INTERNATIONAL
TRADE
ADMINISTRATION

2016 Top Markets Report Automotive Parts
Country Case Study

Colombia

Type: Medium Growing Market; High Share

Colombia is ranked the 21st best market for OE parts and the 15th best market for aftermarket products. In 2015, $285 million in U.S. auto parts were exported to Colombia, down from $338 million in 2014. While Colombia has a fairly large automotive market, it is subject to extremely high competitive pressures. Most U.S. parts firms have open access to the Colombian market and face zero or declining tariffs; most other major automotive producing countries, however, have equivalent access. U.S. products do enjoy reputations for high quality, and suppliers can develop the necessary relationships to secure sales.

Original Equipment Rank	Aftermarket Rank
21	15

Overview of the Automotive Parts Market in Colombia

Colombia is the second most populous country in South America and has a per capita GDP of $11,100. It is one of the larger automotive markets in South America with approximately 285,000 vehicles sold in 2015. The country sits behind only Brazil and Argentina in South American vehicle production. Most Colombian production is complete knockdown (CKD) kit assembly and, therefore, reliant on component imports. GM, Renault and Daimler are among the handful of firms with local assembly operations. Like much of the region, vehicle ownership levels are relatively low with roughly 53 passenger cars per 1,000 people. Thus, there is significant space for growth.

The U.S. has a trade agreement with Colombia, providing tariff free market access for most automotive parts. Likewise, Colombia has negotiated agreements with a number of countries and, with its location, may be able to serve as a production center for the region. However, many of Colombia's FTAs are with other countries with strong automotive sectors, so competition is high. That competition is expected to increase with the recent FTA with the EU. GM has been investing in Colombia, where Chevrolet has almost a 24 percent market share. Mazda has made moves to close its local factory and meet local demand via imports from its Mexican operations.
The Colombian government is working to address the increased competition for assembly operations wrought by its trade agreements and the lowering of import tariffs on automotive parts. This action will further reduce the competitive benefits U.S. companies gained from the U.S.-Colombia FTA. Analysts expect respectable growth in near-term Colombian automotive sales, but it is very likely that many of the vehicles sold will be built outside of the Colombian market.

Figure 1: 2015 Colombia Automotive Market

Sales (units)	164,867
U.S. Auto Parts Exports to Colombia	$284,916,706
Total Colombian Auto Parts Imports	$1,960,201,729
Total Domestic Vehicle Production	94,109
Vehicles in Operation	5,809,457

There are over 50 brands and 270 models present in the Colombian market. Chevrolet is the largest seller followed by Renault and Hyundai. KIA and Nissan have been gaining market share, as have Chinese manufacturers. Colombia has been a major player in the regional automotive market.
The top parts imported into Colombia were concentrated in tires (12 percent), chassis (2 percent) and filters (2 percent). Colombia does not allow the importing of used vehicles or parts. The country is formulating policies to allow the importing of remanufactured products to meet commitments under its FTA with the United States. Those commitments can be found under Chapter Four, Rules of Origin and Origin Procedures, Annex 4.18 of the agreement.

Challenges and Barriers to Automotive Parts Exports

Auto manufacturers in Colombia are facing an extremely competitive market due to the country's many recent FTAs with countries home to large automotive manufacturing sectors, including the United States, Mexico, Korea and recently the EU. With further FTAs under negotiation, including one with China, the Colombian assemblers will have a hard time maintaining market share. Local assemblers are hampered by minimal economies of scale with the additional headwinds caused by poor local transportation infrastructure. Mazda recently decided to close its production facility in the country due to the high cost of production and low volumes.

Opportunities for U.S. Companies

Research firm BBVA forecast in 2013 that Colombia's vehicle stock will be double 2010 levels in 2020, equating to 7.9 percent annual growth. Roughly 40 percent of the vehicles on Colombian roads were assembled locally while the remaining 60 percent of vehicles were imported from the United States, Korea, Mexico, India, Japan, Ecuador and China.

Among 106 countries competing for sales in the Colombia automotive parts market, the United States, Brazil, Japan and China have the highest market shares. The high import percentage represents good opportunities for all imported parts and accessories but especially for U.S. products, which enjoy name recognition and quality reputations. In addition, many of the models offered in Colombia are also sold in the United States, including many GM vehicles, so most parts are available for export from American-based manufacturers.

Through its multiple FTAs, Colombia has access to a market of 34 million vehicles (including U.S., Canada, Mexico, EU, Korea, etc.). The Colombian government is trying to encourage the adoption of Colombia as a platform for the assembly of vehicles and parts for the Colombian and regional markets. With the high competition and low economies of scale in its home market, it will be difficult for Colombia to achieve this end. The effort is further hindered in the short term by the ongoing economic problems in Venezuela and Ecuador.

However, many of the vehicles on Colombian roads are older, leading to premature vehicle wear. Combined with lower wages that make vehicle repair economical over a longer vehicle service life, there is a high demand for aftermarket repair parts.

Colombia has made some moves toward electrification of its vehicle fleet, including by deploying electric taxis in Bogota. Global sales of electric vehicles, however, are mainly in regions such as Norway and California, where purchase incentives reduce currently higher purchase prices for these vehicles. Without significant Colombian incentives, EVs are unlikely to sell in significant numbers in the near term.

The Colombian government is making significant efforts to expand the number of flex-fuel vehicles in its fleet. The vehicles receive tax benefits and incentives, and there is a VAT exemption on fuel. These incentives and the low cost of flex-fuel vehicle technologies (roughly $100 per vehicle) should enable significant opportunities for related products.