a key factor to its growth. This year, alone, has already seen the approval of the Free Trade Agreement with the United States. Only 17 other countries have an agreement of this kind with the US, and Colombia is one of them. Additionally, Colombia has two free trade agreements which just entered into force with developed economies, these being Canada and Switzerland. This adds to those wide-ranging trade agreements that the country already has in place with Mexico, the Northern Triangle of Central America (El Salvador, Guatemala and Honduras), the Caribbean Community, the Andean Community, Mercosur, and Chile.

By 2012, Colombia will have signed the Free Trade Agreement with the European Union, and it will have negotiated agreements with other countries, such as Panama and South Korea. In fact, in November 2011, Colombia began the process for a joint study with Japan, towards the negotiation of an economic partnership agreement with that nation.

By 2014, Colombia intends to have a network of 13 free trade agreements, signed with 50 countries. This will open markets for goods and services and increase the range of opportunities for exporters and investors.

In ten years, Colombia aims to have tripled its non-mining exports. To this end, the Government is working with the private sector to achieve this and to reach US\$ 17 billion in non-mining exports, by the end of 2011, and US \$ 51 billion, by 2021.

As for industry, Colombia aims to have tripled the exports of the twelve sectors that are included in the PTF, by 2014. Colombia also intends to have boosted its productivity and to have established a diverse and competitive offer, by this date.