



OBSERVATORIO TLC

## **FTA Observatory The Impacts of FTAs on Colombian Workers. No.2**

### **REJECTION TO FREE TRADE INCREASES: POTATO FARMERS OPPOSE MORE IMPORTS FROM FTA**

A public statement, directed at the President of the Republic, was issued during the XVIII National Congress of the Federation of Potato Producers of Colombia. The statement rejected the intentions of the processing industry to import potatoes, adding to the rest of the agriculture producers, who oppose Free Trade, tax reduction, and massive imports.

For small-scale potato growers in Colombia, this would mean the entrance of competitors that would reduce the price paid to the producer, who are affected by the El Niño phenomenon, and increased imports of consumables and fertilizers. Today, Colombian producers do not produce to accumulate, but rather, to cover production costs.

These ninety thousand potato producers join together with producers of sugar, palm oil, soy, bean, lentil, and garlic producers, amongst others, that recently have rejected announcements to reduce taxes and eliminate all types of protection for FTA imports, as pretext to reduce inflation.

### **CARLOS SLIM VS COLOMBIA: ANOTHER DEMAND FOR “FAILURE TO COMPLY WITH THE FTA”.**

The story of Colombian lawsuits against large foreign companies is one that never ends. It was announced a few days ago that AMX (American Mobile, from Mexican mogul Carlos Slim) solicited an arbitrary tribunal compensating him for Mexico-Colombia FTA violations and international law. Goods that must be returned to Slim's company are equivalent to almost 11 billion pesos.

### **INFLATION CONTINUES TO INCREASE DUE TO INCREASE IN IMPORTED FOODS**

Inflation in March continued to increase, demonstrating that economic policies to contain it are not functioning. Pulled by an increase in imported foods, inflation is the highest it has been in 10 years and now exceeds the minimum salary increase in 2016.

According to the National Administrative Department of Statistics (DIAN), the CPI variation in March 2016 was 0.94% and, in the trimester from January to March, it was 3.55%. In the last 12 months, from April 2015 to March 2016, it has risen 7.98%.

### **COLOMBIAN'S TRUST IN THE ECONOMY HAS PLUMMETED. WHAT DOES THIS HAVE TO DO WITH THE FTA?**

Colombian consumers have lost trust in the Colombian economy. According to the Consumer Opinion Report and the Economic Conditions Index, which measure household expectations and economic per-

ception, the country is passing through difficult times. Free Trade Agreements have caused a commercial imbalance of US \$16,000 million. This is the principle factor of the deficit in the current account, the Achilles heel of the national economy.

## **INTEREST RATES AGAINST COLOMBIANS**

The Central Bank has been systematically increasing the interest rate (now at 6.5%), with the pretext of controlling overflowing inflation, completing 7.89% in 12 months. It is expected that monetary authority will continue to increase it, despite that no adequate results have been presented. The result: Colombians have been hurt, and banks have won.

## **FTA PAPERS**

In the past few weeks, news stories have revealed the political leaders, bankers, athletes, and artists associated with 11.5 million documents about offshore societies and other modes of tax evasion in Panama. According to the UN, between 21 and 32 billions of dollars was hidden per year in this tax paradise, with the help of lawyers that “laundered” the money of large transnationals and wealthy individuals. What do the Panama Papers have to do with Free Trade? Why—if Panama has 18 bilateral trade and inversion agreements with the United States, the European Union, and Canada—has the creation of offshore companies been allowed since 1970?

Tax paradises and offshore territories—together with other international practices like letter-box companies—permit large companies and fortunes to evade tributary obligations, not only in their own countries, but also in the countries where they are implanted.

## **IMPLEMENTATION OF FREE TRADE WITH KOREA PERMITTED BY THE CONSTITUTIONAL COURT**

Last week, the Constitutional Court declared the Free Trade Agreement constitutional with Korea. As part of the decision, it was requested that President Santos safeguard a possibility to place limits on capital transfers for one year. Regardless, the Court permitted the FTA implementation with Korea, a serious threat for the industry and national employment.

With the Court's decision, this FTA joins the list of economic agreements that are furthering the country's crisis, responsible for the highest commercial deficit in history. Korea contributes with a commercial deficit of US \$856 million in 2015, generated in great part by trade imbalance in industrial goods.

## **TRANSNATIONAL PHARMASCEUTICALS IN SUPPORT OF FTA TO DO AWAY WITH GENERIC MEDICINE IN COLOMBIA**

The transnational pharmaceutical guild has removed Colombia from the “black list” of countries with inadequate intellectual property for the economic interests of large companies. These companies exercise enormous pressure to modify legislation and appropriate the pharmaceutical market in the country, eliminating all types of low-cost generic medicine.

Numerous NGOs have contributed to this denouncement, including the Accountability Committee and Health Cooperation (CVCS), which forms part of the Information and Medicine Center of the National University (Cimun). These entities consider that “this process, in addition to being arbitrary, is also illegitima-



te, given that it violates prohibitions of the World Trade Organization (OMC), which state that unilateral allocation of commercial conflicts related with agreements signed inside said organization is not possible”.

### **THE ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) PREPARES A NEW WAVE OF PRIVATIZATION IN COLOMBIA**

In November of 2015, the National Government, through the National Committee of Economic and Social Policy, published the document Conpes 3851. This document regulates activities including disposal, capital democratization, acquisition, fusion, and division, amongst other activities associated with portfolio management of participating states in 111 countries throughout the country. This document is a OECD requirement for Colombia to enter into the multilateral organization.

### **INTERNATIONAL MONETARY FUND PLACES HEAVY CRISIS ON WORKERS**

The International Monetary Fund, in its annual member country economic report, “Article IV”, insisted in the necessity to “without delay, implement” a tributary reform in Colombia this year, and noted that additional adjustments in monetary policy will be required. In general, the International Monetary Fund provides a balance of Colombian political economy, and applauds decisions that contradict the interests of laborers.

In said report, the IMF recognized that the economic slowdown since 2015 in Colombia was given in large part to the “moderation of the internal demand”, which “will flatten out in the year 2016/2017”. In simple terms, the IMF celebrates that the crisis has reduced consumption by Colombians, inversion in national companies, lowered social spending, and created a historic gap in external commercial.

### **DARK PROGNOSTIC FOR LABOR IN COLOMBIA**

The economic model of the Free Trade Agreement, combined with foreign investment as the principle source of growth and specialization in the energy mining sector, has had significant social effects in Colombia. While the manifestations of these effects have begun to be felt, the worst is yet to come. According to projections from multilateral organizations, Colombia will become the country with the highest employment loss due to economic and production downturn.

### **FREE TRADE EXPANDS THROUGH THE WORLD TRADE ORGANIZATION**

The general director of the World Trade Organization, Roberto Azevedo, visited Colombia to ratify an Agreement to Facilitate Trade. This agreement seeks to increase world trade by US\$1 billion through the liberalization of agricultural products, information technology products, telecommunication satellites, medical apparatuses, and video games, amongst others. In other words, this agreement seeks to expand free trade in Colombia without considering the balance of 25 years of the same model, which has cast unfavorable results for the country.

### **NOVARTIS AND BLACKMAIL FROM THE UNITED STATES**

The lawsuit between the Colombian State and the Swiss pharmaceutical, Novartis, began with the possibility of presenting medication which, in the interest of the public, combats leukemia, with an expired patent. Pressure from transnational pharmaceuticals reached a point in which United States Congressio-



nal Senators affiliated with the pharmaceutical industry and related interest groups threatened to “interfere with other interests that Colombia could have in the United States”.

## **AVALANCH OF NORTH AMERICAN ETHANOL, ANOTHER CONSEQUENCE OF FTA**

The National Government recently presented a resolution to modify resolution 90454 of 2014, associated with the Ethanol business. In essence, it attempts to eliminate a 0% fee on liquid fuel alcohol coming from the United States. This decision would affect more than 2.1 million people that make their living on sugar cane and its derivatives.

## **NEIGHBORHOOD STORES THREATENED BY LARGE FOREIGN PLATFORMS**

Foreign inversion and large national conglomerates in Colombia’s retail sector has increased considerably in recent years. The presence of transnationals, such as Casino, has notoriously grown. Their presence principally puts neighborhood stores at risk, which continue to be the predominant business throughout the country: 21% of businesses correspond to these establishments, and they continue to be an important source of employment.

## **THE SEARCH FOR WORK IN COLOMBIA, IN STATISTICS**

The immense majority of Colombians find themselves looking for work. According to the Survey of Small Businesses, conducted by the DIAN, almost 9 out of every 10 are small businesses of workers on their own account; and 3 of 4 are managed by just one person.

These results indicate that 87.1% are small business people working on their own. In these instances, they operate their own company either with the collaboration of family, or independently, but without any paid worker. The remaining 12.9% of small businesses are employers which hire one or more, paid employees.

## **WTO ISSUES RULING THAT AFFECTS COLOMBIAN TEXTILE AND FOOTWEAR PRODUCERS**

On the 8th of June, 2016, the World Trade Organization issued a ruling that prevented Colombia from continuing to apply mixed tariffs on textile and footwear imports from Panama. Said tariffs, petitioned by businessmen, safeguard contraband and artificially low prices in comparison to national production prices. The National Government, challenging the ruling without opposition, has put national producers at risk. Textile and footwear imports could increase 30% due to this decision.

