

## COLOMBIA: Tax reform detonates major political crisis

The tax reform that President Ivan Duque [withdrew on 3 May](#) has succeeded in reigniting the 2019 protest movement. The difference now is that economic conditions have deteriorated drastically, while wide-ranging public grievances run even deeper than before. This explains why protests are continuing even after Duque abandoned the original draft of the tax reform and its architect, Alberto Carrasquilla, resigned as Finance Minister. Whether Duque's call for a new national dialogue process can defuse the crisis is the key issue to watch in the coming days; this will, in turn, determine whether a modest tax reform remains viable. Beyond that, it is clear that Duque is a lame duck.

### Protests

The Strike Committee formed in 2019 has brought forward a strike originally planned for later this month to today, 5 May. Demonstrations are set to be multitudinous given public anger over the controversial ESMAD riot police's excessive use of force in recent days; officially, 19 people have been killed since the start of protests on 28 April, but dozens more are missing, especially in the third-largest city of Cali, where criminal elements appear to have aggravated the situation. The likelihood of violence and rioting is high. Last night in Bogota, 25 neighborhood police stations came under attack, and over 100 public buses were vandalized.

### Dialogue

In a bid to de-escalate the situation, Duque yesterday issued a call for a wide-ranging dialogue. The problem is that Duque's 2019 "national conversation" was widely seen as a ploy to buy time and divide protestors without making concessions. The protest movement is also diffuse and relatively spontaneous. Duque's failure to acknowledge police excesses is unhelpful, as are former president Alvaro Uribe (2002-2010)'s inflammatory comments from the sidelines, not to mention Duque's intention to press ahead with a more modest COP 14th tax reform.

### Tax reform

For as long as protests continue, the chances of approving a re-worked tax reform are low. More moderate opposition elements have already said that they will not engage with the government in Congress while the problem of the disproportionate police response goes unaddressed. [As previously discussed](#), the fundamental problem for Duque is that Congress is unlikely to pass a widely opposed reform, especially not this close to the 2022 elections. The current congressional session ends on 20 June; passing a reform before then would require a 180-degree turn in the political situation. There may be a second chance when Congress resumes in July, but electoral considerations will be even more pressing then.

### Wider implications

**Nicholas Watson**  
Managing Director  
+44 20 7186 8875  
[nicholas.watson@teneo.com](mailto:nicholas.watson@teneo.com)

Pressure for a constitutional re-write does not appear as strong as it was in 2019. While there are calls for Duque to step down and early elections have been mooted, neither represents a serious threat for now. While most parties have little inclination to support a government that has become this toxic, they do not want to see institutional upheaval that would, in any case, be highly unusual in the Colombian context. A recent Invaer poll also indicates that the leftist Gustavo Petro would be the most likely beneficiary; if there is one common strand running from the center-left all the way to *Uribismo*, it is a profound loathing towards Duque's 2018 run-off rival. Duque's failures also threaten to weaken [Uribe's political grip](#) after almost two decades.

[Client Portal >>](#)

---

**Nicholas Watson**

Managing Director  
+44 20 7186 8875  
[nicholas.watson@teneo.com](mailto:nicholas.watson@teneo.com)

© 2021 Teneo. All rights reserved. This material was produced by Teneo for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo.