

Civil Unrest in Columbia as a Fallout of Economic, Political and Social Derangement

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Abstract: Republic of Colombia credited as the fourth-largest economy in Latin America, faced economic turmoil due to COVID 19 pandemic, corruption in state machinery and mismanagement of economic resources. Columbia is also regarded as second most populous democracy in South America and an important ally of USA in its combat against drug trafficking. Economy had been the hardest hit and lockdown measures led to economic activities shrinking further. There was reduction in job opportunities, spike in unemployment and rise in level of poverty. Healthcare sector struggled with whooping number of infected cases and death rate mounted high. Poor people suffered more than their affluent counterpart. Protest broke out in 2019 when thousands of injustice-stricken people took to the streets for rescind of pernicious tax reform, better wages and higher fund allocation for education. Many youngsters are devoid of education and unfit for salaried job. There was a claim for free education and job subsidy but prospect of both remained dimmed as Colombia's foreign currency debt worsened in 2020. The proposed tax reform bill of April 2021 infuriated dissenters and sparked protests for weeks. President of Colombia, Iván Duque had no choice but to repeal the tax reform. Violent crackdown on protesters by Colombia's security forces brought criticism from international bodies and human rights group in May 2021.

Keywords: economic downfall, extreme poverty, income inequality, pandemic distress, public misery, social unrest, violent crackdown.

1. Introduction

Colombia, popularly known as "gateway to South America", had a checkered past replete with armed rebellion, guerrilla warfare, notorious drug racket, stark inequality, rampant violation of human right and social upheaval. Situation started improving since 2002 with improvement in security measure. The great victory of Simon Bolivar against Spanish force led to formation of Republic of Gran Colombia with Ecuador, Panama and Venezuela in 1819. Later on, in late 1920s, Venezuela and Ecuador disintegrated and were declared as separate states. Conservative and Liberal parties came into existence in 1849 and the two parties were at loggerheads since inception. The tension between them escalated and resulted in War of the Thousand Days between 1899-1902. The civil war rendered thousands dead and caused Panama to be an independent state. Situation improved slightly with introduction of social legislation and reinforcement of trade unions in 1930. But crisis

emerged unimaginably with scourge of civil war plagued Colombia from 1948-57 and normalcy was restored with formation of National Front in 1958 that proclaimed other parties forbidden. Guerrilla warfare and illegal drug trading dismayed and disgraced Columbia in 60s and 70s. Concerted effort to eliminate drug traffickers and cleaning operation gained traction in 1978 under leadership of president Julio Turbay and the campaign against drug racket intensified in 1984 after assassination of justice minister. New constitution of 1991 brought hope to Columbians with assurance of democratic rights. Pablo Emilio Escobar Gaviria, wealthiest criminal, drug racket kingpin and figurehead of the Medellín Cartel was shot dead in 1993. Escobar masterminded 18 years long drug peddling to US and other parts of the world illegally. Cartel under him had ample economic, political and social influence and sponsored illegal armed groups across political assortment. His extermination brought much relief to drug control measure. Columbia needed peaceful settlement with guerilla groups to remove tension from social life and be clear of uncertainties that prevailed in economic activities. Formal peace talk began in 1998 with initiative from Conservative leader and elected president Andres Pastrana Arango. Revolutionary armed forces such Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN) emerged around 1964-1966 and remained active in insurgency campaign against successive government administrations, kept the armed security machinery on tenterhook through decades. Despite signing of peace agreement between left-wing FARC rebels and the government in 2016, there was violence against native groups by right-wing paramilitaries and defiant rebels who antagonized the peace agreement. Conflict with FARC finally ended with UN intervention as rebels surrendered weapons and decided to join politics with assurance from Colombian govt about uncontested seats in the House of Representatives and Senate.

Christened after Spanish explorer Christopher Columbus, Columbia is a country of extreme with colonial past and later strife led political instability, situated between Tropic of Cancer and the Tropic of Capricorn, with varied climate and geographical diversity, colorful cultural splendor but troubled by corruption, unemployment and poverty. It is fourth largest nation in Latin America, oldest Latin democracy and

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accommodates world's second largest Spanish-speaking population. Old colonial economy relied heavily on gold mining but modern economy focused on extraction of fossil fuel, multitudes of metals, agricultural output, manufactured goods with export priority and domestic consumption. Energy and mining export had been backbone of economy which fell prey to fluctuations of commodity prices from time to time. Columbia's export basket mostly remains filled with coal, coke, crude oil, gold, coffee and spices, fruits and nuts, cut flowers ferroalloys and gems. Colombian coffee had always been sought after in world market that grows in the slopes of Andes mountain. The biggest trading partners are United States, China, Germany, the Netherlands, and neighboring Mexico, Brazil, and Panama. Mostly Columbia ends up with negative trade balance as its imports tend to exceed export over years (The Bogota Post, May 28, 2019). As per Columbia country profile by CIA of 2017, agriculture had lowest 7.2% contribution to GDP with 17% of labor force participation, industry contributed with 30.8% with 21% labor engagement and service sector scaled maximum with 62.1% of GDP contribution and 62% labor force participation. But economy cut sorry figure with disgraceful double-digit unemployment rate and abysmal 35% of populace living below poverty line. Columbia economy underwent decade long steady advance of around 4% of GDP growth rate from 1970-1998 but plunged into recession and registered yearlong negative growth in 1999. The economic deceleration was caused by feeble demand in domestic as well as foreign market, austerity measure in budget for fiscal discipline and horrendous armed insurgency by indigenous rebel groups. Even income through tourism got disrupted due to volatile internal strife. As per World Bank overview of Mar 24, 2021, Columbia fared well economically since 2000 with deft and astute macroeconomic and fiscal management, diligent inflation targeting mechanism, flexible exchange rate adherence and rule based fiscal structure. The strategy augured well as poverty reduced by half in last 10 years. But teething problems such as low-slung productivity, mammoth infrastructure gap, skill deficiency, shrunken trade integration and blockades to domestic competition marred total factor productivity. Lopsided export in favour of non-renewable commodities, particularly crude oil put economy vulnerable to external shock. Economy was also shadowed by surging income inequality and labor market informality. Lack of education and absence of social security measure ripped open deplorable plight of social life.

2. Case Presentation

Anti-government demonstrations in capital city Bogota, south-western city of Cali and other parts of the nation revealed pent up resentment of people who were frustrated by scathing poverty that exacerbated since outbreak of COVID-19. People suffered immeasurably under prolonged lockdown in 2020. Economy presented a dismal picture as it contracted by 6.8% in 2020 and the budget deficit of government ramped up by about 8% of GDP. The number of Columbians underwent extreme poverty went up by 2.8 million whose earning fell below 145,000 pesos or \$38 a month. As per official sources, 30%

people of the northern city Quibdó experienced extreme poverty and city Medellín, touted as economic powerhouse of Columbia, registered poverty level of 9%. Economy failed miserably to provide people a decent standard of living. It rather aggravated rich-poor divide of the nation. During pandemic ordeal, poor people suffered severely with lack of means for sanitizer, medicine and unbearable hospital expenses. Death toll mounted high as ill-prepared healthcare system buckled under surging cases while medical equipment and trained staffs were in short supply.

President Ivan Duque Marquez from rightist Democratic Center party came to power in August 7th, 2018 defeating his rival Gustavo Petro who gained victory with handsome margin. President Duque failed to keep his electoral promise as security of people and stability of economy and social system got severely disturbed. The beginning of his term was wasted on opposing historic peace accord signed by his predecessor, Juan Manuel Santos in 2016 with rebel group FARC to end 50-year-long armed insurrection rather than addressing root cause of disruptive crime. The approval rate of President Duque plummeted 33% before riot erupted in November 2019. Duque's objective of economic reform was to raise GDP 1.4% higher and he wanted reform process implementation by favoring wealthy, privatizing public sector units through stake sell to corporates, disobeying environmental regulations and indigenous rights and straining workers and pensioners with austerity measure, His tax reform bill in April 2021 was to afflict low wage earners than affluent counterpart. The patience of people broke down with whale of injustice directed to them. People took to streets to voice concern over tormenting tax reform bill, corruption in government administration and to claim reform in health, education and wage rate. President Duque blamed the crisis on neighboring Venezuela, militarized all cities and accused protesters as rebels suspecting affiliation with militant groups.

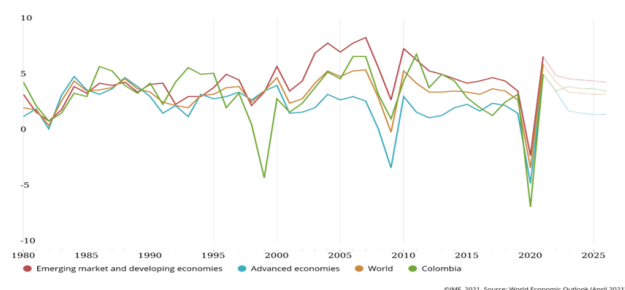


Fig. 1. Real GDP growth (Annual percent change)
Source: IMF Data mapper, World Economic Outlook, April 2021.

In the above diagram, annual percentage change with respect to real GDP growth depleted drastically in 2020 for Columbia and it didn't get better in first phase of 2021. Real GDP growth rate lowered to -6.8 percent in comparison with previous year. Trade balance deteriorated in 2020 compared to 2019 due to sharp decline in oil price and lack of demand for majority of commodities. On the positive note, steady influx of remittances and less dividends to foreign direct investors improved current account deficit to 3.3% of GDP in 2020 from 4.2 percent of

GDP in 2019. Central bank of Columbia, Banco de la República de Colombia, reduced intervention rate by 250 basis points between March and September, 2020 which was historic low to enhance liquidity into the market. A relief package of over COP 31 trillion tantamount to estimated 3% of GDP of 2019 standard was declared to provide much needed funds to health sector, and also to support troubled business firms and low-income section of populace. Internationally renowned credit rating agency, Standard & Poor downgraded Colombia's foreign currency debt on May 20, 2021, which would make cost of borrowing steeper. Govt. would find it difficult to finance welfare measures needed to appease nationwide protesters. Colombian peso (COP) depreciated by 5.34% since tax reform bill proposed in Congress on 15th April, 2021. Stock market crashed and main stock index COLCAP lost market capital of 2.72% till May 4, 2021. Government bond yield shot up for September 2030 and was hiked from 6.92% to 7.245% post declaration of tax reform that put additional burden of fiscal liability. The above diagram rightly illustrates wrecking blow of COVID on Columbia economy which affected far deeply in comparison with emerging nations, advanced economies and rest of the world. The infected cases exceeded 2.4 million by April 2021 and loss of more than 75,000 lives exposed ramshackle status of healthcare sector. Extended lockdown hampered livelihood of people massively. Pandemic disclosed deep seated structural and systematic disparity prevalent in Colombian society. Over dependence on crude oil cause a deleterious damage with sharp fall of crude oil price in 2020. Columbia's export basket contained cheaper primary goods or agricultural output and lacked industrial merchandises. The less diversified economy bore risk of grave economic contraction. The urgency to correct economic demerit with menacing tax reform backfired ruling authority and traumatized dissenting middle class and marginalized people.

3. Discussion and Conclusion

The leading Latin American republic Columbia has colonial past and troubled history fraught with grievance ridden society that underwent unequal distribution of wealth, guerilla warfare between armed force and leftist rebel groups, illegal trade in drugs and prevalence of powerful drug cartel for decades. It took many years and support of USA to control drug cartel. Peace deal signed in November 2016. The track record of Colombia's militarized police had never been decent. The militarized police had a tough time fighting leftist rebel groups. Economic performance remained moderate since 2000 as policy measures focused on discerning fiscal management, inflation driven effective demand in the market and flexible exchange rate regime. Government was expected to be mindful about legality, entrepreneurship and equity with special emphasis on infrastructure, environmental sustainability and innovation (World Bank overview, March 2021). However, ground reality had been far from being impressive. Infrastructure inadequacy, low productivity, enervated competitive strength, deficient skill capacity, degraded trade collaboration retrograded economic prospect. The problem was amplified by monstrous COVID-19 invasions. Ill prepared

nation paid hefty price with mounting death toll, stressed healthcare facility and drained state exchequer. Economic activities and regular lives were jeopardised by protracted lockdown and restriction measure. Govt. swung into action, announced fiscal package, deployed fund for struggling health care system, conducted unconditional cash transfer to vulnerable section, deferred tax collection and offered special lines of credit for beleaguered firms. Economy bore the brunt of unprecedented crisis, contracted immensely, diminished livelihoods, made scarcity for bare necessities such as food and fuel and dragged poor and marginalised people below the poverty line. In order to stabilize distraught economy and restore balance in fiscal management, President Ivan Duque declared tax reform measure which was intended to raise more than \$6 billion in revenue. It didn't go off well as proposed reform lowered threshold of tax level to bring low income group under the purview of taxation. It also declined tax benefit for individuals so far exempted, aggrandised tax burden for all businesses and extended VAT for more goods in the market. The objective of tax reform was to set right wobbling economy with collected tax estimated to be 25 billion pesos (about \$6.85 billion). Infuriated people poured out on streets and demonstrated against excruciating reform. Under pandemic circumstances, people struggled hard to make both ends meet and feed family members. Amidst escalating tension and violent clashes between protesters and security forces, Finance Minister Alberto Carrasquilla resigned and President Ivan Duque withdrew the tax reform bill with televised address from capital Bogota on May 2, 2021. United Nations, U.S. State Department and Human Right group Amnesty International condemned police atrocities on protesters and urged Colombian govt. to hold restrain on military operations, quell tension and restore peace and stability. Mr. Duque blamed backing of rebel group behind social unrest. Columbia stands on the crossroad with options as honouring public demand or militarization of nation through empowerment of police force inviting probable return to horrific past of intense armed rebellion. The demand of common people deemed legitimate as it asked for introduction of universal basic income to ease inequality, creation of opportunities for youth, reduction of tuition fees to make university education more affordable, culmination of police violence, end of injustice and betterment of healthcare facilities. Onus is on President Duque administration to roll out rational and welfare centric social and economic policy measure whose presidential election is awaited on 2022.

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