

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. Its population totals around 2.4 million inhabitants, making Cali the third-largest city in the nation. It is the only region in the country with a network of 7 intermediate cities with populations between 150,000-400,000 inhabitants.

Thanks to its strategic position within Colombia, Valle del Cauca is the best location to serve the Colombian 'Golden Triangle' market (Area between Medellín, Bogotá and Cali), which represents 67% of the GDP and 61% of the population¹. In 2019, Valle del Cauca contributed to nearly 10% of the country's GDP, with a 3.5% growth (above the national average - 3.2%)².

As of 2019, regional exports reached USD 2.2 billion (USD 1.9 billion in 2020 through November), while its imports totaled USD 4.2 billion (USD 3.2 billion in 2020 through October). 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. With only 1.9% of the national territory, Valle del Cauca concentrates 18% of the national industry (21% in Agroindustry). 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 the most industrialized regions in the country, including over 180 foreign companies from diverse sectors are established in the region. They contribute nearly 37% of the Region' exports and with 12% of its domestic GDP³. There are also more than 430 local companies, and hundreds of other small-to medium-size enterprises. It sustains the nation's most diversified export basket, exporting 12.2% of the country's non-mining goods.⁴

¹ DANE (National Accounts, 2020; Census Projections, 2018-2030)

² DANE (National Accounts, 2019).

³ Regional Competitiveness Commission, 2020.

⁴ Legis (Legiscomex, 2019) & Consejo Privado de Competitividad, 2019)

Its geostrategic location allows for a dynamic and competitive logistics environment that serves both domestic - and international markets. Located in the South west of Colombia, Valle del Cauca has the most important seaport on the Colombian Pacific, which moves 42.4% of national foreign trade⁵. The Buenaventura Port allows imports and exports to countries of the Pacific Rim, but also because its proximity to the Panama Canal, also offers easy access to markets of the Atlantic.

The region has 7 Free Trade Zones (FTZ), they accounted for 45%⁶ of the total exports from the FTZ in Colombia in 2019. Cali is also home to the only Global Services Free Trade Zone in the country.

According to the *Financial Times*, Valle del Cauca is the third-most cost-effective region in South America for doing 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 the capital city. The average cost of living in Cali is 48% lower than in Panama and Costa Rica⁷, and the city also has two of the best IV level clinics in Latin America - Fundación Valle del Lili (# 4) and Centro Médico Imbanaco (# 9)⁸. Cali has the most competitive costs per sqm in office lease compared to the main cities in Latin America (Lima, Medellín, Sao Paulo, Panama City, Santiago, Bogota, Mexico City, Buenos Aires), with savings between 13.8% and 211%⁹.

Current Market Outlook

The twenty biggest companies in the Valle del Cauca accounted for 48.6% of total exports in 2020 through November. Despite the pandemic, nine out of these twenty businesses increased their external sales as compared to their performance during the same period in 2019. Exports from the region are usually bound for the United States (23.9%), Ecuador (17.6%), Peru (12%), or Chile (6.7%). Exports to the United States and Chile increased by 3.2% and 6.6%, respectively, while exports decreased to Ecuador and Peru by 17.9% and 10%, respectively.

Best Prospects

⁵ Excluding mining-energy goods. (Port and Transportation Superintendency, 2019).

⁶ DANE (Free Trade Zone Exports in Colombia, 2019).

⁷ Numbeo (Living Cost Index, 2019).

⁸ América Economía Magazine, 2020.

⁹ Colliers International, 2020

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

Agribusiness and processed foods

Given the boom in natural, organic, and sustainable products; all confectionery, dried fruits, baked goods, chocolate and fried foods are 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. Valle del Cauca is also the main producer of grapes, citrus and, and the second producer of lulo and pineapple¹⁰. The region has about 708,950 hectares suitable for agricultural cultivation (+360 thousand hectares available)¹¹. Fruit production in Valle del Cauca has a yield of 16% higher than the national average.

During the last years Hass Avocado crops have increased, making Valle del Cauca the fourth producer in Colombia (31,182 tons)¹², in fact, through 2009-2019, avocado production in the region increased by 165%. More than 5 international avocado companies have chosen the region as a location for their operations such as Camposol, GreenFruit Avocados (U.S), and Agrícola Ocoa. Furthermore, Valle del Cauca has four Research and Development centers for Agriculture (CIAT, Agrosavia, Bayer CropScience and Cenicaña).

In 2019, Valle del Cauca contributed 20.2% of industrial food sales nationwide (USD 5,751 million)¹³. It is the national leader in sales of snacks & confectionery (USD 1,508 million), and sugar (USD 1,502 million); and the second leading region in sales of Animal Feed (USD 810.6 million), and milling (USD 546.4 million)¹⁴.

On the first months of 2020 (Jan - May), Valle del Cauca was the main Colombian exporting region in the Macrosnaks sector, with a total of USD 60.6 million of foreign sales reaching, mainly, the United States, Ecuador, and Haiti. 61 companies were exporting in this period, being Colombina and Aldor the most representative.

¹⁰ *Ibíd*

¹¹ *Ibíd*

¹² Ministry of National Agriculture (Municipal Agricultural Evaluations 2019).

¹³ DANE (Annual Manufacturing Survey, 2019) & Legis (Legiscomex, 2019).

¹⁴ *Ibíd*

Altogether, the agricultural capabilities of the region provide a strong competitive advantage. Cargill, Unilever, Nestlé, ABInBev, Ingredion, Bimbo among others, are just some of the successful cases of companies installed in Valle del Cauca.

Health products

In 2019, Valle del Cauca consolidated its leadership in the national industry of health products, representing more than 37%, of industrial sales (around USD \$ 1,390 million)¹⁵. The region represents 48% of the country's exports of medical supplies and 23% of exports of pharmaceutical products.

The Clinical Excellence Cluster reached around USD \$ 3,627 million in sales in 2019, that is 7.5% more than in 2018¹⁶. Valle del Cauca stands out in the health products industry for being the headquarters of recognized multinationals such as Baxter, Abbot, Fareva and BSN medical; and headquarters of the biggest pharmaceutical company in Colombia, Tecnoquimicas.

Christus Health from Texas is one of the American recent FDI success cases.

Metalwork and automotive

Companies belonging to the metal-mechanic and automotive sector in the Valle del Cauca region range from basic metal industries to assembly plants of buses, cars, and motorcycles. The purpose of the sector's key players in the region is to develop a value chain based on horizontal integration, which provides opportunities for the entry of specialized suppliers.

In 2019, Valle del Cauca was the sales leader of the National Metalworking industry, with USD 4,016 million (26.1% market share)¹⁷ and represented more than 19%¹⁸ of the metalworking industry exports.

The region is Colombia's leader in the production of car batteries, with 100% of the national production. It also holds a 45% share in the production of tires, pneumatic and other rubber products. Its share of other subsectors such as electronic components, electric lights, and communications equipment reaches more than 25% of the country's total production.

¹⁵ DANE (Annual Manufacturing Survey,2019)

¹⁶ Cali Chamber of Commerce, Clusters, 2019

¹⁷ DANE (Annual Manufacturing Survey,2019)

¹⁸ Legis (Legiscomex, International trade statistics, 2019)

Some successful business located in Valle del Cauca are Hero, Furukawa Electrics, Rodríguez López Auto and Clarios.

Wellness & Personal Care

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. The sector holds over 130 companies. 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 it. Sales grew at a rate of 5.6% between 2014 and 2019, and in 2018 reached USD 1.75 billion.

Valle del Cauca was the second exporter in 2019, with sales over USD 155.8 million. The most representative companies in this sector are Johnson & Johnson, Colgate, Unilever, Reckitt Benckiser, Recamier, Tecnoquimicas, and Belleza Express.

BPO, KPO, ITO & Software

Cali is a strategic market for establishing operations in Business Processing Outsourcing (BPO) & Knowledge Processing Outsourcing (KPO). For example, in 2019 sales of the BPO sector in Cali reached USD 429 million¹⁹, and, the Digital Economy Cluster reached USD 884 million in sales.

The city has one of the lowest BPO market's saturation rates (2.6%) and attrition rates (5.12%), compared to the national average, 4.7% and 8.36%, respectively²⁰. Cali has salaries at least 13% more competitive than other major cities in Colombia for key call center positions²¹.

In Cali, there are four of the top ten Colombian BPO companies; and more than ten multinational companies have chosen the city as the headquarters for their BPO operations such as Sitel, Accedo, Alorica and DirecTv. Carvajal Technology and Service the largest BPO in Colombia is also located there.

Together they make up an ecosystem of companies that provide high value-added services to various national and international clients.

¹⁹ DANE (Annual Services Survey, 2018 & National Accounts, 2019).

²⁰ DANE (Census 2018; National Household Survey - GEIH 2019)

²¹ Human Capital (Total Rewards, 2019)

Regarding the human talent, there are more than 3,900 high school graduates in the region and more than 7,500 annual undergraduate professionals with a B1/B2 English level every year²².

Cali is also a strategic market for establishing operations in ITO & Software. Its long experience with this sector allows the city to house over 2,000 companies in these industries. There are over 250 regional and international companies engaged in software development and web design, consulting each other and serving other countries from Cali. The region hosts some of the biggest IT companies in Colombia (Open International, Compunet, Siesa). Furthermore, in recent years, 10 multinationals from the IT sector have settled in Valle del Cauca, some examples are Moove it, Avantica, Vistex and Biosalc.

The saturation rate of the ITO & Software labor market in Cali is 1.9%, below than the national average (5.6%)²³. Cali has salaries up to 39% more competitive on average than other main cities in Colombia for Software Engineers and up to 11% more competitive on average for bilingual Software Engineers²⁴.

Between 2007-2019, Valle del Cauca, graduates of related areas to the ITO & Software sector have had an average annual growth of 8.4%²⁵

Regarding the human talent, there are nearly 1,600 graduates per year in software engineering and related areas²⁶. The region has three academies specialized in software development courses and more than 4 higher education institutions offering programs in fields related to IT and software.

Moreover, the presence of Zonamerica, the first services Free Trade Zone in Colombia, provides advantages and benefits for companies within these sectors that establish their HQ in their facilities.

Logistics

Valle del Cauca is the main logistics platform of Colombia on the Pacific Ocean. It includes 1 port on the Pacific Ocean: Buenaventura, which mobilizes 42.4% of the nation's non-mining foreign trade, 7 Free Trade Zones, over 40 industrial parks,

²² ICFES (Dataicfes, 2019)

²³ DANE (National Household Survey - GEIH 2019).

²⁴ Human Capital (Total Rewards, 2019)

²⁵ Ministry of Education (SNIES,2019)

²⁶ *Ibíd.*

seaport concessions, 5 regional- and 1 international airport, 8230 km of roads, 500 km of railways. More than 30 daily flights from Cali- Bogotá, and 90 weekly flights to 11 direct international destinations to countries such as the United States, Mexico, Ecuador, Panama, Peru, Chile, and Spain.

The port of Buenaventura is the main port in Colombia with the largest movement of import cargo (+14 million tons)²⁷. It has 3 terminals specialized in container transport that moves 19.2 million tons of cargo per year; and 2 port terminals specialized in general and bulk cargo that moves 2.2 million tons of cargo per year²⁸. Around 92% of the imports through Buenaventura go to the “Golden Triangle” (Bogotá, Medellín, and Cali), where the goods addressed to Bogota represent 51%²⁹.

Buenaventura’s port reaches 67% of the Colombian market and is one of the best locations for exporting to countries in the Pacific Alliance, the Andean Market, and Central America. The costs of carrying cargo from Buenaventura to Bogotá are as much as 33% cheaper than the costs from the Port of Cartagena³⁰.

First-rate highways that connect Buenaventura with all of Colombia (+830 km of primary dual carriageways).

Additionally, Valle del Cauca offers highly competitive costs for renting and purchasing offices and warehouses. On average, Cali is, on 30% more cost efficient than Bogota. It is also the second most cost-efficient region in Colombia: Companies located in Valle del Cauca have the second lowest logistic cost in Colombia (10.6% of the company’s sales).³¹ The storage cost in the port terminals of Buenaventura is 27% - 33% cheaper than the equivalent in Cartagena for stays of less than 10 days³²

The region also offers a network of providers of public services and world-class communications. The internet in Cali has the best quality of service in Colombia, thanks to its connectivity with the Pacific submarine cable and the autonomous local fiber-optic network³³.

Companies such as Colgate Palmolive, LG, Dollarcity and Ransa have chosen Valle del Cauca as the location for their national distribution centers.

²⁷ Superintendency of Transportation (Statistical Report of Port Traffic in Colombia, 2019).

²⁸ Port and Transportation Superintendency, 2019.

²⁹ *Ibíd*

³⁰ Ministry of Transport (SiceTac,2020)

³¹ DNP (National Planning Department), National Logistics Survey,2018.

³² When compared against rates published by Cartagena Regional Port Society for 2020.

³³ TeleGeography, 2019 & Municipality of Cali, 2018.

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 only 10%. As a result, ethanol produced in Valle del Cauca is considered friendlier to the environment.

The government encourages 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 (Law 1715 of 2014). There are over 78 companies located in Valle del Cauca (2018). The sector's sales were growing at a yearly pace of 8.8%.

Challenges

According to the last issue (2017) of the Subnational Doing Business, Santiago de Cali ranks as number 30 among the 32 cities surveyed by the World Bank Group. While the city ranks as number 6 for ease of starting a business due to its short 8 procedures, 10-day average, 14.3% of income per capita cost, and 0.0% paid -in minimum capital as a percentage of income per capita, it is number 31 in dealing with construction permits, number 19 in registering property, and number 23 in paying taxes.

Dealing with construction permits in Cali typically requires 18 total procedures, as opposed to the 15.5 regional average for Latin America and the Caribbean, and 318 days, as opposed to the 191.2 days typical for the region.

Another issue with construction permits is the cost, which averages around 5.6% of warehouse value in contrast to the region's 3.6% average. Registering property in Cali takes 21 days, less than a third of the 63.7-day regional average, and costs only 2% of property value, whereas a 5.9% cost is more usual for the region. However, Cali requires 10 procedures to register property as opposed to the 7.4 procedure average of all of Latin America and the Caribbean.

Finally, according to the index, in 2017 paying taxes in Cali required 18 payments per year as opposed to the 28.2 payment average, and 239 hours per year as opposed to

the 317.1 regional average. The total tax rate as a percentage of profit is considerably higher than the 47% Latin American and Caribbean average at 64.8%.

Overall, while Cali ranked relatively low in comparison to the other 32 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 exception of the cost and time 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 their local knowhow 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 the U.S. Commercial Service at the U.S. Embassy, Invest Pacific, and Amcham Sur Occidente 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 Colombian laws which can differ greatly from American laws.

Contact Us Today!

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Web Resources:

[U.S. Commercial Service Bogota, Colombia](#)

[U.S. Embassy Bogotá, Colombia](#)

[U.S. Colombia Trade Promotion Agreement](#)

[American Chamber of Commerce - Amcham Sur Occidente](#)

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