Santiago de Cali is Open for Your Business!

Cali at a Glance

Santiago de Cali is the capital city of Colombia’s Valle del Cauca region. With a population of around 2.4 million inhabitants, Cali is the third-largest city in the nation. Along with Bogota and Medellin, the three cities account for two-thirds of the domestic market and make up more than half of the national GDP. The Valle del Cauca region alone contributed to 12% of the country’s GDP in 2013. As of 2014, regional exports reached USD 2.2 billion, while its imports totalled USD 5.5 billion. Vigorous economic diversification and productivity has allowed the region to actively contribute to all sectors, with special attention paid to the industrial, agricultural, and service sectors. Overall, Valle del Cauca as a whole and its capital city in particular have come to play a pivotal role in the health of the national economy.

Why Cali?

Valle del Cauca is one of Colombia’s most industrialized regions. It sustains the nation’s most diversified export basket, which includes over 100 multinational companies, more than 430 local companies, and hundreds of other small-to-medium-size enterprises. Its geostrategic location allows for a dynamic and competitive logistics environment that serves both domestic and international markets.

The region has 6 Free Trade Zones, which, in 2014, made up 46.2% of the total exports from all the 102 Free Trade Zones in Colombia. They comprise of over 40 industrial parks that provide tremendous business opportunities. According to the Financial Times, Valle del Cauca is the third most cost-effective region in South America to do business. Cali’s real estate costs alone are approximately 50% lower than those in Bogotá and other major Latin American cities. Its wages are also approximately 15% lower compared to those of the capital city.

Cali not only allows access to one of the largest regional markets in the country but also provides the opportunity to export to other markets. The Buenaventura Port is Colombia’s biggest commercial seaport and the only one on the Pacific that provides easy access to the nations of the Pacific Rim. Due to its proximity to the Panama Canal, Buenaventura also allows for easy access to the markets of the Atlantic.

Current Market Outlook

The twenty biggest enterprises in the Valle del Cauca accounted for 59.3% of total exports during the first ten months of 2015. Eight of these twenty businesses increased their external sales as compared to their performance during the same period in 2014. Exports from the region are usually bound for Ecuador (16.6%), Peru (13.8%), Venezuela (13.3%), or the United States (13.1%). Exports to the United States increased by 1.7% this year, while exports to Venezuela, Ecuador, Peru, and Chile decreased by 45.6%, 18.6%, 6.5%, and 2.8%, respectively.
Best Prospects

Opportunities for investment in Cali include, but are not limited to, six major sectors:

**Macrosnacks**

As a result of the rising popularity of natural, organic, and sustainable products, all confectionery, dried fruits, baked goods, chocolate, and fried foods are also on the rise in Valle del Cauca. The region is Colombia’s leading producer of sugar, contributing to 70% of the country’s agro-industrial value. To put this into perspective, Valle del Cauca is also the eighth-largest producer of sugar in the world. In addition, the region offers a variety of diverse exotic fruits and vegetables for the production of healthy food. Altogether, the agricultural capabilities of the region provide a strong competitive advantage. Unilever (UK-Holland), Nestlé (Switzerland), SAB MILLER (UK), Ingredion (USA), AB MAURI (UK), and Bimbo (Mexico) are just some of the successful cases of companies installed in Valle del Cauca.

**Metalworking & Automotive Sector**

The metal-mechanic and automotive sector in the Valle del Cauca region includes everything from companies dealing in the basic metal industries to assembly plants manufacturing buses, cars, and motorcycles. The sector’s key players in the region have developed a value chain based on horizontal integration, which provides opportunities for the entry of specialized suppliers.

As Colombia’s leader for the production of car batteries, Valle del Cauca accounts for 100% of the national production. It also holds a 45% share in the production of tires, pneumatic equipment, and other rubber products. Its share of other subsectors, such as electronic components, electric lights, and communications equipment, is more than 25% of the country’s total production. Furthermore, Valle del Cauca is the base of TECNNA, a unique Automotive Technological Development Center in Colombia.

**Wellness & Personal Care**

Sales in this sector grew at a rate of 7.2% between 2000 and 2014. By 2018, sales are expected to reach an average annual growth of 5.7%.

This sector involves the production of cosmetics and includes related industries along the value chain, such as companies that produce chemical- and natural ingredients, healthy products, and cosmetic- and personal care products. Manufacturing companies specializing in packaging and supplies, as well as commercial agencies and treatment centers, beauty- and fitness centers, and spas are also included in this sector.

**BPO, ITO, & KPO**

Cali is a strategic market for establishing operations in ITO, BPO & KPO. Its long experience with this sector allows Cali to house over 2,000 companies in these industries. Cali hosts the headquarters of the 3 biggest Colombian IT companies: Carvajal tecnología y servicios, Compubanet, and Siesa. There are over 250 regional and international companies engaging in software development and web design, consulting each other, and serving other countries from Cali. Some international companies located in Cali include ATOS, DirecTV, Avanza, and TWW Colombia - TRANSCOM. Major regional companies based there are Coomeva Administrative Services, Carvajal TyS, Sales and Services, and Americas Business Process Services. Together, they make up an ecosystem of companies that provide high-value services to various national and international clients.

**Logistics**

Valle del Cauca is the main logistics platform of Colombia on the Pacific Ocean. It includes: 1 port on the Pacific Ocean (Buenaventura, moving over 50% of international goods traded in the country), 5 Free Trade Zones, over 40 industrial parks, sea port concessions, 5 - 6 new port projects, 5 regional- and 1 international airports, 8230 km of roads, 500 km of railways, 76 international flights a week, and a network of providers of public services and world-class communications.

The expansion projects for the Buenaventura port make it attractive to foreign investors. Over a hundred national companies with a presence abroad, including 19 of the largest companies in Colombia and several international companies, have invested in the Buenaventura expansion. Investors from Europe, Asia, and North-, Central- and South America have considered this region to be the most promising in the country.

**Bioenergy**

Bioenergy production in Valle del Cauca has been one of the fastest-growing industries in recent years. The region is the leading producer of sugarcane in Colombia and the eighth-largest world producer of sugar, a competitive advantage for the production of renewable energy. Bioethanol from sugarcane reduces the emissions of greenhouse gases by 74%, while the Brazilian equivalent reduces it by just 65% and ethanol produced from corn in the United States by only 10%. As a result, ethanol produced in Valle del Cauca is considered friendlier to the environment. In 2014, the government passed Law 1715 to encourage companies to explore these and other regional opportunities for the development of energy from renewable resources, such as biomass plant-, animal- and forest residues, and waste disposal, by offering tax benefits.

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Challenges

During the first ten months of 2015, the number of exports from the Valle del Cauca was down by 15.5% compared to those during the same period in 2014, with the exception of exports to the Atlantic region. In 2014, exports totaled USD 1,816.1 million, whereas in 2015 exports totaled only USD 1,535.2 million. The sectors that are hurting the worst from the recent downturn in exports are: confectionary, foods, and metallic products, which are down by 43.6%, 22.1%, and 15.3%, respectively. Sectors that were doing well during the same period include: non-metallic minerals, textiles and clothing, and sugar, up by 6.7%, 4.4%, and 0.2%, respectively.

Santiago de Cali is ranked as number 21 of the 23 cities surveyed by the World Bank Group for ease of doing business. While the city ranks as number 4 for ease of starting a business due to its short 9 procedures, 11-day average, 7.8% of income per capita cost, and 0.0% paid-in minimum capital as a percentage of income per capita, it is number 16 in dealing with construction permits, number 22 in registering property, and number 23 in paying taxes.

Dealing with construction permits in Cali typically requires 10 total procedures, as opposed to the 14.1 regional average for Latin America and the Caribbean, and 95 days, at opposed to the 178.1 days typical for the region. The major issue with construction permits is the cost, which averages around 135.1% of warehouse value in sharp contrast to the region’s 2.6% average. Registering property in Cali takes 32 days, nearly half of the 63-day regional average, and costs only 2.1% of property value, whereas a 6.1% cost is more usual for the region. However, Cali requires 13 procedures to register property as opposed to the 7 procedure average of all of Latin America and the Caribbean.

Finally, paying taxes in Cali requires 22 payments per year as opposed to the 30.1 payment average, and 203 hours per year as opposed to the 361 regional average. The total tax rate as a percentage of profit is considerably higher than the 47.7% Latin American and Caribbean average at 71.9%. Profit tax is pretty much on par with the regional average at 21.7% as compared to 20%, but labor tax and contributions (28.8%) is over half the 13.2% regional average, and other taxes (21.4%) are again considerably more than the 13.6% regional average. Overall, while Cali ranked relatively low in comparison to the other 22 Colombian cities evaluated for ease of doing business, it mostly still performed better than the regional average for Latin America and the Caribbean, with the notable exceptions of the cost of construction permits and the total tax rate.

Tips for Success

• American companies should first consider finding a local representative to scout real in-market business opportunities using his/her local know-how and connections.

• Like in other Latin American countries, relationships are very important for the success of a business, and building a network of potential customers through a local representative is the best way to enter this market.

• U.S. exporters are encouraged to contact Invest Pacific and Amcham Cali as well as the U.S. Commercial Service at the U.S. Embassy to obtain a market briefing and request assistance in arranging appointments during their business trips.

• Identifying a legal partner early on will help with finding and executing contracts. Local legal representation is recommended in order to better navigate the Colombian laws, which can differ greatly from American laws.

Contact Us Today!
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Web Resources:

Invest Pacific, Cali Colombia—http://www.investpacific.org/es/
U.S. Embassy Bogotá, Colombia—http://bogota.usembassy.gov/
U.S. Colombia Trade Promotion Agreement—http://trade.gov/fta/colombia/
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