

COLOMBIA

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Two nations revitalize cooperation

Entering their 105th anniversary, relations between Colombia and Japan have assumed a higher profile over the last few years with high-level trips by officials from both countries, including a state visit to Tokyo by Colombian President Juan Manuel Santos in September 2011.

That year, Colombia and Japan signed the Agreement for the Promotion and Protection of Investment, the first step in continuing efforts to expand the coverage of their economic relations. The two sides have also just completed two rounds of negotiations in finalizing the Economic Partnership Agreement (EPA), with a third round in Tokyo planned soon.

"Regarding the EPA, we are seeking a positive impact on national economic development. The National Planning Department prepared a study on the impact of various trade agreements on the country. This study concluded that a trade agreement with Japan will add another 0.16 percent to GDP growth," said President Santos.

Japanese Ambassador to Colombia Kazuo Watanabe agreed: "This is a very important aspect. If Japan can conclude this EPA with Colombia, it would indeed be a win-win situation."

Over the past two decades, Colombia's leaders have persisted in breaking away from the country's troubled history, shedding its tarnished image, and solving its deeply rooted economic and social problems.

Today, it looks like their cumulative persistence has begun to pay off, with many observers noting that the biggest concerns of prospective foreign investors have been addressed.

"Since 2002, beginning with former President Uribe, and then under the current administration of President Santos, Colombia has tremendously increased its level of security," said Fumihiro Shimizu, the representative of the Japan External Trade Organization (JETRO) in Bogota.

But the process is far from over, as the country first needs to change the world's perception.

"Colombia has so much to of-



Colombian President Juan Manuel Santos



Japan's Ambassador to Colombia Kazuo Watanabe

fer that the world just doesn't know about yet," admitted Jorge Alberto Duran, president of BC Hoteles, which operates an award-winning hotel in the city of Cartagena.

The observation is shared by several local businessmen.

"The first image they have of Colombia is that it is very dangerous. Under the leadership of former President Uribe, the security situation improved drastically. The challenge is to bring the Japanese to Colombia. Once they get here, they immediately fall in love with the country," said Incolmotos-Yamaha President Francisco Sierra, who also once served as ambassador of Colombia to Japan.

The steady improvement over the last several years has translated into consistent growth.

Since 2003, the country has reported an average annual growth rate of 4 percent. In 2012, GDP growth reached 4 percent, just slightly above the regional average of 3.5 percent.

Reaffirming those figures, credit rating agency Moody's has raised the outlook on Colombian government bonds to a "stable" BAA3, a move that translated into increased foreign direct investment (FDI) valued at around \$16 billion a year, with a significant amount going to the mining, energy, and oil and gas sectors.

"Colombia represents a very good investment opportunity not only in upstream oil and gas, but also in infrastructure. Obviously, Japan can bring quite a bit to the

Watanabe. On the consumer side, the steady growth of the Colombian economy has led to a swelling middle-class, which has been spending more and aspiring for more.

"In the past 10 years, there have been great strides made in reducing poverty, and this growing middle class is responsible for pushing consumption higher not only of electronics but also of cars, houses, among other things. You now see many premium brands here in Colombia that you might not have seen 10 years ago," said Sony Colombia President Takashi Kawano.

Amid the growing prosperity, both countries have realized similarities between their peoples.

"Colombian workers are very diligent and hardworking, very much like the Japanese. There is high quality of the labor force here in Colombia, which is something that should be considered by Japanese investors," said Ambassador Watanabe.

Other business owners agree, among them Federico Pfeil-Schneider, who has headed Distribuidora Toyota for 46 years.

Launched in 2012, the regional Pacific Alliance bloc has also become another investment incentive. Made up of Colombia, Mexico, Peru and Chile, the trade bloc represents about 36 percent of Latin America's GDP, estimated at \$2 trillion.

"Doing business in Colombia not only gives you access to a market of 45 million people; through the Pacific Alliance, you also gain access to a 600 million-person market," said Francisco Guaqueta Hemelberg, the president of the Colombian-Japanese Chamber of Commerce.

The opportunity has not gone unnoticed by Japan.

"The Japanese government and the private sector have an interest in infrastructure development here in Colombia. This is a vast country with three chains of mountains, making transport challenging, particularly between the east and west of the country. We hope that the Japanese public and private sectors can contribute to improving the infrastructure in Colombia," said Ambassador

Watanabe. "We want Colombia to be known for its high levels of investor confidence, which is seen in the record number of foreign investment in recent years." So, as efforts of the past two decades continue to bear fruit, it becomes clearer that when faced with the question of "where to invest in South America," the answer becomes Colombia.

Colombia's leader in entertainment

In 2009, Sony set up a direct subsidiary in Bogota, recognizing the immense potential held by the thriving Colombian economy. Amid a rapid expansion of the region's middle class, the Japanese electronics giant selected Latin America as one of its 10 "global focus areas," with Colombia playing a vital role in the company's business development plan.

"We think that the Colombian market has great potential for our industry. Population-wise, Colombia is the third-largest in Latin America, behind Brazil and Mexico. Demographics-wise, almost half of the population is less than 29 years old. Colombia is a very young market. This weighed heavily in our decision to come here. Colombia is one of the strategic markets for Sony, on a market-potential point of view," explained Sony

Colombia President Takashi Kawano.

Four years later, Sony Colombia has achieved impressive results in brand awareness and market position. By being in the country, it can identify trends early, quickly adapt to them and promptly deliver its products tailored for Colombian consumers.

"When the Colombian government decided to adopt a new digital broadcast transmission system, called DVB-T2, we were the first manufacturer to offer the Sony Bravia with DVB-T2. This is one of the achievements that we could not have attained if we were not here in Colombia. Thanks to our presence, we are able to offer the latest products adapted to the local market's needs," said Kawano.

Still reaping the benefits of its in-country advantage,



Sony Colombia President Takashi Kawano

Sony Colombia has introduced more of its latest products this year, including the Sony Bravia with Triluminos display, which expands the screen's color spectrum.

Outside the TV segment, Sony has emerged as the market leader in audio component systems. It has also raised sales of its VAIO laptops, PlayStation gaming consoles and Xperia smartphones, reinforcing its brand not only as a maker of electronics, but more as a provider of total entertainment.

"We are looking at the convergence of all categories. We want to promote the connection of all Sony products with each other. We have a technology called One-Touch, which creates an eco-system where

consumers can fully experience all the entertainment options offered by Sony. Our priority is to continue offering the best experience to the consumers for them to best enjoy entertainment, such as movies, music, gaming and even content-creation. We will keep offering this kind of experience," said Kawano.

"First and foremost, we are an entertainment company. We cover the entire spectrum of entertainment, from software to hardware and content. Customer loyalty makes us responsible in creating new experiences for them and ushering them into the convergence age. We do not offer merely products, we offer a full experience," added Kawano.

→ www.sony.com.co



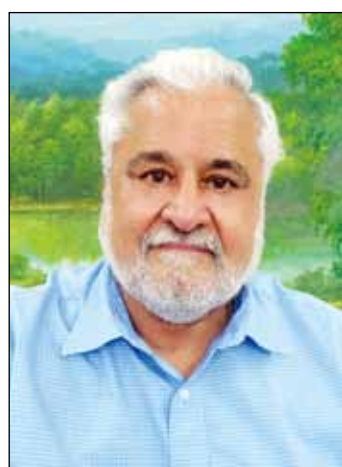
Aside from providing a seamless mobile office environment, Sony's VAIO laptops also offer the freedom of a portable home entertainment system.

Generating another 25 years of success

Dreaming of having his own company one day, local entrepreneur Juan Camilo Londoño quit his family business in 1998 to start a new venture called Energia & Potencia S.A., and his market and technical knowledge allowed him to form a partnership with Honda Motor Co. to distribute power products in the Colombian market.

"When an energy crisis hit Colombia in 1992, it was the big opportunity to supply Honda generator sets. We also started assembling generators powered by Honda engines under our own brand Enermax, which has since become a leading supplier of power generators," recalled Londoño.

That faith in Japanese expertise has grown into a thriving business across the country and



Energia & Potencia President Juan Camilo Londoño

the region.

At the start, the company had about 12 employees. Today, it employs almost 200 people at the headquarters and in eight

company-owned stores in Colombia.

It also has more than 200 dealers nationwide and expanded its business to Central America and some Caribbean islands. As a distributor of Japanese diesel engine maker Yanmar for more than 17 years, E&P holds the largest share of the Colombian market for both gasoline and diesel generators.

"In addition, we assemble water pumps, power sprayers, brush cutters and light duty construction equipment under our brand Enermax powered by Honda and Yanmar engines. Energia & Potencia is Honda's largest OEM in Latin America," said the E&P president, who has also recognized the emerging business from alternative energy solutions.

"In July, we launched our new line of solar energy solutions at the AgroExpo fair in Bogota. Our line includes solar-powered water pumps, as well as lighting and refrigeration solutions. Colombia is a vast country and many people are still not connected to the main grid, so solar energy is a very interesting field," he added.

"With the Japanese, when a promise is made, it is a serious and lasting commitment. I've been working with the Japanese for the past 40 years, and I continue to learn more as we move forward," he said.

Satisfied with the long and fruitful relationship with its Japanese partners, E&P remains open to new alliances, specifically in alternative energy.

→ www.energiapotencia.com

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CANACOL ENERGY

Exploring in the right places

In Canacol Energy, we are focused on adding value to our shareholders & partners. That's why we have a widely diversified production and exploration portfolio with exposure to high impact assets in light oil in los Llanos Basin and the Upper Magdalena Valley, heavy oil in the Caguan-Putumayo Basin, unconventional light oil in the Middle and Upper Magdalena Valley, and gas in the Lower Magdalena Valley.

Energia & Potencia Agricultural & Energy Solutions

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COLOMBIA

Aviomar benefits from flexible management

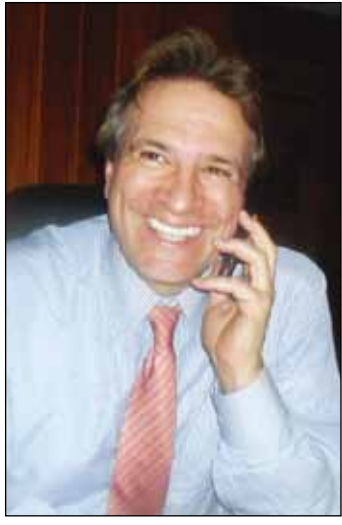
Starting as a freight forwarder agent 54 years ago, **Aviomar S.A.** has expanded into a full-service logistics group, which employs more than 440 people and offers bonded warehousing (**Snider Y Cia.**), customs handling (**COLVAN S.A.**), relocation services (**LARM Colombia**) as well.

"When the large international players came into Colombia, we decided to specialize in door-to-door household goods removals and expatriate relocation. Today, we control 65 percent of the market, and customs statistics will prove that," said **President Felice Snider**, the son of the company's founder.

"We also have the only bonded warehouse set up inside the cargo terminal at Bogota's El Dorado International Airport, which reduces the lead time for our customers. What we aim for is to be able to clear goods at the airport within 24 hours. We are in the process of establishing 24/7 operations at the airport," he added.

As the company grows, Snider has recognized the importance of remaining flexible and adjusting to increasing competition in the industry.

"What sets us apart is that we want our customers to become our friends. In order to compete



Aviomar President Felice Snider

with the larger players, we need to be more flexible than them. So, as a service provider, we need to adjust our processes and procedures to fit our customers' needs, and not the other way around," he said.

As trade relations between Japan and Colombia recover to previous levels, Aviomar is ready to renew its commitment to serve the Japanese business community in the country.

"At one point, many Japanese left Colombia. As they start to come back, we look forward to working with them again," stressed Snider.

→ www.aviomar.com.co

Toyota's ever-reliable partner

Japanese vehicle maker and global giant Toyota could not be in more competent hands in Colombia than those of **Distoyota**, which has had 46 years of experience in the business of vehicle distribution.

"The best way to deal with the Japanese is by direct contact, so that you build trust. It's something very German and very Japanese," said **President Federico Pfeil-Schneider**, who flew to Japan in 1976 to meet with the Toyota Motors president at that time and secure business as an official distributor.

With the entry of other competing brands the past few years, business has grown more challenging, a change that Distoyota viewed as an opportunity to redefine the rules.

"When we saw it in Distoyota, we began a drastic change in our dealerships," said Pfeil-Schneider.

The very first change made was improved communication between the importer and the dealer via homegrown, Internet-based software that allows any dealer to check for available spare parts or inquire about stocks in real time with the warehouses. The program even tells dealers which warehouse is closest to them.

The second improvement

was better connectivity with clients.

"We have 35 special mobile workshops that guarantee our presence across the country. That allows us to overcome the lack of infrastructure in the country and be able to go to our clients using our rolling workshops," Pfeil-Schneider explained.

In fact, Distoyota set up in-house shops to fulfill the needs of clients located in remote places, such as mining companies.

"We have our own guys with our own spare parts to serve them and offer them special discounts," he said.

Distoyota is very proud that its customers, upon buying a vehicle, will enjoy a worry-free experience for three years or 100,000 km.

"They do not have to worry about anything — maintenance, brakes replacement and oil change — because we pay for them," he said. The three-year warranty has created a base of loyal clients who return after three years to purchase a new Toyota.

Distoyota has also defined punctuality in delivery. Because the distributor owns its own fleet of car transporters, while others normally rent them, it is able to bring the new cars from

the port to its very excited clients in a very short time.

Creating a more personalized experience for its customers, Distoyota set up its own call center. The effort appears to have paid off.

"While the automotive market has shown a general slump in sales, Distoyota has not only held on to its top position, but also boosted its sales," said Pfeil-Schneider.

And with the economic partnership agreement between Japan and Colombia on the horizon, Distoyota plans to expand its presence in the country even further, a clear commitment to a highly successful bilateral venture.

There is no doubt that Distoyota is an example of a successful Japanese-Colombian partnership. Its commitment to the brand is strong.

"Forty-six years of working with Toyota has taught me that, in the car industry, there is no better associate than a Japanese car manufacturer, like Toyota," he said.

Seven years ago, Distoyota aspired to be best in service and, in that brief a time, the company has certainly attained its objective, while also gaining more loyal clients, employing the Japanese way.

→ www.distoyota.com



Distoyota President Federico Pfeil-Schneider

"While the automotive market has shown a general slump in sales, Distoyota has not only held on to its top position, but also boosted its sales."

"Forty-six years of working with Toyota has taught me that, in the car industry, there is no better associate than a Japanese car manufacturer, like Toyota."



Honed by nearly 50 years of experience, Distoyota guarantees punctual delivery and prompt service.

A perfect collaboration

A partnership dating back nearly four decades, the joint venture between **Incolmotos** and **Yamaha Motors Corp.** is among the widely cited examples of the success that can be achieved when a Colombian and Japanese company join forces.

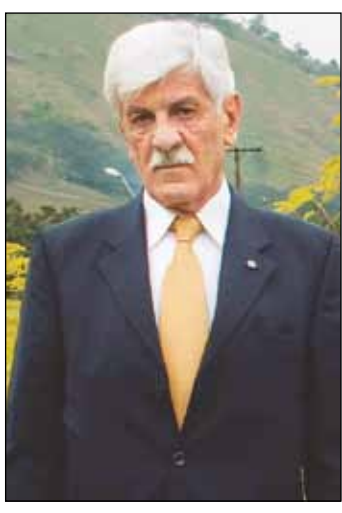
Posting positive growth in all but two years of its existence, trust and confidence strengthened between the two sides.

Between 1985 and 1999, Yamaha Motors steadily increased its participation in the joint venture from the original 19.2 percent to the 50 percent currently.

"In 37 years working with Yamaha Motors, problem solving has always been very easy. This can be attributed to the high level of trust that both sides have in each other. Our Japanese partners have the confidence that we represent their brand properly. This is something we treasure very much," said **President Francisco Sierra**, who also served as ambassador to Japan from 2003 to 2007.

Operating in the second-largest motorcycle market in South America behind Brazil, Incolmotos Yamaha has steadily built its market share to its present 21 percent.

"We have a very healthy business over the past years. This allowed us to continue investing in the country," said **Director for Operations**



Incolmotos Yamaha President Francisco Sierra

Daniel Restrepo Correa. That investment includes a high-tech production facility located just outside Medellin, which aims to assemble 120,000 units this year.

In the same compound is an administration and sales building, which was inaugurated by Yamaha Motors CEO **Hiroyuki Yanagi** in January 2013.

"Our vision has always been to make Colombia a production hub for other South American countries. We want to produce Japanese products in Latin America for Latin America.

Our partnership with the Japanese is not one we take lightly. It is a relationship for life," said Sierra.

→ www.incolmotos-yamaha.com.co

Canacol Energy charts the route to prosperity

Operating for only five years, **Canacol Energy** has boosted its oil production to 9,000 barrels a day and expanded potential oil fields to 3 million acres (1.2 million hectares), making the oil company the country's fifth-largest landowner.

Since its establishment in 2008, the oil and gas company has consistently acquired large land holdings and has discovered several oil fields with commercial-sized production.

"We have such a huge amount of acreage with such high potential that we'd like to bring in some heavy-hitting companies. We need to bring big companies. We are always looking for partners that can bring both technical expertise and financial worth to execute some of our larger projects," said **President and CEO Charle Gamba**.

To date, Canacol Energy has joint ventures with ExxonMobil, ConocoPhillips, Shell, Sinochem and Pacific Rubiales for specific projects.

By 2015, it is aiming to produce between 15,000 and 20,000 barrels of oil and gas a day.

With eight active fields — seven in Colombia and one in Ecuador, collectively with a



Canacol Energy President and CEO Charle Gamba

book value of \$720 million — Canacol continues to attract the industry's attention and is highly optimistic of steady growth.

Aside from its active assets, Canacol Energy also has 26 exploration blocks, with 200 undrilled opportunities for oil and gas, which contain a potential output of more than 2 billion barrels a day.

"Essentially, we offer high production growth at very low risk to our investors," Gamba said.

→ www.canacolenergy.com

Navigating toward success

FAM Group was established in 1991 as three industry veterans recognized Colombia's need for a full-service logistics and transport provider. Today, it is among the country's leaders in terms of volume of containers and container inland logistic control movements.

As the Colombian agents of American President Lines and Singapore Airlines Cargo, FAM Group has navigated its way to continued growth amid intensifying competition and rapid changes in the global industry.

"Colombia is unlike other Latin American countries. Our largest populations live in the mountains, far away from the coast. Any kind of logistics or maritime transportation must have a road mentality and inland locations to manage the business. Our strength is local knowledge. We know exactly how things work here," explained **President Carlos Guillermo Aragon Farkas**.

FAM Group's attentiveness to global trends has also put it ahead of the competition and in a better position to serve its clients, many of whom are Japanese.

"Nowadays, maritime transportation is a highly globalized concept. The system is based on very big cargo. These large carriers can obviously not cover



FAM Group President Carlos Guillermo Aragon Farkas

every port. This is where feeder services come into play. This is where we, as small investors, are looking to contribute. If a shipping line wants to be in the global picture, they must have a foot in Japan," stressed Aragon, who has nurtured a deep fondness for Japan after having lived in the country for many years.

"I think it is much more difficult to transact with the West than it is with Japan. The moment the Japanese say 'yes,' you can count on that commitment to last. The bond goes beyond price and results. We have true partnerships, real friendships. I know that I have friends in Japan, and I can assure them that they have one here in Colombia," he added.

→ www.famgroup.com

Gerleinceo welcomes more Japanese investments

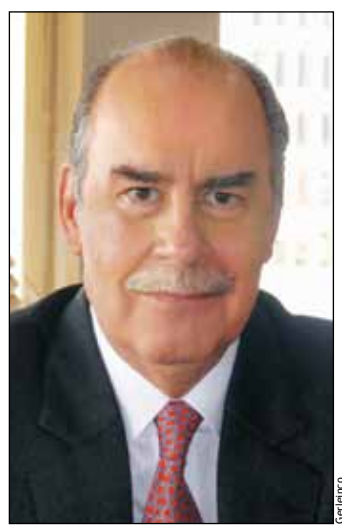
Founded in 1916, **Gerleinceo** is the oldest and largest maritime agent company in Colombia, and has moved into full-range logistics services, with a special focus on the country's booming energy sector.

A partner of Mitsui OSK Lines (MOL) for 37 years, Gerleinceo attributes its success to this longstanding relationship and its steadfast adherence to Japanese values.

"We have a very active relationship with MOL, so we know Japanese culture. During all these years, we've learned from them. We have firm and strong ties with a lot of trust, and that's why they put their business in our hands," stressed **President Carlos Ulloa**.

"We become a partner and a friend to all the Japanese companies that work with us. We understand their culture; we know what they want and how they want it; and we offer quality," Ulloa added.

In the past few years, Gerleinceo has grown an average of 25 percent a year as it took part in the largest oil and gas projects in the country as a logistics provider for exploration and production. Its onshore jobs include Reficar and Oleoducto Bicen-



Gerleinceo President Carlos Ulloa

tenario, while its offshore projects involve companies such as Chevron and Petrobras.

"We have the experience in transporting heavy machinery from any port around the world to any place inside the country," said Ulloa.

→ www.gerleinceo.com





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