

Commitment to Colombia

An Interview with The Honorable José Manuel Restrepo, Minister of Commerce, Industry and Tourism, Republic of Colombia

EDITORS' NOTE *José Manuel Restrepo served as rector of the Universidad del Rosario and, also, of Colegio de Estudios Superiores de Administración (CESA). Previously, he had held the rectory of the Business Foundation of the Bogota Chamber of Commerce. Restrepo has also held the position of Manager of Financial Planning and Budget at Fonade. He belonged to the Institutional Chamber of the National Council for Quality Assurance in Higher Education of the Ministry of National Education. He has also served as a business consultant, as well as an adviser on quality issues and accreditation of higher education institutions. Restrepo was a professor of macroeconomics, microeconomics, economics introduction and planning and management control on the faculties of Economics, Jurisprudence, Business Administration and in the postgraduate course in Finance at the Universidad del Rosario. He is the author of a significant number of publications including books, meritorious dissertations, and research drafts and academic articles published nationally and internationally. He has also been a columnist for the newspapers El Nuevo Siglo and El Espectador. Restrepo became an economist and finance specialist at the Universidad del Rosario, earned a master's in economics from the London School of Economics, studied senior management at INALDE and earned a doctorate degree in management of higher education institutions from Bath University.*



José Manuel Restrepo

responsibly and committed to health and economic reactivation that allows the country to capitalize on 50 years of economic growth to overcome the current crisis.

Colombia has a developed technological ecosystem with the necessary standards for the “new” normality in the post-COVID-19 recovery. The dynamism of its economy will allow the country to continue to have outstanding indicators, despite the global economic impact caused by the pandemic. We are the Latin American

country that has made the largest investments according to the percentage corresponding to its GDP as a measure to mitigate the effects of the pandemic.

Before the pandemic, Colombia already stood out due to its sustained economic growth of the last 50 years. In 2019, Colombia's GDP grew above the average of Latin America and the Caribbean; while the country grew 3.3 percent, the region grew 0.1 percent. The IMF, World Bank and ECLAC estimate that the Colombian economy will be one of the least contracted in 2020 in Latin America. In fact, according to the IMF and World Bank, the estimated growth of the Colombian economy in 2021 will be between 3.6 percent and 4.0 percent. Meanwhile, inflation levels will remain low at 1.5 percent. Notwithstanding the positive performance, the government has prioritized foreign direct investment as a fundamental key to bolster economic recovery.

“Commitment to Colombia” is our government's strategy to reactivate trade, investment and tourism. The strategy focuses on the search for investment in efficiency and is based on three pillars. The first pillar presents new facilitation tools like a one-stop shop and what we call the Red-Carpet Strategy, thoughtfully crafted to provide investors with timely and effective attention and solutions. The second pillar focuses on identifying nearshoring opportunities. We call this point “importing exporters,” taking advantage of Colombia's value proposition to attract companies that are looking to relocate or reorganize their supply chains. The third pillar is the adoption of sectoral and regional strategic measures to reactivate the business ecosystems through private equity funds by attracting sustainable investments, special large-scale tourism projects, and adapting and simplifying export requirements and processes. We are confident that with these measures in place and our value proposition, we will continue to boost foreign direct investment in the country.

What do you tell foreign investors about the opportunities for investment in Colombia and are these opportunities well-understood globally?

Global value chains are being shortened due to the pandemic which means that large multinationals are looking for suppliers closer to their consumers. As international companies diversify their regional chains, Colombia is consolidating as an ideal “nearshoring” destination for its position and

How is Colombia addressing the global pandemic and will you discuss the current investment environment in Colombia during the COVID-19 pandemic?

Colombia is a resilient country; we have identified long-term opportunities in the midst of this situation. Today, we are more than ever committed to our entrepreneurs and investors. With the necessary precautions, we will keep our projects moving forward.

For the last decade, the Colombian economy has been growing at a continuous and accelerated rate, but COVID-19 will surely impact this trend. The current outlook estimates that, among the countries in the region, Colombia will present the smallest decrease in its GDP growth. Our government has acted

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export platform. We are certain to be a world-class supplier and a regional leader for the arrival of Foreign Direct Investment (FDI). In effect, this makes it possible to eliminate trade and fiscal uncertainty in China, maintaining advantages in production and profitability, competitiveness and reducing risks in the supply chain.

Colombia is not only a strategic point for regional supply, it also has different development hubs and a number of regions that drive the economy and provides unique opportunities for investors including various land use, agricultural and industrial markets, entrepreneurial ecosystems, high-quality human talent, and strategic geographical positions.

Colombia has great connectivity: over 45 hundred sea export routes and access to 680 ports around the world, and 123 direct international flights connecting it to major hubs all over the world. Bogotá’s El Dorado Airport is the third airport by passenger movement and the first by cargo movement in Latin America. The airport is less than six hours by plane to the main cities in the Americas. We are among the most competitive in the region for advanced manufacturing in terms of access and cost of skilled labor. Our attractive free trade zone regime offers the best package of trade and investment benefits in the region. The country has agreements that allow entry to 97 percent of the continent’s economies. In total, the country has 16 trade agreements that allows it preferential access to more than 60 countries and 1.5 billion consumers around the world. Thanks to these agreements, Colombia has privileged access to the largest markets on the continent.

The U.S.-Colombia FTA has very flexible rules of origin, 0 percent duty on many products and no minimum wage requirement in the manufacturing process. The strong alliance between Colombia and the United States helps protect U.S. investments for the long run in our country.

Colombia’s advantages include stability of its relations with other markets, its logistical competitiveness in freight and export times, its recent entry into the OECD, and its standards of protection of intellectual property. Our government is committed to the development of private activity. We have identified the following sectors as potential for nearshoring operations:

Automotive: auto parts, metalwork, construction materials (window accessories)

Fashion system; PPE products; textiles, clothing and garments

Chemicals: plastics, packaging, health sector, agro-chemicals.

Colombia is ready to address the relocation challenge. Since multinationals are looking for efficiency towards “resilient” value chains in which the production and supply are located closer to the final consumer, Colombia’s strategic geographic location offers a constant and varied supply. We offer an ideal position as a platform to diversify production and mitigate risks in the supply chain in this context.

How do you address the concerns of foreign investors about the stability and security for investment in Colombia?

Colombia has stood out for its political stability and solid institutions which have made it one of the most politically stable markets in Latin America. The government of President Iván Duque has been committed to the continued development of private businesses and the implementation of the best economic and social practices to attract investment in Colombia which made it possible for the country to join the Organization for Economic Cooperation and Development in 2020. Thanks to a remarkable progress made in competitiveness and new fiscal policies developed over the last year, Colombia has investment-grade ratings from the three most important risk rating agencies in the world.

Colombia offers legal security and investment guarantees with clear rules and fair treatment for investors. In our relationship with international investors, and through the Ministry of Commerce, Industry and Tourism, as well as ProColombia and the Colombian Embassies, we provide investors with information and personalized assistance in their investment processes.

The National Government has strengthened its efforts throughout the country to guarantee the safety of Colombians and foreign visitors and investors, not only in terms of public order and security, but also in promoting biosecurity protocols throughout the country to ensure the protection of life, mitigate the effects of the pandemic and protect the economy. Colombia will continue to be an attractive and reliable destination. We continue to promote Colombia as a business, investment and tourism destination.

The Ministry has created programs focused on the creative and services industries. Will you highlight these programs and what you see as their impact for the Colombian economy?

The Ministry of Commerce, Industry and Tourism has given special attention to the creative and services industries as they have proven to be crucial to create jobs and increase exports of value-added goods and different kinds of services. The National Government has recognized the Orange Economy as a development model in which cultural diversity and creativity are pillars of social and economic transformation of the country, and to that extent it has been a priority defined in the PND: Pact for Colombia, Pact for Equity (Colombia’s national development plan) to promote conditions that generate decent employment in the cultural sector, support the appearance of new creative ideas and innovative products, strengthen ancestral knowledge, cultural heritage practices and the transmission of traditional knowledge.

Alongside the implementation of this productive commitment, the Ministry has concentrated efforts in developing an ecosystem that promotes the private sector, the generation of an entrepreneurial culture, the consolidation of local markets, internationalization, the creation of chains and associativity in the cultural and creative sectors nationwide. In this order, of the more than 60 programs available for cultural and creative sectors, about 35 are from the CIT sector and address the different needs of entrepreneurs. For example:

- Recognizing the importance of improving access to funding for cultural and creative sectors, Bancoldex created the Orange Bonds in 2018. The resources obtained as a result of this issuance were focused on financing or refinancing, with credit, the activities and projects of companies linked to the Orange Economy. This issue was the first of its kind worldwide and achieved a total placement of \$400,000 million COP through 103 investors. Likewise, it allowed the financing of 3,119 entrepreneurs from the creative and cultural sectors.
- In these past two years of government, more than 700 Colombian companies have participated in commercial activities, wheels, business macro wheels and commercial missions with the support

- of ProColombia. Currently, more than 83 investment opportunities in audiovisuals, software, apps, and video games are being monitored in the regions of North America, Europe, Latin America and Asia, helping the internationalization of the creative and cultural sectors.
- In the past two years of government, export business worth \$434 million has been generated, carried out by 371 Orange entrepreneurs in the Audiovisual and Digital Content and Software and IT Services sectors.
 - Regarding foreign direct investment, 24 investors reported the start of 24 projects in the country in sectors such as Software, IT Services, Audiovisual and Digital Content, for a value of \$195 million.
 - Throughout the current government, iNNpulsa Colombia has implemented different actions aimed for strengthening the Orange Economy in the country. The instruments being implemented are a response to the main needs identified in order to boost and reactivate the economic growth and sustainability of the sector.
 - iNNpulsa Colombia has benefited 457 entrepreneurs of the Orange Economy, of which 373 participate in the programs Mega i Naranja, Capital Naranja, Acelera Región and Aldea Naranja. Through the latter, 236 entrepreneurs are being positively impacted through specialized consulting with an approximate investment of \$6.800 million COP.
 - iNNpulsa Colombia, in alliance with the Ministry of Culture and the Ministry of Commerce, Industry and Tourism, carried out in 2019 six Orange business matchmaking events (Pereira, Villavicencio, Monteria, Barranquilla, Armenia and Valledupar) with 541 companies involved and business expectations of more than \$16,000 million COP. Additionally, in 2020 the first two virtual business matchmaking events were held which generated approximately 500 business appointments amongst the participants.
 - Colombia 4.0 and Heroes Fest were combined to bring the digital creative industries and entrepreneurship to the region. Four festivals were held (Yopal, Bogotá, Barranquilla and Pereira) with an attendance of more than 32,000 people. As well, in 2020 Heroes Fest Digital, Game Changers - Heroes Fest was held, with the attendance of more than 16,000 people.
 - Between 2019 and 2020, iNNpulsa Colombia carried out the mapping of Orange regional productive initiatives, directly related to ICTs, and the definition of roadmaps for the cluster initiatives identified in the departments of Atlántico (tourism), Bolívar (tourism), Caldas (marketing and advertising services), Santander (corporate ICTs), Valle del Cauca (tourism) and Córdoba (tourism).

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- iNNpulsa Colombia in 2020 launched two new programs to support the Orange Economy. First, Crea Sonidos Pacífico, in alliance with Fundación Barco, which seeks to promote and strengthen 20 projects to turn them into creative ventures in the Colombian Pacific, focused mainly on musical activities. Secondly, Escalamiento Creativo, which aims to identify challenges of Orange business organizations to generate new business models through processes of open innovation, collaborative innovation and business support.
- Colombia Productiva applied the Orange productive linkages program, Encadenamientos Productivos Naranja, which aimed to link the country's traditional industry with the creative and cultural industry. It had the participation of 110 companies (49 from traditional sectors and 61 from the creative and cultural industry) in seven departments of Colombia (Antioquia, Atlántico, Caldas, Bolívar, Santander, Valle del Cauca and Cundinamarca). As a result, 42 productive linkages and 42 new business models were created, granting sophistication to the products and services of these companies, allowing access to new markets. Fifty-seven percent of the productive linkages were generated with companies in the functional creations, new media, and content software subsector. Three out of ten productive linkages were made with companies in the Cultural Industries subsector. Eighteen percent of the effective linkages were generated with companies from the Arts and Heritage subsector. Data reflects the potential of the creative and cultural industry and the traditional industry when they work together.
- Since August 2019, the current government signed 22 sector pacts (Pactos para el crecimiento y el empleo) with the most relevant business associations of the industry to close the gaps that affect competitiveness and productivity. There are specific deals for services industries and for the Orange Economy.
- For service industries, Colombia Productiva

has also deployed a comprehensive set of initiatives to fill the gaps between human capital development, productivity, innovation and quality standards in order to make Colombian companies more competitive for the global market. For instance, Colombia Productiva signed an alliance with SENA (national training service institution) to encourage innovation and technological development in all sectors of the economy through SENA Innova, a program that provides nearly \$6.8 million funds to 127 companies with at least 73 of them from the services industries. The results of this program will be available in June 2022.

- Colombia Productiva has also been working to achieve a true digital economy and industries 4.0, looking forward to encouraging connections between companies of tech-offer and their potential clients, strengthening the companies with tech-solutions and IT services. With this in mind, Colombia Productiva has SOFISTICA, a program developed in agreement with the Ministry of ICT to provide around \$5 million in funds for public and private projects aimed to lead the adoption of key technologies such as IA, IoT, Big Data or blockchain.
- Colombia Productiva, through the Ministry of Commerce, signed a loan with the Inter-American Development Bank (IDB) for the “Program to Support Diversification and Internationalization of the Colombian Economy,” with the objective of boosting the country's economic growth. The program accounts for \$24 million and one of its components is “Export Promotion of Knowledge-Based Services (KBS)”, that seeks to boost external sales of prioritized KBS sectors like audio-visual, advertising and marketing, digital animation and video games, publishing and graphics services, software and apps and value-added BPO services, among others. Colombia Productiva oversees three programs within this component that will provide technical assistance or project funding for at least 260 KBS companies. ●