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Federal Department of Economic Affairs FDEA

State Secretariat for Economic Affairs SECO
Bilateral Economic Relations
Americas

Bern, July 2011

Distribution

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This publication is available electronically at:
http://www.seco.admin.ch/dokumentation/publikation/00008/index.html?lang=en

FOREWORD

Colombia has embraced a few years ago a worldwide outward-looking strategy and concluded free trade agreements in particular with the United States, Canada, the European Union and the European Free Trade Association (EFTA). These agreements will open new opportunities for business and benefit all partners involved.

The Swiss and the Colombian economies are complementary. Trade and investment are relatively high; yet, they still have the potential to grow considerably. Over the past years, the two countries have significantly strengthened their economic relations. In addition to the EFTA-Colombia Free Trade Agreement, they have concluded a bilateral agreement on the promotion and protection of investments as well as a double taxation convention. These three agreements reinforce the framework conditions for business through open markets, enhanced security for investment, tax optimisation, predictability and stability.

Since 2009, Colombia is a priority country for the Swiss Economic Development Cooperation with the aim of triggering and complementing economic development efforts of the government, regional entities and the private sector. Trade capacity building with Swiss expertise is also provided on the basis of the Free Trade Agreement. In addition, Switzerland has developed over the years substantial programs aiming at humanitarian aid, peace building and promotion of human rights. Democracy, internal peace, security, mutual respect and rule of law are essential for a harmonious economic and social development. The Swiss authorities support all efforts to bring a lasting peace in Colombia.

The aim of this publication is to introduce Colombia to small- and medium-sized Swiss enterprises, with a special focus on the benefits anticipated from the Free Trade Agreement and on the opportunities of the Colombian market. The timing is just perfect as we celebrate this year the 100th Anniversary of the establishment of diplomatic relations between our two countries and never had so close economic and political ties.

The Swiss Embassy in Colombia, the Swiss-Colombian Chamber of Commerce in Bogota, the OSEC Business Network Switzerland, the Latin American Chamber of Commerce in Zurich and SECO's Americas Unit are your partners for a first approach to the Colombian market. They will be very pleased to support you in further extending our trade and investment relations and in implementing the Free Trade Agreement, which entered into force between Switzerland and Colombia on July 1st 2011.

Let us begin the next century of our bilateral relations in an outstanding position with great perspectives and ambitions for achievements benefitting our societies!

Marie-Gabrielle Ineichen-Fleisch
State Secretary

ACKNOWLEDGEMENTS

This publication was elaborated in close cooperation with the Swiss-Colombian Chamber of Commerce in Bogota. The Chamber is to be thanked for its significant contribution on chapters 3 and 4 and for providing detailed information on Colombia's economy.

Our gratitude is also expressed to Fabian Stächelin who played a major role in reviewing the text and coordinating skilfully the work with the Chamber of Commerce and several experts, Stephan Denzler for presenting succinctly SECO's trade capacity building initiated under the Free Trade Agreement for Colombian firms and Konrad Gasser for finalizing the publication.

I would also like to extend my appreciation to the Swiss Ambassador in Bogota, Didier Pfirter and to Ambassador Eric Martin, Head of Bilateral Economic Relations and Delegate of the Federal Council for Trade Agreements at the State Secretariat for Economic Affairs in Bern, for supporting the project.

Philippe G. Nell
State Secretariat for Economic Affairs
Minister, Head of Americas Unit
Editor

Nevado del Ruiz, Tolima Department[1]

[1] Source: www.trekearth.com/gallery/South_America/Colombia/.

INTRODUCTION

With a population of 45 million people and a steady growth over the past years, Colombia has a strong potential for the future. The population is young, natural resources are significant and the country belongs to the group of middle-income countries. Colombia's potential is manifold. Trade and investment with Switzerland will increase in the future. The framework conditions for Swiss companies have improved significantly during the past years. This publication provides an insightful introduction to a country with a growing role in international trade and finance.

The aim of "*EFTA-Colombia Free Trade Agreement – Opportunities for Swiss Business*" is to raise Swiss business' awareness of the Colombian market potential in the context of the Free Trade Agreement, which entered into force between Switzerland and Colombia on July 1st 2011. Chapter 1 presents basic political and economic information on Colombia as well as on its relations with Switzerland. Chapter 2 highlights the advantages of the free-trade agreement for Swiss business in key areas. Chapter 3 focuses on market entry strategies and selected business aspects. Chapter 4 points out business opportunities based on major Swiss interests. Finally, Chapter 5 provides practical information on market access, with a special emphasis on Colombia's specific success factors and cultural particularities.[2]

[2] Picture Source: http://i.infoplease.com/images/mcolomb.gif

CHAPTER I : GENERAL COUNTRY INFORMATION

1. Population

With 45 million inhabitants, Colombia is the third-most populous country in Latin America after Brazil and Mexico. The majority of Colombians (70%) live in the ten largest cities. The average age is 25, 30% of Colombians are younger than 14, life expectancy is 71 years and the population grows by 1.2% per year.[3]

Colombian society is made up of three major ethnic groups: Amerindian, European and African. Today, the population is mainly mixed with less than 20% Europeans, 3% Afro-Colombians, and 1% Amerindians.

Since the fifties, large internal migration flows took place from the countryside to urban areas in *Bogotá, Medellin, Barranquilla, Cartagena and Pereira*. This phenomenon is due to the search for better economic opportunities and violence in rural areas.

2. Political Situation

The Colombian State is a representative democratic presidential Republic as established by the Constitution of 1991. The President serves both as Head of State and Head of Government. He is elected by popular vote and for a maximum of two four-year terms (up from one in 2005). Parliament is made up of the Senate and the Chamber of Representatives, counting 102 and 166 members respectively. Senators and Representatives are elected every four years by direct vote. Colombia's judiciary has a Supreme Court of Justice, the highest court in civil and penal matters. The Constitutional court was created in 1991 and is the highest judicial body for the interpretation of constitutional law.

Alvaro Uribe was elected President in 2002. In 2005, a constitutional reform allowing the re-election of the President was approved by the Constitutional Court. As a result, Alvaro Uribe became the first president to be re-elected consecutively in Colombia in over a century. His high approval rating was the result of major improvements in the country's security situation, different social programs and sustained economic growth.

On February 26th, 2010, the Constitutional Court rejected a proposal to hold a referendum amending the Constitution in order to allow the President to run for a third term. In May 2010, Uribe's former Defence Minister Juan Manuel Santos was elected President.

Juan Manuel Santos began his presidency with a significant congressional majority and high popularity. His approval rating rose to 89% by the end of 2010, reflecting content with his inclusive, centrist and moderate policies, military successes against the left-wing guerrillas and the significantly improved relations with Venezuela and Ecuador.[4] Relations with the U.S. remain a central priority of the Colombian government, especially in view of the ratification of a bilateral Free Trade Agreement and the common anti-terrorism and anti-drug trafficking strategy.

Since the sixties, Colombia has suffered from an internal conflict involving left-wing guerrillas (Revolutionary Armed Forces of Colombia, FARC; National Liberation Army, ELN) and right wing paramilitary groups (United Self-Defense Forces of Colombia, AUC). The far-right paramilitary groups could count on sponsors such as large landowners and companies, while the guerrillas used kidnappings and extortions in order to finance their activi-

[3] Departamento Nacional de Estadística DANE.
[4] Economist Intelligence Unit Report, December 2010, p.3.

ties. Both guerrilla and paramilitary groups have resorted to drug production and trafficking as major sources of income. After the demobilisation of the AUC during the first Uribe government, many former paramilitaries have become involved in criminal gangs, dedicated mainly to drug trafficking and not shying away from cooperating with their former enemies among the left-wing guerrillas.

During the Uribe government, the security situation has improved considerably, in particular in and around bigger cities, along major highways and in touristic areas, though there were some setbacks in the last two years. Illegal armed forces remain active, mainly in rural areas in the south of the country, alongside the Pacific coast and the Venezuelan border.[5]

NGOs and the Office of the United Nations High Commissioner for Refugees estimate the number of internally displaced people from the internal conflict at almost 4 million. President Juan Manuel Santos stresses the importance of the compensation of victims and land restitution. He is also willing to enter into dialogue with illegal armed forces. However, according to President Santos, there will only be room for dialogue if illegal armed forces demonstrate their commitment to peace with concrete gestures i.e. through the liberation of hostages and the abandonment of practices such as kidnapping, drug trafficking, use of child soldiers and anti-personnel mines.

Switzerland is strongly committed to Colombia with programs in economic development cooperation, humanitarian aid, peace building and promotion of human rights. Total disbursements exceed CHF 20 million per year. In the area of humanitarian aid, activities focus on protecting the civil population, especially minorities and internally displaced persons.

3. Economy

Colombia's GDP is the fifth largest in Latin America, after Brazil, Mexico, Venezuela and Argentina. Since 2003, the Colombian GDP has increased significantly. However, with roughly USD 6'000, GDP per capita remains modest in regional comparison.

Table 1. Main Economic Indicators

	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP Growth (in %)	1.9	3.9	4.9	4.7	6.8	7.5	2.5	0.8	4.7
Inflation (in %)	7.0	6.5	5.5	4.8	4.5	5.7	7.7	2.0	3.2
FDI (USD m)	2'134	1'720	3'016	10'252	6'656	9'049	10'596	7'209	9'483
Unemployment (in %)	15.5	14.0	13.6	11.8	12.0	11.2	11.3	12.0	11.8
Exports (USD m)	11'975	13'129	16'788	21'190	24'391	29'991	37'626	32'853	39'820

Source: DANE and Central Bank.

Six sectors make up more than 83% of GDP: finance (20%), social services (19%), manufacturing (15%), commerce (14%), agriculture (9%) as well as mining and petroleum (6%). Exports, of which petroleum makes up almost a third, represent a rather small share

[5] For further information, consult the Federal Department of Foreign Affairs' travel advices in French, German and Italian: http://www.eda.admin.ch/eda/fr/home/travad.html.

of GDP (15%). Due to an active government policy and the discovery of important reserves, foreign investment has been substantial in the oil sector (80% of total FDI).

Recent governments have made substantial efforts to open the Colombian economy to international trade. During the last years, a shift between major trade partners has taken place. After increasing by 200% between 2005 and 2008, exports to Venezuela were drastically affected by political tensions and fell from 16% (2008) to 4% (2010) of overall exports. As a result, Venezuela currently ranks fifth for exports, after the US (42%), the EU (13%), China (5%) and Ecuador (5%).

Since 2000, Colombia has almost tripled its overall **exports**. Traditional goods - petroleum, coffee, carbon and ferronickel - contributed significantly to this growth: in 2008, coal and oil exports increased by more than 40%, accounting for more than half of total exports. Gold has gained a more prominent position in recent years, reaching 15% of overall exports in 2009. In the first decade of the century, Colombia's trade balance was largely positive, except during the boom years 2006 and 2007.

Following the 2001-2002 recession, Colombia's GDP **growth** gradually accelerated from 2% (2001) to 7.5% (2007) but diminished significantly during the financial and economic crisis in 2008 (2.5%) and 2009 (0.8%). Although domestic consumption witnessed a major slump and exports declined strongly, Colombia did not fall into recession as did several other Latin American countries.[6]

Three external factors seriously affected the Colombian economy during the crisis. First, the country’s major trading partners, i.e. Venezuela, Ecuador and especially the United States fell into recession in 2009. Second, the price of oil, a major Colombian export product, decreased dramatically after reaching a peak in mid-2008. Third, remittances from Colombians living abroad fell sharply, thereby affecting domestic demand.

After a year of stagnation in 2009, growth resumed in 2010 (4.7%) and is projected to range between 4% and 5% in the coming years.[7]

Unemployment fell from 15.5% in 2002 to 11.3% in 2008, to then rise slightly to 11.8% in 2010. Poverty has also decreased from 54% of the population in 2002 to 46% in 2009. Despite this progress, Colombia remains the country with the highest income inequality in Latin America.[8]

Inflation was significantly reduced over the first half of the current decade. Driven by high commodity prices, it peaked at 7.9% at the end of 2008 and came down in 2009 due to lower prices for basic products, a deflationary trend at the international level and the weakening of internal demand. As a result of the financial and economic crisis, monetary policy was loosened and the reference interest rate was lowered from 9.5% in January 2009 to 3% in the first half of 2010.

Foreign Direct Investment (FDI) increased in recent years, contributing significantly to economic growth. The discovery of new reserves attracted large foreign investments in mining. In 2008, FDI flows reached USD 11 billion.[9] With the deterioration of global economic conditions, they declined in the last quarter of 2008 and dropped to USD 7.2 billion in 2009. In 2010, FDI flows recovered to the pre-crisis level.

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[6] *Highlights Colombia: Economic Analysis 2008 and forecasts 2009*, PriceWaterHouseCoopers, 2009.
[7] Projections: IMF, World Economic Outlook Database.
[8] DANE and Central Bank.
[9] Banco de la República, Subgerencia de Estudios Económicos.

4. Regional Pattern

Colombia has 32 departments, each one with its specificities and different stages of economic development. As "Capital District", Bogota has a status on its own.

4.1. Industrial Departments

Cundinamarca, Antioquia, Atlántico, and Valle del Cauca feature the most developed industrial centres and the best business opportunities.

Cundinamarca is the most important department with an area of 24'210 km^2 and over 9 million inhabitants, including the Capital District. Bogotá, with a population of 6.8 million, represents the cultural and commercial epicentre of the country. The city and its surroundings feature the most developed industries of the country with metalwork, pharmaceutical and textile companies, as well as large-scale flower plantations.

Cundinamarca is the country's main sugar cane producer. The dairy product industry is highly developed mainly in Bogota's Savanna and Ubate's valley. The main agricultural products are coffee, corn, sugar cane, potato, barley, wheat, cassava, cotton, rice, beans and fruits. Coal and salt are the most important natural resources of the zone but cal, sulphur, emeralds, quartz, plumb, gypsum, copper and marble are also mined.

Bogotá by night[10]

Antioquia is located in the north-western part of Colombia and has a narrow section that borders the Caribbean Sea. Most of its territory is mountainous with some valleys, much of which is part of the Andes mountain range. The department covers an area of 63'612 km² with a population of 6.6 million (2010 estimate). Its capital is Medellín, the country's second largest city, accounting for 8% of GDP and 25% of non-traditional exports.[11]

Antioquia's economy is based on industry, services, trade, agriculture, stockbreeding and mining. Its industry is the second largest at national level, with textiles, chemicals, pharmaceuticals, machinery, cement, fertilizers, concentrates, metalwork and paper.[12]

The department is the most prominent coffee and banana exporter; products such as sugar cane, cereals, cocoa, cassava, tobacco and fruit are also part of the region's output.[13] During the last decades, stockbreeding witnessed an important development. Mining is also significant with the production of gold, silver, copper and other minerals.[14] In services, important business opportunities exist in real estate, banking, transportation and communications.

Located at the Caribbean, **Atlántico** is the third smallest department in terms of size. With a population of 2.2 million, it is one of the most densely populated regions. Its capital is Barranquilla.

Atlántico's economy is based on industrial activity, producing mainly chemicals, pharmaceuticals and paper. Agriculture provides cotton, rice, sorghum, sesame, cassava, corn and fruit.[15]

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[10] Source: www.travelblog.org.
[11] www.investincolombia.com.co/regional-information/medellin.html.
[12] Info in Spanish: www.co.all-biz.info/regions/?fuseaction=adm_oda.showSection&rgn_id=2&sc_id=4.
[13] Ibid.
[14] Ibid.
[15] Info in Spanish: www.co.all-biz.info/regions/?fuseaction=adm_oda.showSection&rgn_id=4&sc_id=4.

With more than one million inhabitants, Barranquilla is the fourth largest city of the country. It is strategically situated near the Caribbean. The Barranquilla Free Zone comprises an area of 1 million square meters, located alongside the maritime and fluvial port and only 20 minutes away from the international airport. It also features a 740'000 m^2 industrial zone yet to be developed. The free zone's objective is to promote export industries and services through tax, customs and foreign exchange incentives.

Facing the Pacific Ocean, the **Valle del Cauca** department lies in the western part of the country. The capital, Cali, accounts for 4% of total Colombian exports and is known for specialized logistics and foreign trade services.[16] Buenaventura, Cartago and Tulua are also major economic, political and cultural centres.

The economy is mainly centred on agriculture. The valleys offer fertile soils for sugar cane, cotton, soy, and sorghum; the mountains for coffee crops. The city of Yumbo stands out as a regional industrial hub, known for paper and cement. Buenaventura holds Colombia's main port on the Pacific coast, playing a significant role for the department and the country.

4.2. Growth-Oriented Departments


City of Cartagena, Bolivar[17]

Coffee, oil and tourism are the main engines of growth in Bolivar, Santander and the so-called Coffee Triangle (Calda, Quindío and Risaralda).

In the department of **Bolívar**, Cartagena is the leading city with one of the most important industrial complexes of the country, the Mamonal Industrial Park, and the main cargo and cruise liner terminal at national level.[18]

In the department of **Santander**, Bucaramanga (522'000 inhabitants) is mainly known for its footwear industry and health services as well as for its financial sector and educational system. The region accommodates an increasing number of technological research centres, among which energy, gas, petroleum, corrosives, concrete, leather and agro-industrial development tools are most notable.[19]

The departments of **Caldas, Quindío** and **Risaralda**, also called the "Coffee Triangle", count nearly 2 million inhabitants. The cities Pereira and Manizales hold the top positions in the World Bank's Doing Business report for Colombia.[20] In addition to coffee, major activities include metalwork, tourism, trade in agricultural goods, education and services.[21]

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[16] Proexport: www.investincolombia.com.co/regional-information.html.
[17] Source: www.trekearth.com/gallery/South_America/Colombia/.
[18] Proexport, ibid.
[19] www.investincolombia.com.co/regional-information/bucaramanga.html.
[20] www.doingbusiness.org/ExploreEconomies/?economyid=46.
[21] Proexport, ibid.

4.3. Less-Developed Departments

In the departments of **Tolima, Huila, Cesar, Córdoba, Norte de Santander, Boyacá** and **Nariño**, economic activity is largely limited to agriculture, animal husbandry and agro-industry.

In the department of **Norte de Santander**, Cúcuta has privileged commercial access to the border with Venezuela. Ninth largest city of Colombia, Cúcuta accounts for nearly 2% of overall domestic trade.[22]

In the departments of **Guajira**, **Magdalena**, **Sucre**, **Meta**, **Cauca**, **Arauca**, **Casanare** and **Caquetá**, agriculture and mining exceed 50% of total economic activity.

The departments of **Chocó**, **Vichada**, **Guainía**, **Vaupés**, **Putumayo**, **Guaviare** and **Amazonas** have the lowest development level. Economic activity is based on forestry, hunting and fishing.

Box 1. Doing Business in Colombia: World Bank Report 2010

According to *Doing Business in Colombia*[23], a report by the World Bank Group, the ease of doing business varies significantly from city to city. In 2008, the report included sub-national data for the first time.
Doing Business rankings are based on indicators of regulation that track the time and cost it takes a business to meet government requirements. The Colombia 2010 report compares business regulations across 21 cities and ten areas - starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business.

Doing Business in Colombia: sub-national rankings

1	Manizales, Caldas	12	Bogotá, Distrito Capital
2	Ibagué, Tolima	13	Riohacha, La Guajira
3	Pereira, Risaralda	14	Montería, Córdoba
4	Sincelejo, Sucre	15	Cúcuta, Norte de Santander
5	Valledupar, Cesar	16	Medellín, Antioquia
6	Santa Marta, Magdalena	17	Barranquilla, Atlántico
7	Armenia, Quindío	18	Bucaramanga, Santander
8	Popayán, Cauca	19	Villavicencio, Meta
9	Pasto, Nariño	20	Cali, Valle del Cauca
10	Tunja, Boyacá	21	Cartagena, Bolívar
11	Neiva, Huila		

In the World Bank's Doing Business Report 2011, Colombia ranked third among Latin American and Caribbean countries for ease of doing business (after Mexico and Peru).[24]

Source: Doing Business in Colombia 2010, World Bank.

[22] Ibid.
[23] The report is the result of a request from the Ministry of Finance to FIAS, a multidonor investment climate advisory service of the World Bank Group. It was produced with assistance from the Directorate of Entrepreneurial Development at the National Planning Department; the Ministry of Trade, Industry, and Tourism; and the Presidential Office for Competitiveness and Productivity. It also had financial support of the U.S. Agency for International Development.
[24] World Bank, *Doing Business 2011: Making a Difference for Entrepreneurs*, Washington D.C., 2010

5. International Trade Agreements

In addition to its commitments as a WTO member, Colombia has developed an extensive network of trade agreements.

- Colombia is a member of the **Andean Community** (CAN) with Bolivia, Ecuador and Peru. Venezuela left CAN in 2006 in order to join Mercosur.

- Colombia grants Caribbean Community (**CARICOM)** member states substantial tariff cuts and receives preferential treatment for its exports from some Member States[25].

- Several Economic Complementation Agreements aiming at a Free Trade Area between the Andean Community and **Mercosur**[26] have entered into force between 1997 and 2005[27]. With 350 million consumers and a GDP of about USD 3.7 billion[28], Mercosur represents a huge potential for Colombia.

- Colombia has **FTA**s in force with Mexico (1995), Chile (2009) and Guatemala, El Salvador and Honduras (2010), as well as with EFTA (2011)[29]. FTAs with the U.S. (2006), Canada (2008) and the EU (2010) await ratification. With Cuba, Colombia has a Partial Scope Economic Complementation Agreement, in force since 1994.

- The **Andean Trade Promotion and Drug Eradication Act** (ATPDEA) grants Colombia preferential access to the U.S. market for over 6'300 products. Enacted in 2002, it aims at fighting drug production and trafficking by expanding economic alternatives. The ATPDEA has led to rapid growth in trade between both countries[30].

- Within the framework of the **Generalized System of Preferences** (GSP), Colombia benefits from preferential market access to the U.S., the EU, Australia, Canada, Japan, Switzerland, Luxembourg, the Russian Federation and New Zealand.[31] The EU provides additional preferences in the framework of GSP Plus.[32]

6. Economic Relations between Switzerland and Colombia

Colombia is the fourth largest export market for Switzerland in South America. Swiss exports to Colombia have almost doubled since 2000 and reached CHF 300 million in 2010; they proved resilient and remained stable during the 2008-2009 financial crisis. Main ex-

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[25] Twelve members of CARICOM participate at the agreement: Trinidad and Tobago, Jamaica, Barbados, Guyana, Antigua and Barbuda, Belize, Dominica, Granada, Montserrat, San Cristobal and Nieves, Santa Lucia, San Vicente and the Grenadines.

[26] Mercosur (*Mercado del Sur*) is a regional integration agreement between Argentina, Brazil, Paraguay and Uruguay founded in 1991. For further information on CAN - Mercosur relations, see http://www.comunidadandina.org/exterior/can_mercosur.htm

[27] Agreements between Mercosur Member States and Bolivia *(Acuerdo de Complementación Económica No. 36,* 1997), Peru (*Acuerdo de Complementación Económica Nº 58,* 2005) as well as Colombia, Ecuador and Venezuela (*Acuerdo de Complementación Económica Nº 59*, 2005).

[28] 2010 estimates, based on data of the *CIA World Factbook*.

[29] The EFTA-Colombia FTA entered into force on July 1st 2011 between Colombia, Switzerland and Liechtenstein. Ratification by Norway and Iceland is still pending.

[30] USTR, *Third Report to the Congress on the Operation of the Andean Trade Preference Act*.

[31] www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp

[32] For countries with low diversification of exports which have effectively implemented 27 specified international conventions in the fields of human rights, core labour standards, sustainable development and good governance. http://ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences/.

port products include pharmaceuticals (37%) agrochemicals and chemicals (23%), precision instruments and watches (19%), and machines (13%).

Colombian exports to Switzerland were much more affected by the economic crisis and show major fluctuations over the past decade. They amounted to CHF 138 million in 2010 down from CHF 453 million in 2007. Nevertheless, Switzerland was the 9th largest importer of Colombian goods, accounting for 2.2% of Colombian exports.

Oil products (16%) make up the lion's share of Swiss imports from Colombia. Furthermore, Switzerland imports precious stones – essentially emeralds – as well as agricultural products (coffee, bananas and flowers).

Box 2. Gold Trade

Whereas Swiss statistics have usually shown a slightly positive trade balance for Switzerland during recent years, Colombian statistics traditionally register a considerable trade surplus for Colombia.

In Colombian statistics (2010), Swiss imports amounted to USD 854 million. According to Swiss data, they totaled USD 132 million.

Swiss official data do not include gold in bilateral trade statistics for confidentiality reasons and due to the fact that a large share of the imported gold is re-exported. In 2010, gold trade made up more than 27% of Swiss imports and 23% of overall exports.

Swiss Direct Investment in Colombia grew steadily over the past years. In 2009, Swiss investment stock amounted to CHF 1.6 billion and Swiss firms employed close to 14'000 people in Colombia[33]. During the same year, Swiss firms invested CHF 461 million in Colombia. They are particularly active in food, building materials, mining and the oil sector.

Box 3. Colombia - Switzerland: Investment-Related Agreements

Bilateral Investment Agreement: Switzerland has established an extensive network of bilateral agreements on the promotion and protection of investments covering most Latin American countries. Their aim is to secure non-discriminatory treatment for investors after their establishment, to guarantee free transfer of funds, and to deal with disputes as well as compensation claims in case of dispossession. Both companies and individuals are covered. Colombia and Switzerland signed such an agreement on May 17th, 2006. It entered into force on October 6th, 2009.

Double Taxation Agreement: The goal of double taxation agreements is to overcome obstacles for cross-border economic transactions, yet they also govern administrative assistance in tax matters. In 2007, Switzerland and Colombia signed a Double Taxation Agreement which was approved by the Swiss Parliament in March 2009 and by the Colombian Parliament in July 2009. The Agreement, entering into force on September 1st, 2011, and applicable as of January 1st, 2012, is expected to reduce the overall tax burden and encourage foreign investment.

[33] Swiss National Bank, *Monthly Statistical Bulletin*.

CHAPTER II : EFTA – COLOMBIA FREE TRADE AGREEMENT

The European Free Trade Association (EFTA) was established in 1960 by the Stockholm Convention. The original purpose of this intergovernmental organization was to provide a framework to liberalise trade in goods amongst its Member States. The current members of EFTA are Iceland, Liechtenstein, Norway and Switzerland. In contrast to the European Union (EU), EFTA is not a customs union. Individual EFTA States set their own customs tariffs and trade measures vis-à-vis third countries. EFTA is a platform aiming at strengthening relations with the European Union – through the European Economic Area[34] - and negotiating FTAs with interested partners. Since the early 1990s, EFTA has developed an extensive network of preferential trade relations with partners worldwide. To date, more than twenty FTAs have been concluded with more than 30 partner countries and territories and negotiations or exploratory processes are in progress with several others.

1. The EFTA - Colombia FTA

Ministers from the Member States of the European Free Trade Association (EFTA) and Colombia
Source: EFTA

The EFTA-Colombia FTA was signed in Geneva, Switzerland, on November 25th, 2008. After Mexico and Chile, Colombia is the third Latin-American country with which EFTA has concluded an FTA. For Colombia, it is the first FTA with European States. It entered into force on July 1st 2011 between Switzerland and Colombia.

The Agreement consists of 145 Articles and 20 annexes. It covers a broad range of areas including trade in goods (both agricultural and industrial), trade in services, investment, intellectual property rights, government procurement, competition policy and cooperation. The EFTA-Colombia Joint Committee, established by the Agreement, will supervise the application of the Agreement, which also provides for dispute settlement through arbitration. In addition, bilateral agreements on agricultural products between the individual EFTA States and Colombia form part of the free trade area established between both sides.

[34] Switzerland is not member of the EEA and has signed a set of bilateral agreements with the EU.

2. Trade in Goods

2.1. Industrial Products

a) Tariffs

As a member of the Andean Community, Colombia applies a common external tariff ranging for most products between 5% and 20% on imports from third countries. Tariff rates applied under the most-favoured nation (MFN[35]) treatment are presented in table 2.[36]

The Free Trade Agreement (FTA) between Colombia and the EFTA States foresees the complete dismantling of tariffs for two categories of industrial products: products falling within chapters 25 and 97[37] of the Harmonized Commodity Description and Coding System (HS) as well as fish and other marine products. With regard to the first category, the EFTA countries have agreed to eliminate all customs duties on imports as of the entry into force of the agreement, while Colombia will remove tariffs on 86% of its industrial goods three months after the Agreement enters into force. The remaining customs duties on imports will be gradually removed within a transition period of five to ten years after the entry into force. This asymmetrical treatment reflects differences in the economic development of the parties.

Table 2. Tariffs on Non-agricultural Goods

	MFN rates
Ores and metals	6.3%
Manufactured goods	11.4%
Chemical products	7.2%
Machinery and transport equipment	10.0%

Source: UNCTAD Handbook of Statistics 2008

For Swiss exporters of industrial goods, the FTA implies that products which were subject to MFN tariffs prior to the agreement (e.g. pharmaceuticals: 8.0%; machines: 7.3%; watches: 6.4%[38]) will benefit from the elimination of customs duties upon the entry into force of the FTA or a progressive dismantling during a transition period (e.g. some cosmetics, plastics, as well as leather products and shoes).

b) Rules of Origin

In order to get preferential status upon import into Colombia, products exported from Switzerland must fulfil the rules of origin of the FTA; Product Specific Rules indicate the working and processing required to be carried out on non-originating materials (Art. 2.3 as well as Annex V and its Appendix 2). They are largely based on the European model. As with Mexico and Chile, they are, however, more liberal for several product categories taking

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[35] Under the WTO agreements, each member treats all the other members equally as “most-favoured” trading partners. See: www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm#seebox

[36] A book presenting the currently applied tariff schedule can be purchased at Lecomex (www.lecomex.com) or at Legis (www.legis.com.co). Especially high tariffs are collected for the import of automobiles and motorcycles (35%), beans (60%), and rice and beef (80%).

[37] Products include: minerals, wood, metals, machines, textiles, etc, but exclude some products related to agriculture.
The Harmonized System (HS) is a classification system for goods comprising 21 Sections, 97 Chapters and 1'241 headings (4-digit level). Some headings are sub-divided into sub-headings (6-digit level) which are further sub-divided at national level (8 or more digits). The HS includes 5'018 separate categories of classification of goods. It is implemented by the international Convention on the Harmonized Commodity Description and Coding System of 1 January 1988. It is now used in the customs tariffs and trade statistical nomenclatures of nearly 120 countries. For more details, see Hironori Asakura (1993): *The Harmonized System and Rules of Origin,* 27 J.W.T. 4, pp. 5-21.

[38] Market Access Map, FTA Colombia-EFTA as quoted in *La Vie économique - Revue de politique économique 10-2009*, p. 12.

into account the purchase by Swiss firms of most intermediate products in the European Union. The FTA does not forbid the reimbursement of duties paid upon import on half-finished products (*drawback*).

Consignments may be split-up in transit countries without loss of preferential treatment (Annex V / Art. 14). This increases the logistic flexibility of Swiss exporters.

The Product Specific Rules (PSR) for the main Swiss export products are:

- **Pharmaceuticals**[39]: the PSR require 50% value-added or a tariff shift[40] whereby the finished product has to fall into a heading of the Harmonized System[41] (HS) different from the heading of the input materials.
- **Chemicals**[42]: the PSR require 50% value-added or a tariff shift. For organic chemicals (Chapter 29 of the HS), tanning products (HS 32.01 to 32.02) and synthetic organic colouring matter (HS 32.04), the tariff shift rule applies at the six-digit level and materials used in the same six-digit position may be used, provided their value does not exceed 20% - respectively 30% for Chapter 29 - of the product. For colouring matter of vegetable or animal origin (HS 32.03) and for various pigment preparations (HS 32.05 to 32.07), the tariff shift rule applies at the six-digit level.

  For soap and washing preparations (Chapter 34 of the HS), the tariff shift rule applies at the four-digit level with the possibility to use non-originating materials classified in the same position of up to 20% of the value of the product.
- **Machines**[43]: the PSR foresee a tariff shift whereby the end product has to fall into a heading of the Harmonized System different from the one of the input materials, or alternatively a 50% value-added rule.
- **Precision instruments**[44]: the PSR foresee a tariff shift or 50% value-added.
- **Watches**[45]: the PSR foresee 60% value-added.
- **Textiles**: for yarn, the PSR require that non-originating materials are classified within a heading other than that of the product. The rules are liberal for fabrics as non-originating yarn may be used.
- **Embroidery**: the PSR require a tariff shift.
- **Clothing**: the PSR also allow the use of non-originating fabrics; however, the product must be both cut (or knit to shape) and sewn or otherwise assembled in one or more Parties.

In order to benefit from preferential treatment, exporters must submit a **proof of origin**, i.e. the movement certificate EUR.1 or a declaration on the invoice (see Annex 3). Proofs of origin and all relevant documents used to prove the originating status of the products must be kept for three years.

No proof of origin is required for low value shipments from private persons to private persons.

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[39] HS Chapter 30; medicaments are classified in two tariff positions, 3003 and 3004.
[40] A tariff shift is a movement between two tariff positions at the four-digit level of the HS.
[41] See footnote 37.
[42] HS Chapters 31 to 36.
[43] HS Chapters 84 and 85.
[44] HS Chapter 90.
[45] HS Chapter 91.

2.2. Agricultural and Processed Agricultural Products

a) Processed Agricultural Products

The EFTA-Colombia FTA provides for tariff concessions on processed agricultural products[46] such as chocolate, sweets, biscuits, pasta, soups etc. EFTA countries grant Colombia preferential treatment equivalent to the one given to the EU. For processed agricultural products which contain raw materials that are sensitive for their agricultural policy, EFTA countries eliminate the industrial component of import duties but maintain the possibility to compensate for higher raw material prices on their domestic markets. Furthermore, EFTA-States grant duty-free access for other processed agricultural products which do not contain sensitive raw materials, such as coffee, mineral water, beer, spirituous beverages and vinegar. Export refunds can no longer be applied to products subject to tariff concessions.

Colombia grants tariff concessions on processed agricultural products such as chocolate, sweets, soups and sauces, instant fondue and preparations made out of coffee. Concessions are to be applied as of the entry into force of the FTA or after a transition period of up to ten years. For chocolate, the MFN tariff applied by Colombia is 20% whereas the agreement foresees tariffs between 15% and 19%.

b) Agricultural Products

Tariff concessions on selected basic agricultural products are covered by bilateral agricultural agreements between Colombia and each of the EFTA Member States. Concessions were made on products that are of special importance to the Parties.

Melons, Chinauta, Cundinamarca Department[47]

Switzerland grants concessions on a contractual basis for a range of products of particular interest to Colombia. They include products which were formerly granted preferential access under the Generalized System of Preferences (GSP) on a unilateral basis. The products under the GSP for which Switzerland could not grant concessions (about 5% of total products falling under the system) will continue to benefit from unilateral concessions as long as Colombia qualifies as a GSP beneficiary.

For some products, such as coffee and cut flowers, concessions go further than those under the GSP. Duty-free access has also been granted for bananas and other tropical fruits such as pineapples, oranges, lemons and papayas.

At 16.6%[48], Colombia's MFN tariff on basic agricultural products is slightly higher than on industrial goods. Duty-free access or tariff concessions are granted for dried meat, apple juice, must, and - on a reciprocal basis - cigarettes and other tobacco products.

[46] Chapter 3 of the Agreement.
[47] Source: www.trekearth.com/gallery/South_America/Colombia/.
[48] WTO data, 2009, as quoted in *La Vie économique - Revue de politique économique 10-2009*, p. 11.

While the MFN tariff on dried meat commonly applied by Colombia is 80%, the agreement grants Switzerland duty-free access after a transition period of 11 years.

For cheese, two tariff quotas of 200 tons - later to be increased to 500 tons - were agreed; as a consequence, hard cheese (Gruyère, Emmental) and semi-hard cheese (Vacherin Fribourgeois, Raclette) are exempt from customs duties. For imports exceeding these quotas, the agreement provides for a tariff reduction of 20%. An annual duty-free quota of 100 tons, which is to be completely dismantled after 17 years, is granted to fresh cheese.

3. Services

The services provisions under the EFTA-Colombia FTA are largely based on the WTO General Agreement on Trade in Services (GATS). The FTA adopts the MFN principle, market access and national treatment provisions as well as all four modes of supply[49] as defined under the GATS. It covers, *inter alia*, construction, communication, distribution, tourism, environment, transport and financial services. However, air transport and services supplied in the exercise of governmental authority do not fall within the scope of the FTA.

Certain provisions of the FTA go beyond the standards set out by GATS (financial and telecommunication services, recognition of qualifications, natural persons supplying services). Similar to GATS, EFTA countries and Colombia agreed on positive lists, setting out specific commitments with regard to market access and national treatment (Annex XV). These lists shall be reviewed every three years with the objective to further liberalize trade in services.

Compared to Colombia's obligations under GATS, the positive lists of the FTA go significantly further, for example in the following areas: Entry and temporary stay of technical visitors in charge of the installation and maintenance of machinery and industrial equipment as well as training in its use; architecture; engineering; integrated engineering; urban planning and landscape architecture; technical testing and analysis; related scientific and technical consulting; distribution; environment; services incidental to manufacturing; finance (life and non-life insurance; asset management) as well as logistics.

4. Government Procurement

4.1. Colombia's Public Procurement

Government Procurement covers all contracts of the government to purchase goods and services as well as public works; it amounts to between 4.4% and 6.6% of GDP (2009: between USD 10 billion to 15 billion, including centralized and decentralized entities).[50] The Colombian government carries out approximately 1.5 million transactions a year. In 2009, 74% of public contracts were administered by national and 26% by regional entities.[51]

In general, Colombia's public procurement regime does not differentiate between domestic and foreign firms. However, according to the last WTO Trade Policy Review of Colom-

[49] The GATS distinguishes between four modes of supply for services: cross-border trade, consumption abroad, commercial presence, and presence of natural persons.
[50] www.altaconsejeriapresidencial.gov.co; www.contratos.gov.co/puc/.
[51] Ibid.

bia, certain provisions give preference to tenders that incorporate domestic goods or services.[52]

4.2. Government Procurement under the EFTA-Colombia FTA

Through the FTA, the Parties consent to mutually open their government procurement markets. Chapter 7 of the FTA covers conditions and procedures for procurement of goods and services.

Colombia is not a party to the WTO Agreement on Government Procurement (GPA) but acts as an observer. With the EFTA-Colombia FTA, Swiss firms will benefit from conditions similar to those of the revised GPA of the WTO.[53] With the exception of financial services and some sectors that undergo privatization, all services are covered.

Swiss firms are granted non-discriminatory access to Colombian tenders if the estimated value of the procurement equals or exceeds predefined thresholds, specified in Annex XIX of the FTA. In order to account for the different levels of economic development, Colombian thresholds for utilities are lower compared to those of Switzerland. Swiss thresholds correspond to those defined in the WTO GPA. Table 3 summarizes the Colombian thresholds.

Table 3. Thresholds for Swiss Firms to Access Colombian Tenders (in SDR[54])

	Central level	Sub-central level	Utilities
Goods	130'000	200'000	220'000
Services	130'000	200'000	220'000
Construction Services	5'000'000	5'000'000	5'000'000

Source: Free Trade Agreement, Annex XIX

The central level covers 19 entities of the executive branch, two of the legislative branch, two of the judicial branch, four control agencies and one electoral organization. The sub-central level includes all the departments and municipalities. The utilities cover 10 public entities, including i.a. *Agencia Logígistica de las Fuerzas Militares*, *Fondo Rotatorio de la Policía Nacional* and *Servicio Nacional de Aprendizaje*.

Similar to the FTA with Chile, the procurement rules also apply at the municipal level.

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[52] WTO, *Trade Policy Review: Report by the Secretariat for Colombia*, October 2006, p. 82; Law No. 816 of 2003.

[53] In December 2006, the WTO negotiating parties agreed in principle on a revised draft text of the GPA. For further information, see WTO: *Overview of the Agreement on Government Procurement*.

[54] 1 SDR ≈ USD 1.56 (January 2011). In the FTA, the thresholds are indicated in SDR (Special Drawing Rights). The SDR is an international reserve asset, created by the IMF in 1969. Its value is based on a basket of four key international currencies. SDRs can be exchanged for freely usable currencies.

Colombia maintains a single government procurement portal accessible on the internet:

www.contratos.gov.co/puc

Libertad y Orden

Portal Único de Contratación

Sistema Electrónico para la Contratación Pública

Fase Informativa

rnes 19 de Marzo de 2010, 5:28:16 Buscador: Buscar | Contáctenos | Información del portal | Preguntas frecuentes | Mapa del sitio |

Búsqueda Avanzada

Búsqueda de Proceso Contractual

Entidad Compradora	Todas las entidades...	Número de Proceso	
Modalidad de Contratación	---------	Departamento de ejecución	Todos los departamentos...
Estado	Todos los Estados de Proceso...	Municipio	Todos Los municipios...
Fecha Desde		Fecha Hasta	
Producto o Servicio	Todos...	Cuantía	Cualquier Valor...
Resultados por página	50		

Buscar

▽	Número de Proceso	Tipo de Proceso	Estado	Entidad	Objeto	Departamento y Municipio de Ejecución	Cuantía	Fecha (dd-mm-aaaa)
1	298-10	Contratación Directa (Ley 1150 de 2007)	Celebrado	BOLÍVAR - GOBERNACIÓN	APARATOS TELEFONICOS REGULADORES DE VOLTAJES, TARJETAS Y REPUESTOS PARA ACONDICIONAR LA PLANTA TELEFONICA CENTRAL DE LA GOBERNACION DE BOLIVAR	Bolívar : Cartagena	$26,350,000	Fecha de Celebración del Primer Contrato 04-03-2010
2	2210	Selección Abreviada de Menor Cuantía (Ley 1150 de 2007)	Convocado	CARDIQUE - CORPORACIÓN AUTÓNOMA REGIONAL DEL CANAL DEL DIQUE	CONTRATAR LA PRESTACIÓN DE SERVICIO DE INTERNET A TRAVES DE UN CANAL DEDICADO 1:1, PARA LA CORPORACION AUTONOMA REGIONAL DEL CANAL DEL DIQUE ¿ CARDIQUE-.	Bolívar : Cartagena	$44,448,964	Fecha de apertura 03-03-2010
3	303-10	Contratación Directa (Ley 1150 de 2007)	Celebrado	BOLÍVAR - GOBERNACIÓN	CONTRATO DE MANTENIMIENTO PREVENTIVO Y CORRECTIVO DE EQUIPOS DE COMPUTO IMPRESORAS Y REDES DE DATOS PARA LA DISTINTAS DEPENDENCIAS DE LA GOBERNACION DE BOLIVAR	Bolívar : Cartagena	$37,800,000	Fecha de Celebración del Primer Contrato 24-02-2010
4	1810 !	Selección Abreviada de Menor Cuantía (Ley 1150 de 2007)	Borrador	CARDIQUE - CORPORACIÓN AUTÓNOMA REGIONAL DEL CANAL DEL DIQUE	CONTRATAR LOS SERVICIOS PUBLICITARIOS DE EVENTO DE MERCADEO SOCIAL EDUCATIVO AMBIENTAL A TRAVES DE EMISORAS LOCALES, CON EL FIN DE FORTALECER LA PRESENCIA MEDIÁTICA DE CARDIQUE EN LA CIUDAD Y EL DEPARTAMENTO, Y APOYAR LOS PROYECTOS DE EDUCACIÓN AMBIENTAL DE LA CORPORACION	Bolívar : Cartagena	$6,100,000	Fecha de apertura 17-02-2010
5	04061600R CLEN ¿ JADEN -	Selección Abreviada de Menor Cuantía (Ley 1150 de 2007)	Adjudicado	ARMADA NACIONAL DE LA REPÚBLICA DE COLOMBIA	PRESTAR EL SERVICIO DE ACCESO A INTERNET Y EL SERVICIO DE ACCESO DEL CANAL DE DATOS DE LA ESCUELA NAVAL DE CADETES ¿ALMIRANTE PADILLA¿	Bolívar : Cartagena	$281,000,000	Fecha de adjudicación 08-02-2010

Box 4. **Basic Procurement Rules**

National Treatment (Art. 7.4)
Swiss suppliers are entitled to a treatment no less favourable than that granted to Colombians.

Non-discrimination (Art. 7.4)
Swiss products offered by locally established suppliers shall be treated as Colombian products; the degree of foreign affiliation or ownership shall not be considered in a tender.

Valuation (Art. 7.1)
In estimating the value, whether it is covered procurement, contracts shall not be split into separate procurements to avoid the application of the rules.

Publication of Procurement Information (Annex XX / Appendix 2)
Legislation, tender and notice of intended procurement shall be published electronically on the government procurement gateway of Colombia: www.contratos.gov.co/puc/

Tendering Procedures (7.10)
- Open: all interested suppliers may submit a tender;
- Selective: only qualified suppliers are invited by the procuring entity to submit a tender;
- Limited: the procuring entity contacts a supplier or suppliers of its choice.

Conditions for Participation (7.7)
Any conditions for participation in tendering procedures by Swiss firms shall be limited to those that are essential to ensure the firm's capability to fulfil the contract and shall not have a discriminatory effect. Prior work in Colombia or prior contracts cannot be required as a condition to participate in a tender or as an award criterion. Swiss firms shall also have access to permanent lists of qualified suppliers.

Time Limits (Annex XX / Appendix 3)
Swiss firms shall have 40 days to submit a tender after the publication of the notice. Where qualification requirements must be met, Swiss firms shall have no less than 25 days to comply. Shorter time limits, but no less than 10 days, can be practiced inter alia in case of urgency or for off-the-shelf goods or services with the same technical specifications as those purchased by non-governmental buyers for non-governmental purposes.

Technical Specifications (Art. 7.8)
Colombian procuring entities shall specify technical details in terms of performance and functional requirements rather than design and descriptive characteristics, and based on international standards, or in their absence, on national technical regulations, recognized national standards or building codes. Specific trademark, patent or design shall not be used except with the words “or equivalent”.

Negotiations (Art. 7.13)
Entities may hold negotiations with suppliers making tenders, provided this is indicated in the initial tender notice or it appears from the tender evaluation that no one tender is the most advantageous

Contract Award Criteria (Art. 7.14)
The procuring entity shall award the contract to the supplier either with the lowest price offer or whose tender is determined as most advantageous in terms of the criteria previously set forth.

Bid Challenges (Art. 7.17)
Suppliers believing that procurement has been handled inconsistently with regard to the FTA have a right of recourse to an independent domestic tribunal or specified review body.

Publication of Award Information (Art. 7.15)
Not later than 72 days after an award, the procuring Colombian entity shall publish electronically certain information about the awarded contract and the successful supplier.

5. Investment

On October 6th, 2009, a bilateral Agreement on the Promotion and Reciprocal Protection of Investments (BIT) entered into force between Colombia and Switzerland. It provides Swiss investors with guarantees of non-discriminatory treatment and protection against political risks for their investments, such as *de iure* or *de facto* expropriations. It also includes obligations to grant the free transfer of payments, returns and proceeds related to such investments – with certain exceptions such as balance-of-payments problems. Should a dispute between an investor and a Party arise, the Agreement enables the investor to bring his claim to international arbitration, including under the administrative support of the International Centre for Settlement of Investment Disputes (ICSID), affiliated to the World Bank, and the rules of the ICSID Convention. The ICSID Convention provides for an efficient enforcement regime since both Parties are legally bound to recognize and enforce any pecuniary award rendered by an arbitral tribunal constituted on the basis of the BIT. For the time being, only the United States, Spain and Peru have BITs in force with Colombia. The BIT applies to investments once they are established in the partner country.

The FTA complements the BIT by conveying Swiss investors the right to establish business in Colombia under the same conditions as those applying to domestic investors. The right of establishment applies to all non-services sectors such as manufacturing, agriculture and mining, provided that the business activity concerned is not specifically listed as an exception. Exceptions to the principle of non-discrimination mainly refer to land acquisition rights and compulsory quota for local staff in Colombian companies. The right to establish a company or another commercial presence in the service sector is covered under the Chapter on Trade in Services (Chapter 4) of the FTA.

In conjunction, the BIT and FTA cover the entire "life cycle" of an investment, i.e. from the making of an investment to the repatriation of the liquidated investment. The FTA provides Swiss investors with a degree of protection similar to the one granted to other preferential trading partners. With respect to the treatment of investments in the post-establishment phase (i.e. the BIT) Swiss investors even benefit of a better treatment than many of its other foreign competitors. By concluding these agreements, Colombia reaffirms its commitment towards an open FDI policy and its willingness to protect FDI in line with international standards.

6. Intellectual Property

The FTA contains a full-fledged chapter on intellectual property (IP), covering all relevant fields including measures relating to enforcement. The chapter is based on the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and includes in particular the MFN and national treatment principles. In addition, it incorporates certain improvements and clarifications with respect to TRIPS. Adherence of the Parties to a number of other important international IP Treaties and Conventions by the time of the entry into force of the FTA is provided in the IP chapter.

The Parties agree to enforce intellectual property rights (IPR) and to provide for adequate measures against piracy and counterfeit goods. They recognise the benefits of IPR protection and enforcement with regard to the promotion of technological innovation and welfare.

For the first time in an EFTA FTA, measures relating to biodiversity are included. The Parties stress the importance of traditional knowledge, innovation and practices of indigenous and local communities. Consequently, patent applications shall contain a declaration of the origin or source of a genetic resource, to which the inventor or the patent applicant has had access.

Protected tomb, San Augustin, Huila Department[55]

Concerning trademark protection, the parties have agreed to expand protection to new types of marks like sound-marks or internet brands and labels according to recommendations of the World Intellectual Property Rights Organization (WIPO).

Regarding the protection of geographical indications and patents, the FTA includes provisions based on the TRIPS Agreement. In addition, protection for pharmaceutical patents may be extended to compensate for the curtailment of the effective term of patent protection due to lengthy marketing approval procedures. This provision corresponds to the level of commitment agreed under the U.S.-Colombia FTA. The IP chapter also provides for the protection of test data for 5 years in the case of pharmaceuticals and 10 years in the case of agro-chemical products. A number of provisions pertain to enhanced standards of IPR enforcement.

In these and a number of other regards, the EFTA-Colombia FTA goes beyond the TRIPS agreement in reference to intellectual property rights protection and constitutes an improvement vis-à-vis the minimum levels of protection under the multilateral system.

7. Competition Policy

The Parties recognize that anti-competitive business practices have the potential to undermine the benefits of liberalization arising from the FTA. Accordingly, each Party commits to applying its competition laws with a view to proscribing such practices. The Parties shall ensure that state enterprises and designated monopolies do not engage in anti-competitive practices affecting trade between them, insofar as this does not obstruct the performance of the particular public tasks assigned to such entities.

Besides these exceptions, all sectors of the economy are subject to fair competition provisions. Horizontal and vertical agreements constraining competition, as well as arranged practices or abuse of monopolistic market positions are explicitly referred to in the FTA.

Additionally, the Parties also agree to co-operate on issues relating to competition law enforcement. The FTA foresees bilateral co-operation including notification, exchange of information, technical assistance and consultation.

[55] Source: www.trekearth.com/gallery/South_America/Colombia/.

8. Development Cooperation and Technical Assistance

With the entry into force of the EFTA-Colombia FTA, the Parties explicitly agreed on strengthening development cooperation and working towards economic growth and poverty reduction. This long-term objective is to be achieved by means of Trade Capacity Building (TCB). The priorities in TCB are outlined in Chapter 10 of the FTA:

- strengthening existing relations with regard to TCB
- enhancing and creating new trade and investment opportunities, fostering competitiveness and innovation
- allowing the Parties to fully take advantage of the benefits of the FTA

During the negotiations, Colombia presented a list of possible TCB projects requiring about CHF 1 million per year, for which Switzerland intends to provide funds under SECO's Economic Development Cooperation Program. According to the Agreement, three areas shall be supported[56]:

- market intelligence
- compliance with international standards
- creation of entrepreneurial (export) networks

The practical implementation of activities started in July 2010, with the signing of a formal agreement on the launch of a Market Intelligence Project. It builds on the observation that Colombian companies operating in sectors that have good potential to enter the EFTA market are not aware of their opportunities due to a lack of information and of business contacts. In order to take greater advantage of the opportunities created by the FTA, Colombian firms need additional information about the functioning of European markets in terms of market statistics, consumer and industry trends, access requirements, distribution channels, price structures and price developments, key players and other important contacts and networks.

Box 5. The Market Intelligence Project

The Market Intelligence Project, implemented by the Swiss Import Promotion Program (SIPPO) housed within OSEC and *Proexport*, has three major phases:

1. Preparation of EFTA Market Intelligence Reports in five sectors: *software, cosmetics, textiles and apparel, processed foods, and organic products*.
2. Dissemination of the Market Intelligence Reports through seminars and other interactions between Colombian exporters and Sector Experts.
3. Sellers missions with well positioned Colombian companies to trade fairs in Europe

The first two phases of the project, i.e. the publication and dissemination of the Market Intelligence Reports in Colombia, were completed in the second half of 2010. The third phase is scheduled to take place in 2011 with the identification of about ten companies in each of the five selected sectors.

More specifically, SIPPO will organise sellers missions to trade fairs in Europe. The program of these study tours will include a guided visit through the respective trade fair (which helps the company to get an overview of competitors and tendencies in the sector and to make a decision about future participation in the trade fair), as well as individual contacts with buyers in Europe, for instance in the context of targeted trade match-making events.

[56] There is a fourth area referring to the fishery sector supported by a Norwegian partner.

The second and third areas of activities to be financed by SECO in 2011 will derive logically from the implementation of the Market Intelligence Project. A detailed gap analysis will be done at the level of five selected sectors (software, cosmetics, textiles, processed foods, organic products) regarding the ability of Colombian exporters to meet demand and the capability of support institutions to assist exporters. The conclusions of this gap analysis are expected to lead to the definition of a second project linked to the compliance with international standards (especially in terms of *certification*). The last piece of the promotion puzzle will be the creation of entrepreneurial (export) networks for each of the five selected sectors.

Box 6. Development Cooperation: the Five Selected Sectors

A. Cosmetics

The sector includes natural ingredients as well as finished products. In the short term, natural ingredients present a better opportunity for Colombian exporters, particularly in the EU/EFTA market. Exports of cosmetics to Latin America and the USA amounted to nearly USD 500 million in 2008. Twelve companies with annual sales exceeding USD 10 million contribute to 86% of exports of cosmetics whereas 205 companies with sales less than USD 100'000 represent 1% of export sales.

B. Textiles/Clothing

More than one-fifth of all employees in the manufacturing sector are involved in textiles and clothing; exports typically go to Venezuela, Ecuador and the United States. Colombia's trade balance is negative for textiles and positive for clothing. Small companies play an important role, with more than 5000 micro companies in the sector (40% being informal), while there are about 100 large producers.

C. Software

Total sales of Software and Information Technology (IT) in Colombia reached USD 2.7 billion in 2008, of which IT made up 84% and software 16%. Exports of software totalled USD 33 million in 2008, half of which were related to sales from multinational companies. Currently, the Colombian software industry is active in 3 main areas:

- Commercialization and related support services for packaged software
- Development of bespoke software
- Consultancy and systems integration

D. Processed Food

In 2008, total exports of the Agro-Industrial sector reached USD 1.7 billion, with oils and fats (24%), followed by sweets (16%) and coffee derivatives (13%). Traditionally Venezuela, United States, Peru and Ecuador are the main markets accounting for more than 50% of exports. However, in 2008, Germany turned into the third most important export destination due to a strong increase in the country’s imports of oils and fats. Exports are dominated by large companies: 34 firms with a turnover exceeding USD 10 million per year contribute to 80% of exports whereas 340 companies with annual sales lower than USD 100'000 represent 0.4% of exports.

E. Organic Food

Despite its clear market potential, organic cultivation within Colombia is still underdeveloped. The widespread use of confusing terminologies as a substitute for the term “organic” such as green, bio, ecological, environmental, cleaner production and pesticide free complicate the development of organic food. “Pesticide Free” has been a recent focus of the fresh fruit and vegetable sectors, as Colombia seeks to comply with the more stringent European regulations on Minimum Residue Levels.

CHAPTER III : MARKET ENTRY IN COLOMBIA

1. Market Strategies

There are many ways of doing business in Colombia. One company may just want to export a specific product to an already known customer; another company may wish to establish a permanent business. Four major market entry modes may be considered.

Direct Export: Sale of a product or service directly to the customer without intermediary. A logistics company may provide assistance with the customs procedures.

Commercial Agent: Import and distribution of a product or service by a local commercial agent. Hiring a commercial agent may be a good way of doing business in the absence of a legal presence. However, the Colombian Commercial Code requires the registration of a written commercial agency agreement at the appropriate Commercial Registry; it provides special protection for local commercial agents, especially against the termination of contract.[57] Both commercial agents and logistics firms can undertake the customs procedures.

Foreign Company Branch: Import and distribution of a product or service is conducted by a Colombian branch of a Swiss firm. Such a branch must be established if a permanent business is carried out. A foreign company branch bears the same legal status as its home office. The latter assigns the capital and the legal representative of the branch. To formalize the legal presence in Colombia, the branch must be registered with the chamber of commerce of the city in which the company will operate, a bank account must be opened and a Taxpayer's Identification Number (*Número de Identificación Tributaria - NIT*) acquired.[58]

Colombian Company / Subsidiary: The import and distribution of products and services can also be done through a formal legal presence in Colombia. The Commercial Code outlines five different types of companies: General Partnerships, Limited Partnerships, Limited Partnerships by Shares, Corporations, and Limited Liability Companies. Table 4 presents key features of these various types of companies. Other legal forms include consortia, temporary associations and joint ventures. With the expansion of many multinational companies, acquisitions, mergers and spin-offs are becoming rather common under the different mechanisms permitted and regulated by Colombian law.[59]

To start a Colombian company or subsidiary, several steps are required: obtaining a Tax Identification Number (NIT) for the foreign partners or shareholders, legalizing the documents needed to establish the company or branch by public deed, obtaining letters of acceptance from those appointed to positions in the company or branch, registering the company or branch, obtaining a Tax Identification Number (NIT) for the local company or branch, registering the books and ledgers at the Chamber of Commerce,

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[57] For more details on the legal provisions on commercial agents see also Baker & McKenzie 2005, pp. 31-35.

[58] For more details on the establishment of a Colombian branch see Proexport 2008, pp. 65-67 or Baker & McKenzie 2005, pp. 13-14.

[59] See also Proexport 2008, pp. 62-65, Brigard and Urrutia 2004, pp. 34-40, and Baker and McKenzie 2005, pp. 8-18.

Table 4. Corporate Structure of Colombian Companies

	General Partnership	Limited Partnership Max. 25 partners	Limited Partnership No maximum	Limited Liability Company Max. 25 Partners	Corporation
Type of Partners	Partners	a) General or managing partners administer the company b) Limited partners do not intervene in company management.	a) General or managing partners administer the company b) Limited partners do not intervene in company management.	Partners	Shareholders
Capital Stock or partnership capital	- Divided into shares of interest, which may differ in value. - Each partner has voting rights, regardless of the value of his/her share. - Any increase or reduction in partnership capital requires amendment of the by-laws.	-Divided into shares of equal value, with one vote each. -Comprised of capital contributions from limited and general partners (if such contributions exist). -Any increase or reduction in partnership capital requires amendment of the by-laws.	-Divided into shares of equal value. -Comprised of capital contributions from limited and general partners (if such contributions exist). -Any increase or reduction in capital stock requires amendment of the by-laws.	- Divided into shares of equal value. - Any increase or reduction in capital requires amendment of the by-laws.	-Divided into shares of stock of equal value. -Circulating shares correspond to capital paid by the shareholders. - Preferred stock, dividend-right shares, stock for services rendered, preferred dividend and non-voting shares or compulsory convertible bonds may be issued.
Number of partners or shareholders	At least two partners and no maximum.	At least one managing partner and not more than 25 limited partners.	At least one managing partner and five limited partners. There is no maximum.	At least two partners but no more than 25.	At least five shareholders but no maximum.
Partner´s Liability	Joint and unlimited.	- Managing partners have joint and unlimited liability. - Limited partners are liable up to the amount of their contribution.	- Managing partners have joint and unlimited liability. - Limited partners are liable up to the amount of their contribution.	Up to the amount of their contribution.	Up to the amount of their contribution.
Corporate Bodies	- Board of Partners. - Legal Representative.	- Board of Partners. - Legal Representative.	- General Shareholder´s Meeting. - Board of Directors - Legal Representative.	- Board of Partners - Legal Representative.	- General Shareholder´s Meeting. - Board of Directors. - Legal Representative.
Transfer of corporate interest	- Requires express approval from the co-partners. - Requires amendment of the by-laws.	- Limited partners may transfer their shares freely. - Managing partners require expressed approval from the co-partners. -Transfer requires amendment of the by-laws.	- Stocks are freely negotiable, unless they have preferential rights. - No amendment of the by-laws is required.	-Preferential rights exist. -Transfer of shares requires amendment of the by-laws.	- Stocks are freely negotiable, unless they have preferential rights. - No amendment of the by-laws is required.
Payment of capital	The partners state their commitment to a contribution in the incorporation papers of the company.	Capital is paid in full at the time of incorporation.	Fifty percent (50%) of authorized capital stock is subscribed and a third of subscribed capital stock is paid.	Capital is paid in full at the time of incorporation.	Fifty percent (50%) of authorized capital stock is subscribed and a third of subscribed capital stock is paid.
Auditor	Not required.	Not required.	Required.	Required.	Required.

Source: www.proexport.gov.co.

opening a bank account, and registering the foreign investment with the Central Bank.[60]

According to Colombian law, business companies are subdivided into firms with joint and unlimited partner's liability on the one hand and liability limited to the amount of the contribution of the shareholders on the other hand.

General and limited partnerships are normally chosen by family businesses or small enterprises. The limited liability company is frequently adopted by small- and medium-sized enterprises. The stock corporation is the usual organisational form of a large company.

Joint Ventures: Colombian legislation allows for the establishment of temporary unions, consortia and joint ventures. Their purpose must be to perform work or render services within or outside the country. As there are no specific civil law regulations regarding these organisational forms (apart from exceptional cases), they are subject to the general rules applicable to business contracts.

2. Import Regulations

Although significant progress has been achieved, Colombia's bureaucracy may still constitute an obstacle to efficient trade relations. Customs can detain shipments indefinitely in the event of improper tariff schedule classification, incorrect address or typing errors. Importers must mainly deal with the *Ministerio de Comercio, Industria y Turismo (Mincomercio)* and with the *Dirección de Impuestos y Aduanas Nacionales (DIAN)*. They do not necessarily have to face all the bureaucratic hurdles by themselves and may be supported by logistics firms and the so-called *Agencias de Aduanas*.

2.1. Import Registration

The core import regulations are stipulated in the *Decreto No. 2685* of 1999. Importers are required to fill out an import registration which can be obtained through the so-called *Ventanilla Única de Comercio Exterior (VUCE)*, an online tool from *Mincomercio* handling all import requirements.

Even though importers may register to access *VUCE* on their own, it is easier and for most imports mandatory to hire an *Agencia de Aduanas*.[61]

Through *VUCE*, the importer may not only fill out the import registration but find the right tariff line for the imported product or information referring to import permits required, e.g. from the *Ministerio de Protección Social* (for medicines) or the *Ministerio de Agricultura* (for certain food products).

VUCE and the *Agencia de Aduanas* further provide guidance on how to fill out the import declaration and the value declaration for the Colombian tax and customs authority

[60] To set up a company in Colombia, see Proexport 2008, pp. 67-70 and www.crearempresa.com.co. To make use of Colombian legal services, see Proexport 2009 or Chambers and Partners 2009.

[61] According to the legal provisions for import of goods with a value of more than USD 1'000, the services of a Costoms Agency (Agencia de Aduanas) are mandatory. For an up-to-date list of all registered agencies consult: www.dian.gov.co/DIAN/15Servicios.nsf (link: Servicios - Clientes - Registro Aduanero > Agencia de Aduanas). Some of the most renowned logistics companies are registered, e.g. Intramar, or DHL.

DIAN. The import declaration and the value declaration can be requested at any *DIAN* regional office or directly downloaded from the *DIAN* homepage.[62]

Beyond these standard procedures, special provisions apply for sensitive products. For many of these, specific import permissions (*vistos buenos*) have to be requested from the respective government authority.

Table 5. Import Permissions for Sensitive Products

Product	Responsible Entity
Precious stones Petroleum products	Ministerio de Minas y Energía www.minminas.gov.co
Dangerous goods	Instituto Colombiano de Geología y Minería www.ingeominas.gov.co
Medicines Food Cosmetics Medical instruments for suturation Biological products Living substances for medical diagnosis Sanitary tissues Cleaning products Alcohol beverages Human organs Primary goods for human use or consumption Medical or odontological equipment	Instituto Nacional de Vigilancia de Medicamentos y Alimentos www.invima.gov.co
Fish products	Instituto Colombiano para el Desarrollo Rural www.incoder.gov.co
Animal products and living animals Biological products for analyzing animal diseases Agricultural inputs and rice	Instituto Colombiano Agropecuario www.ica.gov.co
Products according to Decree 2439 of 1994	Ministerio de Agricultura www.minagricultura.gov.co
Art, culture and archaeology	Ministerio de la Cultura www.mincultura.gov.co
Gold	Banco de la República www.banrep.gov.co
Automobiles	Ministerio de Transporte www.mintransporte.gov.co
Endangered flora and fauna Refrigerators Automobiles and auto parts	Ministerio de Ambiente, Vivienda y Desarrollo Territorial www.minambiente.gov.co
Vigilance and surveillance instruments	Superintendencia de Vigilancia y de Seguridad Privada www.supervigilanciaprivada.gov.co
Ether, acetone and chloroform	Dirección Nacional de Estupefacientes www.dnecolombia.gov.co
Dynamite and other explosives	Ministerio de Defensa www.mindefensa.gov.co

Source: Cámara de Comercio de Bogotá.

[62] Import declaration: www.dian.gov.co/descargas/Formularios/2009/500-2009.pdf; value declaration www.dian.gov.co/descargas/Formularios/2009/560-2009.pdf.

Box 7. Import Steps

1. Market and feasibility study on the product to be imported. (Mincomercio)
2. Licenses, authorization and procedures with specific agencies at the Foreign Trade Window: *http://www.vuce.gov.co (Mincomercio, electronically)*
3. Import registration or licensing at the Foreign Trade Window: *http://www.vuce.gov.co (Mincomercio, electronically)*
4. Payment for the item to be imported. This includes a request for a letter of credit, an exchange declaration, a deposit, and registration of the transaction with the Central Bank (*Banco de la República*), if the financing is for more than six months. A certifying agency must be engaged to issue a certificate of inspection prior to shipment, if required. *(Importer)*
5. Dispatch, shipment and delivery of the merchandise to a bonded warehouse. (*Mincomercio, Banks)*
6. Inward customs clearance on the part of the importer, the permanent customs user, the customs broker or the bonded warehouse. This includes completion of the Andean Declaration of Value, if the value is USD 5'000 or more, completion of an import declaration, payment of customs duties, presentation of bonded warehouse documents, registration of the documents with *DIAN*, and physical inspection of the documents and the merchandise, depending on the system. (*Mincomercio*, *Invima)*
7. Release of the item and preservation of the following documents for at least five years: import license or registration, Andean Declaration of Value, import declaration, certificate of origin, commercial invoice, certificates and authorizations, inspection certificate, and authorization to conduct import procedures. (*Mincomercio*)

3. Investment Regulations

In recent years, Colombia has undertaken significant efforts to attract foreign investment. Under the current constitution and investment legislation, foreign investors shall receive the same treatment as Colombians. The Swiss-Colombian Agreement on the Promotion and Reciprocal Protection of Investments and the EFTA-Colombia FTA further reinforce the national treatment principle.

Colombian legislation on foreign investment is based on four principles:

- **Equal Treatment:** In principle, foreign investments are subject to the same treatment as investments by Colombian nationals. There is no discriminatory treatment based on the origin of the investment.
- **Universality:** Foreign investment is permitted in every sector of the economy except in areas relevant to national security or identified by the National Economic and Social Policy Council (CONPES)[63].
- **Automatic Authorization:** Foreign investments do not require prior approval or authorization.

[63] E.g. defence and national security matters and processing and disposal of hazardous waste not produced within the country.

- **Stability:** The conditions for repayment of the investment and remittance of profits that are effective when the investment is registered may not be changed in a way that is unfavourable to the investor, unless if international reserves fall below a level equivalent to three months of merchandise imports.

The foreign investment regime has been further eased in September 2008: foreign investors are no longer required to deposit 50% of their portfolio investment at the Colombian Central Bank and the two-year minimal investment duration was abolished.[64]

3.1. Restrictions

Only a few industry-sector-specific investment restrictions remain in force for:
- **national defence** and security
- processing and disposal of **toxic, hazardous or radioactive waste** from third countries
- **private security**

Furthermore, in several sectors, investments are subject to special regulations:

Finance and Insurance: Supervision by the *Superintendencia Financiera* if the investment leads to the acquisition of more than 5 or 10% (according to the kind of investment) of an entity.

Hydrocarbons and Mining: Strict foreign exchange regulations apply. Except for foreign company branches, all companies are required to bring back to Colombia the foreign exchange resulting from export of hydrocarbons and mining products.

Television: A foreign investor may not acquire more than 40% of the total corporate capital of a provider of open television service. Furthermore, the possibility to invest in the television sector is conditional on the reciprocal right in the foreign country.

3.2. Registration

All foreign investments have to be registered with the Central Bank of Colombia. Registration procedure is simple and can be conducted by the foreign investor, by his attorney or by any other legal representative.

Deadlines and conditions for registration vary depending on the kind of investment and on how it is made. The general rule is that the registration of a foreign investment is automatic upon submitting the foreign exchange statement for international investments to the Foreign Exchange Market Intermediary. When the foreign currency is channeled through a clearing current account, the registration is made upon making the initial deposit in the account and preparing the foreign exchange statement. In all other cases, it requires the submission of an application and the corresponding support documents to the Central Bank or an application plus evidence that all requirements have been met.[65]

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[64] Announcement by the Alta Consejería para la Competitividad y las Regiones of September 1st, 2008.
[65] You may find all necessary forms (only in Spanish) on the home page of the Central Bank of Colombia: https://quimbaya.banrep.gov.co/secinternet/operaciones.jsp?opcion=inversion.

When **selling its investment**, the foreign investor must file a tax return statement with an authorized commercial bank and pay the tax accrued on the corresponding operation. A tax return must be filed even if no taxes have to be paid.[66]

Information for Investors: The Invest in Colombia Corporation (*COINVERTIR*) promotes and facilitates foreign investment in the country by providing current and potential investors with general and up-to-date information on the economy, legal matters and business opportunities. *COINVERTIR* recently merged with the Colombian Export Promotion Agency *(Proexport)*[67].

Box 8. **Foreign Exchange Entitlements and Other Guarantees**

Foreign investors are entitled to:

- Reinvestment of profits or retention as surplus of undistributed profits, with remittance rights.
- Capitalization of amounts entitled to remittance and originating with obligations derived from the investment.
- Foreign remittance, in freely convertible currency, of proven net profits generated regularly by the investment, pursuant to the financial statements presented at the end of each accounting period - on the basis of these statements and the record or contract governing the investment in the case of resources invested directly, and on the basis of the manager's closing accounts in the case of portfolio investments.
- Foreign remittance, in freely convertible currency, of sums received from sale of the investment within the country, or from liquidation of the company or the portfolio, or from a reduction in its capital.

4. Labour Regulations

The Colombian legislation sets out rules for three different types of employment contracts:

- The **employment contract for the duration of a specific job** is valid for the period required to carry out a certain temporary assignment.
- The **employment contract for a fixed period** is valid for a specified duration. The initial term of duration of such a contract cannot exceed three years and the non-renewal must be notified within 30 days before its expiration.
- The **employment contract for an indefinite term of duration** is only terminated upon notice by any of the parties. The trial period for this contract may not last more than two months; within this period the employee may be dismissed without previous notice and without legal compensation.

[66] For further information on the investment regime in Colombia see Proexport 2008, pp. 3-15.
[67] For further information: www.inviertaencolombia.com.co.

The same conditions apply for **dismissals** after the trial period if the employee violates legal or contractual obligations. Unjustified dismissals however will obligate the employer to pay a hefty indemnification.[68]

4.1. Employee's Rights

Upon hiring an employee, local and foreign companies have to consider a certain number of rules and regulations.[70] The employer is free to pay whatever salary he considers adequate, but the monthly salary must be above the **legal minimum salary**, which is indexed each year to inflation. For 2011, it was set at 535'600 Colombian Pesos (USD 283). Furthermore, the employee has the right to get a monthly transport allowance of 63'600 Pesos (USD 34)[71].

Street life, Medellín[69]

Ordinary **working hours** are between 6 a.m. and 10 p.m.; during these hours the employee may work 48 hours a week. If the employee is requested to **work during the night** (10 p.m. to 6 a.m.), he is entitled to 35% extra pay. If he is requested to work more than 48 hours a week (maximum 60 hours), he is entitled to 25% extra pay on **overtime working hours**. Overtime during the night and work performed on Sundays and holidays are paid at 75% above the ordinary working hours.[72] Every employee is furthermore entitled to 15 working days of **paid vacations** per year. Unused vacations can be accumulated for up to three years.

At the end of the employment relationship, the employee is entitled to receive a **severance pay** (*cesantía*). This payment is an accumulation of yearly payments of one monthly salary by the employer to a special fund. The yearly interests of 12% have to be paid directly to the employee. In addition, the employee has the right to get a so-called service or semester bonus, which is equivalent to 15 days salary payable in June and again in December of each year.

Though less than 20% of all employees are affiliated to trade unions, the latter wield considerable power. Any group of 25 or more employees may establish a trade union, protected by the Constitution and with special rights granted to their officials. Strikes are recognized as an acceptable instrument in order to obtain better working conditions.

[68] If the monthly salary of the employee was below ten legal minimum salaries, the employee gets one monthly salary for the last year of employment and 20 days of salary for each additional year. If the salary was above ten legal minimum salaries, the employee gets 20 days of salary for the last year of employment and 15 days of salary for each additional year.
[69] Source: www.trekearth.com/gallery/South_America/Colombia/.
[70] The Colombian Labour Law (Código Sustantivo del Trabajo) requires the same labour conditions from national and foreign companies.
[71] 1 USD = 1'894 COP (March 2011).
[72] In addition, employees working on a Sunday or a legal holiday have the right to a compensatory day of rest, with monetary compensation.

4.2. Social Security Contributions

Regardless of the employment contract, the employer must enrol his employees under three mandatory social security systems:

- **Pension system** (*Sistema General de Pensiones*): contributions have increased considerably in the last five years and constitute – depending on the salary – between 16.5% and 18.5% of salaries (75% of which have to be paid by the employer).
- **Healthcare system** (*Sistema de Seguridad Social en Salud*): contributions are fixed at 12% of salaries (66.6% of which have to be paid by the employer).
- **Professional risks system** (*Sistema General de Riesgos Profesionales*): contributions depend on the risk category in which a company is classified and range from 0.35% to 8.7% of salaries (the entire contribution has to be paid by the employer).

In addition, the employer has to pay contributions to the *Caja de Compensación Familiar* (CCF, 4% of the employees' salary), to the *Servicio Nacional de Aprendizaje* (SENA, 2%) and the *Instituto Colombiano de Bienestar Familiar* (ICBF, 3%).

4.3. Visa Regulations

Foreigners intending to do business or to work in Colombia may need a visa. Basically, there are three possible types of stay:

- For **sporadic visits** and short stays, no visa is required.[73]
- For stays **longer than 90 days,** a business visa enabling unlimited entries and exits of the country for uninterrupted residence of up to 180 days is needed; the visa may be valid for up to four years.
- **A temporary work visa** for a formal employment relationship may be applied to. It can be renewed after two years. The person must also inform the *Departamento Administrativo de Seguridad* (DAS) about his/her stay in Colombia, and obtain there the *Cédula de Extranjería*.

In companies with more than 10 employees, at least 80% of managerial positions and 90% of non-managerial positions must be staffed by Colombian nationals.

5. Taxation

Colombia has a comparatively high tax rate. According to the World Bank's Doing Business Report 2011, the total tax rate for companies equals 78.7% of profits; the country ranks 118th out of 181.[74]

In recent years, efforts have been made to lower the **corporate income tax** rate which amounted to 33% in 2009.

Domestic and foreign firms are required to pay the **industry and commerce tax** of each local municipality. This tax applies on gross income and may vary between 0.4% and 1.7%.

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[73] Visitors not coming from an American or European country may still need a so-called *visa visitante*.
[74] World Bank, *op. cit.*

The **value added tax** (VAT) - currently at 16% - is levied on the importation and the sale of goods and services within the country. Many products and services are exempted from VAT; others are subject to a different rate. VAT taxpayers are required to register as VAT vendors with *DIAN (Dirección de Impuestos y Aduanas Nacionales)*. All services provided inside the country by non-resident companies are subject to VAT withholding at the general rate.

Foreign investors are also required to pay a **remittance tax** upon the remittance of Colombian-source profits abroad. Branches of foreign companies, thus legally part of the foreign company, are subject to remittance tax on book profits at the rate of 7%. In the case of a legally independent subsidiary in Colombia, the foreign shareholder is required to pay the 33% income tax plus 7% remittance tax on the income left after income tax.[75] In either case, the foreign investor does not have to pay the remittance tax if the profits stay in Colombia for at least five years.

A **stamp duty**, amounting to 1% in 2008, was lowered to 0.5% in 2009 and was fully abolished in 2010. It was an administrative tax that applied to any public or private document.

Finally, employees with a salary above a certain threshold are required to pay **income tax** (*impuestos de renta*). The level of taxation is progressive and therefore depends on the income level. For 2010, the threshold for the minimum taxable salary was set at 26.7 million Colombian Pesos (COP) – approximately USD 14'100. Up to an income of 40 million COP (USD 21'100), the employee pays a 19% tax, up to a level of 100 million COP (USD 52'800) a 28% tax and above that income a 33% tax. For non-residents, the income tax rate applicable on their Colombian-source income is always 33%. If the non-resident wishes to transfer funds abroad, a further 7% remittance tax has to be paid.[76]

6. Further Regulations Affecting Trade and Investment

Colombia applies strict regulations concerning the protection of **Intellectual Property Rights** (IPR). However, foreign companies have had concerns with regard to IPR enforcement in the past. Particularly companies in the pharmaceutical and software industries have reported widespread piracy and counterfeiting. Colombia has implemented the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). It is a member of the World Intellectual Property Organization (WIPO) and applies other international conventions.

Registration and administration of IPR are carried out by the *Superintendencia de Industría y Comercio (SIC)*, the *Instituto Colombiano de Agricultura (ICA)*, the *Ministerio de Protección Social* and the *Ministerio del Interior y Justicia*.[77] Each one of these institutions is subject to significant financial and technical resource constraints.

The technical standards and **labelling regime** has been eased in recent years. Nevertheless, many products need certification and correct labelling to be brought to the market. The *Superintendencia de Industría y Commercio (SIC)* oversees the national standardization and certification. It also accredits and supervises certification, testing

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[75] The income tax of 33% and the remittance tax of 4.69% (7% of 67%) add up to 37.69% of taxable income for the subsidiary.
[76] For actualised tax information see Global Legal Group 2009, pp. 51-55 and Deloitte 2009.
[77] For the different procedures for registering trademarks, patents, and IPR see Baker & McKenzie 2005, pp. 64-74.

and calibration entities. The *Instituto Colombiano de Normas Técnicas y Certificación (ICONTEC)* certifies products and environmental systems and provides quality assurance. The *Instituto Nacional de Vigilancia de Medicamentos y Alimentos (INVIMA)* is responsible for sanitary products, medicines, biological products, food and beverages, cosmetics, medical devices, and products related to human health.[78]

The **environmental legal framework** derives mainly from the Constitution of 1991 and the environmental law of 1993. Under this framework, the *Ministerio de Ambiente, Vivienda y Desarrollo Territorial (MAVDT)* and the *Corporaciones Autónomas Regionales (CAR)* are the governmental authorities in charge. The requirement to get an environmental licence for the use of water and air (emissions) is of major importance. An environmental licence is an authorization from the relevant environmental authority to carry out a project or activity that may deteriorate natural resources.[79]

Foreign companies seeking to sell products or services on the Colombian market have to comply with the legal provisions on competition. The Colombian **competition law** includes two main sets of regulations: a law on unfair competition and an antitrust law. The first prohibits unfair competition, dishonest practices and restrictions to the liberty of a customer to make a choice in the market. The latter prohibits any type of arrangement aiming at a limitation of production, and all kind of practices tending to restrict competition by maintaining or fixing prices.

Guatape, Antioquia[80]

[78] For the specific regulations see: www.sic.gov.co/acreditacion/acreditacion.php, www.icontec.org.co and www.invima.gov.co. These institutions were also involved in the set up of the Ventanilla Única de Comercio Exterior (VUCE); the Agencia de Aduana should be able to provide the importer with all necessary information on certification requirements. For a list of accredited certification institutions (e.g. SGS in Colombia) see the "Directorio de Acreditados" and "Organismos IAF" on the accreditation site of the SIC home page.

[79] For more detailed information see Proexport 2008, pp. 160-180.

[80] Source: http://otramina.blogspot.com.

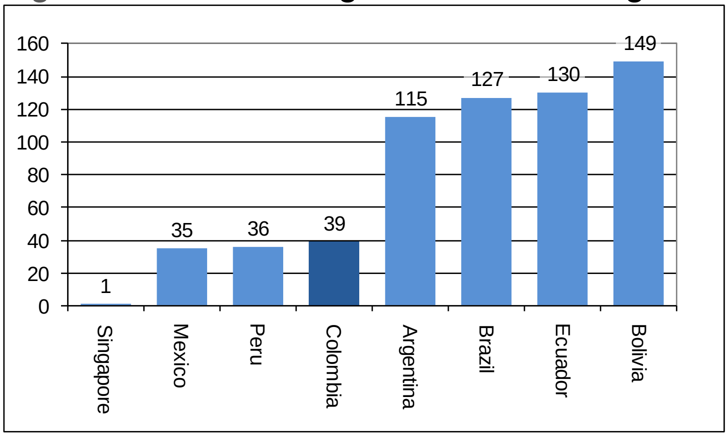
CHAPTER IV : OPPORTUNITIES AND CHALLENGES FOR SWISS COMPANIES

1. Colombia's Competitiveness

Conditions for doing business in countries all over the world are regularly assessed by international organisations, think tanks and research institutes.

According to the World Bank's *Doing Business 2011* report, Colombia's framework conditions are comparable to those of Mexico or Peru, and significantly better than those of Argentina or Brazil. Colombia has particularly good results in dealing with construction permits, registering property, protecting investors and closing a business. Mayor difficulties persist in enforcing contracts and paying taxes. For additional information, see box 10.

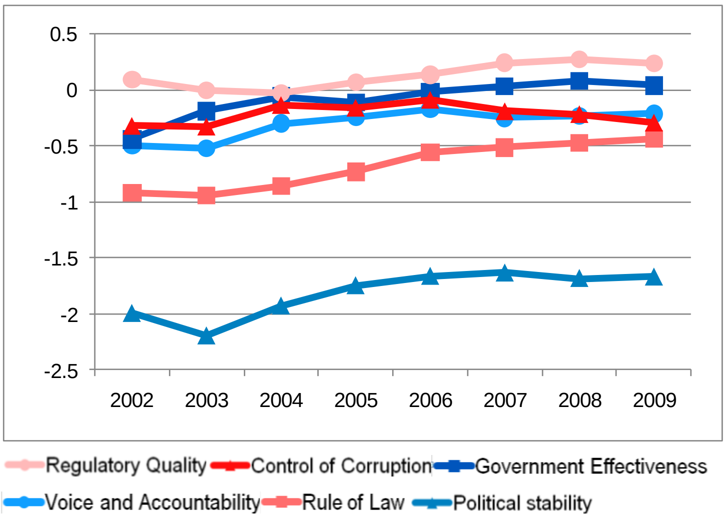
Figure 1. Ease of Doing Business Rankings



Source: Doing Business 2011, World Bank. Total: 183 countries.

The **Governance Indicators** of the World Bank focus on the broader development of governance. Figure 2 shows a clear positive trend for all indicators in the last five years - with the exception of corruption. The improvement appears to be steady, even though there is an overall slowdown in the last two years. We note that the *political stability* and *rule of law* indicators have increased significantly in the last 7 years. However, they remain at a relatively low level.

Figure 2. The Governance Indicators of the World Bank[81]



[81] Source: www.govindicators.org.

Box 9. Colombia's Competitiveness

The International Institute for Management Development (IMD) in Lausanne publishes annually the ”World Competitiveness Yearbook” which ranks 58 major industrial and newly industrialised economies according to their ”national competitiveness”. Overall competitiveness is broken down into four factors: Economic Performance, Government Efficiency, Business Efficiency and Infrastructure, each consisting of 67 to 113 criteria.

In order to better grasp the Colombian business environment, the following table contains the five strongest and weakest criteria for each factor. Overall, Colombia ranked 45th out of 58 countries in 2010. The top ranks were held by Singapore (1), Hong Kong (2), USA (3) and Switzerland (4) and the last ones by Argentina (55), Croatia (56), Ukraine (57) and Venezuela (58).

Colombia's competitiveness: selected criteria

Economic Performance			
Ranking: 35			
Strengths	**Ranking**	**Weaknesses**	**Ranking**
Terms of trade index	7	Exports of commercial services	55
Cost of living	7	Trade to GDP ratio	55
Real GDP Growth per capita	12	Exports of goods	53
Direct investment flows inwards	18	Unemployment rate	51
Relocation of services	23	GDP per capita	50
Government Efficiency			
Ranking: 38			
Strengths	**Ranking**	**Weaknesses**	**Ranking**
Government subsidies	4	Parallel (black-market/unrecorded) economy	55
Collected total tax revenues	5	Subsidies	55
Effective personal income tax rate	8	Equal opportunity legislation	55
Labour market flexibility	9	Tariff barriers	54
Investment incentives	26	Corporate tax rate on profits	49
Business Efficiency			
Ranking: 39			
Strengths	**Ranking**	**Weaknesses**	**Ranking**
Remuneration in services professions	7	Banking sector assets	52
Enterpreneurship of managers	7	Labor productivity	51
Stock market index	17	Attracting and retaining talents	51
Shareholders rights	24	Investment risk	48
Customer Satisfaction	26	Need for economic and social reforms	48
Infrastructure			
Ranking: 53			
Strengths	**Ranking**	**Weaknesses**	**Ranking**
Investment in telecommunications	2	Pupil-teacher ratio (secondary education)	55
Green technologies	21	Total expenditure on R&D	55
Sustainable development	24	Medical assistance	54
Energy infrastructure	29	Computers per capita	49
Support of technological development	29	Number of patents in force	45

Source: World Competitiveness Yearbook 2010, IMD, Lausanne.

Box 10. Ease of Doing Business in Colombia

Since 2003, the World Bank annually analyses business conditions around the globe and draws comparisons between countries based on several quantitative indicators. In 2011, Colombia ranked 39th out of the 181 countries included in the study[82]. The following table presents some of the results for Colombia.

Starting a business (rank)	**73**	**Registering property** (rank)	**55**
Procedures (number)	9	Procedures (number)	7
Time (days)	14	Time (days)	20
Cost (% of income per capita)	15	Cost (% of property value)	2
Minimum capital (% of income per capita)	0		
		Getting credit (rank)	**65**
Dealing with construction permits (rank)	**32**	Strength of legal rights index (0-10)	5
		Depth of credit information index (0-6)	5
Procedures (number)	10	Public registry coverage (% of adults)	0
Time (days)	50	Private bureau coverage (% of adults)	63
Cost (% of income per capita)	406		
		Protecting investors (rank)	**5**
Paying taxes (rank)	**118**	Extent of disclosure index (0-10)	8
Payments (number per year)	20	Extent of director liability index (0-10)	8
Time (hours per year)	208	Ease of shareholder suits index (0-10)	9
Total tax rate (% of profit)	78.7	Strength of investor protection index (0-10)	8
Profit tax (%)	18		
Labor tax and contributions (%)	34	**Enforcing contracts** (rank)	**150**
		Procedures (number)	34
Trading across borders (rank)	**99**	Time (days)	1346
Documents to export (number)	6	Cost (% of claim)	48
Time to export (days)	14		
Cost to export(USD per container)	1770	**Closing a business** (rank)	**29**
Documents to import (number)	8	Time (years)	3
Time to import (days)	13	Cost (% of estate)	3
Cost to import (USD per container)	1700	Recovery rate (cents on the dollar)	62.0

Source: Doing Business 2011, World Bank.

2. Foreign Direct Investment Promotion

Besides attractive tax incentives for foreign investors – mostly in agriculture and tourism – the Colombian government primarily relies on the establishment of free trade zones for investment promotion.

Free trade zones (FTZs) are designed to promote foreign trade, to create jobs and to act as regional poles of industrial development.

The new free trade zones law approved by the national government in 2007 makes Colombia the most attractive destination in Latin America in terms of taxes. It opens investment to international companies, allows one-company/stand-alone FTZs, and permits the designation of pre-existing plants as FTZs.[83]

Between 2005 and August 2010, the number of FTZs increased from five to 81. The FTZs account for USD 6 billion in investments and provide employment for 45'000 people. FTZs can be found in several departments, e.g. in Cundinamarca, Bolivar, Cauca, Antioquia, Magdalena, Atlántico and Valle del Cauca. The Ministry of Commerce administers requests for establishing FTZs, but the government does not participate in their operation.[84]

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[82] World Bank*, op. cit.*
[83] Bureau of Economic, Energy and Business Affairs, *2010 Investment Climate Statement*, June 2010.
[84] Ibid.

Companies within FTZs 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 requirements within three years for new projects and five years for pre-existing investments. Requirements range from a minimum of USD 17 million in new investments and 500 jobs for agro-industrial projects, to USD 34.5 million in new investment and 150 jobs created for manufacturing projects. Job creation requirements may be lowered by 15 positions for every additional USD 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 USD 5.2 billion in new investments.[85]

The two sectors mainly benefitting of FTZs are **manufacturing** and **tourism**. In addition, FTZ can be established temporarily for international fairs or conferences that are important to the national economy.[86]

General Benefits of FTZs

- Strategic geographic location near ports, airports or roads.
- Use of existing facilities (warehouses, yards, roadways and green areas).
- Combined promotion of companies operating inside the FTZ.
- Partial inward customs clearance.
- Customs offices to guarantee operation round the clock.
- Import and export customs procedures performed on-site.

Exemption from Customs Duties

- Foreign goods brought into a duty-free industrial zone are exempt from import duties.
- Domestic goods brought into duty-free industrial zones are considered exports, therefore, they enjoy the incentives granted to Colombian exports.
- The foreign components of goods produced in a duty-free zone and imported into Colombia are exempt of import duties.

Loan Benefits

- Access to ordinary credit from financial institutions established in Colombia, under the same conditions that apply to companies not located in an FTZ.
- Access to the special borrowing facilities provided by Bancoldex.[87]

Exchange Benefits for Industrial Users

- Use of all types of foreign currencies inside the FTZ, may be deposited in savings or checking accounts in Colombia or abroad.
- No obligation to surrender foreign proceeds from exports or other exchange operations on the exchange market.
- Yet, the legal tender required to cover expenses in domestic or foreign currencies may be channelled through the exchange market.
- Payment of foreign suppliers, exchange brokers and financial institutions without registration or deposit.
- In the case of duty-free zones for tourism, tourists may possess or pay with all types of foreign currencies.

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[85] Bureau of Economic, Energy and Business Affairs, op. cit.
[86] Ibid.
[87] *Banco colombiano de desarrollo empresarial y comercio exterior,* state-owned development and ex-im bank, www.bancoldex.com.

Box 11. **Users of Free Trade Zones**

Domestic and foreign companies that are legally established may enjoy FTZ benefits. There are four types of users of industrial FTZs:

- **Operators**: Companies that promote and manage the zone. They operate exclusively within the area, under authorization of the Ministry of Commerce, Industry and Tourism.
- **Industrial Manufacturing Users:** Companies that manufacture, produce, transform or assemble goods for export. They are obliged to sign a contract with the operator, specifying the terms and conditions of their involvement in the zone.
- **Industrial Service Users:** Companies that supply services to firms inside an FTZ or to foreign markets, including scientific and technological services. They are obliged to conclude a contract with the operator, outlining the terms and conditions of their involvement in the zone.
- **Commercial Users:** Companies that store, preserve, handle, distribute, pack, repack, sort or clean goods which are earmarked for foreign markets.

3. Major Swiss Export Interests to Colombia

This subchapter aims at increasing the awareness of Swiss firms for Colombia's potential, highlighting several business sectors of special interest. These include industries in which Swiss firms excel (pharmaceuticals, chemicals and precision instruments) as well as the traditionally strong sectors of the Colombian economy (mining, agro-industry) and sectors with particular growth potential (mainly in services).

Port of Colombia, Barranquilla, Atlántico[88]

As tariffs on manufactured goods are to be eliminated under the EFTA-Colombia FTA, Swiss exports to Colombia are expected to increase at a faster pace.

3.1. Pharmaceutical Industry

The Colombian pharmaceutical market is the fifth largest in the region, behind Brazil, Mexico, Venezuela and Argentina and was valued at approx. USD 1.8 billion in 2010. Altogether, there were 176 pharmaceutical producers in Colombia (2009), with the industry mainly based in Bogotá.[89] The major producers are subsidiaries of international companies. The pharmaceutical industry employed about 4% of the total active popula-

[88] Source: http://farm1.static.flickr.com/98/242182210_6704094df9.jpg.
[89] Market study on pharmaceuticals and medical devices by Araujo Ibarra, 2010, for the Swiss Colombian Chamber of Commerce.

tion and Colombia exported pharmaceuticals worth USD 386.3 million (2009). Imports amounted to USD 897 million (2.8% of total imports).

In 2010, Swiss companies exported pharmaceuticals worth CHF 112 million to Colombia. This represents 37% of total Swiss exports to Colombia. The pharmaceutical industry is expected to benefit from the rising demand for health services, resulting from a healthcare reform aimed at extending coverage. From 2004 to 2009, spending allocated to healthcare grew by 70%. With 8.5% of GDP, Colombia displays the second highest spending in this sector as a share of GDP in Latin America.[90]

Health Policy and Health Insurance Coverage: Problems in the health sector such as poor coverage and centralized administration led the government to introduce a healthcare reform targeting all individuals, regardless of their origin or economic means.

The new healthcare system foresees a participative as well as a subsidized regime, the latter guaranteeing health services to the poorest population groups. Persons affiliated to the participative regime contribute with 12% of their income.[91] Persons enrolled in the subsidized regime are selected through a test of economic means under a system called Sisben. The system classifies the population into six socio-economic groups, with level 1 representing the most needy. Only people belonging to levels 1 and 2 of the Sisben are eligible for the subsidized regime.[92]

A noteworthy fact is that the eligible but not covered population[93] has a right to services provided by public hospitals (or private ones, by means of contracts with regional entities). These services are covered with the so-called supply-side subsidies.

In summary, the Colombian health system is not only characterized by the existence of two different insurance systems according to enrolees' ability to pay, but also by two schemes of subsidies: demand-side subsidies and supply-side subsidies for poor citizens not enrolled.[94]

3.2. Chemical Industry

The chemical, plastics and rubber industries comprise more than 1'100 companies and makes up about 19% of Colombia's gross industrial production. In 2010, Colombia exported chemicals for USD 2.6 billion (6.6% of total exports) and imported USD 7.3 billion (18% of total imports).[95]

Currently, two large projects with a strategic scope are being conducted in this sector: the expansion of the Cartagena refinery and the development of an olefin and polyethylene petrochemical complex located at the Colombian Atlantic Coast. Major Swiss firms such as Clariant and Ciba[96] are present in the market both as importers to the

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[90] www.investincolombia.com.co/sectors/manufacturing/pharmaceutical.html.
[91] A. Gaviria, C. Medina, C. Mejía, *Evaluating the Impact of Health Care Reform in Colombia: From Theory to Practice*, Universidad de Los Andes, January 2006.
[92] www.saludcolombia.com. www.banrep.gov.co.
[93] Colombia does not have a 100% health coverage. Although some people fulfill the requirements (are eligible) for being covered by Sisben, they are not affiliated to this system. They receive services in public hospitals in case of urgencies but do not receive health services for treatments.
[94] A. Gaviria, C. Medina, C. Mejía, op. cit.
[95] DANE.
[96] Ciba was purchased in 2009 by the German company BASF.

Colombian market and local producers. In 2010, Swiss chemical exports to Colombia amounted to USD 65 million.[97]

Plastic Materials and Resins[98]

The plastic materials and resins sector in Colombia has a great growth potential due to the market size, international competitiveness and low investment barriers. It is extremely attractive because the local industry does not have enough capacity to meet local demand. Moreover, Colombia imports almost all required machinery and equipment for plastic production.

The total market for plastic material and resins has grown steadily during the last years. In 2008, it reached USD 2.4 billion (+15%). However, due to the world financial and economic crisis, growth decelerated to 1.9% in 2009 and 5%[99] in 2010. It is a demand-driven market which correlates closely with Colombia's GDP growth. In 2009, total consumption was estimated at 1'040 tons.[100]

The materials with highest demand are: slabs, sheets, films; plastic or rubber footwear and its parts; plastic items for packaging; tubes and fittings for pipes; plastic items for kitchens and tables and synthetic or manmade bags and sacks. Best prospects for plastic resins imports to Colombia are: polyethylene of 0.94 g/cm^3 or more (HDPE), polyethylene of 0.94 g/cm^3 or less (LDPE), polypropylene, polyvinyl chloride and polyesters. Major needs for plastics machinery and equipment are injection, extrusion, blow and vacuum moulding.

The bottling and packaging industries are also a growing sector in Colombia. According to Colombian law, products from the food, healthcare, and cosmetic industries as well as home cleaning products and lubricants must be protected by plastic material.

These industries use approximately 72% of the total imported and locally manufactured plastics materials and resins. Extrusion registers the largest demand, accounting for 63% of the market. Injection moulding accounts for 16%, blow moulding for 11% and calendaring, thermoforming, and other types of moulding for 10% percent.

In 2009, the U.S. led the market in supplying plastic materials and resins in Colombia with a share of 33.3%, followed by Mexico (13.8%), South Korea (7%), China (7%) and Brazil (5.5%).

3.3. Machinery

The machinery sector in Colombia counts some 410 companies, 24'600 employees, and a turnover of USD 2.4 billion (1.9% of the overall national industrial production). In 2009, Colombia exported machines worth USD 1.2 billion (3.5% of total exports) and imported machinery for USD 9.4 billion (29 % of total imports).[101]

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[97] Swiss Foreign Trade Statistics Swiss-Impex.
[98] www.globaltrade.net/international-trade-import-exports/f/market-research/text/Colombia/Chemicals-Plastic-Materials-and-Resins-in-Colombia.html.
[99] Estimates.
[100] www.globaltrade.net/international-trade-import-exports/f/market-research/text/Colombia/Chemicals-Plastic-Materials-and-Resins-in-Colombia.html.
[101] DIAN.

In 2010, Swiss companies exported machinery worth USD 38 million to Colombia, amounting to 13% of total Swiss exports to Colombia.[102]

The most important subsectors of the Colombian machinery industry are metalworking and automotive.

Metalworking

Metalworking is one of the most important sectors in Colombia due to its contribution to overall manufacturing output, aggregate value, and employment generation. It is considered a cornerstone for all other industrial sectors given the diversity of its products. The U.S. has the highest market share, followed by Taiwan, China, Switzerland, Japan, and Brazil.[103]

A few machine tools are produced locally, including rebuilt and refurbished equipment. Several units have been created to support the export market in the areas of auto parts, heavy metalworking machinery, electric power equipment, oilfield and pipeline equipment, hardware, and machinery for agricultural and industrial products.

Car Industry

Colombia is the fifth largest motor vehicle producer in Latin America. The car industry accounts for 1.3% of GDP and employs approximately 25'000 people for assembly and nearly 1 million for producing car parts.

Highway, Bogotá[104]

In Colombia and the Andean region, the automotive sector has grown rapidly in the past years. In 2009, sales reached 185'472 vehicles.[105] Between 2005 and 2009, Colombian exports of car parts increased from USD 277 million to USD 439 million. Venezuela, Ecuador and Brazil accounted for 74% of total exports for that period.[106] The sound macroeconomic environment and the low interest rates providing better financing conditions were the main driving forces behind car sales. Other factors such as the appreciation of the peso against the dollar and the liberalization of trade with other countries, primarily Mercosur, have also spurred car imports.

The most promising sub sectors for exports to Colombia are: hydraulic and electromechanical presses, lathes, as well as machines for milling, boring, drilling, grinding, and sharpening. There are also good market opportunities for shearing and riveting machines, draw benches, machines for working wire, and machining centres[107].

[102] Swiss Federal Customs Administration, Swiss-Impex.
[103] Soledad de Salguero, *Machine Tools and Parts*, U. S. Commercial Service Bogota, 2005.
[104] http://thecityfix.com/files/2010/03/Bogota-bus-strikes-Carlos-Pardo.JPG.
[105] Automotive Industry in Colombia, Proexport, 2010.
[106] Ibid.
[107] Soledad de Salguero, *op.cit.*

Food Processing and Packaging

The food production sector in Colombia comprises 1'600 large companies and 44'000 small- and medium-sized businesses. It has been steadily growing in the past years at rates between 3-6% per year. In the coming years, investments for specialized machinery and equipment will be needed.

The processed food and beverage equipment industry is highly diversified and already one of the fastest growing sectors of the Colombian economy. Users of equipment and technology vary widely in terms of revenues and production. Although there is a significant number of large food processors, the segment with the highest market potential for equipment is the SMEs group. These companies need to invest in modern and more efficient production equipment to expand their installed capacity in order to stay abreast of demand for their products.

Every food processing line requires equipment i.a. for refrigeration, raw materials handling, storage, waste treatment, clean in place systems and packaging. It is common for machinery to be custom built by the manufacturer in accordance with government product, safety and health standards and regulations.[108]

3.4. Precision Instruments and Watches

Exports of Swiss precision instruments and watches to Colombia are growing steadily and reached USD 90 million in 2010.

For luxury watches, Colombia is the third largest market in Latin America after Mexico and Argentina. While no official sales statistics exist, the number of imported Swiss luxury timepieces is estimated at 40'000.

The market for the most expensive Swiss brands with prices between USD 5'000 and USD 50'000 per piece shows annual growth rates of approximately 20%. Between 2000 and 2008, the number of timepieces sold in this category tripled from 100 to 300, but growth slowed in 2009.

The precision instruments sector in Colombia is rather small, with only 53 companies and 3'355 employees (0.2% of national industrial production).

4. Traditionally Strong Sectors of the Colombian Economy

4.1. Agriculture and Agro-Industry

Colombia's diverse climate and topography permit the cultivation of a wide variety of crops. Cocoa, sugarcane, coconuts, bananas, plantains, rice, cotton, tobacco, cassava, and most of the nation's beef are produced in the warm regions between sea level and 1'000 meters. The temperate zones - between 1'000 and 2'000 meters - are suited for the cultivation of coffee, flowers, corn, and fruits such as citrus, pears, pineapples and tomatoes. In the higher regions - between 2'000 and 3'000 meters - production includes wheat, barley, potatoes, cold-climate vegetables, flowers, dairy cattle, and poultry.[109] In

[108] Ibid.
[109] www.traveldocs.com.

addition, all regions yield forest products, ranging from tropical hardwoods in the lowlands to pine and eucalyptus in colder areas.

The government is working to create an investment fund for mega-projects, especially in the agriculture sector, with the aim to promote exports. The industry's traditional products - coffee, flowers and bananas - are well positioned in international markets. Other products with potential as foreign revenue earners include palm and palm oil, cotton, cocoa, corn, fruits and livestock. For the short and long term, the government is committed to making agriculture a profitable business for both domestic and foreign investors. The government has recently introduced sector-specific tax incentives in order to attract foreign direct investment.[110]

Agro-Industry

The agro-industrial sector is diversified, producing dairy products, beverages, mill products, meats, and oils, among others. Colombia is the largest producer of dairy products in the Andean Community and still has an important growth potential as the demand for milk, particularly in developing countries, is expected to grow in the next few years.[111] The high degree of foreign investment in agro-industry reflects its importance within Colombia's economy.

Agro-industry currently represents 27% of the total domestic industrial production. There are approximately 1'600 large companies and 44'000 small- and medium-sized businesses producing food and beverages.[112]

As a consequence of Colombia's liberalization of its economy, the industry changed drastically during the nineties, seeking to adapt to market opportunities. Due to the global economic crisis, by the end of 2009, growth of the food and beverages sector slowed to 3%, with total industry sales approximating USD 2.6 billion. In 2010, the market grew again at a rate of 5.8%.[114]

Coffee field, Montenegro, Quindio Department[113]

Agro-industrial companies processing palm oil, natural rubber, cocoa, citrus and other late-yield crops purchased in Colombia and intended for export, benefit from a ten-year income tax exemption. This also applies to the sale of biofuels[115].

Segments such as the ready-to-eat and beverage sub-sectors seek to improve their competitiveness by creating innovative products, such as beverages with value-added properties and/or additional benefits. Consumers also seek organic and innovative products that foster personal well-being and a healthier lifestyle. This sub-sector corre-

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[110] *Colombia – The transformation of a country*, Proexport, 2010.
[111] www.oecd.org/dataoecd.
[112] www.ado.alabama.gov/content/media/publications/trade/mission/COL_Processed_Food-Bev_Equip_042009.pdf.
[113] http://thecityfix.com/files/2010/03/Bogota-bus-strikes-Carlos-Pardo.JPG.
[114]Ibid.
[115] According to Law 939, 2004.

sponds to one fifth of the agro-industry's activity, and its production has increased by 15% between 2006 and 2009.[116]

4.2. Mining

In 2009, the share of mining in Colombia's GDP was 1.7%. Since the beginning of the decade, royalties have increased from USD 85 million to USD 750 million.[117] The exceptional growth of mining is mainly due to the good performance of non-metallic minerals, with growth rates averaging 16% from 2005 to 2009. Likewise, coal mining registered an increase of 7%, while metallic minerals declined by 2.4% per year.

Mineral exports have grown threefold (2000-2009) to USD 8 billion, representing 25% of total Colombian exports; foreign direct investment has increased from USD 470 million in 2002 to USD 3.2 billion in 2009.
In 2009, oil and mining companies reported sales of USD 12.6 billion, with multinational firms generating about 15'100 jobs in the sector.[118] Mining has had a positive impact on income, exports and royalties at the national and regional levels. This results in particular from exploration and production projects of foreign companies.

The exploitation of gold, silver and rare earth minerals such as coltan (a combination of columbite and tantalite) is growing exponentially. Most of this activity is driven by foreign direct investment; between 2008 and 2009, the share of mining in foreign investment flows to Colombia skyrocketed from 17% to 43%.[119]

Mining- and energy-related investments have grown because of higher oil prices, increased demand, and improved output. Colombia has significantly liberalized its petroleum sector, leading to an increase in exploration and production contracts from both large and small hydrocarbon industries.[120]

Table 6. Domestic Mining Production

Key Products	2009
Coal	57'000'000 t
Copper (Concentrates)	5'700 t
Iron mineral	300'000 t
Sulphur	54'000 t
Limestone (for cement)	11'000'000 t
Marine Salt	350'000 t
Terrestrial Salt	250'000 t
Gold	50 t
Silver	10 t
Platinum	1.0 t
Emeralds	3 m carats

Source: Ingeominas.

Colombia's geology facilitates production and development of mines. Presently, large mines are exploited for coal and nickel, and small ones for gold, platinum, emeralds, limestone, salt, phosphoric rock, clays, silicious sands, copper and manganese minerals, magnesite, barita, gypsum and various types of ornamental rocks.[121]

116 www.ado.alabama.gov/content/media/publications/trade/mission/COL_Processed_Food-Bev_Equip_042009.pdf.
117 www.minminas.gov.co/minminas/downloads/archivosEventos/5875.pdf.
118 DANE.
119 www.americasquarterly.org/node/2124.
120 www.state.gov/r/pa/ei/bgn/35754.htm.
121 Source: Ingeominas.

Production takes place in 30 different zones, in approximately 200 municipalities, generating major growth with perspectives of further exploration and exploitation.

Coal is Colombia's second most important export product after oil. The country is the fifth thermal coal exporter in the world.

Colombian emeralds are recognized worldwide for their beauty and high quality.

5. Additional Potential Sectors of Interest

5.1. Construction / Infrastructure

The construction industry is a strategic sector and a fundamental pillar of economic development with high potential for employment creation.

In the WEF's Global Competitiveness Report of 2010-2011, Colombia ranked 79th in terms of competitiveness in infrastructure[122], behind countries like Chile, Uruguay, Argentina, Brazil and Costa Rica.

Growth in this sector (+13% in 2009)[123] is likely to be stimulated by government-subsidized housing, commercial projects and new investment in transport infrastructure. The government has outlined plans to invest in infrastructure with public private partnership (PPP) schemes recently. The plethora of tenders and private sector interest highlights that Colombia's infrastructure sector is certainly of interest in the coming years.[124]

The transport sector dominates developments in infrastructure. In the energy and utilities sector, it is worth highlighting the *Hidroeléctrica Ituango* hydropower project, which will have capacity of 2.4 gigawatt. Construction is due to begin in 2011.[125]

The country's estimated shortage of 1.5 million housing units represents another key opportunity for growth. In addition, major infrastructure projects include: the USD 2.2 billion *Bogotá-Cienaga* road; the USD 1.2 billion modernisation of the *Cartagena* refinery; the USD 1 billion *El Descanso* coalmine; and the USD 650 million expansion of the *El Dorado* airport.

5.2. Energy

Demand for energy (petroleum, natural gas, and electricity) is expected to grow 3.5% per year until 2020.[126] Colombia has substantial petroleum, coal and natural gas reserves with large potentially productive oil and natural gas areas still unexplored.
In addition, there is great growth potential in the renewable energy sector; above all in biofuels and hydroelectric power.

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122 www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2010-11.pdf.
123 DANE.
124 www.reportbuyer.com/countries/south_america/colombia/colombia_infrastructure_report_2010.
125 Ibid.
126 www.geni.org/globalenergy/library/national_energy_grid/colombia/EnergyOverviewofColombia.shtml.

Biofuels[127]

- **Natural Competitive Advantages:** Multiple choices for raw materials; high productivity of crops; large areas available to be cultivated; structural conditions such as guaranteed and growing domestic demand; government incentive programs and innumerable export opportunities for biofuel projects.
- **Government Incentives and Advanced Regulatory Framework:** Colombia has the most developed regulatory framework in the region along with Brazil's with e.g. up to 100% income tax exemption for new investments in late yield crops.
- **Diversity of Regions Suitable for Crop Development:** Out of 41 million hectares suitable for agro development, 6.5 million have potential for biofuel crops.
- **High-Yield Crops:** Colombia is the world's fifth palm oil producer and is among the countries with the highest sugar cane productivity due to its location in the tropical zone and its high efficiency in bioenergetics production.
- According to Colombia's export promotion agency PROEXPORT, biofuel production does not threaten national food security. 41 million hectares are available for crop development in areas with privileged weather conditions. The 6.5 million hectares suitable for biofuels are mostly inappropriate for the development of food-related crops.
- **Leader in the Sustainable Production of Biofuels:** There is a regulation for the consumption of biofuels to achieve greenhouse effect gas reduction[128] and availability of land for biofuel related crops where it is not longer possible to have forest or jungle.

Hydroelectric and Other Renewable Energy

Colombia has abundant water resources for hydroelectric power conferring it the second most important potential in Latin America after Brazil. Hydroelectric sources currently provide more than 70% of Colombia's electricity power generation. Much of Colombia's hydroelectric power is generated in the mountainous north-western part of the country, which produces about 40% of the hydroelectric power. Several of the power plants in the *Antioquia* department are located between two rivers, being supplied with water from one and emptying the water into another after it passes through the turbines.

There are three hydroelectric facilities in Colombia of 1'000+ megawatts (MWe) capacity and another dozen with capacities greater than 200 MWe. Colombia's hydroelectric generating capacity is split among many companies. *Empresas Publicas de Medellín* (EPM), headquartered in the department of Antioquia, operates eleven hydroelectric facilities of at least 10 MWe, representing more than 2,100 MWe total hydroelectric generating capacity. Other companies with significant hydroelectric generation capacities include ISAGEN (headquartered in Bogotá), with more than 1'800 MWe (most of which is the San Carlos Power Plant, presently Colombia's largest-capacity hydroelectric facility), *Empresas Energía del Pacifico* (EPSA), *Empresa de Generación* (EMGESA), and *AES Bolivar*. In addition, there are several smaller companies who own relatively small amounts of hydroelectric generating capacity.[129]

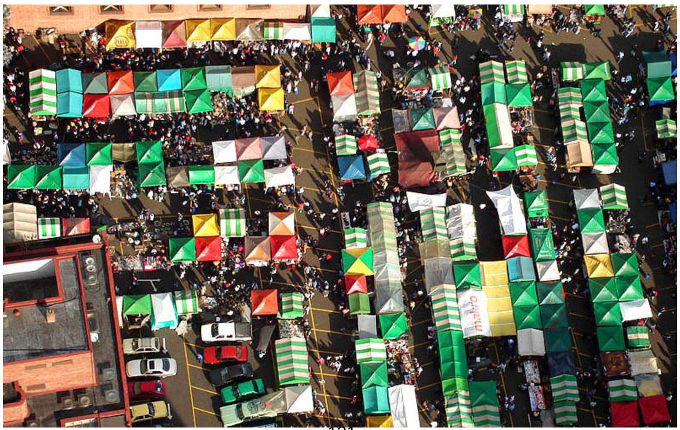
Colombia possesses renewable energy facilities producing 28.1 Megawatts (mainly wind power, hydroelectric power production excluded). The country has significant small hydro, wind, and solar resources that remain largely unexploited. According to a study by the World Bank's Energy Sector Management Assistance Program (ESMAP),

[127] www.proexport.com.co/VbeContent/library/documents/DocNewsNo5452DocumentNo6979.PDF.

[129] www.geni.org/globalenergy/library/national_energy_grid/colombia/EnergyOverviewofColombia.

exploitation of the country's significant wind potential alone could cover more than the country's current total energy needs.[130]

5.3. Security



Color Maze market, Bogotá[131]

There is a growing demand from companies and individuals for safety and security (S&S) equipment. Security has become a primary and costly issue for companies. According to a survey conducted by the National Industries Association (ANDI), Colombian business executives invest up to 2.7% of revenues to enhance the security of their facilities. In large companies, investment in security may represent up to 10% of an organization's fixed costs. The preferred solutions are alarm systems and explosives detection devices, even though dogs are used in most cases due to lower operational costs.[132]

Surveillance systems tend to be unified by means of specialized integration software. Security-related software has therefore become an important part of the products sold by S&S firms. Concerns for general worker safety, including protection from death and disabling injuries and illnesses, as well as protection from the specific threats of chemical agents and splashes, fire, and bullets, have given rise to an entire industry devoted to personal protective equipment.

Import Market: The Colombian S&S market relies heavily on imported products and services. Few local companies have carried out substantive R&D in the electronic security field except for automatic vehicle location systems. Sub-sectors with a good market potential include Alarm Monitoring and Security-System Integration, Information Security, Automatic Vehicle Location (AVL), Vehicle and Architectural Armouring, Safety Equipment and Protective Garments.

Colombia mainly imports S&S products from the US, Japan, Canada, Panama, Norway, France and Sweden.[133]

5.4. Services

Financial Services

Financial services account for 20% of GDP with approximately 1'700 companies, of which 37 banks, 30 investment companies, and nearly 70 stock and bond brokers. A small number of financial services providers specialize in leasing and real estate leas-

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[130] *Review of Policy Framework for Increased Reliance on Renewable Energy in Colombia,* Energy Sector Management Assistance Program (ESMAP), 2007.

[131] http://thecityfix.com/files/2010/03/Bogota-bus-strikes-Carlos-Pardo.JPG.

[132] ANDI.

[133] www.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_1370/$file/X_3427653.PDF.

ing. In addition, 17 long-term and development financial institutions operate in Colombia, including the government-owned Industrial Development Institute.

The financial system is currently very healthy. It was hardly affected by the 2008/2009 financial crisis.[134] With strong economic growth perspectives, Colombia is one of five Latin American countries that receive capital from private capital funds.

Three major local groups control most of the financial services market and own most of the major commercial banks and financial companies; Suramericana Group, Sarmiento Angulo Group and Grupo Bolivar. Credit Suisse, EFG Bank and UBS - which has recently returned after two years of absence - have representation offices in Colombia.

Insurance

The insurance industry is important; on average, it grew 7% per year between 1975 and 2008[135]. The market is characterized by a relatively small number of insurers, a competitive environment, and a few dominant companies. A number of foreign insurers operate in Colombia (none of them Swiss). Due to highly regulated framework conditions, foreign insurance companies may not establish local branch offices and there are restrictions on foreign ownership (See chapter 3.3 – Investment regulations).

Business Process Outsourcing

The IT service market represents 1 billion USD and has been growing by 42% during the last 3 years (2006-2009). Due to the skills, the available labour force and the short distance to the USA, Colombia offers an exportable, off-shore platform at competitive prices. In addition, the country has one of the lowest labour costs for systems engineers in Latin America (USD 1'452 per month in 2008).[136]

Tourism

Colombia has great touristic potential with picturesque landscapes, stunning beaches and no less than six UNESCO World Heritage sites.

According to projections of the World Travel and Tourism Council, Colombian tourism will increase by 4.6% per year from 2006 to 2015 - exceeding the average growth rate for Latin America of 4.1%. After seven years of consecutive growth in the sector, 2.75 million travellers visited Colombia in 2009. Investments will be required to meet the increasing demand.[137]

The Colombian government has introduced tax incentives to attract foreign direct investment in the tourism sector, including an income tax exemption for thirty years on newly built or refurbished hotels[138]. Providers of eco-tourism services benefit from a twenty years income tax exemption.

Medical Tourism: Colombia is an attractive destination for medical treatment and offers laser surgery for eyes, liver and trachea transplant, as well as assisted reproduction. The World Health Organization rates the Colombian health system as one of the best in Latin America (22nd in the world out of 190 countries).[139]

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[134] Ibid.
[135] Fasecolda, Colombian Insurance Federation.
[136] www.investincolombia.com.co/sectors/services/software.html.
[137] www.investincolombia.com.co/sectors/tourism.
[138] *Colombia – The transformation of a country*, Proexport, 2010.
[139] www.investincolombia.com.co/sectors/tourism/medical-tourism.

CHAPTER V : PRACTICAL INFORMATION FOR ENTREPRENEURS

1. Business Practices[140]

Structure and Hierarchy in Colombian Companies: Colombian companies tend to have vertical hierarchies. This is an important part of Colombian business culture and should be respected whenever possible. Most decisions are made from the top by the senior members of staff, though often opinions and consensus is sought from subordinate employees.

Indirect Communication: Colombians tend to communicate in an indirect and subtle manner. It is important not to offend others and to be as diplomatic as possible at all times. Meaning is conveyed through nonverbal forms of communication and often a Colombian will say "yes" or "maybe" instead of saying "no" to maintain harmony and avoid losing face.

Showing Interest: Foreigners are more than welcome in Colombia, but you will have an advantage if you bring along a solid grasp of the business, political and economic environment of the country.

Even with a good product or service to offer, doing business in Colombia takes time, requires big efforts, being patient and adjusting to a slower pace for approvals and deadlines.[141]

Small Talk: Before going straight to the specific subject, it is very common to have an informal small talk about any topic, and a cup of coffee or something to drink will be offered to you. Once you have come to the straight point, be precise when introducing your company and the main reason of the meeting, but do not expect to get a conclusion or a definitive answer at the same meeting.

Time: Colombians approach time in a very relaxed and flexible manner. Punctuality is not essential and planning things to the minute is not common. Business meetings are often delayed as a result and sometimes even cancelled at the last minute without any prior warning. If planning a visit or series of meetings in Colombia, therefore, always schedule additional time in between to allow for any extra time needed.

Greeting: It is common to greet another person with a handshake. When introducing yourself give your name and surnames and your position in the company. At the first meeting, business cards are usually exchanged.

Usually refer to a person as *Señor* or *Señora* plus the first surname. Forms of address have become more relaxed nowadays and the use of first names is becoming a spreading practice. Take into account that the English word *you* can be translated into Spanish as *usted* or *tú*. Although there are no specific rules for their use, it is normal to use *usted* with a person you are not close to as a sign of respect. *Tú*, on the contrary, is more likely used in a familiar and friendly environment. If the language spoken in the meeting is Spanish, always refer to a person as *usted* unless you are invited to use *tú.*

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[140] www.communicaid.com/access/pdf/library/culture/doing-business-in/Doing%20Business%20in%20Colombia.pdf.
[141] For an in-depth look on doing business in Latin America see Becker, 2004.

Also you might use *usted* (singular form) or *ustedes* (plural form) when addressing a letter.

Dress Code: Colombians dress formally for work; men usually wear suits and ties, and women formal clothing, jewellery and make up. Styles and colours can slightly vary depending on the regions. Dark colours are more often used in cold weather zones, while colourful clothing is more common in warm and hot weather cities.

Gifts: A gift is never given to a businessman visiting a Colombian company for business; neither should the host expect any. If you are invited to a private dinner or lunch at home, you should always bring a present and offer it to the woman of the house (if there is one). Common gifts are flowers, a bottle of wine, a box of chocolates or a cake.

Holidays: Due to Christmas holidays, companies slow down a little bit or some of them even close from the middle of December until the middle of January. For the rest of the year, you can make appointments without any problem.

Family: As a collective culture, family is the central unit of Colombian society. Close ties between extended families and communities can have a major influence on individual behavior. The importance of family is also evident in Colombian business culture where family members often work for the same company, many companies being family-owned.


Sombreros stand, Bogotá[142]

2. Business Contacts

Initiating Business Contacts: Great care is required when seeking and selecting suitable business partners. All the companies established in Colombia must present a "Certificate of existence and legal representation" (*Certificado de Industria y Comercio*) issued by the local Colombian Chamber of Commerce. This document includes the main data of a company: capital invested, initial and expiration date of the corporation in Colombia, board of directors, general manager and/or representatives, and the business the company runs and/or represents.

Exporting to Colombia: If exporting goods is what you have in mind, it is necessary to check the other party's capacity to pay. Payment conditions must be agreed in advance but Credit Letter is one of the most common ways used. Opening it should not be very difficult through a first class international bank. Those payments can be made in any currency.

Importing from Colombia: If you are interested in importing goods, it is important that you find out the export capacity of the company, the quality of the products and if they have any quality standard certificate recognized globally (e.g. ISO). If the company you want to deal with has previous experience, you might ask for a list of companies they have done business with. It is also important to check packing conditions, transporta-

[142] http://thecityfix.com/files/2010/03/Bogota-bus-strikes-Carlos-Pardo.JPG.

tion means and delivery time. For further information please visit the OSEC homepage[143].

3. General Information

Business Hours change from city to city depending on the climate zone. In Bogotá and Medellin businesses are open from 7/9 a.m. to 5/6 p.m. without interruption. In warm climate zones (coastal cities of Santa Marta, Cartagena, Cali, Cucuta or Bucaramanga) and in smaller cities, offices close during lunch time and stay open until 6:30 or 7:00 p.m. Offices are closed on Saturdays, Sundays and public holidays.

Governmental Offices have their opening hours depending on the entity. For further information, please visit *gobiernoenlinea.net*[144].

Banks usually open from 9:00 a.m. to 3:00 p.m. Monday through Thursday and until 3:30 p.m. on Friday. On the last day of the month they close at midday.

Shops usually follow office hours (also closing at lunch time, depending on the city) but close at 8:00 p.m. They open on Saturday - various even on Sunday and holidays.

Supermarkets and grocery stores are open between 9:00 a.m. and 10:00 p.m.. Most of them open on Saturday and Sunday from 9:00 a.m. to 7:00 p.m. Bakeries usually open at 6:00 a.m. in the morning, including weekends and public holidays.

Bars and Restaurants are usually open until 3:00 a.m. Monday through Saturdays, and until 9:00 p.m. on Sunday.

Visas: Swiss nationals travelling to Colombia with a valid passport do not require an entry visa if entering the country as tourists. They are allowed to stay for up to 3 months. To work in Colombia, Swiss nationals require a visa. This is usually issued as "subject to contract", allowing the holder to work only for the employer who supported the visa application.

For additional information, see OSEC's module "Legal Provisions" and the points related to entry conditions, work permits, residence permits and labour law. Also you can consult the website of the Colombian Foreign Affairs Ministry.[145]

Public Holidays: Saturdays and Sundays are holidays in Colombia. There are quite a lot of public holidays related to specific catholic festivities and some others related to national or world events. With the exception of February and September, there is usually at least one public holiday a month. While some public holidays are set on a fixed date, most of them are movable and take place on the Monday after the actual celebration.

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[143] Swiss umbrella organisation for the promotion of exports, imports and investments. http://www.osec.ch/internet/osec/en/home/export/countries/co/export.html.
[144] www.gobiernoenlinea.net/1753.html.
[145] www.cancilleria.gov.co.

Table 7. Public Holidays

Fix public holidays	**Movable public holidays** *When they do not fall on a Monday, these holidays are observed the following Monday.
January 1st May 1st July 20th August 7th December 8th December 25th	*January 6th *March 19th Holy week (variable dates in March or April) Seventh Monday after Easter Tenth Monday after Easter *June 29th *August 15th *October 12th *November 1st *November 11th

Time Zone: Colombia's time zone is GMT-5. The 12-hour time system (a.m. and p.m.) is generally used.

Weather: Colombia experiences a tropical climate, except in the higher parts of the country. On the pacific coast, temperatures and humidity remain high throughout the year and the climate is generally sultry and oppressive. An unusual feature of this area is the fact that the heaviest rainfall occurs during the night, which is rare for equatorial regions, although there are frequent afternoon thunderstorms.

In Bogota the weather and climate are truly those of 'perpetual spring'. Nights are chilly but never really cold - days feel warm but never hot indeed. Rain and afternoon clouds are frequent. Sunshine averages between three and five hours a day throughout the year. At lower altitudes and in the drier valleys, the sun shines between six and seven hours a day.[146]

According to the different climate zones, the behaviour of people, time schedules, ways of dressing and other habits change. While in cold weather zones, people are said to be more conservative, in warm weather zones they are known as outgoing and uncomplicated.

Money: Even though the Colombian Peso (COP) is the national currency, U.S. Dollars are commonly used for business.

Money can easily be changed in most banks or in money exchange offices, where the exchange rate is usually some points lower than the TRM (Representative Market Exchange). You will find such offices at the airport, hotels and in main cities.

ATM's are easily found almost everywhere in the main cities. As a security measure, it is suggested to use only ATM's inside malls, shopping centres, or inside buildings. Visa, Master Card, American Express, and Diners are widely accepted.

Tips: Tipping is not widespread in Colombia. In restaurants, waiters are usually tipped with about 10%, but sometimes tips are included in the bill.

[146] Source: BBC world weather, www.bbc.co.uk.


Colourful house in Cartagena, Bolivar[147]

Transport: While almost every main Colombian city has an airport, there is no significant rail service in the country. Road transport by bus covers most of the small, medium and large cities; nevertheless, due to security problems, bus and car travel is not recommended for foreigners.

There are modern metro und bus systems in large cities (Bogotá, Cali, Pereira, Cartagena, Barranquilla and Bucaramanga). However, the majority of the Colombian cities have traditional transport systems with buses that usually stop anywhere on the road just with a sign of the hand. The average price for any of these means of transportation is USD 60 cents.

Foreigners are advised to use transport services offered by hotels. For security reasons, taxis should be ordered in advance rather than stopped on the street. The minimum fare is USD 1.70 but a taxi can also be hired at a cost of USD 12.5 per hour. It is not common to tip the taxi driver.

Hotels: There is quite a big offer of hotels in most of the big cities. Well-known international hotel chains are present in Colombia. Average price of a good hotel in any large city is USD 180 per night (breakfast and taxes included). Tips can be given at discretion.

Communication: Colombia has good communication systems in the main cities. There are three main companies operating mobile phones: Movistar, Comcel and Tigo. Mobile phones can be bought at almost every corner. A new device costs USD 150 on average. Prepaid cards are available everywhere at a cost of between USD 3 and USD 25.

Internet access can easily be found in offices and hotels and there are many so-called “café nets” in cities.

[147] Source: www.trekearth.com/gallery/South_America/Colombia/.

ANNEX 1 : CONTACT ADDRESSES

Swiss Representations

Swiss Embassy

Address:	Carrera 9 No. 74-08 – PH Bogotá - Colombia
Phone:	+57 (1) 349 72 30
Fax:	+57 (1) 349 71 95
Post Mail:	A.A. 251957, Bogotá
Pag Web:	www.eda.admin.ch/Bogotá
Mail:	vertretung@bog.rep.admin.ch
Opening hours:	Monday to Thursday 9:00 to 12 m.
Fridays:	9:00 to 11:00 a.m.

Consulado de Suiza en Cali

Cónsul:	Enrique Frei
Address:	Avenida 4 Norte No. 3-33 Barrio Centenario Cali - Colombia
Telefax:	+57 (2) 653 47 93
Post Mail:	A.A. 2183, Cali
E-mail:	suizacali@uniweb.net.co

Agencia Consular de Suiza en Medellín

Cónsul:	Amalia Urrea de Siegrist
Address:	Calle 6 Sur No. 43A-96, Of. 802 Torre 6 Sur Medellín - Colombia
Phone:	+57 (4) 311 33 14
Fax:	+57 (4) 311 68 98
Post Mail:	A.A.60740, Medellín
E-mail:	consulsuizamed@epm.net.co

Consulado de Suiza en Cartagena

Consul :	Susana Caldas
Address:	Calle del Curato No. 38-82 Cartagena
Phone:	+57 (5) 660 21 02/ 665 97 32
Fax:	+57 (5) 660 17 70
E-mail:	susana@delcastillo.net

Internet Addresses

Statistics

Colombian Tax and Customs Authority
www.dian.gov.co

National Administrative Department of Statistics
www.dane.gov.co

Colombian State Institutions

Central Bank of Colombia
www.banrep.gov.co

Colombian Development Bank
www.bancoldex.com

Ministry of Commerce, Industry and Tourism
www.mincomercio.gov.co

National Institute of Food and Drug Monitoring
www.invima.gov.co

Superintendence for Industry and Commerce
www.sic.gov.co

Ventanilla Única de Comercio Exterior (Single Contact Point for Trade)
http://www.vuce.gov.co/

Information System for the Surveillance of Government Procurement
www.sice-cgr.gov.co

Single Government Procurement Portal
www.contratos.gov.co/puc

Chambers of Commerce, Trade Promotion & Establishment of a Company

Bogota Chamber of Commerce
www.ccb.org.co

Swiss Colombian Chamber of Commerce
www.colsuizacam.com

Latin-American Chamber of Commerce in Switzerland
www.latcam.ch

National Portal for the Establishment of a Company
www.crearempresa.com.co

OSEC Business Network Switzerland
www.osec.ch

Proexport Colombia
www.proexport.gov.co

Colombian Associations

National Association of Entrepreneurs
www.andi.com.co

Colombian Association of Plastic Industries
www.acoplasticos.org

Colombian Association of Travel Agencies and Tourism
www.anato.org

Colombian Hotel Association
www.cotelco.org

Association of Banks and Financial Institutions of Colombia
www.asobancaria.com

National Association of Financial Institutions
www.anif.org

Association of Hotels and Clinics
www.achc.org.co

Colombian Association of Translators and Interpreters
www.traductorescolombia.com

National Federation of Coffee Growers of Colombia
www.cafedecolombia.com

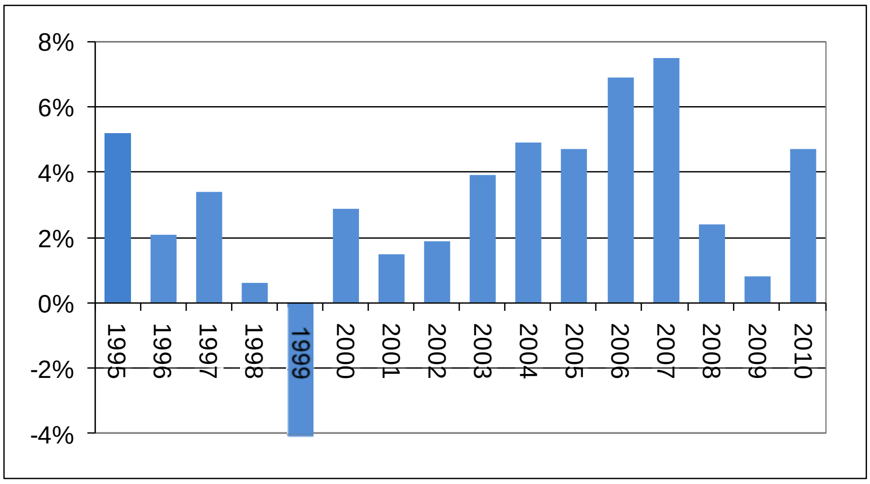
ANNEX 2 : ECONOMIC AND SOCIAL DATA

1. Basic Economic Data

Graph 1.1.

GDP growth

1995 - 2010

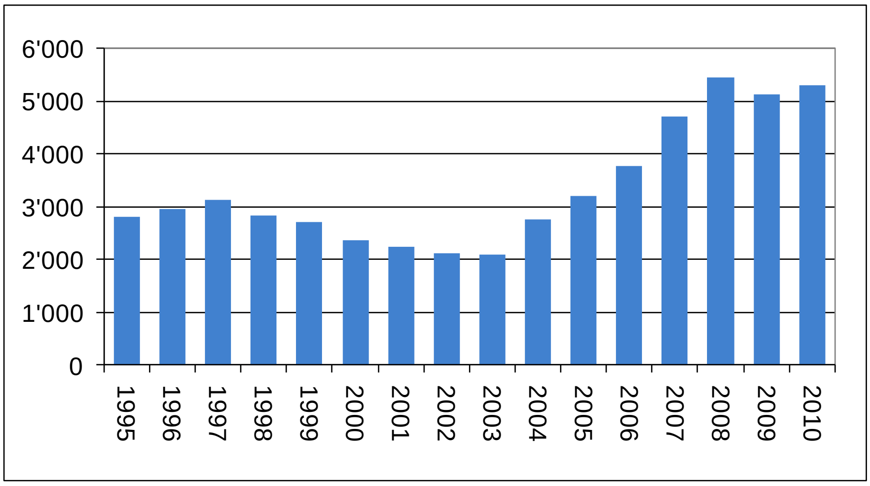


Source: DANE.

Graph 1.2.

GDP per capita

1995 - 2010, current USD

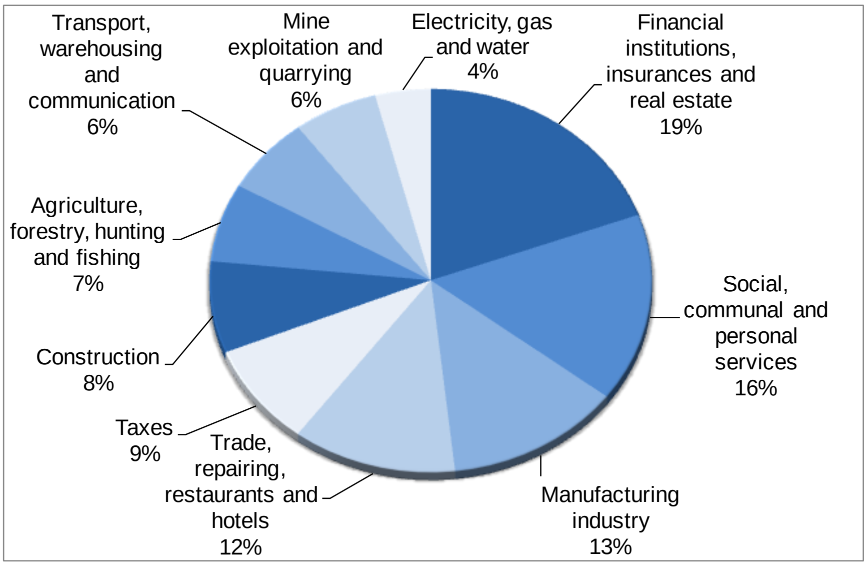


Source: DGPM-MHCP.

Graph 1.3.

GDP by economic sector

2010

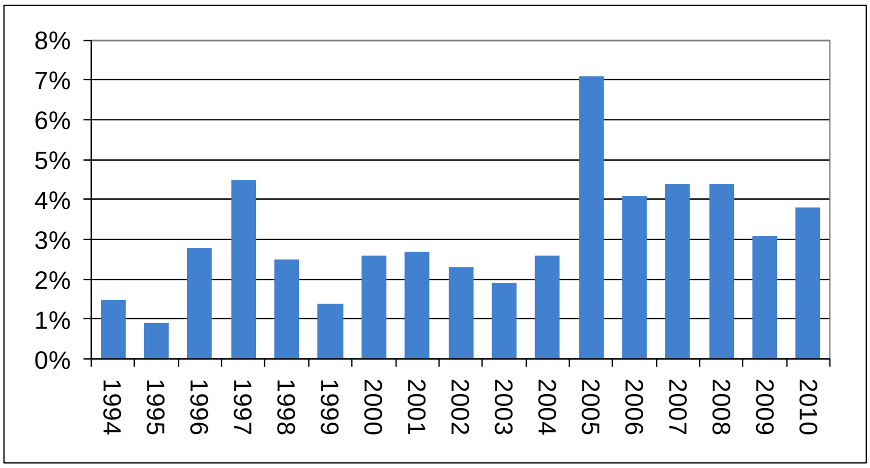


Source: DANE.

Graph 1.4.

Foreign Direct Investment

1994-2010, % GDP

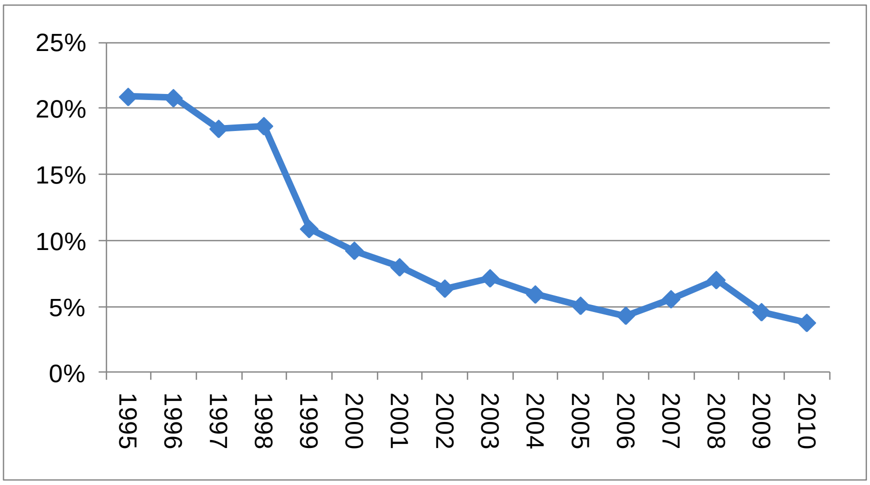


Source: Banco de la República, PIB base 2000.

Graph 1.5.

Inflation

1995 – 2010

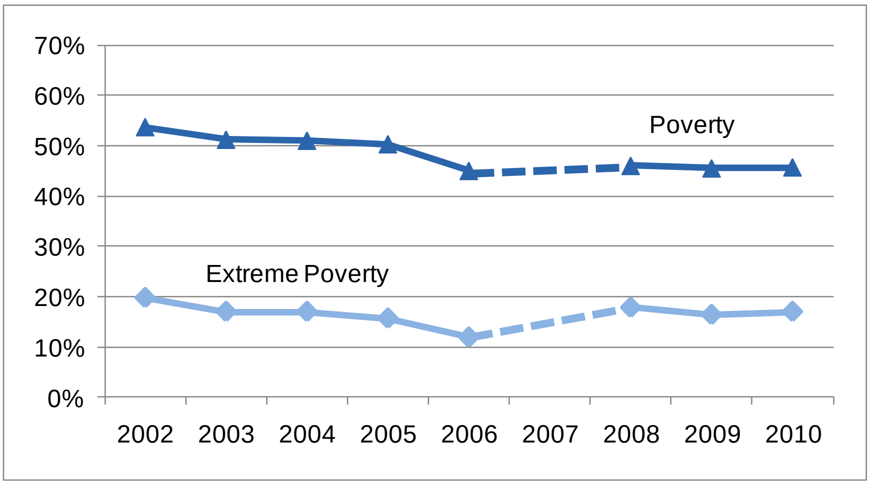


Source: IMF.

Graph 1.6.

Poverty and extreme poverty

2002 – 2010, % of total population, no data available for 2007



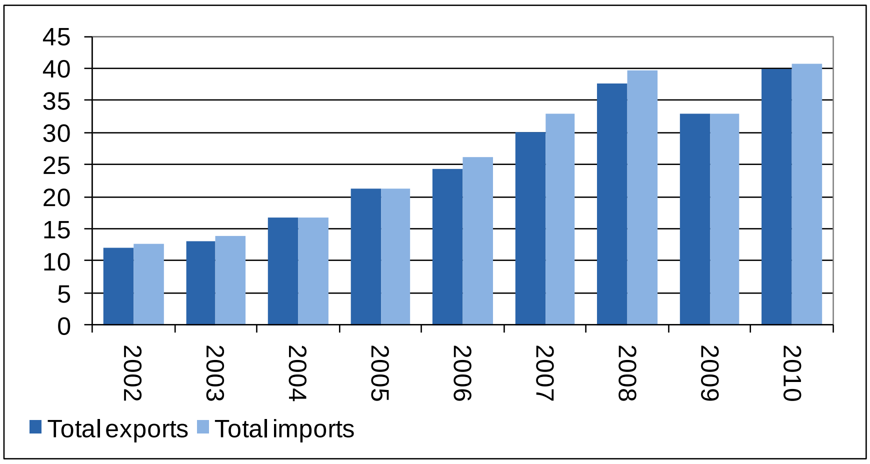
Source: Calculations MESEP-based on DANE.

2. Trade Data

Graph 2.1.

Total trade

2002 - 2010, in USD billion

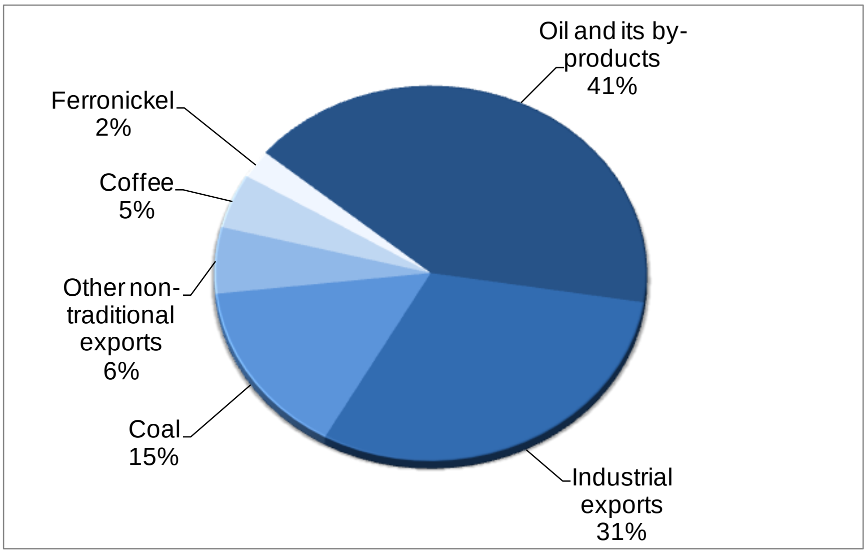


Source: DIAN-DANE.

Graph 2.2.

Major export products

2010

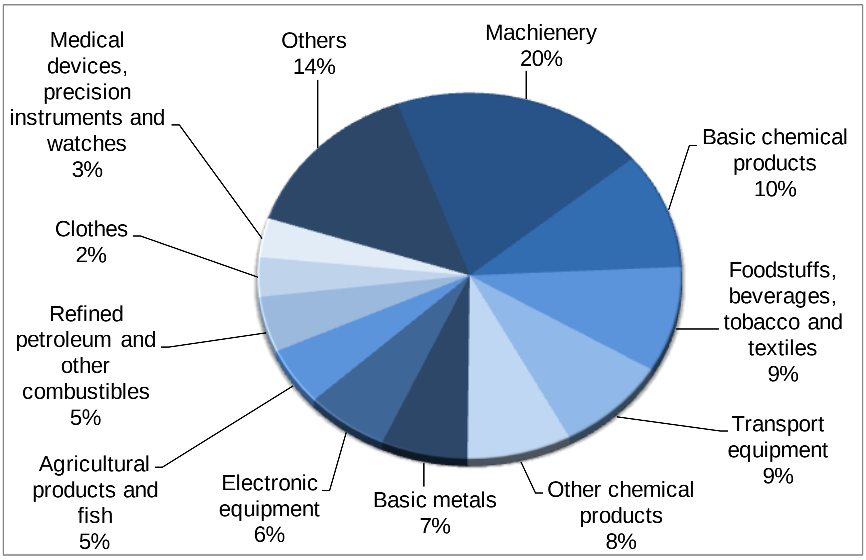


Source: DIAN-DANE.

Graph 2.3.

Major import products

2010

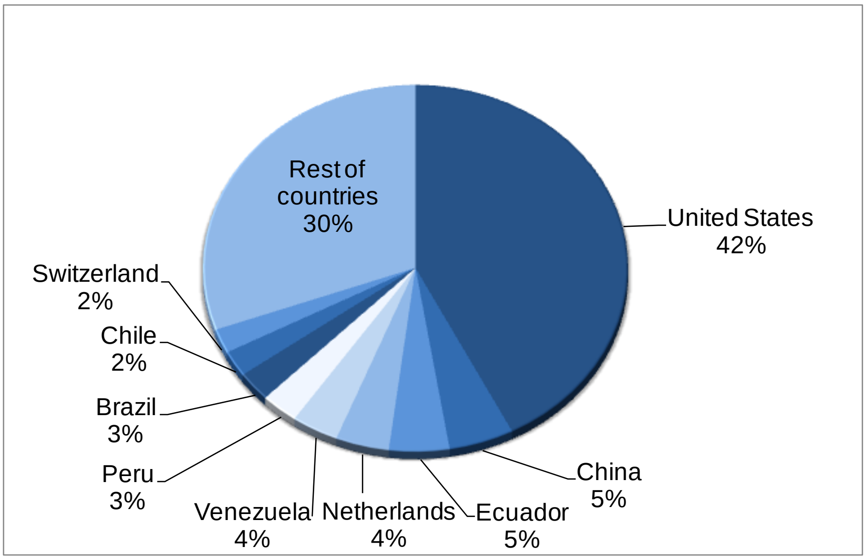


Source: DIAN-DANE.

Graph 2.4.

Main destination of exports

2010

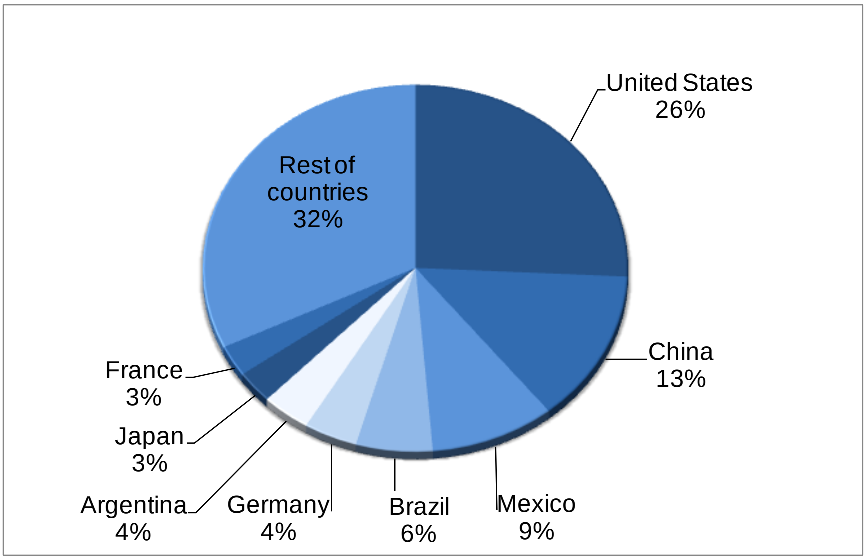


Source: DIAN-DANE.

Graph 2.5.

Main origin of imports

2010

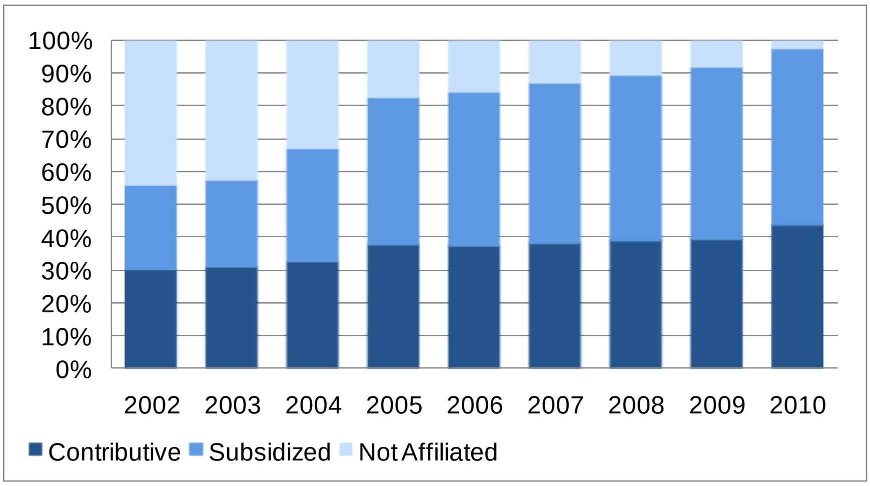


Source: DIAN-DANE.

3. Health

Graph 3.1.

Healthcare coverage



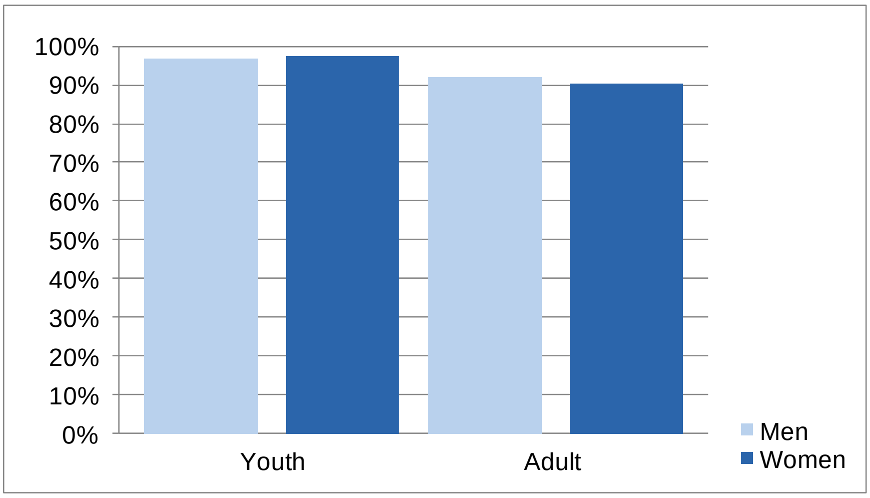
Source: Ministerio de la Protección Social, Dirección General de Planeación y Análisis de Política.

4. Enrolment

Graph 4.1.

Literacy rates

2008



Source: UNESCO, Institute for Statistics.

ANNEX 3 : PROOFS OF ORIGIN

In the case of Colombia, the specimen of Movement Certificate EUR.1 shall be:

MOVEMENT CERTIFICATE

1. **Exporter** (Name, full address, country)	**EUR.1** No **A** 000.000 See notes overleaf before completing this form.	
	2. **Certificate used in preferential trade between** …………………………………………………… **and** …………………………………………………… (Insert appropriate countries, groups of countries or territories)	
3. **Consignee** (Name, full address, country) (Optional)	4. **Country, group of countries or territory in which the products are considered as originating**	5. **Country, group of countries or territory of destination**
6. **Transport details** (Optional)	7. **Remarks**	
8. **Item number; Marks and numbers; Number and kind of packages** [(1)]; **Description of goods**	9. **Gross mass (kg) or other measure (litres, m^3., etc.)**	10. **Invoices** (Optional)
11. **COMPETENT AUTHORITY ENDORSEMENT** *Declaration certified* Export document [(2)] Form ……………………No ………… Of …………………………………… Competent Authority office ………………… Issuing country or territory ………………… Stamp …………………………………………… …………………………………………… Place and date …………………………… …………………………………………… …………………………………………… (Signature)	12. **DECLARATION BY THE EXPORTER** I, the undersigned, declare that the goods described above meet the conditions required for the issue of this certificate. Place and date …………………………………… …………………………………………………… (Signature)	

(1) If goods are not packed, indicate number of articles or state « in bulk » as appropriate.

Origin declaration

The origin declaration, the text of which is given below, must be made out in accordance with the footnotes. However, the footnotes do not have to be reproduced.

English version

"The exporter of the products covered by this document (authorisation No ...[(1)]) declares that, except where otherwise clearly indicated, these products are of ...[(2)] preferential origin."

....[(3)]

(Place and date)

....[(4)]

(Signature of the exporter; in addition the name of the person signing the declaration has to be indicated in clear script)

Spanish version

"El exportador de los productos incluidos en el presente documento (autorización no…[(1)]) declara que, salvo indicación en sentido contrario, estos productos gozan de un origen preferencial …[(2)]."

....[(3)]

(Lugar y fecha)

....[(4)]

(Firma del exportador; adicionalmente el nombre de la persona que firma la declaración debe ser indicado claramente)

(1) When the origin declaration is made out by an approved exporter within the meaning of Article 21, the authorisation number of the approved exporter must be entered in this space. When the origin declaration is not made out by an approved exporter, the words in brackets shall be omitted or the space left blank.

(2) Origin of products to be indicated (Icelandic, Norwegian, Swiss or Colombian). The use of ISO-Alpha-2 codes is permitted (IS, NO, CH or CO). Reference may be made to a specific column of the invoice in which the country of origin of each product is entered.

(3) These indications may be omitted if the information is contained on the document itself.

(4) See Article 20 of this Annex. Approved exporters are not required to sign. The exemption of signature also implies the exemption of the name of the signatory.

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