

A Primer on Exporting to Colombia

Christina D. Storz
Research Assistant
Food and Resource Economics Department
University of Florida
Gainesville, Florida

Timothy G. Taylor
Professor
Food and Resource Economics Department
University of Florida
Gainesville, Florida

Gary F. Fairchild
Professor
Food and Resource Economics Department
University of Florida
Gainesville, Florida

August, 2004

Abstract

Every year the U.S. Department of State publishes extensive Country Commercial Guides for a large number of countries. These guides provide a great deal of information useful to individuals interested in developing exports markets either through direct exports or through direct foreign investment. This paper provides an abridged version of the Country Commercial Guide for Colombia as well as supplemental information of direct relevance to agribusiness firms. It is hoped that the information in this report provides a useful starting point for individuals interested in exploring export or investment opportunities in Colombia.

Keywords: Colombia, agribusiness, export guide, trade, foreign investment

Introduction

Every year the U.S. Department of State publishes extensive Country Commercial Guides for a large number of countries.¹ These guides provide a great deal of information useful to individuals interested in developing export markets either through direct exports or through direct foreign investment. This paper provides an abridged version of the Country Commercial Guide for Colombia as well as supplemental information of direct relevance to agribusiness firms. It is hoped that the information in this report provides a useful starting point for individuals interested in exploring export or investment opportunities in Colombia.

Economic and Political Overview

The counter-terrorist, counter-narcotics commitment of the Colombian government, and its U.S. and other allies, is based on the premise that the country cannot achieve its potential without peace, which, in turn, depends upon breaking the financial linkage between narcotics traffickers and terrorists -- and that it is of global interest that Colombia do so. The Colombian government is focusing on rehabilitating and enhancing Colombia's image as a global and regional player, and economic indicators support this. Nonetheless, the Colombia's is perceived as a challenging place in which to do business. Terrorism, narco-economics and related corruption, as well as urban crime, oppress the vibrancy of society and damage business and investor confidence.

The Colombian economy grew 1.65 percent in 2002, as compared to 1.39 percent in 2001. This is the highest growth rate registered in the last five years. This positive result of the GDP is explained by the outstanding performance of some sectors. Construction (5.7 percent,) transportation & communications (3.5 percent,) financial services (2.5 percent) and agriculture (2.1 percent) pulled the overall growth; utilities (3 percent) and manufacturing (1.1 percent) maintained a moderate growth; while mining (-5.1 percent) showed a significant decline over the previous year. Forecasters estimate that growth will probably surpass the 2 percent target set by the government for 2003.

Agriculture (livestock, hunting, fishing, forestry and coffee), which accounts for 14.2 percent of GDP, increased 0.5 percent in 2002 versus a one percent increase in 2001. Growth in this sector has slowed and recovery strongly depends on international commodity prices. Coffee, historically Colombia's most important agricultural product, grew 6.2 percent during 2002 versus 3 percent in 2001, due primarily to a small recovery in prices. Recovery of the agricultural sector has been increasingly threatened by Colombia's internal conflict.

¹ "County Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact Stat-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at: <http://www.stat-usa.gov>, <http://www.state.gov/>, and <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE or by fax at (202) 482-4473" (U.S Department of State, 2001, p. 2).

Colombia offers a tapestry of demographic, geographic and cultural advantages. The country is strategically located at the northwest corner of South America, with close, easy access to U.S. southern ports. With coasts on both the Caribbean and Pacific, it straddles the Andes to the Amazon. The country has a broad, rich mineral and agricultural resource base; educated, skilled workers; a highly competent executive and entrepreneurial cadre; a modernizing manufacturing and consumer economy; a legal, regulatory, business and physical infrastructure conducive to productive business activity; and, a long history of economic growth in an essentially democratic political system.

The focus on strengthening international trade as the key to Colombia's long term economic growth, job creation, and social stability is bringing greater attention to Colombia's future in the world trading community. The Colombian Government's ambitious initiatives to improve competitiveness, increase transparency, ease non-tariff and bureaucratic barriers, reduce corruption, modernize industry and services and double exports are paying off.

Historically, the U.S. is Colombia's largest trading partner, at around \$5.0 billion annually, or a 39 percent share of the roughly \$12.7 billion Colombian import market. The market is very diversified, as typical of a balanced, industrializing economy, ranging from telecommunications to industrial chemicals to consumer goods to financial and security services. U.S. investments in Colombia are valued at around \$5.8 billion, a 26 percent share of accumulated foreign direct investment (not including portfolio and petroleum). Colombia sells over \$5.1 billion in goods to the U.S. annually, notably in coffee, flowers, coal and oil, and clothing.

The passage of the expanded Andean Trade Preferences and Drug Eradication Act (ATPDEA) by the U.S. Congress provides parity with other countries selling products to the United States, particularly in the important clothing sector. The Colombian push for competitiveness and export expansion requires Colombian companies to modernize their production facilities and delivery systems. Imports are increasing in response to pent up local demand. They need to acquire technology, goods, services and know how.

Marketing U.S. Products and Services

There are a number of factors that should be considered in exporting products to Colombia. This section provides a brief overview of many critical factors that must be considered.

Distribution and Sales Channels

Colombia offers a full range of sales channels to consumers, with various distribution methods depending on the type of product offered. These methods range from traditional ones in which wholesalers sell to traditional shops which then sell to the public, to more sophisticated methods, such as large department stores and hypermarkets, which have rapidly gained popularity.

Use of Agents and Distributors: Finding a Partner

Foreign firms interested in exporting to Colombia's private sector are not required by law to secure local representation, however, Colombians prefer to deal with those companies with local representation to secure after-sales servicing. For sales to the government, however, whether direct or through international tenders, Colombian law requires that foreign bidders have legal representation in Colombia. The Colombian Commercial Code regulates representation and distribution agreements.

The [U.S. Commercial Service](#) at the U.S. Embassy in Bogota recommends that U.S. companies seeking agents, distributors or representatives in Colombia consider the broad range of CS-offered services developed to help U.S. firms enter new markets. These services include the International Partner Search, Business Facilitation Service or Single Company Promotion, the Video Gold Key Matching Service and the Gold Key Matching Service/GKS, in addition to the newly introduced BuyUSA.com and BuyUSA Website services.

Direct Marketing

Direct marketing is rapidly gaining popularity in Colombia. Its growth has been fueled by such factors as technological advances in printing and distribution, an increased use of credit cards and changing lifestyles. Also, more women are entering the job market and seeking ways to save time in making household purchases. Many stores and large distributors are producing their own catalogs for phone, mail orders, e-mail or the web with products that can be paid for with cash, check, debit or credit cards.

Franchising

Franchising is gaining importance in Colombia as a business development and marketing system. For the period 2001-2003, the Colombian market, which encourages foreign investment and international trade, offers good business opportunities for U.S. companies in the franchising sector, assuming current economic conditions remain positive.

Relationships between franchisers and franchisees are regulated by the terms of freely negotiated contracts, provided that they are consistent with the Colombian Commercial Code and the applicable legal framework. U.S. companies interested in the Colombian market should contact [CS Bogota](#) directly to discuss the Commercial Service's Franchise Partner Search Service.

E-Commerce

E-commerce development prospects are promising in Colombia, since its congress approved Law 527 in August 1999, followed by Decree 1747 of 2000, which regulates electronic commerce activity. The U.S. and Colombia also have signed an e-commerce agreement that emphasizes open and fair e-trade.

Several institutional and societal factors have combined to restrain more rapid growth of e-commerce in Colombia. However, U.S. e-commerce companies should note the overall potential offered by the Colombian market. Colombia's B2B market will likely offer U.S. companies the greatest opportunities for export sales.

Joint Ventures/Licensing

To improve the Colombian investment climate, foreign investment laws were revised between 1996 and 1999, and more recently, to facilitate joint ventures and other forms of investment. Leasing is playing an important role in developing and modernizing domestic industry, including several joint export-oriented units. To reach these goals, Colombia needs to acquire new capital equipment and state-of-the-art technology.

[FINAGRO](#) (the Colombian Fund for Financing the Agro Pastoral Sector) has just announced the creation of new alternatives for the acquisition of agricultural machinery, equipment and implements, including forestry equipment and tractors (both new and used) through leasing systems.

Establishing a Business

The most common forms of business in Colombia are corporations, limited liability partnerships, and branches or subsidiaries of foreign corporations. The process of establishing a business in Colombia has been simplified considerably by a new program of the [Bogota Chamber of Commerce](#), with the sponsorship of the Inter American Development Bank/IDB and several Colombian public and private entities.

A foreign corporation registering in Colombia no longer requires prior authorization from the National Planning Department. The following documents, however, must be presented to the local chamber of commerce:

- Documents of incorporation and the bylaws of the foreign corporation;
- Resolution from the board of directors of the home office authorizing the opening of a branch in Colombia, with details regarding capital assigned to the branch and the initial appointment of officers and statutory auditors;
- Certificate from the chamber of commerce at the intended domicile of the branch to the effect that extracts of the documents mentioned under paragraph one above have been registered;
- Statement from the chamber of commerce that the official books have been registered and identified; and
- Certificate from the manager and the statutory auditor that the capital assigned to Colombian operations has been paid in accordance with legal requirements.

Selling Factors/Techniques

Quality, profitability, functions, financing, and price play an important role in the buying decision. The after-sales service arrangement is significant, not only in the original buying decision, but also in maintaining the sales relationship. U.S. suppliers must either have their own representative with adequate operations or obtain a Colombian representative who can offer sufficient after-sales service.

Advertising and Trade Promotion

The introduction of new consumer products to the Colombian market usually requires an extensive advertising campaign. Companies' marketing strategies frequently include media ads, and printed technical and sales articles in a combination of media -- radio,

television, cable TV, newspapers, periodicals, trade magazines, and the Internet--announcing sales and special offers. As a major entertainment form for Colombians, television is also one of the most effective media for advertising in Colombia.

Colombia has about thirty important daily newspapers (the three principal daily papers are in Bogotá), a large number of trade and business papers and magazines, nationwide and regional television networks, AM and FM radio stations, and private local cable TV companies. Also available is a great variety of business, industrial and trade publications from most Colombian industrial and trade associations and private publishers. Most publications have web sites.

Pricing Products

Colombian consumers buy many imported products, but the cost of importing can be high. Consumers may pay between 80 percent and 120 percent above the FOB price of imports. The landed price of most consumer goods with local production is calculated by estimating 15 percent of the FOB price for freight & insurance, warehousing and other documentation costs, 20 percent CIF import duty, plus a 16 percent value-added-tax/VAT (assessed on the CIF-duty-paid value of imports), thus putting their price at an additional 60 percent over the FOB price.

Selling to the Government

Government entities, institutes, industrial and commercial enterprises must follow the provisions of Law 80 of October 31, 1993 which regulate purchases made and contracts entered into by the government and state industrial and commercial enterprises. Under Law 80, Colombian government contracting agencies must select contractors through a public competitive bidding process. There are a few exceptions to this rule, which are clearly established in Article 24 of Law 80.

A system known as [SICE/Sistema de Informacion de Contratacion Estatal](#) (State Contracting Information System) is a database that was introduced on May 1st, 2002. Its purpose is to register and obtain a certificate for all foreign and domestic suppliers of all types of commodities and services, their products and prices in order to be able to enter into contracts with state agencies and industrial and commercial enterprises. One can also register via Internet in accordance with [CUBS/Catalogo Unico de Bienes y Servicios](#) (The Sole Catalog of Goods and Services) which is a listing of goods and services classified, standardized and codified with the products that may be acquired by government entities.

Need for a Local Attorney

U.S. companies bidding on major government, or even private sector, projects/procurement and those entering into joint ventures or other long-term contractual arrangements should seek legal advice. Also, companies that are concerned about the protection of intellectual property such as trademarks, copyrights and patents should also seek legal counsel before entering the Colombian market.

There are a number of good Colombian law firms that specialize in various aspects of

commercial law. A number of major U.S. firms who operate internationally have affiliate arrangements in Colombia. The U.S. Commercial Service of the U.S. Embassy in Bogota can provide a list of attorneys upon request.

Best Prospects for Agricultural Products

Processed Food

Although the production of domestic processed foods is growing, imports play an increasingly important role in meeting consumer demand for these products. The Colombian market for processed foods and other high-value food products is growing, as a result of the urbanization process, which has implied also a dynamic fast-food industry and drastic changes in the food marketing structure. Specific products showing an upward increase in sales since then are poultry meat and beef offal, fresh/frozen pork, mechanically deboned chicken meat, hatching and table eggs, fresh fruits, breakfast cereals, beer, pet food, and assorted snack foods. A strong competition in the supermarket sector has also had an important impact on imports. The United States is the principal foreign supplier of consumer-oriented food products to Colombia. U.S. food products are highly regarded in the Colombian market for their quality and value as well as their wide variety and creativity to offer new products.

Cotton

Colombia, traditionally a net exporter of cotton, has become a net importer as a result of declines in domestic production. Colombia began to import significant quantities of cotton in 1991/92, and its import dependence has grown rapidly. The main factor in increased cotton demand in Colombia is undoubtedly the duty free access to the US market for Colombian textiles and garments under the ATPDEA. Duty free access was granted starting in October 2002 and will continue through 2006. The textile industry is expanding its plant capacity to meet the new demand from a widespread increase in garment production. Colombian clothing factories are generally considered to be high quality producers and international clothing brands have shown an interest in increasing purchases. Demand for fabric is reportedly in excess of local production capacity, because of the limited production capacity of textile producers.

Total cotton imports for the marketing year 2002/03 are expected to be 63,700 tons (15 percent higher than a year before) and imports are forecast to grow another 10 percent during the 2003/04 marketing year. Imports from US have been increasing due to the quality and freight advantages for US cotton. The US supplied 79 percent of the total cotton imports by Colombia.

Wheat

In 2002/2003, wheat production in Colombia is expected to reach 32,000 tons, equivalent just to three percent of total demand. The main factors restricting increased wheat production are limited area available for planting and low grain quality that does not meet industry requirements.

Consumption is being stimulated by growth in the supermarket sector, which is expanding through consolidation and modernization. New stores now offer a wide

variety of fresh bakery products. Also, the growth of the bread company, Bimbo, which introduced new technology and products has increased bread consumption. In addition, and increasingly important, market trends show growing consumption of pasta. The use of fortified wheat flour in pasta, along with easy preparation, makes this product very attractive to consumers.

Colombia's wheat imports during the 2002 calendar year were 1.26 million tons, up eight percent from the previous year, according to preliminary figures. This import volume consists mostly of hard wheat. In the early 1990's, the United States supplied about two-thirds of Colombia's import needs. However, the U.S. market share has declined due to concerns about U.S. quality and price considerations. Nevertheless, the U.S. share has been recovering and for the period January-November 2002 reached 59.5 percent.

On August 16, 1999, the Andean Community (AC) signed a preferential agreement with Brazil. Under this agreement, Brazil reduced its duties for imports of wheat products from the AC by 90 percent of the tariff rate. Colombia in turn reduced its basic duty to 13.2 percent on wheat products from Brazil, which is still in place.

Corn

Colombia's corn production is expected to be 1,145,000 tons in 2002/2003, with planted area expected to grow two percent and an average yield of 2.1 tons per hectare. The Ministry of Agriculture, the Colombian Grain Producers Federation, and the Coffee Growers Federation signed a production agreement for corn in 2002. Despite efforts by the ministry of Agriculture to encourage an increase in planted area to substitute for imports, increases in area planted have been fairly small.

At an average of 468,500 pesos (\$187) per ton in calendar 2002, the average grower price in pesos rose 10.6 percent above the 2001 level according with the Colombian Mercantile Exchange (Bolsa Nacional Agropecuaria). The minimum price for purchases of local production by the domestic industry under the absorption agreement is currently 466,000 pesos (\$159) per ton. Domestic users of corn are required to purchase locally produced corn at the minimum price in order to receive import licenses for imported corn.

Total corn consumption in 2002/2003 is estimated at 3.19 million tons, two percent above last year. The feed industry is leading the increase in corn demand, with most of the growth determined by demand in the poultry and egg industries. Virtually, all domestic corn is used for human consumption, while about 90 percent of the imported corn goes to the animal feed industry.

Total corn imports during the 2002/2003 marketing year are forecast at 2.05 million tons, up slightly from 2001/2002 after rises 15 percent a year before. The United States is the dominant supplier of corn to Colombia. The U.S. market share reached 88 percent in 2001/02, followed by Argentina with 8 percent. The U.S. market share is expected to remain constant.

Soybean Meal

The oilseed meal supply in Colombia is composed mainly of soybean meal, cottonseed meal, palm kernel meal, and sesame seed meal. All fishmeal used in the country is imported from Peru, Chile, and Ecuador.

Total domestic consumption of soybean meal and palm kernel meal is forecast to grow three and four percent in 2002/2003 and 2003/2004 crop years respectively. Individually, palm kernel meal usage is expected to maintain the same level and soybean meal is expected to rise two percent in the next two years. Soybean meal accounts for roughly 90 percent of total vegetable meal usage by the feed sector.

The United States supplied 5 percent of all soybean meal imported by Colombia, while the rest has been imported mainly from Bolivia, which as a member of the Andean Community pays no tariff for exports to Colombia.

Soybeans

The government has placed a priority on increasing production of soybeans to substitute for soybean imports, but thus far has had little success despite guaranteeing farmers relatively high prices through import restrictions (importers are required to purchase domestic soybeans at a minimum price of approximately \$250 per ton). The high cost of producing soybeans and unfavorable climate have kept production at low levels. The government is hoping that the approval of biotech soybeans in the near future will improve the prospects for domestic production, but at this time we do not expect any significant increase in soybean production.

In 2001/2002 total oilseed consumption (soybeans and palm kernel) grew 24 percent following a sharp increase of 23 percent the previous year. The increased consumption was largely due to increased imports of soybeans as a result of more favorable tax treatment for soybean imports over soybean meal and increased use of full-fat soybeans in feed rations. Since January 2003, however, changes in the tax system have increased the VAT on soybeans to 7 percent. This modification removed part of the advantage of soybean imports over meal imports and is expected to result in a smaller growth in consumption of soybeans (3 percent) during the remainder of 2002/2003. Crushing companies are currently working at full capacity to process soybeans.

Close to 95 percent of Colombia's full-fat soybean meal (FFSBM) production utilizes an extrusion or roasting process. According to the industry, usage of FFSBM in Colombia is expanding and accounts for as much as 50 percent of the country's total protein requirements.

Colombia's strong feed manufacturing sector is heavily dependent on imported soybeans and soybean meal to meet its protein needs (domestic soybean production is under 10 percent of total consumption). In a second year of strong soybean imports, total imports reached 531,000 metric tons in 2001/2002, up from 380,000 metric tons the previous year, due to strong domestic consumption.

Paraguay was the main supplier of soybean to Colombia, with a 53 percent market share, compared to 35 percent for the United States. Paraguayan soybeans pay a reduced duty (one-third less) under a preferential trade agreement, which makes up for the higher transportation costs from Paraguay relative to the US.

Trade Regulations and Standards

Trade Barriers

During the 1990's, Colombia began lowering and simplifying its import tariffs. Import duties are quoted ad-valorem on the CIF value of shipments. All duties (with few exceptions) have been consolidated into four tariff levels: a) 5 percent for raw materials, intermediate and capital goods not produced in Colombia; b) 10 percent and 15 percent for goods in the above categories but with produced and registered in Colombia; c) 20 percent for finished consumer goods; and d) the exceptions, such as import duties for motor vehicles which remain at 35 percent, and some agricultural products which fall under a variable import duty system (price band).

The large number of integration agreements that Colombia is party to, has created a complex system of tariffs that are applied according to the different treaties. The [Colombian harmonized tariff schedule book](#) shows all import duties that apply.

Colombia together with Bolivia, Ecuador, and Peru formed the Andean Trade Initiative (ATI), which resulted in the ATPA (Andean Trade Preference Act) of December 1991. This U.S. unilateral tariff exemption, similar to the Caribbean Basin Initiative (CBI), was designed to promote economic development through private sector initiatives in the four Andean countries. Exports of agricultural items were encouraged as part of the strategy to create alternative income sources for drug producers.

Import Taxes

Most imports are covered by a 16 percent value-added (VAT) tax assessed on the CIF-duty paid value of shipments.

Non-Tariff Barriers

Although significant progress has been achieved in this area, the Colombian government bureaucracy still constitutes a barrier to trade for both local and foreign companies. In addition, pilferage in Customs warehouses and robberies of trucks is frequent. The absence of clear procedures to solve the problem of incorrect import documentation continues to be a barrier of sorts.

Non-Tariff Barriers to Agricultural Trade

- *Import licenses issued by the Ministry of Foreign Trade (MINCOMEX):* Most agricultural products are issued automatic or "free" import licenses by the [MINCOMEX](#). However, if the Ministry of Agriculture determines that imports are not needed and will cause damage to related domestic production, it can prohibit the imports. Two agricultural products that have been subject to "previous" (more restrictive) import licensing requirements are fresh/frozen

poultry parts, and powdered milk.

- *Import License Approval Requirement by the Ministry of Agriculture:* Decree 2439 of 1994 requires it to approve import licenses of commodities that compete with domestically produced commodities that fall under absorption agreements between local producers and processors. Agricultural commodities that require Ministry of Agriculture approval for import licenses include wheat, poultry meat, malting barley, corn, rice, sorghum, wheat flour, oilseeds and their products (soybeans, soybean meal and soybean oil).
- *Price Bands:* On April 1, 1995, Colombia implemented the common Andean Community price band (variable import duty system). It covers 13 basic commodities (white rice, malting barley, yellow corn, white corn, soybeans, wheat, crude palm oil, crude soybean oil, white sugar, raw sugar, powdered milk, chicken parts, and pork meat) and 134 additional commodities that are considered substitutes. The system covers domestic producers and consumers from volatile world prices by raising import duties when import prices are low and lowering duties when prices are high.
- *Sanitary and Phyto-sanitary Measures:* All processed retail food items, including those imported in bulk for repackaging and retail, must be registered and approved by the [National Institute for the Surveillance of Food and Medicines \(INVIMA\)](#), which is part of the Ministry of Social Protection (Decree 3075/97, enacted by the former Ministry of Health). Products that have not undergone transformation, such as fresh or frozen produce and meat, do not need INVIMA registration. The Government of Colombia defines a transformed product as having been subjected to processing that resulted in a change in its internal structure.
- *Sanitary Registration:* U.S. exporters should be aware that sanitary registration must be obtained for pharmaceuticals, cosmetics, processed food products, and household insecticides and similar products. The registration must be obtained before exporting the products to Colombia. It is issued by the Instituto Nacional de Vigilancia de Medicamentos y Alimentos - INVIMA (National Institute for Control of Medicines and Food Products) and the procedure usually takes between three to six months. Sanitary registration is required for both locally manufactured and imported products. Processed food products in institutional presentations do not require a sanitary registration. For more information contact [INVIMA](#).

Import Licenses

All imports must be registered with [MINCOMEX](#) using a specific application known as "Registro de Importación". Colombian imports are classified into three groups: those that can be freely imported into the country, those requiring approval of a previous import license, and items that cannot be imported. Most products are on the "free" list and their importation is approved automatically upon presentation of the import application or

"Registro de Importación".

Some items on the free import list require prior import license. They are: (a) imports by government entities (except gasoline and urea); (b) import applications which involve customs duty exemption; and (c) non-reimbursable imports.

The import application (Registro de Importación) has a nominal fee of \$10 (COL\$ 30,000) and is valid for twelve months for capital equipment, six months for most other products, and two months for perishable products. Extensions, or modifications may be requested by filling out additional forms. The registration form must include the harmonized tariff code and information on the importer, exporter, manufacturer, carrier, country of origin, port of origin and destination, amount imported and number of units, single and global prices, sales and payment terms, bulk and net weight, and description of the merchandise.

Export Controls

U.S. exporters should be aware that the U.S. Government may prohibit the export of certain products to Colombia or require export licenses. The Department of Commerce's Bureau of Industry and Security Export Enforcement (BIS) licenses most controlled product and technology exports. In recent years, there have been increasing restrictions on the export of precursor chemicals to Colombia, due to the Drug Enforcement Agency's (DEA) concern that they may be utilized by narco-traffickers to produce drugs. For more information on U.S. export compliance and enforcement licensing issues contact the Commerce Department's [Bureau of Industry and Security \(BIS\)](#).

Import/Export Documentation

U.S. exporters must be aware that their importers in Colombia must follow eight basic steps to complete an import transaction into Colombia:

- 1) When required, obtain import permits from pertinent government agencies.
- 2) Buy and fill out the Import Registration form. File the Import Registration form with the Colombian Ministry of Foreign Trade, Industry and Tourism (MINCOMEX). The form requires a complete product description and tariff classification.
- 3) Obtain approval from MINCOMEX for the Import Registration Form or Import License (in the few cases when this is required)
- 4) Make arrangements with a financial entity for payment of the importation.
- 5) Ask the exporter to ship goods to a Colombian port.
- 6) Request the Cargo Manifest from the transportation firm.
- 7) Make arrangements with its customs intermediaries (or Sociedades de Intermediación Aduanera - SIA) to receive the merchandise and get it out of customs. The following are the main steps to be followed:
 - a) Fill out the "Import Declaration" (Declaracion de Importacion). When the importation value is equal or more than \$1,000. A SIA should do all the paperwork and get the shipment out of Customs.
 - b) Fill out the "Andean Custom Value Declaration" (Declaracion Andina de Valor en Aduana) when the importation value is equal or more than \$5,000 FOB.

- c) Go to an authorized financial entity and pay the import duties, value-added tax, surcharges and other fees.
- d) Present all documents to Customs.
- e) Customs inspects the merchandise, when they consider it necessary, and then authorizes withdrawal of goods.

Import Declaration

The importer must submit an import declaration to the [DIAN](#). This declaration includes the same information contained on the import registration form and other information such as the duty and sales tax paid, and the bank where these payments were made. Once the import declaration is presented and import duties are paid, customs will authorize the delivery of the merchandise.

Temporary Entry

Non-fungible merchandise that can be thoroughly identified by marks, serial numbers, or other symbols can be temporarily brought into Colombian territory for specific purposes. The merchandise must be re-exported immediately after the pre-authorized period, without being subject to any alteration or modification, except for the normal deterioration caused by use.

Labeling and Marking Requirements

Specific marks or labels are not required, except for food, pharmaceutical products and textiles. Labels on processed food products must indicate: the specific name of the product, ingredients in order of predominance, name and address of manufacturer and importer, number of units, instructions for storage and usage (when required), expiration date, and other instructions as required by the Ministry of Health or the Industry and Commerce Superintendency. Labels and illustrations cannot be inaccurate or misleading.

Standards

In Colombia, certain products whether imported or produced locally are required to conform to technical standards (or technical regulations) established by Decree 300 of 1995 and Decree 2269 of 1993 which made mandatory Colombian technical standards for some goods sold in the Colombian market (both imported and produced locally). Decree 300 of 1995 establishes that the [Industry and Commerce Superintendency \(SIC\)](#) (under the Ministry of Foreign Trade, Industry and Tourism) compile the list of products requiring the certificate of conformity and issues this certificate for import purposes.

Free Trade Zones

There are commercial free zones for free trade of goods, industrial free zones for the promotion of industrialization, technological free zones for the promotion of technological services, and tourist free zones for the promotion of tourism. Free-trade zones have regulations regarding customs and capital investment and enjoy certain tax benefits.

By Law 7 and Decree 2131 of 1991, the Government of Colombia authorized the liquidation of the assets and personnel of the public free trade zones and their

privatization by June 30, 1994. Five trade zones owned by the Government were privatized (given for administration to the private sector under a concession contract): Barranquilla, the main port on the Atlantic Coast; Cartagena (Mamonal), perhaps the most important industrial zone in Colombia; Cúcuta, in the northeastern section of the country on the border with Venezuela; Palmaseca, close to the international airport in Cali (main city in the State of Valle del Cauca); and Santa Marta, on the Atlantic Coast.

The private sector, authorized by the above-mentioned legislation, has also constructed the following new free trade zones: Bogota; Candelaria, in the city of Cartagena; Quindio, near the city of Armenia in the Colombian coffee region; Rio Negro, near the city of Medellín (State of Antioquia); Pacífico, near the city of Cali (State of Valle del Cauca); and Malambo, on the outskirts of Barranquilla (State of Atlántico).

Investment Climate In Brief

- In Colombia, foreign and national investments generally receive the same legal and administrative treatment.
- According to a 2002 study by the Colombian investment promotion corporation, Coinvertir, the largest obstacle to greater openness to foreign investment in the country is a high level of legal instability. Excess regulations affect the country's competitiveness to attract investment, resulting in additional operation costs for foreign firms.
- No restrictions apply to transferring funds associated with foreign investment.
- Colombian law now guarantees indemnification in expropriation cases.
- Law 315 permits the inclusion of an international binding arbitration clause in contracts between foreign investors and domestic partners. The law allows the parties to set their own arbitration terms including location, procedures, and the nationality of rules and arbiters.
- Violence continues unabated. The government's priority is improving security. Kidnapping by terrorists and criminal gangs is an increasingly serious problem. According to the Colombian "País Libre" foundation, 2,986 kidnappings were committed in 2002, 70 percent of which are attributed to left-wing rebels.
- The government provides a number of incentives for exporters and importers of certain capital goods. The most widely utilized such programs are the Plan Vallejo and the CERT. The Plan Vallejo provides for the duty-free entry of capital goods and materials to be used in production of export goods. The tax-reimbursement certificate (CERT) is a form of tax incentive issued to Colombian exporters; has a two-year maturity, it is freely negotiable and can be sold in the secondary market.
- The parastatal [PROEXPORT](#) engages in a variety of marketing and promotional activities in support of Colombian exports. It provides information on market access and business opportunities as well as organizes international trade shows and missions. PROEXPORT provides planning and training strategies for medium and small companies to overcome obstacles of exporting goods and services.

- Colombia's tax system is largely regressive, inequitable, and it increasingly suffers from tax evasion and elusion. There have been nine tax reforms in the last 10 years.
- In accordance with Andean Community Decision 291 of 1991, foreign investors now have the same access to Andean markets as domestic investors.
- Labor laws require that, absent an exemption, at least 90 percent of a company's general work force and 80 percent of management must be Colombian nationals.
- The 1991 Colombian Constitution explicitly protects individual rights against the actions of the state and upholds the right to private property.
- Colombia has been on the Special 301 "Watch List" every year since 1991. In 2001 and 2002, Colombia was included in the Special 301 "Priority Watch List" for its persistent failure to effectively protect intellectual property rights (IPR).
- OPIC's political risk insurance, project finance and investment funds fill a commercial void, create a level playing field for U.S. businesses and support development in emerging economies. Colombia is the second highest-ranking country in OPIC's portfolio for insurance against political violence.
- The most recent report from the government's statistics office estimates Colombia's total population at 43 million, of which 32.5 million are in the working age group. Of this age group, 19.9 million constitute the economically active population. The relative cost per worker has increased over the last decade (higher wages and social security payments) while productivity has remained relatively constant, implying a relative loss of competitiveness of least qualified workers.
- Reinvestment of corporate profits in Colombia for a period of five years or more allows foreign investors to avoid the otherwise mandatory seven-percent dividend income withholding tax or seven-percent remittance tax (depending on the method of repatriation). Income derived as capital gains is taxed at a 35 percent rate. Colombia does not restrict export of capital or outward direct investment.
- The Colombian financial system is composed of specialized, legally distinct financial sub-sectors that include commercial banks, savings and housing corporations, investment banks and commercial finance companies. The number of financial institutions has decreased considerably since 1997 due to mergers and acquisitions in the sector.

Business Customs

First time business visitors are usually pleasantly surprised at the high level of development and sophistication of the Colombian private sector. Most business visitors never leave the modern urban cities. Those who do (to oilfields and mines) do so under controlled conditions. As with anything in business, the key is be aware and prepared.

Colombian business people tend to be well educated and professional. They are serious, hardworking, and share many of the same work habits and ethics as business people in the United States. This is one of the many reasons that, despite Colombia's political and social problems, knowledgeable U.S. business people have for many years come to Colombia to do business. The recent passage of the Andean Trade Practices and Drug

Eradication Act (ATPDEA) is increasing two-way trade remarkably.

Colombians tend to be friendly, straightforward and direct in their business dealings. They understand the give-and-take of business, and look to negotiate business arrangements that will be of mutual advantage to both parties. Colombian business people are generally punctual, yet flexible, and expect the same of their business associates. Most business customs are similar to those in the U.S.

Given the proximity of the two countries and the long-term presence of U.S. firms in the market, Colombians are used to doing business with the U.S. Many of them have traveled or studied in the United States and have family members or friends there. Colombian executives and technicians, as well as government officials, travel frequently to the U.S. for meetings, conferences, trade fairs, training and tourism.

Working breakfasts and lunches at hotels and private clubs have become common practice in most Colombian cities. Business attire is the norm. Dinner meetings tend to be less formal. Business cocktails and official receptions are common events and are used as opportunities to make contacts and discuss outstanding business. Colombian trade associations, government entities, and private firms are hosting an increasing number of national and regional conventions, conferences, and seminars in the country. These events present excellent opportunities for meeting Colombian business people and key government officials as well as for assessing market potential.

Travel Warning and Visas

There is currently a [State Department travel warning](#) in effect for U.S. citizens planning travel to Colombia. This warning is due to the violence that continues to affect all parts of the country, and the fact that U.S. citizens have been victims of kidnappings and threats. For more information on a particular business agenda, companies are urged to contact the Commercial Service, American Embassy, Bogota for customized advice.

Most businesspersons who visit Colombia travel primarily to the major cities and commercial centers where caution should be taken against common large-city crimes such as pick pocketing, jewelry and purse snatching, and currency scams. Selecting a good hotel, keeping valuables in a hotel safe, using authorized taxis and hired car services, and using common sense in avoiding certain areas of town will help to reduce the risk of falling victim to these crimes. At airports, care should be taken with hand luggage and travel documents.

Travel between cities should be by air in order to avoid rural areas controlled by guerillas, narcotraffickers and paramilitary groups. Travel outside of the major cities is not recommended.

Upon arrival in Colombia, U.S. citizens are encouraged to register at the Consular Section (American Citizens Services) of the [U.S. Embassy in Bogota](#) and obtain updated information on travel and security in Colombia.

U.S. citizens traveling to Colombia are required to carry a valid U.S. passport and a return/onward ticket. U.S. citizens do not need a visa for a stay of sixty days or less. Stiff fines are imposed if passports are not stamped on arrival and if stays exceeding sixty days are not authorized by the Colombian Immigration Agency (DAS Extranjeria).

Although business travelers may enter Colombia on a tourist visa, they may not establish a domicile in Colombia and the activities they engage in may not produce honoraria or salaries in Colombia. Businessmen traveling under a tourist visa also should be aware that contracts they sign or business they transact may be considered invalid and non-binding. Business visas are valid for up to three years, can be renewed, and can be used for multiple entries into Colombia for stays of up to six months per visit.

Business Infrastructure

The local currency is the Colombian peso. Most credit cards are accepted in the main cities of Colombia for car rental, air tickets, in most hotels and restaurants, and in a wide range of commercial establishments. The exchange rate on June 16, 2003 was Col Pesos 2,828 to 1 US dollar.

There are a wide variety of hotels in Colombia. Many international hotel chains have entered the market throughout the country. Facilities and services in major Colombian hotels are similar to those found in the United States. Prices vary, but generally range from \$70-\$180 per night for a single room including continental breakfast.

Colombia has a reliable domestic and international telecommunications system. Currently, there are three operators competing for the long distance services. Cellular phones are widely used in Colombia with automatic roaming within the country; there are also roaming agreements with the U.S. and most other Latin American countries. Two private companies, Bellsouth and Comcel, currently provide cellular service. Internet, tele-conferencing and video-conferencing facilities are also available.

Colombian air transportation is well developed, with international airports in Bogota, Barranquilla, Cartagena, Cali, Cucuta, Leticia, Medellin, and San Andres providing regular flights to major cities abroad. Currently, there are five major airlines that provide approximately 110 direct weekly flights between Colombia and the U.S. Frequent domestic flights connect principal cities within Colombia. Business travelers should be aware that prior flight reservations within Colombia (even though pre-paid) are not always honored, and flights may be overbooked to popular destinations such as Cartagena. Thus, a final confirmation is advisable 24-hours before departure.

Colombian time is the same as U.S. Eastern Standard time, without daylight-saving adjustments, e.g. Washington in winter, Chicago time in summer.

The workweek is Monday - Friday. Normal working hours are either 8 a.m. - lunch (flexible between 12 noon and 2 p.m.), closing at 5 p.m.; or 7:30 a.m. - 4:30 or 5:30 p.m. with an hour for lunch. Most commercial offices follow the first system and most manufacturing operations the second.

Although Colombia is in the equatorial zone, the climate is determined by altitude. The Andes Mountains produce a variety of climates, which range from rain forest and tropical plains (at sea level) to the "paramos" (10,000 feet above sea level) and areas with perpetual snow. The climate of each region is relatively stable throughout the year. The weather in Bogota is almost perennially similar to that of mid-autumn or mid-spring in much of North America. Daytime temperatures usually reach the upper 60's (Fahrenheit), and dip into the 40's and 50's at night. Much of the rest of the country is tropical (Cartagena, Barranquilla and Santa Marta) or semi-tropical (Medellín and Cali).

Business clothing varies somewhat depending on the climate of the region visited. In Bogota and the mountain region, dress is more formal and colors are darker than in tropical areas. Business suits for men and suits and pantsuits for women are customary during the business day and for evening events such as dinners, cocktails and receptions. In tropical and semi-tropical areas (Cartagena, Barranquilla, Medellín and Cali) dress is less formal: lightweight suits for men and lightweight dresses and pantsuits for women.

Spanish is the official language and spoken throughout the country. It is advisable to have some knowledge of Spanish or to hire the services of a qualified interpreter, although many senior executives and government officials speak English.

Medical care is adequate in major cities, but quality varies elsewhere. In Bogota in particular, travelers can find very qualified general practitioners and specialists. Doctors and hospitals often expect immediate cash payment for health services, although many hospitals in major cities accept major U.S. credit cards. U.S. medical insurance is not always valid outside the United States. Visitors with a particular medical problem may therefore wish to consider supplemental medical insurance with specific overseas coverage, including provision for medical evacuation or other emergencies.

Tap water is generally considered safe to drink in major cities. However, it has become common to drink bottled water, available in various brands and at modest prices. A variety of international restaurants can be found in most major cities, including American fast-food restaurants.

A general "Guide for Business Representatives" is available for sale through the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; Tel: (202) 512-1800; Fax: (202) 512-2250. Business travelers to Colombia seeking appointments with U.S. Embassy Bogota officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at (571) 315-2126/315-2298/315-1026/315-1910 or by fax at (571) 315-2171/315-2190, or via e-mail: Bogota.Office.Box@mail.doc.gov or karla.king@mail.doc.gov.

Useful Web Links

Colombia:

[U.S. Commercial Service](#)

[FINAGRO](#)

[Bogota Chamber of Commerce](#)

[MINCOMEX](#)

[PROEXPORT](#)

[U.S. Embassy in Bogota](#)

US:

[USDA Foreign Agricultural Service](#)

[US Export Programs Guide](#)

[Internet Guide to Trade Leads](#)

[US Trade Finance Resources](#)

[Basic Guide to Exporting](#)

Hemispheric:

[Hemispheric Guide on Customs Procedures](#)

[Hemispheric Trade and Tariff Database](#)