



**Ministerio de Comercio,
Industria y Turismo
República de Colombia**

COLOMBIA

SERGIO DIAZ-GRANADOS GUIDA
Ministry of Trade, Industry, and Tourism

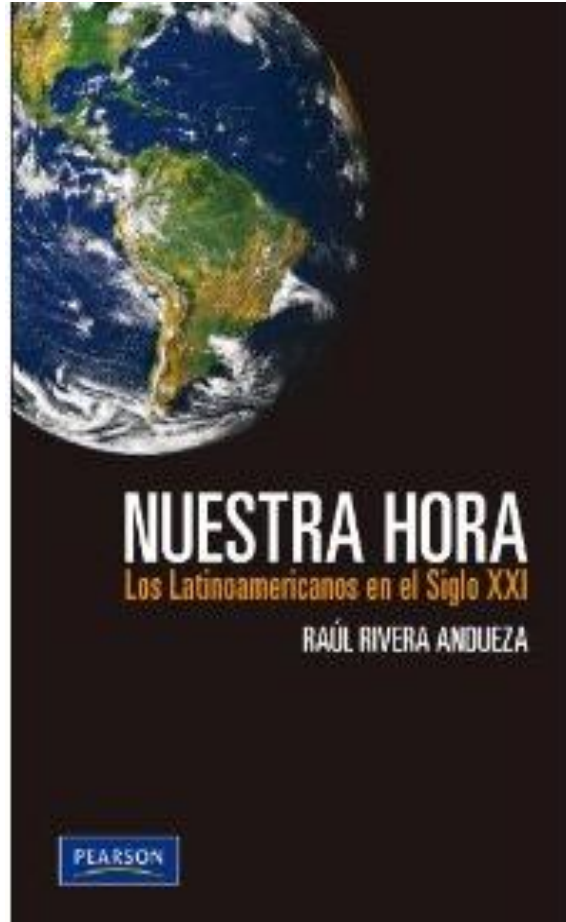
Milano, March 2012



Contents

- **Latin America, a promising region**

- Colombia, in Latin America
- Colombia - Italy Relationship



Most of the world tends to see Latin America & the Caribbean as a small, stagnant region, underdeveloped and largely irrelevant in the global context. A region that is prone to dictatorships, tangled in the tentacles of drug trafficking, and fragmented into numerous countries that are very different from each other.*

“Our Time: Latin America in the Twenty-first Century,” by Raul Rivera

This is how Latin America and the Caribbean are usually portrayed in world maps.

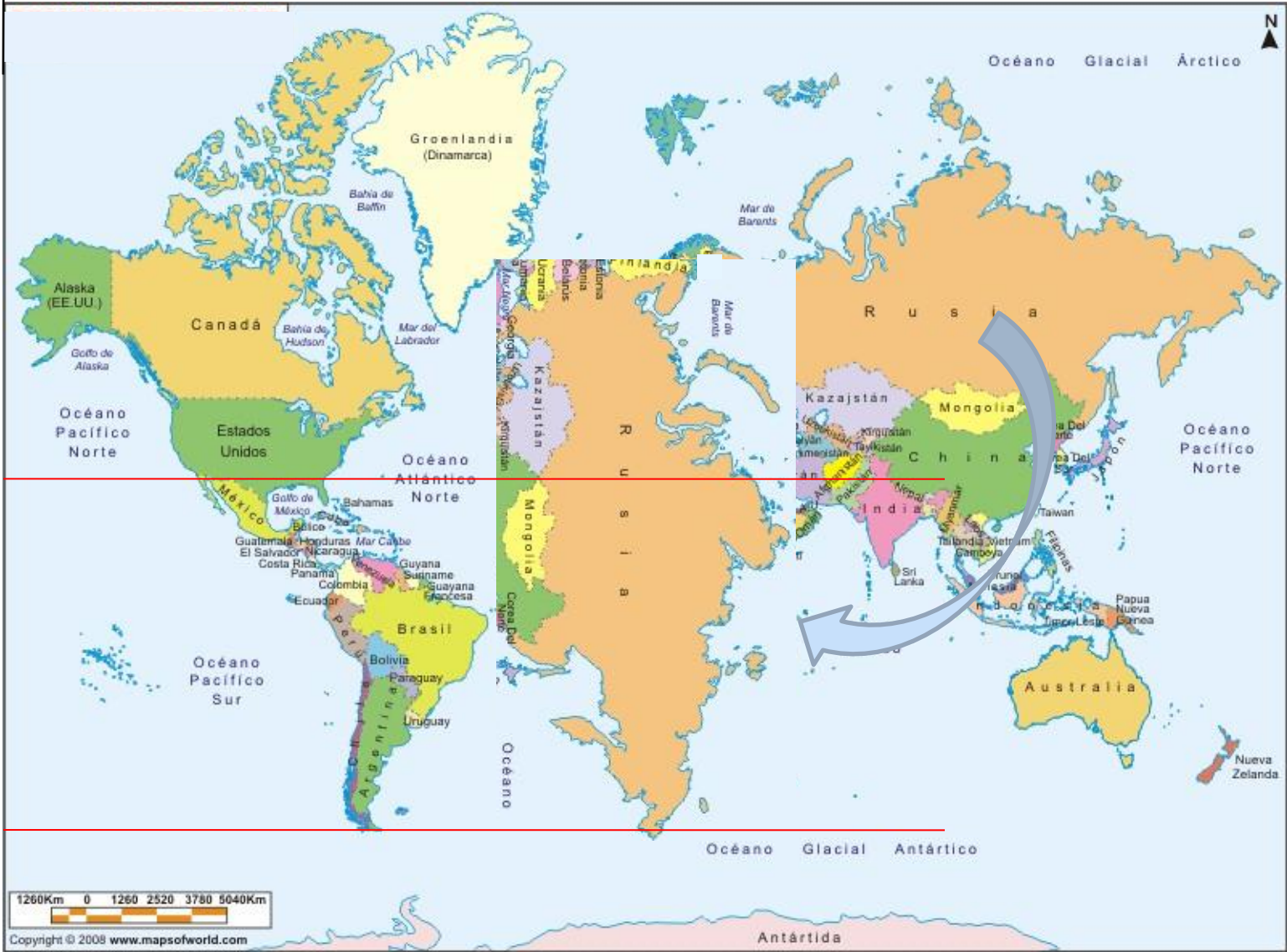


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...or as if Russia were larger.



The Latin American and Caribbean region is the third largest continent after Asia and Africa.

It has a population of nearly 600 million people, twice that of the United States, but with very important characteristics: the population is mainly young, with an average age of 27 years, and composed of a dynamic and growing middle class.



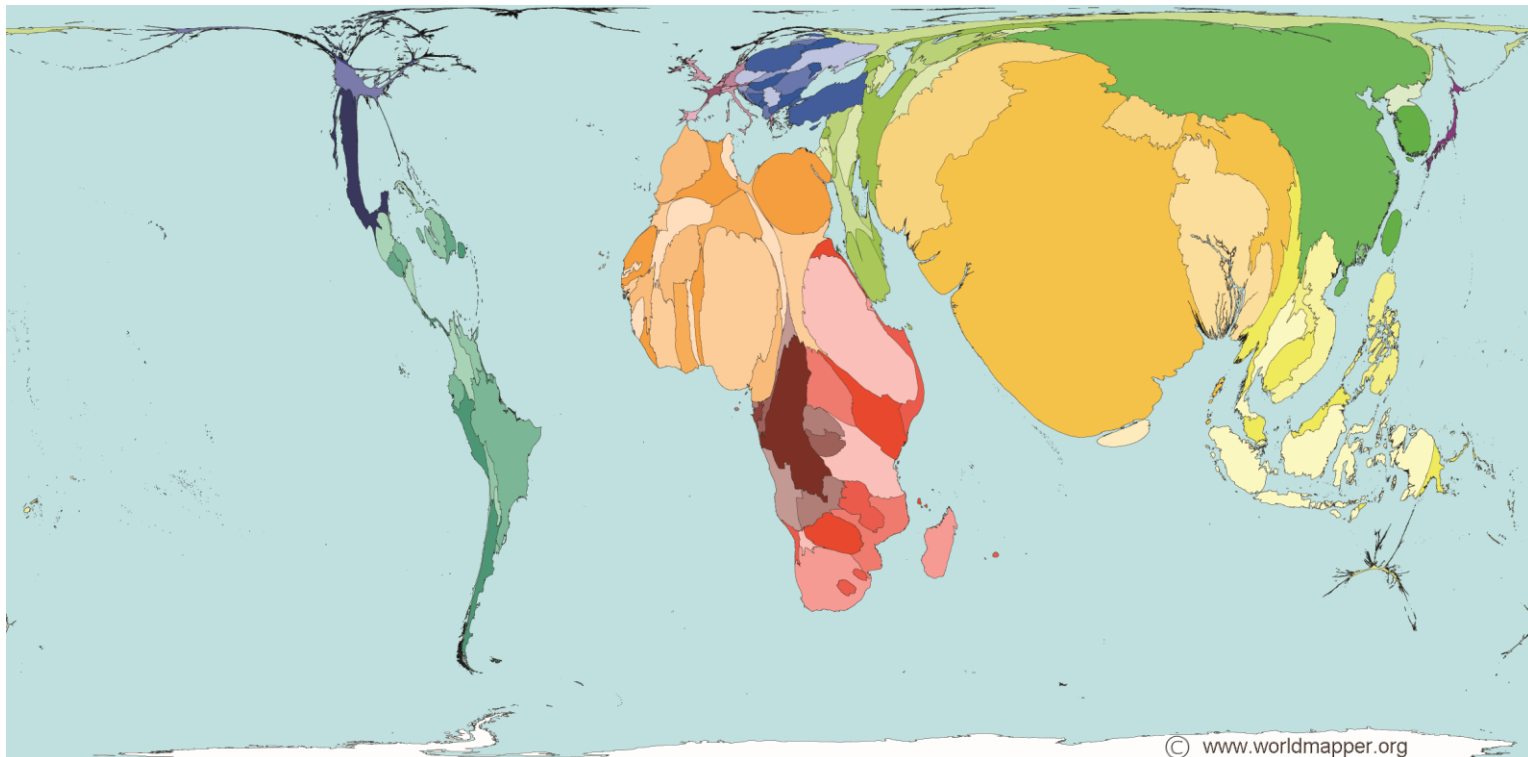
The Region's per capita income is similar to the world average.



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Over 300 million Latin Americans have achieved a middle class standard of living, with an income of twenty thousand dollars a year. This emerging middle class represents 50% and 60% of the regional population (Our Time, Raul Rivera, p. 135).

World Poverty



Source: Worldmapper

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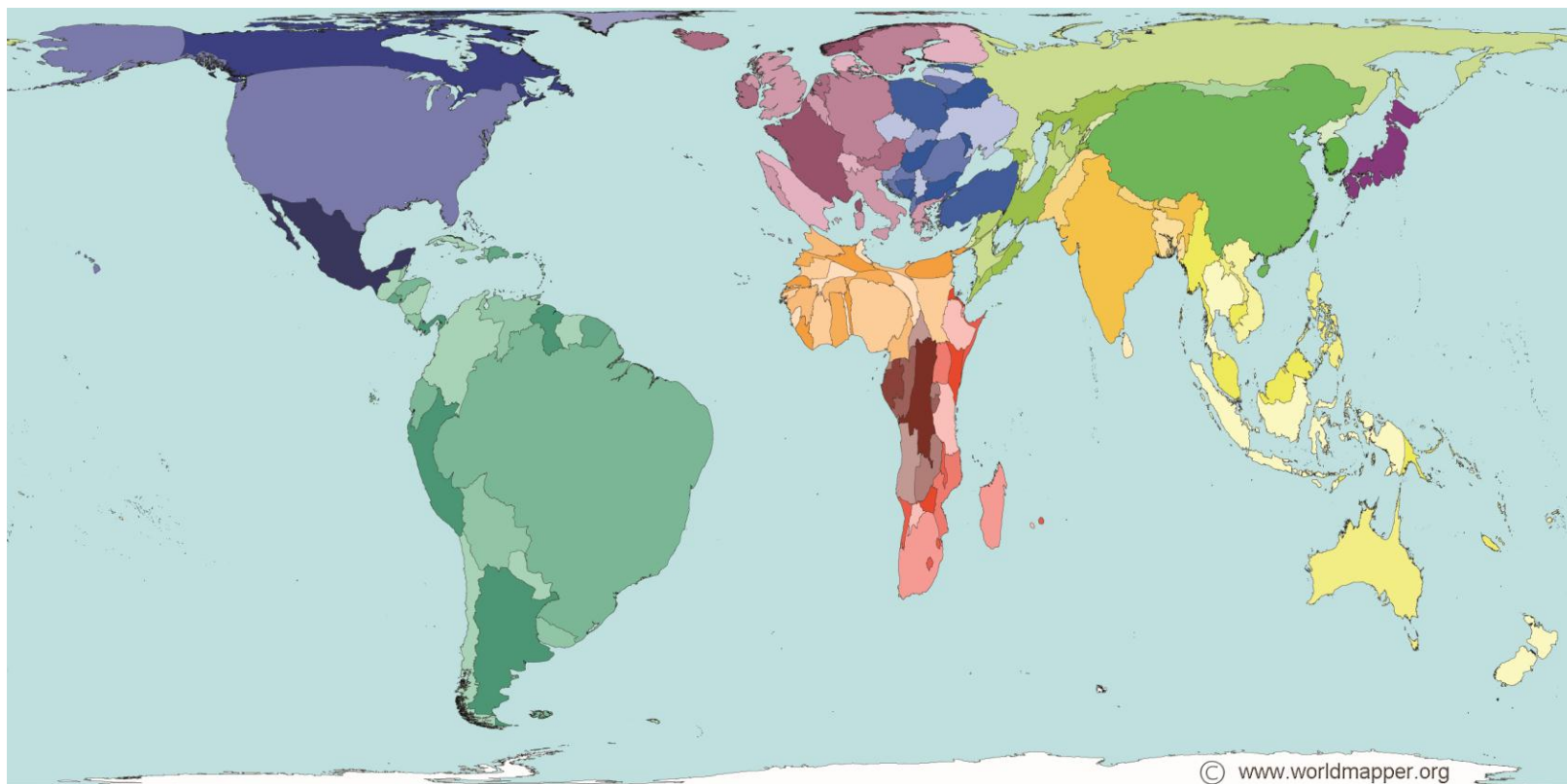
The Region has the highest biological production capacity in the world.



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Biological production capacity: crops, pastures, forests, and fisheries.

Bio-capacity



Source: Worldmapper

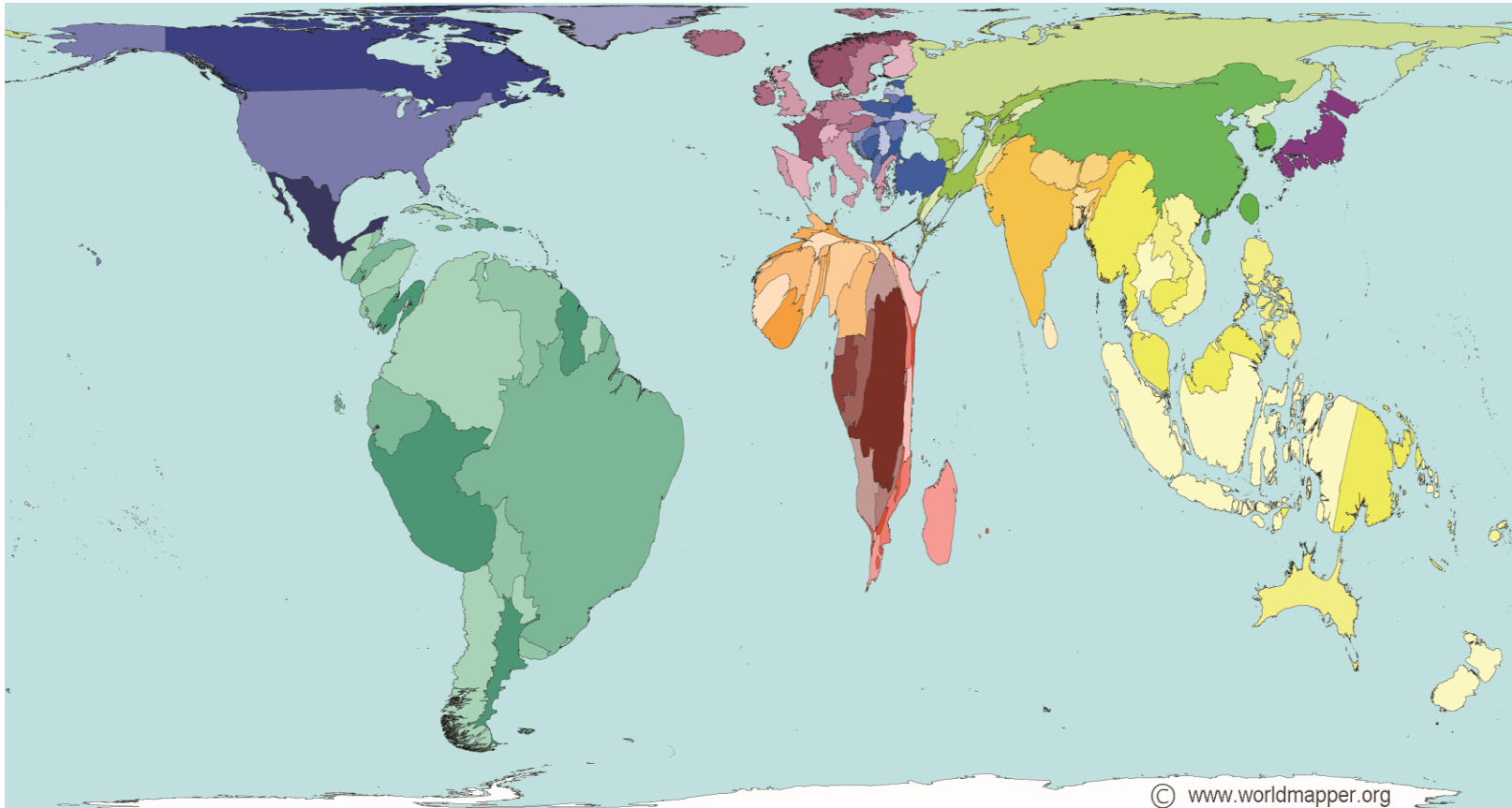
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The Region has the richest water resources.



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Water Resources



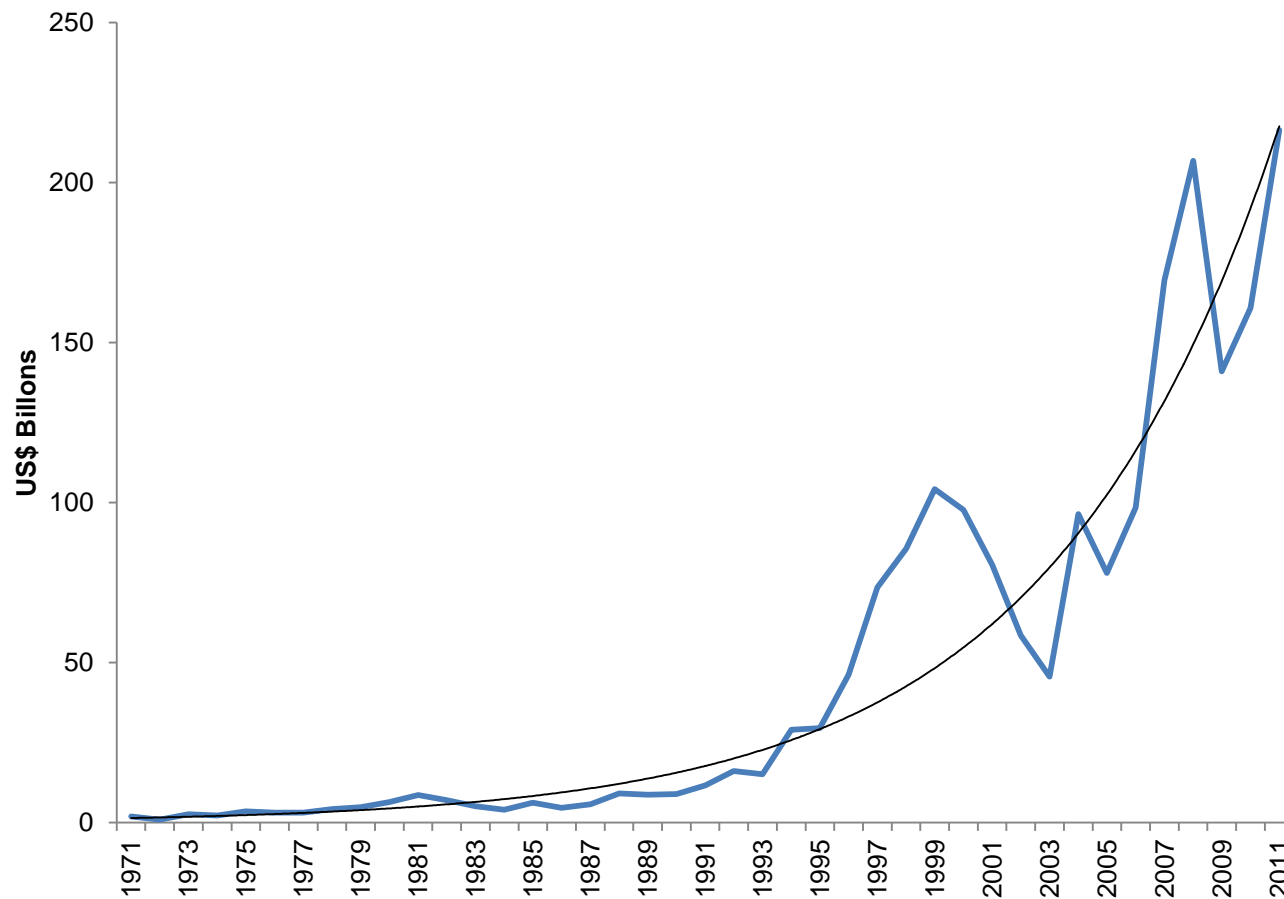
Source: Worldmapper

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The Region is growing in net flows of Foreign Direct Investment.

Foreign Direct Investment 1971 - 2011 (US\$ Billions)

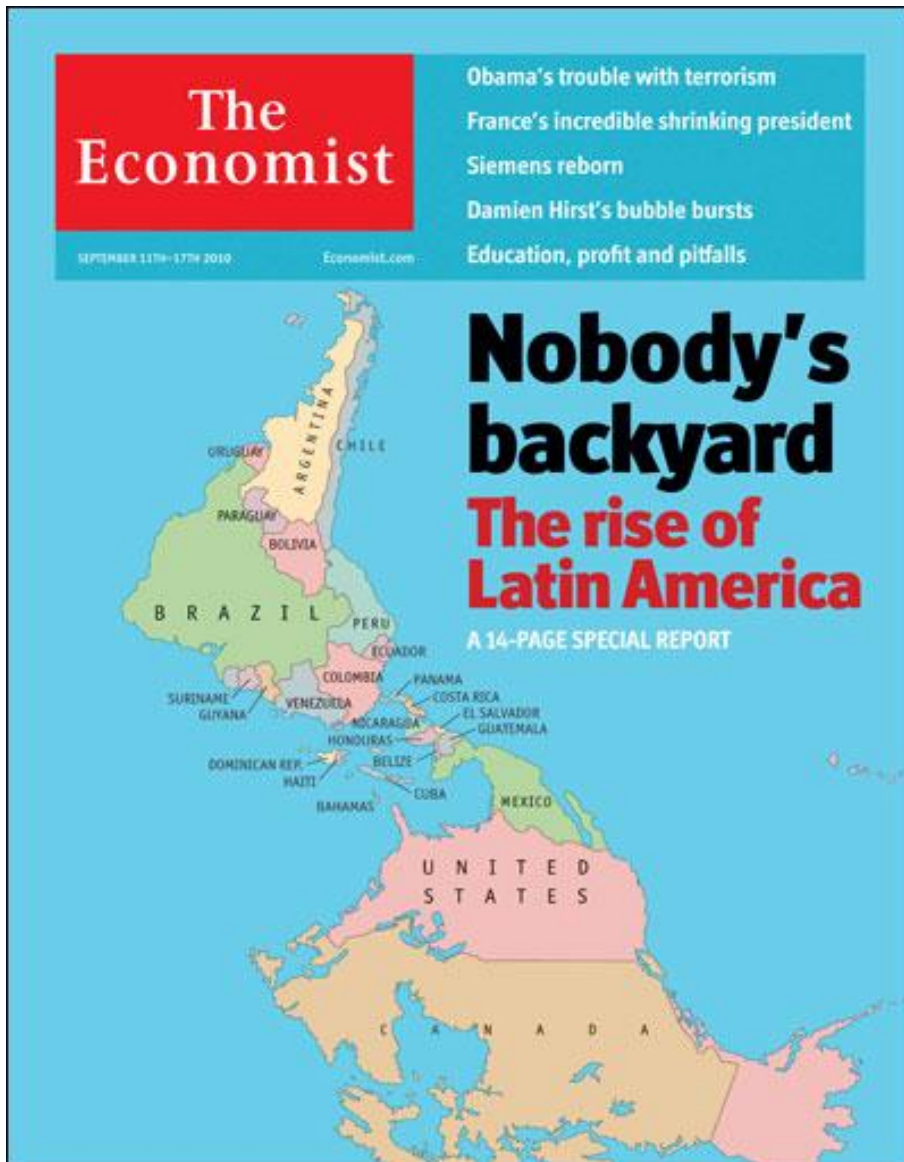


Source: Unctad

The world is beginning to see Latin America and the Caribbean from a new perspective.



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- Highlighting the Region's reduction in poverty and its enlargement of the middle class, due to economic growth.
- Recognizing the growing importance of multinationals companies in the Region.
- Recommending that the U.S. work more closely with the Region, given its growing political significance, and because Latinos form its second largest community.
- Indicating that after 200 years of waiting, Central and South America are beginning to develop their full potential.

Source : The Economist, Sept 11 – 17 2010

Latin America and the Caribbean Region should be seen from a clear perspective.



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🌐 The region promises to play a key role in the coming decades, given its economic weight, its resource wealth, and its human capital.

🌐 From the erroneous views about the Region's geography to misconceptions surrounding issues of violence and poverty, now more than ever, an accurate view is necessary.

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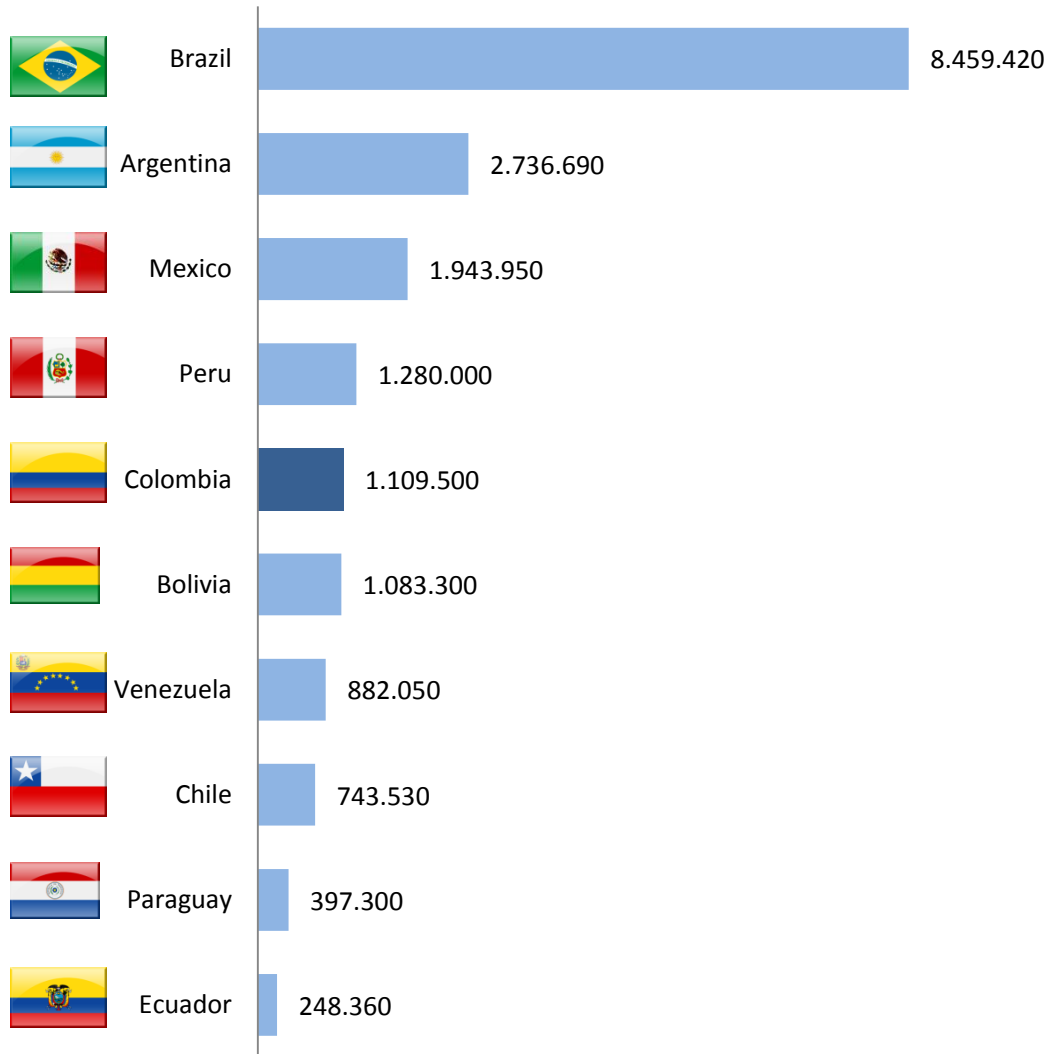
- Latin America, a promising region
- **Colombia, in Latin America**
- Colombia - Italy Relationship

Colombia has the fifth largest territory in Latin America and the Caribbean.



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Land Area (Square km.)





The Colombian territory is
1,109,500 km²,

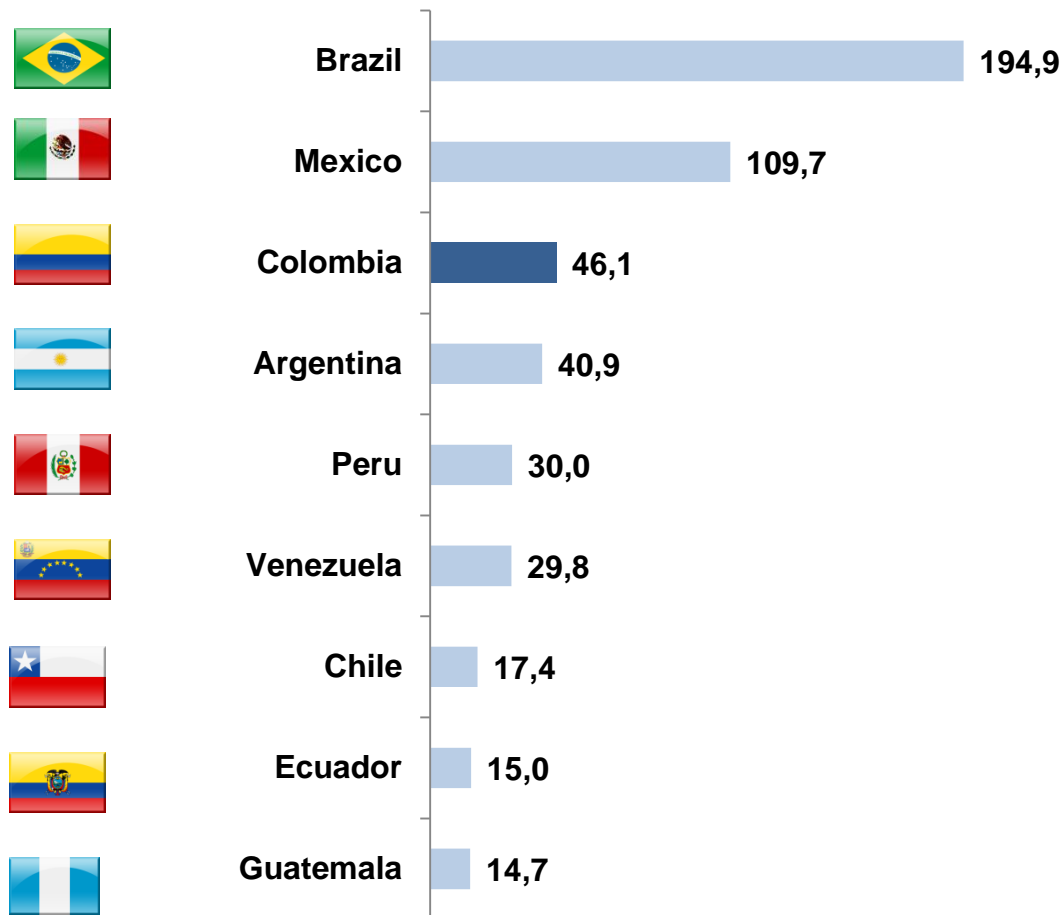
**3.8 times greater than the
size of Italy,**

with coasts on the
Atlantic and Pacific oceans,

and one of the most
biologically diverse
countries in the world.

Colombia has the third largest population in Latin America and the Caribbean.

Population 2011 (Million)





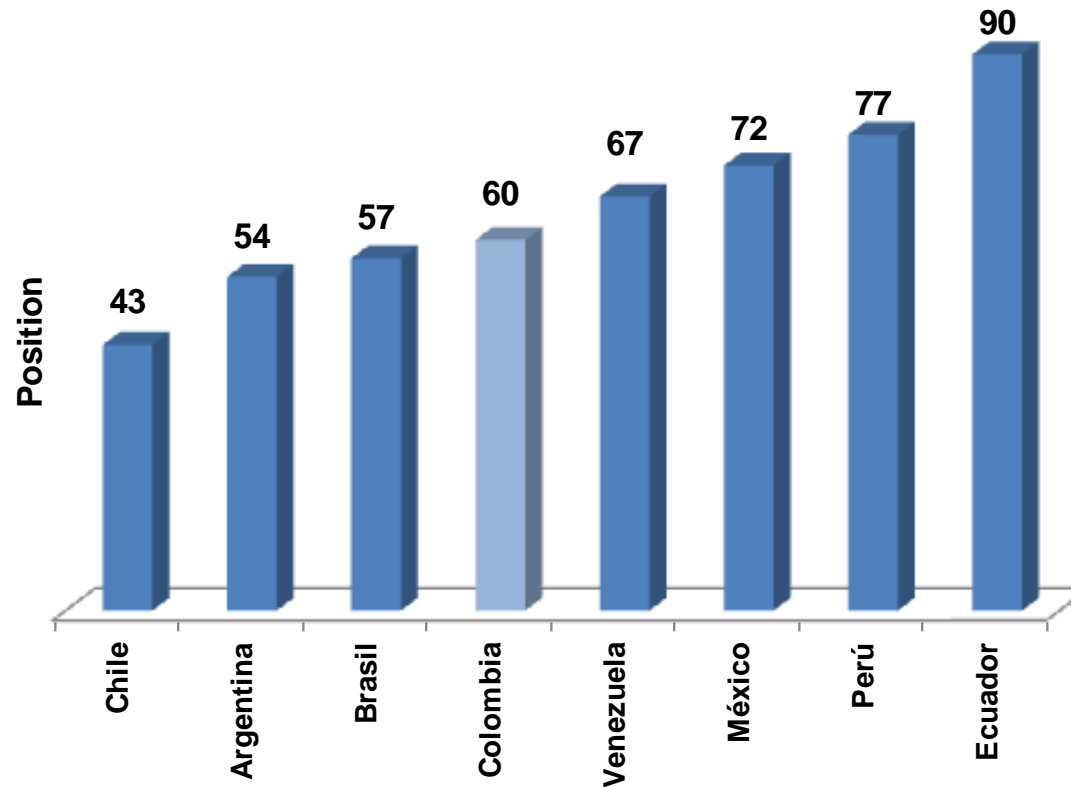
Colombia has a population of 46 million people, with 55% being under 30 years of age.

A competitive workforce



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**Higher education and training,
Position among 142 countries**

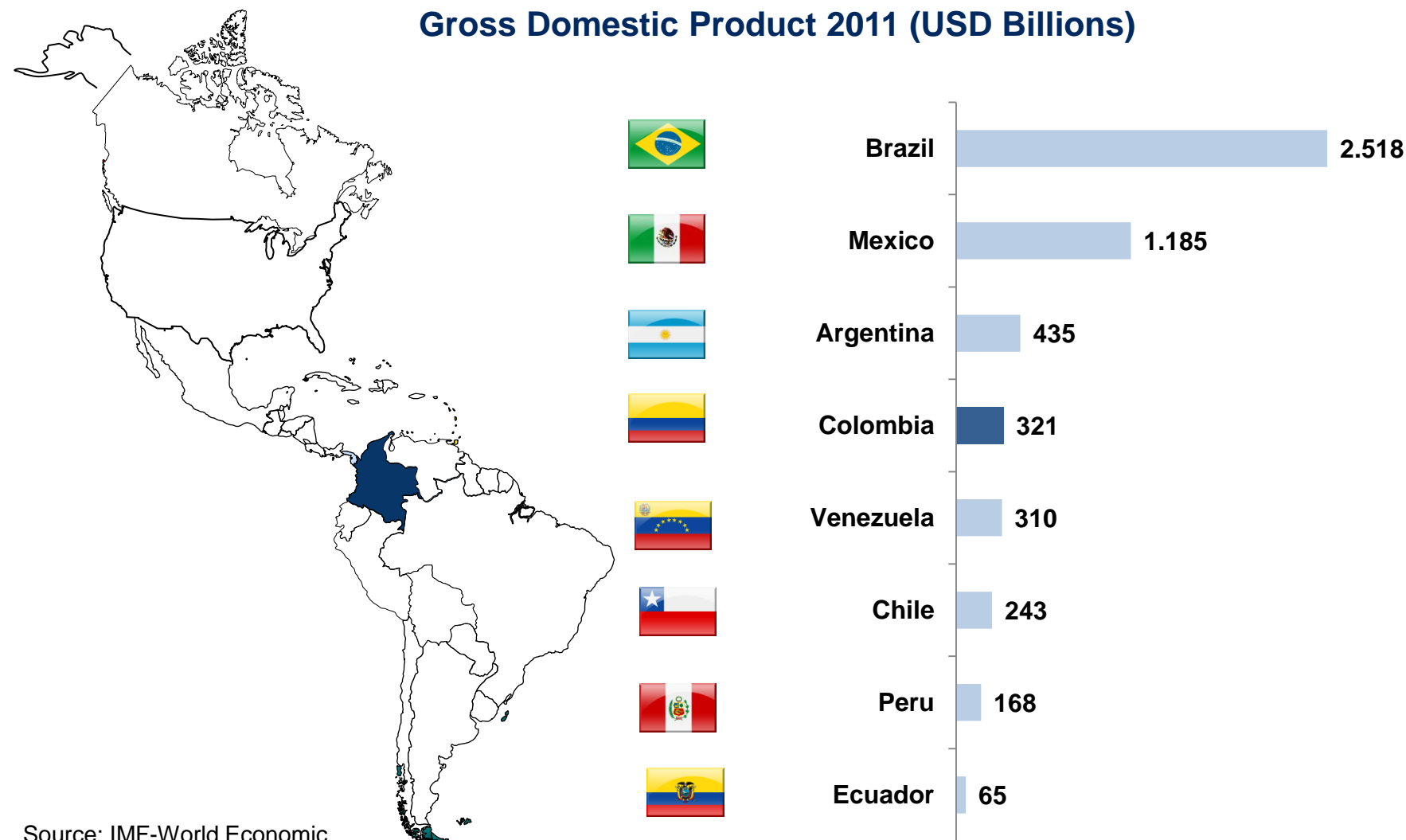


Colombia is the fourth largest economy in Latin America and the Caribbean.



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Gross Domestic Product 2011 (USD Billions)



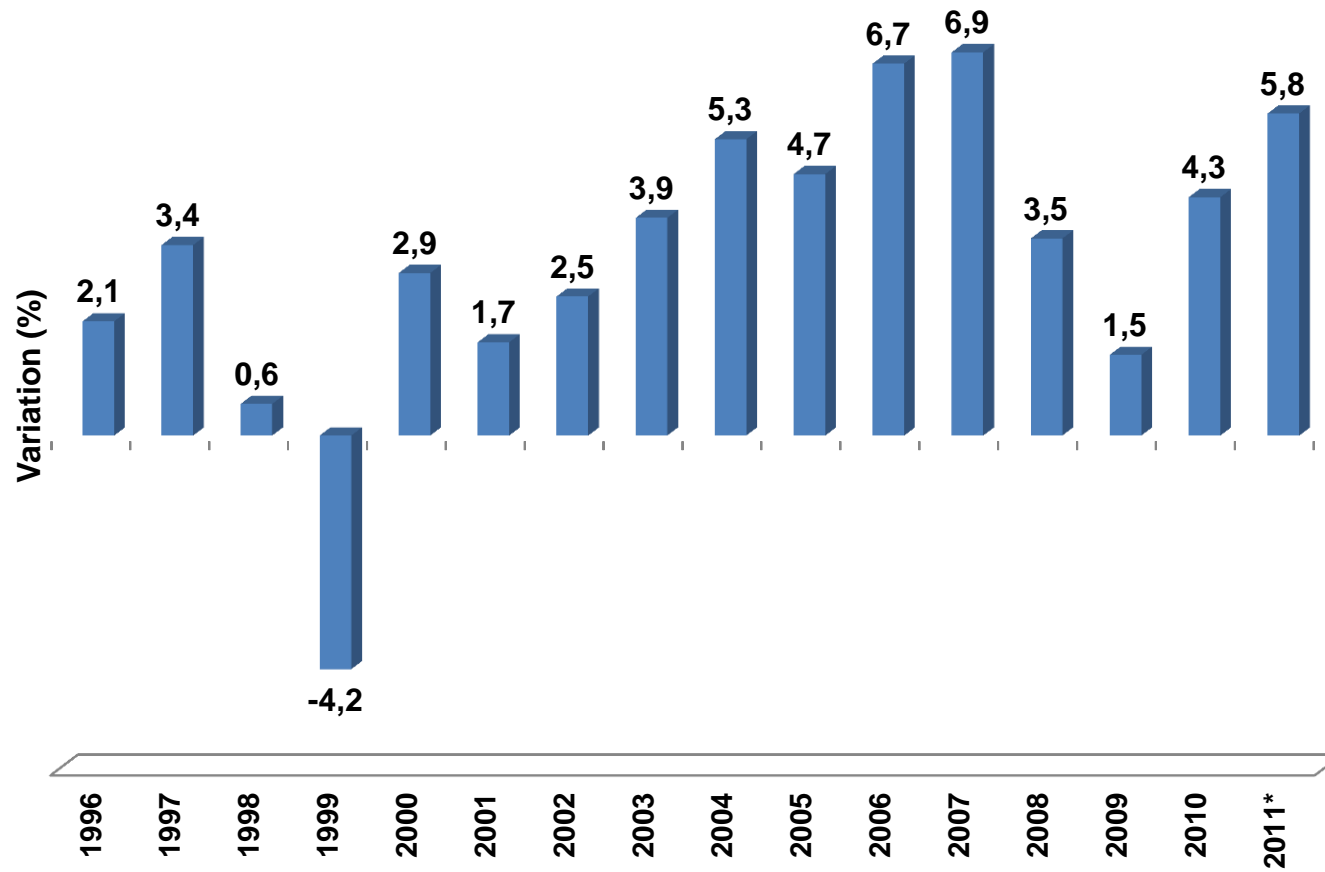
Source: IMF-World Economic
Outlook Database

The Colombian economy quickly recovered from the global economic crisis.



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Colombia - GDP Growth

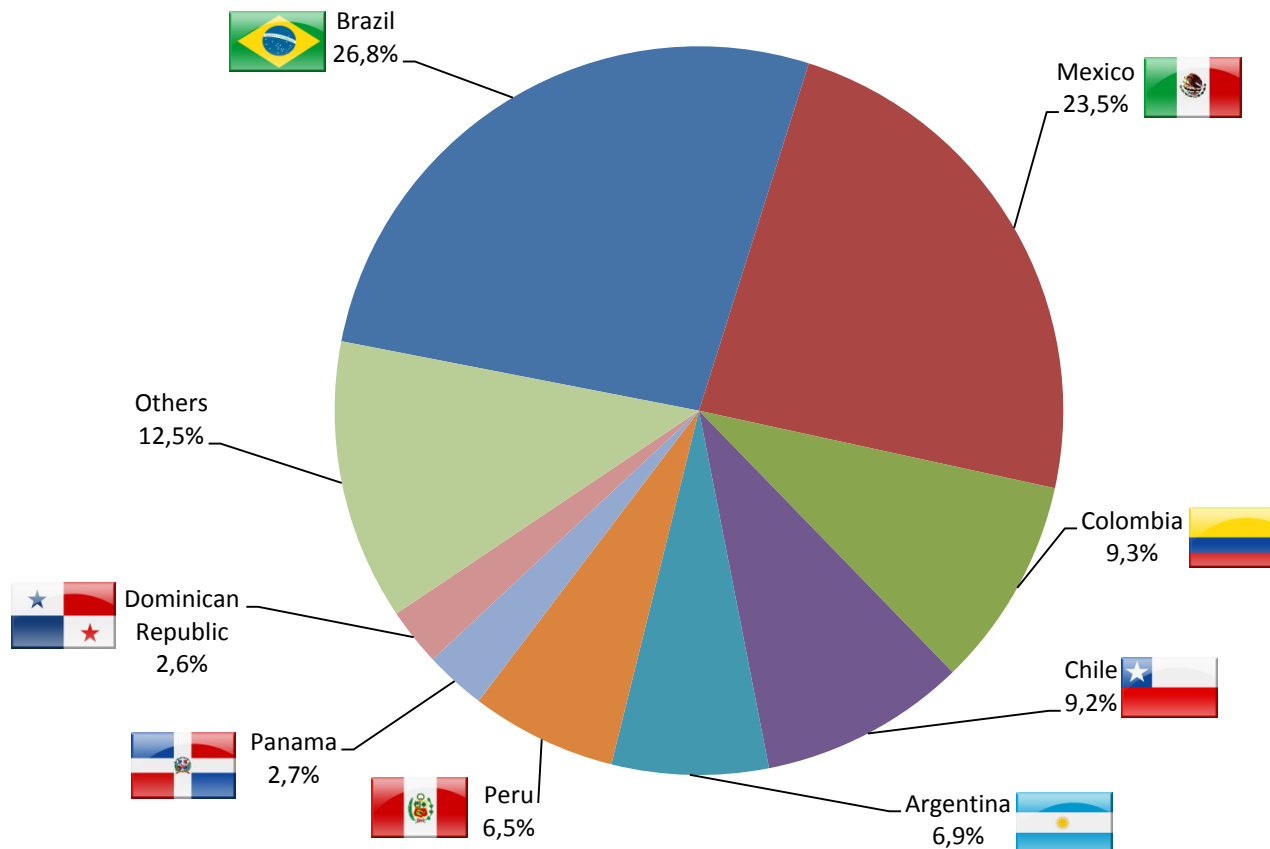


* 2011- cumulative Jan.-Sept.

Source: DANE

Colombia is the third largest recipient of foreign direct investment in Latin America and the Caribbean.

Accumulated net flows of foreign direct investment 2005-2009 (percentages)

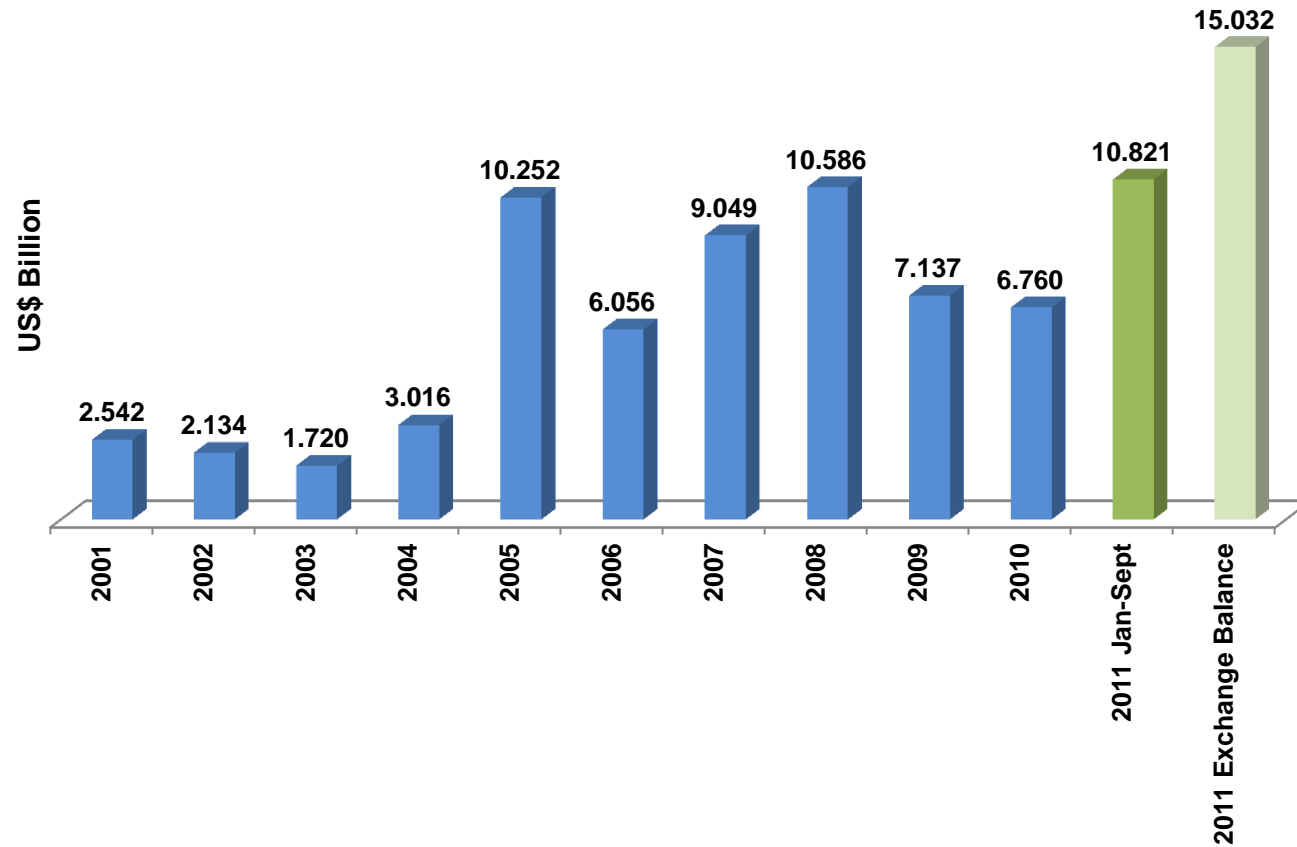


In 2011, FDI flow reached a new record.



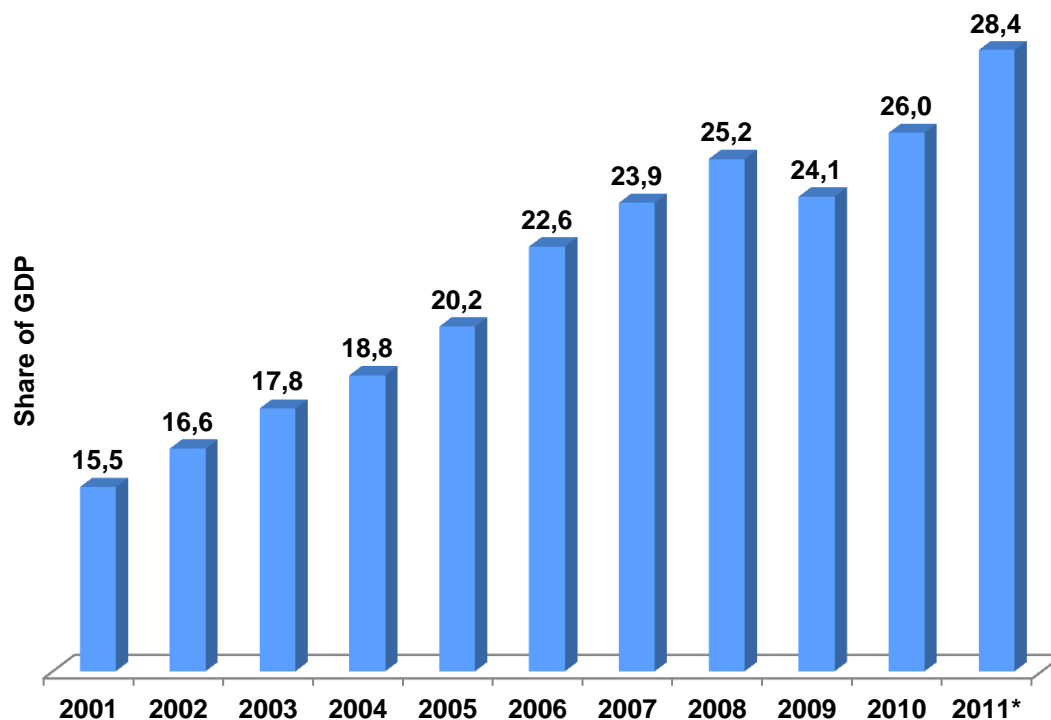
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Foreign Direct Investment in Colombia



Total FDI shows a growing trend in Colombia.

Investment % of GDP



*2011 cumulative for the third quarter

Investment rose from 15.5% of GDP in 2001 to 28.4% in 2011 (cumulative for the third quarter)

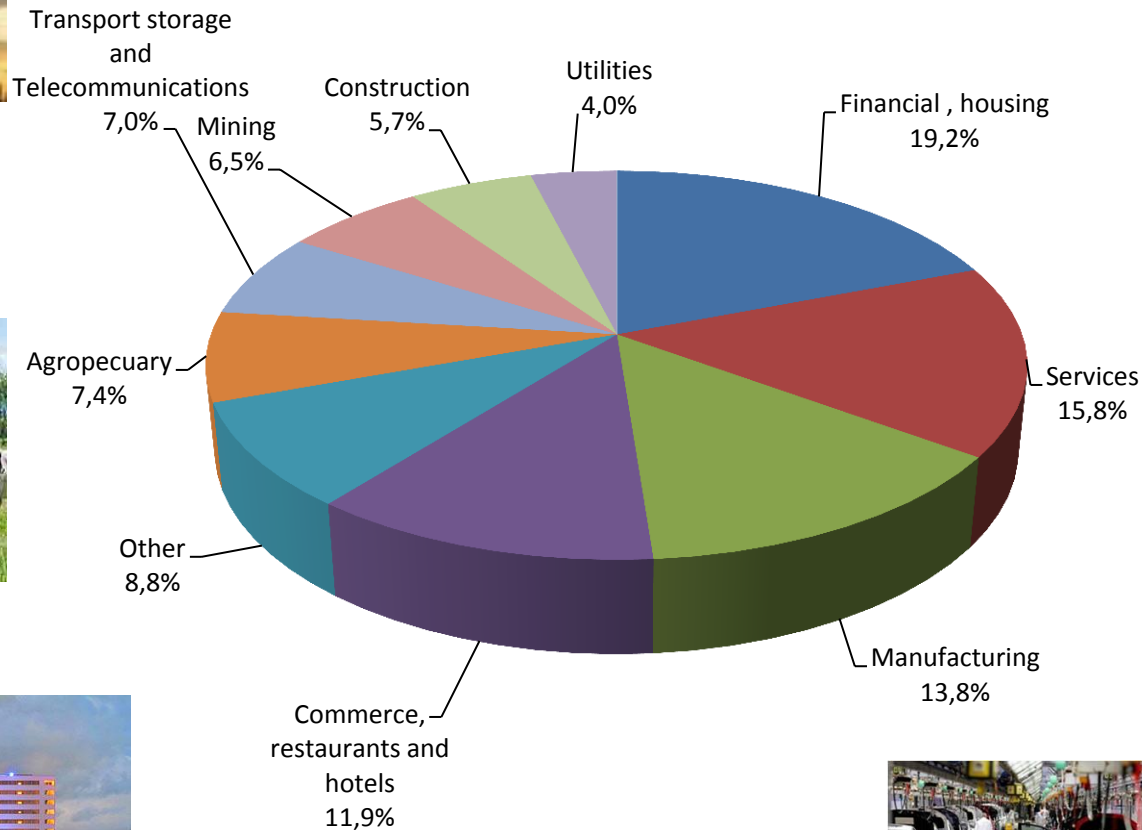
A diversified economy



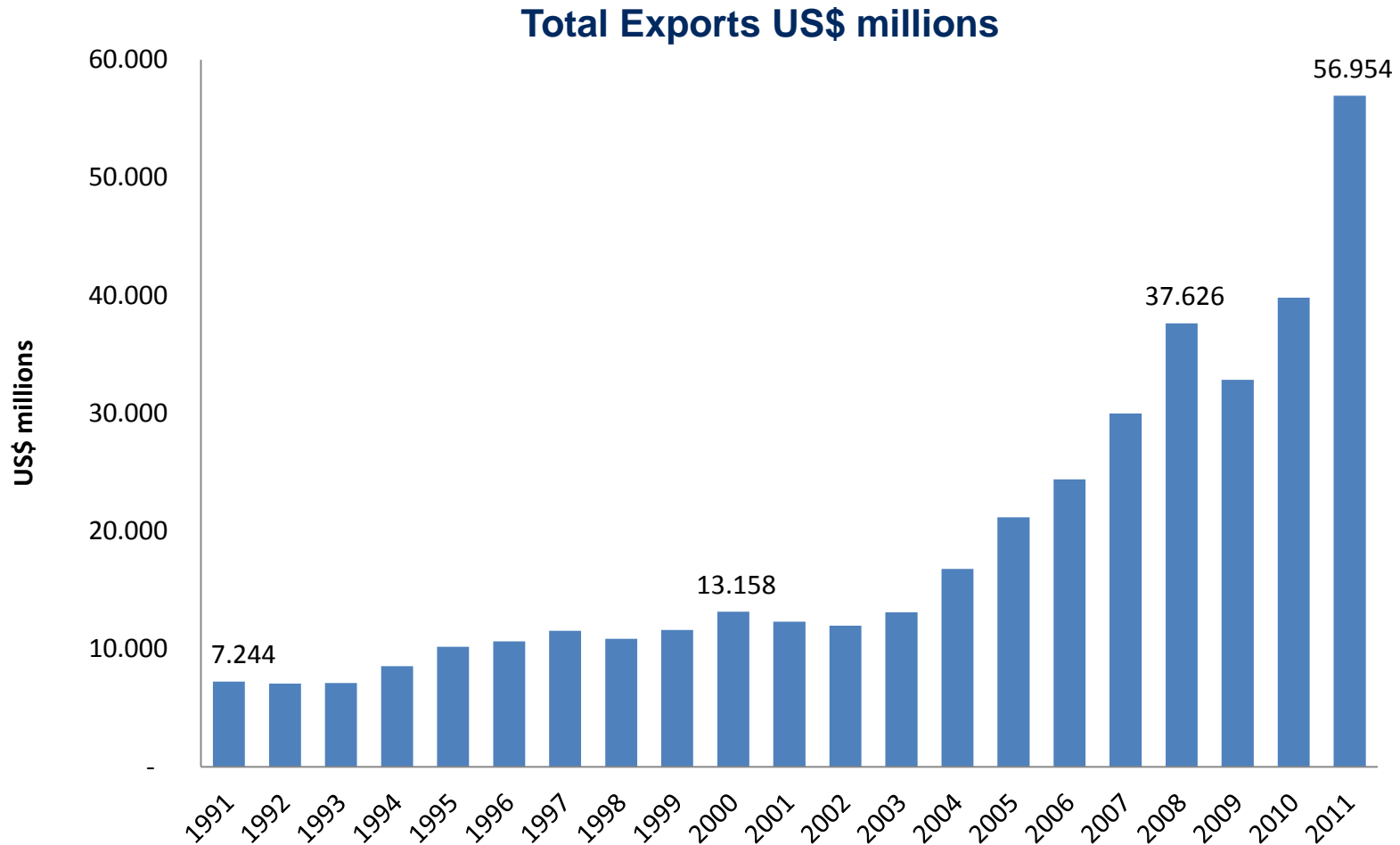
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Share of GDP, by sector
(average 2001-2010)



Colombian exports have reached a record high, and have increased eightfold over the last two decades.



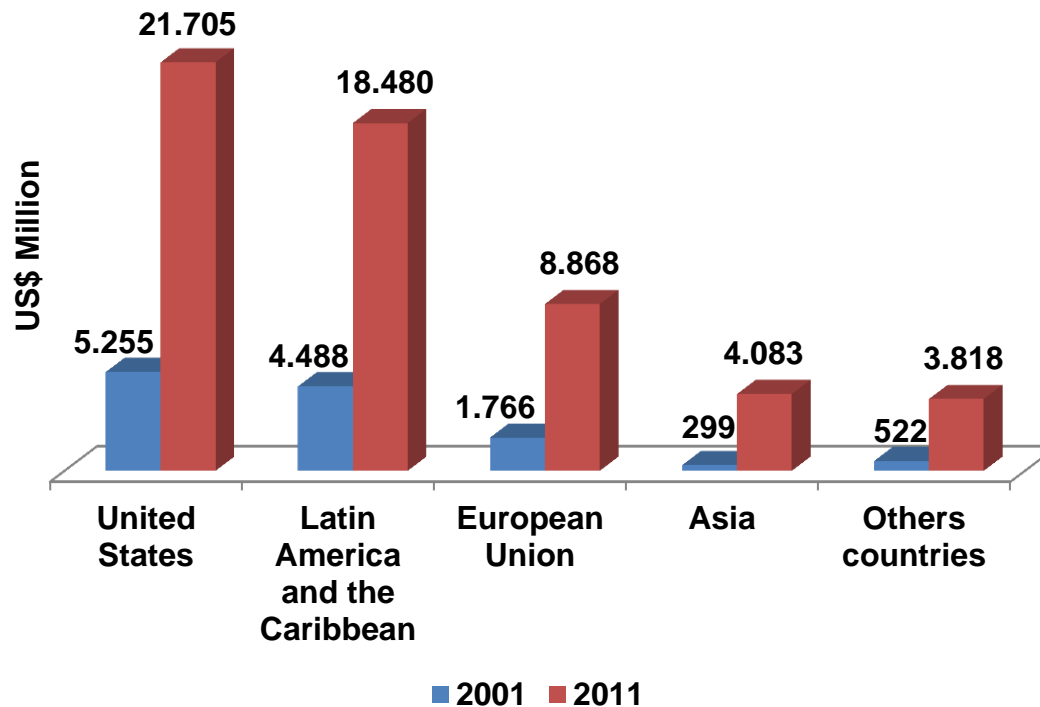
Colombia is diversifying its market destinations.



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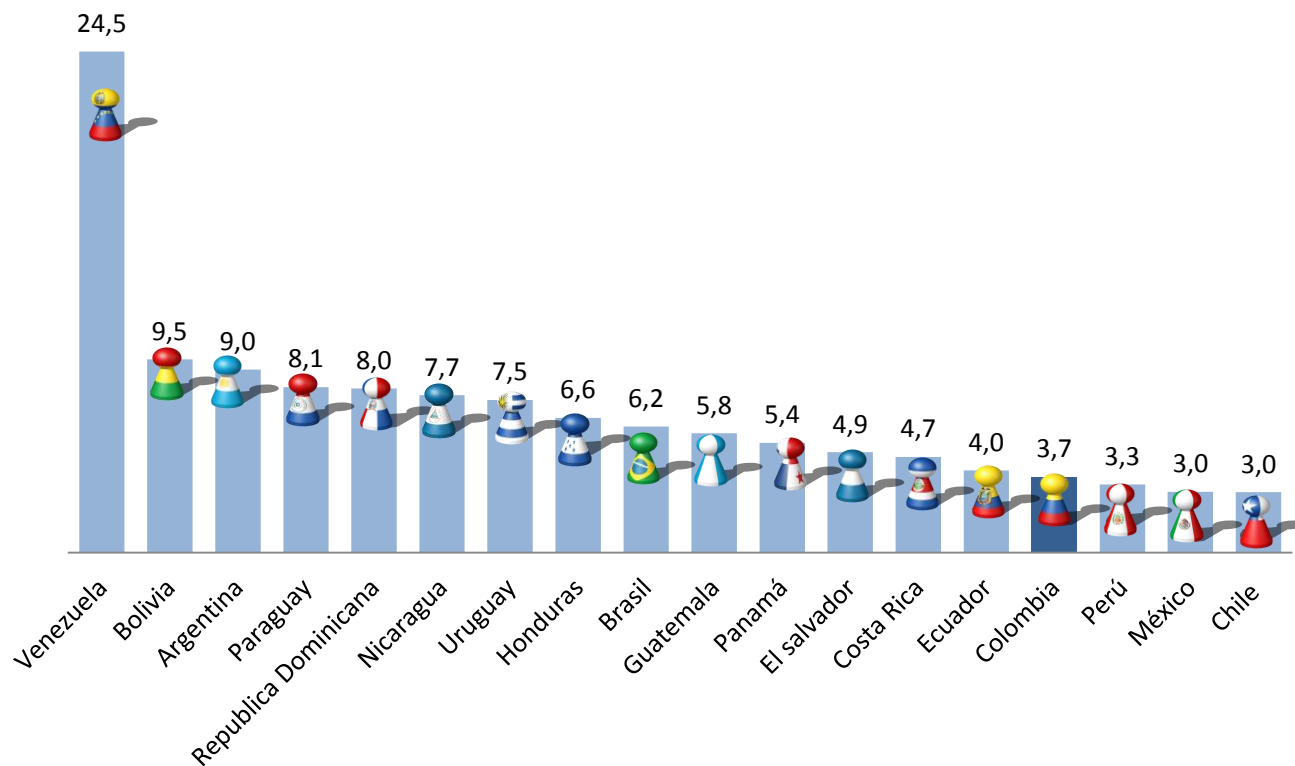
Exports to the European Union have grown 402%, between 2001-2011, with an average annual growth of 17.5%.

Colombian Exports by Major Destinations



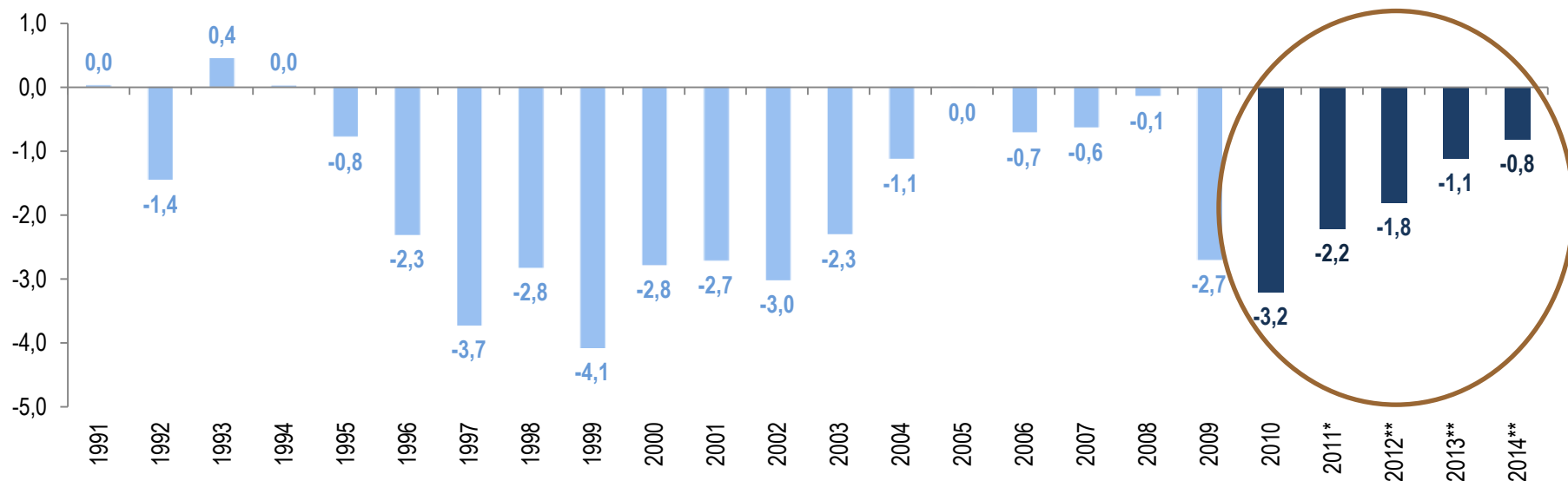
In 2011, Colombia had one of the lowest inflation rates in Latin America and the Caribbean.

Annual inflation rate of 2011 (average)



The fiscal balance shows a trend towards recovery, following an active fiscal policy used to cushion the global crisis.

Strong Fiscal balance of the public Sector (including winter emergency) (% of GDP)

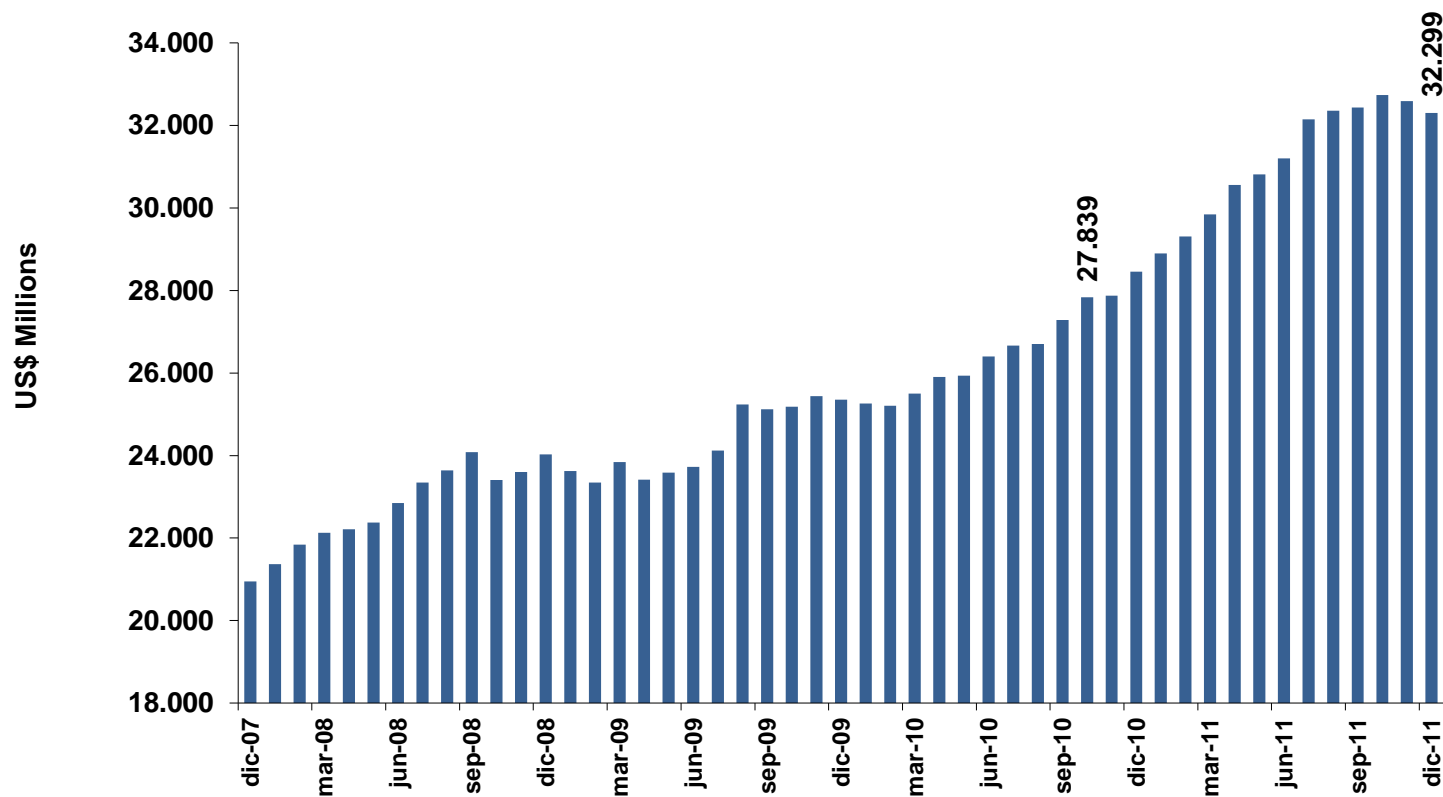


The country has an increasing rate of international reserves.

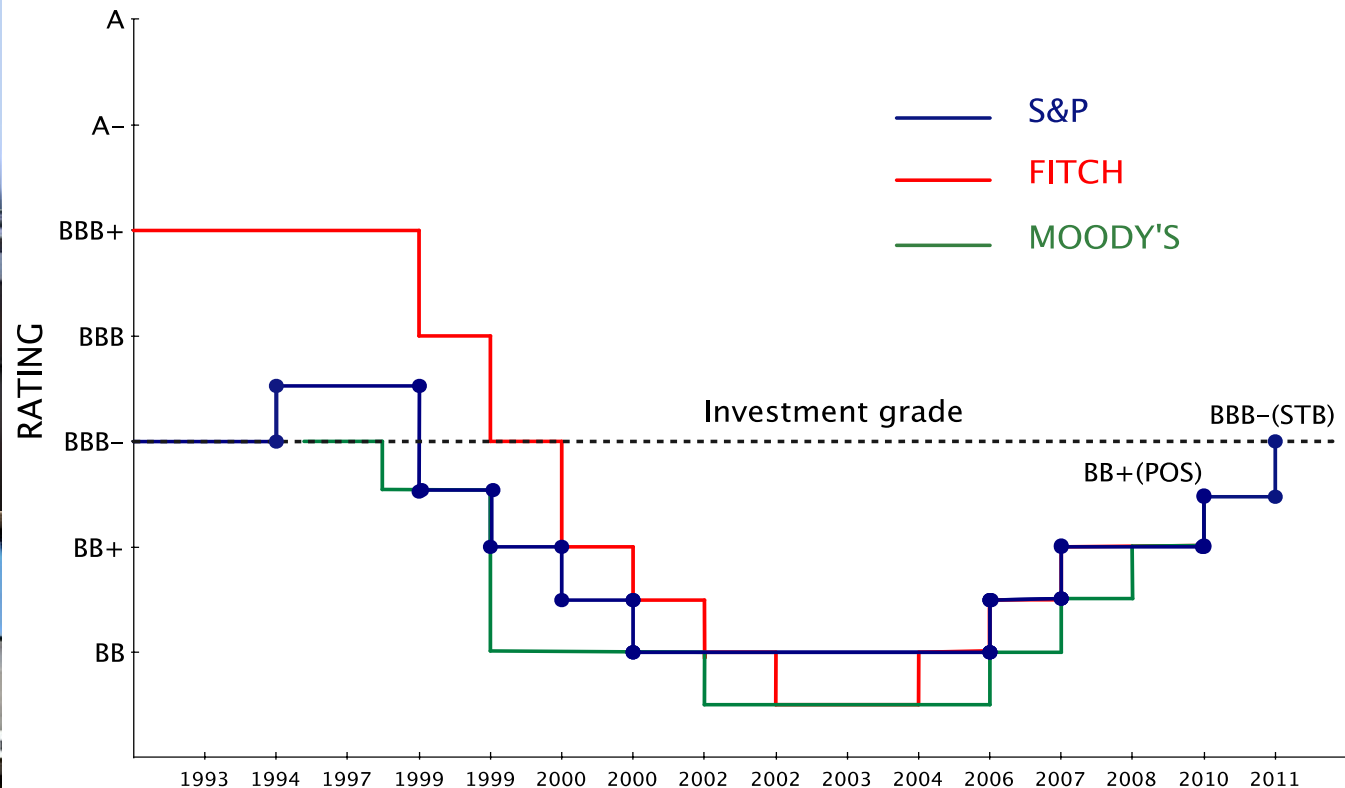


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International reserves US\$ millions



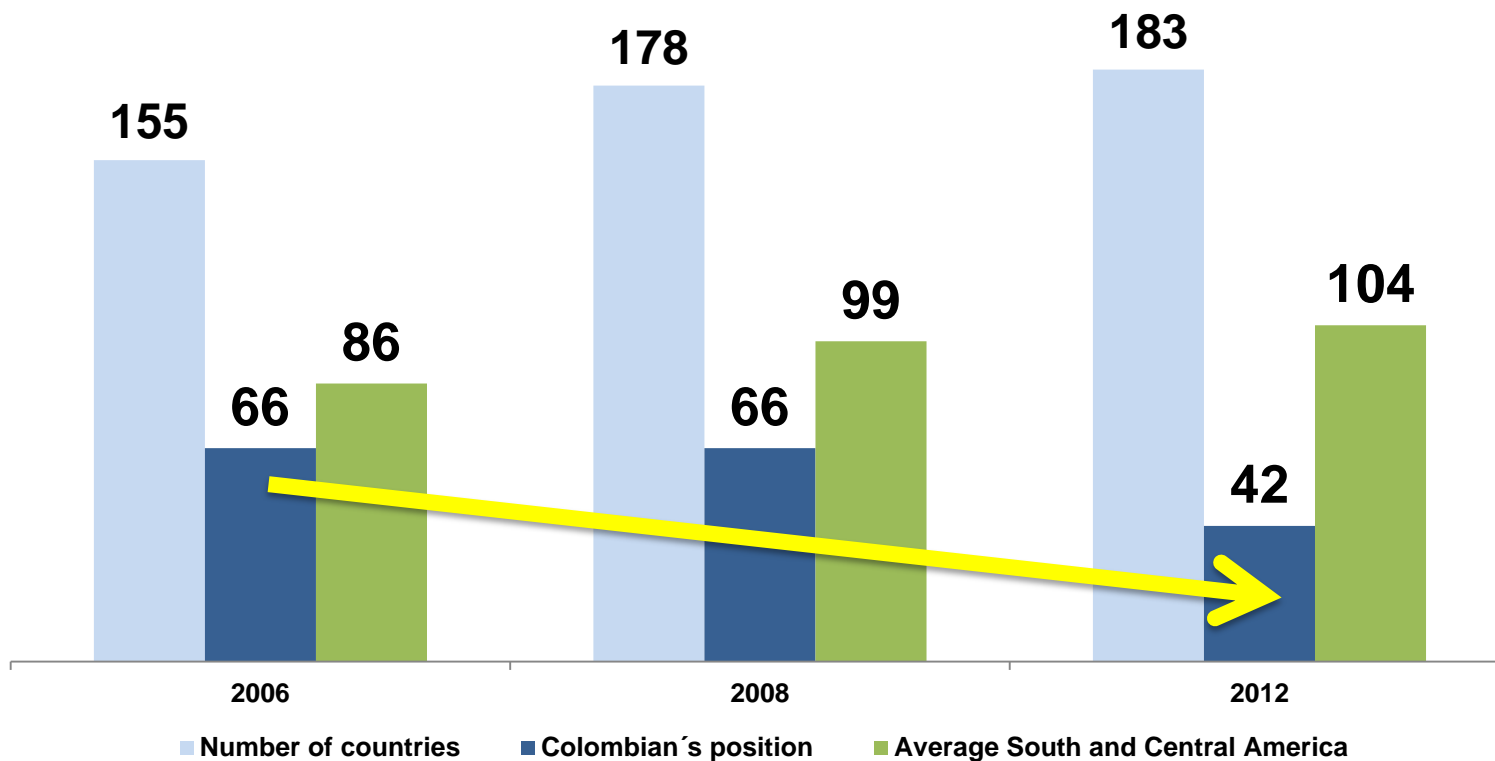
Long Term Sovereign Debt Rating



In its first issuance, after regaining the investment grade by these rating organizations, Colombia issued bonds worth US\$ 2 billion for bonds in international markets, with a period of over 10 years and an interest rate of 4.375%, which was only 1.3 % above that of U.S. treasuries. The demand for these bonds amounted to US\$ 7.3 billion.

In the last five years, Colombia has been recognized as being among the top ten most reformed countries.

Colombia's Position in *Doing Business* - World Bank

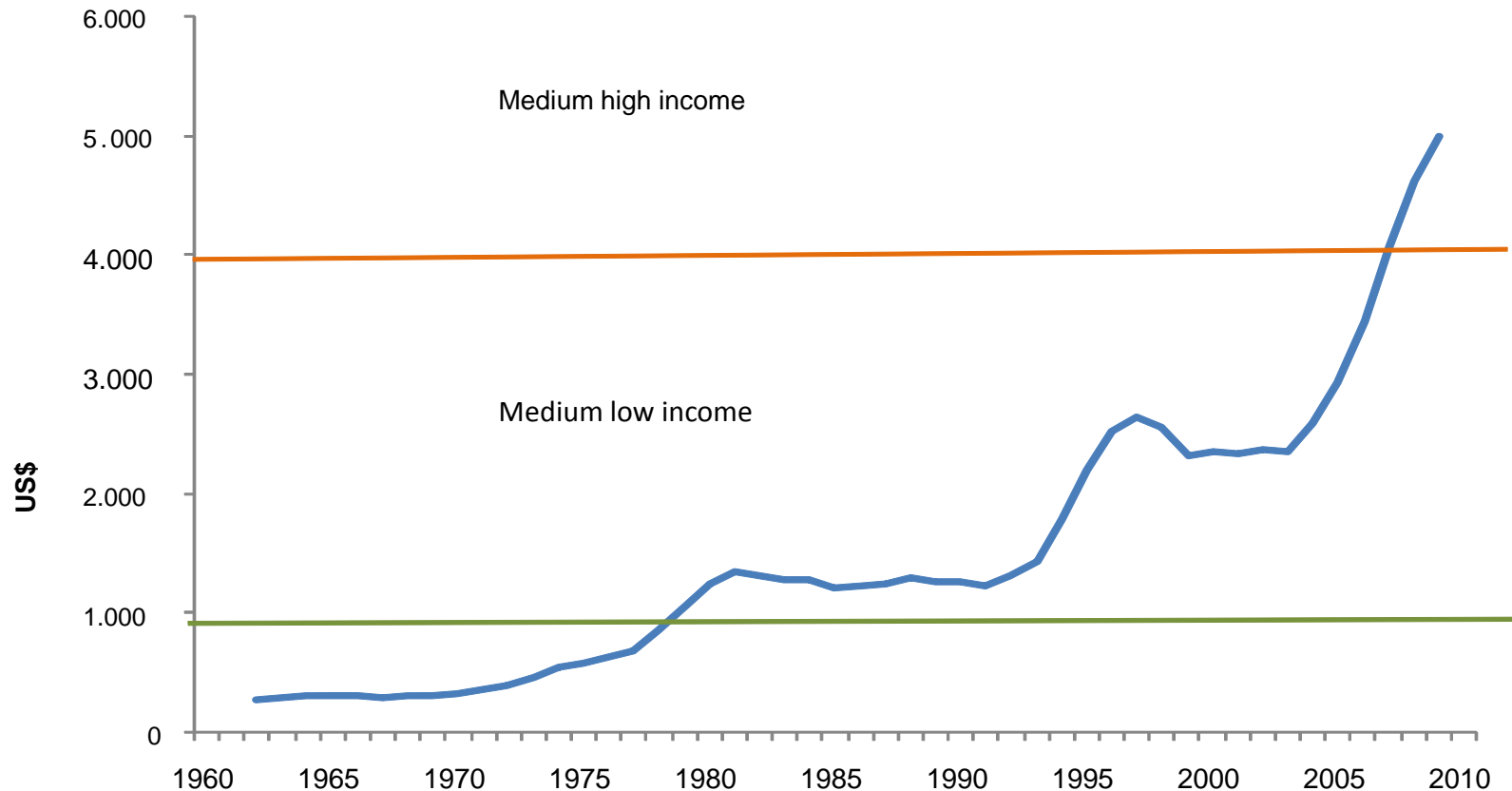


Given this, Colombia has accelerated the growth of its GDP per capita.



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National Income by Inhabitant (current US\$)



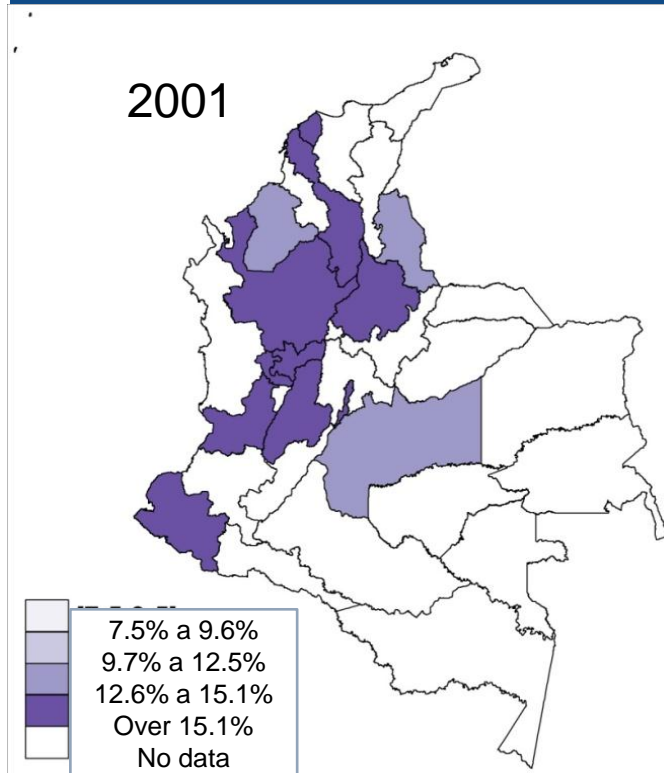
According to international standards, Colombia has been an upper middle income country since 2005.

This has resulted in a positive trend in job creation.

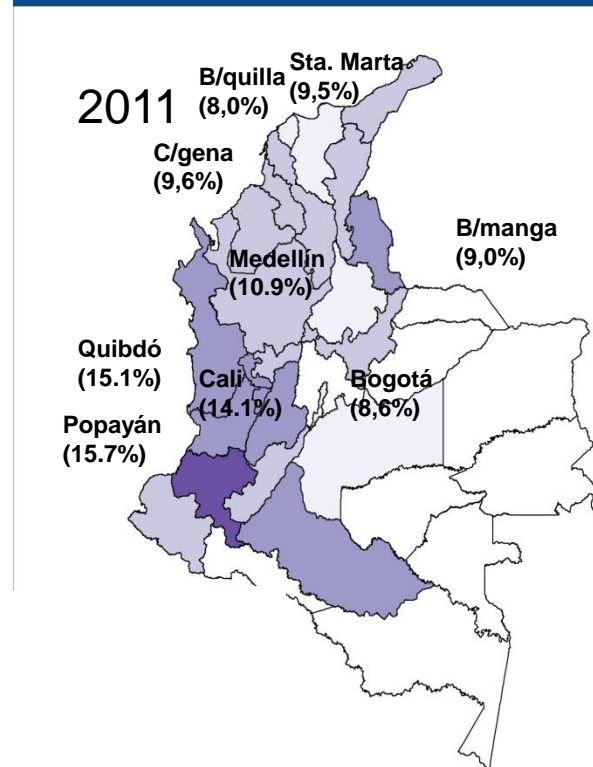


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Unemployment rate, 13 cities
(December 2001)



Unemployment rate, 24 cities
2006-2011 (to December 2011)



Source: DANE. Calculations: DGPM-MHCP.

- 6 cities (24 sample) had unemployment rates of a single digit.

Colombia, on the global radar



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Colombia is considered the second most attractive economy in the region for investment, after only Brazil.

September 2011



North American and European Investor Opinions of Latin American Companies

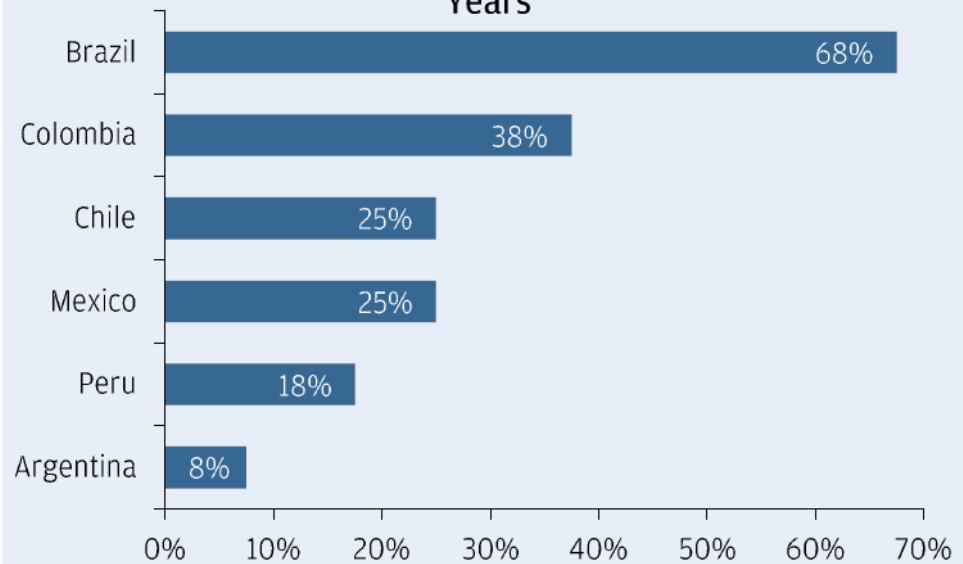
Depository Receipts Group

WORLDWIDE SECURITIES SERVICES

J.P.Morgan

“Investors view Brazil and Colombia as the most promising markets in Latin America over the next one to three years...”

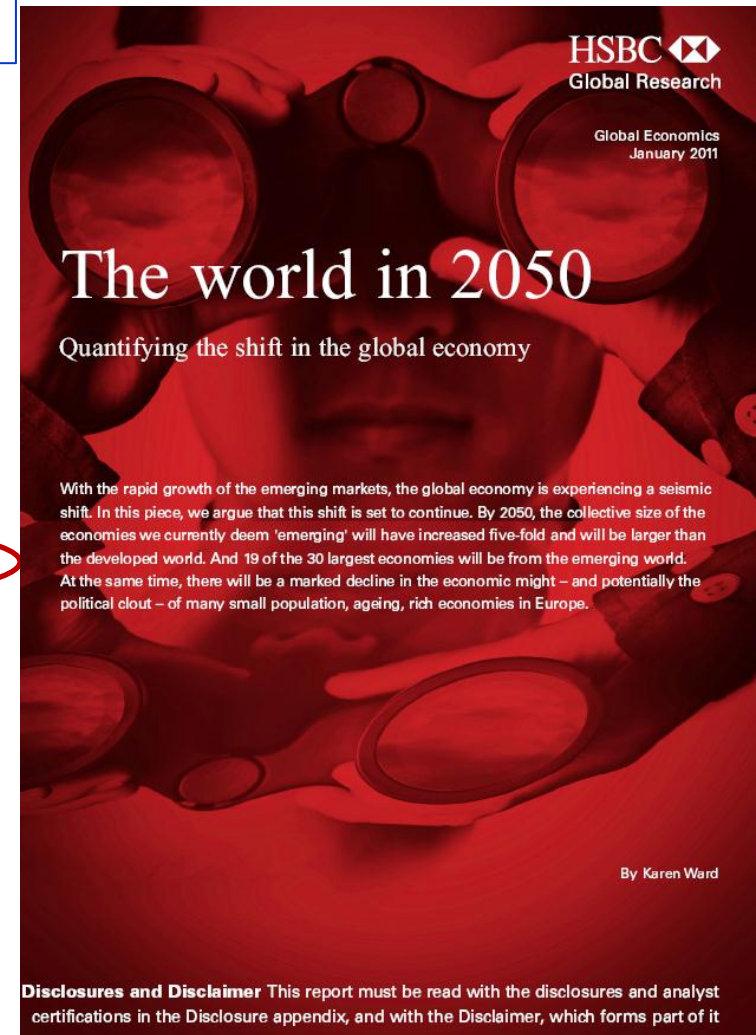
Most Promising Countries Over the Next 1-3 Years*



Top 30 economies of the world, by 2050, GDP US\$ constant 2000 Billion

| | | | |
|-------------|--------|-----------------|-------|
| 1 China | 24.617 | 16 Indonesia | 1.504 |
| 2 US | 22.270 | 17 Australia | 1.480 |
| 3 India | 8.165 | 18 Argentina | 1.477 |
| 4 Japan | 6.429 | 19 Egypt | 1.165 |
| 5 Germany | 3.714 | 20 Malaysia | 1.160 |
| 6 UK | 3.576 | 21 Saudi Arabia | 1.128 |
| 7 Brazil | 2.960 | 22 Thailand | 856 |
| 8 Mexico | 2.810 | 23 Netherlands | 798 |
| 9 France | 2.750 | 24 Poland | 786 |
| 10 Canada | 2.287 | 25 Iran | 732 |
| 11 Italy | 2.194 | 26 Colombia | 725 |
| 12 Turkey | 2.149 | 27 Switzerland | 711 |
| 13 S. Korea | 2.056 | 28 Hong Kong | 657 |
| 14 Spain | 1.954 | 29 Venezuela | 558 |
| 15 Russia | 1.878 | 30 South africa | 529 |

- 19 of the top 30 will be emerging economies.
- Colombia will be the top economy in Latin America for growth in GDP per capita.
- Per capita income will triple in the 40 years.



<http://www.research.hsbc.com/midas/Res/RDV?p=pdf&key=ej73gSSJVj&n=282364.PDF>



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Trade and investment is the answer



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**Strengthening trade is the
antidote in times of uncertainty.**

“Dominoes: The collapse of Greece and Ireland's economies could have a knock-on effect on other nations. Britain's public sector net debt is £845.8 billion, the equivalent to 57.1 per cent of gross domestic product.” Daily Mail, November 2010



IMF lowers economic outlook, warns of danger ahead

CNNMoney

160 comments

By Ben Rooney @CNNMoney September 20, 2011: 11:27 AM ET

Bloomberg

IMF Cuts Global Growth Estimate

By Sandrine Rastello - Sep 20, 2011 10:40 AM ET

THE ECONOMIC TIMES

7 SEP, 2011, 07:41PM IST, REUTERS

IMF cuts 2011 global growth forecast to 4.0%: Reports

Italy is the next Greece : MoneyMorning.com/Italy_Euro_Crisis - You think the Euro Crisis ends with Greece? Think again... free report.

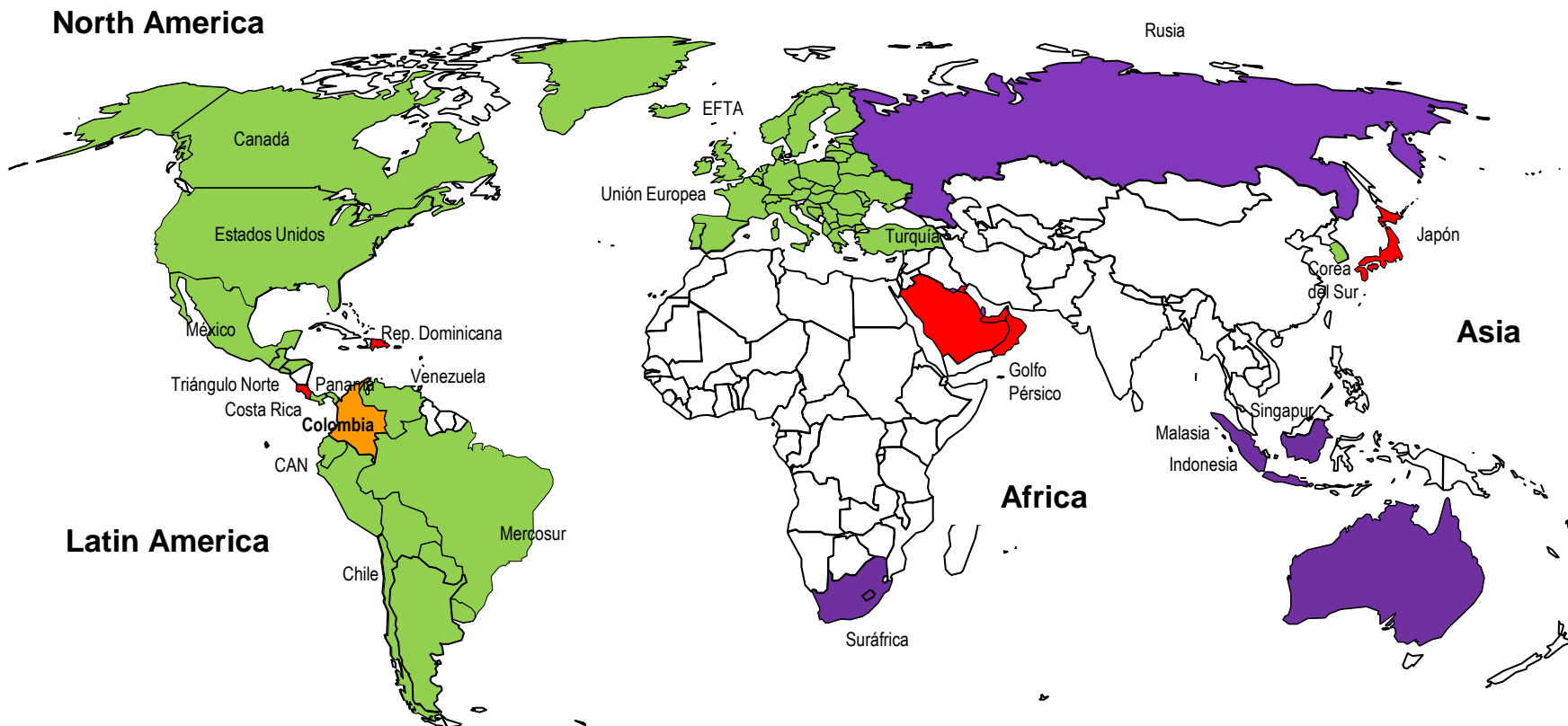
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Colombia's Free Trade Agreements - 2014



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By 2014: 13 FTAs in force, with 50 countries



In Force: CAN, Mexico, Chile, Mercosur, Northern Triangle, Canada, EFTA, Turkey, Panama, Venezuela, South Korea

Signed: Japan, Singapore, Gulf Community, Dominican Republic, Costa Rica

Initiated / MOU: Australia, Indonesia, Malaysia, Russia, South Africa, other African nations

...and given the **FTAs with the U.S. and Canada**,
Colombia can be a **hub** for Italian goods, services, and investment.



Benefits to EU businesses will come with the entry into force of the FTA, in late 2012.

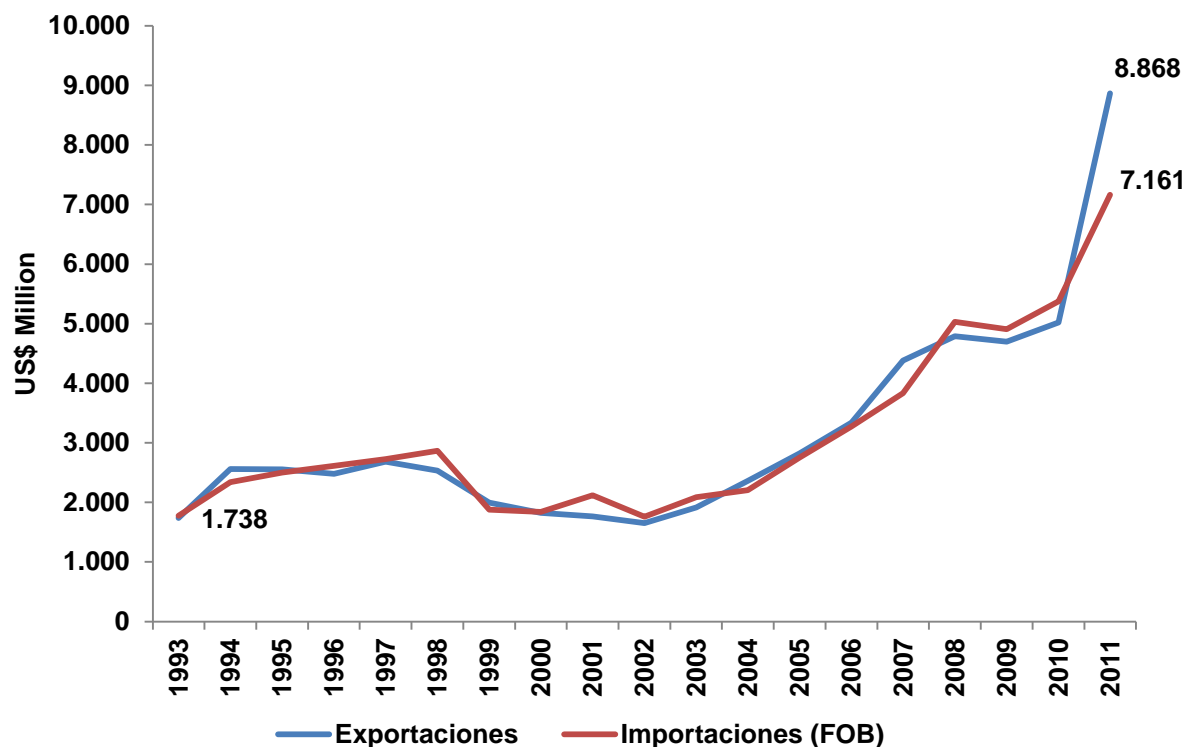
The agreement opens up market opportunities for key EU industries, which will benefit from the elimination of tariffs.

These include the sectors of Automobiles and Auto parts, which pay over 33 million euros, Chemicals, which pay over 16 million euros, and Textiles, which pay over 60 million euros, annually, in taxes on imports into Colombia.

The FTA also provides for the immediate liberalization of fishery products, as well as major concessions in agriculture.



Trade between Colombia and the European Union 1993-2011 (US\$ million FOB)



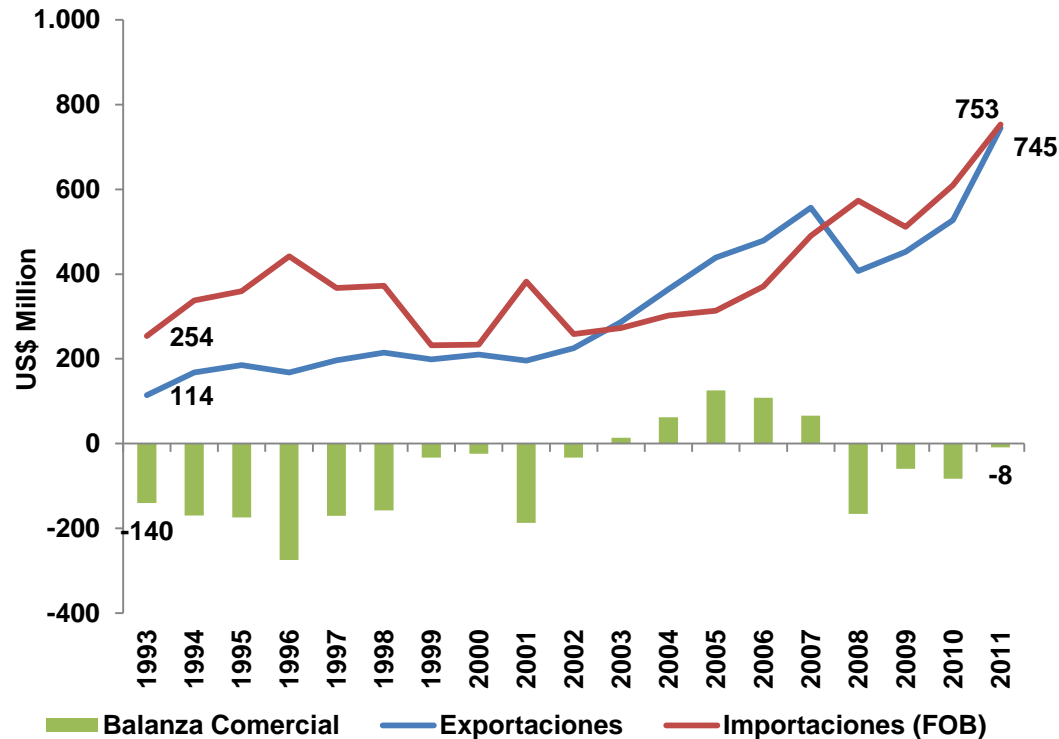
Colombia's trade with the European Union surpasses US\$ 16 billion, annually

Italy-Colombia economic relations



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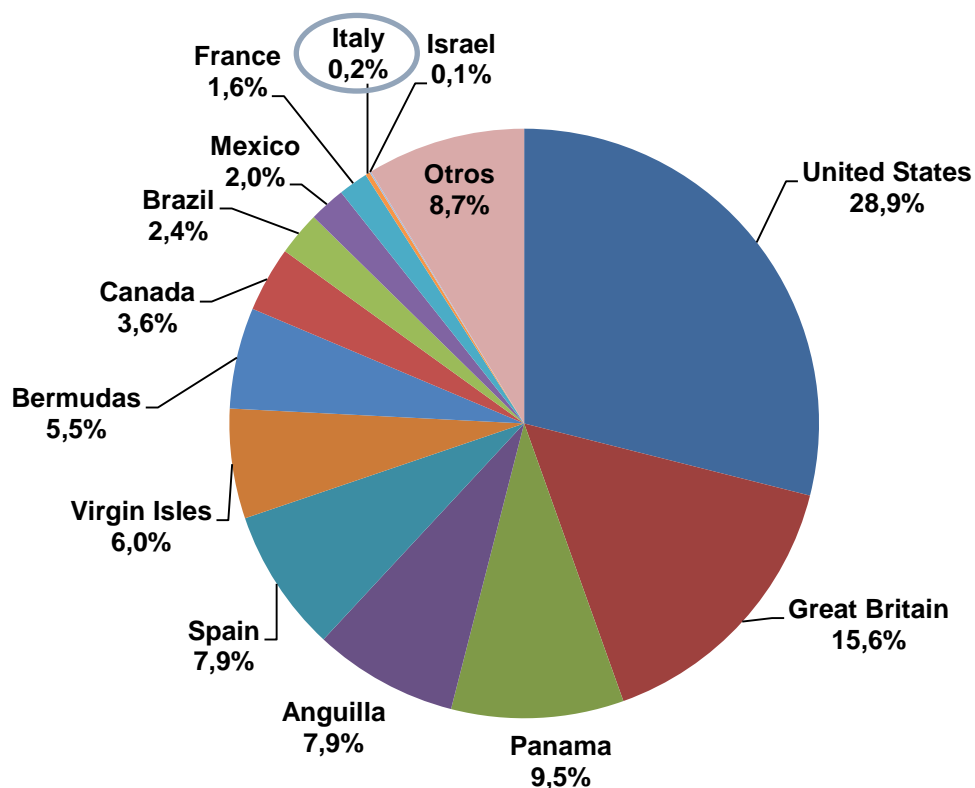
Bilateral trade, Colombia - Italy Export-Import FOB - Balance



...approximately US\$ 1.4 billion in bilateral trade between Colombia and Italy.

It is important to boost Italian FDI to Colombia

Colombia: Foreign Direct Investment by Country of Origin *, 2000-2010



* Excluding petroleum
Source: Bank of the Republic

Colombian exports to Italy, 2011

| | |
|-------------------------|-------|
| Coal | 27,4% |
| Petroleum | 21,2% |
| Basic Chemicals | 13,7% |
| Bananas | 11,3% |
| Ferronickel | 7,4% |
| Coffee | 6,0% |
| Machinery and equipment | 2,7% |
| Agribusiness | 1,2% |
| Mining | 1,1% |
| Products of plastic | 0,6% |
| Other | 7,5% |

A total of 1.3% of Colombian exports go to Italy.

Italian exports to Colombia, 2011

| | |
|-------------------------|-------|
| Machinery and equipment | 50,0% |
| Basic Chemicals | 21,0% |
| Metalurgy | 5,6% |
| Textiles | 3,9% |
| Automotive industry | 3,1% |
| Products of plastic | 2,0% |
| Paper | 1,8% |
| Soaps, cosmetics, other | 1,3% |
| Apparel | 0,9% |
| Footwear | 0,5% |
| Other | 9,9% |

A total of 1.4% of Colombian imports are from Italy.

Opportunities for Colombia

Colombia has new sectors with potential in the Italian market.

US\$ millions

| Products | Italian imports from world | Colombian exports to Italy | Colombian exports to world |
|------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Fuels and their products | 5.225.255 | 362.163 | 36.126.980 |
| Pharmaceuticals | 3.036.586 | 24 | 409.120 |
| Tobacco and its products | 1.012.828 | - | 30.445 |
| Footwear and its accessories | 930.304 | 2 | 52.193 |
| Products of iron and steel | 706.474 | 55.140 | 979.859 |
| Plastics and their products | 683.513 | 8.123 | 1.502.081 |
| Medical appliances | 593.894 | 132 | 169.004 |
| Fish and crustaceans | 576.517 | 38 | 160.401 |

Opportunities for Italy



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Italy has significant sales opportunities in the Colombian market.

US\$ million

| Products | Colombian imports from world | Italian exports to Colombia | Italian exports to world |
|--------------------------------------|------------------------------|-----------------------------|--------------------------|
| Machinery and parts | 297.873,26 | 2.934 | 1.098.405 |
| Pharmaceuticals | 85.834,72 | 5.295 | 2.578.161 |
| Electrical machinery | 52.475,10 | 887 | 646.378 |
| Scientific instruments and machinery | 38.470,19 | 872 | 317.401 |
| Organic chemical products | 36.488,70 | 398 | 153.796 |
| Products of iron and steel | 30.740,77 | 1.076 | 775.955 |
| Medical appliances | 26.051,78 | 2.136 | 2.352.327 |
| Vehicles | 24.037,09 | 1.692 | 2.315.669 |

Source: Commtrade and DANE.

A long way to go, but for Colombia...

- 12 million people moved into the middle class over the past 10 years.
- 1.5 million jobs created in the last 18 months and unemployment has dropped to 9.8%, as of December 2011.
- Among the Top Ten Reformers in the Doing Business ranking, four times and counting.
- Moved from 5th economy in Latin America to the 4th.

And in 2011,

- Ranked the 4th economy, worldwide, for greatest dynamism in exports,
- Received investment grade from the three most important ratings agencies,
- Ranked the 4th largest destination for FDI to Latin America.

Moreover, many opportunities for Italy in Colombia: good prognosis, business climate and incentives.