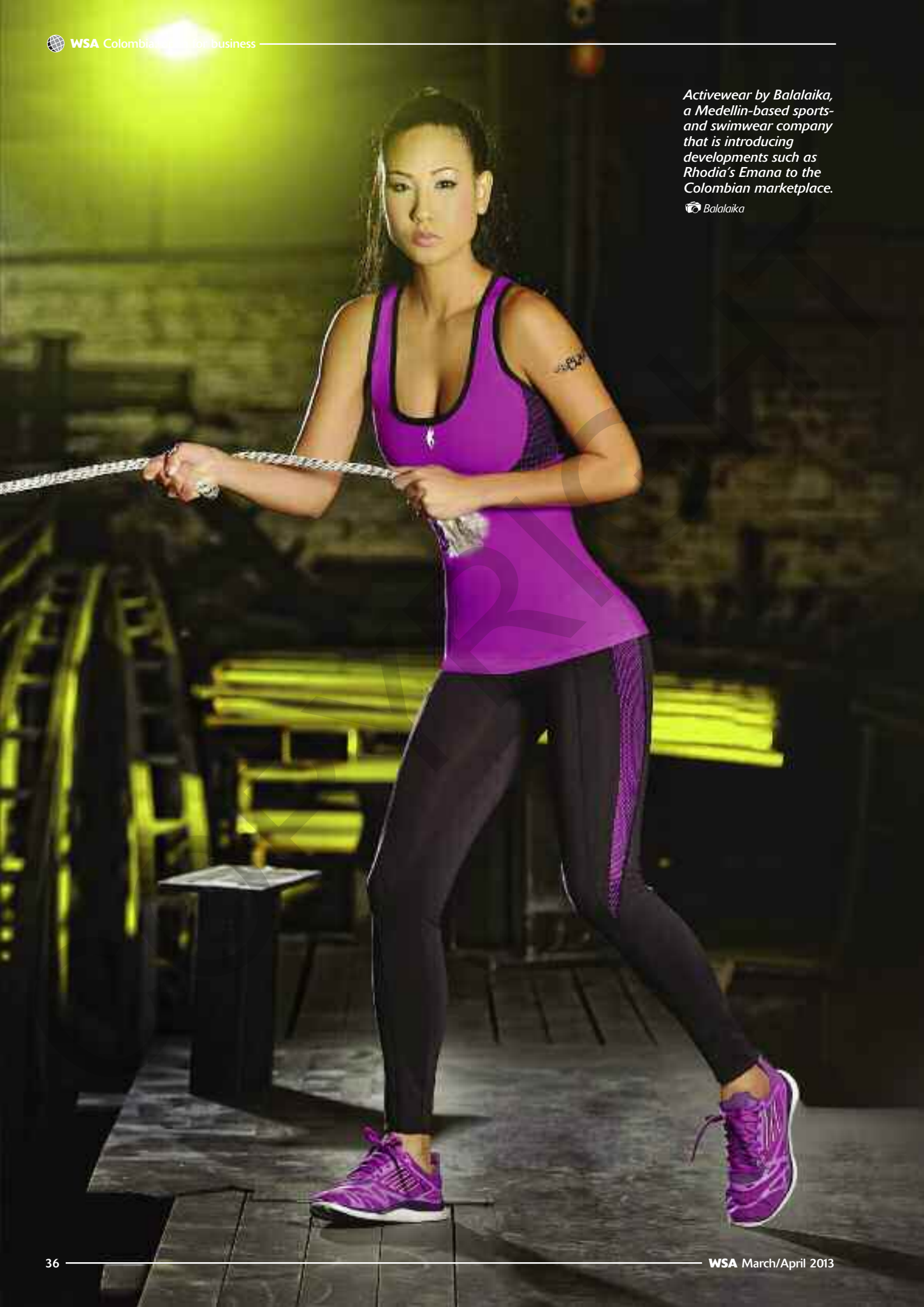


Activewear by Balalaika, a Medellin-based sports- and swimwear company that is introducing developments such as Rhodia's Emana to the Colombian marketplace.

Balalaika

With the ink barely dry on a trade agreement with the US and with a similar deal with the EU about to come into force, the South American country is readying itself for a rapid increase in trade – and it sees sportswear as a sector that will drive its growth.



Colombiatex is South America's biggest textile fair. It welcomed 32,500 visitors this January and generated $152.5 million of business.

Inexmoda

Colombia: open for business

It's not often a country's president will pay a visit to a textile fair – but in the case of Colombia, there is good reason for him to show support. Massive political and social changes have created a country that is markedly different from a decade ago, one that is keen to show the world it is in control and is a viable and attractive destination for trade. Juan Carlos Santos opened Medellin-based Colombiatex trade fair at the end of January with an announcement that the country is to impose a tariff on textile imports to keep domestic companies competitive. He also welcomed the incoming trade agreement with Europe, due to come into force at the end of March, and discussed the benefits of the deal to both sides.

Medellin has long been the country's textile heartland. The sector generates 30% of the total employment for the city by way of 45,000 direct jobs and 135,000 indirect ones, and the building which houses textile company Coltejer is one of its most famous landmarks. Its abundance of labour and reputation for quality means it is well-positioned to vie for business in an increasingly globalised industry.

One of the keys to its growth, according to Colombiatex organisers, is sportswear. While considered a niche market in the country, those companies that operate in the arena say all indications point to increasing demand within the country, and across South America. For the first time this year, the fair featured a 'Sportif pavilion', alongside a number of denim companies.

"We wanted to combine the denim review with sportswear because we see a trend that people aren't going to the gym in branded t-shirts, they're wearing nice outfits," said Carlos Eduardo Botero, CEO of Inexmoda, a not-for-profit organisation promoting Colombia's textile and apparel industry. "We are increasingly seeing that people are wearing sportswear not only to go to the gym but also as casual, everyday wear. So brands are developing fashionable lines that are also technologically advanced."

Bogota-based textile firm Lafayette, one of the companies represented in the sports pavilion, launched Laftech, a brand encompassing its range of performance fabrics. The company decided it is the right moment to "promote the brand in a different way, and to teach people how to use technology", according to marketing

manager Andres Sierra Bernal. "People in South America don't always know about the technologies in the fabrics – we want to educate people that if you exercise wearing garments with the proper technology, it will be better than choosing those without," he said.

Integrated Apparel Solutions has recently tied up with Cotton Inc to add Transdry to its products, one of two Colombian companies that have been licensed by the American organisation. "It's not only for sports, it's important for when the weather is very hot, to keep the cotton drier," explained Cotton Inc's Jaime Flores, adding that there is a growing demand for these products in South America. Neotextile, a Brazilian company specialising in performance fabrics, is also looking to increase penetration in South America, having worked with brands including US surfwear brand Oakley and Nike, for whom it manufactured the Brazilian football team's shorts.

Creating opportunities

This sense of burgeoning opportunity is also apparent at Balalaika, a 60-year-old company based on the outskirts of Medellin that produces fabric for swimwear and activewear. It was one of the first in the region to use Invista's Supplex, and invested in lab facilities for technical fabrics 40 years ago – a move it says was seen as "crazy" at the time because of the absence of demand. It now also uses Tencel and Emana, a yarn by Solvay subsidiary Rhodia that offers thermo-regulation properties and improved blood micro-circulation.

Atanasio Bersis, the company's president, explains: "Sportswear is considered a niche market and there are not many players. In a niche market there isn't a lot of profit and therein lies the problem; the costs are very high. We have to address those problems by developing very good relationships with fibre suppliers, increasing our know-how, and finding the market for that type of product."

The company has to convince those at the top of the supply chain that there is a demand for the more technical, more expensive fabrics, and then work backwards. "It is quite a tiring process but a gratifying one, and sure, in terms of turnover afterwards. R&D costs a lot, and usually the companies want results in three to four months, they don't want to wait. In our case we have to persist, persist, persist."

Following the leaders in the US and Europe, and keeping abreast of trends and innovations is key for a small outfit, particularly one that hopes to instigate change. "You have to have vision to see the market. Three years ago, nobody was interested in Emana here, we had to push it and then they saw the benefits. You have to be convinced of the product and then create the

The changing face of Medellin

Medellin, home to the Colombiatex fair and the country's second city, was until a few years ago considered a no-go zone even for other Colombians. Riddled with crime, violence and corruption, the city was in many ways at the mercy of the 'mafia', drug barons and *sicarios* [hitmen] who had terrorised it for the best part of 30 years. Low educational levels, unemployment and isolated ghettos exacerbated the problem, with crime so commonplace that residents were unable to move freely around the city. Things had to change.

The catalyst was in the end a number of intertwined factors. The death of infamous drug baron and Medellin resident Pablo Escobar in 1993 broke the drug cartels into opposing factions and 'mafia', who eventually weakened and turned on each other. In 2003, the national government negotiated a peace agreement with the paramilitary narco-traffickers; demobilised militia were reintegrated into the city. And with the election of Sergio Fajardo as mayor in 2004 came a vision that was to change the city from the ground up.

Mr Fajardo was a mathematician, not a politician, and realised that altering the geography of the city could have a profound effect on social inclusion problems. Money was directed to the poorest areas – community centres were built, science parks constructed, and an outdoor escalator the height of a 28-storey building was built up into the mountain, to provide residents of some of the most isolated areas with access to the city, and opportunities. Public transport was radically improved. In the north of the city, in a particularly run down area, an ambitious library and arts centre was constructed. Staff originally worried about lending books to local people, but their concern was misplaced – books were returned at a rate of 98%, proof that ordinary Colombians were desperate to change their city from within, and that education would be at the heart of it.

It is this dramatic change – and the strategies that produced it – that has won the city a place in *The Wall Street Journal's* most innovative city competition, pitted against New York and Tel Aviv. The ongoing contest has been opened to the public, and Mr Santos has used his Twitter account to encourage Colombians to vote. "Just as in leadership, leaders are born with some characteristics and develop others, innovators are the same; and here you permanently breathe innovation," he said during his visit to Colombiatex. "Medellin will win the competition because innovation is ripe in Antioquia, the 'paisas' [those from the north west of Colombia] are natural born innovators."

Crime in Medellin has fallen significantly, and while care is still advised, particularly in certain districts, the fear that many harbour is now misplaced. The city is a thriving, metropolitan area, with luxury shopping centres, upmarket boutiques and respected universities. It is keen to trade with sportswear and apparel companies, and to demonstrate to the world that it is open for business.



View to downtown Medellin.
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market – this is the difficult thing about this kind of industry."

While "niche", the company wants to be taken seriously as a global supplier. In the last few years it has set up a wastewater treatment plant on site, which has reduced its water consumption by 30%, and it is hoping to gain bluesign and Clean Production Process certification – globally recognised ecological qualifications – by the end of next year. "They are costs in the beginning," admits Mr Bersis, "but afterwards they are very good for us and, of course, the rest of society."

Swimming with the tide

One sector Colombia excels in is swimwear – which is unsurprising given its proximity to the equator and both the Atlantic and Pacific. Small names compete successfully alongside large local players, with many producing high-quality, sought-after products. They are supplied by a mixture of domestic and international textile companies, whose large presence at Colombiatex highlighted the sense of opportunity.

Mr Botero explained: "Our swimwear brands are very well positioned around the world – not only the finished product but the fabric companies. They combine the Colombian ethnic design with the technology; I know mid-size companies that export to 30 or 40 countries."

Ritex, a Spanish design and fabric firm specialising in swimwear, has attended Colombiatex for seven years, and says the opportunities are vast, particularly for the many European companies that can no longer afford to manufacture there. "Everybody has gone to China, and now there are no competitive companies that are strong enough to produce in Europe," says founder and textile engineer Ricard Ribe.

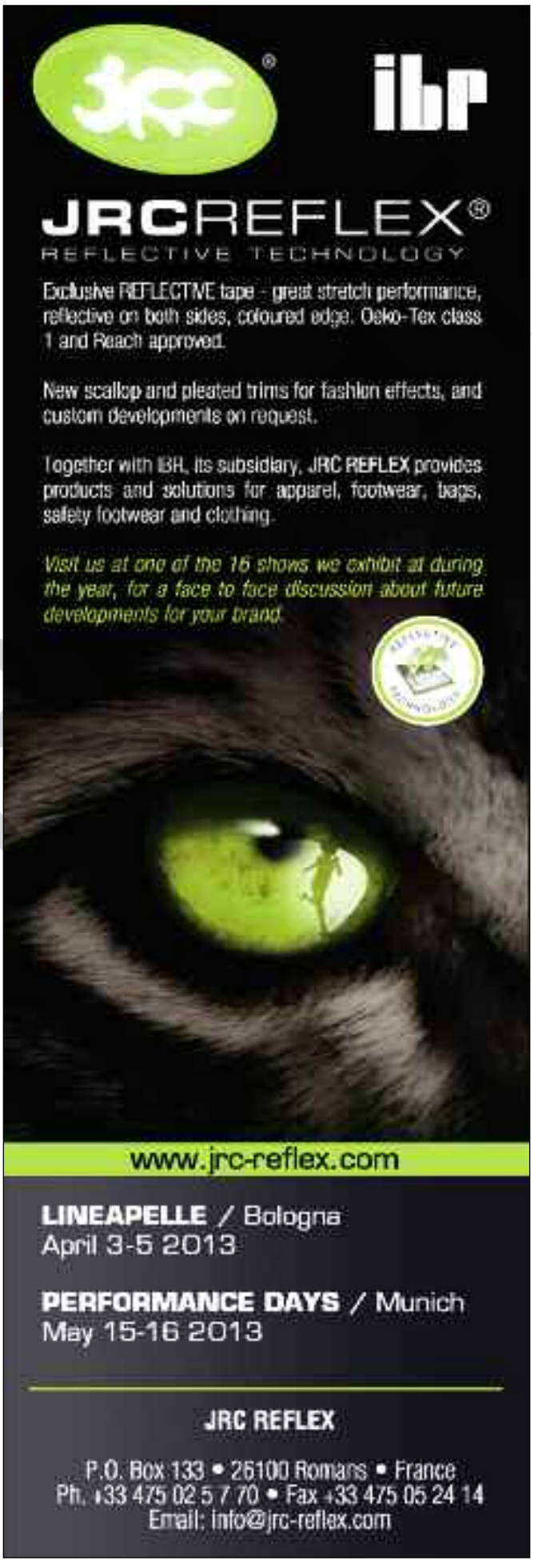
For Mexico's Assatex, much of the swimwear fabric it produces is sold to Colombian companies which then export the finished product back to Mexico. Others, such as Sao Paulo-based Rosset, are looking for partners that can develop their brand in Europe. "We mostly export to other South American countries and the US," said Camila Satie of its export department. "We cannot compete with Europe because of the price, in Italy they can produce it cheaper."

Trade relations

However, Mr Botero identifies Southern Europe as a "natural market" for its swimwear exports, particularly Spain and the South of France. He travelled around the continent last summer to gain a better understanding of the markets and intricacies. "Spain should be our natural market because of all the historical connections," he says. "It is in a difficult economic situation right now, but we think it's important to start making inroads, because doing business takes time."

He says the trade agreement between Colombia, Peru and the EU will open up new markets. "Currently, only 2% to 3% of our exports go to Europe. A lot of product used go to UK retailer Marks & Spencer and to dress the London bus drivers in London - but not any more. We are very shy exporting to Europe. So besides communicating that it's going to be a new opportunity for business it's important for us Colombians to get to know Europe. Europe is 27 countries – we need to understand new languages and new cultures."

The US has none of these complexities – being a short flight, in the same time zone and one main language. This means Colombiatex was well attended by US companies, in particular those affiliated with the Cotton Council of America, which



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Enka's social strategy puts a smile on workers' faces

Enka, a Medellin-based polymers and fibre producer that supplies to sports and underwear companies, has launched 80 new products for this year. The company specialises in recycled PET made from post-consumer recycled bottles, and puts corporate social responsibility high on its agenda.

The bottles are collected throughout Colombia by a large network that includes homeless people and "single mothers from poor areas". "We don't change the price of the bottles depending on the market – we pay a fair set price, treat the people well," said textiles sales manager Juan Gomez.

For the 1,000 or so workers at its production plant, the company provides educational projects and healthcare benefits. "A lot of our workers have bad teeth, but in Latin America we smile a lot, so if you lose your teeth you lose your smile, and then your confidence," added Mr Gomez. "So we address that by providing a social plan for dentistry."

Enka was founded in 1964 as a joint venture between Netherlands-headquartered chemicals firm AzkoNobel and Colombian textile companies, and was bought out by local investors in 2002. It runs a $30 million PET plant that processes a million bottles a day, and has plans for increased capacity.

"We sell a lot of industrial products in Europe, but we're looking for partners to sell more on the textile side, "said Mr Gomez, adding it is particularly keen to partner with sportswear companies such as yogawear. "We're hoping to start exporting to Europe as soon as the trade agreement goes through."

represented 10 mills and spinners. The signing of the trade agreement last May gave players the reassurances they needed following 10 years of uncertainty while the previous incarnation, the Andean Trade Promotion and Drug Eradication Act, underwent annual renewal. The US International Trade Commission estimates the value of US exports to Colombia could rise by $1.1 billion, while Colombian exports to the US could grow by $487 million. However, the consensus seemed to be that it is too early to see any exact figures and things will be clearer once full-year 2013 figures become available.

For some, the increases can't come soon enough. "The impact of it hasn't been felt to the degree that we would like, but certainly it's a work in progress," says Nina of Maldonato of the Cotton Council. "We need to get ports ready and update infrastructure so it's a work in progress. But there's a lot of hope."

Challenges ahead

Doing business in the country is not without its challenges, which officials readily admit. In terms of updating the infrastructure, the government is committing more funds to it this year than "Spain ever spent in the best of the golden years", according to Mr Santos. It is investing at least $550,000 in tertiary roads and $4 million in secondary roads, and will also start building "mountain highways" to further open the Antioquia region, where Medellin is based.

The $4 per kilo tariff on imported textiles has a dual purpose: to counter cheap imports from Asia, which might be heavily subsidised, and to make it a less attractive route for money laundering. "We are a country immersed in free trade, we respect free trade but we can't allow unfair competition to be harboured within that free trade," explains Mr Santos. "Lately we have seen increasing imports at totally inexplicable prices, from very specific origins. Immediately, all kinds of questions arise. Is it money laundering? Because certain prices, even from very cheap origins, cannot not be justified." However, he added that tariffs for those importing "following the rules of the game" would be reduced from 15% to 10%.

The threat of low-cost exports from Asia is pervasive, which is driving the raft of trade agreements in South America. At the end of January, Colombia, Chile, Peru and Mexico agreed to eliminate 90% of all trade barriers between their countries, marking a new era of relations between the Pacific Alliance countries. The trade bloc was established to increase competitiveness and to offset the Mercosur group, which includes Brazil and Argentina.

All were well-represented at Colombiatex. Visitor numbers were up 3% at 32,500, including 1,700 international buyers from 46 countries, and around $152.5 million of business was done. "We have some comparative advantages in the quality of our textiles, in our tradition in textile production; we have a special talent for design, and we have a skilled workforce," concludes Mr Santos. "In this industry, as in every industry, innovation is the guarantee for permanent survival and growth. In the economy itself, what we've set in motion is the search for growth sources which should keep us on a sustainable growth path for the long term."

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