



OBSERVATORIO TLC

## **FTA Observatory The Impacts of FTAs on Colombian Workers. No.3**

### **IMPACT OF FREE TRADE ON COLOMBIA'S SME**

The fabric of Colombian business is composed 95% of micro, small, and medium-sized companies. According to the National Association of Financial Institutions (Anif), 10% of SME in Colombia perceived negative effects from Free Trade, and 35% expressed uncertainty about their sales. According to the Colombian Association of Medium and Small Industry (Acopi), these results are due to the fact that only 12% of SME exported goods in 2015 and 31% imported consumables or products.

### **DARK EMPLOYMENT PANORAMIC FOR COLOMBIAN YOUTH**

During the first trimester of the year, the national unemployment rate for the population between the ages of 14 and 28 was placed at 18%, an increase of 1.8 percentage points with respect to 2015. This means that unemployment rate for youth is double that of the national rate, which returned to two digits. So far in 2016, the national unemployment rate had fallen to a point for a few months in which the indicator rose above the two digit mark. In April, for example, it was at 10.3%, which is 0.5 percentage points (pp) above the registered value from the same month of 2015 (9.8%).

### **TRANSNATIONAL COMPANIES GOING AFTER SALARY INCREASE**

Transnational companies have begun a crusade to terminate the end of the year salary increase, as it currently works in Colombia and in most countries. For these corporations, annual salary increase does not benefit them, and must be exchanged for productivity bonuses.

### **THE TRUCK DRIVER STRIKE AND DEMANDS ON FTA WITH THE UNITED STATES**

The truck driver strike turns 5 weeks old, and everything indicates that it is far from being resolved. There are many reasons behind the strike, but some of them originate from the Free Trade Agreement with the United States. In a letter sent in September of 2014, the Vice President of the United States, Joe Biden, expressed his economic concerns regarding the FTA to Santos. One of these had to do with the scrapping of freight vehicles. The demand benefits transnational transport and harms local truck drivers.

### **TRANSNATIONAL TRANSPORT IS BEHIND PRESSURE AGAINST TRUCK DRIVERS**

The United States demands to eliminate restrictions on the arrival of new freight vehicles has its own name: Trafigura and its affiliate in Colombia, Impala SAS. The interest of this transnational in controlling multi-mode transport (land, fluvial, and rail) in the country implies that national truck drivers will be relocated so the operation can be developed without competition.

## **THE TRUCK DRIVER'S STORY: MUCH WORK AND LITTLE GAIN**

Truck drivers have organized 32 strikes in 20 years. Not one of the governing bodies during these periods has resolved the core problems in this sector, which have arrived at an unsupportable point for these transporters. The difference between the cost of operation and the fleet (payment per trajectory), has caused lost labor for truck drivers. For example, between Bogota and Buenaventura, trajectory costs run between 3 and 3.5 million pesos, while the cost of fleets oscillates between 2.5 and 3 million pesos.

## **COLOMBIAN WORKERS AGAINST LABOR OUTSOURCING**

The Central Union workers of Colombia, with the support of investigation centers like Cedetrabajo and other social organizations, organized a national meeting to establish an action plan against labor outsourcing in Colombia. This type of precarious labor contracting affects close to 50% of the Economically Active Population through organizations such as the Associated Work Cooperative, Temporary Work Services, Service Presentation Contract, Anonymous Simple Society, informal labor, contracted unions and apprentices, amongst others.

## **CONTINUED COMMERCIAL LITIGATION WITH PANAMA**

The Colombian Government has inadequately managed the commercial litigation with Panama, which today, puts 2,394 millions of dollars at stake in textile, footwear, and flower exportations. The mistake of the Santos government consisted in implementing mixed tariffs in order to control undervalued imports for asset laundering. The correct decision would have been to impose an anti-dumping mechanism, to control importations with artificial prices below production cost.

## **EXPORTATIONS TO EUROPE HAVE NOT CHANGED AFTER 3 YEARS OF FTA**

In a recent investigation published by Fescol, it was found that total exports from Colombia to Europe have fallen from 9,188 million dollars in 2013 to 5,506 million dollars in 2015. These were concentrated by 85% in petroleum, coffee, and fruit.

## **FENOSA NATURAL GAS CONDEMS THE COLOMBIAN STATE FOR FTA INFRINGEMENT WITH THE EUROPEAN UNION**

The Spanish company Fenosa Natural Gas (GNF), stockholder of Electricaribe, demanded the Colombian State for a supposed breach in the Free Trade Agreement between Colombia and the European Union, as well as the inversion treaty with the Iberian country. The company argued that the Colombian State has not complied by the rules of the game regarding operations and service provision by not capitalizing on Electricaribe, and argue that regulations have not recognized inversions that were made.

## **ANOTHER NEGATIVE BALANCE IN COLOMBIAN FTA WITH THE UNITED STATES AND EUROPE**

The Colombian Free Trade Agreements with the United States and the European Union, completing 4 and 3 years of implementation, show a negative balance in comparison with other Latin American countries that, in the same years, experienced an increase in exportations, and greater diversity in exported goods. For example, Mexico increased exportations by 19.4% of their GDP to the United States by year



4 after implementing Free Trade, and Chile increased by 8.2% of GDP to Europe in three years of implementation. Colombia not only did not meet pre-established goals, but has diminished total exportations and non-traditional goods.

## **UNEMPLOYMENT RATE HAS INCREASED, WHILE SALARY RENUMERACION DECREASED**

The National Administrative Department of Statistics published labor market results for July, 2016 where market deterioration can be observed: unemployment increased from 8.8% in July of 2015 to 9.8% in the same month of 2016. This means that unemployed people in Colombia passed from 2,114 million people to 2,370 million.

## **TRIBUTARY REFORM HARMS WORKERS**

Tributary Reform, presented by the Santos government to the Congress on the 19th of October of the current year, contains a VAT increase of 19%. The majority of these taxes will be placed on sugary drinks such as sodas, gasoline, cigarettes, as well as a new tax on small entrepreneurs and shopkeepers. Additionally, it will increase the base value for income tax on natural persons, setting it at 2,750,000.00, a figure that includes close to 500,000 middle class citizens.

## **NATIONAL TEXTILE AND COTTON WORKERS AFFECTED BY FTA**

Due to free trade, cotton production in the Cauca Valley has decreased from 36,500 hectares, five decades ago, to just 296 in 2015. These consequences affect not only cotton producers and workers: textile producers need 60,000 tons per year, but the country can produce only 20,000.

## **DEMANDS CONTINUE ON THE COLOMBIAN STATE FROM FTA**

Threats of demands against the Colombian State presented before the International Court for a supposed breach on the Free Trade and Inversion Agreement have begun to have effect. Total data is not available regarding the pretensions of these demands but, to give dimension to the problem, just one of these could cost more than 16,000 dollars.

