



# Free Trade Bulletin

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## A U.S.-Colombia Free Trade Agreement: Strengthening Democracy and Progress in Latin America

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The most important and contentious trade vote in Congress this year will probably be the free trade agreement the United States has signed with its South American neighbor and ally, Colombia. In his January 28, 2008, State of the Union speech, President Bush called on Congress to approve the agreement this year. Calling Colombia “a friend of America that is confronting violence and terror, and fighting drug traffickers,” the president warned Congress that “if we fail to pass this agreement, we will embolden the purveyors of false populism in our hemisphere. So we must come together, pass this agreement, and show our neighbors in the region that democracy leads to a better life.”<sup>1</sup>

Signed by the two governments in November 2006, the agreement would eliminate most tariffs and barriers to commerce between both countries. The U.S.-Colombia free-trade agreement (FTA) follows a series of similar agreements—negotiated by the Bush administration and approved by Congress—with five Central American countries, the Dominican Republic, Chile, and Peru.

The current Democratic Congress approved the Peru FTA late in 2007 after changes were made to its environmental and labor chapters, but Democratic leaders have repeatedly claimed that the FTA with Colombia will not face a vote until that country achieves as yet undefined progress in tackling violence against union leaders. Organized labor in the United States, in particular the AFL-CIO—a key constituency of the Democratic Party—has made defeat of the Colombia agreement one of its major political goals.

Rejecting a free-trade agreement with Colombia because of lingering violence in that country would be an irresponsible mistake by Congress. It would sacrifice our national interest in a stable, peaceful, and prospering hemisphere for the sake of narrow ideological and partisan interests. More than its economic benefits, an FTA with Colombia would reward and institutionalize the dramatic progress made in the past five and a half years by the government of Colombian president Alvaro Uribe.

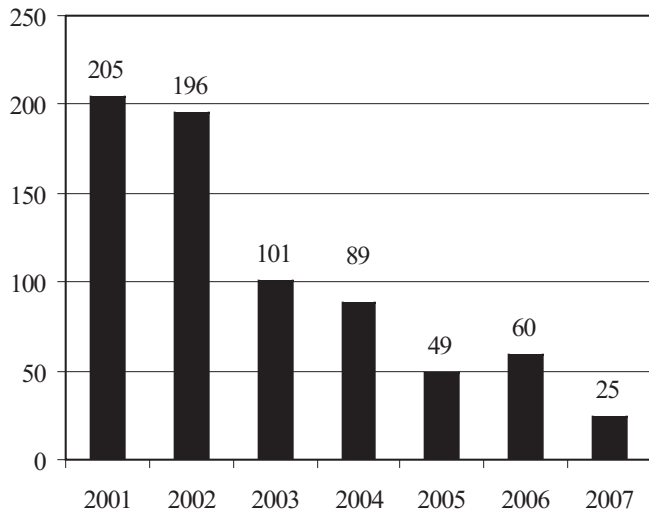
### Why Congressional Democrats Oppose a Colombia Trade Agreement

In a June 29, 2007, statement, House Speaker Nancy Pelosi and other Democratic leaders announced their opposition to the Colombia FTA. “There is widespread concern in Congress about the level of violence in Colombia, the impunity, the lack of investigations and prosecutions, and the role of the paramilitary,” they explained. “We believe there must first be concrete evidence of sustained results on the ground in Colombia, and Members of Congress will continue working with all interested parties to help achieve this end before consideration of any FTA. Consequently, we cannot support the Colombia FTA at this time.”<sup>2</sup>

Violence is a real issue for union members in Colombia. Since 1991, more than 2,200 union members have been assassinated, mostly by right-wing paramilitaries. Colombia is the most dangerous country in which to be a union member, as a recent publication from the AFL-CIO points out.<sup>3</sup> And the justice system has failed in most cases: Out of so many murders, there have been only 37 convictions.<sup>4</sup> However, Democratic leaders and their union allies fail to credit the Colombian government with the dramatic progress it has made against what only a few years ago seemed to be hopeless odds.

The real story in Colombia is not the current level of violence but its dramatic fall in a relatively short period, and the credit due the Colombian government for the progress. The number of assassinations of union members in Colombia has dropped sharply since 2001, a year before Colombian president Álvaro Uribe was sworn into office. From about 200 assassinations a year in 2001 and 2002, the number fell by half in 2003 and has continued to fall since then. (See Figure 1.) The AFL-CIO claims 38 unionists were assassinated in 2007, while the Colombian Ministry of Social Protection counts 25. Even if the higher AFL-CIO figure is accepted, that would mark a plunge of more than 80 percent in assassinations of trade unionists during President

**Figure 1**  
**Number of Assassinations of Union Members 2001–2007**



Source: Embassy of Colombia, “Progress Report: Strengthening the Rights, Benefits and Security of Unions,” October 2007; and Colombia Ministry of Social Protection.

Uribe’s time in office; the decrease would be nearly 90 percent if the Ministry of Social Protection figure is accepted. Either number represents remarkable and welcome progress under President Uribe.

Trade unionist killings must also be seen in the context of a society that for decades has been one of the most violence-plagued in the world. Since independence from Spain in 1819, the country has been engulfed in violent civil conflicts that cost hundreds of thousands of lives. In the 1960s two Marxist armed groups, the FARC and ELN, started a guerrilla war against the Colombian government. Later in the 1980s, powerful drug cartels battled the authorities and each other in the streets of important cities such as Medellin and Cali. Medellin was, until a few years ago, the deadliest city in the world. In the early 1990s, right-wing paramilitary groups were formed by landowners to battle the left-wing guerrillas. These groups soon became criminal forces of their own.

In the mid 1990s, once the drug cartels were dismantled, both guerillas and paramilitary groups moved into the narcotics business. Colombia’s rugged geography makes it an ideal place for growing illegal crops such as marijuana and coca. It is estimated that 90 percent of powdered cocaine consumed in the U.S. comes from Colombia.<sup>5</sup> This represents a multimillion dollar business that illegal armed forces have exploited for over a decade.

Against this daunting backdrop, the Uribe administration has taken decisive action. The government has established a protection program for vulnerable groups of society. Currently 1,504 union members have enrolled in the program, more than any other group of civil society. Working with the International Labor Organization, Colombia has created a special unit under its Attorney General to investigate priority cases of violence against trade unionists.<sup>6</sup> Union members still get assassinated, but they account for less than one in ten civilian assassinations by illegal armed groups.<sup>7</sup> Other groups tar-

geted for violence include teachers, journalists, business leaders, and politicians, most of whom are members of President Uribe’s own party.

The AFL-CIO repeatedly cites the figure of 2,245 labor union members killed in Colombia since 1991 as a central argument for not approving the trade agreement. But that figure is heavily front-loaded, with more than four out of five of those killings taking place prior to President Uribe’s administration. Instead of giving Uribe due credit for the dramatic decline in killings, the AFL-CIO insists on punishing the current president and the people who elected him for the failures of past administrations.

Unfortunately, left-leaning groups in Colombia have colluded with labor interests in the United States to convince the Democratic leadership in Congress that this FTA should be defeated on humanitarian grounds. There is more ideology behind the opposition to the agreement than real concern for union members in Colombia. For example, Gustavo Triana, an official at the Central Unitaria de Trabajadores, Colombia’s largest labor federation, says that “Free trade is killing us as much as bullets are.”<sup>8</sup> Equating peaceful, voluntary trade with murdering bullets is a gross comparison that shows the ideological agenda behind much of the opposition to an FTA.

### **A Complicated Country, a Remarkable President**

President Álvaro Uribe is a rarity in Latin American politics. After five years in office, his approval ratings are still very high, currently above 80 percent. He was reelected in 2006 with a whopping 62 percent of the vote. The reasons behind Uribe’s popularity are clear for anyone who has followed Colombian current events in the last decade. The president’s policies have delivered more safety, security, and economic opportunity for the citizens of Colombia.

Since he first assumed office in 2002, President Uribe has made impressive progress in stemming violence in his country, not only violence against trade unionists. His government has boosted police presence in every major city and region of the country. More than 30,000 paramilitary fighters have returned to civilian life.<sup>9</sup> Through more aggressive policing and military action against insurgents, the level of violence has dropped dramatically. Since 2002, homicides have declined by 40 percent, kidnappings by 82 percent, and terrorist attacks by 77 percent (see Table 1).<sup>10</sup>

Before Uribe’s tenure, Colombia was considered on the verge of becoming a “failed state.” The Marxist guerillas who had waged a war against the Colombian government for almost 40 years controlled an area the size of Switzerland. Thousands of kidnappings and assassinations made Colombia one of the most violent countries in the world. As former U.S. assistant secretary of state for western hemisphere affairs, Otto Reich, noted, “Barely 5 years ago, the big debate inside the U.S. Government centered on how long the government of Colombia could survive.”<sup>11</sup>

Uribe’s policies have changed Colombia. He adopted a tough policy against the Marxist guerillas by strengthening the army’s presence in rural zones and pushing the FARC out of central Colombia. He also pushed for a controversial

**Table 1**  
**Colombia's Progress against Violence, 2002–2007**

	2002	2007	Change
Common homicides	28,837	17,180	-40%
Civilians assassinated			
by illegal armed groups	2,087	358	-83%
Trade unionists killed	205	25	-88%
Kidnappings	2,882	515	-82%
Total terrorist attacks	1,645	381	-77%

Source: Colombian Ministry of Defense and Ministry of Social Protection.

plan to persuade the paramilitary groups to disarm in exchange for reduced sentences and incentives to reincorporate former paramilitaries into the workforce. This process has not been exempt from criticism. Many argue that demobilization of paramilitaries represented an amnesty to confessed criminals. Others point out that many demobilized paramilitaries have gone into regular criminal activities. However, the numbers clearly show that crime has plummeted under Uribe's watch. Today, Medellín has a lower per capita homicide rate than Baltimore. Colombia is still a very violent country, but critics fail to see the greater picture when looking at crime data without taking into account the trends of the last five years.

Not only have crime figures improved during Uribe's presidency, economic and social indicators also show remarkable progress. The economy, which grew at an average of 5 percent in the last four years, is estimated to have grown by almost 7 percent in 2007. Direct foreign investment ballooned from \$2.1 billion in 2002 to \$6.3 billion in 2006 (a 200 percent increase). Poverty has fallen by 11.9 percentage points to 45 percent during the same period.<sup>12</sup> The unemployment rate has fallen from 15 percent to 11 percent.<sup>13</sup> A combination of pro-growth policies and improved security has delivered better living conditions for millions of Colombians.

### **A Friend in a Region of Foes**

The importance of Colombia has grown in recent years given the ideological battle taking place in the Andean region. With the ascendancy to power of populist left-leaning presidents in South America, President Uribe stands as the closest U.S. ally in Latin America. Even more, Colombia is now surrounded by two anti-American presidents who have friendly ties or are sympathetic to the Marxist guerrillas: Venezuela's Hugo Chavez and Ecuador's Rafael Correa.

The situation is particularly troubling in the case of Chavez. The Venezuelan president has repeatedly tried to export his "Bolivarian" (socialist) revolution to other Latin American countries, taking advantage of a windfall in oil revenue of approximately \$300 billion since he came to power.<sup>14</sup> President Chávez has openly supported the political campaigns of left-leaning candidates in the region such as Evo Morales (Bolivia), Shafik Handal (El Salvador), Daniel

Ortega (Nicaragua), Ollanta Humala (Peru), and Rafael Correa (Ecuador). Moreover, in the last four years Chavez has spent \$4 billion in armaments.<sup>15</sup>

Chavez's ties with the guerrillas are well known. Venezuela has become a safe haven for the FARC and other terrorist groups. The 2006 *International Narcotics Control Strategy Report* says that "Colombian guerrilla organizations . . . move through parts of Venezuela without significant interference by the Venezuelan security forces."<sup>16</sup> Recently, Chavez stated that the guerrillas were "real armies" whose political project was respected by the Venezuelan government.

Having the closest ally of the United States in the region right next door has always been a thorn in Chavez's side. The relationship between him and President Uribe recently turned bitter over a failed mediation effort from the Venezuelan president with the Colombian guerrillas to release dozens of hostages that those groups have retained for more than five years. Both leaders exchanged recriminations, with Chavez calling Uribe "a sad pawn of the [U.S.] empire"<sup>17</sup>

Venezuela is the second largest market for Colombian exports, and many fear that the diplomatic crisis between the countries could lead to a Venezuelan blockade—something Chavez has already threatened on several occasions—that could have serious consequences to Colombia's economy.

### **Enter the U.S.-Colombia FTA**

The proposed trade agreement with Colombia grew out of America's policy engagement with Colombia since the early 1990s. In 1991, a Democratic Congress enacted the Andean Trade Preferences Act. The bipartisan law, which is up for renewal again in 2008, allows 90 percent of Colombia's exports to enter the United States duty free. Since the late 1990s, in an effort instigated by then-President Bill Clinton, Congress has appropriated more than \$5 billion in aid for "Plan Colombia," a Colombian government program to battle violent insurgents and eradicate the production of illicit drugs.

The free trade agreement with Colombia was designed to both strengthen civil society in Colombia and also to open economic opportunities for U.S. producers to sell to the country's 44 million upwardly mobile, American-friendly consumers.

Like similar agreements the United States has already negotiated in the region, the agreement would knock down barriers to U.S. exports. More than 80 percent of U.S. exports of consumer and industrial products to Colombia would become duty free on enactment, and remaining tariffs would be phased out over the next 10 years. For American farmers, the agreement would deliver immediate duty-free access for high-quality beef, cotton, wheat, soybean meal, and major fruits and vegetables (including apples, pears, peaches, and cherries) and many processed foods, including French fries and cookies. It would improve access for exported pork, beef, corn, poultry, rice, and dairy products.<sup>18</sup>

The agreement would also strengthen investment protections for U.S. companies trying to reach Colombian consumers with a direct presence. It would guarantee the nondiscriminatory rights for U.S. companies to bid on contracts for a broad range of Colombian government ministries,

agencies, and regional governments and better access for U.S. telecommunication service providers. It goes further than previous bilateral agreements to meet the ever-shifting demands of trade agreement critics for enforcement of certain labor and environmental standards within Colombia.<sup>19</sup>

Two-way trade between Colombia and the United States amounted to \$15.9 billion in 2006 and was on course to top \$17 billion in 2007. That is similar to the value of America's two-way trade with Chile, another FTA country, and nearly double our trade with Peru, which became an FTA partner in 2007.<sup>20</sup>

Because U.S. tariffs are already low to non-existent on the large majority of imports from Colombia, the agreement should not arouse the opposition of domestic special interests. More than half of our \$9.3 billion in imports from Colombia in 2006 were petroleum and coal. Another sixth of our imports from Colombia are agricultural products, with coffee beans and cut flowers dominating the trade. Apparel and shoes made up about 6 percent of our imports, amounting to less than half a billion dollars.<sup>21</sup>

America's most competitive exports to Colombia in 2006, comprising more than 40 percent of U.S. goods sold there, were manufactured products such as drilling and oil-field equipment, excavating machinery, computers and computer accessories, telecommunications equipment, and medical equipment. Other major categories of U.S. exports were chemicals and agricultural products, with corn being by far the top U.S. farm export.<sup>22</sup> The agreement would eventually eliminate Colombia's 11.3 percent average tariff against U.S. farm goods compared to the average U.S. tariff of 0.1 percent under existing preference programs.<sup>23</sup> A December 2006 study by the U.S. International Trade Commission estimated that the agreement would boost U.S. exports by \$1.1 billion.<sup>24</sup> With Colombian exporters already enjoying virtually duty-free access to the American market, a trade agreement would deliver the "level playing field" that skeptics of trade are always demanding.

### **The Consequences of Saying "No"**

A comprehensive trade agreement would also benefit Colombia by opening its market to more import competition, encouraging more foreign investment, and strengthening its ties to the world's largest economy. If Congress were to reject such an agreement, it would inflict real pain on the Colombian economy and workers. A recent study by the University of Antioquia shows that not approving the FTA would decrease investment by 4.5 percent in Colombia. Furthermore, it would increase unemployment by 1.8 percentage points, representing a net loss of 460,000 jobs. GDP would go down 4.5 percent, and the poverty level would rise by 1.4 points.<sup>25</sup>

It is not in the U.S. interest to inflict this kind of economic punishment on an ally in the Andean region. Left-wing populism is fueled by poverty and lack of opportunities, as can be easily seen in neighboring Venezuela, Ecuador, and Bolivia. Strong democratic institutions rely heavily on economic development. The United States should promote it. This is very clear to Colombians. Sergio Fajardo,

the popular mayor of Medellin, has said, "What do we have friends for? To make the problems worse? Our friends should help us to make things better."<sup>26</sup>

Then we also have the political significance of rejecting the FTA, which has already been approved by the Colombian Congress and is supported by a majority of Colombians. President Uribe has already made it clear that the relationship with the United States would be affected if the FTA is rejected. On a recent visit to Washington, he said that his country will not be part of "a relationship wherein the United States is master and Colombia is a slave republic."<sup>27</sup> It is difficult to interpret the real meaning of Uribe's words, but it is clear that the United States would find a less cooperative Colombian president if the FTA is rejected.

One more point to consider is the institutional implications of such a decision. One of the major mistakes of U.S. foreign policy in the last 60 years is reducing bilateral relations with nations to personal relations with a specific leader. When that leader is gone, the diplomatic relation with that country starts anew, in some cases for the worse. There is a strong risk that the United States is making the same mistake in Colombia with President Uribe. After he is gone, nobody knows who will come and what his or her attitudes toward Washington will be. It is therefore imperative that the United States institutionalize its relations with Colombia through a bilateral commercial agreement that locks both countries into permanent economic ties.

### **Conclusion**

Colombia has been a strong ally of the United States in recent years. It has also been a nation torn by civil conflict and vicious violence. However, under the leadership of President Álvaro Uribe, the country has gone through remarkable improvements in most socioeconomic indicators.

President Uribe has invested a lot of his political capital in reaching an FTA with Colombia's closest ally. However, spurred by the opposition of organized labor in the United States, the Democratic leadership in Congress has threatened to thwart the approval of the agreement under complaints that Colombia is the world's most dangerous country for organized labor. Though true, Democrats fail to acknowledge that Colombia is a violent country in general and that killings of union members have been significantly reduced under President Uribe's watch.

Blinded by narrow parochial concerns, the Democratic leadership in Congress also fails to understand the importance of Colombia in a region where left-leaning anti-American leaders are coming to power under populist agendas, like Venezuela's Hugo Chavez. As the *Wall Street Journal's* Mary O'Grady has written, "Either the Democrats have very poor foreign policy judgment or they have sympathy for the devil."<sup>28</sup> However, not all Democrats share the same miscalculations. An open letter by prominent Clinton administration officials and former Democratic members of Congress states that "it would be the height of irony were we to talk of 'losing' Latin America while refusing to take actions that would directly support fundamental relationships and interests in the region."<sup>29</sup> Canada's prime minister

Stephen Harper offered friendly and wise advice when he stated, “If the U.S. turns its back on Colombia, it will set us back more than any Latin American dictator could hope to achieve.”<sup>30</sup>

In a comprehensive study last November, the Center for Strategic and International Studies in Washington concluded that the government and people of Colombia have more than merely avoided a disaster under President Uribe:

They have rolled back the influence of the paramilitaries and insurgents, established a state presence in every municipality of the country for the first time in history, sharply reversed levels of violence and criminality, improved the observance of human rights, enhanced the capacity of the state to govern more democratically, and set the economy moving in a very positive direction.<sup>31</sup>

Approving a free trade agreement with Colombia is about supporting a market democracy in a region where liberal values are under attack. It is about being a reliable partner in turbulent times. It is also about building long-lasting institutions for economic prosperity and democracy for millions of Colombians.

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Scholars at the Cato trade policy center recognize that open markets mean wider choices and lower prices for businesses and consumers, as well as more vigorous competition that encourages greater productivity and innovation. Those benefits are available to any country that adopts free trade policies; they are not contingent upon "fair trade" or a "level playing field" in other countries. Moreover, the case for free trade goes beyond economic efficiency. The freedom to trade is a basic human liberty, and its exercise across political borders unites people in peaceful cooperation and mutual prosperity.

The center is part of the Cato Institute, an independent policy research organization in Washington, D.C. The Cato Institute pursues a broad-based research program rooted in the traditional American principles of individual liberty and limited government.

For more information on the Center for Trade Policy Studies,  
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