

COLOMBIA MODIFIES ITS FREE ZONE REGIME TO FACILITATE TRADE

With the issuance of Decree 278 of March 15, 2021 the Government of Colombia intends to promote foreign investment in the country and the creation of business projects characterized by productivity and modernization.

These objectives are achieved through the following five axes regulated by the new Decree:

1. **Promotion of the 4.0 economy:** Responding to the technological and digital reality and in conjunction with global trends in international trade, this decree enables the development of e-commerce for users of goods and services by means of postal traffic or express delivery; clarifying that the sales made through the Internet will not be understood as retail sales.
2. **Regional development:** These are the main modifications created to promote the use of free trade zones in different regions of the country:
 - The reduction of investment commitments by up to 30% in the event that the declaration of a free -trade zone is intended to be made in municipalities with a poverty index above 19.6%.
 - The possibility for service free zones that special permanent free trade zones become permanent free zone is included.
 - For the new permanent free trade zones dedicated exclusively to the provision of services in municipalities or districts with less than one million inhabitants, the minimum area of 20 hectares requirement is suppressed.
3. **Reduction of procedures and requirements:** With the objective of motivating the participation and creation of free trade zones, the formal requirements for new declarations have been reduced from 57 to 24, as well as the reduction of the time for the declaration of free trade zones from 18 to 6 months.
4. **Expansion of the regime:** In order to cover a wider range of activities and to emphasize the productive development of the country:

- The declaration of free trade zones is allowed for all types of agro-industrial activities, understood as those involving the industrial transformation of products of the agricultural sector.
 - The term of existence and extension of the free trade zone declaration is extended to 30 years, indistinctly.
 - The possibility for the existing free trade zones to extend the economic activities that were initially declared and authorized to them is established
5. **Institutional strengthening:** This amendment in turn includes the creation of the Free Trade Zone Technical Committee within the framework of the National System of Competitiveness and Innovation, whose main strategy of action will be the permanent dialogue with the private sector.

All these new developments from the Colombian Government regarding the regulation of the free trade zones not only responds to a need for updating with respect to international standards on the subject, but also aims at generating greater competitiveness for the country. This new framework seeks to facilitate trade, attract greater foreign investment, increase exports and generate employment in the post-pandemic context.

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