The coffee bonanza

Will it go to the international bankers, or to industrial development?

Once again a controversy has broken out, although this time not very explicitly, between Colombia's labor minister, Jorge Carrillo Rojas, and the treasury minister, Hugo Palacios Mejía. This time, instead of wages, the fight is over how to invest the coffee bonanza.

The Colombian government figures it will take in 1.6 billion more dollars this year, thanks to the world coffee price rise, and \$3-5 billion during the entire period of the bonanza, i.e., as long as coffee prices stay high.

A pound of Colombian coffee was quoted in the New York market on Feb. 19 at \$2.47, while in recent years the average price per pound was barely \$1.45. This windfall has sparked a debate over how the money should be used. While Labor Minister Carrillo proposed channeling "these funds for national development," so that the bonanza "will have a permanent and positive effect, because it will serve to create capacities that the country does not now have," Treasury Minister Palacios wants the money to speed up payment on foreign debt, to save the banks from their bankruptcy.

It's not the first clash between the two ministers. Late in 1985, when Palacios was calling for a 10% ceiling on the minimum wage increase, as per International Monetary Fund demands, Carrillo successfully fought for the wage hike to be 2 points above inflation.

But in the case of the coffee bonanza, Palacios has the upper hand. First, he imposed in the monetary board, which controls manipulation of the money supply, measures to let private business spend their coffee dollars to pay their foreign debts, and cut the red tape to let travelers get dollars from Colombian banks to spend on tourism abroad. And he arranged to free more than 500 imported items from tariffs, to keep dollars out of the country, arguing that these dollars will inflate the economy. If dollars come in, Colombia will have to print money to buy them and thus "they create inflation"—so Palacios says it is better to spend them before they enter Colombia.

Meanwhile, President Belisario Betancur is trying to use the coffee bonanza to avoid fulfilling the accords which he signed with international banks and the IMF, at a time when a hard-currency shortage forced the government to accept conditions openly violating national economic sovereignty.

In fact, the government is now negotiating to not take a \$400 million credit, the second tranche of a "jumbo loan" it had contracted with a pool of banks headed by Chemical Bank of New York. To get this loan, which totals \$1 billion, Colombia had to accept an admonitory accord with the IMF so that the private bankers "would have confidence in Colombia."

The government revealed on Feb. 17 the terms of the contract for a \$250 million loan that Colombia took out from the World Bank, supposedly to fund imports of technology and agricultural inputs, with the aim of justifying to public opinion revising the contract. The terms include freeing and privatizing food imports (now controlled by the state institute, IDEMA), raising interest rates for agricultural development investments, and fixing increases in farm price supports which IDEMA pays at below-inflation levels.

By taking advantage of the coffee bonanza, Colombia could reject the World Bank loan and its conditions, as was stated by the Society of Farmers of Colombia on Feb. 17: "How can the government accept such odd arguments and say that in order to strengthen the sector, interest rates have to go up, limits must be set on prices of agricultural products, and food imports must go up?" On Dec. 11, 1985, the monetary board raised interest on farm development credits from 18% to 22%. As a result, in the first month of 1986, farmers took out barely 25% of the development loans which they took out in the same month last year. Business sources say that if the World Bank contract is fulfilled to the letter, loans will soon be at 30% interest, i.e., they "would no longer be development credits."

Carrillo's proposals go far beyond simply evading IMF and World Bank conditions. His vision is more long-term. In a speech in Nariño on Jan. 24 (*EIR*, Feb. 7, 1986, p. 44), he proposed to reap the bonanza by investing in "research and development projects of new agricultural technologies" and "turning Colombia into an agro-industrial power," and to realize all the projects which the government has presented to foreign investors but which have not been begun. "With the coffee bonanza," said Carrillo, "We don't need to wait for foreign capital to fund them."

Colombia had better adopt Carrillo's proposals. Any country that depends on a single crop or product for revenue can go bankrupt fast—as the oil producers now know.