

COLOMBIA

Reinventing for a global audience

The South American republic has made huge strides to become a safe bet for investors.



For three decades, Colombia has been blighted by an image problem, yet as closer onlookers have discovered, the country's performance in recent years has been nothing short of outstanding. A fiercely business-friendly government led by second-term President Alvaro Uribe, coupled with tough measures to stamp out drug-related crime and guerrilla warfare, has seen the Latin American nation transform into a competitive business destination.

Economic growth has averaged 4% a year in the last five years and exports have tripled. The international crisis seems to be making little impact on the country's development, perhaps because, as María Elvira Pombo, president of investment agency Proexport, observes: "Colombia has a PhD in overcoming frustrations."

Keen to dispel what Pombo regards as "the gap between people's perceptions of Colombia and the reality," the investment specialist points out how cash flows have risen from U.S.\$2 billion in 2002 to a staggering U.S.\$10 billion this year, while foreign visitor numbers have doubled since 2005.

"We now want to continue aggressively promoting our country in markets where we believe the psychological part of the crisis is solved," Pombo says.

Colombia offers a diverse range of opportunities where investments in particular sectors will attract government support, Pombo explains.

"We have tax benefits over a 30-year term for projects related to hotels and theme parks, for example, and full tax exemption in the area of bio-fuels, forest projects, and long-term crops."

With a population of 46.7 million (UN, 2008), Colombia boasts some of the most beautiful cities and regions on the continent, each one building upon its specific competitive advantages to contribute to the overall economic success story. Medellín, once the home of the most feared drugs cartel in the world, is now a vibrant, modern, and

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Christian Daes, President, Tecnoglass



safe city, thanks to the work of its most recent mayors Sergio Fajardo and Alonso Salazar. Social inequalities are being addressed and the mood in Colombia's second-largest city is now one of confidence.

Medellín is largely defined by its powerful entrepreneurial "cluster community," representing electricity, construction, textiles, business tourism, and health services. The next step will be to create an education and knowledge cluster, with which Medellín expects

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to become an innovation and entrepreneurship capital. Some of the country's largest companies already have their bases there, including Empresas Públicas de Medellín, Bancolombia, Nacional de Chocolates, Almacenes Éxito, and Cementos Argos S.A, one of Colombia's main cement exporters, which also has offices in Texas and southeast U.S. Medellín contributes around 8% to Colombia's gross domestic product.

Medellín offers beautiful colonial architecture and a temperate climate, with rejuvenated neighborhoods that feature art museums and parks. Construction projects taking place across the city include shopping malls, casinos, and luxury hotels. "Medellín is now a city that stands up to the world, where it is more than possible to do business, where there are strong competitive advantages, and where the private sector will find the government an indispensable ally in their search for development," says Alonso Salazar, Mayor of Medellín.

The country's capital, Bogotá, with around 8.2 million inhabitants and already a thriving financial and service center, now boasts a highly sophisticated health sector too. Ciudadela Salud S.A. is a unique health-care model based on the principles of dignity, awareness and trust for patients and physicians that has been developed by Dr. Tito Arcadios Perilla. With a state-of-the-art hospital and medical center due to open in December this year, Ciudadela Salud will make the most of the free-zone status it operates within to create a fully self-sufficient medical services zone comprising around 14 health-related product manufacturing industries, the hospital, and several service corporations. "A project of this magnitude requires no less than five or six years to be developed, and a very high capital investment of around U.S.\$500 million," Dr. Perilla explains.



Salvajina reservoir and hydroelectric center operated by EPSA.

His vision to reestablish proper care to patients is paramount. "Our hospital will be a highly efficient and competitive institution endowed with cutting-edge technology and capacity. The specific attributes of our qualified staff and the characteristics contained in our model will allow us to provide the best care with a warm and personal service. Our costs are estimated to be 50% lower than any other hospital in the world."

With its two coastlines, Colombia has the most competitive ports in the region, each offering a 50% tax break on sales to the local market. Many export-oriented companies have relocated to the coast to take advantage of active naval routes, the proximity to North and Central America, and preferential trade agreements which offer a potential market of more than 1.2 billion customers.

The three ports—Cartagena, Barranquilla, and Santa Marta—are located less than 150 kms from each other. Barranquilla in particular is a bustling industrial and export hub that features several metallurgical, energy, and manufacturing companies, including Tecnoglass, a quality flat glass manufacturer that has expanded its activities across several parts of the U.S. and can count NASA among its clients. The company, a champion of social development in the area, enjoys many advantages from its location in Barranquilla.

"The Atlantic coast is naturally privileged to be able to serve neighboring markets such as Venezuela, Panama, all of the Caribbean, Miami, and Houston," says Tecnoglass president, Christian Daes. "It is endowed with sufficient infrastructure to provide all types of services required by the industry. The people here are also very hardworking and are driving the local economy. I see a very promising future for this coast, and for Colombia as a whole."

On the Pacific side, the city of Cali has become an important manufacturing and energy base. Energy company EPSA was recently taken over by Spain's Unión Fenosa, which is now running power generation and distribution facilities across the country. It's a prime example of how Colombia is benefiting from foreign direct investment. "This will be a very positive year for us and we are confident we will accomplish excellent results," says Unión Fenosa boss Víctor Manuel Cruz Vega. "Colombia can experience very significant growth, even more than we have seen in recent years. We expect to be there to provide all the investment needed to facilitate the business development that is needed in this zone."

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