Canada Trade Mission to
Colombia and Peru

Dates: August 10 - 15, 2014
Cities: Bogota (Colombia), Lima (Peru)
Focus: Oil & Gas
Mining
Defence & Security
Led by: The Honourable Ed Fast, Minister of International Trade

THE MARKET(S)

Colombia
Colombia, a priority country under the Global Markets Action Plan (GMAP), has a population of approximately 47.1 million and is a country with stable politics, institutions and economy, and a sound financial system.

Prudent macroeconomic policies and market liberalization have generated jobs and reduced poverty and led to 10 years of sustained economic growth. Colombia’s GDP has more than doubled in this period, the GDP per capita reaching $8,339 in 2013 compared with $3,595 in 2004. The country continues to be one of the top performers in Latin America with an average growth rate of 4.8% since 2004.

Through stable political institutions, strong pro-market and pro-integration orientation and an improved security situation, along with this outstanding economic performance, Colombia has become one of the most attractive investment locations in Latin America. Colombia has been consistently able to attract high flows of foreign direct investment (FDI); these flows more than doubled between 2006 and 2012, with 2012 being a record-breaking year with an excess of US$15 billion in FDI. The stock of Canadian direct investment in Colombia as of the end of 2013 was C$2.4 billion.

Colombia ranks as the fifth-largest market for Canadian direct investment in South and Central America; the country has become a strategic destination for Canadian companies, especially in oil and gas, mining, manufacturing and financial services. Colombia is Canada’s fourth largest merchandise export destination in Latin America and the Caribbean.

Canada and Colombia have a free trade agreement in force giving Canadian companies preferential access to the market, and additional protection for our investors.
Peru
Peru is also a priority country under the Global Markets Action Plan (GMAP) and has a population of approximately 30.9 million. Peru has made great strides in macroeconomic management and has enjoyed solid growth for over a decade. According to the International Monetary Fund (IMF), the Peruvian economy grew by 5.0% in 2013 and it is forecast to grow again by 5.5% in 2014, with investment in the extractive sector and strong domestic demand (pushed forward by an emerging middle class) continuing to be the main drivers of rapid economic expansion.

Peru’s established track record of policy coherence and credibility as well as the country’s fiscal and external financing flexibility underpin its strong shock absorption capacity. Peru’s economy is focused on hydrocarbon and mineral exploration and extraction, and Canadian companies have a significant presence.

Peru is Canada’s second largest bilateral trading partner in South and Central America, and the third largest destination for Canadian direct investment in the same area. Canadian investment stock in Peru totalled $8.1 billion at the end of 2013. The Canada-Peru Free Trade, Labour Cooperation and Environment Agreements, which entered into force in 2009, have substantially enhanced the trade relationship since the signing of the agreement.

OIL & GAS

Colombia
Colombia’s extractive sector has grown considerably in the last ten years. Colombia is now one of six Latin American countries with significant energy potential. Oil production has passed from 604,000 barrels per day in 2008, to more than 1 million in 2013. Oil is the country’s largest foreign exchange earner, representing 67% of Colombia’s total exports in 2013. Since 2008, FDI in the hydrocarbon sector has grown steadily, hitting US$4.9 billion in 2013, 29% of Colombia’s total FDI in 2013, according to Colombia Proexport.

Despite its enormous oil and gas potential, 80% of Colombia remains relatively unexplored. Colombia’s oil and gas sector is a magnet for Canadian investment. The industry has been rapidly developing and the market still offers many opportunities for Canadian companies using Bogota as a hub for operations in the Andean region.

The outstanding growth in the hydrocarbon industry has also brought along significant interest to develop related subsectors. Supply of services and equipment in Colombia is insufficient and numerous opportunities exist for companies that are willing to invest in the country. Key subsectors of interest include surveying and mapping, seismic, drilling, geological studies and prospecting, mud logging and other related services and equipment.

There is also an emerging demand for new technologies for the exploitation of heavy oil and non-conventional gases and the market for secondary recuperation and enhanced oil recovery services is in
expansion. There is also significant growth in demand for soil remediation and water treatment services, environmental and CSR consulting, offshore training and offshore safety and rescue services.

Peru

The oil and gas sector in Peru has experienced ups and downs over the past 30 years and is again heading into a projected period of expansion. The sector, generally assessed by analysts as underdeveloped, has recently been a sector of focus for the Peruvian government, with the goal of attracting new investment. The sector is becoming increasingly competitive and has the potential to become a major economic contributor to the Peruvian economy.

The current forecast for investment in oil and natural gas in Peru over the next 10 years is approximately US$23 billion, of which 70% of investment will correspond to natural gas projects, 20% to oil projects and 10% to other investments related to the sector. The government has already begun the process of improving the permitting process and is working to develop the critical infrastructure necessary to advance and support the industry.

Opportunities exist across the sector, both upstream, in terms of supplying drilling rigs, compressors, pumps and related products; and downstream, such as pipe and other attached equipment, compressor units, metering stations and all related pipeline construction materials. As well, a range of opportunities exist for service providers, such as for geophysical services, seismic data processing, directional drilling technologies, transport, environmental control and safety standards, as well as social and environmental consulting services.

Colombia

Colombia is the world’s tenth-largest producer of coal and the world’s fourth-largest exporter, with an annual production of 85.5 million tons in 2013. Colombia is also the seventh-largest producer of ferronickel and the world’s largest producer of emeralds. The mining sector had a 2.26% share of Colombia’s GDP in 2013 and it annually generates over 200,000 direct jobs. More than 20% of Colombia’s total exports were generated by the mining sector, with coal representing 11.3%. Geological studies have only been carried out in 51% of the territory.

Colombia’s mining sector has recently become a market of choice for Canadian juniors who are leading the way in the exploration of precious and semi-precious metals. Those investments have led to other opportunities for companies to insert themselves into the investors’ value-chains. While Colombia’s mining industry for gold, silver and other minerals is still in its infancy, many opportunities exist for Canadian companies.

There are currently over 40 Canadian juniors with investments in Colombia that are undertaking an active exploration program. Canadian direct investment abroad (CDIA), coupled with the entry into force of the
Free Trade Agreement in August 2011, have created opportunities for Canadian manufacturers to enter into the supply chains of these Canadian juniors and established Colombian producers.

Peru
Peru defines itself as a mining country and this sector is well-developed and established as a central part of Peru’s economy. In 2013, the mining sector represented 4.6% of Peru’s GDP and 61% of total exports. Peru is the world’s 2nd largest copper producer, Latin America’s largest producer of gold, zinc, tin and lead, and a principal producer of silver and poly-metallic. In 2013, this sector received US $760 million in investment and Peru expects to attract up to $59.5 billion in the mining sector over the next decade.

Canada is the third-leading source of mining investment in Peru, with approximately 90 publicly-listed companies active. The majority of these companies are junior mining companies involved in exploration. Canada has seven mining operators in Peru, operating a total of nine mines.

Canadian suppliers are active in Peru and have found success. There is extensive opportunity across sub-sectors in the mining sector; however, new opportunities are emerging for Canadian companies in safety, such as ventilation, gas detectors, wall reinforcement, water pumps, remote control systems, and emergency cells for underground mines. Water remediation remains an important area, given the fundamental importance that remote communities place on the quality and preservation of their water sources.

In 2012, the Peruvian government restructured its conflict management office, renaming it the National Office of Dialogue and Sustainability. The office is working to address conflict proactively in a community development context and conducts dialogue processes with various stakeholders, representatives of private institutions and public officials with the aim of managing differences, disputes and social conflicts in Peru. Peru has also taken positive steps to streamline its mining permitting process, which ultimately would make it easier for qualified projects to reach production.

DEFENCE & SECURITY

Colombia
Although Colombia’s security situation has improved significantly over the last decade, the country still faces challenges associated with criminal activity in different regions of the country. As a result, the government and private sector continue to make significant investments in security and estimates indicate that the safety and security market is growing at an estimated rate of 5 to 10 percent per year.

Colombia’s armed forces have been undergoing extensive modernization to better equip the forces to bring peace and stability to the country, but also to better enhance the inter-operability of its forces in international exercises. Colombia’s Ministry of Defence enjoys an annual budget in excess of C$10 billion with approximately C$1.5 billion spent per year on new investments. Opportunities for Canadian companies exist in perimeter security protection systems, safety and survival accessories, simulation equipment, protective clothing, munitions, footwear, and medical equipment. It is important to note that all contracts in excess of US$1 million with the Colombian forces require a 100% offset.
The Canadian Commercial Corporation has an MOU in place with Colombia’s Ministry of Defence allowing Canadian suppliers to equip the Colombian forces via a government-to-government contract.

With regard to services, there is a significant need for security assistance, maintenance and training for the army, police, air force and private security companies. Areas of interest include specialized training in new communications technologies, technical support for reconnaissance and analysis, and support for security operations.

The development of an ambitious portfolio of infrastructure projects set in place by the Colombian government, and the continual expansion of the extractive industry will bring along multiple business opportunities in a variety of security sub-sectors. There is growing demand for security equipment such as access control systems, surveillance devices, wireless communications solutions, information security systems and IP mobile services.

**Peru**

While the threat of terrorism is greatly reduced in Peru (as compared to decades past), there are a range of issues that Peru continues to deal with in terms of domestic security. The government has taken steps to combat illegal mining, which is problematic for the environment and for the safety of those involved or impacted. There is ongoing concern regarding the vulnerability of vital energy infrastructure in parts of the country and the government is taking steps to reinforce its presence in remote areas of Peru, which involves investments in equipment and other support systems for operating in diverse geographic terrain, including the jungle.

As Peru’s economy grows and a greater percentage of the population moves into the middle class, wealth disparities become more apparent and delinquency continues to increase, particularly in the larger city centres, such as Lima. Improving citizen security is a key priority of the current government and Peru has been looking to acquire new products and technologies to support state efforts in improving individual security.

Areas of particular interest for Canadian companies include products or services targeted at improving citizen security; access control and biometrics; airport security and anti-riot security gear and equipment. The Peruvian government has expressed a particular interest in using the mechanism of government-to-government contracts (via the Canadian Commercial Corporation) for this sector, as they value the guarantee of working directly with the Canadian government and the transparency the mechanism ensures.

**WHO SHOULD PARTICIPATE**

Sector-focused Canada Trade Missions are one of the many ways the Government of Canada supports Canadian companies, particularly small-and-medium enterprises, to explore and succeed in foreign markets. Canadian companies in the following areas would benefit from participating on this trade mission:
Oil & Gas

- **Exploration services and equipment**
  Geological, geophysical and seismic consulting; technologies for sedimentary analysis, remote sensing and scientific drilling.

- **Drilling & well completion services and equipment**
  Subsurface drilling services, well servicing, onshore/offshore logistics, remote monitoring and operations support services.

- **Production & field development services and equipment**
  Subsurface development planning; reservoir mapping, evaluation, modelling and management; enhanced oil recovery and extraction systems.

- **Transport and storage services and equipment**
  Infrastructure for transporting oil to refineries and ports; storage facilities and equipment; clean technologies to reduce emissions.

Mining

- Companies with **safety products for mines**, such as ventilation, gas detectors, wall reinforcement, water pumps, remote control systems, and emergency cells for underground mines
- **Water remediation** companies
- Suppliers of **heavy machinery**
- Companies with cutting edge-technology and/or innovative products in support of the mining sector

Defence & Security

- **Perimeter security systems**
- **Protective equipment**, including: anti-ballistic clothing, footwear, and helmets
- **Security simulation** equipment, services and training
- **Aircraft maintenance repair and overhaul** services and equipment
- **Personal security** services and equipment
- **Access control and biometric equipment**
- **Airport security** services and equipment

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