

Why You Should Choose to Invest in Colombia

Colombia is showing considerable economic growth rates. Thanks to its economic and political stability, commercial agreements and partnerships with other Latin American countries and to an export-oriented supply chain, Colombia is the second most important market in South America and the Caribbean region, attracting and ensuring international investments.

Economic Growth

PAÍS	2015	2016				2016py	2017py
		2016-I	2016-II	2016-III	2016-IV		
América del Norte							
Estados Unidos	2,6	1,6	1,3	1,6	1,6	2,2	
Canadá	0,9	1,3	1,1	1,3	1,2	1,9	
Europa							
Unión Europea (28 países)	2,2	1,9	1,9	1,9			
Euro Zona	2,0	1,7	1,7	1,7	1,7	1,5	
Alemania	1,7	1,9	1,8	1,7	1,7	1,4	
Francia	1,3	1,4	1,2	1,1	1,3	1,3	
España	3,2	3,4	3,4	3,2	3,1	2,2	
Italia	0,7	0,9	0,7	0,9	0,8	0,9	
Irlanda	26,3	4,0	3,7	6,6	4,9	3,2	
Reino Unido	2,2	1,9	2,1	2,3	1,8	1,1	
Portugal	1,6	0,9	0,9	1,6	1,0	1,1	
Grecia	-1,9	-0,8	-0,5	1,8	0,1	2,8	
Turquía	4,0	4,4	3,0		3,3	3,0	
Asia							
China		6,7	6,7	6,7	6,6	6,2	
Corea del Sur		2,8	3,3	2,6	2,7	3,0	
Japón	0,6	0,3	0,9	1,0	0,5	0,6	
América Latina							
Argentina	2,4	0,5	-3,4		-1,8	2,7	
Brasil		-4,6	-3,0	-2,5	-3,3	0,5	
Chile	2,3	1,9	1,4	1,5	1,7	2,0	
Colombia	3,1	2,5	2,0	1,2	2,2	2,7	
Ecuador	0,3	-4,0	-2,2		-2,3	-2,7	
México	2,5	2,3	2,6	2,0	2,1	2,3	
Perú	3,3	4,5	3,7	4,4	3,7	4,1	
Venezuela	-5,7				-10,0	-4,5	

Fuente: Eurostat, Bancos centrales de cada país, BEA,
py: Proyecciones FMI

Colombia is the fourth largest economy in Latin America. Even bigger than oil powerhouse Venezuela. Bogotá's GDP alone is bigger than the GDP of Ecuador, Uruguay, Paraguay and Bolivia, according to the International Monetary Fund. Colombia's GDP is expected to grow at 2.2% this year, and beat out all of Latin America.

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Reasons to invest in Colombia

1. Economic Stability

The Colombian economy is one of the **most stable** in Latin America, which is the result of a **steady economic growth** over the last decade which is higher than the regional average, with a stunning **8% growth in 2007**. GDP growth has slowed to 4.6% in 2014 but is foretasted to pick up thereafter.

Macroeconomic indicators reflect the stability of the country; **inflation** has stabilized **from over 30% in 2000 to 1.8 in 2015**. The country's external debt has also decreased from USD \$ 939,47 million in January 2015 to USD \$159,44 million in April this year.

2. Political Stability

Despite the idea one might have, Colombia is the **most ancient and stable democracy** of the South American continent.

3. Trust of Foreign Investors

Foreign investment has grown considerably over the last 5 years jumping **from USD \$5118,22 million in 2010 reaching USD 412.773,95 million in 2014**, which a big share comes from over 700 multinational companies.

The country offers foreign investors the possibility to sign a **legal stability contract**, which guarantees them that standards will be maintained over a period of **3 to 20 years**.

4. Qualified and Competitive Human Resources

Colombian employees are among the **highest qualified of Latin America**, as the country indeed has a very good education system (literacy rate of 94.2%). Salaries in the **services** and **handling sectors** are highly **competitive** in comparison within the countries of the region.

5. Strategic Geographical Location

Located in the middle of the American continent, Colombia is a **strategic point between the different markets** of the region. The country has **modern port infrastructures** on the **Pacific** and **Atlantic** Oceans, which makes trade extremely simple with countries in Asia, Europe and with the United States.

6. An Export Platform and Access to World Markets

Thanks to different **free-trade agreements (FTA)** and its geographical location, Colombia has access to a market of **1.200 million people**:

- Andean Community of Nations – CAN (Colombia, Ecuador, Peru and Bolivia)
- CAN-Mercosur FTA (CAN + Brazil, Uruguay, Paraguay and Argentina)
- European Union FTA
- Mexico FTA
- El Salvador, Guatemala and Honduras FTA
- Caribbean Community – CARICOM FTA
- Chile FTA
- EFTA FTA (Switzerland, Liechtenstein, Iceland and Norway)
- Canada FTA
- USA FTA
- Venezuela FTA
- Cuba FTA
- Nicaragua FTA

In addition to these, the following FTAs have been negotiated and are awaiting ratification:

- Pacific Alliance (Mexico, Colombia, Peru and Chile)
- Korea FTA
- Costa Rica FTA
- Israel FTA
- Panama FTA
- Finally, extra FTAs are being negotiated:
- Turkey FTA
- Japan FTA

•Trade in Services Agreements

TISA (Canada, USA, Mexico, Costa Rica, Panama, Colombia, Peru, Paraguay, Uruguay, Chile, European Union, Iceland, Norway, Switzerland, Liechtenstein, Turkey, Israel, Pakistan, South Korea, Hong-Kong, Taiwan, Australia and New-Zealand).

7. A country full of development hubs

With 48.32 million inhabitants, Colombia is the 2nd most populated country in South America: its capital Bogota has a population of 7 million.

The cities of Medellin, Cali and Barranquilla have over 2 million inhabitants each, witnessing a strong growth in terms of investment and industrialization.

8. Numerous modern infrastructures

6 ports on the Caribbean coast and 2 on the Pacific coast

5 international airports

A primary road network in strong development

Developed telecommunications network.

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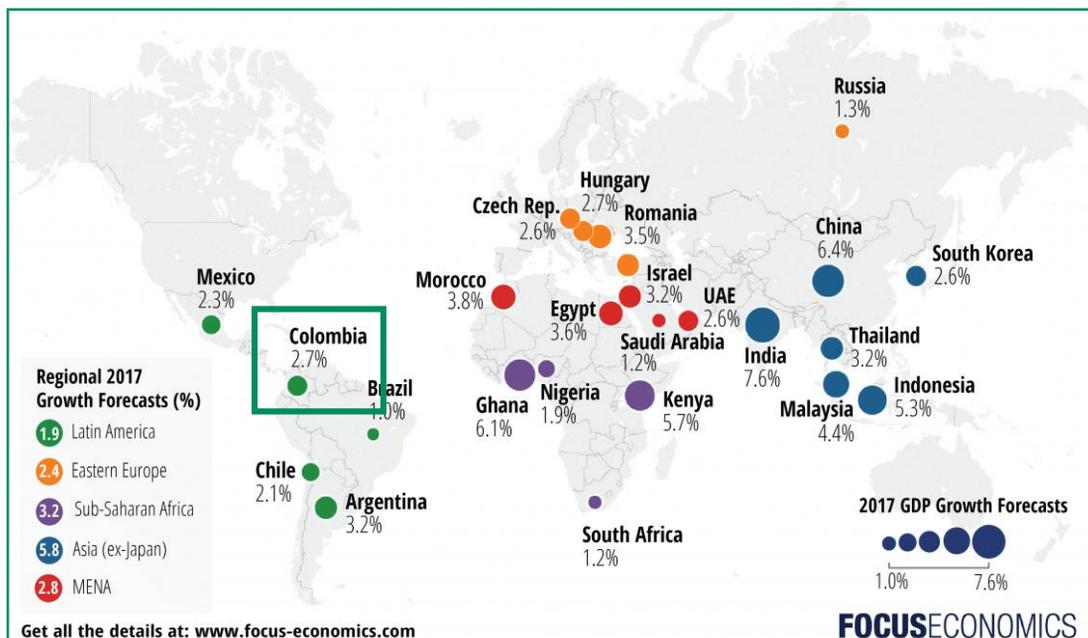
9. It is one of the emerging markets in the world

According to the web site **focus-economics**, Colombia is one of the most important emerging markets in the world in 2017, growing more than Mexico, Chile and Brazil.

The Colombian economy recorded its worst performance since the height of the global financial crisis in 2009. The latest monthly data sent mixed signals of the economy, which suggests that the economy was still in bad shape at the close of 2016. Nevertheless, higher oil prices following the OPEC output freeze coupled with increased infrastructure spending should provide a boost to Colombia's economy this year. Analysts expect the GDP growth of 2.4% in 2017, which is unchanged from last month's forecast. For 2018, the FocusEconomics panel projects the economy to expand 3.1%.

How Will Emerging Markets Perform in 2017?

Economic conditions set to improve on the back of rising commodities prices, higher global demand and resilient domestic dynamics



The Latin American economy is expected to recover modestly in 2017, though the outlook is plagued with risks that are causing a downward bias in analysts' growth forecasts, according to FocusEconomics' latest survey of 150 leading economic institutions.

Economists forecast [Latin America's](http://www.focus-economics.com/countries/colombia) GDP to increase 1.6% in 2017, which has been revised down from the 1.8% projected last month. Economic data was stubbornly weak across the region in 2016 and growing uncertainty surrounding the global outlook in the aftermath of Donald Trump's victory is weighing on sentiment, fueling concerns over the trajectory of the recovery in 2018 <http://www.focus-economics.com/countries/colombia>

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10. Business Climate

Colombia: One of the Best Business Environments in Latin America and one of the most competitive countries in the region.

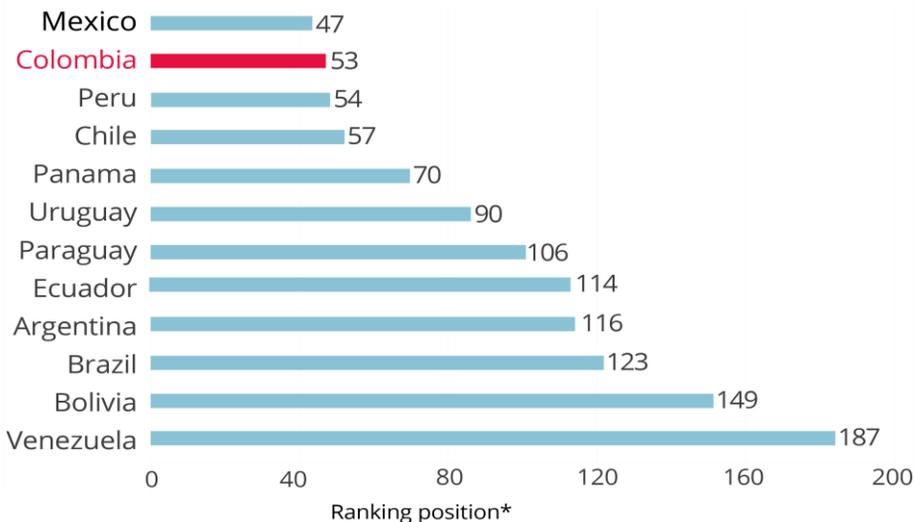
In the past decade, Colombia has single-mindedly focused on improving its business climate. As a result, inward foreign direct investment (FDI) has been soaring. In these uncertain times, Colombia is seen by investors as a dependable and stable place to operate.

A Business-Friendly and Stable Economy

According to the World Bank's 2017 Doing Business survey, **Colombia has the second business environment in Latin America**, after Mexico.

Ease of Doing Business (2017)

Economies are ranked on their ease of doing business, from 1- 189. A high ranking on the ease of Doing Business index means the regulatory environment is conducive to the operation of businesses.



*A lower value indicates greater ease of doing business

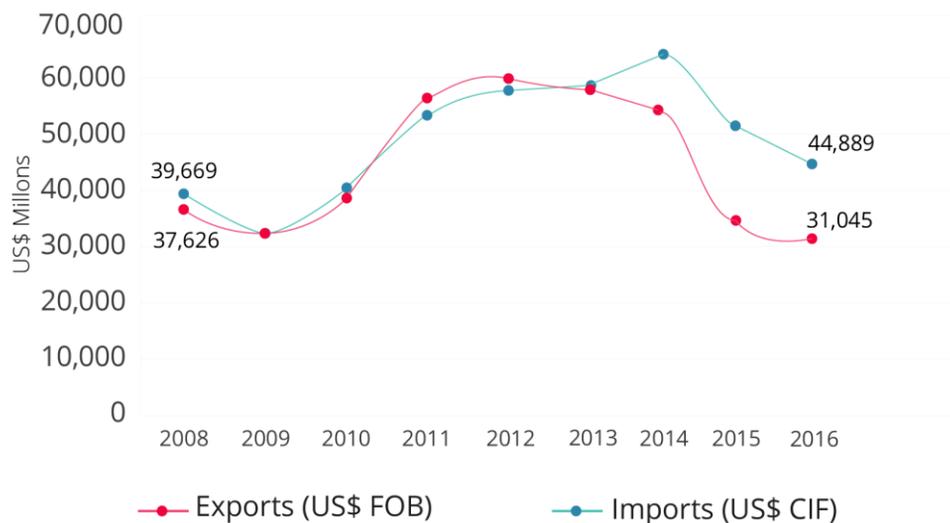
Source: The World Bank, Doing Business Report 2017

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Growing Foreign Trade

Thanks to trade liberalization measures, Colombia's foreign trade has quintupled in the past ten years, reaching US\$75 billion in 2016.

Colombia's Foreign Trade (2008-2016)



Source: DANE, Trade Balance



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FDI in Figures

In Colombia, FDI benefits from a very attractive legislative framework. The country ranks 54th out of 189 economies in the Doing Business 2016 classification established by the World Bank, thanks to major improvements in property registration and access to credit. The ratification of a bilateral free trade agreement with the U.S. in October 2011 and the establishment of special regulations in the free trade zones have contributed to improving the country's attractiveness. Moreover, the richness of its natural resources and a significant domestic market are Colombia's main assets. It is hoped that the historic peace agreement with the FARC rebel group will reverse the trend of decline in the pace of FDI inflows into the country.

Country Comparison For the Protection of Investors

	Colombia	Latin America & Caribbean	United States	Germany
Index of Transaction Transparency*	8.0	4.0	7.0	5.0
Index of Manager's Responsibility**	8.0	5.0	9.0	5.0
Index of Shareholders' Power***	6.0	9.0	5.0	
Index of Investor Protection****	8.3	5.0	8.3	5.0

Source: Doing Business - 2016.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action. **** The Greater the Index, the Higher the Level of Investor Protection.

Foreign Direct Investment	2013	2014	2015
FDI Inward Flow (million USD)	16,209	16,325	12,108
FDI Stock (million USD)	128,191	141,942	149,692
Number of Greenfield Investments***	170	115	94
FDI Inwards (in % of GFCF****)	17.7	16.9	15.8
FDI Stock (in % of GDP)	33.7	37.6	51.0

Source: UNCTAD - 2016.

Note: * The UNCTAD Inward FDI Performance Index is Based on a Ratio of the Country's Share in Global FDI Inflows and its Share in Global GDP. ** The UNCTAD Inward FDI Potential Index is Based on 12 Economic and Structural Variables Such as GDP, Foreign Trade, FDI, Infrastructures, Energy Use, R&D, Education, Country Risk. *** Green Field Investments Are a Form of Foreign Direct Investment Where a Parent Company Starts a New Venture in a Foreign Country By Constructing New Operational Facilities From the Ground Up. **** Gross Fixed Capital Formation (GFCF) Measures the Value of Additions to Fixed Assets Purchased By Business, Government and Households Less Disposals of Fixed Assets Sold Off or Scrapped.

Government Measures to Motivate or Restrict FDI

The Colombian Government actively encourages foreign direct investment (FDI). Colombia imposes the same investment restrictions on foreign investors that it does on national investors. But all conditions being equal, during tender processes, national offers are preferred over foreign ones.

Today the Colombian Government is reaping the fruits of the policy it implemented to secure democracy, whose objective is to create favourable economic conditions in order to once again give investors confidence, especially foreign investors. The Government has put much effort into concluding free trade agreements, namely through an association agreement, as well as a series of agreements, in the area of investments in the European Union, aimed at developing a stable and transparent economic environment in which contributions in capital can prosper.

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About Bogota

Bogotá imposes itself as the heart of business in South-American continent, not only thanks to its strategical geographic position but also to a population of 7.6 million, which makes it the 5th largest city in Latin America.

With a gross domestic product (GDP) of US\$90 billion, which is higher than many other Latin American countries

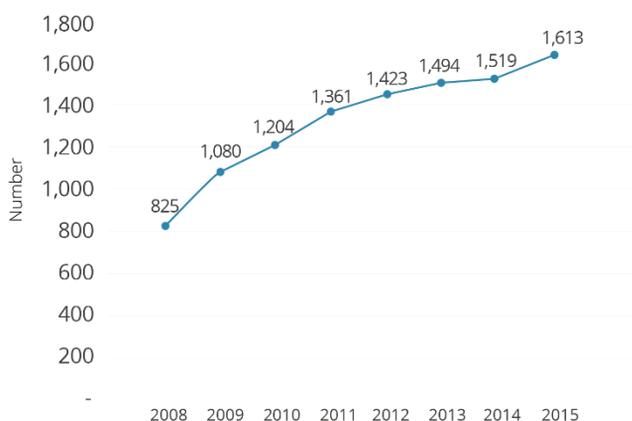
Best Cities in Latin America to Do Business (2010-2016)

City	Country	2016	2015	2014	2013	2012	2011	2010
> Miami	United States	1	1	1	1	1	1	1
> Santiago	Chile	2	2	2	3	3	3	2
> Mexico City	Mexico	3	4	3	4	4	4	4
> São Paulo	Brazil	4	3	4	2	2	2	3
> Bogota	Colombia	5	5	6	8	8	8	8
> Buenos Aires	Argentina	6	7	7	6	5	6	6
> Panama City	Panama	7	6	5	5	7	7	7
> Lima	Peru	8	10	9	9	10	10	10
> Montevideo	Uruguay	9	8	10	13	11	11	11
> Valparaiso	Chile	10	11	11	10	13	19	-
> San Jose	Costa Rica	12	12	12	11	12	12	9
> Rio de Janeiro	Brazil	14	9	8	7	6	5	5

Source: AmericaEconomia Intelligence

As one of the major **business** cities in Latin America, Bogota offers great opportunities to invest. Today, there are more than 1,600 Multinational Corporations (MNCs) in the city.

Foreign Capital Companies in Bogota (2008-2015)



Source: Chamber of Commerce of Bogota, Department of Studies and Research based on information from Merchandise Register

- It is strategically located in the center of Colombia and has excellent air connectivity with numerous direct daily flights to the major U.S. cities.
- Bogota's young and skilled workforce of over 4 million people ensures the scalability of any operation.
- Bogota has a high-quality, worry-free operating environment. There is a plentiful supply of cost-competitive office, warehousing and manufacturing space.*

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*<http://en.investinbogota.org/invest-bogota/why-invest-bogota/attractive-incentives-bogota>

Top Markets Oil and Gas Country Case Study Opportunities for Exporters-Colombia

Oil remains Colombia's top export product and boosting O&G production and exports are priorities for the Government of Colombia. Regulatory reforms were enacted as an incentive for foreign investment from international companies in unconventional exploration and development. Commercial-level production in Colombia's deep-water is untested, but has garnered interest from major international O&G companies. More capital-intensive equipment is needed to address the technical challenges associated with such unconventional production, and the significant environmental and safety concerns associated with deep-water offshore exploration.

The 2015 Top Markets Report for Oil and Gas ranked 75 export markets, Colombia was ranked #52. **Colombia is considered a low risk/high reward** country with large U.S. share of its O&G imports. The recent investments in Colombia's unconventional and deep-water offshore markets represent significant opportunities for Canadian equipment and service suppliers to expand into the country. Colombia's interest in exploring unconventional hydrocarbons and deep offshore sites without inflicting environmental damage should offer opportunities to companies that use recognized international safety standards and equipment suppliers and latest technologies. **This presents a good opportunity** for Canadian suppliers especially those with experience working with the international companies operating in Colombia.

The Republic of Colombia is the fourth largest economy in Latin America, after Brazil, Mexico, and Argentina, and has the third largest population with approximately 48 million inhabitants. It is the only country in South America with two coasts (Pacific and Caribbean). Aided by major security improvements and steady economic growth, Colombia has become a free market economy with major commercial and investment ties to North America, Europe, Asia and the rest of Latin America.

Strong political stability, a growing middle class (35.3% of the population), and a vastly improved safety and security situation have created healthy economic growth in Colombia, despite the hit the Colombian economy has received due to the drop in oil and commodity prices. Key economic indicators demonstrating the positive long-term effect of Colombia's political and economic policies contrast with the performance of the economy in 2015 and 2016: GDP growth in 2015 slowed down to 3.1%; and foreign direct investment of US\$ 15.8 billion in 2014 decreased to US\$ 12.1 billion, a drop of 26%. Approximately 55 percent of Colombia's exports worldwide are petroleum. With depressed global oil prices, Colombia's economy is expected to continue slowing down in 2016, with GDP growth projected to be close to 2.6% and investment expected to decrease as well.

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Due to Colombia's close ties to the United States and Colombians' appreciation for the quality and reliability of U.S products, consumers in Colombia often favor U.S. products and services over those of our foreign competitors.

The United States is Colombia's largest trading partner, Colombia was the 20th largest market for U.S. exports in 2015. U.S. exports to Colombia in 2015 were valued at US\$ 16 billion, suffering a decrease of 18 percent over 2014 due to the devaluation of the Colombian peso. **Colombia is unique** in the sense that there are five bona fide commercial hubs in the country: Bogota, Medellin, Cali, Barranquilla, and Cartagena. As opposed to the majority of Latin American countries that have one or two major cities, Colombia offers U.S exporters access through multiple commercial hubs, each of which has its own American Chamber of Commerce. While these cities, and many other secondary cities, offer unique market opportunities, they are close enough via air routes that it is common to have one partner (agent, distributor, or representative) to cover the whole country.

Coal mining and oil and gas exploration/production are the principal areas of international investment (though the amount of investment in these sectors dropped significantly in 2015 and early 2016 due to low global commodity prices), followed by consumer goods, high tech and tourism/franchising sectors.

A sample of the major U.S. companies in Colombia includes: Drummond, Chicago Bridge and Iron, General Electric, General Motors, Occidental Petroleum, Chevron, ExxonMobil, Microsoft, Unisys, Kimberly Clark, Johnson and Johnson, Goodyear, Kraft, 3M, Pfizer, Baxter, Corning, Marriott, and Sonesta Collection Hotels.

The next few years will bring greater investment in infrastructure projects ranging from roads (US\$ 17 billion allocated over the next five years), airport modernization, and port construction and expansion. New FDI will begin to be reflected in major hotel and infrastructure (highway, mass transportation, ports and airport) projects. *

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Investment Opportunities

Install service or assets companies required for the offshore industry

- The offshore resources would multiply oil reserves by six in the country, meanwhile, gas reserves would tripled. (ANH)
- Currently, there are 23 exploration blocks. According to the results of the Round Colombia 2014 five blocks were awarded. (ANH).

Develop the potential of unconventional resources

- Colombia is the third country in South America with the greatest potential in shale gas and liquefied petroleum gas (LPG) after Brazil and Argentina. (ANH)
- 24 blocks awarded in Round Colombia 2012 and 2014.

Install service or assets companies required in the exploration and production of hydrocarbons and services in Upstream

- Oil production increased 91.5% over the last 10 years (2005-2015). In 2015, 1,007 thousand barrels per day (KBD) were achieved. (BP Statistical Review of World Energy)
- It is estimated that the proven oil reserves in Colombia will reach 2.479,8 billion barrels in 2018. (Business Monitor Internacional).

Install service or assets companies required in transportation, storage and refining, Midstream and Downstream services

- It is estimated that Ocesa and other lines extensions allows the system to reach an average of 1.2 million barrels per day transported.*

Success Stories

Companies that have invested in Colombia in the sector of oil goods and services:

Jereh (China): the group of companies specializing in services for the oil industry, established new strategic partnerships with Colombian companies to expand its coverage in the domestic market.

Estrella International Energy Services (Canada): the Canadian signed an agreement to acquire all of the shares of SAI Colombia. Estrella took control of 37% of oil platforms in the Colombian market and became the largest operator of holes in the country.

Halliburton (United States): the company arrived to Colombia in 1943. They offer general provision of services for the oil industry and develop several projects related with and supporting the oil sector process.

Emsa (Peru): the Peruvian company, leader in fixed and temporary building solutions, has developed projects in temporary housing and other infrastructure for the oil and mining sector.*

A new Future...

Colombia's Ecopetrol, Anadarko makes the biggest gas finding in 28 years

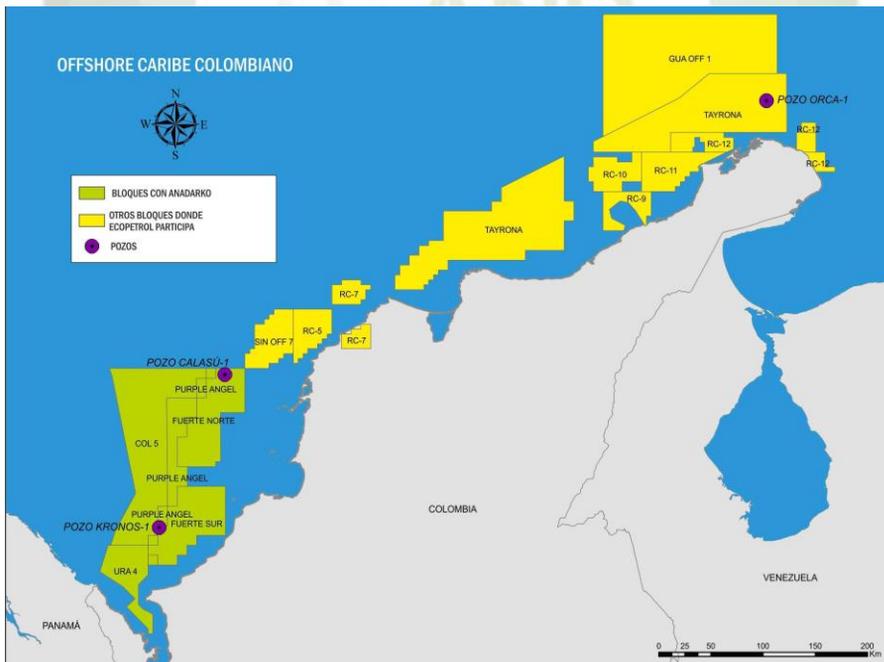
Ecopetrol (The Colombian state oil company) said on May 3, 2017 it has discovered gas at an exploratory well it shares with U.S.-based Anadarko Petroleum Corp in deep waters in the Caribbean Sea, creating the possibility of developing a production cluster.

The discovery was made in areas located between 3,675 and 4,415 meters below sea level in the south Caribbean Sea, close to the Kronos-1 and Purple Angel-1 wells in adjacent blocks.

The Colombian President Juan Manuel Santos said it was the biggest gas find in Colombia in 28 years and will allow the Andean nation to be energy self-sufficient for the coming decades. This discovery allows us to further expand the Colombian market for natural gas, an economic and environmentally friendly fuel

The presence of a set of gas fields in the area opens the possibility for Colombia to develop a cluster specialized in gas production, which would allow sharing of facilities and improve the profitability and efficiency of the projects.

It is important to know, Ecopetrol is among the top four oil companies in Latin America, with operations in Colombia, Brazil, Peru, and the United States in the Gulf of Mexico.*



*<http://www.reuters.com/article/us-colombia-ecopetrol-idUSKBN17Z1K9>

Latest Updates And Key Forecasts

Operating headwinds will subside over the coming year following Congressional approval of Colombia's revised peace accord with the Revolutionary Armed Forces of Colombia (FARC) on November 23. With the FARC responsible for the majority of pipeline attacks in recent years, this will reduce the risk of these incidents, limiting a key headwind to growth within the sector.

Exploration activity will increase in Colombia over 2017, with much of the investment directed offshore.

Ecopetrol will lead the charge, having recalibrated its spending to focus in deepwater acreage.

Ecopetrol will remain focused on improving project economics, particularly with respect to drilling and lifting costs.

Headline Forecasts (Colombia 2015-2021)

	2015e	2016e	2017f	2018f	2019f	2020f	2021f
Crude, NGPL & other liquids prod, 000b/d	1,026.5	911.4	874.6	859.9	858.1	863.0	875.4
Refined products production, 000b/d	341.3	381.9	394.5	399.5	404.7	410.1	413.1
Refined products consumption & ethanol, 000b/d	345.3	352.9	362.6	375.9	390.5	405.9	419.7
Dry natural gas production, bcm	9.8	9.4	9.1	9.0	9.0	9.0	9.1
Dry natural gas consumption, bcm	10.5	10.9	11.1	11.2	11.4	11.6	11.8
Brent, USD/bbl	53.60	45.13	57.00	60.00	64.00	67.00	70.00

e/f = BMI estimate/forecast. Source: ANH, EIA, BMI

Colombian real GDP growth will accelerate modestly in 2017, as higher oil prices bolster exports and falling inflation supports consumption. Growth will remain structurally lower than in years past as the economy diversifies and as the benefits of infrastructure and public works investments take time to manifest.

The start-up of Colombia's first liquefied natural gas (LNG) import facility in November underscores the country's gradual shift toward net import status. Having exported supplies to Venezuela via pipeline for nearly a decade, Colombia is now poorly positioned to do so from waning domestic supplies and rising consumer demand.

Exports from Colombia surged 37.9 percent year-on-year to USD 3.21 billion in March of 2017, quickening from a 15.8 percent rise in the previous month. Sales were boosted by fuels and mining products (56.6 percent vs 40.5 percent in February), manufacturing (8.1 percent vs -10.2 percent) and agricultural goods, food and beverages (29.2 percent vs -10.6 percent).

Colombia exported 16.2 million barrels of oil in March. The Exports in Colombia averaged 1 USD Billion from 1958 until 2017, reaching an all time high of 5.71 USD Billion in March of 2012 and a record low of 0.02 USD Billion in December of 1963

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Outlook for 2017

Overall, there are reasons to be positive

- Supply and demand imbalances seem to be tightening.
- Most outlooks call for supply and demand equilibrium by early 2017.
- OPEC has announced production cuts.
- Global and US oil demand continues to show moderate but steady growth.
- More US LNG export capacity is expected to hit the market.
- Oil companies have learned how to operate in a lower price environment, returning to a healthier focus on capital and operating cost discipline. Not so positives
- Iran could actually bring more production on line.
- US production could begin to ramp back up following the rig count upturn.
- Massive crude oil and refined product inventories have been built up during this downturn that may take time to go down even when demand exceeds supply.
- Confidence in big capital projects will likely take more time to reestablish, in deep-water plays and the oil sands for example. *

Simple Facts

1. The world needs a significant amount of energy.
2. Although renewables are growing rapidly (and most think that is a good thing), fossil fuels should be very important to the energy mix for a long time (note my very specific prediction here).
3. Low cost suppliers can be fine for a very long time.
4. Long-term thinking and investment horizons will likely be needed