

# Embassy of Canada to Colombia

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## Annual Report Pursuant to the Agreement concerning Annual Reports on Human Rights and Free Trade between Canada and the Republic of Colombia

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May 15, 2012

### Introduction

The *Free Trade Agreement between Canada and the Republic of Colombia* (Canada-Colombia Free Trade Agreement, "CCOFTA") provides for the liberalization of various types of economic activities, including trade in goods, trade in services, foreign investment, and government procurement. Free trade with Colombia is consistent with Canada's Americas Strategy, which focuses its engagement on increasing economic opportunity, strengthening security and institutions, and building a stable foundation for Canada's engagement by deepening our relationships. Economic growth through liberalized, rules-based trade and investment can help create new wealth and employment opportunities. This growth may also help solidify efforts by governments to create more prosperous democracies and to reduce poverty.

On November 21, 2008, Canada and Colombia signed the CCOFTA as well as the *Agreement on Labour Cooperation between Canada and the Republic of Colombia* ("Labour Cooperation Agreement") and the *Agreement on the Environment between Canada and the Republic of Colombia* ("Environment Agreement"). Implementing legislation for these agreements was introduced in Parliament on March 10, 2010, passed on June 21, 2010, and received Royal Assent on June 29, 2010. The CCOFTA entered into force on August 15, 2011, shortly after a visit by Prime Minister Stephen Harper to Colombia.

### Background

The *Agreement concerning Annual Reports on Human Rights and Free Trade between Canada and the Republic of Colombia* ("the Agreement") was signed on May 27, 2010. The Agreement states:

"Each Party shall provide a report to its national legislature by May 15 in the year after the entry into force of the *Free Trade Agreement between Canada and the Republic of Colombia* and annually thereafter. These reports will be on the effect of the measures taken under the *Free Trade Agreement between Canada and the Republic of Colombia* on human rights in the territories of both Canada and the Republic of Colombia."

Foreign Affairs and International Trade Canada (DFAIT) and the Ministry of Foreign Affairs of Colombia are responsible for the drafting of each country's report.

Reference is made to the Agreement in paragraph 15.1 of *An Act to Implement the Free Trade Agreement between Canada and the Republic of Colombia, the Agreement on the Environment between Canada and the Republic of Colombia and the Agreement on Labour Cooperation between Canada and the Republic of Colombia* ("Implementation Act") and is the means through which Canada's international obligation is incorporated into domestic law:

**15.1** Pursuant to the Agreement Concerning Annual Reports on Human Rights and Free Trade Between Canada and the Republic of Colombia, the Minister shall cause to be laid before each House of Parliament by May 15 of each year or, if that House is not then sitting, on any of the 30 days next thereafter that it is sitting, a report on the operation of this Act during the previous calendar year, containing a general summary of all actions taken under the authority of this Act, and an analysis of the impact of these actions on human rights in Canada and the Republic of Colombia.

### Report tabled in 2012

The Implementation Act commits Canada to report "on the operation of this Act during the previous calendar year". Given the entry into force date of CCOFTA on August 15, 2011, sufficient trade data is not available for an analysis of a full calendar year of activity in 2011. Therefore, the focus of this year's report will be to describe the approach to be used in future years.

### Report to be tabled in 2013 and Subsequent Years

The report to be tabled in 2013 will provide an analysis of any noticeable changes in trade and in the human rights situation in the most active economic sectors stemming from the CCOFTA, from August 2011 to December 2012, in both Canada and Colombia. It will also include baseline information outlining the trade and human rights situation in those economic sectors prior to the entry into force of the CCOFTA. It is expected that reports tabled in subsequent years will update and analyze any changes in trade and in the human rights situation in the most active economic sectors for the calendar year prior to the tabling of the report.

### Methodology

The methodological steps intended to be used to analyze the impacts of the CCOFTA on human rights will be applied to merchandise, service and investment flows from Canada to Colombia and vice versa. Many Colombian goods came into Canada duty-free prior to CCOFTA. Consequently, the number of economic sectors that would experience any potential changes as a result of the implementation of the CCOFTA in Canada are comparatively few. Additionally, the human rights situations in Canada and Colombia are different. The portions of the report dealing with Canada and with Colombia will reflect these differences. On the section pertaining to human rights in

Canada, the provinces and territories will be consulted. The methodology intended to be used in subsequent years to undertake such analysis is outlined below.

## Methodological Steps:

1. **Review the measures taken under the CCOFTA in the previous calendar year.**
2. **Preliminary Screening:** Review specific provisions of CCOFTA that were negotiated for the benefit of particular economic sectors to identify those sectors where an increase in trade and/or investment is expected. Using official data, review and analyze historical and current volumes of trade in goods and services and investment between Canada and Colombia in order to identify and confirm the economic sectors which demonstrate the greatest change.
3. **Cluster the Economic Sectors:** Cluster the information about trade, investment, and services into significant sectors and sub-sectors for the purposes of annual tracking. Preliminary screening and projections indicate that sectors to be tracked could include: **Canadian Flows into Colombia:** *manufactured goods, materials, agriculture (grains and pulses), livestock, extractive industry, environmental services, construction and related services, telecommunications services, and financial services.* **Colombian Flows into Canada:** *cut flowers, gimped yarn, men's and boy's clothing, refined sugar and candy, and palm oil.* These sectors will be confirmed following an analysis of the post CCOFTA entry into force trade data.
4. **Pairing of Economic Sectors with Relevant Human Rights and Analysis:** Once the significant economic sectors affected by CCOFTA are identified, prepare a report on the effect of the measures.
5. **Consultations with Stakeholders:** Consult with stakeholders with regards to the report and its methodology.
6. **Summary of CCOFTA Mechanisms:** Review and summarize any activity undertaken under the CCOFTA Mechanisms (i.e., consultation, public communications, and dispute resolution mechanisms) which refer to human rights.
7. **Labour Cooperation Agreement:** Review and summarize activities undertaken in the previous year as called for by the Labour Cooperation Agreement.
8. **Environment Agreement:** Review and summarize activities undertaken in the previous year as called for by the Environment Agreement.

## Canada-Colombia Trade

Canada is the tenth largest economy in the world with a gross domestic product (GDP) of US\$1.7 trillion and per capita GDP of US\$49,349 in 2011 <sup>[11]</sup>. Colombia's economy is the fourth-largest in Latin America (third-largest excluding Mexico) with an estimated GDP of US\$328.4 billion in the same year, which is equivalent to 18.9% of the Canadian economy. Its per capita GDP was US\$7,132 in 2011. Canada is Colombia's 19th most important trading partner measured in terms of Colombia's total trade. The Canada-Colombia trading relationship is robust and bilateral trade is overall relatively balanced.

In spite of the 2008-2009 global economic and financial crisis, two-way merchandise trade increased by 140% from only US\$641.4 million in 2000 to reach a record high of US\$1.6 billion in 2011. Canada's merchandise exports to Colombia have more than doubled since 2000, reaching C\$760.9 million in 2011, with agri-food products making up the largest share. Main Canadian exports to Colombia consist of cereals (mainly wheat), machinery, paper and paperboard, fertilizers and electrical machinery. Canada's merchandise imports from Colombia have also more than doubled to reach C\$799.7 million in 2011, up from C\$331.8 million in 2000. Canada's main imports from Colombia consist of mineral fuels, coffee, fruit and nuts, flowers, and sugar. Agri-food products therefore accounted for almost 50% of the imports while energy represented 42%.

### Canada's Merchandise Trade with Colombia, 2000-2011 (C\$ million)

Year	Exports	Imports	Total Trade	Trade Balance
2000	309.6	331.8	641.4	-22.3
2001	365.9	415.5	781.3	-49.6
2002	343.5	393.0	736.5	-49.5
2003	307.6	373.9	681.5	-66.2
2004	387.1	418.6	805.7	-31.5
2005	448.2	583.6	1,031.8	-135.4
2006	513.2	640.4	1,153.6	-127.2
2007	662.3	468.6	1,130.8	193.7
2008	708.8	638.8	1,347.6	70.1
2009	592.0	733.6	1,325.6	-141.6
2010	642.3	717.3	1,359.5	-74.9
2011	760.9	799.7	1,560.6	-38.8

Source: Statistics Canada

Trade in services is an essential element of the bilateral trading relationship. Over the period from 2000 to 2009 bilateral trade in services grew by 35% from C\$114.0 million to reach C\$154.0 million in 2009 (latest data available). Over the period from 2000 to 2009, Canada's services exports to Colombia grew by 57.8% to reach C\$101.0 million in the latter year. Total Canadian imports of services from Colombia barely changed over the past decade at around C\$50.0 million, reaching C\$53.0 million in 2009. As a consequence, Canada has registered a surplus in services trade with Colombia over the past several years, amounting to C\$48 million in 2009.

The Canada-Colombia bilateral investment relationship has been strengthening over the years. The stock of Colombia's direct investment in Canada was valued at C\$3.0 million at the end of 2000, but had decreased to C\$1.0 million by the end of 2011. Canada's direct investment in Colombia is more substantial, but has been volatile over the past decade. The stock of Canadian direct investment in Colombia was C\$898.0 million at the end of 2000, dropped to C\$270.0 million in 2003 before recovering and reaching C\$1.7 billion at the end of 2011.

Tariffs remain a significant factor that influences the size and composition of bilateral trade flows between Canada and Colombia. Prior to the CCOFTA, products originating from Canada faced average tariffs of 16.8% for agriculture products and 11.8% for industrial goods in Colombia. Under the CCOFTA, tariffs were eliminated immediately on the date of entry into force of the Agreement, August 15, 2011, on approximately 67.4% of Colombia's tariff lines. In Canada's case, duties were eliminated immediately on that date on approximately 96.6% of tariff lines. Other tariff lines covered by this FTA will be phased-out in accordance with the tariff schedules agreed to under the CCOFTA.

## Labour Cooperation and Environment Agreements

The Implementation Act mandates Canada to prepare "a report on the operation of this Act during the previous calendar year, containing a general summary of all actions taken under the authority of this Act". As the Implementation Act includes the Labour Cooperation and Environment Agreements, a brief review of these follows.

### Labour Cooperation Agreement

The Labour Cooperation Agreement ("LCA") commits Canada and Colombia to ensuring that their laws not only respect the International Labour Organization's (ILO) *Declaration on Fundamental Principles and Rights at Work* (1998), but also provide acceptable protections for occupational health and safety, hours of work, wages and migrant workers. The CCOFTA itself also includes a labour chapter and labour provisions.

#### Specifically, the LCA commits both countries to:

Comply with and effectively enforce their domestic labour laws and policies through appropriate government actions. These laws must embody the following internationally recognized labour principles and rights:

- freedom of association and the right to collective bargaining
- the elimination of all forms of forced or compulsory labour
- the effective abolition of child labour
- the elimination of discrimination in respect of employment and occupation
- acceptable conditions of work with respect to minimum wages, hours of work and occupational health and safety
- providing migrant workers with the same legal protections as citizen in regards to working conditions

Ensure that they do not waive or otherwise derogate from their labour laws in a manner that weakens or reduces adherence to the internationally recognized labour principles as an encouragement for trade or investment.

Ensure that requests for labour inspections are given due consideration and that a person with a legally-recognized interest has appropriate access to proceedings before a tribunal which can enforce national labour law.

Make information publicly available in relation to their labour laws and enforcement and compliance procedures.

Encourage the use of voluntary best practices of corporate social responsibility (CSR) by enterprises.

The LCA contains provisions concerning institutional mechanisms to ensure its effective implementation. This includes a dispute resolution process to ensure compliance with the possibility of up to \$15 million in fines in any one year. All monetary assessments will be paid into a cooperation fund to be expended in the territory of the party complained-against to address labour issues. The LCA also provides for a Ministerial Council, comprised of Labour Ministers from both Canada and Colombia, that shall meet within the first year after the entry into force of the Agreement and thereafter, as necessary, in order to oversee its implementation.

A key element of Canada's labour approach is cooperation. The provisions of the LCA are complemented by concrete actions to address the labour situation in Colombia, notably through labour-related information sharing and technical assistance.

The first Ministerial Council meeting took place in Bogotá, Colombia, on January 22, 23 and 24, 2012. Outcomes of the meeting included: the designation of formal contact points in each government for the LCA; a discussion of recent Ministerial accomplishments and priorities; approval of the 2012-2013 Plan of Action for Cooperative Labour Activities, and discussions about the possible timing and agenda of the next Ministerial Council meeting.

As stipulated by the Agreement, the Canadian and Colombian Ministers of Labour also met with members of the public, including both union and employer representatives, as well as representatives of international organizations, to obtain their views with regards to the LCA's implementation.

The approved 2012-13 Plan of Action for Cooperative Labour Activities under the LCA lays out a series of areas for future work specifically on technical assistance for effective tripartite dialogue (comprised of government, employers and unions) and areas for increased information sharing. This document will help guide the parties in the development of new cooperation initiatives and ensure full implementation of the LCA.

### Environment Agreement

The Environment Agreement commits both countries to encourage high levels of domestic environmental protection, to foster good environmental governance and to promote transparency and public participation. It will also create a framework for undertaking environmental cooperative activities. The Environment Agreement, signed in parallel to the CCOFTA, reinforces the concept that free

trade should not take place at the expense of the environment. The CCOFTA itself also includes environment provisions and an environment chapter.

The Environment Agreement commits both countries to pursue high levels of environmental protection and to continue to develop and improve their environmental laws and policies. It requires each country to:

- comply with and effectively enforce its domestic environmental laws and policies through appropriate government actions;
- neither weaken nor reduce levels of protection afforded in its domestic environment laws to encourage trade or investment;
- ensure that proceedings are available to sanction or remedy violations of its environmental laws (e.g. residents of a country may request investigations of alleged violations of environmental laws of that country);
- increase public awareness and transparency by ensuring that information regarding environmental laws and policies is available to the public;
- ensure that environmental impact assessment processes are in place;
- encourage the use of voluntary best practices of corporate social responsibility (CSR) by enterprises;
- strengthen the protection of biological diversity; and
- respect, preserve and maintain traditional knowledge, innovations and practices of indigenous and local communities.

The Environment Agreement commits the countries to make every attempt, through consultations and the exchange of information, with an emphasis on cooperation, to address any matter which may arise between them relating to the Environment Agreement. If the countries fail to resolve the matter, one of them may seek consultation at the ministerial level.

With the goal of strengthening environmental governance, the Environment Agreement includes a framework to undertake environmental cooperation activities aimed at supporting the objectives and obligations of this Agreement and addressing key environmental issues of mutual interest to Canada and Colombia. These activities are an opportunity to promote high levels of environmental protection through technical exchanges and information sharing.

The First Committee meeting under the Canada-Colombia Environment Agreement, comprised of officials, took place in Bogotá, Colombia, on March 21 and 22, 2012. At this initial meeting, Canada and Colombia reviewed the key commitments and institutional arrangements required by the Environment Agreement. In addition, both Canada and Colombia jointly began work on selecting collaborative projects for the cooperative work program under the Agreement.

## Conclusion

The CCOFTA entered into force on August 15, 2011. Consequently, the 2012 report provides an outline of the steps to be used in the reports to be tabled in subsequent years, as well as a brief review of Canada-Colombia trade data and of the Labour Cooperation and Environment Agreements.

The report to be tabled in 2013 will provide an analysis of any noticeable changes in trade and in the human rights situation, in the most active economic sectors, stemming from the CCOFTA, from August 2011 to December 2012 in both Canada and Colombia.

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## Annexes

- Annex 1: [Agreement concerning Annual Report on Free Trade and Human Rights between Canada and the Republic of Colombia](#)
- Annex 2: [Economic Profiles for Canada and Colombia](#)

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## Annex 2: Economic Profiles of Canada and Colombia

### Introduction

This following section presents a macroeconomic overview of the economies of both Canada and Colombia, including sector composition and key drivers underpinning economic performance.

### The Canadian Economy

Canada is the tenth largest economy in the world measured in terms of gross domestic product (GDP) in U.S. dollars, and is one of the world's wealthiest states with per capita GDP at

C\$49,842 (US\$49,349) in 2011. Over the past decade, the Canadian economy has shown steady growth, expanding at an annual rate of 1.9% notwithstanding the global economic and financial crisis in 2008-09. Canada weathered the recent global economic and financial crisis better than most other industrialized countries. Economic activity has more than fully returned to pre-crisis levels. Its strength and resilience during the recent global economic and financial crisis are in part the result of broad-based tax cuts, debt reduction, the strengthening of financial institutions, and investments in knowledge and infrastructure implemented over the past decade. The International Monetary Fund predicts that Canada will continue to lead major industrial economies in average growth in the coming years.

Canada's economic strength also lies in its diverse and dynamic natural-resource industries that supply the world with minerals, oil and gas, forest products and other commodities, as well as its skilled labour force and well-established institutions.

Canada is a trading state receptive to foreign goods, services and ideas. It is one of most open economies in the world with international trade accounting for 63.5% of Canada's GDP. It also has, on average, low barriers to cross-border flows of goods, services, and capital. Commodities of natural resources and high-tech equipment represent the bulk of total Canadian merchandise exports. Exports of commodities have been particularly strong in recent years, in part due to rising demand from high-growth markets and high commodity prices. The United States is Canada's major trading partner with 73.7% of Canadian merchandise exports destined for that market in 2011.



Sector	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Agriculture	-2.0	-9.0	-5.0	11.0	9.0	3.0	-1.0	-1.0	3.0	-9.0
Industry	8.0	-2.0	2.0	1.0	3.0	2.0	0.0	0.0	-3.0	-10.0
Manufacture	11.0	-5.0	1.0	-1.0	2.0	2.0	-1.0	-2.0	-6.0	-13.0
Services	4.0	4.0	3.0	2.0	3.0	3.0	4.0	3.0	2.0	0.0

**Table 2.2: Value Added (current bill.US\$)**

Sector	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Agriculture	15.3	14.9	14.8	16.9	20.0	19.5	19.8	22.5	N/A	N/A
Industry	223.6	212.5	210.9	251.7	292.0	342.0	380.7	420.2	N/A	N/A
Manufacture	129.5	119.5	120.2	133.0	148.2	158.0	168.4	178.2	N/A	N/A
Services	434.4	439.0	455.3	537.0	611.4	695.3	793.4	889.4	N/A	N/A

Source: World Development Indicators Online database, May 2012

## The Colombian Economy

With a population of 46 million people, Colombia is the third most populous country in Latin America after Brazil and Mexico. Its economy is the fourth largest among all Latin American countries. Colombia's GDP was US\$328.4 billion in 2011 or about 18.9% of the Canadian economy.

Over the past decade, Colombia has experienced impressive economic growth as a result of pro-market economic policies, reforms in the oil and gas sectors, improvements in domestic security and strong export growth fuelled by increasing demand for natural resources from high-growth markets and rising commodity prices<sup>[1]</sup>. Real GDP grew by 4% annually in US dollars in the period 2000-2011. Per capita GDP surged remarkably from US\$2,480 in 2000 to US\$7,132 in 2011. Despite the impressive record in macroeconomic performance, economic development in Colombia is limited by inadequate infrastructure and persistent high unemployment which IMF estimates at roughly 10.8%, in 2011 which is among the highest in Latin American countries.

The Colombian economy depends heavily on energy and agricultural commodities exports. It is the world's second largest coffee producer after Brazil, and a major supplier of cut-flowers and bananas to the world. Colombia's aggressive promotion of free trade agreements in the past decade has bolstered its capacity in international trade. Between 2000 and 2011, Colombia's merchandise trade with the world more than quadrupled to reach US\$111.2 billion in 2011 from US\$24.6 billion in 2000. The United States is its principal trading partner, absorbing 38.3% of total Colombian merchandise exports in 2011, followed by the Netherlands, Chile and China.

**Table 3: Key Economic Indicators, Colombia, 2000-2011**

Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Population, millions	40.2	40.8	41.3	41.8	42.3	42.9	43.4	43.9	44.5	45.0	45.5	46.1
GDP, current prices, US\$ billion	99.9	98.2	97.8	94.7	118.8	146.6	160.7	210.6	235.7	233.4	287.2	328.4
GDP per capita, current prices, US\$	2,480	2,407	2,367	2,263	2,804	3,418	3,702	4,794	5,303	5,189	6,312	7,132
GDP, constant prices,	2.9	1.7	2.5	3.9	5.3	4.7	6.7	6.9	3.5	1.7	4.0	5.9

annual % change												
Inflation (CPI) annual % change	9.2	8.0	6.3	7.1	5.9	5.0	4.3	5.5	7.0	4.2	2.3	3.4
Current account balance, US\$ billion	0.8	-1.1	-1.3	-1.0	-0.9	-1.9	-3.0	-6.0	-6.8	-5.0	-8.9	-9.3
Current account balance, % of GDP	0.8	-1.1	-1.3	-1.0	-0.8	-1.3	-1.9	-2.8	-2.9	-2.1	-3.1	-2.8

Note: Figures for 2011 are estimates

Source: IMF World Economic Outlook Online Database, May 2012

The Colombian economy experienced profound structural changes in the last decade. The share of industry as a percentage of GDP increased to 36% in 2010 from 29% in 2000, strengthened by expansion in the production capacity of the oil, coal, gold, and precious stones sectors. The relative importance of agriculture in the overall economy declined marginally from 9% in 2000 to 7% in 2010. Services remain the largest sector of the Colombian economy making up 57% of Colombia's GDP in 2010.

**Table 4: Structural Changes in the Colombian Economy, 2000-2010**

**Table 4.1: Value Added (% of GDP)**

Sector	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agriculture	9.0	9.0	9.0	9.0	8.0	8.0	8.0	8.0	8.0	7.0	7.0
Industry	29.0	30.0	30.0	31.0	32.0	33.0	34.0	34.0	35.0	34.0	36.0
Manufacture	15.0	16.0	15.0	16.0	16.0	15.0	16.0	16.0	15.0	14.0	15.0
Services	62.0	62.0	62.0	60.0	59.0	59.0	58.0	58.0	58.0	58.0	57.0

**Table 4.2: Value Added (annual % growth)**

Sector	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agriculture	-6.0	2.0	5.0	3.0	3.0	2.0	3.0	4.0	-1.0	0.0	0.0
Industry	-5.0	1.0	3.0	5.0	6.0	4.0	7.0	6.0	0.0	2.0	10.0
Manufacture	3.0	3.0	2.0	5.0	8.0	4.0	8.0	8.0	-4.0	-6.0	12.0
Services	11.0	2.0	2.0	3.0	5.0	5.0	6.0	7.0	6.0	2.0	1.0

**Table 4.3: Value Added (current bill.US\$)**

Sector	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agriculture	8.3	8.0	8.0	7.6	9.1	11.2	12.0	15.0	17.0	16.0	18.8
Industry	27.5	27.0	27.0	27.4	34.7	43.8	50.3	63.8	77.0	73.7	96.3

Manufacture	14.5	14.3	14.0	13.7	16.8	20.5	23.6	30.1	33.0	30.7	40.0
Services	57.3	56.5	56.0	52.5	63.8	79.0	86.0	109.8	128.9	126.5	150.1

*Note: Figures for 2010 are estimates*

*Source: World Development Indicators Online database, May 2012*

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*All figures relating to Canada are from Statistics Canada, Colombia's GDP figure is from the International Monetary Fund (IMF) and Colombian import figures are from the Global Trade Atlas.*

**[Economist Intelligence Unit, Recent development, December 1st 2011,](#)**

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