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Colombia - Market Overview

Discusses key economic indicators and trade statistics, which countries are dominant in the market, the U.S. market share, the political situation if relevant, the top reasons why U.S. companies should consider exporting to this country, and other issues that affect trade, e.g., terrorism, currency devaluations, trade agreements.

Last Published: *6/22/2016*

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 the United States, Europe, Asia and the rest of Latin America. Since the implementation of the U.S.-Colombia Free Trade Agreement (FTA) on May 15, 2012, U.S. exports to Colombia have increased 15% although trade slowed in 2015 due to low oil prices and a devaluation of the Colombian peso.

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.

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 and 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 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, distributer, or representative) to cover the whole country.

Coal mining and oil and gas exploration/production are the principal areas of U.S. foreign direct 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.

The Colombian government has implemented bilateral or multilateral trade agreements with most countries in North, Central, and South America, including the United States and Canada. The European Union ratified a Free Trade Agreement with Colombia in December 2012, which entered into force in August 2013. FTAs with South Korea, Costa Rica, Panama, and Israel have been signed but have not entered into force. Entry into force of the trade agreement with South Korea was expected during 2015 but is still pending.

The trade agreement with the Pacific Alliance (Colombia, Chile, Mexico and Peru) entered into force in May 2016. Colombia has also ongoing FTA negotiations with Japan and Turkey.

The U.S.-Colombia FTA entered into force on May 15, 2012, and immediately eliminated import tariffs on 80% of U.S. exports of consumer and industrial products to Colombia with remaining tariffs to be phased out over one to 10 years. Other provisions included strong protection for U.S. investors (legal stability), expanded access to service markets, greater intellectual property rights protection, market access for remanufactured goods, increased transparency and improved dispute settlement mechanisms (arbitration).

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