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OVERVIEW

BY ELEANOR WRAGG & PETER EDYVEAN

The Birth of a New Colombia

Shaking off its violent past, the Colombia of today is a thriving, open economy with a multitude of opportunities

After half a century of internal conflict, Colombia is emerging as a bastion of hope and development. A near-failed state a decade ago, the Latin American nation has made a roaring comeback, overtaking Argentina to become the region's third-biggest economy.

Two years after talks began in Havana, the Colombian government has made unprecedented advances toward a peace deal with representatives of the FARC guerrilla movement, and there are plenty of promising signs that an era marked by violence is drawing to a close.

"Complete peace is not possible without equality, and the only way of achieving long-term equality is by having a well-educated society," said newly re-elected President Juan Manuel

"Complete peace is not possible without equality"

Juan Manuel Santos
President of Colombia



Expanded relationship

U.S. President Barack Obama meets with Colombia's President Juan Manuel Santos on the sidelines of the Summit of the Americas on April 11, 2015 in Panama City. The meeting came in the wake of the appointment in February of special envoy for

the Colombian peace process Bernie Aronson. Although discussions focused on ongoing peace talks in Colombia, the

two countries have begun to shift the primary focus of their ties from security concerns to economic matters.

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Santos in August 2014, as he announced a plan to have the region's best-educated population by 2025 as well as a fresh boost to the country's technology sector and infrastructure. Solid economic management has transformed Colombia into

Latin America's best country for doing business, according to the World Bank, and foreign direct investment has grown by over four percent in the last three years. As well as the mainstays of mining, oil and agriculture, construction is

booming, and ambitious public-private partnerships in roads and railways should see investment of up to \$25 billion by 2018. Tourism – once unthinkable – is flourishing, with arrivals up 12 percent in 2014.

Meanwhile, the bilateral relationship between Colombia and its most important trading partner, the United States, has evolved to encompass a more innovative agenda, including science and technology, environmental protection, energy

and education. With so many reasons for optimism, the new Colombia, no longer a byword for drug trafficking and violence, is opening its doors to the world as it marches toward prosperity.

U.S. Free Trade Pact Lays Ground for Growth

The tariff-busting deal with the United States provides opportunities, although work needs to be done to make the most of what's on offer

The U.S.-Colombia Free Trade Agreement (FTA) was formally implemented on May 15, 2012, after almost a decade of negotiations and preliminary measures. The deal has cemented a long-standing commercial relationship between the two countries. While it was met with protests from some quarters, particularly in Colombia's agricultural sector which was concerned about the impact of cheap imports, the agreement has given Colombians access to a greater variety of products and services. More importantly, however, it has given Colombian producers the chance to export their goods to the world's largest economy. Some 1,000 exports that did

"The agreement is pushing us toward reform and investment"

Camilo Reyes
Executive Director of the Colombian-American Chamber of Commerce

not benefit from one-way trade preferences under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) are now covered under the FTA. In the first nine months following the implementation of the trade agreement, these exports

– including sugar and confectionery, textiles, tuna and dairy products, among others – increased by 185 percent. But the total value of Colombian exports to the U.S. market has not risen as spectacularly



Colombia's second-largest port, in Cartagena, is the gateway to trade for the cities of Bogota and Medellin.

as the imports moving in the other direction. In 2014, U.S. imports reached a record \$20.32 billion. Meanwhile, the Colombian figure for exports to the United States, \$18.23 billion, was down on the previous three years. This was caused by the sharp drop in the international price of hydrocarbons, leading the Colombian government to target bigger growth in other, non-traditional exports to make up the shortfall. Even so, the U.S. market remains the most important outlet for Colombia, to encompassing more than 25 percent of all exports.

In March 2015, Colombia's finance minister, Mauricio Cardenas, announced that the administration had identified a series of products which could be competitive on the U.S. market. These included flowers, fish products, footwear and plastics. "The national government is going to work directly with business leaders to identify the bottlenecks and restrictions which are preventing an increase in these exports," he said. Camilo Reyes, executive director of the Colombian-American Chamber of Commerce, believes that the FTA will bring huge rewards but accepts it is not a quick fix: "A free trade agreement is much more than a simple increase in exports; it means a lot of other things, such as an increase in imports, which can be beneficial as it boosts domestic production." He added that the agreement forces the country to step up and make tough internal decisions, carry out institutional reform and undertake investment, particularly in its transport infrastructure.

Q&A



Jose Alejandro Abusaid
Founder of Abusaid Gomez y Asociados

Have Colombia and the U.S. fully capitalized upon their free trade agreement?
We have seen that thousands of new companies which had never exported to the United States before have begun to do so, although they often struggle to meet demand. We see a very promising future for Colombian investment in the United States, and we have seen a growth in U.S. business in Colombia. Every time a trade mission comes here from the U.S., people are so impressed by how well things are run and how wrong their perceptions were. They are very impressed with the quality of the workforce.

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BY PETER EDVENEY

Q&A



Maria Angela Holguin
Minister of Foreign Affairs

What are your priorities?
Colombia's bilateral relations with our traditional partners, the United States and certain European countries, had been centered on tackling drug trafficking, human rights and the armed conflict. In 2010, I set myself the task of changing the emphasis of the dialogue to include education, science and technology, energy, among other wider issues. My aim was to broaden the discussion with our partners to cover areas that will contribute to the social and economic development of Colombia, particularly in the forthcoming post-conflict period.

How do you see the bilateral relationship with the U.S.?
The relationship between Colombia and the United States has historically been strong. The U.S. took a chance on us at a time when we were quite marginalized and stigmatized. We were en route to being considered a failed state, had no foreign investment and the focus was only on drug trafficking and human rights, in the context of a protracted conflict.

What is Colombia's role today within the international community?
Today, Colombia is a respected and valued international player and partner. As a result of the difficulties we have suffered in the past, Colombia is generous with its cooperation efforts, which we have decided to concentrate in Central America and the Caribbean. Our attitude of cooperation, of dialogue, and of being open and able to work on issues without confrontation is fundamental to our diplomacy. We take advantage of everything we have experienced and learnt through adversity, to assist and support other countries, within the region and across the globe.

"The U.S. took a chance on us at a time when we were quite marginalized and stigmatized"

A Strong U.S. Partner in Latin America

A new chapter begins in the relationship between Latin America's oldest democracy and the world's largest economy



While Colombia's economic partnership with the United States stretches back to its coffee boom in the early 20th century, relations of late have been strongly and almost exclusively characterized by cooperation in security issues. However, the tide is once again turning as peace dawns and a free-trade agreement begins to take effect. The basis of the relationship between Washington and Bogota was cemented by the implementation of Plan Colombia in 2000. This bilateral deal saw the U.S. administration deliver military, economic and diplomatic assistance to a country which was struggling to deal with the effects of a guerrilla insurgency and drug trafficking. Today, as Colombia takes its final steps toward a historic peace deal which looks set to bring the 50-year FARC insurgency to an end, a multifaceted alliance is emerging between Bogota and Washington. The recent launch of the Colombia-U.S. High-Level Strategic Security Dialogue (HLSSD) will allow both countries to discuss new and innovative ways to counter threats like transnational organized crime, terrorism and drug trafficking. Moving beyond security issues,

the two nations are also working together on a more innovative agenda, including science and technology, environmental protection, energy, education, democracy and human rights. Concluding a meeting at the Summit of the Americas in Panama City in April, President Barack Obama and President Juan Manuel Santos noted that there has been progress since a 2012 summit on the Colombian peace process. Obama expressed his continued support for Colombia as it works through victims' rights and other issues related to the peace talks. He added that the appointment of a U.S. special envoy to the peace process symbolizes shared hope for a stable and lasting peace in Colombia. Indeed, President Santos has maintained the close relations with Washington, which were nurtured by his predecessor, Alvaro Uribe, and his administration aims to broaden the basis of the bilateral relationship from military cooperation and trade in the major economic sectors to a more varied patchwork of social and cultural exchange. Camilo Reyes, executive director of the Colombian-American Chamber of Commerce, believes that the bilateral relationship is strong enough to move from a muscular, military mode to a more relaxed and fruitful phase. "Colombia has a privileged relationship with the United States

but one that was quite focused on specific issues such as security and the fight against the drug trade, which made the relationship quite dramatic." With expanded trade flows between the United States and Colombia, combined with the latter's improved relations with neighbors Ecuador and Venezuela, there are hopes for the creation of a free-flowing space for increased prosperity. "Now there is a much more stable and calm outlook, which will allow for a smoother relationship. We will probably find that there are many issues on the global agenda that we can work on together," adds Reyes. The Colombian ambassador to the United States, Luis Carlos Villegas, is working toward greater cooperation in a number of areas, including science and technology and the achievement of Global Entry status for Colombians traveling to the United States. He believes Washington's input will be



Colombian foreign minister Maria Angela Holguin and U.S. Secretary of State John Kerry at the Fourth Annual U.S.-Colombia High-Level Partnership Dialogue in February 2014

"It is very important to change the focus so that the United States continues to be linked politically and economically to the construction of the post-conflict economy"

Juan Fernando Cristo
Minister of the Interior

crucial even after the peace process has been concluded. "Once Colombia reaches an agreement with the FARC, we will require international participation to reinstate the government's presence, not just in terms of security but also institutionally in the 300,000 square kilometers of rural areas where development is massively needed," he said. Interior minister Juan Fernando Cristo agreed that the United States will need to be a key player if the Colombian administration is to win the peace. "This is why we see the need for a Plan Colombia for the post-conflict period," he points out. "It is very important to change the focus so that the United States continues to be linked politically and economically to the construction of the post-conflict economy. They have been our partners throughout this process and they should also reap the harvest of peace after so many years of struggle."

Q&A

Luis Carlos Villegas, Ambassador of Colombia to the United States



What direction is the Colombia-U.S. bilateral relationship taking?
The new, emerging, Colombia is very different to the one that started Plan Colombia in 2000. Today we are globally recognized for economic growth, political stability and citizen safety, all of which has improved in comparison to previous years. We are an undisputed regional leader that has the capacity to positively influence other Latin American countries.

What is your current focus?
We are currently negotiating a double taxation treaty which would help increase trade by finalizing the framework for intellectual property protection and investment protection. We have also started the visa waiver process for Colombians, which will take six or seven years. In the next two years we should achieve Global Entry status so Colombians traveling to the United States for business can enter as if they had a green card.

What has been the impact of the free trade agreement?
Regarding commerce, which includes manufacturing, agriculture and services, we have seen a double-digit increase in products that were outside the unilateral preferences. Because of this, 1,600 SMEs were able to export to the United States for the first time. Over 450 new Colombian products have entered the North American market. We aim to maintain that rhythm with

more knowledge and more participation from companies. The North American economic recovery will also help. Nine American states have confirmed Colombian companies as equal to North American companies for their public buying criteria. There is further development needed, but initially we've had great results. The evidence is that we had 14 percent unemployment in 2000 versus just eight percent today, which is fantastic.

BY PETER EDVENEY

Displaced Populations Show True Scale of Colombia's Conflict

The need for a definitive peace deal in Colombia was redefined by a recent report by Spain's Institute for Studies in Conflicts and Humanitarian Action (IECAH), commissioned by the United Nations. In the two-year period corresponding to the negotiation process, the report showed that 348,000 Colombians had been forced to leave their homes, half of them obliged to do so by the activities of the FARC and ELN, a smaller rebel insurgency. This compares with a figure of 450,000 people displaced during the 2010-2012 period.

Perspective



"For Colombia to have peace we all need to start on the path toward reconciliation"

Alan Jara
Governor of the Department of Meta

Governor Alan Jara was kidnapped by the Revolutionary Armed Forces of Colombia (FARC) on July 15, 2001, and remained in captivity until his release on February 3, 2009. Following his experience, he is a vocal proponent of the peace process and of the recognition of victims' rights.

The Long March to Peace

Negotiations with the FARC make headway

After 50 years of violence as a result of the FARC's battle with the Colombian state, there is at last real hope of a definitive end to a conflict which has left 220,000 dead and had an impact on millions of lives as well as prevented the country from reaching its full economic potential. The international image of Colombia has been inextricably tied to the violent extremes of its internal struggle and the various criminal and paramilitary ramifications of the war as large areas of the country were given over to coca production. This reality has changed dramatically, particularly in the last 15 years. The inception of Plan Colombia in 2000, under which U.S. military and counternarcotics assistance began to tip the balance

of power firmly back toward Bogota, was followed by major successes in the war against the FARC during the presidency of Alvaro Uribe (2002-2010). However, there was criticism that a purely militarist approach gave cover to associations between paramilitary forces and the Colombian army. Uribe's defense minister and successor as president since 2010, Juan Manuel Santos, decided that military supremacy over the FARC should be utilized as a launch pad for a genuine peace process. After more than two years of arduous negotiations in Havana, the Colombian government and representatives of the FARC guerrilla movement have reached agreement on three of



An anti-FARC protestor holds a sign demanding peace and freedom during demonstrations in Bogota. Photo: Jkraff5 | Dreamstime.com - Peace Photo

the points on the five-pronged peace plan: rural development, the rebels' future political participation, and drug trafficking. In the third accord, the FARC agreed to end all relations with the narcotics trade, a crucial condition for a stable peacetime environment. Pending are deals on victims' rights and disarming guerrilla forces. Juan Fernando Cristo Bustos, minister of the interior, says that with six million people affected by the conflict, Colombia is the "country with the highest number of victims in the world." Their right to truth, justice and reparations is central to any outcome, but the minister admits it is a strange process in that it is going ahead while people are still experiencing violence: "The process is moving forward without the government lowering its guard." Santos was re-elected in 2014, proving that most Colombians share the vision of peace he has offered to them. "This is the Colombia that we have all dreamed of: one without armed politics and one without coca to fund violence," adds Cristo Bustos.

Timeline to peace

August 2012

Exploratory talks begin with FARC. President Santos says the ELN armed group has also indicated a readiness to talk.

November 2012

Peace talks begin in Havana, Cuba. A two-month ceasefire is declared.

July 2013

FARC chief negotiator Ivan Marquez says the armed conflict is nearing an end.

June 2014

President Santos is re-elected for a second term.

December 2014

FARC declares unilateral ceasefire.

April 2015

The 35th round of government-FARC talks begins in Havana.

Q&A

Juan Fernando Cristo Bustos, Minister of the Interior

What expectations are there of the peace process?
The peace process with the FARC is a unique peace process in the 50-year conflict in Colombia because, for the first time, the government and the FARC have set a concrete agenda. This has never been achieved before. In previous attempts, the FARC sought to change the Colombian constitution, the economic model and everything else in the country. Today, there is a concrete agenda of dialogue with five very specific points

of which there is agreement on three. This, obviously, is historic. Because of this, the Colombians are optimistic and enthusiastic, and think that this will be the opportunity for peace in the country. It is also a process that is moving forward without the government lowering its guard against the rebels. What that means is that it is moving forward in the middle of the conflict, which is something that is difficult to understand both abroad as well as within Colombia itself, where people are still experiencing violence. Today But this has to respect the rights of

the victims to the truth, to justice, to reparations and to guarantees that this will not happen again. This also makes this process unique. It is also a process that is moving forward without the government lowering its guard against the rebels. What that means is that it is moving forward in the middle of the conflict, which is something that is difficult to understand both abroad as well as within Colombia itself, where people are still experiencing violence. Today But this has to respect the rights of

superiority over the guerrillas and we believe that we have to maintain this military offensive to demonstrate to the rebels that the state has the capacity to continue combatting them effectively. It also must be recognized that the FARC have demonstrated political decision and will, regardless of the bumps in the road, to reach a negotiated solution.

What needs to be done to consolidate peace once an agreement is signed?
Simply signing a piece of paper doesn't mean anything on its own. We will need to build in this post-conflict zone a much more developed rural society, with farmers with better living conditions and the ability to market their products. We need to ensure better productivity for legal crops and no coca crops, and we need to make sure that there is not only military consolidation in those regions but also social consolidation.

BY MARTIN DELFIN



The view of Colombia's bustling capital, Bogota, from one of its high-rise towers

Fast facts

- 3rd Largest economy in Latin America
- 1st Fastest-growing Latin American economy
- 4.2% Projected economic growth in 2015

Winning Back Investor Confidence

Pro-investment government initiatives and an open economy make Colombia Latin America's rising star for business

With long-term political stability, reforms offering foreign business owners better legal protection and improved tax laws, Colombia has created a welcoming environment for investors. As a definitive peace deal between the government of President Juan Manuel Santos and armed guerrillas looks set to open up vast swathes of the country for investment, this already highly regarded economy has become the next one to watch. Last year, The Economist ranked

Colombia sixth in its list of global economies with the best perspectives for growth. Ranking 34th out of 183 countries by the World Bank Doing Business report – ahead of its peers in the region – Colombia is now working to consolidate its open economic model. Strategically placed free trade zones, dotted across the country, have attracted investors looking to take advantage of its excellent location with ports on both the Pacific and the Atlantic.

"The free trade zones are a complementary activity that helps develop the city, partly through their advantageous

"Colombia has undergone a gigantic transformation in the last 15 years"

Jose Pablo Arango
General Manager of Marca Pais



Bernard Gilchrist
General Manager of Zona Franca Parque Central

Q&A

What do the free trade zones mean to Cartagena?
Cartagena is a great international trade center. It is the country's main destination for port, industrial and logistics operations, and in order to develop those activities we have ports, customs offices, transportation companies, logistics experts, industrial parks and free trade zones.

What advantages and opportunities does Zona Franca Parque Central offer?
We always talk to prospective clients about three specific issues: one, Cartagena's logistic advantage; two, the advantageous duty and tax regimes within the zone, which make their industrial activities more competitive; and three, the free zone's advantages in terms

of location, internal infrastructure, international quality accreditations and available technology.

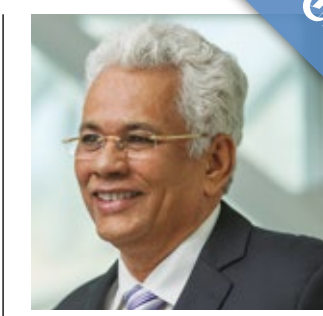
Do you focus on any particular sector?
Most of our users specialize in metalworking and logistics. But a free trade zone like ours can host any kind of activity, either industrial or logistic.

The free trade zones took off a decade ago, when the government improved national infrastructure and introduced federal regulation that gave investors more security. "We went from being a country that received \$3 billion in 2004 in foreign investment to over \$16 billion in 2013," said Cesar Caro, president of Zona Franca de Barranquilla and Zofia, one of the newest free trade zones in the Caribbean port city of Barranquilla.

While Colombia's growing hydrocarbons industry has been the main focus for investors, receiving 45 percent of all foreign investment in 2012, the government is also eager to promote other sectors. According to Juan Gabriel Pérez, executive director at Invest in Bogota, Colombia has a natural advantage in the biotech and life sciences industries because "it is the second-most-biodiverse country on the planet." Add this to the growing opportunities in logistics and transportation, business process outsourcing and ICT, and the steel and iron industry, and Colombia seems the obvious choice for investors. But winning them over has not been easy. Decades of conflict have given the country a bad name internationally, something which Marca Pais, the national branding agency, aims to overcome. Set up four years ago, it has made great strides in promoting Colombia and narrowing the gap between perception and reality. Some 350 private companies have joined forces with the brand to promote the country, said general manager Jose Pablo Arango.

"Colombia has undergone, in the last 15 years, a gigantic transformation, much bigger than what people realize," he points out. This transformation, and the continued work of the government and private sector, is now becoming known around the world as Colombia takes its rightful place as a Latin American investment hotspot.

Q&A



Cesar Caro
President of Zona Franca de Barranquilla and Zofia

How do Colombia's free trade zones compete with others in countries such as Panama or Costa Rica?
We are competing with free trade zones in other countries that pay zero tax. Given our reality, we have focused on what we do best, which is quality and service. In the long run, one point more or less in taxes does not make much of a difference, compared with the importance of a quality product and service. Foreigners like the fact that they immediately find someone they can talk to and ensure that things get done quickly here. The U.S. has adopted a policy of "closer to home" because it is easier to understand one another here than it is in, say, Asia, and because it cuts the need for extensive travel. Shipping also takes less time: a ship takes just three days to get to Miami from here.

Which country is the largest investor in Zofia?
The U.S., and it is also our main trade partner, although there has been a reversal of roles. We used to export more to the U.S. than they exported to us, but that balance is changing. This is due to the free trade agreement, which gave the U.S. the same privileges we'd had as compensation for our fight against drug trafficking and terrorism.

What makes Barranquilla attractive to investors?
Barranquilla, which we hope to turn into Colombia's Golden Gate to the Atlantic once again, truly represents a golden opportunity. The city welcomes all international investment and offers assistance to companies wishing to set up their businesses here. Our model is now being copied in other Colombian cities.

BY MARTIN DELFIN

Expanding Oil Horizons

With a favorable investment climate and regulatory reforms, Colombia is encouraging investors to help it boost oil development



State-owned oil company Ecopetrol has pledged to bolster offshore exploration

Traditionally, Colombia has never been an energy giant like its neighbors Venezuela, Ecuador and Brazil. But the economy has taken an upswing in recent years and the sector is being revamped by a series of government regulatory reforms and initiatives designed to protect oil investments, redirect petroleum profits, build reserves and infrastructure projects, and focus on providing more benefits to communities located near oilfields. "Over the last five years, Colombia has increased its crude reserves by 80 percent and its gas reserves by around 50 percent," said Javier Betancourt, director of the National Hydrocarbons Agency (ANH). Set up in 2004 as part of pro business reforms in the oil and gas sector, the agency introduced regulations that provided companies with the rights to all reserves, production and income from any new exploration block, subject to existing royalty and income tax. In a report issued last year, the U.S. Energy Information Administration said that the United States was Colombia's top oil export destination in 2012, followed by Panama, China and Spain, as the country's oil production recovered from its previous decline. Colombia exported 432,000 barrels per day of crude and refined products to the United States that year. "In scenarios of increased production, this positive growth is not enough to expand our horizon of self-sufficiency," points out Betancourt. "The only solution is to keep exploring new areas, and our mission at ANH is to encourage this exploration in the shortest possible time." Building new infrastructure projects to help increase crude transportation, storage and refining has become the government's primary goal. One of these recent projects is the marine terminal at Puerto Bahia, which was inaugurat-

ed in 2014 and will support Caribbean transport operations of heavy crude. Another important but environmentally sensitive project is the Meta refinery, located in the Llanos region. Licenses for its construction were handed out last year after heavy political haggling because the area is surrounded by five national reserves, including Sumapaz, the source of four major Colombian rivers. Safety concerns have also been raised because for years the Meta department has been a center of coca-growing and guerrilla activities. Other departments and regions have also been affected by the insurgency. "The effect the conflict has had is that we have chosen not to go to high-risk areas," said Carlos Flores, general manager of Tecca, an industrial water treatment firm whose clients include oil and gas companies. "If this factor is eliminated I think that exploration activity will increase in several areas in the country where it is currently restricted. I expect there will be important discoveries and we will see better business opportunities," he said. As the security situation improves, new companies are being drawn in, and those already present are gaining the confidence to spend more on exploration and development. In the meantime, developing unconventional and offshore sites has become a priority.

"Crude reserves have increased by 80 percent and gas by around 50 percent"

Javier Betancourt
Director of the National Hydrocarbons Agency (ANH)

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