

## **BUSINESSES IN CONFLICT-AFFECTED ZONES, A LABOUR PERSPECTIVE**

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I do really appreciate this invitation from the Government of Germany, UN Global Compact, and Friedrich Ebert Foundation, official sponsors of this Symposium. First of all, I would like to make clear several important points concerning the current nature of the armed conflict in my country. At the international level, Colombia is widely known as a nation in a full-scale war, but this description is not accurate, because although violence is a serious problem, the violent conflict engages, perhaps less than one per cent of the total population, and it is only affecting remote and inhabited areas. In Colombian large cities, where the majority of the population is living, people only has a narrow understanding of this conflict as a result of just watching the displacement of farmers from rural areas and the reported isolated terrorism acts by the media.

One of the most controversial issues is the claiming by the government authorities when says that "...violence brought out by several criminal organizations is the principal challenge facing Colombia". The Colombian government through the different media has raised this concept to a level of importance that even though is significant in some aspects, it is not so relevant because daily collected statistics are proving that the principal cause of the Colombian economic and social problems is not the current violence. To illustrate this point, the economic effects on growth national

product by the insurgent violence were estimated on a reduction of approximately \$500 million dollars in 2001. In contrast in this same year, for example, the collections of custom fees decreased, as a result of the adoption of open market regulations, with an economic loss of around \$2.500 million of dollars. In the same way, the transfer of the foreign money markets to private banks is responsible of a loss of around \$800 million dollars per year.

Our problems are the product of Colombia's poor economic performance, producing less and less every year, and assuming more and more public debt. Between 1997 and 2003, the country economic output decreased from \$106.761 millions of US dollar to \$79.448 millions and on the last decade the international commercial trade balance had a deficit of around \$10 thousand millions of US dollar. The agricultural production area was reduced; meanwhile the importation of agricultural products grew from a little more than 2 million tons, in 1992 to close 6 million tons, in 2002. The official debt, as percentage of GNP grew from 16.5% in 1990 up to 52,3% at the end of the last year, which makes debt payments the fastest increasing expenditure in the National Budget from 1991 (13,1%) to 2003 (47.5%).

As a fact, statistics are constantly showing that businesses are more affected basically by economic policies, like opening the markets and privatizations. Poverty as one of the social endemic problems that Colombian neoliberal leaders have tried to eradicate for many decades, is impacting more than 60% of the Colombian population. Unemployment is increasing, the scarce jobs that are still available are in a short time transformed into part-times or are offered

under very poor working conditions; informal jobs are the only option for millions of Colombian workers. Ten years after the social security reform, only 52% of the population is affiliated to the Social Security Official System. Speaking in terms of education, in 2001, from a total of 13,5 millions of people on ages between 5 to 18 years old, there were only 9.6 millions of registered students.

Under these circumstances, business growth is not feasible. The salaried workers, a population group with diminishing consuming capacity have been drastically reduced in the last years, due to a record number of bankrupt business and many government agencies in poor financial situations or closed. This situation is also contributing to the denial of fundamental union rights, because the labor condition is closely related to the army conflict problem previously mentioned, due to unions are being stigmatized and its physical disappearing is justified, on grounds that their legal representatives are linked to the armed group of insurgents.

Entrepreneurs and government officials are constantly implementing new labor regulations, which reduced worker's income, with the false argument that high labor cost is the main factor explaining critical financial problems of companies and institutions. However, the real situation is quite different; out there are others factors impacting current business performance. For example, a recent survey conducted by ANDI (National Industry Men Association) showed that the tax burden is the major component in the cost portfolio of manufacturing companies and now it represents more than 25% of companies liabilities. More recently, ACOPI (Small and Medium Companies Association) have now concluded that the

most important obstacle for businesses economic growth in Colombia is consumer's low demand.

To my way of thinking, the government and entrepreneurs believe that violence presents a good opportunity to tear down the trade unions achievements. So the workers are between the devil and the deep blue sea. One side they are prosecuted by the armed groups and on the other side they have to face the negative attitude towards the workers unions and their rights by the regulations imposed by the government and the business managers. In the long run they don't know which of them is the worst.

Another close association is between civil violence and drugs trafficking. It is commonly known that armed groups are deeply involved with this criminal activity. The government strategy to fight against this flagellum is wrong. Recently an official document examined serious failures on this approach. The eradication of crops with the fumigation's costs getting higher, flying aspersion risks, the inadmissible procedure to shutdown airplanes suspected of transporting drugs and, more important, the failure of the *Plan Colombia* restraint policy. So, the conclusion is that the American taxpayers money is wasted with this kind of policies.

As you can see our nation is going through a complex situation. The only way to overcome these chaotic circumstances is to work for the unity of our nation, in search of a new sovereign and democratic republic.

Thank you very much

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