



# Cartagena is Open for Your Business!



## Cartagena at a Glance

Cartagena de Indias, the so-called Heroic City, is located in Colombia's northernmost region, along its Caribbean coast declared by UNESCO as a World Heritage Site in 1984. Founded in 1533, Cartagena has a long and rich history, serving as a home to viceroys and other nobility and as a nexus of political and economic activity. Today it is the fifth-largest city in Colombia, totaling around 1,239,430 inhabitants. Its expanding economy is growing at one of the fastest rates in the country. The five most important sectors for the region include: Petrochemicals, Plastics, Tourism (including meetings, incentives, conferences, and events), Industrial maintenance, and International trade logistics that comes with being a major port city overlooking the Caribbean.

Cartagena is the capital of the State of Bolívar and the largest industrial city with the most robust economy among all of the departments that make up Colombia's Caribbean coast. The city is a major petrochemical industrial cluster based in the Mamonal Industrial Area with the modern Refinery at its center.

In 2014, about 7,700 new businesses were registered with the Chamber of Commerce, an increase of 11.6 percent compared to the previous year. Including these new businesses, there are 28,077 companies in the city. Cartagena falls into the "upper middle income" category, with a Gross Domestic Product (GDP) per capita of USD\$ 7,780.

## Why Cartagena?

As the country's fourth national industrial center and the first industrialized city overlooking the Caribbean coast, Cartagena's central location makes it an ideal center for international trade. The city is a short 40 minute flight to Panamá, and a 4.5 hour flight from New York. The port is approximately 2.5 days away by sea from Florida and five days away from the East Coast.

The city is the nation's largest producer of industrial chemical products. Cartagena's world-class Reficar refinery has a processing capacity of up to 165,000 barrels of oil per day (including heavy and sour crude slates of API 20) with several treatment processes that include hydrocrackers, hydrotreaters, catalytic reformers, and petrochemical coke systems that produce high-value ultra-low sulfur fuels, and petrochemical raw materials (ethylene/vinyl/styrene and olefins).

The Port of Cartagena is the fourth-largest in all of Latin America, and the bay has a depth of 20.5 meters, capable of receiving new Panamax ships and Post-Panamax cargo ships. It is the hub of 93 percent of the country's shipborne cargo, and the city boasts a variety of free zones, or areas with specific customs and tax regulations to promote business, in addition to industrial parks and storage infrastructure.

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## Current Market Outlook

Over the last five years, Cartagena has had the greatest industrial investment of all the cities in Colombia. The Mamonal industrial sector contributes 5 percent to the national GDP and 15 percent to the nation's manufacturing exports.

According to the World Bank Group's 2015 Doing Business report, Cartagena is ranked 6<sup>th</sup> among the surveyed 23 Colombian cities for Ease of Starting a Business. Registering a company in Cartagena usually takes around 14 days, less than half the 29.4 day average for Latin America & the Caribbean. The registration cost as a percentage of income per capita totals at around 7.6 percent, in sharp contrast to the region's 31 percent average. Furthermore, the Paid-In-Minimum Capital as a percentage of income per capita is zero percent, compared to the region's 2.8 percent. The number of procedures necessary to open a business total 9, on par with the region's 8.3 day average. All of this amounts to a more friendly business environment.

## Best Prospects

Opportunities for investment in Cartagena include:

Growth in Cartagena's **construction industry** totaled 56 percent in 2014. Construction of homes accounted for the vast majority of the growth, with hotels, enterprise, and businesses accounting for 13 percent, 11 percent, and 8 percent, respectively.

Cartagena is the leader in **petrochemicals and plastics** production and exports in Colombia. It's Reficar refinery will allow Cartagena to expand the petrochemicals and plastics cluster with over US \$1.7 Billion in additional modernization and expansion plans by companies such as Propilco, Mexichem, Dow, Ajover, Biofilm, and Yara, among others. The objective is to reduce imports of raw chemicals like propylene, styrene, and its derivatives.

The **metallurgy industry** in Cartagena consists of 215 registered businesses, four of which number among the largest in the nation. The larger Bolívar department is also heavily invested in this industry, accounting for 68 percent of shipyard exports and 13 percent of metallurgical products in Colombia.

The **tourism industry** is rapidly expanding in Cartagena. Between 2005 and 2009, the number of passenger and cruise arrivals to dock at the Port of Cartagena jumped exponentially, from around 50,000 passengers in less than 40 cruise ships to around 275,000 passengers in approximately 170 cruise ships. Among all the cities in Latin America, Cartagena ranks 7th in terms of the number of international conventions held there, even higher-ranked than the nation's capital.

Cartagena's port is the fourth-most important in Latin America, rendering the **port logistics sector** a vital industry for the economy of the city. In 2014, the port zone moved approximately 31.7 million tons, accounting for 66 percent of containerized cargo, 59 percent of external commercial operations, and 93 percent of international cargo transit for Colombia.

## Challenges

While the ease of starting a business and dealing with construction permits makes opening a business in Cartagena an attractive prospect, the difficulty of registering property and paying taxes as compared to other cities in Colombia has led the World Bank Group to rank the city #18 on its ease of doing business metric.

Registering a property requires twelve steps as opposed to the seven step average in Latin America & the Caribbean. However, these procedures usually span around a period of 33 days as opposed to the 63 day average and cost around 2.6% of the property value, well below the 6.1% average. As a result, registering a property in Cartagena can still be done with relative ease.

Paying taxes in Cartagena involves 16 payments per year, around half the average number of payments in Latin America & the Caribbean, and takes roughly 203 hours to complete, much less than the 361 area average. The total tax rate as a percentage of profit is substantially larger than the average in Latin America & the Caribbean at 71.9% compared to 47.7%. This disparity comes from labor taxes, labor contributions, and other taxes, as the profit tax is pretty much on par with the average for the area at 20.7%.

Overall, even in its weakest areas Cartagena still consistently outperforms Caribbean and other Latin American cities according to the World Bank Group's metrics. Furthermore, there are a variety of other factors not considered in the analysis that are very important for running a business in Colombia such as initiating and maintaining positive business relationships.

## Tips for Success

U.S. companies should consider appointing a local representative to investigate marketing opportunities and establish sales networks. Success in Cartagena is very dependent on relationships. Building a network of potential customers through a local representative is the best way to enter the market. U.S. exporters are encouraged to contact AmCham Cartagena and the U.S. Commercial Service at the U.S. Embassy to obtain a market briefing and request assistance in arranging appointments during a business trip to Cartagena.

Identifying a legal partner early on will help with executing contracts and give the business a mild step up. Local legal representation gives you the best chance of success.

## Web Resources:

U.S. Embassy Bogotá, Colombia—<http://bogota.usembassy.gov/>

U.S. Colombia Trade Promotion Agreement—<http://trade.gov/fta/colombia/>

American Chamber of Commerce in Colombia—<http://amchamcolombia.wordpress.com/>

Colombia's Ministry of Commerce, Industry and Tourism—<http://www.mincit.gov.co/>

Colombia's Ministry of Foreign Relations—<http://www.cancilleria.gov.co/>

Colombia's Ministry of Mines and Energy —<http://www.minminas.gov.co/web/ingles>

Colombia's Ministry of the Environment—<http://www.minambiente.gov.co/>

Colombia's Ministry of Transport—<http://www.mintransporte.gov.co/>

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