



# EMBAJADA DE COLOMBIA

## WAYS OF EXPANDING AUSTRALIA'S TRADE AND INVESTMENT RELATIONS WITH LATIN AMERICA (Colombia)

Submission presented to the Trade Sub-Committee of the Joint Standing Committee on  
Foreign Affairs, Defence and Trade

The Embassy of Colombia has accepted the invitation by the Trade Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade to make a submission on ways of expanding Australia's trade and investment relations with Latin America. In this presentation, the Embassy is going to address three aspects:

- 1) The current situation of trade and investment between Colombia and Australia with brief references to the situation between Colombia and the rest of the world.
- 2) The future trends and opportunities existing for Australia in different fields
- 3) Ways of improving these opportunities.

The figures and statistics referred to in this document have been compiled from reliable governmental sources.

### **1. Trade and Investment – current situation**

**Exports** from Colombia to Australia have had a variable behaviour between 2004 and 2007. Decrease between 2004 and 2006 and a slight increase between 2006 and 2007 are the main characteristics.

US\$21.1 million in 2004  
US\$17.2 million in 2005  
US\$16.3 million in 2006  
US\$ 17.1 million in 2007

Traditional exports and agriculture sector are the only ones that have maintained a growing trend during the past 4 years. Traditional exports went from US\$3.2 million in 2004 to US\$8.9 million in 2007, being coffee the most important product.

Agriculture products have good external sales to Australia: from US\$1.9 million in 2004 to US\$3.2 million in 2007. The main products exported were extracts, scents and coffee concentrates and sweet cookies.

The most dynamic sectors between 2006 and 2007 were agriculture, household goods, office, hotels and hospital goods, pharmaceutical and metal-mechanics.

**Imports** from Australia totalled US\$24.5 CIF million in 2006, while in 2007 the value increased to US\$27.2 million (56.4%). In 2006 the main products imported were electric devices (US\$3.2 million). In 2007, the first place was for products within the industrial machinery sector, totalling US\$4.3 million.



# EMBAJADA DE COLOMBIA

Between January and April 2008 imports grew 3.5% with regards to the same period in 2007 registering a CIF value of US\$7.1 million.

The balance of trade with Australia had a deficit of US\$8.2 million in 2006, US\$10.2 million in 2007 and US\$0.5 million between January and April 2008.

Although the figures show that trade is not fully developed, especially when compared with trade between Australia and other countries in South America, we are optimistic. There are plenty of opportunities for bilateral trade to grow. Australia might benefit from the FTAs Colombia has already signed within the region, and could consider the possibility of starting negotiations of a FTA with Colombia. The Government is very keen to hear the Australian counterpart.

## **Foreign Investment**

Australian investment in South America has been mainly directed to Brazil, Argentina and Chile. In 2007, Australia's investment in Colombia totalled 0.2% of the investment without oil and without reinvestment of profits received by our country (USD 7.1 million). This figures positioned Australia 23<sup>rd</sup> in terms of foreign capital and most of the investment went to the industrial sector (84%), followed by Real Estate (11%).

For 2006, the Australian companies with the biggest profit were concentrated in natural resources extraction (mining, oil and gas), financial activities and information technology. Any of these are present in Latin American countries, being the most preferred Brazil, Mexico and Chile.

Australian investment in Colombia was not too significant between 1994 and 2001 (US\$0.1 million average), but from 2002 a good dynamics has been shown and it is expected to be maintained during the next years. Between 2002 and 2007, the Australian investment has totalled US\$4.4 million in average with a yearly average growth over 100%.

Australian companies started to realise the potential, the seriousness and strength of the legal framework and are already investing in Colombia in such sectors as oil, mines and quarries (Baraka Petroleum, Rio Tinto and BHP), Finances (QBE Insurance group) and agrochemical and petrochemical.

## **2. Opportunities**

In terms of trade, Proexport Colombia has identified two types of opportunities: short term opportunities (products already being exported to Australia) and medium term opportunities (not being exported to Australia but to other similar markets).

### **Short Term**

Short term products are those with positive or stable dynamics in exports to Australia from Colombia and Latin America; and where Colombia is ranked 3<sup>rd</sup> among the main Latin American suppliers to that market; and additionally, are being successfully exported to Europe. These are shown in the table below.



# EMBAJADA DE COLOMBIA

HS CODE	PRODUCT	EXPORT QUANTITY		EXPORT VALUE (US\$)			EXPORT DYNAMICS			IMPORT VALUE (US\$)		IMPORT DYNAMICS		
		2006	2007	2006	2007	2007/2006	2006	2007	2007/2006	2006	2007	2007/2006	2006	2007
2101	EXTRACTS, SCENTS & COFFEE CONCENTRATE	2	2	0.99	0%	16%	6.32	-5%	BRAZIL	4.16	82.75	54%	62.02	30%
								MEXICO	1.16					
								COLOMBIA	0.99					
1905	BAKERY PASTRY & COOKIES PRODUCTS	3	4	0.86	33%	18%	4.63	105%	MEXICO	2.53	119.87	79%	2.66	20%
								BRAZIL	1.10					
								COLOMBIA	0.86					
4818	PAPER PAPER TOILET TYPE	2	1	0.55	130%	19%	2.95	419%	MEXICO	2.19	106.44	144%	1.29	17%
								COLOMBIA	0.55					
								BRAZIL	0.15					
1704	CANDY PRODUCTS	4	3	0.29	76%	10%	2.85	44%	BRAZIL	1.09	50.60	31%	23.92	16%
								MEXICO	1.05					
								COLOMBIA	0.29					
9401	CHAIRS	-	2	0.21		27%	0.78	212%	BRAZIL	0.28	160.60	-73%	0.24	4%
								MEXICO	0.23					
								COLOMBIA	0.21					
2828	ETHYL-METHYL-CETOXIMA (BUTANONE OXIME)	1	1	0.12	10%	100%	0.12	33%	COLOMBIA	0.12	14.60	7%	3.67	-16%

## Medium Term

The products with medium term opportunities are those having an important place in the group of products exported from Latin America to Australia, which also have a positive export dynamics from Colombia to Europe.

Orthopaedic devices, of which only US\$ 0.03 million were exported from Colombia (artificial teeth and dental prosthesis) while Australian imports from Latin America totalled US\$11.01 million and experienced a growth of 54% in 2006. Colombia already exports this product to similar countries and exports to Europe in 2007 totalled US\$0.7 million.

Tobacco has not been exported by Colombia to Australia but it has to European countries, showing a good pattern during the past years, going from US\$1.8 million in 2006 to US\$7.9 million (331%). On the other hand the Australian imports from Latin America are significant (US\$20 million in 2006 and 2007).



# EMBAJADA DE COLOMBIA

## Services

### Engineering

It is feasible to export consulting engineering services to Australia. However, it is important to make a strategic alliance (consulting or construction firm).

### Software and Call Centres

Off shoring services could be exported (outsourcing services for software development) Web designs, development and content management, mobile solutions, 2D and 3D multimedia like architectural renders, and all sorts of digital entertainment focused to the Latin American community living in Australia.

Regarding the Call Centres, we can undertake campaigns focused on the Latin population in Australia and manage campaigns of Multinational Companies who want to run sales or Customer Care Campaigns in Latin America.

Colombia has prior export experience in this type of service to countries like the United States and the United Kingdom, with exports in 2007 for US\$10 million and US\$0.5 million respectively. Call Centres totalled approximately US\$1 million, mainly servicing the Latin American region.

## Investment

In order of importance, FDI in Colombia is led by Manufacturing (24.6%), Mining (17.3%), Oil (16.5%) and Financial services (14.6%). Transport and Communications represent 11.1% of total FDI.

### Investment in the mining sector

This area deserves a special mention since, as it has been already said, it is the most important item of Australia's interest in Colombia. It is steadily growing and with huge possibilities in exploration and exploitation.

Coal will always be attractive. 90% of the national production is focused in two areas of the country: the provinces of Guajira and Cesar. Besides, Australia's expertise and technological advancements in "green coal" positions it as an ideal player, investor and partner, bearing in mind the huge reserves existing in Colombia.

But on the other hand, there are also proved evidences of other minerals waiting to be extracted: copper, gold, silver, platinum, iron ore and more spread over a vast part of our territory. Canada, South Africa and Switzerland are well aware of that potential. Companies from these three countries represent almost 85% of foreign investment in the field.



# EMBAJADA DE COLOMBIA

Australia's share is only 2.53%. We can mention 8 main projects currently being exploited and other 15 in exploratory stage.

## Infrastructure

In the next few years, Colombia will undertake a profound transformation of its existing infrastructure. Ports and railroads are to be built in order to facilitate the transport of coal and other minerals from the inner part of the country to the Atlantic and Pacific coasts, for the purpose of exporting. There are at least four projects already identified which will go on tender very soon.

Activities such as Petrochemicals and Agrochemicals have demonstrated to have opportunities for Australian companies that have trusted the country; in substances and chemicals manufacturing, Colombia has received an average of US\$39 million between 2001 and 2007. Additionally, Australia has strong companies in the sector such as Orica Limited case, also present in other Latin American countries.

Australia's financial sector is lead by companies with a strong world presence as it is the case of Australia and New Zealand Banking Group and Commonwealth Bank of Australia. This is a highly profitable sector in Colombia and therefore FDI has grown in a sustained way (35% yearly average growth during 2001 – 2007). QBE Insurance Group has proven its trust in the country.

### 3. Activities currently developed

- Visit to Australia by the Minister of Commerce, Industry and Tourism of Colombia, scheduled for December 1st to the 5<sup>th</sup> with the purpose of promoting investment opportunities for Australian companies in Colombia. Invitations are being sent to Colombian companies from different sectors, principally mining, to join the Minister in his trip. PROEXPORT, the Colombian organization in charge of promoting exports, tourism and trade is currently organizing a Forum to be held in Australia, in which the Minister will present the investment opportunities offered by Colombia. The Forum will focus on Value- Added- businesses as agribusiness, agricultural and environmental technology and tourism and investment.
- On September the 12<sup>th</sup>, PROEXPORT and the Australian Embassy in Chile will host an event to show Australian enterprises the opportunities they have in Colombia. The event will take place in Santiago.
- At the request of the Australian Ambassador in Chile, PROEXPORT arranged a meeting between the Trade Deputy Ministers of Australia and Colombia, to be held on September 23<sup>rd</sup> within the frame of a programme put in place by Austrade.



# EMBAJADA DE COLOMBIA

## 4. Ways to improve these opportunities

- Promote, increase and strengthen the contacts between Chambers of Commerce, Industry Groups and investors, through participation in Fairs, exhibitions, and also through virtual collaborative meetings, taking the advantages offered by modern technologies.
- Foster the exchange of information regarding trade and investment opportunities in both regions. To that end, the access to market research reports and statistics of trade and investment could be made available to interested parties in both countries through the existing portals and websites.
- Revise and when possible modify the existing visa procedures for businesspeople and investors with the purpose of facilitating travel.
- Establish interest/working groups between Australian and Colombian business (For example Between Colombia's ANDI and Australia's AIG), farmer's federations, Small Enterprises Associations, with the purpose of identifying their strengths, weaknesses and chances.
- To promote the publication by Embassies in the other country, of brochures and other printed material on How To Do Business (How to Import, How to Export and How to Invest).
- Foster visits to both countries by High Government officials and business leaders for the purpose of increasing investment flows and trade.