

Colombia Defense Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Colombia defense market is currently valued at USD 332 million. It is anticipated to surpass USD 376 million by the end of the forecast period by registering a CAGR of over 2.2% during the forecast period.

Although the COVID-19 pandemic affected the Colombian economy, its impact was not felt on the country's defense spending. The defense expenditure of Columbia has stood constant for the last 3 - 5 years. Colombia is actively engaged in the Colombian war and has a porous border with Venezuela. Furthermore, the country actively receives threats from its water border as part of the Caribbean sea. Therefore, it requires robust defense capabilities to counter enemy attacks on the land.

The Colombian Defense Ministry has a budget of approximately USD 10.4 billion, which is equivalent to roughly 12 percent of the total Colombian budget for 2021. The country's close democratic relations with the United States have a positive effect, with the United States supplying immense weaponry, vehicles, and other combat systems, while simultaneously offering financial aid.

Colombia Defense Market Trends

Army is Projected to Dominate the Market During the Forecast Period

The Colombian Defense Ministry has a budget of approximately USD 10.4 billion, equivalent to roughly 12 percent of the total Colombian budget for 2021. At the same time, most of the defense budget will be designated for operational activities, such as payroll, procurement of basic goods and services, and pensions. About four percent of the total budget (USD 507 million) will be invested in strengthening the security and strategic capacity of the Armed Forces through the purchase of equipment, hardware, weapons, ammunition, communication upgrades, and carrying out major scheduled maintenance for aging equipment and

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infrastructure such as accommodation, dining rooms, tracks, hangars, docks, and provision of a new headquarters for operations of the Ministry of Defense and the Armed Forces.

Colombia is always looking to upgrade its army with the latest technology of battlefield tanks, vehicles, artillery guns, and mortars to improve the effectiveness and army's capabilities. The army's in-service vehicles currently include the LAV III and EE-9 Cascavelland vehicles used for multiple purposes on a combat field. The country also uses BAE Land Systems Howitzer, NexterLG-1 Howitzer, and M101 Howitzer, among many other artillery vehicles used for combat.

With the country's need to counter constant threats from various radical groups, the Ministry of National Defense in Colombia is constantly looking for equipment procurements and upgrades. It invests significantly in improving the army's capabilities. For instance, in May 2022, the Ministry of Defense approved the purchase of 50 General Dynamics Land Systems (GDLS) 8x8 LAV III armored vehicles in a direct transaction made with the Land Systems business segment of General Dynamics. The army, with this purchase, aims to reinforce its operational and mobility capabilities, particularly on the border of la Guajira. The army also intends to renew and modernize its existing capabilities by incorporating Textron M1117 vehicles, with a keen interest in the M1A2 battle tank offered by GDLS. The country's defense expenditure has increased its capabilities over the years.

Raising Funding From the United States will Boost Columbia Defense Sector

The United States and Colombia have strong bilateral relationships for defense equipment export, security assistance, and economic support. Both countries assigned several agreements for various trades and businesses. Through the United States-Colombia Action Plan, the Colombian armed forces get security training across the region and the world. The United States is Colombia's largest export destination and source of imports of various defense equipment. The United States provided over USD 13 billion in economic and security assistance under the Plan Colombia program launched in 1999-2000. The Plan Colombia was launched to counter guerrilla insurgency and drug trafficking. The United States Agency for International Development helped Colombia by providing millions of dollars to support rural livelihoods and implementing Colombia's peace accord of 2016.

In 2016, the Colombian government signed a peace accord with the Revolutionary Armed Forces of Colombia (FARC). Since then, the United States has provided more than USD 1 billion to support peace implementation. The United States is the largest contributor to the peace accord's implementation. The US government also committed help of more than USD 700 million to Colombia to address the Venezuelan crisis.

The United States government supports Colombia's strategy against criminal activities, such as illegal mining, narcotics production, deforestation, and security issues, such as counterterrorism and counter-narcotics. With substantial assistance from the United States in 2020, the Colombian government eradicated more than 130,000 hectares of coca and interdicted around 580 metric tons of cocaine. Further, in April 2021, the United States provided five UH-1 Bell Huey helicopters to enhance the military capabilities of the Colombian armed forces. In December 2021, the United States Southern Command donated 20 M1117 armored security vehicles at the Buenavista Military Fort. The United States and Colombia strengthen their military partnership as both countries mark the 200th anniversary of their diplomatic relationship.

Colombia Defense Market Competitor Analysis

The Colombia defense market is consolidated. Most of the players operating in the country are state-owned players with significant government investments in these companies. INDUMIL, CIAC, CODALTEC, and COTECMAR are some of the major players in the Colombia defense market. The country exercises stringent regulations against the privatization of the defense sector. This creates a huge market entry barrier for new entrants instead of helping the localization of the defense market. It can also reduce the market growth rate and slow down the government-owned defense companies in the country.

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