

ELANBiz Infocard Invest in Colombia

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Foreign investment in Colombia

Colombia promotes foreign direct investment (FDI) in most economic sectors and has been the third largest recipient of FDI in Latin America during 2016, after Brazil and Mexico, according to the latest ECLAC report. The country's macroeconomic stability and its proximity to a large regional market are attractive factors for foreign investors. Likewise, the Government of Colombia has prioritized structural reforms to improve competitiveness and encourage foreign participation.

With the approval of Law 9 of 1991 (foreign exchange framework) new foreign exchange and investments regimes entered into force. Three fundamental principles were established, equality to provide equal treatment to both domestic investors and overseas; universality allows FDI in any economic activity except for some sectors considered strategic¹; and automaticity, a principle foreseen as a general rule that FDI in Colombia does not require prior authorization with the exception of some activities.

The only requirement is the obligation to register foreign investment with the Bank of the Republic in order to ensure free transfer of capital and profits derived from investment. Registration of investment is now automatic for investments made by a contribution of foreign currency.

¹ In accordance with Colombia 's legislation, foreign investments are allowed in all sectors of the economy except activities of national defense and security and in the processing and disposal of toxic, hazardous or radioactive waste not produced in the country. Additionally, there are restrictions on foreign investment in radio and television sectors and artisanal fishing (obligation to have a Colombian partner)

According to the latest ranking of the “Doing Business” Worldbank publication, Colombia appears in the 59th position worldwide and ranks fourth in Latin America, after Mexico, Chile and Peru.

Area	Ranking
Starting a business	96
Dealing with construction permits	81
Getting electricity	81
Registering property	60
Getting credit	2
Protecting minority investors	16
Paying taxes	142
Trading across borders	125
Enforcing contracts	177
Resolving insolvency	33

Source: Worldbank, <http://www.doingbusiness.org/rankings>

Investment opportunities

FDI in Colombia is concentrated in major cities and surrounding areas: Bogota, Medellin, Cali, Barranquilla and Cartagena. Historically, mining and oil sector have been the main recipients of foreign investment with a 50% share. However, other sectors are attractive for foreign investment, such as business process outsourcing (BPO), software and IT services, cosmetics, health services export, textile, energy, infrastructure, food processing and tourism. In relation to infrastructure, the highway program Fourth Generation held by the Santos government with an approximately 25 billion USD\$ aims to improve the country's competitiveness by lowering logistics costs of transport charging from the point of production to export ports. This major road infrastructure program involves the construction and operation of more than 8,000 km of roads.

FDI received by Colombia between-2010-2016 (Million US\$)		
Sector	FDI, US\$	Share of the total
Oil	27.700	29%
Mining and quarrying	11.500	12%
Manufacturing	12.900	13%
Financial	11.600	12%
Hotels and restaurants	8.800	9%
Transport and communications	7.900	8%
Construction	3.500	3,7%
Electricity – gas	5.700	6%

Source: Bank of the Republic

Main investors

The United States, Switzerland, the United Kingdom and Spain are the main investors in Colombia. China's role as an investor remains negligible in the country, with a participation of 0,004% in 2016. With an investment of 3.911 million USD\$, representing 28% of the total investment, the European Union as a whole remained the first foreign investor in 2016, before the United States (2,111 million USD and 15% of the total).

Main investors in Colombia between 2010-2016 (Million US\$)		
Country	Cumulative FDI	Share of total FDI
United States	15.483	16%
United Kingdom	7.754	8%
Spain	7.822	8, %
Switzerland	8.459	9%
Chile	4.644	5%
Mexico	2.753	3%
Canada	4.038	4%
France	1.673	1,7%
Brazil	1.088	1,1%
Holland	2.208	2,3%
Germany	980	1%

Source: Balance of payments - Banco de la República

Overall, cumulative FDI from the European Union in the 2010-2016 period, was superior to USD 21.500 Million US\$, representing 23% of total FDI.²

Colombia has subscribed many agreements for the promotion and reciprocal protection of investments. Regarding the EU countries, only Spain (since 2007) and the UK (since 2014) have an agreement for the promotion and reciprocal protection of investments in force with Colombia. The agreement between Colombia and France was signed in July 2014 but has not been ratified yet.

European Investment and Trade Agreement between the EU and Colombia

The general rule is the commitment of the parties to grant establishments and investors listed in the Agreement (Annex VII for the commitments regarding establishments, Annex VIII for commitments regarding cross border services), a no less favorable treatment than that accorded to their own establishments and investors. The parties undertake to promote an attractive and stable environment for reciprocal investment.

²²See foreign investment report 2014: <http://www.procolombia.co/node/1541>

The Agreement provides both parties investors with relevant opportunities in a wide range of areas, including manufacturing, services, industries, and energy production. On the other hand, it provides market access for cross – border services and ensures the establishment in key focus areas such as financial services, maritime, transport and distribution and telecommunications services.

The Agreement contains a specific chapter in which the parties commit to facilitate temporary stay in their territories of short term business visitors as well as service providers who have been contracted to provide a service in the European Union to a final consumer (architecture, engineering, medical services, research and design, market research, trade fairs, tourism). Likewise and under the Agreement, parties accept to liberalize current payments and capital movements, which will be beneficial for free movement of services, investments and establishments.

Links of interest

- **Procolombia:** Government agency in charge of promoting Colombian exports and attracting FDI to Colombia. Procolombia has an extensive network of offices in the EU and a web site with contents available in English, French, Spanish. It provides information for European SMEs interested in this market.
<http://www.procolombia.co>
- **Invest in Bogotá:** The agency promoting foreign investment in Bogota is an initiative of the Bogota Chamber of Commerce and the Capital District. The mission of Invest in Bogota is to support investors that are exploring opportunities in Bogota. The agency offers free of charge services in complete confidentiality to every stage of the investment process.
<http://es.investinbogota.org/>
- **ANDI: National Business Association of Colombia (Asociación Nacional de Empresarios de Colombia):**
<http://www.andi.com.co/QuiSom/Paginas/Default.aspx>
- **Law 9of 1991:**<http://www.banrep.gov.co/es/node/26738>
- **Bank of the Republic, form N 4 for foreign investment registration:**
http://www.banrep.gov.co/sites/default/files/reglamentacion/archivos/DCI_N_Formulario4.pdf
- **Text of the Trade Agreement between European Union and Colombia/Peru:**
<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2012:354:TOC>
(In this web site, you can get the official translation of the Trade Agreement in all the languages of the European Union).

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