DOING BUSINESS WITH COLOMBIA

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1. GENERAL INFORMATION

Official Name: Republic of Colombia

Capital: Bogota. Population of Bogota is 6.8 million.

Other large Cities: Cali, Medellin, Barranquilla, Cartagena.

Land space: 439 736 square miles; 1,138 910 square kilometers

President: Alvaro Uribe Velez

Population: 46.3 million. Colombia has the third largest population in Latin America after Brazil and Mexico. The population is estimated at 46.3 million. Approximately 70 percent lives in urban cities, and the remainder in the rural areas.

Ethnicity: Mestizo, White, Mulatto, Blacks, Mixed.

Life Expectancy: 70 years (males), 76 years (females)

Education: Colombia has a well rounded educational system offered by the public and private sectors. Pre-school is in private hands. Primary schooling starts with elementary system, followed by secondary, then technical and/or university. Both private and the state are involved in this aspect of the system.

Literacy rate: 92.8 percent.

Labor Force: 22 million. Just under half the population is employed and the country boasts a highly skilled and competitive workforce.

Unemployment: 12.0 percent.

Religion: Roman Catholic.

Language: Spanish.

Geography: Colombia comprising both flat terrain and mountain chains is a middle income country located in the northwestern South America. The only South American country with coastlines bordering both the Atlantic and Pacific Oceans, Colombia's neighbors are Venezuela, Brazil, Peru and Panama. Colombia also claims territory in San Andres and Providencia (in the Caribbean) and Gorgona and Malpelo (in the Pacific). There are extensive coastlines on the Pacific and Caribbean areas of the country, as well as three mountain chains.

Climate: Colombia has no seasons, and diverse climatic conditions prevail and in particular, in relation to the altitude. The temperature averages about 22 degrees Celsius or 72 degrees Fahrenheit. In the flat coastland lowlands, the climate may reach 35 degrees Celsius or 95 degrees Fahrenheit, whereas in the central highlands temperature of between 14 degrees and 18 degrees Celsius or 57 degrees Fahrenheit and 64 degrees Fahrenheit are experienced.

Political System: The Republic of Colombia is one of the leading and longest serving democracies in Latin America. The country has a democratically elected representative system with a strong executive. The Head of State is the President who is elected for a four year term. The President heads the Cabinet. The system is also made up of a 102-member Senate and a 165-member Chamber of Representatives and both are elected for four-year terms. The present President is Alvaro Uribe who was re-elected for a second term in May 2006. Elections are due in May 2010.

Ethnic Composition: About 58 percent of the people are Mestizo, 20 percent are White, 14 percent Mulatto, four percent Black, four percent Amerindian, and four percent mixed (that is Black-Amerindian).

Weights And Measures: The metric system is used in Colombia. Sizes may be identified as small, medium, large and extra large. In addition, Spanish units such as botella, vara, fonegada, arroba and quintal are used.

Electricity: Electricity voltage in Colombia is 110 Volts, alternating at 60 cycles per second. If you travel to Colombia with a devices that does not accept 110 Volts at 60 Hertz, you will need a voltage converter of which there are three types. These are: the Resistor network converters which are advertised as supporting something like 50 to 1600 Watts, Transformers which will have a much lower maximum Watt rating, usually 50 or 100, and Combination converters which include both resistor network and transformer in the same package.

Holidays

New Year’s Day	Jan 1
Epiphany	Jan 6
St. Joseph’s Day	Mar 19
Labor Day	May 1
Day of St. Peter and St. Paul	Jun 29
Independence Day	Jul 20
Battle of Boyaca	Aug 7
Assumption Day	Aug 15
Columbus Day	Oct 12
All Saints Day	Nov 1
Independence of Cartagena	Nov 11;
Immaculate Conception	Dec 8;
Christmas	Dec 25.

Religious holidays include Holy Thursday, Good Friday, Holy Saturday, Ascension, Sacred, and Heart and Corpus Christie.

2. THE ECONOMY

Table 1 Economic Indicators

National Currency	Peso
Exchange rate	One US$:2, 359 Pesos (2006)
GDP	US$ 136.0 Billion
GDP (Growth)	6.8 percent
Inflation	4.3 percent
Current Account Balance (% of GDP)	– 2.1 percent
Deposit rate	6.3 percent
GDP Per Capita	$2 996 (2006)

2.1 Prices and Income

The general level of prices in Colombia has stabilized over the last two years. This is as a consequence of policies set by the Central Bank to keep prices at a low level in the wake of inflation which had averaged just over seven percent between 2000 and 2004. In 2006 inflation was 4.3 percent and it is projected to increase to just over five percent for 2007. Higher food prices and increased charges for education and healthcare, along with an upward adjustment in interest rates accounted for the rise in overall inflation.

The interest rate adjustments undertaken by the Colombian Central Bank was aimed at containing high prices and to meet a 3.5 percent to 4.5 percent target in 2007.

Table 2 Price Variation/ Inflation Rate

Year	%
2000	1.0
2002	8.0
2004	6.0
2006	4.0
2007	5.0

Table 3 Income Distribution

	Income %	Population %
High	47	10
Medium	40	40
Low	13	50

NB: High income earners account for 10 percent of the population.

2. 2 Structure of the Economy

Colombia has a strong and highly diversified economy which includes services, manufacturing, agriculture, oil and pharmaceuticals. Some of the major sectors are privatized including the electricity, telecommunications, transportation and water sectors.

2.2.1 Services

The Service sector is the leading area of the economy. Between 2000 and 2005, its share of Gross Domestic Product averaged around 57 percent. This sector is made up of financial, tourism, retail and transportation activities. The country has an extensive banking system which is regulated by the Central Bank of Colombia. Tourism though not as large is a very important industry in the economy with hotels being among the leading area among tourism services. Retailing is very upbeat relating to the distribution of food, other merchandise, consumer durables, industrial, building material and capital goods. Given its wide network of transportation facilities including air and sea transport Colombia ranks among the leading Latin American countries with a robust transport sector.

2.2.2 Manufacturing

Colombia manufactures a wide range of goods which are used both domestically and exported. This sector's share of Gross Domestic Product is approximately 30 percent. The main products manufactured are chemicals, beverages milling and cereal processing, textiles, food processing, clothing and footwear, pulp and paper, coal and cement. Most of the manufacturing activity is located in Antioquia, Cauca, and Barranquilla on the country's Atlantic coast. Approximately 600 000 people are employed in the manufacturing sector.

2.2.3 Agriculture

Agriculture is one of the key sectors in the Colombian economy which helps to stimulate a balanced performance including economic growth. Agriculture's value added is around 12 percent. The principal agricultural products are coffee, cut flowers, tobacco, corn, sugar cane, cocoa beans, oil seed, vegetables and forestry products.

2.2.4 Oil

Oil is a major industry in Colombia as it is in the other Andean countries of Venezuela, Bolivia, Ecuador and Peru. However, Colombia has the least output. Despite this Colombia has been inviting oil companies to invest in the industry by way of conducting oil exploration. A flurry of investments amounting to US$1.5 billion a year are bearing fruit for the country.

In 2006, net oil reserves surged to 1.51 billion barrels. The country is self sufficient in the commodity.

2.2.5 Pharmaceuticals

The Colombian pharmaceutical market is the fifth largest in Latin America behind Brazil, Mexico, Argentina and Venezuela. This has given rise to a robust industry especially with reforms of health care which has been instrumental in the growth of the sector. Those reforms helped to boost the consumption of pharmaceutical products. Around 70 percent of the Colombian market is supplied by the domestic industry which is dominated by multinationals. Major indigenous manufacturers are Bussie, Genfar, Lafrancol and Procaps.

2.3 Overview of Trade

Since the 1980s Colombia has established a working relationship with the Caribbean Community States. This was part of an outreach program as well as forging closer ties with the former British Colonies. The country had become a non-borrowing member of the Barbados based Caribbean Development Bank through which funds for economic assistance to the 13 nation CARICOM were able to benefit. Colombia has also granted these countries one way free access to its market and several trade missions from CARICOM have visited Colombia.

At the moment trade between the two regions is in favour of Colombia. However, with the vast Colombian market very much open to CARICOM, opportunities exist for doing more business with the South American state.

2.3.1 Exports

Colombian exports are in the vicinity of US$21.1 billion. ProExport, a government agency said that exports have been on the rebound growing 27 percent in 2005.

The key Colombian exports are petroleum, coal, coffee, cut flowers, textiles, nickel, bananas, chemicals, pharmaceuticals, cement, plastics, gold and sugar. Manufactured goods account for 41.2 percent of exports and petroleum 28 percent. The United States, Venezuela, Ecuador, Germany and Australia, were the main exporting countries for Colombia in 2006. Textiles and clothing are said to have significantly greater potential for growth. Textile exports to the USA have increased by over 50 percent since 2003. The main contributors to the spectacular growth in this segment are low labor costs, proximity to the USA market, and the industry's vertical structure from fibres to finished garments

2.3.1 Imports

Total imports in 2005 were estimated at US$21.2 billion, representing an annual growth rate of 29.7 percent. Imports have also surged given the country's policy liberalizing its trade regime through lower tariffs and relaxation of import controls. The principal imported items are industrial equipment, transportation equipment, consumer goods, grains, chemicals, paper products, fuels and electricity, aircraft. The United States is the main supplier, accounting for 28 percent, followed by Mexico, Brazil, China, Venezuela, Japan and Panama.

Table 4 Colombia's Trade Partners in 2006

Import Partners		Export partners	
USA	28.2%	USA	35.8%
Venezuela	11.1%	Mexico	8.8%
Ecuador	5.1%	China	8.5%
Australia	0.1%	Australia	0.1%

Table 5. Workforce

	2002	2003	2004	2005
National	16 619 898	17 466 866	17 577 877	17 487 939
Daily &Temp Workers	6 314 890	6 719 684	6 694 657	6 690 939
% of Informal			36.29	
Domestic Workers	864 925	878 910	820 376	843 188
% of Informal			95.11	
Self Employed	6 516 164	6 855 159	7 072 986	7 093 205
% of Informal			87.03	
% of Female Informal			86.36	
Owner or	825 113	818 810	899 877	899 116

Employer				
% of Informal			88.00	
(T.F.S.R y otro)	1 042 701	1 101 552	1 020 797	894 466

2.4 Employment

One of the goals of the economic reforms undertaken in Colombia is the provision of jobs for Colombians. Just under half the country's population of 46.0 million people is employed. Unemployment which was somewhat high at the beginning of the present decade has been stabilized and up to last year was estimated at around 12 percent of the workforce. This reduction stemmed from an estimated 922 000 new jobs being created between 2002 and the first quarter of 2005.

A Colombia Labor Market survey during that period reveals that of the 922 000 jobs, 577 041 or 62 percent fell into the category of self employed workers, specialized workers and Government employees. The survey also revealed the distribution of labor by occupation. The results show that 38.26 percent of the country's labor force is manual laborers, daily workers, or specialized workers. Of this group 36.29 percent of the employment is informal, 6.06 percent are employed by the state in some capacity (through public service or official position). Another 4.82 percent is classified as domestic employees with the majority (95.11 percent) being informal.

In terms of self employed the numbers reported are roughly 40.56 percent and within this category the majority is employed as well. A further 5.14 percent is designated as owners and employers, with 87.72 percent being informally employed.

Remittances by Colombian workers abroad have been very significant within the economy. From about US$745 million in 2002, remittances have surged to US$3 billion. In addition, they account for four percent of Gross Domestic Product, doubling the amount from 2000.

Table 6. Data on Unemployment

Year	Amount (%)
2003	17.4
2004	14.2
2005	13.4
2006	12.0
2007	11.1

2.5 Economic Outlook

Having weathered the storm of an economic slowdown, the Colombia economy is on course for sustained economic growth with low rates of inflation and unemployment. This outlook is based on the projections from sources that include Business Monitor International, the Economist Intelligence Unit and the International Monetary Fund, which have given high marks to the country for economic stability in the face of mounting challenges.

In their assessments they report that the economy having fired on all cylinders in 2006 the improved performance in 2007 will set the stage for more expansion beginning this year and continuing for the short to medium term at least.

Economic growth based on strong performance by the export sectors – oil, agriculture, services and industry, the Economist Intelligence Unit projects, will stabilize at four percent by 2011 once there are no shocks like political developments and the recession in Colombia's export markets, mainly the United States.

Of worry though, is the Current Account deficit which will most likely hover around minus two percent of Gross Domestic Product. This is related to the possible decline in the energy sector which unless new discoveries are found, could result in Colombia becoming a net importer of oil by 2010.

Table 7 Key Economic Data

	2006	2007	2008	2009	2010	2011
Real GDP Growth (%)	6.8	4.7	3.9	2.0	3.1	3.9
Inflation (%)	4.3	5.4	4.5	4.0	4.0	4.2
Non-Financial Public Sector Balance (% of GDP)	-0.7	-0.9	-1.4	-1.7	-2.1	-2.0
Current Account Balance (% of GDP)	-2.1	-2.6	-3.3	-3.2	-2.4	-2.1
90 Day Deposit rate (Avg)	6.3	7.7	8.5	8.8	9.0	9.2
Exchange rate (P:US $)	2 359	2 274	2 390	2 469	2 556	2 633

Source: Economist Intelligence Unit.

3. GENERAL MARKET FACTORS

3.1 Distribution and Sales Channels

There is a wide variety of distribution channels for customer sales in Colombia. These range from the traditional wholesale outlets which sell to retailers, to supermarkets and superstores which sell directly to consumers and smaller retail outlets like mini marts.. Stores and other outlets are of varying sizes in the country. While capital equipment and raw material are purchased through sales agents and distributors, some large domestic manufacturing companies import directly from foreign suppliers. Major distributors and wholesalers have opened purchasing offices and warehouses in the USA, Colombia's main trading partner, and use the internet to source products and services, thereby avoiding intermediaries in some areas of the distribution network.

3.1.1 Retail Food Distribution

The supermarket business in Colombia is considered one of the most modern in Latin America. Estimates have put sales at over US$5 billion in 2006. Over the years the sector has undergone significant transformation as competition influences the key players in the industry to modernize their operations either to secure market share or to protect existing market share. There have also been strategic alliances in the industry. Smaller stores have done well because unlike the bigger retailers like the hypermarkets and supermarkets, they offer credit to customers, small quantity sales of bulk products, and proximity to the middle and low income consumers.

3.2 Use of Agents and Distributors

Exporters are required to secure agents, representatives, or distributors in Colombia.

Contracts must be made in a way to meet the provisions of the Colombian Commercial Code. In negotiating contracts emphasis has to be placed on formalities, personal relationships and trust.

3.2.1 Payment Conditions

Most products are imported into Colombia through letters of credit or time drafts. Soft and long term financing is another method used, especially for government imports or public tenders.

Foreign suppliers, financial intermediaries in Colombia, or foreign financial institutions may finance Colombian imports. Importers may freely negotiate payment terms with their suppliers. However, as a rule, the importers have to list the payment terms on their imported documents.

The terms vary between one and six months for imported products for immediate consumption. These include raw materials, intermediate and consumer goods. No limit on terms is allowed for capital goods. Foreign payments may be done by way of installments.

General trade finance is readily available and letters of credit are used widely in Colombia. Methods, terms and conditions of payment vary with the type of credit. Most imports of equipment are paid via irrevocable 180-day letters of credit payable as sight against shipping documents. The letters of credit replace the exporters' credit risk with that of the issuing bank.

However, the normal payment term is 60 days, although there are cases where suppliers may extend terms of 120 days.

3.3 Franchising

After slowing towards the end of the 1990s, franchising has again taken off in Colombia. The policy of the Colombian Government is to encourage foreign direct investment. This has triggered a number of mainly American franchises doing business in Colombia in such areas as fast food, car renting, hotels, packaging, retail stores and entertainment. Of the 240 franchises opened in Colombia all but 57 are from Colombia.

3.4 Advertising & Trade Promotion

3.4.1 Direct Marketing

Direct Marketing and personal visits supported by such factors as technological advances in internet communications, printing and distribution of materials to prospective customers are already in Colombia. Many of the large stores and distributors are producing their own catalogues for phone, mail orders, e-mail on the web with products that can be paid for with cash, cheques and credit cards.

3.4.2 Electronic Commerce

This has taken off in Colombia as the country diversifies the means through which consumers are able to make purchases of goods and services from retail outlets.

Products and/or service quality, financing and price supported by extensive advertising campaigns, play an important role in Colombians' buying decisions.

3.4.3 Sales/Service/Customer Support

Colombians stress quality when undertaking purchases at distribution outlets. They also go for after sales service when necessary. To this end retailers concentrate on such marketing strategies as media advertising, printed sales' articles in the print and electronic media and on the internet. Regular sales and special offers are frequently presented to consumers.

3.5 Travel and Transportation

The Colombian government has invested enormous sums of money in improving the country's infrastructure. Through agreements with the private sector, improvements have been made to roads, railways, sea and air ports and public transportation.

The principal ports in Colombia are Cartagena, Barranquilla and Santa Marta and Turbo on the Atlantic coast, and Buenaventura and Tumaco on the Pacific coast. Several international shipping lines make calls at these ports thereby making them some of the busiest in Latin America. The Port of Cartagena won the designation as best port of the Caribbean by the Caribbean Shipping Association.

The designation followed major port expansion undertaken at Cartagena and some of the Colombian ports.

There are 11 international airports in Colombia. The main ones are located at Bogota, Medellin, Barranquilla, Bucarananga, Cartagena, Cali, Cucuta, Leticia, and Santa Marta.

These are serviced by major international airlines out of the United States, Europe, Latin America, Asia and some Caribbean destinations.

4. MARKET ACCESS CONDITIONS

4.1 General Import Policy

Colombia's import policy takes into account the overall economic liberalization undertaken, and the multilateral and bilateral agreements the country has with other nations.

These agreements are part of a wider policy trade reforms and market access. These agreements are as follows:

- Agreement on Trade, Economic and Technical Cooperation between CARICOM and Colombia
- The Andean Community which is made up of Venezuela, Bolivia, Peru, and Ecuador, and Colombia:
- The Latin American Integration Association that incorporates Argentina, Brazil, Mexico, Chile, Paraguay, Uruguay, El Salvador, Costa Rica, Guatemala, Nicaragua, Honduras and Cuba.

Colombia is part of the Free Trade Area of the Americas and is presently negotiating a bilateral agreement with the United States. The country also has a bilateral agreement with Chile.

4.2 Import Tariff System

Colombia's trade policy takes into consideration the country's participation within the Andean Community[1]. Known also as the Cartagena Agreement, the Andean Integration movement has as its goals, the economic development of the member states and the formulation of common trade, economic and investment policies.

In the context of the Andean Community Colombia grants duty free treatment to imports from Andean member states as well as preferential treatment to imports from countries with which it has agreements. Custom duties have been cut and many eliminated. Most duties are consolidated into three tariff levels: zero percent to five percent on capital goods, industrial goods and raw materials not produced in Colombia; 10 percent on manufactured goods, and 15 to 20 percent on consumer and sensitive goods.

Custom duties have been cut and many non tariff barriers on imports have also been eliminated. Most duties are consolidated into three tariff levels:

- Zero percent to five percent on capital goods, industrial goods and raw materials not produced in Colombia;
- 10 percent on manufactured goods; and
- 15 percent to 20 percent on consumer goods and sensitive goods.

Colombia has been applying WTO Agreement on Custom Valuation since 2000. .

Reference prices are used which in the case of shoes and textiles, vary according to the origin of products. Some imports originating from certain countries must use specific points of entry or require additional information to clear customs.

[1] Colombia Trade Policy Review, October 2006, World Trade Organization.

Colombia applies Most Favored Nation (MFN) tariff. At 16.5 percent the average tariff for agricultural products is higher than the average tariff for other products at 11.3 percent. In the framework of the Andean price bond system, Colombia sets the tariff levels for certain products, according to their international prices. The tariff structure shows signs of escalation. Colombia has bound all of its tariff lines thereby providing greater predictability to its trade regime.

4.2.1. <u>Import Duties</u>

Import duties in Colombia are of two kinds: custom duties and sale or value added tax. Custom duties are based on international treaties and are assessed by reference to the cost, insurance and freight (cif). They vary according to the type of products and the rates range between zero and 40 percent. The value added tax is based on full cost, including custom duties and fines, and since 1993, is normally assessed at the rate of 14 percent. Higher rates are payable on luxury items as follows:

- 45 percent on automobile with a value of US$25 000
- 35 percent on wines, liquor, yachts, some motorcycles and automobiles
- 20 percent on automobiles not subject to the 45 percent or 35 percent rate.

4.2.2 <u>Taxation</u>

Colombia’s general tax system has undergone significant changes to coincide with the country’s development, its investment program, and trade regime. The tax year begins on January 1, and ends on December 31.

Imports are subject to a 16 percent Value Added Tax and a Consumption Tax.

Value Added Tax: The VAT was introduced in Colombia as part of a tax reform program to open up the economy, the move towards fiscal decentralization, and bridging the gap between state revenues and state expenditure. VAT rates have increases and lowered in accordance with the prevailing domestic circumstances. VAT is levied at higher rates on imported motor vehicles, motor cycles, aircraft and ships than on domestic products.

The Consumption Tax is levied on imported wines, liquors, spirits, cigarettes and tobacco than on domestic ones. Exempted items include insurance, healthcare, leasing of property for housing, financial leasing and utilities. Higher rates from 20 percent to 25 percent apply to wines and other alcoholic beverages.

Other Taxes: These include stamp tax, excise and import duties, property tax, transfer duties, municipal industries and commerce tax. There is as well in Colombia a tax on financial transactions. This tax accrues on every transaction aimed at withdrawing resources from checking, deposit or savings account and on customer checks.

4.2.3 Import Licensing/Prohibitions: Colombia uses discretionary import licensing to ban imports of certain products. These products include powdered milk and poultry parts. Through the import licensing regime Colombia prohibits the importation of used clothing, used and new automobiles vehicles whose importation occurs more than two years following the date of production. The country grants licenses for the importation of certain used goods under limited circumstances. Licenses are granted at the discretion of the Ministry of Industry, Trade and tourism.

4.2.4 Documentary Requirements

Import licenses, import registration and import declarations are required. In addition, the following must be retained for a maximum of five years.

- Import registration
- Import declaration
- Certificate of origin
- Health certificate and other supporting documents
- Packaging list
- Proof of an attorney when the declaration is filed through an agent.

This is because Colombia prefers to do business with companies having local representatives to secure after sales service.

4.2.5 Sanitary and Phytosanitary Measures

In adopting sanitary and phytosanitary measures, Colombia has submitted to the WTO 151 SPS notifications, the majority in relation to animal diseases. Colombia prohibits the importation of used goods like automobiles and their parts to protect domestic industries.

4.2.6 Samples and Carnots

Samples are allowed to enter Colombia. However, they usually require the same documents as commercial shipments. They may be imported without an import license, registration forms, or payment of import duties if they are consigned to a designated free trade zone, bonded warehouse, or imported as a temporary basis in-bond.

4.2.7 Other Regulations and Factors that Affect Trade

<u>Labelling and Marking Requirements</u>

Labelling is required for food, pharmaceutical products, and textiles being imported into Colombia. The labels must comply with Colombian regulations, failing which could lead to goods being denied entry into the country.

- the labels must be in Spanish
- labels must carry the specific name of the product
- the contents of the products must be in order of predominance
- the name and address of the manufacturer and importer must be highlighted
- number of units
- instructions for storage must be cited
- the expiry date of the product must be on the label.

5 INVESTMENT PROFILE

The year 2005 was dubbed the year of foreign investment in Colombia. In that period the country received the most foreign direct investment since 1997, a feat that demonstrates Colombia's growing attractiveness as a domicile for FDI.

In 2005, FDI was estimated at US$4.0 billion, compared to the US$2.3 billion in 1997. FDI flows were received in mining and quarrying (US$994 million), oil (US$506 million) manufacturing (US$427 million) and construction (US$57 million).

The main investment incentives are:

- Tax Incentives
- The right to repatriate profits
- Agreements to protect foreign investments
- Investment regime to remain in place for between three and 20 years
- Conclusion of bilateral investment treaties
- Pursuance of double taxation treaties
- Protection of investments, enterprises, debt, contracts and Intellectual Property
- Mechanisms to settle - investor state disputes; and
- Arbitration to settle breaches of written agreement.

In 2005, Proexport, a Government agency, was given the responsibility of promoting investment incentives and improving areas where obstacles to foreign investment exists.

5.1 Foreign Exchange Controls

Colombia imposes no foreign exchange controls on trade once the government took a decision to modify the regulations relation to such controls. However, exchange regulations require that the following transactions be channeled through intermediaries like banks and other financial institutions.

- Imports and exports of goods
- External loans and related financing costs
- Investments of capital from abroad and remittances of profits
- Investments in foreign securities and assets and their profits;
- Endorsement and guarantees in foreign currencies; and
- Derivatives or secondary financial operations like swaps, caps and floors

5.2 Taxes

Income Tax: Individuals in Colombia pay the income tax which is a national tax. It is considered a single tax although it has two components: income and windfall. The income tax is computed by applying the rate to the net taxable income. Colombians also benefit from income deductible expenses incurred with regard to the income generating activity, provided they are necessary and proportional to such activity Government plans to adjust its top rate. The top rate is 38.6 percent and the plan is to lower this amount to 33 percent by 2009. There is also a unified tax regime designed for small taxpayers. This is aimed at facilitating collections from small entrepreneurs.

Wealth Tax: This is payable by individuals and corporate taxpayers for wealth owned as of January 1, 2007. When such taxpayers' net worth is equal to or exceed Col$3 000 000 (US$1.2 million) based on a Col$2 350 rate of exchange for 2007. The rate is 1.2 percent a year. Payment of the tax is not deductible from the income tax.

Windfall Tax: The rate for this tax is 34 percent for 2007 and 33 percent in subsequent years. However, there are exceptions in the case of amounts won through raffles, bets, lotteries, and similar games of chances in which case the tax drops to 20 percent. Profits from the sale of fixed assets, liquidation of companies, in addition to the above mentioned games of chance are examples of the windfall income.

5.3 Free Trade Zones

There are 12 Free Trade Zone in Colombia. These zones areas set aside to promote industrial processing of goods and services mainly for exports.

The FTZs are located in Bogota, Medellin, Cali, Cartagena, Palmaseca and Arauca.

Special customs, exchange and fiscal regimes are in place to stimulate FTZs and to regulate them. Benefits to investors are:

- exemption of income tax once the entity is exporting its finished products
- tax exemption of operations of the FTZs;
- no tariffs on imported inputs;
- tax exemptions on dividends;
- access to Colombian credit and/or capital.

In 2005 the Colombian Government introduced new Duty Free Zone law to modify existing Free Zone regimes. The law was introduced in order to stimulate national and foreign investment. The new law also creates a unique framework for uinvestment attraction and to create job opportunities inn the country's Free Zones by way of incentives.

6. ESTABLISHMENT OF BUSINESSES

6.1 Intellectual Property Rights

<u>Patents</u>: Over the years Colombia has tightened its laws relating to patents and trademarks. The Patent regimes provide for protection for patents and reverse the burden of proof in cases of alleged infringement. Provisions for protecting trade secrets and new plant varieties have also been improved. The regime provides for a 20 year protection period for patents and a 10-year period for industrial designs. As a member of the World Trade Organization, Colombia has ratified the appropriate regulations to implement obligations under the Uruguay Round Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), the World Intellectual Property Organization and the Paris Convention for the Protection of Industrial Property.

<u>Trademarks</u>: Colombia is a member of the Inter-American Convention for Trademarks and Commercial Protection. As such, the enforcement of trademark legislation in Colombia has improved in the face of contraband and counterfeiting. The country's Superintendence of Industry and Commerce acts as the local patent and trademark office.

<u>Copyrights</u>: Colombia provides generally comprehensive legal protection of copyrights through a combination of Andean and Colombian laws.

Copyrights laws extend protection for computer software and other works which require such protection. The country is a member of the Berne and Universal Copyright Convention, the Buenos Aires and Washington Conventions, the Rome Convention for the Protection of artists and producers against piracy. In addition, the country's Criminal Code of 2001 includes copyright infringement as a crime and jail terms for those flouting the rules.

7. CULTURAL PRACTICES

6.1 Business Hours

Monday through Friday 9 a.m. until 5 p.m.

6.2 Entry Procedures

All persons traveling to Colombia must have a valid passport, tickets and documents for onward or return travel. They must have as well enough funds to cover their stay in the country. The passport must be valid for at least six months. Visas are required for persons wishing to remain in Colombia beyond 90 days. However, there is a list of countries for which this does not apply. These countries include Latin American and Caribbean states. Furthermore, passport and visa requirements are liable to change at short notice and travelers are advised to check their entry requirements with their embassy or consulate.

APPENDICES

7.1 Addresses

7.1.1 Some Colombian newspapers

- Diario del Magdalena
- Diario del Otun
- Diario del Sur
- Diario La Nacion
- Diario Occidente
- El Catolicismo
- El Claro
- El Colombiano
- El Mundo
- El Nuevo
- El Tiempo
- La Libertad
- La Opinion
- La Patria
- La Republica
- La Tarder
- Opinion Colombia
- Primera Plana
- Revista Cambia
- Semana
- Voz

7.1.2 Manufacturers and Commercial Organisations

As shown earlier Colombia's main exports are manufactured goods, petroleum and petroleum products, coal and coffee. The catalogue gives a list of some of the umbrella bodies through which information and company listings can be accessed. The list includes:

- Agriculture and Forestry
- Clothing
- Energy and Petroleum
- Food and Beverages
- Furniture and Decorations
- Craft and Gifts
- Telecommunications

Similarly, there are a number of Chambers of Commerce located in cities around Colombia. These are groupings of private sector entities, mainly importers, wholesalers and retailers, and small enterprises. There are also Chambers of Commerce representing businesses of foreign countries. These play as well an active role in sourcing goods, representative bodies and interactions with their home countries. A useful source for these entities can be Proexport, a Colombian Government agency.

7.1.3 Industrial Business Consultants

Information on these can be obtained through Proexport, Chambers of Commerce and relevant Government Departments.

7.1.4 Advertising and Publicity

Similarly these interface with media houses in Colombia, from where information can be sourced, as well as from Chambers of Commerce.

7.1.5 Banking System

Banco de la Republica which is the Central Bank of Colombia lies at the apex of the banking system in the country. The aim of Banco de la Republica is to regulate the banks and other financial institutions, use monetary policy to maintain price stability and coordination with general macroeconomic policy. There are 29 commercial banks (four of them state-owned), 107 foreign bank offices, six savings and loan corporations, 37 development banks, 32 commercial finance companies, 33 insurance firms, and a state owned mortgage bank. Stock exchanges also abound.

7.1.5 Government Offices

Colombia has a full range of government ministries and departments that effect both state and commercial policies. The list includes the ministries relating to agriculture and rural Development, Communication, Culture, Economic Development, Energy, Environment, Finance, Foreign Affairs, Health, Hydrology and Meteorology, Industry and Commerce, and Security, among others. These ministries are complemented by special departments, through which they interface. A full list of the ministries and departments can be sourced at www.gksoft.com/govt/enco.html.

7.1.6 Shipping Services

Possessing some of the leading ports in Latin America, Colombia has a wide assortment of shipping agencies. Ports in the country have direct links with ports in Europe, Norh America, Asia and Latin America and the Caribbean. Names like Continental, PanAm, WW Shipping, Nedlloyd, Maersk, Break Bulk, Transregional, Latin American are some of the agencies doing business with Colombia. Colombia is also a member of the Caribbean Shipping Association.