

Colombia: Latin America's Newcomer

By Nathan B. Galer and Juan Pablo Moreno

Often referred to as the oldest democracy in Latin America, Colombia has benefitted from relative political stability, economic stability and growth. It is one of the few Latin American countries that has not suffered a lasting dictator or a coup d'état. It benefits from an investment-grade rating by all major rating agencies. It has only had one year of negative growth since the 1930s.

Despite this impressive record, Colombia's advancement has been held in check for much of the past century due in part to cumbersome policies on foreign investment and a long-running internal war with drug cartels and guerillas. Recent legal reforms and security initiatives to overcome these obstacles have started to pay off, however, and Colombia looks to finally be living up to its full potential. With this potential come enormous opportunities for the infrastructure and construction sectors.

Infrastructure Opportunities

As with many Latin American countries, Colombia's infrastructure lags behind other developed countries. In the World Economic Forum's Global Competitiveness Report, Colombia consistently ranks as one of the countries with the lowest transport infrastructure quality in the world (ranked 111th out of 144 countries in 2013). To meet this challenge, Colombia has focused on aggressive legal reforms and policy initiatives.

Colombia has recently passed legal reforms aimed at attracting international investment in infrastructure and construction. Of particular note is Law 1508 of 2012, which created an innovative legal framework for

public private partnerships (PPP) to further boost construction and development in the country.

To back up these legal reforms, the Colombian government has put forward an aggressive US\$55 billion 10-year plan to improve the country's low infrastructure quality. The plan aims to upgrade more than 8,000 kilometers of roads and attain more than 3,500 kilometers of four-lane highways before the end of the decade. As part of this plan, the government is planning on investing nearly US\$12 billion in infrastructure and related construction projects in 2014 alone.

The flagship projects planned by the government include the construction of Bogota's underground system, considered the 4th most important infrastructure project in Latin America, a variety of concessions on roads to facilitate access to the Pacific and Atlantic seaports, the expansion of Cartagena's seaport, and the construction of the Bicentenario oil pipeline in the northeast part of the country. In addition, Colombia is already planning on opening nine new tenders for road projects that will bring an estimated US\$6 billion in private investment in 2015 alone.

Looking Ahead

Colombia is a party to numerous free trade agreements, including with the United States and the European Union, and is a party to the New York Convention on the Recognition and Enforcement of Arbitral Awards. Today, Colombia is ranked as the 3rd most business-friendly, and as the leading reforming country in Latin America, according to *Doing*

Business 2013 of the World Bank. It is attractive for foreign investment, and, according to fund flow tracker EPFR Global, enjoyed as of March 2014 the largest inflow of capital into any emerging-market country (the UK regularly ranks as one of the top sources of foreign direct investment). With its solid legal framework, coupled with infrastructure-specific initiatives, such as the PPP program and 10-year plan, Colombia's future is bright. Indeed, Colombia's Finance Minister estimates that the government's infrastructure efforts alone will allow the country to boost its annual GDP growth by one percent, which,

in turn, will allow the country to grow at 7% annually on a sustained basis. This would be an unparalleled record when compared with peers in the region. Latin America's newcomer is charging full speed ahead and offers significant opportunities for UK construction firms. ♦

This article was originally published June 9, 2014 on the web site Building.co.uk.

Mayer Brown is a global legal services organization advising many of the world's largest companies, including a significant portion of the Fortune 100, FTSE 100, DAX and Hang Seng Index companies and more than half of the world's largest banks. Our legal services include banking and finance; corporate and securities; litigation and dispute resolution; antitrust and competition; US Supreme Court and appellate matters; employment and benefits; environmental; financial services regulatory & enforcement; government and global trade; intellectual property; real estate; tax; restructuring, bankruptcy and insolvency; and wealth management.

Please visit our web site for comprehensive contact information for all Mayer Brown offices: www.mayerbrown.com

Mayer Brown is a global legal services provider comprising legal practices that are separate entities (the "Mayer Brown Practices"). The Mayer Brown Practices are: Mayer Brown LLP and Mayer Brown Europe – Brussels LLP, both limited liability partnerships established in Illinois USA; Mayer Brown International LLP, a limited liability partnership incorporated in England and Wales (authorized and regulated by the Solicitors Regulation Authority and registered in England and Wales number OC 303359); Mayer Brown, a SELAS established in France; Mayer Brown JSM, a Hong Kong partnership and its associated entities in Asia; and Tauil & Chequer Advogados, a Brazilian law partnership with which Mayer Brown is associated. "Mayer Brown" and the Mayer Brown logo are the trademarks of the Mayer Brown Practices in their respective jurisdictions.

© 2014 The Mayer Brown Practices. All rights reserved.